Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

Union Investment

2017 annual report and CSR report

Contents

Foreword

Dear readers and shareholders,

When I look back at 2017, there are a few things that particularly stick out in my memory: the strong, globally synchronised economic upturn on the one hand and alarming geopolitical developments, few groundbreaking policies in Germany and Europe and the palpable unease of people in this country with regard to their prosperity on the other.

2017 was not an easy a year. But it was a successful year for us! Despite the difficult environment, we achieved very good results for ourselves and our investors. Compared to others, we made better use of the momentum of low interest rates while investing in the areas that will be most important to us in the future.

We are therefore able to live up to our aspiration of increasing our investors' assets and thus earning their trust. This is demonstrated, for example, by our dynamic new business. In total, we generated net sales of EUR 25.1 billion in 2017 – after 2015, the second-best sales result in the company's history.

At the same time, our assets under our management reached a new high of EUR 324 billion last year. This resulted in operating income of EUR 610 million, the best in the company's history. We therefore continue to grow constantly and above the average of our industry.

We are particularly pleased with the momentum behind these numbers. It validates our approach of addressing, together with our partners in the Genossenschaftliche FinanzGruppe, the long-term benefit of a broad asset structure among our retail clients and thus basing savings behaviour in general on a broader and more stable foundation.

In addition, we are seeing increasing interest from our institutional clients in sustainable investment solutions. Sustainability has now developed from a soft to a hard investment criterion in portfolio management, not least with regard to risk management. Due to the increased client interest, the volume of our sustainable solutions rose to more than EUR 33.5 billion as at the end of 2017. This makes us the leading asset manager in this segment in Germany.

What will happen now? Do the signs point to further growth? We believe they do! However, we have to take advantage of the opportunities that arise and set the course for the future with all consistency. The challenges are not getting smaller. Cumbersome regulation, the volatility returning to capital markets and new sales channels will make our business more complex and difficult.

It is important that we look ahead and prepare for future developments at an early stage. We have done our homework here and are already ahead of the curve in many respects. Looking forward, I remain confident in the high performance of our approximately 3,000 employees. For I know that they too are ready for the future!

Happy reading!

Hans Joachim Reinke
Chief Executive Officer of
Union Asset Management Holding AG

Report of the Supervisory Board

Supervisory Board and Executive Committee

In the 2017 financial year, the Supervisory Board and its Executive Committee monitored the management activities of the Board of Managing Directors in accordance with the applicable legal provisions and the Articles of Association and decided on items of business that required their consent.

To carry out its responsibilities and in compliance with the applicable legal provisions, the Supervisory Board formed an Executive Committee that operates, in particular, as a Human Resources Committee and Audit Committee and prepares the resolutions of the Supervisory Board. The Executive Committee met three times in 2017. The Supervisory Board was regularly reported to on its activities.

The terms of office of the ten shareholder representatives and the five employee representatives on the Supervisory Board ended at the end of the Annual General Meeting on 12 May 2017. On 12 May, the Annual General Meeting elected the following ten shareholder representatives to the Supervisory Board: Uwe Fröhlich (fully authorised representative of DZ BANK AG), Dr Matthias Hildner (Chief Executive Officer of Wiesbadener Volksbank eG), Wolfgang Kirsch (Chief Executive Officer of DZ BANK AG), Prof. Wolfgang Müller (Chief Executive Officer of BBBank eG), Jörn Nordenholz (Chief Executive Officer of Volksbank eG, Sulingen), Dr Cornelius Riese (member of the Board of Managing Directors of DZ BANK AG), Dr Norbert Rollinger (Chief Executive Officer of R+V Versicherung AG), Rainer Schaidnagel (Chief Executive Officer of Raiffeisenbank Kempten – Oberallgäu eG), Stefan Schindler (Chief Executive Officer of Sparda-Bank Nürnberg eG) and Andreas Theis (member of the Board of Managing Directors of Volksbank Eifel eG). The workforce elected the following five employees to the Supervisory Board as employee representatives: David Milleker (Chief Economist, Union Investment Institutional GmbH), Roland Müller (Sales Director, Union Investment Privatfonds GmbH), Wolfgang Nett (Sales Director, Union Investment Privatfonds GmbH), Heike Orth (Group Leader, Admin Service, Institutional Clients, Union Investment Institutional GmbH), Claudia Vives Carrasco (Real Estate Manager, Union Investment Real Estate GmbH). The terms of office of all 15 Supervisory Board members run until the end of the Annual General Meeting that formally approves their conduct for the fourth financial year after the beginning of the term of office, i.e. until the Annual General Meeting in 2022.

At its constituent meeting on 12 May 2017, the newly assembled Supervisory Board again elected Mr Wolfgang Kirsch as Chairman of the Supervisory Board and the Executive Committee. Mr Rainer Schaidnagel was elected Deputy Chairman of the Supervisory Board and the Executive Committee.

The Supervisory Board thanks Messrs Hermann Buerstedde, Lars Hille and Karl-Heinz Moll, who left the Supervisory Board at the end of the Annual General Meeting on 12 May 2017, for the committed and valuable support.

Cooperation with the Board of Managing Directors

The Board of Managing Directors provided the Supervisory Board with regular, timely and comprehensive written and oral reports on the position and performance of the company and the group and on general business developments. The Board of Managing Directors also regularly informed the Supervisory Board about ongoing operations and future business policy, including the corporate strategy and organisational structures of the Union Investment Group.

The Supervisory Board reviewed the risk position of the company and the group, in addition to the development of the systems and procedures used to manage operational, market and credit/guarantee risks, and examined other material risks specific to fund management business.

Supervisory Board meetings

The Supervisory Board held five meetings in the past financial year. At these meetings and by way of regular reports, in particular the quarterly reports, the Supervisory Board was regularly and comprehensively informed of the current position of the company and the group, primarily with regard to general business performance, key individual transactions and any personnel developments. The Supervisory Board was informed comprehensively and promptly of the work carried out by the Executive Committee. The Supervisory Board also approved material investment decisions and business action plans. Other key issues covered in the Supervisory Board meetings included budgeting, the effect of regulatory changes on the Union Investment Group's business, the acquisition of 49.9 % of the shares in the newly founded ZBI Partnerschafts-Holding GmbH, the acquisition of a strategic investment of 13 % in proptech company Architrave GmbH, the further development of the subsidiaries Union Investment Austria GmbH (Vienna) and VisualVest GmbH, and IT issues of strategic importance to Union Investment.

Between its meetings, the Supervisory Board was informed by the Board of Managing Directors in writing about important events such as personnel matters. In urgent cases, the Supervisory Board approved significant transactions between meetings by adopting resolutions by written procedure. Outside the meetings, the Chairman of the Supervisory Board, who also chairs the Executive Committee, also held regular discussions with the Chief Executive Officer regarding important decisions and specific individual transactions.

Report in accordance with Section 289f (4) in conjunction with (2) no. 4 HGB

In 2015, the Supervisory Board set targets for the proportion of women on the company's Supervisory Board and Board of Managing Directors pursuant to Section 111 (5) of the German Stock Corporation Act (AktG), to be met by 30 June 2017.

The target set for the Supervisory Board by the Supervisory Board to be met by 30 June 2017 in accordance with Section 111 (5) AktG is 20 %. As of the deadline, the proportion of women on the Supervisory Board was 13.3 %. The female members were Heike Orth and Claudia Vives Carrasco, who were both re-elected by the workforce as employee representatives on the Supervisory Board in spring 2017. The other three employee representatives elected by the workforce are male. The terms of office of the shareholder representatives on the Supervisory Board also ended at the end of the company's Annual General Meeting on 12 May 2017. Eight of the ten shareholder representatives in total stood for election to the Supervisory Board again and were re-elected by the Annual General Meeting. Only two shareholder representatives did not stand for re-election to the Supervisory Board. Considering the specific job profile for these posts, the Supervisory Board carefully assessed all criteria relevant for its composition and proposed to the Annual General Meeting two new male candidates for election to the Supervisory Board as successors, namely Dr Matthias Hildner and Dr Cornelius Riese. The Annual General Meeting complied with this proposal. The Supervisory Board has resolved to adhere to the current target for the proportion of women of 20 % (3 out of 15) and has set 31 December 2021 as the new deadline.

The proportion of women on the Board of Managing Directors in the reporting period was 0 %. The Supervisory Board had set a target of maintaining this status quo until 30 June 2017. The proportion of women was also 0 % at the deadline on 30 June 2017. The Supervisory Board has resolved to adhere to the current target for the proportion of women on the Board of Managing Directors of 0 % and has set 31 December 2021 as the new deadline.

In addition, the Board of Managing Directors had defined targets in accordance with Section 76 (4) AktG for the two management levels below the Board of Managing Directors; these targets were to be met by 30 June 2017. The target was 25 % at head of division level (the first level below the Board of Managing Directors) and 0 % at head of department level (the second level below the Board of Managing Directors). The aforementioned targets were met in the period under review and as at the target date of 30 June 2017. The Board of Managing Directors has resolved to adhere to the current targets for the proportion of women and has set 31 December 2021 as the new deadline.

Cooperation with the auditors

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn, Frankfurt am Main, was elected as the auditor by the Annual General Meeting on 12 May 2017 and subsequently engaged by the Supervisory Board to perform the audit.

In its capacity as the auditor, Ernst & Young GmbH confirmed that the separate financial statements for the company, the consolidated financial statements including the accounting system and the management reports for the company and the group for the 2017 financial year, and the report on relationships with affiliated companies as prepared and submitted by the Board of Managing Directors complied with the applicable legal provisions. The auditors issued an unqualified audit opinion for each of these items. In connection with the audit of the report submitted by the Board of Managing Directors on relationships with affiliated companies, Ernst & Young GmbH confirmed that, after due audit and assessment, the actual disclosures in the report were accurate, the consideration paid by the company for the transactions listed in the report was not inappropriately high and, as regards the activities listed in the report, there were no circumstances that would support an assessment materially different from that arrived at by the Board of Managing Directors.

The audit reports were submitted to the members of the Supervisory Board, who discussed them in detail. The Supervisory Board agrees with the findings of the audit.

Adoption of the annual financial statements

The Executive Committee (Audit Committee) chaired by Wolfgang Kirsch prepared for the final examination of the Supervisory Board by reviewing the separate financial statements, the management report, the dependent company report by the Board of Managing Directors and the proposal for the appropriation of profits which was then given a detailed review by the full Supervisory Board, which also held detailed discussions on these matters in the presence of the auditors. No reservations were expressed. The Supervisory Board also reviewed in detail the consolidated financial statements and the group management report and, here too, held detailed discussions on these matters in the presence of the auditors. No reservations were expressed here either.

The Supervisory Board also acknowledged and approved the findings of the audit of the separate financial statements, the consolidated financial statements, the management report for the company, the group management report and the dependent company report conducted by the auditors. In a resolution adopted on 1 March 2018, the Supervisory Board approved the separate financial statements prepared by the Board of Managing Directors; these financial statements were thereby formally adopted. The Supervisory Board also agreed with the proposed appropriation of profits. In a resolution adopted today, the Supervisory Board approved the consolidated financial statements prepared and submitted by the Board of Managing Directors.

Following the concluding findings of the review conducted by the Supervisory Board, no reservations were expressed regarding the concluding statement by the Board of Managing Directors in the dependent company report.

The Supervisory Board wishes to thank the Board of Managing Directors and all employees for their valuable contribution in 2017.

Frankfurt am Main, 22 March 2018

Union Asset Management Holding AG,
Frankfurt am Main

Wolfgang Kirsch
Chairman of the Supervisory Board

Group management report

2017 financial year

Group management report of Union Asset Management Holding AG for the financial year from 1 January to 31 December 2017

Note

This management report should be read in the context of the audited financial data and disclosures in the notes to the consolidated financial statements. The management report also includes forward-looking statements that are based on current planning, assumptions and estimates rather than on historical facts. Forward-looking statements always apply to the time the statements are made. Union Asset Management Holding AG (UMH) is under no obligation to revise these statements when new information becomes available. Forward-looking statements are always subject to risks and uncertainty. We therefore explicitly note that actual events can differ significantly from those forecast as a result of a number of factors. Factors that currently appear to be material are described under 'Forecast, report on risks and opportunities' and in other sections of this report.

Note: Tables and references may contain rounding differences compared with the precise mathematical figures (monetary units, percentages, etc.).

A Basic information on the group

Union Asset Management Holding AG and its subsidiaries (Union Investment) form part of the Genossenschaftliche FinanzGruppe Volksbanken Raiffeisenbanken cooperative financial network. The objectives and strategies pursued by Union Investment are therefore shaped by the guiding principles of the Genossenschaftliche FinanzGruppe, which focus on mutual benefit and decentralisation. In this structure, the local primary banks and their members are supported by specialist service providers that pool expertise in particular types of products and services and operate at a national level. The range of services provided by Union Investment – highly professional, innovative asset management products and solutions with competitive terms and conditions – is aimed at both retail and institutional clients.

In retail business, Union Investment services are exclusively available to the retail clients of the partner banks ('Verbund first'). Union Investment offers precisely tailored support for the client advisory process conducted by the partner banks, which involves a two-stage sales approach. As a solutions provider, it identifies and stimulates retail client needs. It then provides targeted support in the form of suitable products and services to cover the entire partner value chain, enabling the partner to offer the best possible range of asset management options.

The portfolio of services for institutional clients is designed with discerning institutional investors of varying sizes in mind. These clients are partner banks, the other specialist institutions of the Genossenschaftliche FinanzGruppe and the corporate clients of the cooperative partner banks. Union Investment also competes for institutional investors' investment capital outside of the Genossenschaftliche FinanzGruppe group, for example with pension funds.

The core geographical area of the retail client activities of Union Investment is the territory covered by the Genossenschaftliche FinanzGruppe (Germany) and by the cooperative banks in Austria. The institutional clients business also has a regional focus in Germany, although there are some activities in other markets on a selective basis. The main locations of the Union Investment asset management units are Frankfurt, Hamburg, Luxembourg, Vienna and Warsaw.

The Union Investment Group comprises various single entities, with Union Asset Management Holding AG (UMH) as the parent holding company. The consolidated group of UMH currently consists of 21 entities. The most significant equity investments in the UMH portfolio can be broken down as follows:

- Asset management companies in Germany and abroad:
  Bundling of asset management expertise for different management styles, asset classes or regional capital markets.

- Financial service providers:
  Offering of sophisticated portfolio management, investment consulting, sales and support services.

- Banks:
  Provision of investment accounts for retail clients.

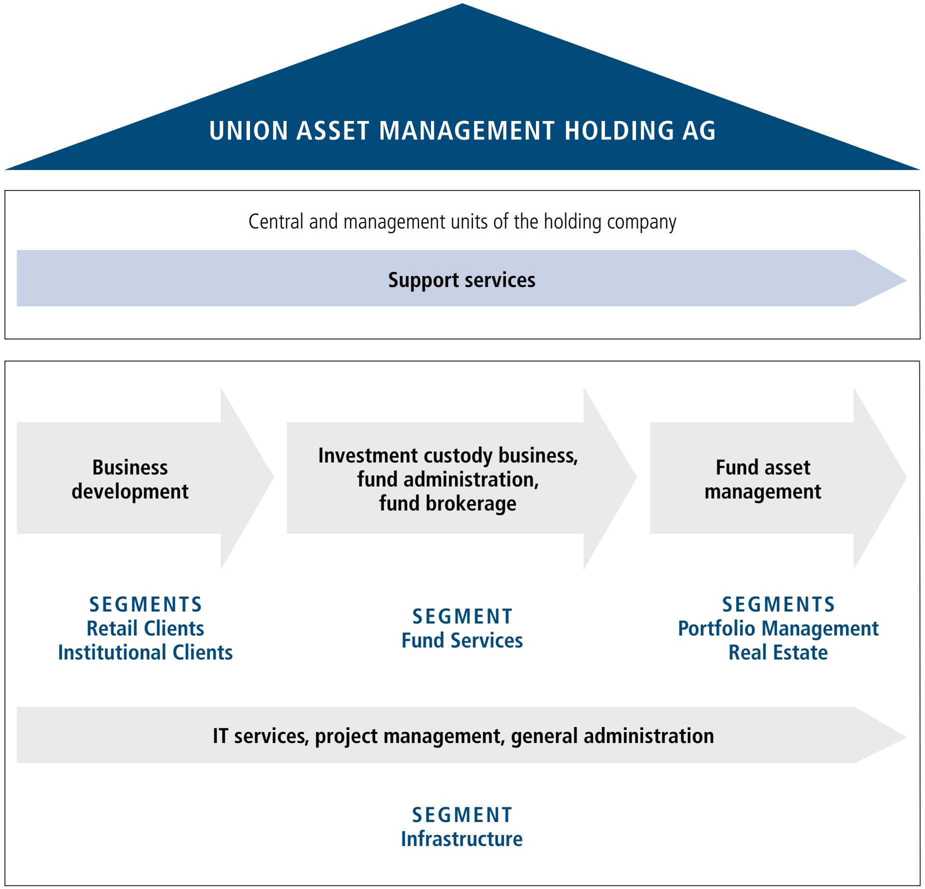
- Service companies:
  Provision of fund management services and infrastructure.

- Securities trading companies:
  Bundling of fund brokerage, investment custody business and funds sales for various companies based in Luxembourg.

[1] Comprises the entities included in the scope of consolidation of the UMH Group, as at 31 December 2017.

Specifically, there are the following companies:

UNION ASSET MANAGEMENT HOLDING AG				
Germany			Rest of world	
Asset management companies	**Service companies**	**Financial service providers**	**Asset management companies**	**Financial service providers**
Union Investment Privatfonds	Union IT-Services	Quoniam Asset Management	Union Investment Luxembourg	Union Investment Austria, Vienna*
Union Investment Institutional	Union Service-Gesellschaft	VisualVest	Union Investment TFI, Warsaw	Securities trading companies
Union Investment Real Estate	UIR Verwaltungs-gesellschaft		BEA Union Investment, Hong Kong	Union Investment Financial Services, Luxembourg
Union Investment Institutional Property			Union Investment Real Estate Austria, Vienna	attrax Luxembourg
Banks	Associates			
Union Investment Service Bank	R+V Pensionsfonds	VR Consultingpartner		
	compertis	ZBI Partnerschafts-Holding		



* Investment firm according to Section 3 (1) of the Austrian Securities Supervision Act 2018 (WAG 2018)

For external purposes, the Union Investment Group is managed by the individual companies as legal entities. Internally, the management concept at Union Investment is defined by uniform company- and location-wide organisation according to segments. The core competencies of business development and portfolio management are both organised into two segments: Retail Clients and Institutional Clients for the former, and Portfolio Management and Real Estate for the latter. There are two further segments known as Fund Services (fund administration, investment custody business, fund brokerage) and Infrastructure (IT, general administration, project management).

All the companies of the Union Investment Group are allocated to these segments. In some cases, individual units within a company are assigned to different segments. Exceptions to this are non-integrated companies, such as joint ventures (for example, BEA Union Investment) on account the ownership structure, and Union Investment equity investments in which self-contained management is beneficial because of the business model involved (for example, Union Investment TFI). These companies are managed through their respective supervisory bodies.

As an asset manager, Union Investment systematically and successfully focuses on the investment needs of retail and institutional clients. It offers retail investors products and services covering a range of requirements, including personal pension products, investment solutions and asset accumulation. Currently, the most successful solutions are the Riester pension plan product from Union Investment, UniProfiRente, and the Privatfonds series. Other options offered to retail investors include equity funds, bond funds, money market funds, open-ended real estate funds, mixed funds, funds of funds and capital-protected funds.

Union Investment stands out as an innovative, reliable and progressive investment expert based on its detailed understanding of the specific needs of institutional investors and on the transparency of its day-to-day activities. As one of the largest fund management companies in Germany, it is able to offer an extensive range of diverse investment strategies to satisfy the needs of its clients. These strategies include traditional special funds, a number of institutional funds with varying structures, advisory and outsourcing mandates and institutional asset management.

UMH's business purpose is essentially the acquisition, management and disposal of equity investments, in particular in asset management companies in Germany and abroad, for its own account. Furthermore, its business purpose is the performance of other services exclusively for its subsidiaries, provided that the law does not require a special permit for this, and transactions and activities directly or indirectly necessary or useful for achieving its business purpose.

In the reporting year, UMH invested in the residential-property specialist ZBI Zentral Boden Immobilien Group. Specifically, UMH acquired 49.9 % of the shares in the newly established partnership holding company (ZBI Partnerschafts-Holding GmbH), in which the operating activities of the ZBI Group are bundled. This was done to pursue the aim of adding the residential-property sector to the existing range of open-ended real-estate funds.

Also in the reporting year, UMH acquired a strategic 13 % stake in proptech company Architrave GmbH. Architrave is the leading provider of intelligent data management in the real-estate industry. Both companies are jointly pursuing the long-term aim of establishing an industry standard for recording property data in an open, digital platform. In addition, the portfolio data of Union Investment Real Estate GmbH's 400-plus properties worldwide is managed in the Architrave platform.

Furthermore, UMH increased its stake in VR Consultingpartner GmbH from 49 % to 51 % in the reporting year.

At Union Investment Real Estate GmbH, UMH reduced its stake from 94 % to 90 % in the last financial year.

Restructuring of the Austrian company Union Investment Austria GmbH (UIA) as a sales and consulting company was also completed in the reporting year. All investment funds under its management have been transferred to other companies or closed. In the course of this, UIA renounced its licence to manage investment funds and obtained an investment-services licence under Austrian law at the same time. In the context of the restructuring, key operational functions were discontinued or outsourced to other group companies.

B Economic report

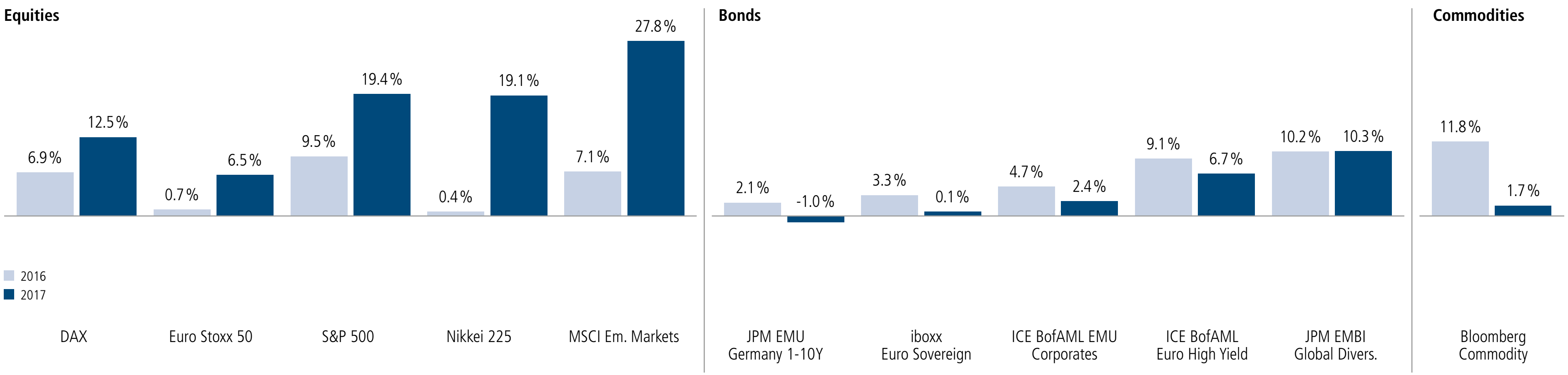
I. General economic and industry conditions

1. Capital markets

The capital markets carried the positive momentum from the final months of 2016 into the new year, so fears of a repeat of the poor start to the previous year quickly dissipated. Prices were supported at the beginning of the year by hopes of tax cuts and increased infrastructure spending by the new US President Donald Trump. Although he and his government did not achieve their first major political success until nearly the end of the year, the stock markets continued their upward movement almost uninterruptedly and posted new all-time highs in many places. Prices were boosted primarily by strong company reports around the world, a synchronised global economic upturn and surprisingly low inflation. In Europe, political risks also subsided thanks to the convincing victory of Emmanuel Macron and his party in the French presidential and parliamentary elections. As regards monetary policy, the US Federal Reserve continued its course of moderate tightening with three further interest rate hikes in 2017 and at the beginning of October began downsizing its balance sheet, which had swollen to USD 4.5 trillion through its securities purchases. Under its new Chair, Jerome Powell, it is also likely to continue gradually and successively tightening its monetary policy in 2018. At the end of October, the European Central Bank resolved to further scale down its bond-buying programme, and from 1 January 2018 is buying bonds worth only EUR 30 billion each month.

Equities make significant gains in 2017

Performance in local currency



Source: Thomson Reuters Datastream, Union Investment, correct as at 31 December 2017.

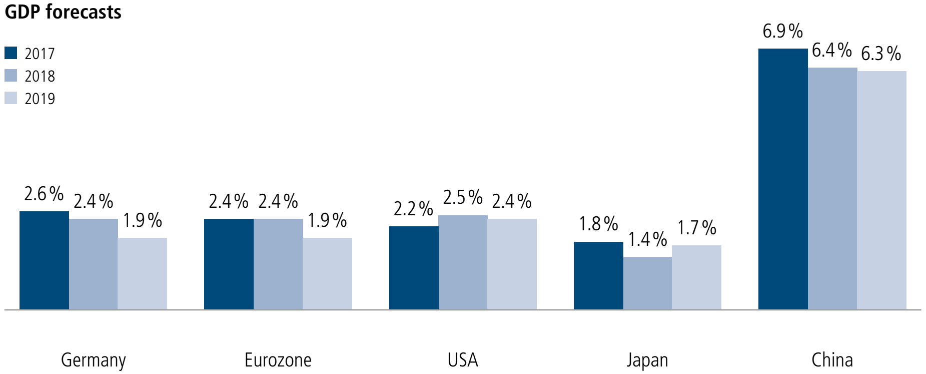
Rising inflation rates and the Federal Reserve's monetary policy initially weighed down prices on the bond markets. The elections in Europe and the UK's notice of withdrawal from the European Union created uncertainty from the start. In the wake of then another surprising decline in inflation figures and the view of many analysts and economists that the US Federal Reserve would not continue raising interest rates at the pace of the preceding quarters, partly due to the weak US dollar, safe-haven government bonds – such as German Bunds and US Treasuries – recouped some of their losses in the summer months. The trend of falling risk premiums on corporate, high yield and emerging market bonds continued unchanged in 2017, so these bond segments performed sometimes very positively on balance.

The development of commodities as an asset class was heavily influenced by the weak oil prices up to the end of June. For example, the oil benchmark Brent moved considerably cheaper, although the global oil supply has been lower than demand since the beginning of the second quarter and stocks continue to be reduced. At the beginning of the second half of the year, oil prices turned around under the influence of a sharp rise in demand, extended production restrictions imposed by OPEC and uncertainty in the Middle East, and have since been rising successively. In contrast, industrial and precious metals benefited from the robust development of the global economy on the one hand and from the weakness of the US dollar on the other.

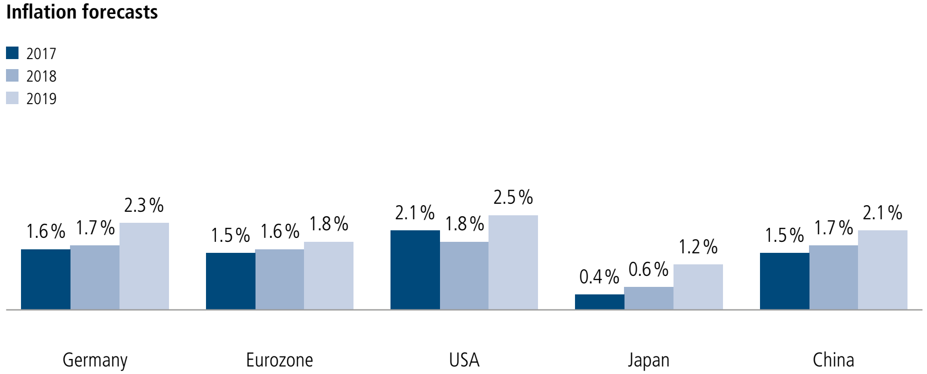
In 2017, the global economy commenced a synchronous growth drive. The latest lead indicators also suggest that the global economic environment remains robust. Our economists currently assume that growth rates will remain at an attractive level around the world – but they do not anticipate a further substantial acceleration. In the USA, the enacted package of tax cuts is likely to provide moderate impetus. However, this will remain limited because the fiscal easing is happening in a relatively late stage of the economic cycle and the greater relief for high-income households and businesses will have comparatively small effects on the economy. The US economy is expected to grow by 2.5 % in 2018 and 2.4 % in 2019. The economic recovery in the eurozone gained considerably in breadth and depth in 2017. However, the momentum is likely to decline successively again with the conclusion of catch-up processes. Our economists forecast economic growth of 2.4 % and 1.9 % in 2018 and 2019 respectively. Italy remains the eurozone's "problem child" with continuing problems in the banking sector, comparatively weak economic growth and persistently high political uncertainty. For example, the outcome of the Italian parliamentary elections in early March is currently completely unpredictable. There is a similar picture with regard to the UK's Brexit negotiations: Many basic questions are still unanswered, and there is no consensus in the discussion over a "hard" vs. a "soft" Brexit either in the British government or the population. One risk factor for the global economy in 2018 could be a marked slowdown in China once the economic programmes from 2016 expire and since monetary policy seems to be being tightened there. This is happening in a much more favourable environment than the down-turn of 2013/2014, which should limit the negative effects, but our economists are still closely monitoring the Inner Asian trade dynamic in order to assess the spillover effects.

Synchronous global growth continues

GDP forecasts



Inflation forecasts



Source: Union Investment, correct as at 31 December 2017.

As far as price developments are concerned, there are no expectations of a significant increase in the rate of inflation this year; only in the USA are statistical base effects likely to result in rising figures from April. With regard to the global economy, a turnaround in inflation rates in emerging markets is plausible from the middle of 2018. This is then expected to have positive effects on pricing power in developed economies. Until then, inflation rates are likely to remain below the targets set by central banks. In view of the sustained robust state of the US economy, the Federal Reserve will adhere to its current interest rate policy and resolve three additional interest rate moves by the end of 2018. Over the course of the year, this is expected to lead to an increase in ten-year US Treasury yields to 2.8 % and in ten-year Bund yields to 1.0 %. Fed staffing is to remain an uncertainty under Jerome Powell's chairship, as US President Donald Trump is expected to reappoint another four of the seven total Fed posts in the coming months. The ECB is likely to further specify its withdrawal from its ultra-expansionary monetary policy ("tapering") over the course of the year. However, we do not yet expect it to increase interest rates in the foreseeable future.

The good development of the global economy remains a good environment for the equity markets, especially as the simultaneously only moderate cost and inflation pressure is allowing businesses to maintain their high profit margins. We expect profit growth for the MSCI World of around 6 % to 8 %. The trend of extending the evaluations, which has been going on for some time, is likely to continue losing momentum or indeed come to a complete halt. In the medium term, the reduction of central bank balance sheets will lower expected returns for equities up to the end of the decade.

In the commodities sector, the market dynamic remains positive as the long phase of low prices at a global level has led to sharp declines in production and investment that are rebalancing supply and demand for many commodities. For example, the oil market will retain a supply deficit in 2018 at least despite a renewed boom in the US shale oil industry triggered by OPEC production cuts. Some metals are also seeing a similar picture. In addition, the late-cycle economic phase is supporting demand for commodities. The prospect of continued stable, global economic growth is having a particularly positive effect on industrial metals. By contrast, investors continue to focus on precious metals as a "safe haven" although the global central banks' more restrictive monetary policies and thus rising interest rates are likely to put a strain on the sector.

2. Real estate markets

In 2017, the global real estate markets again benefited from the largely strong economic situation and low interest rates. Many companies became more optimistic about the future again and rented more office space. The transaction volume for commercial properties remained at a high level at the end of 2017 and was even somewhat higher than the good figure for the previous year.

The majority of European office markets developed positively in 2017. Vacancy rates fell in many places due to the high demand for space, and the average prime office rent increased by 5.7 % in the course of 2017. Rental price increases were especially pronounced in Amsterdam, Brussels, Helsinki and Stockholm. The German office markets also continued to see encouraging development. The positive performance of the US office real estate markets also continued in 2017, with rents rising and vacancy rates falling in most locations. Performance on the significant office markets in the Asia-Pacific region was overwhelmingly positive in the past year. Although the average vacancy rate grew somewhat due to numerous office completions, rents increased in most locations. In Sydney in particular, high demand led to significant rental growth and a falling vacancy rate. Only in Seoul did rents decline slightly year-on-year due to the increase in incentives and the granted rent-free period.

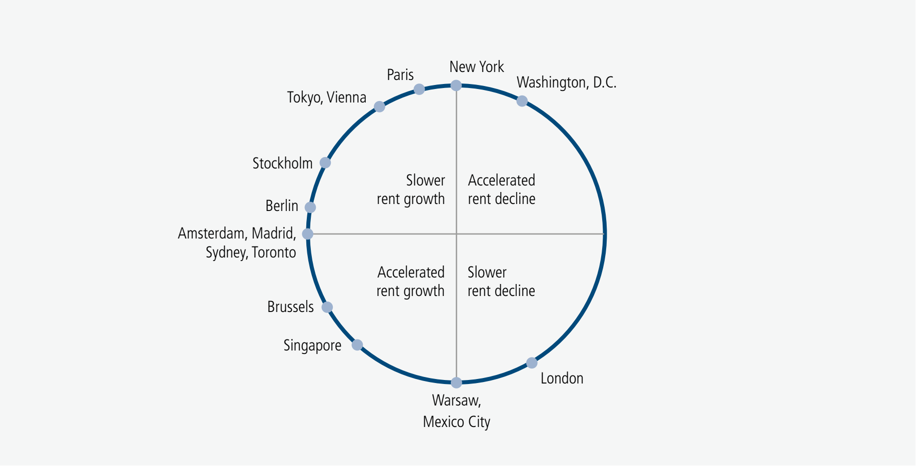
Investor demand for commercial real estate remained high in 2017 in light of the attractive conditions. However, demand considerably outstripped supply. The global transaction volume for commercial real estate was approximately EUR 579 billion in 2017, putting it 4.7 % above the previous year's figure. Worldwide, the highest transaction volume was achieved on the European continent this time. Around EUR 246 billion was invested in commercial real estate here in 2017; this equates to a year-on-year increase of around 19 %. In the Americas commercial real estate worth EUR 209 billion was traded in 2017, meaning investments were a good 12 % down on the previous year. In the Asia-Pacific region, the transaction volume for commercial real estate totalled approximately EUR 124 billion in 2017. This represents a 14 % increase in the transaction volume compared with the previous year.

Global interest rates remain very low, historically speaking, despite the slight increase. This will continue to prop up demand for real estate investments in the forthcoming quarters, although only a few investors will be willing to sell their properties in the current market phase. There will be further rent growth in the majority of real estate markets in the first half of 2018. Investors continue to focus on core real estate, as their appetite for risk remains weak on the back of the current global uncertainties. This will likely result in further purchase price increases in the core segment.

Global markets: dominated by rent growth

Office property clock – Q4 2016

Office property clock – Q4 2017



Note

- The clock shows where the respective office market is within the rent cycle.
- Local markets can move in different directions.
- The positions are not necessarily representative of the investment market.

Source: Jones Lang LaSalle, Union Investment, correct as at 31 December 2017.

3. Sales and fund assets

Sector situation: mutual funds

The German investment industry reported total net inflows of EUR 66.6 billion in mutual securities funds in 2017. In particular, this benefited mixed funds (EUR 29.5 billion), bond funds (EUR 20.9 billion) and equity funds (EUR 18.2 billion). Investors primarily sold capital-protected funds (EUR -1.6 billion) and money market funds (EUR -1.9 billion). The other asset classes in the area of mutual securities funds together accounted for net inflows of EUR 1.5 billion. Open-ended real estate funds achieved net sales of EUR 5.5 billion (source: BVI investment statistics, 12/2017).

Sector situation: special funds

In the area of special funds, the industry generated net inflows of EUR 78.3 billion in the open-ended special securities funds under its management in 2017 (as at 30 December 2017). This was down on the previous year's figure of EUR 87.9 billion (as at 30 December 2016). The volume under management in open-ended special securities funds totalled EUR 1,517.0 billion at the end of December 2017, and was therefore up on the previous year's figure of EUR 1,418.0 billion (as at 30 December 2016) (source: BVI investment statistics).

Sector situation: real estate funds

The market for German open-ended real estate funds was divided in the 2017 financial year. According to BVI, 14 of the 46 open-ended real estate funds (not including open-ended special funds) were being closed at the end of December 2017. In contrast, the products actively being sold recorded sizeable net inflows, in particular thanks to the low-interest-rate environment. One fund held largely by institutional investors, which had suspended the redemption of unit certificates, was reopened in the course of 2017. Products being actively marketed brought the industry a net total of approximately EUR 5.5 billion in new funds by the end of December 2017. This is proof positive of investors' fundamental confidence in this asset class.

II. Specific business performance

1. Overview of assets under management and performance

1.1 Fund business/assets under management

The number of products set up by or managed by UMH investees under fund management mandates was 1,151 in 2017, up slightly on the prior-year level of 1,130.

The volume of assets under management climbed from EUR 292.3 billion as at 31 December 2016 to EUR 323.9 billion in 2017, an increase of EUR 31.6 billion. This increase was primarily attributable to net inflows as well as the positive performance in the international capital markets.

The development of assets under management in 2017 can be summarised as follows:

The volume of mutual funds increased by EUR 21.3 billion to EUR 190.4 billion.
The volume of special funds increased by EUR 6.1 billion to EUR 95.9 billion.
The volume of other formats (advisory mandates and asset management) less outsourced mandates was up year-on-year at EUR 37.6 billion (previous year: EUR 33.4 billion).

Volume of assets under management

The volume of assets under management within the Union Investment Group was as follows as at the end of the reporting period:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Fund assets	**286,295,264**	**258,956,113**	**27,339,151**
Volume in other formats	**49,832,446**	**44,838,949**	**4,993,497**
of which unit-linked asset management	1,488,560	909,000	579,560
of which institutional asset management	9,653,521	10,950,740	-1,297,219
of which advisory and outsourcing	38,690,365	32,979,209	5,711,156
Accounts managed by third parties	**-12,208,709**	**-11,523,168**	**-685,541**
Total	**323,919,001**	**292,271,894**	**31,647,107**

Under the UMH banner, the Union Investment Group had total assets under management of EUR 323,919,001 thousand as at the end of the reporting period (previous year: EUR 292,271,894 thousand). The fund assets comprise equity funds, bond funds, money market funds, mixed funds, other securities funds, capital-protected funds, real estate funds, alternative investment funds and hybrid funds issued by the Union Investment Group.

The Union Investment Group also manages assets as part of its unit-linked asset management and institutional asset management business, under advisory and outsourcing mandates and private banking. The volume of the funds issued by the Union Investment Group for which portfolio management has been outsourced is shown as a deduction. The definition of assets under management is based on the aggregate statistics of the German Investment Funds Association (BVI), Frankfurt am Main.

Net inflows to assets under management

The table below gives a breakdown of the net inflows to assets under management within the Union Investment Group:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Net inflows (fund assets)	**21,874,255**	**22,650,410**	**-776,155**
Net inflows (other formats)	**3,451,116**	**1,196,683**	**2,254,433**
of which institutional asset management	-1,939,235	-1,838,746	-100,489
of which advisory and outsourcing	4,747,798	3,035,429	1,712,369
Net change in accounts managed by third parties	**-187,646**	**-623,708**	**436,062**
Total	**25,137,725**	**23,223,385**	**1,914,340**

Net inflows to assets under management constitute the balance of inflows to and outflows from the product formats that make up assets under management. This figure was EUR 25,137,725 thousand in the financial year (previous year: EUR 23,223,385 thousand).

Volume of fund assets

The volume of fund assets of the Union Investment Group was as follows as at the end of the reporting period:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Mutual funds	**190,405,564**	**169,133,759**	**21,271,805**
Equity funds	46,169,944	40,487,772	5,682,172
Bond funds	48,037,824	44,598,637	3,439,187
Money market funds	3,037,672	2,536,058	501,614
Mixed funds	47,498,281	37,990,913	9,507,368
Other securities funds	1,336,295	984,121	352,174
Capital-protected funds	8,711,102	10,566,382	-1,855,280
Open-ended real estate funds	33,256,296	30,224,755	3,031,541
Alternative investment funds	1,369,723	1,027,229	342,494
Hybrid funds	988,427	717,892	270,535
Special funds	**95,889,700**	**89,822,354**	**6,067,346**
Equity funds	627,943	807,527	-179,584
Bond funds	14,482,537	14,200,214	282,323
Mixed funds	62,147,429	58,228,766	3,918,663
Other securities funds	703,072	640,541	62,531
Capital-protected funds	12,656,222	11,941,077	715,145
Alternative investment funds	162,488	135,136	27,352
Special real estate funds	5,110,009	3,869,093	1,240,916
Total	**286,295,264**	**258,956,113**	**27,339,151**

Net inflows to fund assets

The table below gives a breakdown of the net inflows to the fund assets of the Union Investment Group:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Mutual funds	**16,215,666**	**12,672,463**	**3,543,203**
Equity funds	2,348,377	1,825,382	522,995
Bond funds	3,830,218	4,840,261	-1,010,043
Money market funds	380,141	-330,032	710,173
Mixed funds	8,049,063	6,228,319	1,820,744
Other securities funds	296,182	86,842	209,340
Capital-protected funds	-1,983,352	-2,367,775	384,423
Open-ended real estate funds	2,789,829	2,255,447	534,382
Alternative investment funds	271,422	207,532	63,890
Hybrid funds	233,786	-73,513	307,299
Special funds	**5,658,589**	**9,977,948**	**-4,319,359**
Equity funds	-256,057	14,491	-270,548
Bond funds	309,511	2,652,707	-2,343,196
Mixed funds	3,825,688	5,176,511	-1,350,823
Other securities funds	10,882	33,051	-22,169
Capital-protected funds	25,274	37,434	-12,160
Alternative investment funds	662,566	1,486,090	-823,524
Special real estate funds	1,080,725	577,664	503,061
Total	**21,874,255**	**22,650,411**	**-776,156**

Number of investment funds managed

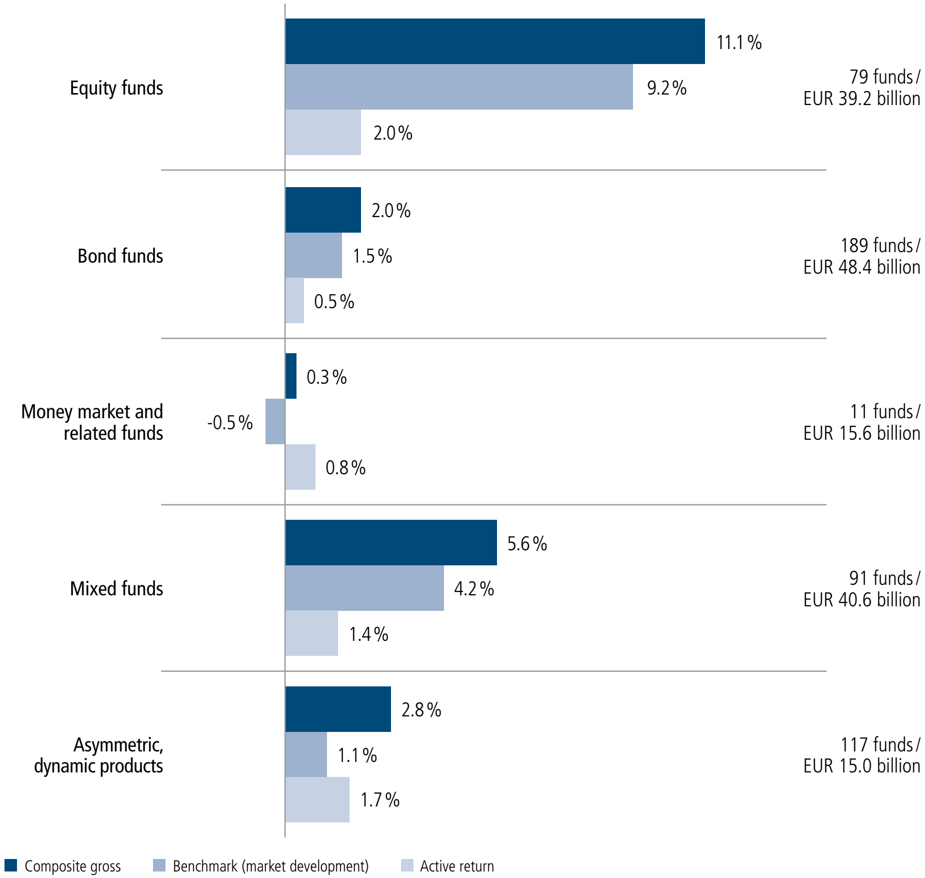
The number of investment funds managed at the end of the reporting period was as follows:

	2017 Number	2016 Number	Change Number
Mutual funds	**836**	**866**	**-30**
Equity funds	194	196	-2
Bond funds	173	189	-16
Money market funds	12	13	-1
Mixed funds	344	352	-8
Other securities funds	14	12	2
Capital-protected funds	57	70	-13
Open-ended real estate funds	17	8	9
Alternative investment funds	17	18	-1
Hybrid funds	8	8	–
Special funds	**385**	**392**	**-7**
Equity funds	6	8	-2
Bond funds	40	43	-3
Mixed funds	248	252	-4
Other securities funds	2	2	–
Alternative investment funds	3	2	1
Capital-protected funds	68	72	-4
Special real estate funds	18	13	5
Total	**1,221**	**1,258**	**-37**

1.2 Performance of Union Investment Group funds[2]

The overwhelmingly positive development of the capital market segments in 2017 is also reflected in the absolute figures for equity, bond and mixed funds. Positive active returns were achieved in all main composites in the last twelve months, some of which were very positive.

Union funds compared to benchmark (one year)*



* Performance since 31 December 2016; rounding differences are possible
Source: Union Investment, correct as at 31 December 2017

[2] All the following performance figures are based on gross performance, i.e. are cost-adjusted and relate to the 2017 financial year.

Equity funds
The equity funds under management increased by an average of 11.1 % in absolute terms, two percentage points more than the average of their benchmarks. The funds with a focus on Asia (+20.2 %) and Germany (+18.0 %) topped the performance ranking. The eurozone and Europe equity funds saw double-digit growth (11.9 % and 11.3 % respectively), while their global counterparts fell slightly behind at 9.1 % due to the appreciation of the euro and thus exchange losses on positions in foreign currencies. Positive active returns were achieved in all main equity composites. The Aktien Nordamerika and Aktien Deutschland composites performed particularly convincingly, outstripping their benchmarks by 4.5 and 3.7 percentage points respectively.

Bond funds
Despite the marginally negative development of German Bunds over the year as a whole, the bond funds of the composites Renten EUR Staatsanleihen (+0.4 %) and Renten EUR Aggregate (+1.1 %) made slight gains. Like the other bond segments, the latter benefited from falling risk premiums, so funds with a focus on emerging market bonds and EUR IG corporate bonds (each with no fixed time to maturity) gained by 6.3 % and 3.4 % respectively. Apart from a few exceptions, positive active returns were again achieved in nearly all bond composites.

Money market and related funds
Money market and related funds turned in a convincing performance of 0.3 % on average and were therefore 0.8 percentage points ahead of their benchmarks.

Mixed funds
The mixed funds increased by an average of 5.6 %, 1.4 percentage points more than their benchmarks. Asymmetric, dynamic capital-protected products were up by 2.8 % at the end of the year, beating their benchmarks by 1.7 percentage points. Positive active returns were also achieved in nearly all composites in these two segments. In terms of absolute return, the funds were up by 1.1 % on average, 1.5 percentage points more than their money market benchmark.

Real estate funds for retail investors
The open-ended real estate mutual funds managed by Union Investment for retail investors reported annual returns of +2.9 % (UniImmo: Deutschland), +2.6 % (UniImmo: Europa) and +2.4 % (UniImmo: Global) as at 31 December 2017. While UniImmo: Deutschland proved stable over the year, the performance of UniImmo: Europa dropped slightly midway through the year but returned to the level of the start of the year in the fourth quarter. The twelve-month performance of UniImmo: Global increased during the course of the year and in the second half fell to the level of the end of the previous year. After a stable year, immofonds 1 reported a return of 1.9 % as at the end of the reporting period. In a strategic partnership, Union Investment set up the UniImmo: Wohnen ZBI fund with Zentral Boden Immobilien AG in July 2017. Twelve-month performance cannot yet be reported due to the fund's start-up period.

Real estate funds for institutional investors
Business with institutional real estate investors continued to expand in 2017. Performance contributions by the special funds managed, DEFO-Immobilienfonds 1, UII Shopping Nr. 1, UII Hotel Nr. 1, DIFA-Fonds Nr. 3, Urban Campus Nr. 1 and German M were greater than planned; Urban Living Nr. 1, set up in the 2017 financial year, fell slightly short of its planned value at the end of the year. The institutional mutual fund UniInstitutional European Real Estate successfully acquired additional properties and had achieved a gain of 2.6 % by the end of December. The performance the institutional mutual fund UniInstitutional German Real Estate amounted to +3.3 % at the end of the year.

Immobilien-Spezialfonds Real Value Berlin (formerly Residential Value), BAEV Immobilienfonds I, R+V Deutschland Real, VGV Immobilienfonds I and Redos Einzelhandel Deutschland, which were created as service asset management mandates, are in the continuing investment phase. At the investors' request, additional asset managers were assigned to VGV Immobilienfonds II and the investment phase was extended until 2020. Initial acquisitions were made and additional funding raised for Residential Value Germany, with a view to investing in residential real estate in Germany over the next four years.

Four mandates were newly issued in the reporting period. Two mandates, namely Redos Einzelhandel Deutschland II, which like its predecessor fund invests in retail properties in Germany, and Wohnen Deutschland Spezial, which invests in German residential properties and constitutes a supplement to Residential Value, are continuations/expansions of already successful cooperations. Property Invest Germany invests in residential and commercial buildings in Germany, and an investment mandate in the form of an Investment-KG according to Germany's Investment Code (KAGB) was realised for the first time with PSD KN ImmoInvest Geschlossene Investment KG.

As in the previous years, VPV Invest enjoyed positive development. New investments were indirectly made in the target fund and another target fund with a capital commitment of EUR 25 million was subscribed.

The capital pledged for the two UniInstitutional Infrastruktur SICAV-SIF subfunds (approximately EUR 133 million) has been drawn in full since 2016. The fund liquidity was used to make a total of nine investments in the areas of wind power and photovoltaics. The portfolio is highly diversified in terms of investment locations and technologies. Based on 146.6 MW of installed capacity, the entire fund is spread as follows: 33 % in Ireland, 29 % in Germany, 24 % in France and 14 % in the UK.

In 2017, various operational measures were initiated and in some cases completed in order to further increase the efficiency of the fund. In addition, technical measures such as the new parametrisation of shut-down modules and the commissioning of measuring technologies to determine nacelle misalignments, the Carrowleagh wind farm in Ireland was also successfully refinanced.

In total, 341.9 million kWh of electricity were fed into European networks in the calendar year. This equates to 93.5 % of the long-term expectations and is attributable exclusively to below-average wind speeds all over Europe. The forecast value was outperformed by the Panschow (109.7 %) and Gunzenhausen (101.0 %) wind farms and the Beconnais solar park (107.9 %).

At 98.4 %, availability in 2017 was higher than the 97.0 % guaranteed by the manufacturers and is testament to diligent technical management.

A sum of EUR 23.09 per share was paid out from the net profit for the year in December 2017 for subfund 1, while EUR 25.33 per participation certificate was paid out to the investors for subfund 2. For both subfunds, this equates to a distribution return of around 2.4 % and exactly the same distribution amount as the previous year.

1.3 Awards, rankings and ratings

For the 15th time in a row, the renowned German business magazine Capital awarded Union Investment the highest rating of five stars in its annual fund compass in 2017 – the only investment company to achieve this. In January, the publishing company Finanzen Verlag awarded Union Investment the ‘Golden Bull’ as ‘Investment Company of the Year’ for the third time in a row. In addition, ten individual funds received a 2017 €uro Fund Award. Union Investment took first place among major asset managers in the 2017 Institutional Investors’ Satisfaction Study by Telos GmbH. At the end of October, Union Investment was recognised as the ‘Multi Asset Desk of the Year’ by The Trade in cooperation with Turquoise, a subsidiary of the London Stock Exchange. In November, the company won the Scope Award (formerly Feri EuroRating Awards) as the ‘Best Asset Manager’ in the ‘Socially Responsible Investing’ category for the fourth time in a row. Funds from Union Investment won in a total of 15 categories of the Euro FundAwards 2018 awarded by the editorial teams of €uro, €uro-fondsxpress, €uro am Sonntag and Börse-Online as at 31 December 2017. Focus Money recognised three mixed funds for ‘Outstanding Asset Management’.

In the ranking of asset management companies performed by Scope as at 31 December 2017, Union Investment was ranked 8th with a ratio of 49.5 % of funds with a top rating, making it the second-best German asset management company behind Deka in 5th place with 50.9 % (Allianz Global Investors: 13th, 44.9 %; Deutsche Asset & Wealth Management: 26th, 36.2 %).

In the rankings issued by the Morningstar ratings agency as at 31 December 2017 that compare Union Investment against its main competitors in Germany, Union Investment was ranked fourth over one year and third over both three years and five years. The proportion of funds in the upper half of each peer group was 45.4 % over a one-year period, and 47.9 % and 53.1 % respectively over the longer analysis periods.

2. Development in sales and fund assets

2.1 Union Investment Group sales and fund assets

The Union Investment Group had total assets under management of EUR 323.9 billion as at 31 December 2017 (2016: EUR 292.3 billion). It therefore achieved a market share of 15.0 % according to the investment statistics of the German Investment Funds Association (BVI) (2016: 14.0 %); this equates to second place overall in the market (2016: third place). Its assets were distributed across the two business divisions of retail and institutional clients.

Retail investors – development in sales and assets

All funds under the Union Investment brand are offered to retail clients exclusively via our partner banks in the cooperative financial network. This approach distinguishes Union Investment from most of its competitors.

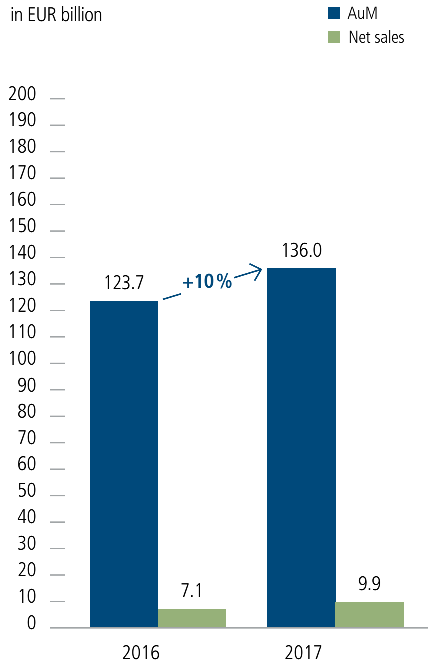
Historically, this strategy of clearly focusing on the Genossenschaftliche FinanzGruppe Volksbanken Raiffeisenbanken cooperative financial network has formed the basis for the exceptional level of successes enjoyed by the Union Investment Group in the marketplace. The close cooperation within the Genossenschaftliche FinanzGruppe again proved its worth in 2017.

At EUR 30.1 billion, gross sales in retail client business were once again high in 2017 (2016: EUR 27.2 billion). Net inflows were even higher than in the previous year, at EUR 9.9 billion (2016: EUR 7.1 billion). The inflows were spread widely over the asset classes of mixed funds, bond funds and open-ended real estate funds.

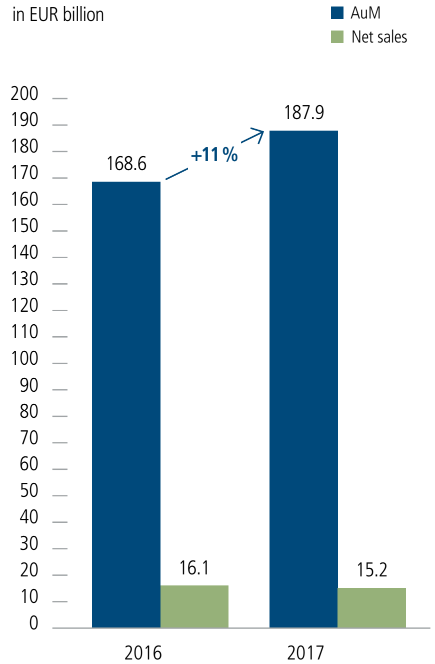
The volume of assets under management in business with retail clients rose to EUR 136.0 billion as at 31 December 2017 (2016: EUR 123.7 billion).

According to the investment statistics of the German Investment Funds Association (BVI), the Union Investment Group's share of the managed mutual funds market was 20.8 % at the end of 2017 (2016: 20.3 %). Union Investment was therefore the second-largest manager of mutual funds in Germany (2016: second).

Assets under management and net sales in the Retail Clients segment



Assets under management and net sales in the Institutional Clients segment



Institutional investors – development in sales and assets

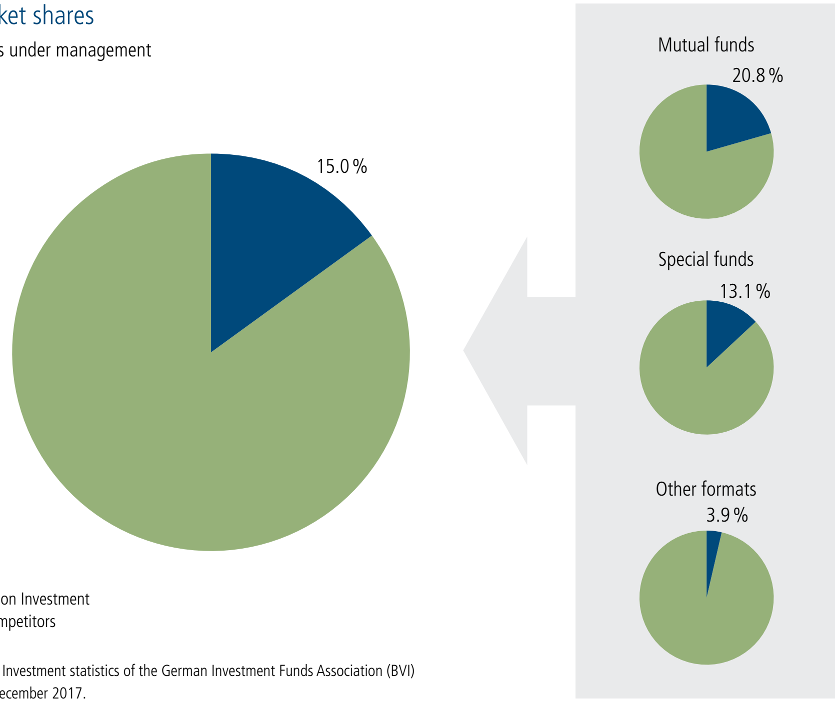
The volume of assets under management for institutional investors climbed to EUR 187.9 billion in 2017 (2016: EUR 168.6 billion). The assets under management in special funds for institutional investors increased to EUR 88.4 billion (2016: EUR 82.9 billion). Assets under management in other institutional business formats (mutual funds, advisory and institutional asset management) increased to EUR 99.5 billion (2016: EUR 85.8 billion).

The growth in assets under management was driven in particular by the high level of net sales. In 2017, institutional business generated net inflows of EUR 15.2 billion (2016: EUR 16.1 billion). Institutional mutual funds, special funds and advisory services were particularly sought after.

According to the BVI investment statistics, the Union Investment Group's share of the special funds market was 13.1 % at the end of 2017 (2016: 12.5 %). The group is therefore still the second-largest manager of special funds in Germany.

Market shares

Assets under management



■ Union Investment
■ Competitors

Quelle: Investment statistics of the German Investment Funds Association (BVI) as at December 2017.

2.2 Custody business and fund brokerage

As at the end of 2017, the Union Investment Group managed more than 4.3 million client custody accounts with portfolios of the group's own and third-party investment funds. The portfolio volume was increased by EUR 15.6 billion from EUR 104.5 billion in total to EUR 120.1 billion.

The number of managed custody accounts with third-party funds (funds from asset management companies outside the group) was around 337,000 as at the end of the period under review (2016: 295,000 custody accounts). The volume of assets invested in third-party funds was EUR 6.1 billion at the end of 2017 (2016: EUR 5.1 billion).

Union Investment Service Bank AG handled a total of around 63.6 million customer transactions in 2017, which can be broken down as follows:

- 45.6 million savings plans, withdrawal plans, employer-funded capital formation schemes, etc.,
- 15.7 million income distributions/reinvestment and custody account fees,
- 2.1 million online transactions, and
- 0.2 million manual, offline-only special postings.

1.8 million transactions were entered directly by the end investor and banks using the online service. Automated processing accounts for 99.2 % of the transactions processed (previous year: 99.1 %), still the optimum level from a business perspective.

The fund brokerage business processed a total of around 1.5 million attrax S.A. client orders with a volume of approximately EUR 36.2 billion in the year under review. 0.2 million orders worth EUR 11.6 billion were posted in Union Investment Group funds.

The volume of assets held in custody for attrax clients was EUR 60.4 billion as at the end of the year under review (previous year: EUR 48.5 billion). EUR 18.9 billion of this was held for cooperative partner banks (previous year: EUR 16.5 billion) and EUR 41.5 billion for institutional clients (previous year: EUR 32.0 billion). The volume of fees and commission paid as trail commission in 2017 amounted to approximately EUR 116.1 million (previous year: EUR 94.5 million).

The fund brokerage business actively managed 171 cooperative banks, while the number of institutional clients managed rose from 132 to 139 as at the end of 2017.

III. Business environment

The main decision-making body of the Eurosystem, the Governing Council of the European Central Bank (ECB), assumes as in previous years that bank lending must be further stimulated by the ECB's low key interest rates in order to boost the economy in euro countries. Against this backdrop, the ECB Governing Council resolved the following on 27 April 2017:

- to leave the interest rate for the Eurosystem's main refinancing operations, this being the rate at which banks can borrow money from the ECB in order to lend it to others, unchanged at the record low of 0.00 %.

- to continue the deposit facility, i.e. the interest rate at which banks can temporarily deposit surplus funds with the ECB, at -0.40 %.

- likewise not to adjust the interest rate for the marginal lending facility, via which banks obtain overnight liquidity from the ECB, and to leave it at 0.25 %.

The policy of maintaining the low interest rates was continued uninterrupted with resolutions of the ECB Governing Council on 20 July 2017, 7 September 2017, 26 October 2017 and 14 December 2017.

In 2015, the ECB resolved an asset purchase programme (APP) in order to additionally boost consumption and investment in the eurozone. Under the APP, the central bank purchased certain securities for EUR 80 billion a month from March 2016 to March 2017 and then for EUR 60 billion a month. As of January 2018, the volume of these security purchases is EUR 30 billion a month.

The ECB is planning to carry out such purchases until at least September 2018. It is possible that the APP will be extended further until there are signs of a lasting correction in the current development in inflation, with inflation moving below but remaining close to 2 % in the medium term. Due to the still historically low interest on loans and the associated rise in investment funds, institutional and retail investors are still having to take ever greater risks to generate an appropriate return after deducting inflation and taxes.

In October 2017, the International Monetary Fund (IMF) raised its forecast for global economic growth to 3.6 % for 2017 and to 3.7 % for 2018. This upturn is being driven in particular by the eurozone, Japan, China and the emerging markets of Eastern Europe and Russia. In contrast, difficult times are predicted for the UK and India. In the UK, the economy stuttered somewhat in the first half of 2017 as a result of Brexit. In Germany, the IMF forecasts economic growth of 1.8 % in 2018.

Despite the generally positive prospects for global economic growth, however, there are also risks, which in the eurozone are particularly prominent in the banking sector. Furthermore, low inflation is a structural problem in many developed countries. In the event of a downturn, interest rates cannot be raised without reinforcing said downturn.

As in previous years, Union Investment is playing an active, targeted and successful part in shaping the conditions for investment funds at the national and international level. At the European level, Union Investment participates in a wide variety of working groups set up by the European Fund and Asset Management Association (EFAMA). At the national level, Union Investment participates in the committees of the German Investment Funds Association (BVI) and the National Association of German Cooperative Banks (BVR). Constant dialogue also takes place with other European and international regulatory authorities and with political representatives at both the regional and European levels.

Tax regulations

Under the amended Investment Tax Act, the legislature comprehensively reformed investment taxation as of 1 January 2018. Since then, an opaque taxation system has applied to mutual funds. Mutual funds are now subject to corporation tax on German investment income and German real estate income. In addition, dividend payments on mutual funds are generally subject to taxation from 2018.

As compensation for these amendments to the tax system, flat-rate tax-free percentages (so-called partial exemptions) have been stipulated for fund income, depending on the investor and fund category. In place of the previous reinvestment approach, a flat fee paid in advance is also being introduced, which is subject to taxation on the part of the investor on 1 January of the following year. Additionally, the portfolio tax protection for fund units purchased prior to 1 January 2009 has been lifted. However, realised and unrealised gains on such 'old units' remain tax-exempt up to 31 December 2017. A new allowance of EUR 100,000 per person has been introduced as of 1 January 2018 for the performance of these old units.

In contrast, the existing transparent taxation system for special funds essentially remains in place, although here, too, income on German investments and real estate is taxed at the fund level. Furthermore, as of 2018, gains realised at the fund level are subject to taxation at the investor level after 15 years and following the offsetting of any losses incurred in the meantime.

As a result of the transition to the new taxation system, both mutual and special fund units are notionally divested and repurchased at the same unit price as of 31 December 2017. The resulting taxes on this notional income are, however, only incurred if the respective units actually are sold.

MiFID amendment

The European Markets in Financial Instruments Directive (MiFID), which entered into effect in 2007, has been revised. The amended framework legislation (MiFID II) and a supplementary financial market regulation to be applied immediately (Markets in Financial Instruments Regulation – MiFIR) were published in the Official Journal of the European Union on 12 June 2014. As a supplement to MiFID II, an implementing regulation (Commission Delegated Regulation (EU) 2017/565) and an implementing directive (Commission Delegated Directive (EU) 2017/593) were published in the Official Journal of the European Union on 31 March 2017. Further Level 2 implementing measures were also enacted with regard to MiFIR. The new requirements, for which yet further Level 3 implementing measures (ESMA guidelines and Q&A lists) are expected at the European Union level, are effective from 3 January 2018.

At national level, the Second Financial Markets Amendment Act on the Basis of European Legislation (2. FiMaNoG) was published in the German Federal Law Gazette on 24 June 2017, including amendments to the Securities Trading Act, the Banking Act, the Investment Code and the Industrial Code. The new Investment Services Conduct and Organisation Regulation (WpDVerOV) was also published in the Federal Law Gazette on 23 October 2017. In addition, BaFin submitted a draft revision of circular 4/2010(WA) MaComp for public consultation on 2 November 2017. The consultation period ran until 30 November 2017. Publication of the amended MaComp is currently still pending. A MiFID II project was initiated within Union Investment in April 2015 in order to implement MiFID II.

While MiFID II allows the coexistence of commission-based and non-commission-based consulting, banks are only permitted to receive payments if they are suitable for enhancing the quality of the service performed.

New requirements concerning product governance mean that originators of financial instruments will be required to specify a target market for them. This target market will be taken into account by securities service providers when selling products to customers in future.

Uniform information requirements for retail investors

Regulation (EU) No. 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs Regulation) was published in the Official Journal of the European Union on 9 December 2014.

'Packaged' refers to all products where the amount repayable to the retail investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the retail investor. These are to include investment products such as investment funds, life insurance policies with an investment element, structured products and structured deposits.

The Regulation created a new and uniform European information standard for all packaged investment products to allow retail investors to compare products based on their features, risks and costs. A standard key information document must also be compiled for these products. The Regulation specifies both the form and content of this key information document and the requirements for the provision of the key information document by the manufacturer and/or persons advising on or selling a packaged product.

The Regulation comes into force on 1 January 2018. However, UCITS funds and investment funds for which the investor information significant under national law is prepared in line with the provisions for UCITS funds are exempt from the requirements of the PRIIPs Regulation until 31 December 2019.

IV. Research and development

1. Retail clients

In the current year, 2017, product policy in the retail clients business continues to focus primarily on the clients' needs and has so far been characterised by a high number of new launches, both in the product range offered centrally and in connection with the consolidation of Union Investment Austria GmbH's product line. Business development continues to focus on investing and optimising assets, old-age provision and savings. Product policy issues for retail business are handled collectively by the Product Management department of Union Investment Privatfonds GmbH (UIP), also comprising the funds of the affiliates Union Investment Luxemburg S.A. (UIL) and Union Investment Real Estate GmbH (UIR) and cooperative business with R+V.

Investing and optimising assets

UniStruktur and UniProInvest: Struktur

The UniStruktur and UniProInvest: Struktur funds, which launched at the beginning of 2017, are recording steady inflows and can report a fund volume of EUR 142.6 million (UniProInvest: Struktur) and EUR 354.3 million (UniStruktur) as at 31 December 2017. The funds' investment concept combines active management with flexible management of a large number of asset classes. Each aims to ensure that the variation of the unit value is largely independent of the development of the volatility of individual asset classes and is generally defensive. To begin with, UniProInvest: Struktur is dominated by money-market-related investments and bond investments. From the fourth month after the launch of the fund, the portfolio is successively restructured into a defensive mixed portfolio, with this process being complete around 20 months after fund launch.

UniProInvest: Chance

In addition, UniProInvest: Chance was launched on 30 June 2017, which provides for the combination of a low-risk starting portfolio (very defensive) and a monthly conversion into a target portfolio of a global equity fund. The target portfolio of the equity fund is managed according to the same investment process as UniFavorit: Aktien. As at 31 December 2017, the fund had a volume of EUR 33.8 million.

UniAbsoluterErtrag

The UniAbsoluterErtrag and UniAbsoluterErtrag -net- fund, which involves a dynamic combination of market-based and relatively market-neutral investments in promising asset classes, sectors and investment strategies, enjoyed high inflows in the first twelve months after its launch on 30 April 2015. Since then, the momentum of sales has declined. Since early 2017, the fund has reported net outflows, although at a moderate level. The measures taken in 2016 took effect in 2017 and led to performance, which had fallen short of expectations since launch and had been debated critically in the intervening period, improving again over the course of 2017. The measures included a greater focus on investment issues and more intensive bundling of all absolute return responsibilities through organisational adjustments that do justice to the greater strategic relevance of absolute return and multi-asset issues. Since then, the fund volume has reached a good EUR 2.0 billion (as at 31 December 2017).

Open-ended real estate funds

In 2017, sales of open-ended real estate funds again continued to be influenced by sizeable investor demand in the low-interest environment on the one hand and by the global challenges of buying quality real estate on the other.

In this environment, UniImmo: Europa was opened to inflows for six weeks in the first half of the year from 20 March 2017 to 28 April 2017 with the inflow management quota method. EUR 700 million was allocated to the banks in the form of quotas. One-time investments were allowed up to an amount of EUR 500 thousand and savings plans up to instalments of EUR 250. As a result of the savings plans for UniImmo: Deutschland opened in summer/autumn 2016, the fund continued to receive around EUR 30 million a month, so sales were exclusively via this form of investment in 2017. For UniImmo: Global, a contingent of EUR 300 million was provided from 4 September to 13 October 2017. Like UniImmo: Europa, savings plans were allowed up to instalments of EUR 250. Over 17 thousand new savings plans were therefore added for the global open-ended real estate fund, increasing the twelve-month savings volume to around EUR 40 million. Due to three openings in the 2017 calendar year, the threshold of one million investors with open-ended real estate funds in their securities accounts (number of master securities accounts with open-ended real estate funds) was breached.

The open-ended real estate fund product range was expanded as at 28 July 2017 with the launch of UniImmo: Wohnen ZBI as part of a strategic partnership with the residential property specialist ZBI. On 28 July 2017, UniImmo: Wohnen ZBI was launched with a volume of EUR 620 million. Right from launch, Union Investment and ZBI thus created Germany's largest open-ended real estate fund with the residential use type.

PrivatFonds products

PrivatFonds products enjoyed inflows overall. The focus was on PrivatFonds: Kontrolliert and PrivatFonds: Kontrolliert pro. The net inflow since the start of the year amounted to EUR 4.3 billion (as at 31 December 2017), with EUR 4.3 billion attributable to PrivatFonds: Kontrolliert and EUR 0.3 billion to PrivatFonds: Kontrolliert pro. The total fund value for PrivatFonds products is now EUR 20.9 billion.

UniAusschüttung

The fund volume of UniAusschüttung, a global mixed fund with the aim of generating regular income that is generally distributed on a quarterly basis, was EUR 160.5 million as at 31 December 2017.

Old-age provision

Pensions

With the Riester products UniProfiRente and UniProfiRente Select, Union Investment continued to dominate the market for Riester investment fund savings plans in 2017 with a market share of 57 % (as at 30 September 2017) and was hence able to defend its position as the market leader over the whole of the Riester product market by offering solutions for insurance, home savings, funds and banking. Some 150 thousand clients were signed up to the newer product UniProfiRente Select as at 31 December 2017. As at this date, Union Investment managed around 1.8 million Riester contracts; the total volume of Riester pension products was EUR 16.5 billion as at 31 December 2017. Riester pensions have become an established component of private old-age provision. UniProfiRente/4P and UniProfiRente Select were therefore updated as at 1 July 2017.

Existing UniProfiRente/4P customers, for whom less than 10 % of the pension assets was invested in the equity fund UniGlobal Vorsorge on 1 July 2017, received a top-up of the equity fund ratio to 10 %. In addition, new and existing customers will continue to benefit from reallocations from the bond fund UniEuroRenta to the equity fund UniGlobal Vorsorge. The second Riester product, UniProfiRente Select, offers new customers with a long contract term a minimum ratio of equity funds of up to 30 %. The minimum equity fund ratio is calculated according to the remaining term. With the introduction of the minimum equity fund ratio, UniProfiRente Select's optional profit safeguard has ceased to apply. The changes to UniProfiRente Select relate exclusively to new contracts concluded on and after 1 July 2017.

The cooperative business with R+V-Versicherung is another important mainstay in the retail client segment. To total volume here was around EUR 6.9 billion as at 31 December 2017. The joint sales concept of Union Investment and R+V for unit-linked pension insurance (FRV) and rule-based investment strategies (RBA) continues to be well received. The "RBA 3 Märkte" product launched a year ago has now reached a volume of EUR 84.8 million. The current RBA family portfolio totals nearly EUR 3.3 billion (as at 31 December 2017).

Savings

In 2017, there was again a particular focus on investment fund savings plans. The measures implemented in 2016 remain effective and are enjoying excellent success. With nearly 654 thousand newly opened savings plans (in Union funds) as at 31 December 2017, the previous year's figure was surpassed by 34 % (487 thousand as at 31 December 2016). The twelve-month savings volume for Union investment fund savings plans amounted to EUR 3.5 billion as at 31 December 2017, likewise equating to a year-on-year increase of 27 %. Since the measures were introduced, the fund savings plan has established itself as an entry product for new customers. As at the end of December 2017, 38 % of new master securities accounts were opened via a savings plan.

Other developments in the product range

MeinInvest

In July 2017, the product solution "MeinInvest" went to market on schedule. The pilot phase began with seven developer banks. MeinInvest offers three portfolios with different risk profiles. The portfolios include Union and third-party funds. At the end of the year, the active pilot banks had already concluded 909 securities accounts, of which 841 are associated with a savings plan. As at 31 December 2017, the investment volume amounted to EUR 559.5 thousand and the total savings instalments EUR 90.5 thousand. There is very high demand for this product solution in the Genossenschaftliche FinanzGruppe. According, a broad roll-out will take place from April 2018 in order to grant all sales partners access to MeinInvest.

Further development of new launches

The existing "EUR A dis" unit class of Quoniam Emerging Markets Equities MinRisk has been marketed in the retail client segment since 31 March 2017. The fund pursues a minimum risk strategy that aims to achieve benchmark-free investment in global emerging market equities with the lowest possible total risk (minimum variance principle).

The UniInstitutional Corporate Hybrid Bonds A (including unit class with no front-end fee) was also launched on the same date, which invests in subordinated bonds from industrial and utility companies with a focus on Europe.

In addition, the UniRak funds product family was joined by UniRak Nordamerika on 31 March 2017, which invests in equities (65 %) and bonds (35 %) from North America (Canada, USA and Mexico), and by UniRak Nachhaltig Konservativ on 5 July (both funds including a unit class with no front-end fee), which invests in eurozone government bonds and in fixed-interest securities and equities from worldwide issuers. In the long term, the fund is aiming for a strategic allocation of around two-thirds in bonds and around one-third in equities and considers ethical, social and ecological criteria when selecting issuers.

The UniGlobal Dividende and UniFavorit: Aktien Europa funds were launched (each including a unit class with no front-end fee) on 12 July 2017. These two funds and UniRak Nachhaltig Konservativ acted as receiving funds in Union Investment Austria GmbH fund mergers and obtained a notification for public distribution for both Germany and Austria.

As at the end of December 2017, all funds launched in the current year took net inflows of EUR 0.1 billion altogether.

In the first half of the year, ten other funds were also launched with an exclusive notification for public distribution in Austria, which serve as receiving funds in the context of the consolidation of the Austrian product range.

In the private label segment, the private wealth mandate Bright Future Fund and VR Bank Rhein-Neckar Union Dynamic Invest were launched in Germany on 2 May 2017 and 3 July 2017 respectively.

Other activities

Altogether, the following funds were closed at the end of their terms in 2017: UniGarant: Commodities (2017) as at 24 March 2017, UniProfiAnlage (2017/6Y) as at 31 March 2017, UniGarant: Commodities (2017) II and UniGarant: Deutschland (2017) as at 23 June 2017, UniProfiAnlage (2017) and UniProfiAnlage (2017/II) as at 14 July 2017, UniGarant: BRIC (2017), UniGarant: BRIC (2017) II, UniGarant: Commodities (2017) III, UniGarant: Commodities (2017) IV and UniGarant: Commodities (2017) V as at 22 September 2017, UniEuroRenta Corporates 2017 as at 15 November 2017 and UniEuroKapital 2017 as at 24 November 2017. The following private label funds were also closed at the end of their terms: MVB Renta Select 2017 as at 29 September 2017 and BBBank EuroRenta 2017 as at 30 November 2017. Invest Euroland was merged into Invest Global as at 29 September 2017.

2. Institutional investors

In the company, 18 new special AIFs and 16 advisory or insourcing mandates were developed and launched or transferred to management functions in 2017. No mutual investment funds were launched. The company continues to exhibit steady growth in advisory and insourcing mandates. To this end, it already provides portfolio management services for numerous master asset management companies and clients. The company’s high process and service quality is regularly evidenced by the annual reports on controls (audit according to ISAE 3402 standard) compiled by an audit firm.

The Institutional Clients segment of Union Investment was extremely successful in the past financial year. Its net sales (including advisory and institutional asset management mandates) amounted to EUR 15.2 billion (compared with EUR 16.1 billion in the previous year). It gained a total of 78 new clients in the reporting year (2016: 74), 78 of which came from outside the cooperative sector. Net sales generated by new clients amounted to EUR 4.7 billion.

Given the significant reduction in risk budgets, the key challenge for institutional investors is to achieve the minimum required rates of return in a risk-controlled manner in a sustained low-interest environment. This has affected asset allocation. As an alternative to the previously dominant eurozone government bonds, it was in particular equities, corporate bonds, loan securitisations and emerging markets bonds that were sought after. Institutional investors also increasingly turned to real estate, though the market had little to offer.

Quoniam Asset Management GmbH, Frankfurt am Main, (Quoniam), which is part of the Union Investment Group, enjoyed success in the year under review. Its customer base was strengthened by 15 new clients with additional assets under management of EUR 0.9 billion. Quoniam operates as a specialist in quantitative investment strategies across all asset classes. The company currently manages assets of EUR 29.7 billion in 142 institutional portfolios.

With a market share of 6.5 % in terms of assets under management, Union Investment TFI S.A., Warsaw, which is likewise part of the Union Investment Group, is the seventh largest asset management company in Poland and the largest non-captive market participant. Net sales of EUR 0.5 billion were generated in the reporting year.

BEA Union Investment Management Limited, Hong Kong, the joint venture set up with Hong Kong-based The Bank of East Asia Limited, generated net sales of around EUR 0.8 billion (not including funds of funds) and therefore remains successful. Its assets under management rose by 33 % (in the local currency).

3. 2018 outlook

3.1 Retail clients

In addition to regularly adjusting its product range, Union Investment attaches great importance to updating its existing products. Against a backdrop of legislative changes and persistently low interest rates, the Retail Clients segment is endeavouring to offer investors funds and solutions that reflect the current market environment and that make the most of all available opportunities to generate attractive value added.

The marketing priorities for 2018 are derived from the three focal areas of investing and optimising assets, savings and old-age provision. The Retail Clients segment additionally runs an innovation process known as ideas screening once a year. The workshops held as part of this process present new product ideas, with the best being selected for launch. These will be added to the product launch schedule for 2018. In addition, the coming year will see a number of maturities, for which corresponding sales support is provided as part of marketing. A total of nine capital-protected funds and one fixed-term bond fund will come to the end of their term. Marketing activities in 2018 will again prioritise the focal area of savings. The aim remains to generate stronger growth in savings plan business and especially to acquire new customers and expand the breadth of advisory expertise. In the area of "investing and optimising assets", the focus will remain on improving the asset structure for customers with high levels of liquidity. As of 2018, measures to this end are linked in communications with the new key phrase "widely spread".

3.2 Institutional clients

It seems increasingly unlikely that the earnings dilemma in the eurozone will end this decade. At the same time, restrictions for institutional investors are on the rise. Investors are having to spread their investments more broadly in order to achieve the yields that they urgently require.

Institutional clients need to take advantage of the available investment opportunities with greater flexibility. Above all, this means adopting a more international investment focus, generating more market-based and market-neutral risk premiums, and properly networking their yield sources. Sufficient yields are now only possible by taking greater risks. Against this backdrop, there is greater demand than ever for active-dynamic asset management and risk management – not only defensively in order to limit losses but also and in particular offensively in terms of seizing the opportunities for yields in the market.

Union Investment supports institutional investors by providing them with exactly the solutions they need in the present capital environment. Union Investment will continue to expand its role as a leading provider of sustainable products in 2018.

V. Dependent company report

The company received appropriate consideration for the transactions and measures listed in the dependent company report, based on the circumstances known to the Board of Managing Directors at the time such transaction and measures were performed or taken. The company was not disadvantaged as a result of measures being taken.

The company has not, at the instigation or in the interests of DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZ BANK AG), Frankfurt am Main, or one of its affiliated companies, neglected to carry out any measure that could have been beneficial to the company based on the circumstances known to the Board of Managing Directors at the time.

VI. Position of the company

1. Result of operations

	2017 EUR million	2016 EUR million	Change EUR million
Interest-based business			
Interest income from lending and money market business and from fixed-income securities	-0.1	0	-0.1
Current income from variable-yield securities	14.2	10.4	3.8
Interest expenses	-1.0	-1.0	—
Allowances for losses on loans and receivables	0	0	—
Net interest income after allowances for losses on loans and receivables	**13.1**	**9.4**	**3.7**
Commission-based business			
Fee and commission income	2,312.8	1,969.0	343.8
Fee and commission expenses	-898.2	-761.5	-136.7
Net fee and commission income	**1,414.6**	**1,207.5**	**207.1**
Net income from investment securities	**8.2**	**-1.1**	**9.3**
Other net remeasurement income on financial instruments	**13.3**	**-14.4**	**27.7**
Net income from companies accounted for using the equity method	**15.9**	**2.7**	**13.2**
Administrative expenses			
Staff costs	-395.2	-354.1	-41.1
Other administrative expenses	-427.2	-379.0	-48.2
Depreciation and amortisation expense	-36.0	-31.1	-4.9
Administrative expenses	**-858.4**	**-764.2**	**-94.2**

	2017 EUR million	2016 EUR million	Change EUR million
Other operating result	**3.4**	**28.2**	**-24.8**
Consolidated earnings before taxes	**610.1**	**468.1**	**142.0**
Income taxes	**-188.8**	**-134.0**	**-54.8**
Consolidated net income	**421.3**	**334.1**	**87.2**
Attributable to:			
Shareholders of Union Asset Management Holding AG	**413.8**	**328.3**	**85.5**
Non-controlling interests	**7.5**	**5.8**	**1.7**

	2017	2016	Change
Assets under management (final volumes) in EUR billion	**323.9**	**292.3**	**31.6**
Cost/income ratio (CIR)	**58.5 %**	**62.0 %**	**-3.5 %**

Net interest income after allowances for losses on loans and receivables was well above the previous year's level at EUR 13.1 million. The increase was primarily the result of higher distributions from own-account fund investments.

Net fee and commission income breaks down as follows:

	2017 EUR million	2016 EUR million	Change EUR million
Fee and commission income	**2,312.8**	**1,969.0**	**343.8**
from sales commission	30.9	30.6	0.3
from management fees	2,021.4	1,705.4	316.0
- from securities funds	1,701.9	1,395.6	306.3
- of which performance-related fees	122.4	28.9	93.5
- from real estate funds	319.5	309.8	9.7
from securities custody accounts	51.3	50.7	0.6
Other	209.2	182.3	26.9
Fee and commission expenses	**-898.2**	**-761.5**	**-136.7**
for volume-based commission	-689.8	-585.6	-104.2
Other	-208.4	-175.9	-32.5
Net fee and commission income	**1,414.6**	**1,207.5**	**207.1**

The key drivers in net fee and commission income are the assets under management for the respective financial year. Growth in assets under management is mainly determined by net new business and the performance of the capital markets. Assets under management increased sharply by EUR 31.6 billion in 2017 to EUR 323.9 billion at the end of the year – a new record high. This increase was primarily attributable to net inflows as well as the positive performance in the international capital markets.

More than 80 % of net fee and commission income, specifically the main share of income from management fees (not including performance fees) and expenses for volume-related fees and commission (comprising trail commission, sales commission and other fees and commission), is determined by the volume of assets under management. In net terms, these two items increased sharply by EUR 118.3 million in 2017. This was as a result of the significantly higher average volume of assets under management (up +12.0 %).

The significant increase in management fees from property funds was due in particular to the higher average volume of property funds (up 12.1 %). In contrast, transaction fees declined sharply in the property area.

In 2017, income from performance-based management fees was up sharply year-on-year at EUR 122.4 million (up EUR 93.5 million).

The sales commission income represents the proportion of the front-end fee that remains with Union Investment. Gross sales of funds with a front-end fee rose year-on-year, resulting in a small increase in this earnings item. In addition, there was a sharp rise in other fee and commission income and in other fee and commission expenses. This was due to a larger volume of transactions in the fund brokerage business involving third-party funds and higher performance-related commission paid to the sales banks.

The change in net income from investment securities was the result of a reversal of impairment on the equity carrying amount of BEA Union Investment Management Limited, Hong Kong.

Other net remeasurement income on financial instruments amounted to EUR 13.3 million after EUR -14.4 million in the previous year. The sharp rise was primarily the result of a positive contribution from guarantee pledges measured.

Net income from companies accounted for using the equity method was much higher year-on-year at EUR 15.9 million (EUR 2.7 million) and primarily related to the share of the profit or loss of ZBI Partnerschafts-Holding GmbH, newly founded in 2017, and of BEA Union Investment Management Limited, Hong Kong. This item also reflects the Union Investment Group's share of the profit or loss of R+V Pensionsfonds Aktiengesellschaft, Wiesbaden, compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH, Wiesbaden, and VR Consultingpartner GmbH, Frankfurt am Main.

Administrative expenses were significantly higher year-on-year in 2017, rising by EUR -94.2 million to EUR -858.4 million (previous year: EUR -764.2 million):

The increase in staff costs is primarily due to the headcount growth, the adjustments to salaries and the increase in voluntary bonuses due to the positive development of key earnings figures.

Other administrative expenses were significantly higher year-on-year in 2017, rising by EUR -48.2 million to EUR -427.2 million (previous year: EUR -379.0 million):

	2017 EUR million	2016 EUR million	Change EUR million
Total	**-427.2**	**-379.0**	**-48.2**
IT expenses	-106.3	-95.9	-10.4
Public relations/marketing	-75.1	-75.2	0.1
Consulting	-65.4	-54.4	-11.0
Office expenses	-53.0	-40.2	-12.8
Property and occupancy costs	-41.2	-39.4	-1.8
Miscellaneous	-86.2	-73.9	-12.3

The increase in office expenses resulted primarily from provisions recognised for statutory retention requirements and the shipment of durable data carriers. Miscellaneous other administrative expenses increased first and foremost as a result of increases in the use of fee-based services and higher rents for information services. The higher consulting expenses were due to greater expenses for management consulting. IT expenses were higher year-on-year due to greater expenses for external programming and higher software and hardware costs. Property and occupancy costs increased year-on-year, while expenses for public relations / marketing fell.

Depreciation and amortisation expense was significantly higher year-on-year in 2017, rising by EUR -4.9 million to EUR -36.0 million (previous year: EUR -31.1 million). This was primarily due to a higher level of capitalised software.

The other operating result amounted to EUR 3.4 million in the period under review and was therefore well below the previous year's figure of EUR 28.2 million. This decline was mainly attributable to the inclusion of expenses from the "Next Generation Sourcing" reconciliation of interests and to reduced income from tax reimbursements.

Based on a group tax rate of 31.155 %, the effective tax rate within the UMH Group was 30.95 % (previous year: 28.63 %). Income tax expense rose by EUR -54.8 million year-on-year to EUR -188.8 million in the year under review. It comprises current tax expense of EUR -187.6 million (previous year: EUR -146.6 million) and deferred tax expense of EUR -1.2 million (previous year: tax income of EUR 12.6 million). The rise in current tax expense was caused by the higher consolidated earnings before taxes. The deferred tax expense was largely due to the recognition of deferred tax liabilities in connection with investment securities.

Overall, the developments described led to a significant year-on-year increase in consolidated earnings of EUR 87.2 million to EUR 421.3 million (2016: EUR 334.1 million), the highest level ever achieved by the company over an equivalent period.

In addition, the very low cost/income ratio (CIR) of 58.5 % is testimony to the efficient use of resources within the Union Investment Group. The cost/income ratio is the ratio of administrative expenses to the total of all other components of earnings before taxes. The cost income ratio fell by a sizeable 3.5 percentage points year-on-year.

Comparison with earnings originally forecast for 2017

The original forecasts for consolidated earnings in 2017 were significantly exceeded. The main reason for this positive development was a greater-than-expected increase in average assets under management, which resulted in a sharp rise in volume-based income. Compared to planning, a sharp rise in performance-related management fees also resulted in a further increase in income. Administrative expenses rose sharply compared with expectations. This was due firstly to increased staff costs. Secondly, more external advisory services were used than expected. Administrative expenses also increased due to the unplanned recognition of provisions. In net terms, this resulted in a significant improvement in earnings and in the cost income ratio compared with the original planning.

Distribution

As in previous years, a very substantial proportion of UMH's earnings will be distributed to its shareholders. The payment of a dividend of EUR 11.02 per share will be proposed at the Annual General Meeting on 4 May 2018. This would equate to a total dividend payment of EUR 320.1 million. The Supervisory Board of UMH approved the proposed appropriation of profit at its meeting held on 1 March 2018.

2. Financial position and liquidity

2.1 Financial position

Article I. Principles and objectives of financial management

All cash and cash equivalents available in the group's own bank accounts and investment accounts are referred to as financial resources. The investment strategy of Union Investment is a conservative one.

Cash flows are analysed on an ongoing basis and monitored as part of a rolling liquidity planning process so that prompt action can be taken to counter any liquidity problems that may be identified. Liquidity management begins with the management of cash flows from the group's operating activities. This is supported by tactical liquidity management, which focuses specifically on the selection of investment alternatives. Stress tests are regularly carried out as a further element in this strategy in order to assess the effect of changes in interest rates on the group's cash positions.

The interest rate sensitivity analysis on financial resources is not disclosed here as the calculation of interest rate sensitivities is only possible with sufficient certainty for resources invested in money market and bond funds.

Financial resources are classified according to the following criteria:

Liquidity (investments for liquidity management purposes): If the identified investment duration of the company's resources is less than three years, they are allocated to the liquidity category. Investments for liquidity management purposes include cash accounts, time deposits, money market funds, bond funds investing in short-term fixed-interest securities and other products suitable for short-term investment.

Funding: Initial funding of funds is necessary to place a new product on the market. The amount required is decided upon on a case-by-case basis after a review of necessity. Funding is repaid promptly (generally within six months with an option for extension). This category also includes financial resources with contractual commitments.

Employee investments: All cash invested by employees of the company as part of pension plans and employee retention programmes is allocated to employee investments.

Strategic investments (longer-term capital investments): Strategic investments are investments in funds or securities that are selected on the basis of risk/reward criteria and are expected to be held for at least three years as part of long-term liquidity planning. The expected term of the investment is determined when the group enters into the transaction concerned.

The four categories of financial resources are subject to constant risk monitoring and are broken down as follows:

	31 Dec. 2017		31 Dec. 2016		Change
	EUR million	%	EUR million	%	EUR million
Short-term investments for liquidity management purposes	**512.4**	**37.6**	**535.2**	**45.0**	**-22.8**
of which bond funds	441.9	32.4	480.5	40.4	-38.6
of which money market funds	70.5	5.2	54.7	4.6	15.8
Strategic investments	**787.3**	**57.7**	**584.5**	**49.1**	**202.8**
of which bond funds	635.4	46.6	464.1	39.0	171.3
of which equity funds	114.7	8.4	82.9	7.0	31.8
of which alternative investment funds	22.8	1.7	23.1	1.9	-0.3
of which mixed funds	9.8	0.7	9.7	0.8	0.1
of which real estate funds	4.6	0.3	4.7	0.4	-0.1
Funding	**62.1**	**4.6**	**67.7**	**5.7**	**-5.6**
of which bond funds	33.1	2.4	37.6	3.2	-4.5
of which mixed funds	3.9	0.3	10.2	0.9	-6.3
of which equity funds	8.9	0.7	3.2	0.3	5.7
of which alternative investment funds	8.3	0.6	9.1	0.8	-0.8
of which money market funds	1.8	0.1	2.1	0.2	-0.3
of which real estate funds	1.1	0.1	0	0	1.1
of which other funds	5.0	0.4	5.5	0.5	-0.5
Employee investments	**2.5**	**0.2**	**2.5**	**0.2**	**0.0**
of which bond funds	1.9	0.1	1.9	0.1	0.0
of which mixed funds	0.6	0.1	0.6	0.1	0.0
of which equity funds	0	0	0	0	0.0
Total securities	**1,364.3**	**100.0**	**1,189.9**	**100.0**	**174.4**
of which bond funds	1,112.3	81.5	984.1	82.7	128.2
of which equity funds	123.6	9.1	86.1	7.2	37.5
of which money market funds	72.3	5.3	56.8	4.8	15.5
of which alternative investment funds	31.1	2.3	32.2	2.7	-1.1
of which mixed funds	14.3	1.0	20.5	1.7	-6.2
of which real estate funds	5.7	0.4	4.7	0.4	1.0
of which other funds	5.0	0.4	5.5	0.5	-0.5

The table below shows total cash and cash equivalents:

	31 Dec. 2017		31 Dec. 2016		Change
	EUR million	%	EUR million	%	EUR million
Securities holdings	1,364.3	78.8	1,189.9	82.2	174.4
Bank holdings	368.1	21.2	257.4	17.8	110.7
Total cash and cash equivalents	**1,732.4**	**100.0**	**1,447.3**	**100.0**	**285.1**

2.2 Liquidity

Liquidity is constantly monitored to ensure that the companies within the Union Investment Group can meet their payment obligations at all times. Liquidity planning in the individual companies is used as the basis for monitoring the short- and medium-term liquidity situation and for managing liquidity. The objective of liquidity planning is to forecast liquidity trends, determine liquidity and capital needs and manage the liquidity situation accordingly. This liquidity planning process is supported by IT systems (SAP Business Warehouse). It has a monthly rolling structure covering a planning period of 15 months based on the latest earnings forecasts (budgets and projections) and incorporates the actual figures from the preceding months of the current financial year and the liquidity (balances in the liquidity and strategic investments categories) available on the last day of the month prior to the start of the respective planning period. The liquidity planning structure corresponds to the account-based breakdown of the HGB balance sheet and income statement. The forecast changes in liquidity are derived from the planned cash inflows and outflows associated with the budgeted income and expenses and from changes in statement of financial position items that affect liquidity. At an operational level, all bank account transactions are managed on a day-by-day basis and subsequently checked.

The group's equity ratio was 55.8 % as at the end of the reporting period. Current liabilities and provisions, i.e. those due within one year, are covered in full by bank balances, loans and receivables with short remaining terms and securities that can be liquidated.

DZ BANK AG has provided UMH AG with a credit facility of EUR 250 million, which was granted under a framework loan agreement and is available until further notice. The credit facility has been provided for refinancing the acquisition of fund units. The current credit facility has not been utilised.

Taking into account the balance of financial resources available as at the end of the reporting period and the changes in liquidity forecast by the monthly rolling 15-month liquidity planning process, all the companies within the Union Investment Group will be able to meet the financial obligations due in the analysis period from the available cash and cash equivalents at all times.

3. Net assets

3.1 Overview of net assets

The following table shows a summary of the individual items of the consolidated statement of financial position by financial category.

Assets	31 Dec. 2017		31 Dec. 2016		Change
	EUR million	%	EUR million	%	EUR million
Liabilities and advances to					
banks	373.0	15.8	263.2	13.4	109.8
customers	75.3	3.2	65.7	3.4	9.6
Investment securities	1,367.8	57.8	1,182.6	60.3	185.2
Shares in companies accounted for using the equity method	104.4	4.4	57.0	2.9	47.4
Property, plant and equipment and intangible assets	159.3	6.7	160.1	8.2	-0.8
Income tax assets	44.2	1.9	46.6	2.4	-2.4
Miscellaneous assets	215.1	9.1	165.2	8.4	49.9
Assets held for sale	27.0	1.1	20.1	1.0	6.9
Total assets	**2,366.1**	**100.0**	**1,960.5**	**100.0**	**405.6**

Equity and liabilities	31 Dec. 2017		31 Dec. 2016		Change
	EUR million	%	EUR million	%	EUR million
Liabilities to					
banks	14.6	0.6	13.2	0.7	1.4
customers	1.2	0.1	1.3	0.1	-0.1
Provisions	193.7	8.2	176.8	9.0	16.9
Income tax liabilities	80.1	3.4	68.8	3.5	11.3
Miscellaneous liabilities	755.6	31.9	641.7	32.7	113.9
Equity	1,320.9	55.8	1,058.7	54.0	262.2
Total equity and liabilities	**2,366.1**	**100.0**	**1,960.5**	**100.0**	**405.6**

Consolidated total assets increased by 21 % year-on-year to EUR 2,366.1 million. As is typical for the industry, the assets managed by the Union Investment Group for its clients – investment funds and other asset management formats – are not reported in the statement of financial position.

The assets side of the consolidated statement of financial position is dominated by investment securities, which increased by EUR 185.2 from EUR 1,182.6 million to EUR 1,367.8 million. These consist almost exclusively of investments in investment funds managed by asset management companies of the Union Investment Group. The function and breakdown of these investments is explained in the 'Financial position' section.

Loans and advances to banks changed by EUR 109.8 million, from EUR 263.2 million in the previous year to EUR 373.0 million. This includes bank balances payable on demand in the amount of EUR 368.1 million (previous year: EUR 257.4 million).

Most of the increase in shares in companies accounted for using the equity method relates to ZBI Partnerschafts-Holding GmbH, Erlangen, and BEA Union Investment Ltd., Hong Kong. UMH AG acquired 49.9 % of the shares in ZBI Partnerschafts-Holding GmbH, Erlangen, by purchase agreement dated 6 March 2017. Closing was subject to several conditions stipulated in the purchase agreement and occurred in April 2017. EUR 8.2 million of the change at BEA Union Investment Ltd., Hong Kong, is attributable to a reversal of impairment, EUR -3.6 million to the dividend from BU in the previous year, EUR -6.7 million to currency translation, EUR +0.3 million to the revaluation surplus and EUR +4.6 million to recognition through profit or loss of an adjustment to the carrying amount of equity.

Additions to property, plant and equipment of EUR 3.5 million were offset by depreciation of EUR 4.6 million. Including other changes, the net carrying amount of property, plant and equipment fell by EUR 1.2 million from EUR 23.6 million in the previous year to EUR 22.4 million.

Additions to intangible assets of EUR 36.9 million were offset by amortisation in the amount of EUR 31.8 million in the year under review. Including other changes, the net carrying amount increased by EUR 0.4 million from EUR 136.5 million in the previous year to EUR 136.9 million.

Miscellaneous assets include receivables from funds of EUR 138.0 million (previous year: EUR 111.8 million) and a measured option of EUR 37.0 million (previous year: EUR 165.2 million). The receivables from funds primarily comprised deferred management fee receivables for the month of December. The measured option entitles UMH AG to purchase shares in a company in the future.

Liabilities to banks and customers increased by EUR 1.3 million from EUR 14.5 million to EUR 15.8 million, primarily as a result of commission liabilities in connection with fund unit trading.

	31 Dec. 2017 EUR million	31 Dec. 2016 EUR million	Change EUR million
Provisions for employee benefits	**175.2**	**163.8**	**11.4**
Provisions for defined benefit obligations	109.2	110.9	-1.7
Provisions for other long-term employee benefits	64.4	48.1	16.3
Provisions for termination benefits	1.6	4.8	-3.2
Other provisions	**18.5**	**13.0**	**5.5**
Total	**193.7**	**176.8**	**16.9**

Provisions increased by EUR 16.9 million from EUR 176.8 million to EUR 193.7 million. Provisions for defined benefit obligations decreased slightly by EUR -1.7 million. Provisions for other long-term employee benefits increased by EUR 16.3 million from EUR 48.1 million to EUR 64.4 million. Termination benefits fell by EUR 3.2 million from EUR 4.8 million to EUR 1.6 million, while other provisions rose by EUR 5.5 million from EUR 13.0 million to EUR 18.5 million.

Equity changed by EUR 262.2 million from EUR 1,058.7 million to EUR 1,320.9 million. The increase was primarily due to the dividend for the previous year paid out in the financial year (EUR 200.1 million) compared with total comprehensive income in the year under review (EUR 436.1 million). Equity was also increased by the sale of 4 % of the shares in Union Investment Real Estate GmbH, Hamburg. UMH AG sold the shares to DZ BANK by purchase agreement dated 7 December.

The equity ratio was 55.8 %, up 1.8 percentage points on the prior-year figure of 54.0 %.

3.2 Non-financial performance indicators

Employees

The Union Investment Group's workforce is critical to its performance, future profitability and competitiveness. The Union Investment Group pursues an innovative, needs-driven professional development strategy in order to provide the best possible framework in which it can nurture the capabilities and commitment of its employees in line with their responsibilities and potential. A total of around EUR 3.9 million was invested in human resource development activities in the 2017 financial year (2016: EUR 3.4 million). Target-driven people management and the use of performance-related remuneration help to ensure that employees at all levels learn to think and act from a business perspective. Employee motivation and commitment to this target-based approach are also encouraged by variable remuneration components based on individual performance targets.

As at 31 December 2017, UMH employed 296 people (2016: 277 employees) with an average age of 42.1 (2015: 41.8) and an average period of service of 10.0 years (2016: 9.9 years). The Union Investment Group employed 2,945 people as at the end of 2017 (2016: 2,824). Across the group, the average age of employees was 42.4 (2016: 42.1) and the average period of service was 10.4 years (2016: 10.2 years).

Brand performance

The Union Investment brand is systematically managed as a corporate brand. This efficient brand architecture approach, which is increasingly favoured by financial service providers, requires holistic strategic brand management from a holding company perspective.

In 2013, UMH started to record brand strength index data for all target groups relevant to the brand as part of its strategic brand management activities. This index is determined from well-established brand management parameters and is expressed as a value between 0 and 100. The latest brand strength index figure for retail client bank consultants is 96. This equates to a further increase of one point on the previous year's already very high figure. In contrast, the brand strength index figure for retail investors fell by one point to 70 in the year under review. The index figure for institutional investors is 91. For technical reasons relating to data collection, it was not possible to determine the brand strength index for this client group in the previous year; it was 86 in 2016. The index value for real estate business partners fell by one point to 84; it was not possible to determine the brand strength index for tenants in UIR/UII properties in 2017 for technical reasons relating to data collection. Given the varying relevance of the brand in the decision making process within the different target groups, the values for all the target groups are seen as positive from a brand management perspective.

In a comparison with the performance of competitor brands, the picture established over the last few years has remained largely unchanged: Union Investment remains well ahead of most of its competitors in terms of the strength of its brand. This brand therefore constitutes a valuable asset for the Union Investment Group over the long term. The brand parameter values are expected to remain steady in the 2018 financial year with just a few small deviations from the actual values achieved in 2017.

Client satisfaction

In the 2017 financial year, the satisfaction values for all customer groups of the Union Investment Group remained high, with marginal drops in some cases: the average satisfaction score for bank executives at the cooperative broker banks engaged in UIP business was 2.0 (2016: 1.9). The figure for bank consultants is 2.1, 0.2 points below the previous year (1.9). The average satisfaction score for retail investors was 2.3 in 2017. The average figure for this customer group in 2016 was 2.5.

Internal satisfaction surveys are carried out among Union Investment's institutional investors on a two-year cycle. On a scale of 1 = exceptionally happy to 5 = unhappy, the score for the overall satisfaction of institutional investors with their business relationship with Union Investment changed only marginally from an excellent 1.75 in 2015 to 1.80 as currently measured in the 2017 reporting year.

The average satisfaction score for tenants in German properties of UIR/UII was 2.3 in 2017, after 2.4 in the previous year.

We are setting ourselves the ambitious goal of maintaining the high customer satisfaction levels in the 2018 financial year. This unchanged forecast is based firstly on the assumption that clients, whether business to business or retail clients, quickly become accustomed to the level of service offered and that simply maintaining this level of service is no longer adequate to achieve the same satisfaction scores. Secondly, once high satisfaction scores have been achieved, it tends to become more difficult to raise the level of service further still. Moreover, satisfaction scores are also dependent on the performance of the capital markets. Given that this performance can only be predicted to a limited extent, any forecast of satisfaction scores must factor in some potential for a setback.

Employee volunteering with the mitMenschen initiative

Socially responsible volunteering by employees forms part of the Union Investment Group's sustainability strategy. The mitMenschen initiative was launched in the 2006 anniversary year, driven by a desire to give something back to the community. In the past, activities were planned centrally for set project Saturdays and were offered to employees for them to participate. Since November 2012, employees have been able to organise such activities themselves. To this end, Union Investment maintains a database of socially responsible activities on its intranet, and employees are able to add their own activities or register for proposed projects.

23 projects were initiated by employees in 2017, including two projects in Luxembourg, two in Vienna, three in Hamburg and 16 in the Frankfurt region. Group-wide, 715 employees from all hierarchy levels and all locations (Frankfurt, Hamburg, Luxembourg and Vienna) devoted around 2,258 hours of their own time to volunteer for 18 organisations. This work helped socially disadvantaged children, young people and adults and people with disabilities.

3.3 Statement of cash flows

The purpose of the statement of cash flows is to determine and present the cash flows generated or used by the Union Investment Group in its operating activities, investing activities and financing activities in the financial year.

A statement of cash flows is not particularly meaningful as far as investment companies are concerned. The Union Investment Group's statement of cash flows does not replace financial or liquidity planning, nor is it used as a management tool.

	31 Dec. 2017 EUR million	**31 Dec. 2016** EUR million
Cash flow from investing activities	426.2	506.6
Cash flow from financing activities	-247.3	-121.9
Cash and cash equivalents at the end of the year	-178.9	-384.7
= Changes in cash and cash equivalents	0	0
+ Cash and cash equivalents at start of year	0	0
= Cash and cash equivalents at end of year	**0**	**0**

Cash and cash equivalents in the statement of cash flows correspond to the cash and cash equivalents item in the statement of financial position, which comprises cash in hand and balances at central banks, plus debt instruments from public sector entities and bills of exchange eligible as collateral for central bank funding if the residual maturity is less than three months and the amounts concerned are deemed to be the retention of liquidity. Loans and advances to banks that are repayable on demand are not included; these items are assigned to operating activities.

The cash flow from operating activities was determined using the indirect method and provides information on the cash flows from the results of the main activities recognised in the income statement and from changes in items of the statement of financial position from the Union Investment Group's business activities that are not attributable to investing or financing activities. This cash flow demonstrates the Union Investment Group's ability to generate cash from its operating activities and from its own resources in order to meet its obligations, maintain its operations, pay dividends and support capital expenditure without having to resort to external sources of funding.

The main features of the cash flow from investing activities in the year under review were proceeds of EUR 790.7 million from the disposal of investment securities and payments of EUR 964.3 million to acquire investment securities. There were also payments of EUR 36.9 million for the acquisition of intangible assets, payments of EUR 33.4 million for the acquisition of associates and payments of EUR 3.5 million for the acquisition of property, plant and equipment.

In accordance with the definition in IAS 7.17, the cash flow from financing activities comprised cash flows arising from transactions with equity holders and other shareholders in consolidated subsidiaries, from other capital and from the utilisation and repayment of loans and other borrowings. The cash flow from financing activities was primarily accounted for by the payment by UMH of the dividend for the 2016 financial year amounting to EUR 200.1 million and the payment of dividends from subsidiaries of UMH to non-controlling interests amounting to EUR 5.8 million. This was countered by changes in cash from other capital of EUR 27.1 million, of which EUR 32.0 million is attributable to the disposal of shares in a domestic subsidiary.

C Events after the reporting date

There were no events of particular significance after the end of the financial year.

D Corporate governance declaration

Report in accordance with Section 289f (4) in conjunction with (2) no. 4 HGB

The company's Supervisory Board had set targets for the proportion of women on the company's Supervisory Board and Board of Managing Directors pursuant to Section 111 (5) AktG, to be met by 30 June 2017. The target set for the Supervisory Board was 20 % (3 out of 15). As at 30 June 2017, the proportion of women on the Supervisory Board was unchanged year-on-year at 13.3 % (2 out of 15). The female members were Heike Orth and Claudia Vives Carrasco, who were both re-elected by the workforce as employee representatives on the Supervisory Board in spring 2017. The other three employee representatives elected by the workforce are male. The terms of office of the shareholder representatives on the Supervisory Board also ended at the end of the company's Annual General Meeting on 12 May 2017. Eight of the ten shareholder representatives in total stood for election to the Supervisory Board again and were re-elected by the Annual General Meeting. Only two shareholder representatives did not stand for re-election to the Supervisory Board. Considering the specific job profile for these posts, the Supervisory Board carefully assessed all criteria relevant for its composition and proposed to the Annual General Meeting two new male candidates for election to the Supervisory Board as successors, namely Dr Matthias Hildner and Dr Cornelius Riese. The Annual General Meeting complied with this proposal. The Supervisory Board has resolved to adhere to the current target for the proportion of women of 20 % (3 out of 15) and has set 31 December 2021 as the new deadline.

The proportion of women on the Board of Managing Directors in the reporting period was 0 %. The Supervisory Board had set a target of maintaining this status quo until 30 June 2017. The proportion of women was also 0 % at the deadline on 30 June 2017. The Supervisory Board has resolved to adhere to the current target for the proportion of women on the Board of Managing Directors of 0 % and has set 31 December 2021 as the new deadline.

In addition, the Board of Managing Directors had defined targets in accordance with Section 76 (4) AktG for the two management levels below the Board of Managing Directors; these targets were to be met by 30 June 2017. The target was 25 % at head of division level (the first level below the Board of Managing Directors) and 0 % at head of department level (the second level below the Board of Managing Directors). The aforementioned targets were met in the period under review and as at the target date of 30 June 2017. The Board of Managing Directors has resolved to adhere to the current targets for the proportion of women and has set 31 December 2021 as the new deadline.

E Forecast, report on risks and opportunities

I. Report on opportunities

Union Investment pursues a value-driven business policy, which means generating a steady increase in enterprise value. This increase is fundamentally to be achieved through lasting and profitable growth, taking into account risk/reward considerations. Specifically, we see it as our mission to increase the assets of our customers and to gain their trust. To do this, we address the key challenges presented by the capital markets and develop needs-based investment solutions.

The development of the Union Investment Group's business is reflected in its expenses, earnings and profit or loss as reported in the UMH consolidated financial statements. The following opportunities are seen in this context.

The current low level of interest rates, no end to which is yet in sight, means there are only negligible returns on investment. As such, investors can only generate a return if they are prepared to take controlled risks. Union Investment believes there is an opportunity in this environment for it to further consolidate its position as an active risk manager both for retail investors and institutional client groups, and to expand its fund business. For the client group of retail investors, the focus is on funds and solutions that reflect the current market environment in order to generate attractive value added. Institutional investors are focusing on flexible products in order to take advantage of the available investment opportunities. In particular, this means a shift away from conventional benchmark thinking and towards active and dynamic management.

Additionally, the clients' security needs boost demand for real assets, in particular real estate funds. Union Investment's good positioning in this market offers continuing significant sales potential among retail and institutional clients.

Following the financial crisis, a large number of legislative provisions have already been implemented or initiated with a significant impact on securities business. In light of these developments, Union Investment believes that there is also an opportunity to develop customised, solution-oriented products and to strengthen customer loyalty.

Digital transformation is steadily coming to all areas of society and business. This development gives Union Investment the potential to create new customer benefits and to improve processes at all stages of the value chain.

The topic of sustainability remains important to the target group of institutional clients. At the same time, the economic benefits of sustainability are becoming increasingly important too. Union Investment offers socially responsible investments (SRI) across many asset classes and provides constructive assistance in the area of corporate governance.

Based on the identified opportunities, Union Investment believes there is the prospect of continually boosting its net sales and the volume of assets under management, thereby further increasing the resulting fee and commission income for the group. Union Investment is also constantly working to improve its processes, thereby saving time and costs. Overall, this results in both expense- and income-based opportunities to generate an excellent earnings performance.

II. Report on risks

1. Proven systems for identifying and managing risks

The Union Investment Group is an asset manager, and its performance is therefore influenced to a large degree by trends in the real estate and capital markets and by the investment behaviour of fund investors. It acts in the interests of fund investors and pursues a value-driven business policy with the long-term objective of generating a sustained increase in enterprise value, taking into account a balance of risks and rewards. The Board of Managing Directors of UMH therefore attaches great importance to the highly skilled management of risks.

The internal management systems are designed such that risks can be identified, monitored on a regular basis and actively managed. The systems aim to ensure that risks potentially leading to negative variances from predicted performance are identified as early as possible and that corrective action is initiated to mitigate the risk. At the same time, the aim is also to ensure that the group can exploit business opportunities, taking into account profitability and the group's risk-bearing capacity.

The Union Investment Group's risk management system (RMS) is a continuous process that incorporates all organisational measures and procedures for identifying, measuring, monitoring and managing risks. The RMS is organised in compliance with regulatory requirements. UMH is a company within the DZ BANK Group and is thus integrated into the risk management system of this group.

The Board of Managing Directors of UMH bears responsibility for risk management within the Union Investment Group. The risk strategy categorises the material types of risk identified, defines the fundamental risk measurement methods used and provides detailed guidance on how to deal with the risk in question. The risk strategy is consistent with the risk strategies implemented within the DZ BANK Group. Risk measurement and management procedures have been devised for all the material risk types, risk concentrations and interaction with investment fund assets identified in the risk inventory. The Risk and Data Quality Management Committee is the central risk committee within the Union Investment Group. At its meetings, it discusses the group's risk situation and prepares decisions for the Board of Managing Directors of UMH. The Risk Manager and the central Risk Management unit are charged by the Board of Managing Directors with ensuring the integrity of the group-wide RMS. Quarterly risk reports on UMH and the main companies within the Union Investment Group are prepared for their senior management teams and supervisory boards as part of the regular reporting cycle.

The details of the RMS, including all policies and strategies, are documented in the Union Investment Group's risk manual.

The Internal Audit department carries out an annual review of the RMS to ensure that it is fully operational.

The following sections describe the key components of the RMS within the Union Investment Group:

Analysis of risk-bearing capacity

In order to ensure that the Union Investment Group and its companies continue to survive as going concerns, their ability to bear risk is regularly monitored as part of the economic risk and capital management system. The material types of risk are limited in accordance with the risk strategy and the aggregate risk cover available and are backed by risk capital. This involves limiting the maximum risk permitted by risk propensity in the form of upper loss limits in such a way that the survival of UMH and the Union Investment Group as going concerns is not put at risk. This process incorporates the effects of diversification between the different risk types. Independent experts use industry standards and methods to calculate the risk capital requirements and monitor the upper loss limits. Union Investment carries out regular stress tests in respect of the main types of risk. The methods used are subject to an annual adequacy review.

Early-warning system

Data on risk indicators is regularly collected and aggregated into twelve categories as part of the early-warning system. If predefined tolerance limits are exceeded or a risk is classed as elevated, an early warning is triggered that prompts those responsible for risk management to conduct a causal analysis and implement risk mitigation measures. The early warnings generated by the system therefore guarantee that corrective action will be initiated in good time. The risk indicator system essentially covers operational risks, business risks, market risks and risks that can arise from outsourced functions. In addition, the group has an ad hoc reporting system for the early identification of exceptional risk situations that require immediate action.

Risk reporting

The Board of Managing Directors of UMH receives quarterly written reports on changes in the risk position in the reporting period. The risk report describes and assesses the overall risk position. It highlights any critical areas of potential risk and, if necessary, recommends action to eliminate such potential risk. The Board of Managing Directors uses this report as the basis for the information it forwards to the Supervisory Board. In addition to these regular risk reports, any critical risk information is passed to the Board of Managing Directors without delay and, if necessary, is also escalated to the Supervisory Board.

2. Presentation of material risks

The Union Investment Group's risk strategy applies to the risks identified and classified as material in the annual risk inventory. These risks are regularly monitored and managed with the help of the risk management system on the basis of the guidance specified in the risk strategy.

Operational risk

Operational risk is defined as the risk of losses arising from human behaviour, technological failure, process or project management weaknesses or external events. Legal risk is included in this definition. Compared to other risks, operational risk is extremely important within the Union Investment Group because the group's activities focus on the provision of services for third parties and not on the assumption of risk on its own account.

Operational risk is quantified centrally by DZ BANK AG using an economic portfolio model. A risk contribution of EUR 111.7 million was calculated for UMH as at 31 December 2017 (previous year: EUR 123.2 million). The warning threshold was EUR 153 million (previous year: EUR 195 million). The risk contribution did not exceed the warning threshold at any point during the course of the year.

The additional risk indicator system triggered warnings for various risk indicators as intended. Corrective action to facilitate risk management was derived from these. There were no indications in the course of the year of any critical situations likely to represent a risk to the group as a going concern.

The group records all losses of EUR 1,000 (gross) or more arising in connection with operational risks in its internal loss database. If such a risk materialises, it can cause not only losses but also delays or interruptions to operations or even subsequently give rise to reputational risks. The recording of loss events enables Union Investment to analyse operational risks that have become critical and identify trends and concentrations. The action subsequently specified to mitigate the risk or prevent such risk from materialising can then also be refined. Over the course of time, there are regular fluctuations in the pattern of losses as the probability of relatively large losses occurring in individual cases is very low. Losses did not reach a critical level relative to the warning threshold at any time during the reporting period.

The risk profile in connection with operational risks is honed as part of an annual risk self-assessment in which scenario-based analyses are applied. Worst-case scenarios play a key role in this process. They provide indications as to how the group should manage extreme risk events.

The group has implemented various organisational precautions to mitigate or avoid the effects of operational risks:

For all material business transactions, there are guidelines that stipulate people's responsibilities and the procedures. These guidelines are regularly reviewed by the Internal Audit division to ensure that they remain adequate and up to date.

The Union Investment Group's practice of bundling activities and the associated specialisation at individual stages of the value chain fundamentally help to reduce operational risks. For example, IT services and related tasks are outsourced to a specialist IT service provider within the group. Back-office activities are also pooled in the organisational structure.

In addition to the pooling of tasks internally, some services are outsourced to specialist third-party providers. This is the case, for example, in IT operations. The main IT service providers for UMH are T-Systems, Fiducia & GAD, Ratiodata and Computacenter AG & Co. oHG. Other activities, such as in custody business and portfolio management, have also been outsourced.

All planned outsourcing is subject to a standardised outsourcing process, which also includes an analysis of the risks arising in connection with the outsourcing project concerned. Depending on the outcome of the analysis, outsourced activities and processes are included in the risk management system. Existing outsourcing arrangements are monitored and reports are regularly submitted to senior management teams. Any necessary corrective action is initiated, where appropriate.

Various organisational, technical and HR measures have been put in place to improve the stability of processes and reduce risks. These include an internal control system, a centralised body responsible for the prevention of other prosecutable activities, the separation of duties all the way up to the level of the Board of Managing Directors, an appropriate technical infrastructure, the use of suitably skilled and qualified employees and the provision of adequate HR resources.

Within the Union Investment Group, the structure of the remuneration systems is the responsibility of the group HR division and is enshrined in the remuneration policy. The aim of the remuneration systems is to recognise the employees' achievements accordingly and to offer them effective performance incentives. One of the express provisions in the policy and systems is that targets leading to the assumption of excessive risk must not be agreed. This helps to minimise operational risks. The remuneration systems are designed such that they comply with the applicable regulatory requirements.

Insurance policies have been taken out to cover certain risks, some of which cannot be managed or controlled.

Union Investment has a business continuity plan covering emergencies and critical situations. The aim of the plan is to reduce the impact of external risks that could lead to extremely high losses or damage, or even jeopardise the continued existence of the group as a going concern.

Market risk

Market risk comprises market risk in the narrow sense of the term and market liquidity risk.

Market risk in the narrow sense of the term is defined as the risk of losses on financial instruments or other assets arising from changes in market prices or in the parameters that influence prices (for example, interest rate risk, spread risk, migration risk, currency risk, equity risk, real estate risk, fund price risk and asset management risk). Market liquidity risk is the risk of loss arising from adverse changes in market liquidity, for example as a result of a reduction in market depth or market disruption. Market liquidity risk is only of minor significance.

Fund price risk and asset management risk are particularly important for UMH and the Union Investment Group. Fund price risk arises from the own-account investing activities undertaken by the companies within the group. The Union Investment Group adopts a conservative approach to its own-account investing activities, investing primarily in the group's funds. Heightened volatility in financial markets can lead to changes in the value of fund assets, which are then reflected in the income statement. UMH uses a planning committee to monitor and manage its own-account investing and does not undertake trading activities specifically in pursuit of short-term gain. Fund price risk also includes interest rate risks in connection with the measurement of pension obligations. UMH determines the risk from own-account investment twice a month and informs its Board of Managing Directors and the committee responsible for the management of own-account investment on this basis. Fund price risk is quantified as a value at risk with a confidence level of 99.9 % and a holding period of one year. The calculation is based on a Monte Carlo simulation, taking into account crisis scenarios and risk mitigation techniques. Asset management risk is the risk arising from contractually agreed obligations to make additional capital payments to fund investor clients if there is a shortfall in the funds. This risk category is relevant because the risk of such payments may arise in connection with subsidised pension plan products (Riester pension plan products, particularly UniProfiRente) and guarantee funds. Such additional payments to investors would represent expenses for the company. The risk relating to the pension products is calculated using a simulation of the expected future obligations to make additional capital payments. The risk of possible additional capital payments in connection with guarantee funds is quantified using suitable models and statistical methods depending on the structure of the product concerned. The performance of pension plan products and guarantee funds is constantly monitored.

UMH's market risk is managed directly at the level of risk capital requirements. A limit system combining operational and strategic perspectives is therefore not required. The economic risk capital requirements for market risk were calculated as EUR 155.6 million as at 31 December 2017 (previous year: EUR 189.4 million). The upper loss limit was EUR 255 million (previous year: EUR 235 million). The risk capital requirements did not exceed the upper loss limit at any point during the course of the year.

Equity investment risk

Equity investment risk is defined as the risk of losses arising from negative changes in the fair value of that portion of the equity investments portfolio in which the risks are not covered by other types of risk. Equity investment risk only includes equity investments that are not integrated into the differentiated risk measurement process with a look-through approach for the individual risks. If the risk materialises, there may be a need to recognise impairment losses to reduce the carrying amounts of the equity investments concerned. Equity investment risk is quantified centrally by DZ BANK AG. A risk contribution of EUR 70.0 million was calculated for UMH as at 31 December 2017 (previous year: risk capital requirements of EUR 37.1 million). The warning threshold was EUR 83 million (previous year: upper loss limit of EUR 45 million). The risk contribution did not exceed the warning threshold at any point during the course of the year.

Business risk

Business risk is the risk of losses arising from earnings volatility for a given business strategy and not covered by other types of risk. In particular, this comprises the risk that, as a result of changes in material circumstances (such as economic conditions, product environment, customer behaviour, market competitors) corrective action cannot be taken solely at an operational level to prevent the losses. The company would thus report an operating loss if such a risk should materialise.

The economic risk capital requirements are calculated using an earnings-at-risk approach as a value at risk with a one-year time frame and a confidence level of 99.9 %. The risk capital requirements were reported as EUR 11.1 million as at 31 December 2017 (previous year: EUR 32.6 million). The upper loss limit was EUR 15 million (previous year: EUR 37 million). The risk capital requirements did not exceed the upper loss limit at any point during the course of the year. The additional risk indicator system triggered warnings for various risk indicators as intended. Corrective action to facilitate risk management was derived from these. There were no indications in the course of the year of any critical situations likely to represent a risk to the group as a going concern.

Reputational risk

Reputational risk is defined as the risk of losses from events that damage confidence, particularly the confidence of clients, distributors, investors, employees, the labour market, the general public and supervisors, in the companies of the Union Investment Group or in the products and services they offer.

Reputational risks affecting the group or the group companies may arise from the management of investment fund assets. If reputational risks were to materialise, this could lead to an outflow of client funds and therefore to lower income in the future. The effects of reputational risks are factored into the measurement of business risk and are covered by the risk capital determined for the latter.

Liquidity risk

Liquidity risk is defined as the loss that can arise if insufficient funds are available to meet payment obligations when due (liquidity risk in the narrow sense of the term) or if any necessary funding can only be obtained on unfavourable terms (refinancing risk). The main items that can give rise to liquidity risk are the payment obligations of the companies within the group. If liquidity risks materialise, the settlement of payment obligations by the group companies could be delayed. To avoid any such scenario, liquidity items are subject to continuous liquidity management. Active planning and control of liquidity aims to ensure that the companies can meet their payment obligations at all times. The liquidity of the Union Investment Group was not in jeopardy at any time in the reporting period.

Credit risk

Credit risk is the risk of unexpected losses due to the default of counterparties. UMH's credit risk primarily results from own-account investments in funds, bank deposits/time deposits, loans and advances to clients and other exposures. The risk is currently not limited at UMH level but is instead included in the central capital buffer requirement at DZ BANK level. Credit risk is quantified semi-annually by UMH on the basis of capital requirements according to the standardised approach to credit risk. This uses all exposures relevant to credit risk to calculate the capital buffer. The central capital buffer requirement amounted to EUR 87.7 million as at 31 December 2017 (previous year: EUR 68.6 million).

Total risk

Total risk is calculated on the basis of the individual risk types. Diversification effects are taken into account in aggregation. The central capital buffer requirement is added to the correlated value both on the limit and the risk side. The total capital requirements amounted to EUR 411.1 million as at 31 December 2017 (previous year: EUR 349.3 million). The overall limit was EUR 559.3 million in the reporting period (previous year: EUR 468.8 million). The total capital requirements did not exceed the overall limit at any point during the course of the year.

Risk cover is calculated quarterly using the liquidation approach in line with DZ BANK specifications. Risk cover amounted to EUR 816.9 million as at 31 December 2017 (previous year: EUR 678.3 million). Utilisation of risk cover by the overall limit was 68.5 % as at 31 December 2017 (previous year: 69 %). The Union Investment Group's risk-bearing capacity was ensured at all times during the year.

3. Summary of the risk position in the year under review

The results from the risk monitoring process were discussed at regular meetings of the Risk and Data Quality Management Committee and suitable action was initiated where appropriate. The Board of Managing Directors of UMH was kept abreast of developments relevant to risk by means of the quarterly risk reports and ad hoc notification of any critical issues as necessary. Based on these details, the Board of Managing Directors took action to manage risks and reported to the Supervisory Board of UMH on the risk situation. Individual high-risk trends were mitigated by specific corrective action taken as part of the risk management process.

Over the 2017 financial year as a whole, there were no risks to UMH or the Union Investment Group as a going concern. The analysis of risk-bearing capacity does not highlight any obvious trends that could not be countered by the corrective action taken. The Union Investment Group's risk-bearing capacity was ensured at all times. The group complied with all limits during the reporting period. As dictated by prudent business practice, provisions were recognised in the annual financial statements to cover business and tax risks. The liquidity of UMH and the companies within the Union Investment Group was never in jeopardy at any point in the year under review.

III. Forecast

Please refer to the details in section B VI. 3.2 for information on the non-financial performance indicators.

This forecast covers the 2018 financial year.

Following the highest consolidated earnings, a record volume of assets under management and high net inflows in the 2017 financial year, Union Investment has again set itself ambitious targets for the 2018 financial year.

Against the backdrop of the persistently difficult environmental conditions – the altered political landscape in Germany following the most recent federal election, the progress of the withdrawal negotiations between the UK and the EU, the increase in centrifugal forces in Europe, for example in Poland, Hungary and Catalonia, the development of Turkey, Russia's behaviour, the North Korea conflict and last but not least US policies under a Trump government – the Union Investment Group wants to consistently take opportunities for positive business performance on the national and international stage.

For the 2018 financial year, Union Investment is again striving to maintain new business at its currently very high level and expects to see further substantial growth in assets under management to another new high, based on moderate overall performance assumptions.

A substantial decrease in net fee and commission income is forecast. While volume-based income will increase significantly owing to the higher average assets under management, income from performance-based management fees is not expected to be generated to the same extent as in the previous year on account of the current capital market environment. In addition, Union Investment is forecasting a significant decline in transaction fees in the property sector.

Administrative expenses are expected to increase substantially in the 2018 financial year. This will primarily be due to the transfer of research costs to own accounts, infrastructure investments and the resulting operating costs. Staff costs will increase as a result of targeted recruitment in 2018, the full-year effect of appointments, and planned salary adjustments. As things stand, this will be offset by a reduction in variable remuneration components.

Given the factors described above, high consolidated earnings are forecast once again, although there will be a clear reduction as against the previous year. A corresponding deterioration in the cost/income ratio is also expected as a result.

F Non-financial statement

For non-financial reporting, please refer to the Non-Financial Report in the management report of DZ BANK AG, in which the Union Investment Group is consolidated. The non-financial corporate statement is available in German at the following website: www.berichte2017.dzbank.de. The reference is indicated without acknowledgement of a legal obligation and is in particular not to be understood as a reference for the purpose of exemption from the reporting obligation according to Section 289b (2) HGB. Neither Union Asset Management Holding AG nor its German subsidiaries fall under the scope of Section 289b HGB, so there is no obligation to provide a non-financial report. The reference to the Non-Financial Report of DZ BANK AG is therefore voluntary. This does not affect the voluntary continuation of the previous sustainability reporting according to the GRI 4.0 standard outside of the management report.

Frankfurt am Main, 7 March 2018

Union Asset Management Holding AG

Hans Joachim Reinke
(Chief Executive Officer)

Alexander Schindler
(Member of the Board of
Managing Directors)

Jens Wilhelm
(Member of the Board of
Managing Directors)

Dr Andreas Zubrod
(Member of the Board of
Managing Directors)

Consolidated financial statements

2017 financial year

Consolidated financial statements (IFRS) of Union Asset Management Holding AG for the financial year from 1 January to 31 December 2017

Consolidated income statement for the financial year from 1 January to 31 December 2017

UMH Group	Note	2017 EUR thousand	2016 EUR thousand
Net interest income	[25]	**13,089**	**9,486**
Interest income and current income		14,070	10,478
Interest expenses		-981	-992
Allowances for losses on loans and receivables	[26]	**-15**	**-24**
Net interest income after allowances for losses on loans and receivables		**13,074**	**9,462**
Net fee and commission income	[27]	**1,414,626**	**1,207,516**
Fee and commission income		2,312,823	1,969,031
Fee and commission expenses		-898,197	-761,515
Net income from investment securities	[28]	**8,204**	**-1,134**
Other net remeasurement income on financial instruments	[29]	**13,316**	**-14,381**
Net income from companies accounted for using the equity method	[30]	**15,938**	**2,686**
Administrative expenses	[31]	**-858,384**	**-764,171**
Other operating result	[32]	**3,381**	**28,182**
Consolidated earnings before taxes		**610,155**	**468,160**
Income taxes	[22], [33]	**-188,813**	**-134,012**
Consolidated net income		**421,342**	**334,148**
Attributable to:			
Shareholders of Union Asset Management Holding AG		**413,889**	**328,377**
Non-controlling interests		**7,453**	**5,771**

Statement of comprehensive income for the financial year from 1 January to 31 December 2017

UMH Group	Note	2017 EUR thousand	2016 EUR thousand
Consolidated net income		**421,342**	**334,148**
Other comprehensive income		**14,770**	**-12,485**
Amounts reclassified to profit or loss		**11,385**	**4,102**
Gains and losses on available-for-sale financial assets	[34], [35], [53]	16,172	2,597
Exchange differences on currency translation of foreign subsidiaries	[35], [53]	1,773	-1,029
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	[35], [53]	-6,413	1,365
Income taxes relating to components of other comprehensive income	[35]	-147	1,169
Amounts not reclassified to profit or loss		**3,385**	**-16,587**
Actuarial gains and losses on defined benefit plans	[35], [53]	4,965	-24,088
Income taxes relating to components of other comprehensive income	[35]	-1,580	7,501
Total comprehensive income		**436,112**	**321,663**
Attributable to:			
Shareholders of Union Asset Management Holding AG		**426,953**	**316,035**
Non-controlling interests		**9,159**	**5,628**

Consolidated statement of financial position as of 31 December 2017

Assets	Note	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand
Cash reserve	[9], [36]	**18**	**39**
Loans and advances to banks	[10], [37]	**372,981**	**263,172**
Loans and advances to customers	[10], [38]	**75,321**	**65,692**
Asset derivatives	[18], [39]	**37,040**	**–**
Investment securities	[12], [40]	**1,367,845**	**1,182,613**
Shares in companies accounted for using the equity method	[13], [41]	**104,416**	**57,006**
Property, plant and equipment	[14], [42]	**22,406**	**23,556**
Intangible assets	[15], [43]	**136,921**	**136,471**
Income tax assets	[22], [44]	**44,218**	**46,568**
Other assets	[45]	**177,863**	**165,235**
Assets held for sale	[16], [46]	**27,029**	**20,148**
Total assets		**2,366,058**	**1,960,500**

Equity and liabilities	Note	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand
Liabilities to banks	[17], [47]	**14,642**	**13,246**
Liabilities to customers	[17], [48]	**1,218**	**1,306**
Liability derivatives	[18], [49]	**31,989**	**32,269**
Provisions	[19], [20], [50]	**193,729**	**176,818**
Income tax liabilities	[22], [51]	**80,128**	**68,793**
Other liabilities	[52]	**723,432**	**609,320**
Equity	[53]	**1,320,920**	**1,058,748**
Issued capital		87,130	87,130
Capital reserves		18,617	18,617
Retained earnings		751,331	591,888
Revaluation surplus		20,371	5,962
Currency translation reserve		6,413	11,309
Consolidated net profit		413,889	328,377
Non-controlling interests		23,169	15,465
Total equity and liabilities		**2,366,058**	**1,960,500**

Statement of changes in equity for the financial year from 1 January to 31 December 2017

UMH Group	Note	Issued capital EUR thousand	Capital reserves EUR thousand	Retained earnings EUR thousand	Revaluation surplus EUR thousand	Currency translation reserve EUR thousand	Consolidated net profit EUR thousand	Equity before non-controlling interests EUR thousand	Non-controlling interests EUR thousand	Total equity EUR thousand
1 Jan. 2016		**87,130**	**18,617**	**620,040**	**2,511**	**10,887**	**368,242**	**1,107,427**	**14,374**	**1,121,801**
Consolidated net income		–	–	–	–	–	328,377	328,377	5,771	334,148
Other comprehensive income	[53]	–	–	-16,215	3,451	422	–	-12,342	-143	-12,485
Total comprehensive income		**–**	**–**	**-16,215**	**3,451**	**422**	**328,377**	**316,035**	**5,628**	**321,663**
Dividends paid	[53]	–	–	-380,179	–	–	–	-380,179	-4,537	-384,716
Appropriation to retained earnings		–	–	368,242	–	–	-368,242	–	–	–
31 Dec. 2016		**87,130**	**18,617**	**591,888**	**5,962**	**11,309**	**328,377**	**1,043,283**	**15,465**	**1,058,748**
1 Jan. 2017		**87,130**	**18,617**	**591,888**	**5,962**	**11,309**	**328,377**	**1,043,283**	**15,465**	**1,058,748**
Consolidated net income		–	–	–	–	–	413,889	413,889	7,453	421,342
Other comprehensive income	[53]	–	–	3,291	14,669	-4,896	–	13,064	1,706	14,770
Total comprehensive income		**–**	**–**	**3,291**	**14,669**	**-4,896**	**413,889**	**426,953**	**9,159**	**436,112**
Acquisition/disposal of non-controlling interests		–	–	27,915	-260	–	–	27,655	4,381	32,036
Changes in the consolidated group		–	–	-20	–	–	-11	-31	–	-31
Dividends paid	[53]	–	–	-200,109	–	–	–	-200,109	-5,836	-205,945
Appropriation to retained earnings		–	–	328,366	–	–	-328,366	–	–	–
31 Dec. 2017		**87,130**	**18,617**	**751,331**	**20,371**	**6,413**	**413,889**	**1,297,751**	**23,169**	**1,320,920**

Statement of cash flows for the financial year from 1 January to 31 December 2017

UMH Group	2017 EUR thousand	2016 EUR thousand
Consolidated net income	**421,342**	**334,148**
Non-cash items included in consolidated net income and reconciliation to cash flows from operating activities		
Depreciation, amortisation, impairment losses and reversals of impairment losses on assets and measurement changes on financial assets and liabilities	14,792	46,066
Non-cash changes in provisions and deferred liabilities	673,070	546,633
Other non-cash income and expenses	214,307	191,573
Gains and losses on the disposal of assets and liabilities	4,828	-1,228
Other adjustments (net)	-13,093	-9,514
Subtotal	**1,315,246**	**1,107,678**
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks	-109,809	172,511
Loans and advances to customers	-9,645	-1,817
Other assets	-12,627	-17,272
Liabilities to banks	1,396	147
Liabilities to customers	-88	1,248
Asset/liability derivatives	-28,879	-2,448
Other liabilities	-537,083	-525,827
Interest and dividends received	18,298	14,408
Interest paid	-1,454	-1,355
Income taxes paid	-209,139	-240,670
Cash flow from investing activities	**426,216**	**506,603**

UMH Group	2017 EUR thousand	2016 EUR thousand
Proceeds from the disposal of:		
Investment securities	790,715	825,015
Property, plant and equipment	23	39,330
Intangible assets	–	170
Payments for the acquisition of:		
Investment securities	-964,335	-943,335
Joint ventures and associates	-33,381	–
Property, plant and equipment	-3,452	-6,409
Intangible assets	-36,921	-36,716
Cash flow from financing activities	**-247,351**	**-121,945**
Dividend payments to the shareholders of UMH AG and other shareholders	-205,946	-384,716
Changes in cash from other capital	27,060	60
Cash and cash equivalents at the end of the year	**-178,886**	**-384,656**
Cash flow from operating activities	**39**	**37**
Cash flow from investing activities	426,216	506,603
Cash flow from financing activities	-247,351	-121,945
Cash and cash equivalents at the end of the year	-178,886	-384,656
Cash and cash equivalents at the beginning of the year	**18**	**39**

Cash and cash equivalents in the statement of cash flows correspond to the cash and cash equivalents item in the statement of financial position, which comprises cash in hand and balances at central banks, plus debt instruments from public sector entities and bills of exchange eligible as collateral for central bank funding if the residual maturity is less than three months and the amounts concerned are deemed to be the retention of liquidity. Loans and advances to banks that are repayable on demand are not included; these items are assigned to operating activities.

The statement of cash flows shows a breakdown of, and changes in, cash and cash equivalents during the financial year. It is broken down into operating activities, investing activities and financing activities.

Cash flows from operating activities comprise cash transactions (cash inflows and outflows) in connection with loans and advances to banks and customers, other assets, asset and liability derivatives, liabilities to banks and customers and other liabilities. Interest and dividend payments, together with current income tax payments, are also assigned to cash flow from operating activities.

Cash flow from investing activities shows cash transactions relating to investment securities, property, plant and equipment and intangible assets. This item also includes the effects from changes in the consolidated group.

Cash flow from financing activities comprises proceeds from capital increases, proceeds from the utilisation of loans, loan repayments, dividend payments and changes in cash related to other capital.

A statement of cash flows is not particularly meaningful as far as companies in the asset management sector are concerned. The statement of cash flows for the UMH Group does not replace liquidity and financial planning, nor is it used as a management tool.

Notes to the consolidated financial statements

Basis of preparation

[1] Principles of group accounting

Union Asset Management Holding AG (UMH AG) is the holding company of the Union Investment Group. It is a subsidiary of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (DZ BANK). The primary purpose of UMH AG's subsidiaries, joint ventures and associates is to issue and sell investment funds, hold these funds in safe custody and provide associated services. The Union Investment Group is also the centre of competence for asset management within the Genossenschaftliche FinanzGruppe.

The registered office of UMH AG is Weissfrauenstrasse 7, 60311 Frankfurt am Main, Germany. The company was entered in the commercial register of the Frankfurt am Main Local Court on 16 June 1999 under HRB 47289. The shares in UMH AG are not publicly traded.

The consolidated financial statements of UMH AG are included in the consolidated financial statements of DZ BANK, which in turn prepares the consolidated financial statements covering the greatest number of entities included in the overall group and is entered in the commercial register of the Frankfurt am Main Local Court under HRB 45651. DZ BANK's annual financial statements are published in the Federal Gazette.

The consolidated financial statements of UMH AG comprise the consolidated income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements. They comprise the separate financial statements of UMH AG and its subsidiaries (hereinafter also referred to as the 'UMH Group' or 'Union Investment Group'). The consolidated financial statements have been prepared as at the end of UMH AG's reporting period, 31 December 2017. The subsidiaries included share the same reporting period.

In accordance with standard international practice, the consolidated income statement and statement of financial position are presented in a condensed and clearly structured format in compliance with the requirements of IAS 1. Statement of financial position items are shown in order of liquidity.

The consolidated financial statements have been prepared in euros (EUR). Unless stated otherwise, amounts are presented in thousands of euros (EUR thousand) to ensure that the consolidated financial statements are clear and comprehensible. Rounding differences can occur in tables.

All items in the consolidated financial statements are recognised and measured under the assumption of the going concern principle. Income and expenses are recognised using the accrual method, i.e. they are recognised in the period to which they relate.

With the exception of the contractual maturity analysis as required by IFRS 7.39 (note [58] and analysis of financial assets which are past due pursuant to IFRS 7.37 (note [59]), the disclosures on the nature and extent of risks arising from financial instruments (IFRS 7.31 – 42) are included in the risk report in the group management report.

[2] Accounting policies

The consolidated financial statements and the group management report for the financial year from 1 January to 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) in conjunction with Section 315e (3) HGB.

The financial statements of the companies consolidated in the UMH Group have been prepared using uniform accounting policies.

Changes in accounting policies

- First-time adoption of IFRS changes in the 2017 financial year

The following amended versions of IFRS financial reporting standards were adopted for the first time in the UMH consolidated financial statements for the 2017 financial year:
- Amendments to IAS 7 – Disclosure Initiative
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 12 – Disclosure of Interests in Other Entities in the Annual Improvements to IFRS Standards 2014–2016 Cycle

The IASB published amendments to IAS 7 as part of its Disclosure Initiative project in January 2016 with a view to improving the ability of users of financial statements to evaluate cash and non-cash changes in liabilities arising from financing activities. These are defined as liabilities for which cash flows are classified in the statement of cash flows as cash flows from financing activities. If this definition is met, the new disclosure requirements also relate to changes in financial assets. These amendments have no material impact on the UMH consolidated financial statements. The changes apply to reporting periods beginning on or after 1 January 2017.

The amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses published in January 2016 are intended to address various issues in relation to the recognition of deferred tax assets for unrealised losses arising from changes in the fair value of debt instruments and recognised in other comprehensive income. These amendments have no material impact on the UMH consolidated financial statements. These amendments are effective for annual periods beginning on or after 1 January 2017.

The amendments to IFRS 12 Disclosure of Interests in Other Entities in the Annual Improvements to IFRS Standards 2014–2016 Cycle clarify the scope of IFRS 12 by specifying that the disclosure requirements also apply to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities classified as held for sale and to discontinued operations in accordance with IFRS 5. This amendment is of no material significance for the UMH consolidated financial statements. This amendment is effective for annual periods beginning on or after 1 January 2017.

- Endorsed IFRS changes not applied

The following new accounting standards already endorsed by the EU were not applied early voluntarily:
- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Clarifications to IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- Amendments to IFRS 2 – Share-based Payment
- Amendments to IFRS 4 – Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'
- Annual Improvements to IFRS, 2014–2016 Cycle

In future, the regulations of IFRS 9 Financial Instruments will replace the content of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains provisions on the fundamentally revised regulatory areas of the categorisation and measurement of financial instruments, accounting for impairment on financial assets and hedge accounting.

With its regulations on categorisation and measurement, IFRS 9 will introduce a reclassification of financial assets. Both the business models of the portfolios and the characteristics of the contracted cash flows for the individual financial assets must be taken into account for the purposes of the reclassification. Based on this, financial assets can be assigned to the categories 'financial assets measured at fair value through profit or loss', 'financial assets measured at fair value through other comprehensive income' and 'financial assets measured at amortised cost'. The standard also affords the reporting entity the option of voluntarily but irrevocably categorising financial assets as 'financial assets designated as at fair value through profit or loss' (fair value option) when allocating them to the categories 'financial assets measured at fair value through other comprehensive income' or 'financial assets measured at amortised cost'. Use of the fair value option for debt instruments is not currently envisaged within the UMH Group. Equity instruments which are held for trading must be assigned to the category 'financial assets measured at fair value through profit or loss'. There is an option to categorise equity instruments not held for trading as 'financial assets designated as at fair value through other comprehensive income' (fair value OCI option). In the UMH Group, the fair value OCI option is used for investments and unconsolidated subsidiaries held as of 1 January 2018. In the event of acquisitions of new equity instruments after 1 January 2018, the decision on whether to use the fair value OCI option is to be made on a case-by-case basis. Unlike the disposal of debt instruments, the disposal of equity instruments in the fair value OCI option does not involve recycling the accumulated fair value changes since their acquisition to the income statement. If the fair value OCI option is not applied, equity instruments must be assigned to the category 'financial assets measured at fair value through profit or loss'.

Unlike IAS 39, IFRS 9 specifies that any changes in 'financial liabilities designated as at fair value through profit or loss' resulting from a change in credit risk must be recognised in other comprehensive income. Use of the fair value option for financial liabilities is not envisaged within the UMH Group. The other requirements relating to financial liabilities have been largely taken over from IAS 39 unchanged.

The new provisions on accounting for impairment fundamentally change their recognition as they require the recognition not only of losses that have already occurred but also of losses already expected. In determining the extent to which expected losses are recognised, a distinction must be made as to whether or not the credit risk on financial assets has deteriorated significantly since their addition. If this risk has increased, all losses expected over the entire term must be recognised from this date. Otherwise, only the losses expected over the term of the instrument from future, possible loss events in the next twelve months have to be recognised. Within the UMH Group, a significant increase in credit risk is always determined on the basis of a comparison of the actual probability of default over the remaining term of the instrument as at the reporting date and the probability of default originally anticipated over the same period. This review is supplemented by qualitative credit riskincreasing criteria insofar as these were not already taken into account in the probability of default. However, IFRS 9's level model is of no material significance for the UMH Group as the receivables to be handled according to the standard IFRS 9 approach are almost exclusively bank balances payable on demand, for which a transfer from level 1 to level 2 is impossible due to their maturity. Additionally, in the case of securities, use is made of the exemption from checking for significant increases in the credit risk of instruments with a low credit risk, as is allowed according to the standard.

The new IFRS 9 hedge accounting model will enable an improved presentation of internal risk management and entails extensive disclosure requirements. The amendments to IFRS 9 do not affect the requirements for portfolio fair value hedge accounting, for which the regulations of IAS 39 continue to apply. When applying the requirements of IFRS 9, as in the past, the respective risk management strategy and risk management objectives must be documented at the inception of the hedge, though in future the link between the hedged item and the hedging instrument must be in line with the specifications of the risk management strategy. If this link changes during a hedge but not the risk management objective, the factors included in the hedged item and the hedging instrument must be adjusted without discontinuing the hedge. Under IFRS 9, it will only be possible to discontinue a hedge under very specific circumstances. The requirements for demonstrating the effectiveness of hedges are also changing. IFRS 9 will do away with both the retrospective effectiveness assessment and the effectiveness range. Opposing changes in value on the basis of the economic relationship between the hedged item and the hedging instrument are demonstrated with methods that recognise the relevant features of the hedge. The method can be a qualitative or, in certain cases, a quantitative assessment. The above remarks are currently not of practical relevance for the UMH Group as the use of hedge accounting is not currently planned.

Simulated calculations were conducted within the UMH Group to assess the effects of the new regulations of IFRS 9. No material change in equity after taxes is expected when IFRS 9 takes effect on 1 January 2018. This is firstly because the own-account investments in investment funds that dominate the 'investment securities' item were already measured at fair value according to IAS 39, and these debt instruments must also be measured at fair value according to IFRS 9 as they do not meet IFRS 9's cash flow conditions for recognition at amortised cost. Secondly, it is expected that all receivables in the UMH Group will meet IFRS 9's cash flow conditions and are still to be measured at amortised cost. No financial instruments classified under IAS 39 as 'available-for-sale financial assets' were to be transferred to the 'financial assets measured at amortised cost' category under IFRS 9 in the UMH Group. In light of this and due to the business model pursued, the IFRS 9 requirements on accounting for impairment on financial assets are not expected to result in an increase in allowances for losses on loans and receivables. Due to the review of the implementation of the IFRS 9 requirements in the UMH Group, changes to the associated equity effect may still arise.

The regulations of IFRS 9 are, with the exception of the regulations for hedge accounting, effective for annual periods beginning on or after 1 January 2018 and must first be applied retrospectively. There are, however, exemptions from the restatement of prior-year comparative figures, and these are used by the UMH Group.

The regulations and definitions of IFRS 15 Revenue from Contracts with Customers will in future replace the content of IAS 18 Revenue and IAS 11 Construction Contracts as well as the associated interpretations, such as IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. Under IFRS 15, revenue is recognised when the customer acquires control of the agreed goods and services and can derive benefits from them. The principles set out in IFRS 15 for the recognition and measurement of revenue are derived from the five steps defined in IFRS 15. The new standard does not differentiate between different types of contracts or services and instead provides uniform criteria for when performance must be recognised at a point in time or over a period of time. IFRS 15 also includes additional qualitative and quantitative disclosure requirements on the nature, amount and progress of revenue and on cash flows in addition to the associated uncertainty. The IFRS 15 changes have no impact on the collection of income recognised in relation to financial instruments pursuant to IFRS 9 and IAS 39 or on income resulting from insurance contracts pursuant to IFRS 4 or leases pursuant to IAS 17.

The implementation of IFRS 15 may give rise to contract assets and contract liabilities. Impairment on receivables or contract assets accounted for according to IFRS 15 must be calculated according to IFRS 9. IFRS 15 refers to the requirements of the simplified approach of IFRS 9, according to which losses expected over the remaining term must be recognised immediately. The measurement of the significant increase in credit risk in connection with the level transfer does not apply to allowances for losses on loans and receivables under IFRS 15.

IFRS 15 is effective and mandatory for annual periods beginning on or after 1 January 2018. Either the complete retrospective application method or the modified retrospective application method is stipulated. IFRS 15 is applied in the UMH Group according to the modified retrospective application method. With this method, IFRS 15 is applied to new and existing contracts not yet fulfilled at the time of the standard's initial application. To determine the effect of the first-time application of IFRS 15, the revenue recognised under IAS 18 for each contract not yet fulfilled from contract inception to 31 December 2017 is compared with the revenue that would have been recognised if IFRS 15 had been applied since contract inception. The difference between these two amounts is to be recognised in the opening statement of financial position as a cumulative adjustment of retained earnings as of 1 January 2018.

The UMH Group began a preliminary assessment of the effects of IFRS 15 in the previous year, which was continued in the 2017 financial year. All group companies have analysed their contracts according to the five steps defined in IFRS 15. As part of this analysis, the matters identified were either deemed insignificant or were not affected by the new regulations. As part of the preparation for the first-time application of IFRS 15, no contract assets or contract liabilities were identified in the UMH Group, and no such assets or liabilities are expected on the basis of the current business model.

The implementation of the amendments will therefore have no material impact on the UMH consolidated financial statements. The simplified approach to determining impairment according to IFRS 9 is applied uniformly in the UMH Group for receivables that come under IFRS 15.

The clarifications to IFRS 15 published in April 2016 relate to three issues (identifying performance obligations, principal versus agent considerations and licensing for intellectual property) and seek to provide transition relief for contracts that were completed at the beginning of the earliest period presented or modified before this period. The UMH Group will apply the relief granted for the first-time application of IFRS 15 to all contract modifications made before 1 January 2018 and will not restate these contracts retroactively. Instead, only the aggregate effect of all the modifications up to this date will be presented. The clarifications are mandatory for the first time for annual periods beginning on or after 1 January 2018.

In the future, the regulations of IFRS 16 Leases will replace the content of IAS 17. The key changes pursuant to IFRS 16 relate to accounting by lessees. Lessees must henceforth recognise right-of-use assets for all leases and corresponding lease liabilities for the payment obligations entered into. Application exemptions are granted in the case of low-value assets and short-term leases. The note disclosure requirements for lessees and lessors are considerably more extensive with IFRS 16 in comparison to IAS 17.

The new regulations of IFRS 16 affect all group companies that have rented or leased properties. A preliminary assessment suggests that a material portion of the payment agreements from non-cancellable leases meet the definition of a lease according to IFRS 16 and the UMH Group would therefore have to recognise corresponding right-of-use assets and lease liabilities when applying IFRS 16, unless in individual cases the exceptions for short-term leases or low-value assets apply.

The group companies have begun to analyse their contracts in accordance with IFRS 16. However, it will only be possible to provide a reliable assessment of the quantitative effects once the detailed analyses have been completed. An increase in consolidated total assets of a low to middling nine-figure sum in euros is expected due to the recognition of leases, in particular from the leasing of business premises, IT equipment and vehicles.

The amendments to IFRS 16 are effective and mandatory for annual periods beginning on or after 1 January 2019. Either the complete retrospective application method or the modified retrospective application method is stipulated. Early adoption of the standard is not envisaged within the UMH Group. IFRS 16 will be applied within the UMH Group on the basis of the modified retrospective application method, which recognises cumulative adjustment amounts from the first-time application as of 1 January 2019 in retained earnings. With this method, IFRS 16 is applied to new and existing contracts not yet fulfilled at the time of the standard's initial application.

The amendments to IFRS 2 Share-based Payment address issues relating to the accounting for cash-settled share-based payments. The key amendment/clarification is that IFRS 2 now includes provisions regarding calculation of the fair value of liabilities for share-based payments. These amendments are effective and mandatory for annual periods beginning on or after 1 January 2018.

The amendments to IAS 28 Investments in Associates and Joint Ventures in the Annual Improvements to IFRS Standards 2014–2016 Cycle clarify that the option of venture capital organisations, investment funds and similar entities to measure their investments in associates and joint ventures at fair value through profit or loss may be exercised on an investment-by-investment basis. These amendments are of no material significance for the UMH consolidated financial statements. The clarifications are mandatory for the first time for annual periods beginning on or after 1 January 2018.

- IFRS changes not yet endorsed

The following new accounting standards issued by the International Accounting Standards Board, amendments to existing accounting standards, IFRIC Interpretations Committee (IFRS IC) interpretations and improvements to IFRS have not yet been endorsed by the EU:
- IFRS 17 – Insurance Contracts
- Amendments to IAS 40 – Transfers of Investment Property
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 – Long-term Interests in Associates and Joint Ventures
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments,
- Annual Improvements to IFRSs 2015–2017 Cycle

The amendment of IAS 40 relates to the recognition of investment property under construction or development. In principle, IAS 40 stipulates that classification as investment property begins or ends when there is a change in use. IAS 40.57 lists cases when a change in use occurs. As this list was formulated as exhaustive, it was unclear whether this principle also applies to properties under construction or development. The amendment to IAS 40 clarifies that this principle also applies to properties not yet completed. The list in IAS 40.57 is now explicitly non-exhaustive. This amendment is effective and mandatory from 1 January 2018; early adoption is permitted.

The amendment to IFRS 9 regarding prepayment features with negative compensation removes ambiguity concerning the categorisation and measurement of financial instruments with symmetric termination rights for the lender and the borrower. According to the previous requirements, these financial instruments met the cash flow condition for measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) if the prepayment in the event of termination only included an appropriate additional early repayment penalty besides redemption and interest components. After the amendment, this rule also applies if the terminating party receives (and does not pay) compensation. The amendments are effective and mandatory for the first time from 1 January 2019. Early adoption is permitted subject to endorsement in EU law.

The amendment to IAS 28 regarding long-term interests in associates and joint ventures clarifies that an entity is to apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The date of first-time application of the amendments is

1 January 2019. Voluntary early adoption is permitted subject to endorsement in EU law.

The effects on the UMH consolidated financial statements of the other amendments or improvements to IFRS and new interpretations of the IFRS Interpretations Committee listed above are currently being examined.

The dates of first-time adoption for the approved IFRS amendments are subject to their being endorsed in EU law.

- Voluntary changes in accounting policies

There were no voluntary changes in accounting and measurement policies in the financial year.

[3] Consolidated group

In addition to UMH AG as the parent company, the UMH consolidated financial statements include 16 subsidiaries (previous year: 18) in which UMH AG directly or indirectly holds more than 50 % of the shares or voting rights. Ten of these subsidiaries (previous year: twelve) have their registered office in Germany, while six (previous year: six) are headquartered in other countries. Ten subsidiaries (previous year: six) that are not material to an understanding of the net assets, financial position and results of operations of the UMH Group have not been consolidated and are reported as investments in subsidiaries under investment securities.

BIG-Immobilien Gesellschaft mit beschränkter Haftung, Frankfurt am Main, was merged into Union Asset Management Holding AG in the 2017 financial year with retroactive effect as of the effective merger date of 1 January 2017. When the merger took effect, the corporate assets of BIG-Immobilien GmbH & Co Betriebs KG, Frankfurt am Main, were simultaneously transferred to Union Asset Management Holding AG as the sole remaining shareholder, and BIG-Immobilien GmbH & Co Betriebs KG, Frankfurt am Main, ceased to exist.

The consolidated financial statements of UMH AG do not include any subgroups that prepare their own subgroup financial statements.

In the financial year, one investment fund (previous year: one) was included in the consolidated financial statements as a consolidated structured entity in accordance with IFRS 10.

One joint venture (previous year: one) – one of which is outside Germany (previous year: one) – is accounted for using the equity method.

Four associates (previous year: three) – four of which in Germany (previous year: three) – are accounted for using the equity method.

UMH AG acquired 49.9 % of the shares in ZBI Partnerschafts-Holding GmbH, Erlangen, from ZBI Zentral Boden Immobilien AG, Erlangen, in the financial year. The company is accounted for using the equity method as an associate.

One investment fund (previous year: two) that UMH AG controls and that is not material to an understanding of the net assets, financial position and results of operations of the UMH Group has not been consolidated and is reported as investments in subsidiaries under investment securities.

Seven investment funds (previous year: three) that UMH AG controls were held for sale as at the end of the reporting period.

A complete list of the subsidiaries, joint ventures, associates and investment funds included in the consolidated financial statements can be found in the list of shareholdings (note [63]).

[4] Principles of consolidation

Subsidiaries and investment funds are consolidated using the acquisition method. This method requires all of a subsidiary's assets and liabilities to be recognised at their fair value at the acquisition date or at the date on which control is acquired (note [62]).

Any difference between the cost and the fair value of the assets and liabilities is recognised as goodwill under intangible assets. The carrying amount of goodwill is tested for impairment at least once a year or more frequently if there are any indications of possible impairment. An impairment loss is recognised if goodwill is found to be impaired. Any negative goodwill is recognised immediately in profit or loss.

Intragroup assets, liabilities, income and expenses are eliminated in full. Profits or losses resulting from transactions within the group are eliminated unless the amounts concerned are immaterial.

Joint ventures and associates are accounted for using the equity method and are reported as shares in companies accounted for using the equity method. The cost of these equity investments and any goodwill are determined at the time the investments are included in the consolidated financial statements for the first time. The same rules are applied as for subsidiaries.

The carrying amount of equity is adjusted over time based on the associates' and joint ventures' financial statements, which have been prepared in accordance with local accounting standards and reconciled to IFRS.

Occasionally, the UMH Group has holdings of funding provided for a number of investment funds, as a result of which the group is in a position to exercise control over the fund concerned. These holdings are consolidated unless they satisfy the criteria specified in IFRS 5 and are therefore to be reported as assets held for sale.

Investments in subsidiaries, joint ventures and associates that are of no material significance and are therefore not consolidated and equities and other shareholdings are recognised under investment securities and measured at fair value or, if their fair value cannot be reliably determined, at cost.

[5] Estimates

Assumptions and estimates must be made in accordance with the relevant financial reporting standards in order to determine the carrying amounts of assets, liabilities, income and expenses recognised in these consolidated financial statements. These assumptions and estimates are based on past experience, planning and expectations or forecasts of future events.

Assumptions and estimates are mainly used in determining the fair value of financial assets and financial liabilities and in identifying any impairment on financial assets. In addition, estimates have a significant influence on determining the carrying amounts of goodwill and intangible assets acquired in the course of business combinations. Assumptions and estimates also have an impact on the measurement of provisions for employee benefits and other provisions in addition to the recognition and measurement of income tax assets and income tax liabilities.

Fair values of financial assets and financial liabilities

If there are no prices available for certain financial instruments on active markets, the fair values of such financial assets and financial liabilities have to be determined on the basis of estimates, resulting in some uncertainty. Estimation uncertainty mainly arises if fair values are calculated using measurement methods involving significant measurement parameters that are not observable on the market. This affects both financial instruments measured at fair value and financial instruments measured at amortised cost whose fair values are disclosed in the notes.

Impairment of financial assets

When testing financial assets in the 'loans and receivables' category for impairment, the estimated future cash flows from interest payments, the repayment of principal and the recovery of collateral must be determined. This requires estimates and assumptions regarding the amount and timing of future cash flows, which in turn give rise to some uncertainty.

Goodwill and intangible assets

Recognition of goodwill is essentially based on anticipated income and synergy effects and on intangible assets that cannot be recognised resulting from or acquired in the course of business combinations. Its carrying amount is reviewed using forecast figures based primarily on estimates. Identifiable intangible assets acquired in the course of business combinations are recognised on the basis of their future economic benefit. This is assessed by the management by means of appropriate and justified assumptions.

Provisions for employee benefits and other provisions

Uncertainty associated with estimates in connection with provisions for employee benefits primarily arises from the measurement of defined benefit pension obligations, on which actuarial assumptions have a material effect. Actuarial assumptions are based on a large number of long-term, forward-looking factors, such as salary increases, annuity trends and average life expectancy.

Actual future cash outflows due to items for which other provisions have been recognised may differ from the forecast utilisation of the provisions.

Income tax assets and liabilities

Deferred income tax assets and liabilities are calculated on the basis of estimates of the future taxable income of taxable entities. In particular, these estimates affect any assessment of the extent to which it will be possible to utilise deferred income tax assets in future. The calculation of current income tax assets and liabilities for the purposes of preparing HGB financial statements still requires estimates of details relevant to income tax.

[6] Financial instruments

All financial assets and financial liabilities, including all derivatives, are recognised in the statement of financial position in accordance with IAS 39. All financial instruments are measured at fair value on first-time recognition. The amounts initially recognised for financial assets and financial liabilities not measured at fair value through profit or loss include transaction costs directly attributable to the acquisition of the assets or liabilities concerned. The subsequent measurement of financial assets and financial liabilities depends on the IAS 39 category to which they are assigned on acquisition.

Categories of financial instruments

- Financial assets or liabilities at fair value through profit or loss

A distinction is made within this category between financial instruments held for trading and financial instruments that are irrevocably designated as at fair value through profit or loss on acquisition.

The UMH Group has no financial assets or liabilities in its portfolio that the group has purchased or entered into with the intention of generating a gain from short-term fluctuations in prices or from the trading margin. No financial assets form part of any portfolio that has been used to generate short-term profit taking in the recent past. The 'held for trading' category includes only the fair values of the derivatives described in more detail in note [18].

Items in the 'designated as at fair value through profit or loss' subcategory arise from application of the fair value option (FVO) as specified in IAS 39. Fair value is used as the basis for determining both the risks and the returns from own-account investments, and these figures are then reported to the Board of Managing Directors. Exercising the fair value option helps to harmonise the financial management and the presentation of the net assets, financial position and results of operations.

- Held-to-maturity investments

The Union Investment Group has not assigned any investments to the held-to-maturity category.

- Loans and receivables

All non-derivative financial instruments that have fixed or determinable payments and that are not quoted on an active market are classified as loans and receivables. The basic requirement is that these financial instruments are not initially classified as 'financial assets or liabilities at fair value through profit or loss' or as 'available for sale'. Loans and receivables are measured at amortised cost.

The Union Investment Group assigns all its trade receivables and its loans and advances to banks and customers to this category.

- Available-for-sale financial assets

Available-for-sale financial assets comprise all non-derivative financial instruments that have not already been assigned to one of the other categories. Available-for-sale financial instruments are measured at fair value, with any changes in fair value reported in the revaluation surplus in other comprehensive income. Any impairment losses due to changes in credit rating or gains or losses on remeasurement are recognised in the income statement. Reversals of impairment losses on debt instruments are recognised in the income statement; reversals of impairment losses on equity instruments are recognised in other comprehensive income. Available-for-sale securities are reported under investment securities.

- Other financial liabilities

Other financial liabilities comprise financial liabilities and debt certificates including bonds unless they have been designated as at fair value through profit or loss. They are recognised at amortised cost.

The Union Investment Group assigns all its trade payables and its liabilities to banks and customers to this category.

Initial recognition and derecognition of financial assets and liabilities

Derivatives are initially recognised on the trade date. Regular way purchases and sales of non-derivative financial assets are accounted for at the settlement date. Changes in fair value between the trade date and settlement date are recognised in accordance with the category of the financial instrument.

Financial assets are derecognised when the contractual rights derived from them expire or are transferred to parties outside the group such that substantially all the risks and rewards or control of the assets are transferred to the receiving party. Financial liabilities are derecognised when they have been fully repaid.

Impairment losses and reversals of impairment losses on financial assets

Financial assets not measured at fair value through profit or loss must be tested at the end of each reporting period to determine whether there is any objective evidence that these assets are impaired.

For debt instruments, important objective evidence includes financial difficulties on the part of the issuer or debtor, delay or default on interest payments or repayments of principal, failure to comply with ancillary contractually agreed arrangements or the contractually agreed provision of collateral, a significant downgrading in credit rating or issue of a default rating.

Significant objective evidence of impairment on equity instruments includes a lasting deterioration in financial performance, sustained losses or consumption of equity, substantial changes with adverse consequences for the issuer's technological, market, economic or legal environment, or a considerable or enduring reduction in fair value associated with such changes.

For securities, the disappearance of an active market for a financial asset owing to financial difficulties on the part of the issuer may constitute evidence of impairment.

- Available-for-sale financial assets

If there is a negative revaluation surplus as at the end of the reporting period for individual financial assets in the available-for-sale financial assets category, an impairment test is carried out to determine whether there is any objective evidence, as detailed above, that the assets concerned are impaired. In this case, the cumulative negative amount in the revaluation surplus must be reclassified to profit or loss. Impairment losses on equity instruments measured at cost are deducted directly from the carrying amounts of the financial assets concerned and recognised in profit or loss.

For debt instruments, if the reasons for a previously recognised impairment loss no longer apply and this can be attributed to an event that occurred after the impairment was identified, any such impairment loss can be reversed. The reversal of impairment losses on equity instruments measured at fair value in the available-for-sale financial assets category is not permitted. Any subsequent increases in fair value are recognised in other comprehensive income. Impairment losses cannot be reversed for equity instruments measured at cost.

Classes of financial instruments

The classes of financial instruments correspond to line items in the statement of financial position, with the exception of investment securities. This is item is subdivided into 'Investment securities measured at fair value' and 'Investment securities measured at amortised cost'. Please see note [54].

[7] Fair value measurement of financial instruments

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. The fair value of financial instruments is determined on the basis of market prices or observable market data at the end of the reporting period or by using recognised measurement models. Investment fund units are measured at the redemption price less a redemption charge, if such a charge is stipulated in the contractual terms. If securities and derivatives can be traded with sufficient liquidity on active markets, i.e. market prices are available, or tradable prices can be established by active market participants, then these prices are used as the basis for determining fair value. If no prices are available from liquid markets, fair value is determined using techniques whose parameters are based on observable market data. Financial instruments with short remaining terms or repayable on demand are measured at their nominal amount. These instruments include cash in hand, current account credit balances and trade receivables.

[8] Currency translation

All monetary assets and liabilities are translated at the closing rate at the end of the reporting period into the relevant functional currency of the entities in the UMH Group. The translation of non-monetary assets and liabilities depends on the way in which these assets and liabilities are measured. If non-monetary assets are measured at amortised cost, they are translated using the historical exchange rate. Non-monetary assets measured at fair value are translated at the closing rate. Income, expenses, gains and losses are translated at the prevailing closing rate when they are recognised either in profit or loss or in other comprehensive income.

If the functional currency of subsidiaries included in the financial statements of the UMH Group is different from the group's reporting currency (euro), all assets and liabilities are translated at the closing rate and equity is translated at the historical rate. The resulting difference is reported in the currency translation reserve. Income and expenses are translated at the average rate. In most cases, the functional currency of the entities included in the consolidated financial statements is the euro, i.e. the group's reporting currency.

[9] Cash reserve

Cash and cash equivalents are cash in hand and balances with central banks and other government institutions. Cash and cash equivalents are measured at their nominal amount.

[10] Receivables

Loans and advances to banks and customers are recognised at amortised cost.

Premiums, discounts and transaction costs are recognised in the income statement under net interest income. Deferred interest on receivables and premiums and discounts are reported with the respective loans and receivables under the corresponding statement of financial position items. Premium and discount amounts are allocated over the term of the loan or receivable using the effective interest method.

[11] Allowances for losses on loans and receivables

An allowance is recognised for losses on loans and receivables if there is objective evidence that it will not be possible to collect the full amount when due. The amount of the allowance is measured as the difference between the carrying amount and the present value of estimated future cash flows from this loan or receivable.

Uncollectible loans and receivables are written off immediately; any subsequent receipts from loans and receivables already written off are recognised in the income statement. The total amount of the allowances for losses on loans and receivables is shown as a deduction from loans and advances to banks and customers on the face of the statement of financial position.

[12] Investment securities

Investment securities comprise non-trading bonds and other fixed-income securities, equities and other variable-yield securities and investments in subsidiaries, joint ventures and associates. This item mainly consists of investment fund units. These investments comprise short-term investments for the purposes of liquidity management (liquidity), initial funding for newly launched funds (funding), investments in pension plans or employee retention programmes (employee investments) or longer-term capital investments (strategic investments). In addition, temporary investments in funds used to protect the liquidity of these funds are allocated to the 'funding' category. The subsequent measurement of these financial assets depends on the IAS 39 category to which they are assigned on acquisition.

[13] Shares in companies accounted for using the equity method

Investments in associates and joint ventures are recognised at cost in the consolidated statement of financial position when significant influence is acquired or the entity is established. In subsequent years, the carrying amount of the equity is adjusted to take into account the group's share of the changes in equity. The equity carrying amount is reduced by dividend payments received. The group's share of the profit or loss from the associate or joint venture is recognised in the consolidated income statement as net income from companies accounted for using the equity method; the group's share of other comprehensive income is recognised in other comprehensive income.

[14] Property, plant and equipment

Property, plant and equipment comprise the following assets used by the group for its own purposes: land and buildings that are expected to be used over more than one period and operating and office equipment. Property, plant and equipment is measured at cost less depreciation. If there are indications as at the end of the reporting period that the assets may be impaired, they are tested for impairment. If the higher of the fair value less costs to sell or the value in use is found to be lower than the cost less depreciation, a corresponding impairment loss is recognised. If the reasons for a previously recognised impairment loss no longer apply, the impairment loss is reversed up to a maximum of the carrying amount net of depreciation that would have applied if the impairment loss had not been recognised.

The normal useful lives of property, plant and equipment are determined by taking into account expected physical wear and tear, technical obsolescence and legal and contractual restrictions.

Amortisation is recognised on a straight-line basis. Land is not depreciated.

The depreciation expense on property, plant and equipment is included in administrative expenses (note [31]). Impairment losses, reversals of impairment losses and gains and losses on disposals of property, plant and equipment are recognised under other operating result (note [32]).

[15] Intangible assets

In addition to purchased software, intangible assets also include distribution and exclusive rights, customers and any goodwill. Intangible assets are measured at amortised cost.

Intangible assets with a finite useful life are amortised on a straight-line basis over their expected useful life.

If there are indications at the end of the reporting period that an intangible asset with a finite useful life may be impaired, the asset is tested for impairment. Intangible assets with indefinite useful lives, intangible assets not yet ready for use and goodwill are not amortised but are instead tested for impairment once a year. The Union Investment Group does not develop any of its own software as part of its software projects.

However, standard software products are customised, resulting in expenses that are regularly capitalised as ancillary costs for purchased software licenses.

The amortisation expense on intangible assets is included in administrative expenses (note [31]). Impairment losses, reversals of impairment losses and gains and losses on disposals of intangible assets are recognised under other operating result (note [32]).

[16] Assets and liabilities held for sale

The carrying amount of non-current assets or disposal groups for which a sale is planned is recovered principally through a sale transaction rather than through their continuing use. These assets and disposal groups therefore need to be classified as held for sale if the criteria set out below are satisfied.

To be classified as held for sale, the assets or disposal groups must be available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of such assets or disposal groups, and it must be highly probable that a sale will take place. A sale is deemed to be highly probable if there is a commitment to a plan to sell the asset or disposal group, an active programme to locate a buyer and complete the plan has been initiated, the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to the current fair value, and a sale is expected to be completed within one year of the date on which the asset or disposal group is classified as held for sale.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. The assets are no longer depreciated or amortised from the date on which they are classified as held for sale.

Assets and disposal groups classified as held for sale are shown separately in the statement of financial position under non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale. Gains and losses arising on remeasurement at the lower of carrying amount and fair value less costs to sell and gains and losses on the sale of these assets or disposal groups that represent a component of an entity are recognised in the consolidated income statement under net income from discontinued operations. Gains and losses arising on remeasurement and on the sale of assets or disposal groups that do not represent a component of an entity are recognised in the consolidated income statement under other operating result (note [32]).

Occasionally, the UMH Group has holdings of funding provided for a number of investment funds, as a result of which the group is in a position to exercise control over the fund concerned. These holdings are consolidated unless they satisfy the criteria to be classified as 'held for sale' as a disposal group and are to be reported according to IFRS 5. This is the case if the UMH Group actively endeavours to sell off the holdings immediately in order to ensure that the funding is repaid and if it is highly probable that the investment funds concerned will no longer be under the control of the UMH Group within one year of the initial acquisition of the holdings. They are measured at fair value in line with IAS 39 in accordance with IFRS 5.5(c).

[17] Liabilities

Financial liabilities are recognised at amortised cost.

Liabilities from financial guarantees that fall within the scope of IAS 39 are measured at fair value on initial recognition. They are subsequently measured at the higher of any provision recognised in accordance with IAS 37 and the amount initially recognised. Liabilities from financial guarantees are reported as other liabilities in the statement of financial position.

[18] Asset and liability derivatives

Derivative financial instruments with positive and negative fair values are assigned to the statement of financial position items 'Asset derivatives' and 'Liability derivatives' if, despite the intention to hedge, the requirements for hedge accounting have not been met. Gains and losses on the remeasurement of these items are reported under other net remeasurement income on financial instruments.

Figures reported in the item 'Liability derivatives' represent funding gaps in capital preservation commitments in accordance with Section 1 (1) no. 3 of German Personal Pension Plan Certification Act (AltZertG) in connection with the UniProfiRente product issued by Union Investment Privatfonds GmbH to the extent that such funding gaps arise on the measurement of each individual contract as specified in Section II no. 1 in conjunction with Section V of circular 2/2007 (BA) issued by Germany's Federal Financial Supervisory Authority (BaFin) on 18 January 2007. The amounts recognised as liabilities in each case represent the difference between the present value of the pension plan contributions guaranteed in accordance with Section 1 (1) no. 3 AltZertG and the market value of the customer portfolio, provided that this difference is positive.

In addition, the 'Liability derivatives' statement of financial position item includes funding gap risks arising from guarantee funds that were issued by asset management companies belonging to the group. The carrying amount is recognised as the difference between the present value of the guarantee commitments at the next guarantee date of a fund and the net asset value of the fund, provided that this difference is positive.

Under the 'Asset derivatives' statement of financial position item, a call option is capitalised that entitles UMH AG to acquire additional shares in ZBI Partnerschafts-Holding GmbH and can be exercised on 14 May 2022 at the earliest. In addition, UMH AG has recognised put options, as the writer, that entitle the option holder to offer UMH AG shares in ZBI Partnerschafts-Holding GmbH on 30 April 2022 at the earliest. These are reported under the 'Liability derivatives' item.

The exercise price of the call and put options is the normalised EBT (earnings before taxes) attributable to the optioned shares multiplied by a contractually agreed factor. The normalised EBT equals the company's average annual consolidated earnings before taxes for the last three full financial years before the exercise of the respective option. On this basis, the Black-Scholes model is used to measure these options, the key parameters of which include the expected normalised EBT for the last three full financial years before the expected exercise date and the current enterprise value of the ZBI Group (strike price).

[19] Provisions for employee benefits

Provisions for employee benefits are recognised in accordance with IAS 19.

A distinction is made in occupational pension schemes between defined contribution plans and defined benefit plans. In defined contribution plans, the entity concerned has no obligation other than to pay contributions to an external pension provider. The providers covering the pension entitlements of employees in the Union Investment Group's German companies are as follows: BVV Versicherungsverein des Bankgewerbes a.G., Berlin (BVVaG), BVV Versorgungskasse des Bankgewerbes e.V., Berlin (BVVeV), R+V Pensionsversicherung a.G., Wiesbaden (RVPaG), R+V Pensionsfonds Aktiengesellschaft, Wiesbaden (RVP) and Versorgungskasse genossenschaftlich orientierter Unternehmen VGU e.V., Wiesbaden (VGUeV). All these plans are defined benefit plans, but they are treated as defined contribution plans in accordance with the rules for multi-employer plans specified in IAS 19.34.

Under defined benefit plans, the entity concerned has an obligation to pay the benefits promised to current and former employees, although there is a distinction between plans funded by provisions and those funded by third-party arrangements.

In accordance with IAS 19, the Union Investment Group recognises provisions for obligations arising in connection with pension entitlements and current benefits payable to eligible current and former employees of the group and their surviving dependants (the plans being funded by both employer and employees). There are various different pension systems in operation at the individual Union Investment Group sites depending on local legal, financial and tax circumstances. However, all the systems are generally based on the length of service and the individual employee's level of remuneration.

Since 1 November 2007, the remaining pension obligations under employer-funded pension commitments to retirees and former employee beneficiaries with vested pension entitlements and to a significant proportion of the beneficiaries who are still employed have been funded via VGUeV or RVP. As these remaining obligations are funded via external pension providers, the UMH Group does not have any direct payment obligations in respect of these people.

The defined benefit obligation of UMH Group companies is measured in accordance with IAS 19 using the projected unit credit method and is based on actuarial reports. The calculation of the obligation takes into account current projections of mortality, invalidity and employee turnover, expected increases in salaries, entitlements and pensions, and uses a realistic discount rate. The discount rate is based on interest rates currently available for long-term corporate bonds from investment-grade issuers, and was set at 1.75 % (previous year: 1.75 %). Mortality and invalidity assumptions are derived from the Heubeck 2005 G mortality tables. Irrespective of the investment structure of the existing plan assets and pension insurance policies, the expected return for the financial year on the plan assets and pension insurance policies was determined using a discount factor of 1.75 %.

The employer-funded pension obligations are covered by VGUeV and RVP assets, which may be used solely for the purposes of meeting the pension commitments and are protected from the claims of any creditors. The VGUeV and RVP assets are plan assets as defined by IAS 19 and are netted against the pension obligations. If the assets exceed the pension obligations, an asset item is reported in accordance with IAS 19. If the assets do not cover the obligation, the net obligation is recognised under provisions for pensions.

In some cases in the past, pension insurance policies were taken out to cover the risks arising from pension obligations. Some of these policies are pledged to employees. The premiums are paid by the Union Investment Group.

The obligations arising from the deferred compensation scheme (employee-funded) are covered by investments in Union Investment Group investment fund units. Since September 2013, these investment fund units have been held in a contractual trust arrangement (CTA) by R+V Treuhand GmbH, Wiesbaden. They are plan assets as defined by IAS 19 and are netted against the corresponding pension obligations.

Actuarial gains or losses can arise from increases or decreases in the present value of the defined benefit obligation, the fair value of plan assets or reimbursement rights. The reasons for these actuarial gains or losses can include changes in the calculation parameters, changes in the estimates of risk from pension obligations, differences between the actual and expected return on plan assets and differences between the actual and expected return on reimbursement rights.

Actuarial gains and losses on defined benefit obligations, plan assets and reimbursement rights are recognised in other comprehensive income in accordance with IAS 19.120(c).

Provisions are recognised to cover obligations arising from partial retirement schemes. Since 2015, the investment fund units to secure partial retirement claims have been held in a contractual trust arrangement (CTA) by R+V Treuhand GmbH, Wiesbaden. The provisions for partial retirement arrangements are netted against the fair value of the investment units.

[20] Other provisions

Other provisions are recognised in accordance with IAS 37.

When determining the amount to be recognised for provisions, the UMH Group must make assumptions regarding the probability of an outflow of resources. Although these assumptions are a best estimate based on the prevailing circumstances in each case, the need to make assumptions means that a degree of uncertainty is involved. When measuring provisions, assumptions also have to be made regarding the likely amount of the outflow of resources. A change in the assumptions used can alter the amount recognised for the provisions.

[21] Revenue

Revenue comprises management fees, sales commission and other commission. Revenue is recognised when the underlying services have been performed, it is probable that the economic benefits will flow to the group and the amount of the revenue can be reliably determined. Revenue is recognised over the period in which the underlying services are performed. For performance-based management fees, revenue is recognised when the contractually agreed performance criteria have been satisfied.

The management fees represent the payment of consideration for the professional management of mutual funds, special funds, individual portfolios and portfolios forming part of advisory agreements with institutional clients.

Management fees vary depending on the asset classes being managed and sometimes include performance-based components.

The volume-based sales commission generated from the sale of fund units with a front-end fee is used, among other things, to cover sales and marketing expenses. Sales commission is recognised at the date of the sale. The amount recognised is reduced by the portion of the sales commission passed on to sales partners, with any such reduction reported as a deduction from revenue.

Interest income generated from deposits and fixed-income securities is recognised using the effective interest method.

Dividend income from equity investments and distributions from investment fund units are recognised at the date that the legal entitlement to the payment arises.

[22] Income taxes

Current and deferred tax assets are reported under income tax assets; current and deferred tax liabilities are reported under income tax liabilities.

Current income tax assets and liabilities are calculated using current tax rates. A corporation tax rate of 15.0 % (previous year: 15.0 %) and a solidarity surcharge of 5.5 % (previous year: 5.5 %) of corporation tax is used for the German companies. The trade tax rate for the subsidiaries was 16.1 % (previous year: 16.1 %). Deferred tax assets and liabilities arose in connection with differences between the carrying amounts of assets and liabilities in accordance with IFRS and those in the tax base. These differences are expected to affect income tax liabilities or refunds in the future (temporary differences). Deferred taxes were measured using the tax rates expected to apply in the country of the company concerned in the period in which the taxes will actually be paid or recovered. Deferred tax assets for as yet unused tax loss carry-forwards are only recognised if it is probable that there will be sufficient future taxable profits in the same tax entity against which the losses can be utilised. Current tax receivables and payables are reported separately and are not netted, nor are they discounted.

Deferred tax assets and liabilities are recognised either in profit or loss (under income taxes) or in equity, depending on the treatment of the items to which they relate. Deferred tax assets and deferred tax liabilities are netted in the statement of financial position if they relate to the same tax authorities.

Other, non-income-related taxes are reported under other operating result (note [32]).

There were no changes to tax rates or tax legislation after the end of the reporting period that could have a significant impact on the UMH Group's income tax assets or liabilities.

The income tax expense represents the total of the current tax expense and the deferred taxes. The current tax expense is calculated on the basis of the taxable income for the year.

Taxable income is different from the net income for the year reported in the income statement because taxable income disregards income and expense that is not taxable/deductible for tax purposes or that is only taxable/deductible for tax purposes in subsequent years. The UMH Group's current tax liabilities were calculated using the tax rates in force at the end of the reporting period or enacted prior to the end of the reporting period.

The UMH Group is required to pay income taxes in various countries, and the basis for measuring this liability varies from country to country. Provisions for taxes worldwide were recognised on the basis of profits determined in accordance with local stipulations and locally applicable tax rates. However, there are some transactions whose final taxation cannot be definitively determined during the normal course of business. The amount of the provisions set aside for these matters is based on estimates as to the probability of additional tax becoming due in the future and the amount of such liabilities. An appropriate provision is recognised for any risks arising from different tax treatment. If the final taxation of these transactions differs from the tax originally assumed, this will affect the current and deferred taxes recognised in the period in which the taxation is definitively determined.

The UMH Group also needs to make estimates to determine whether any impairment losses need to be recognised on deferred tax assets. There are two key elements in deciding whether deferred tax assets are impaired: an assessment of the probability that temporary measurement differences will reverse and an assessment as to whether the loss carry-forwards that have given rise to the recognition of deferred tax assets can be utilised. These factors depend on the availability of future taxable profits during the periods in which the temporary measurement differences reverse and the tax loss carry-forwards can be utilised. The interpretation of complex tax legislation and the amount and timing of future taxable income are subject to a degree of uncertainty. There may be changes to the taxes payable in future periods as a consequence of differences between actual outcomes and assumptions or future changes in these assumptions, especially in view of the increasing interdependence of international markets.

[23] Contingent liabilities

Contingent liabilities are possible obligations arising from past events. The existence of these obligations will only be confirmed by future events outside the control of the UMH Group. Present obligations arising out of past events but not recognised because of the improbability of an outflow of resources embodying economic benefits also constitute contingent liabilities.

Contingent liabilities are measured at the best estimate of possible future outflows of resources embodying economic benefits.

[24] Leases

Under IAS 17, a lease is classified as an operating lease if substantially all the risks and rewards incidental to ownership are not transferred to the lessee. In operating leases, the lessor accounts for the assets. By contrast, a finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the asset concerned to the lessee.

There is also a very small number of cases in which rental income is earned from leasing office space to third parties. All such leases are operating leases. Lease payments under an operating lease are recognised on a straight-line basis over the term of the lease and reported as administrative expenses.

There were no contractual arrangements classified as finance leases in the reporting year.

Consolidated income statement disclosures

[25] Net interest income

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Interest income and current income	**14,070**	**10,478**	**3,592**
from lending and money market operations	356	360	-4
from negative interest on financial assets	-477	-389	-88
from investment fund units	12,614	8,693	3,921
from equity investments	7	6	1
from investments in subsidiaries	1,570	1,808	-238
Interest expenses	**-981**	**-992**	**11**
for liabilities to banks and customers	-977	-965	-12
for other liabilities	-4	-27	23
Total	**13,089**	**9,486**	**3,603**

[26] Allowances for losses on loans and receivables

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Directly recognised write-downs	**-15**	**-24**	**9**
Receipts from loans and receivables written off	**–**	**0**	**0**
Total	**-15**	**-24**	**9**

[27] Net fee and commission income

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Fee and commission income	**2,312,823**	**1,969,031**	**343,792**
from sales commission	30,934	30,627	307
from management fees	2,021,414	1,705,400	316,014
from securities custody accounts	51,347	50,650	697
Other	209,128	182,354	26,774
Fee and commission expenses	**-898,197**	**-761,515**	**-136,682**
for volume-based commission	-689,774	-585,571	-104,203
for revenue-based commission	-7,970	-7,387	-583
for securities custody accounts	-16,123	-14,126	-1,997
Other	-184,330	-154,431	-29,899
Total	**1,414,626**	**1,207,516**	**207,110**

[28] Net income from investment securities

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Gains and losses on the sale or change in fair value of available-for-sale equities and other variable-yield securities (including other shareholdings)	**0**	**–**	**0**
Gains and losses on the sale of other shareholdings or on the recognition of impairment losses for other shareholdings	**0**	**–**	**0**
Gains and losses realised on the sale of other shareholdings measured at cost	0	–	0
Gains and losses on the sale or change in fair value of investments in joint ventures	**8,204**	**-1,134**	**9,338**
Impairment on investments in joint ventures accounted for using the equity method	–	-1,134	1,134
Reversal of impairment on investments in joint ventures accounted for using the equity method	8,204	–	8,204
Total	**8,204**	**-1,134**	**9,338**

[29] Other net remeasurement income on financial instruments

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Gains and losses on derivatives used for purposes other than trading	**11,600**	**-18,343**	**29,943**
Fair value gains and losses on derivatives used for purposes other than trading	11,701	-18,307	30,008
Realised gains and losses on derivatives used for purposes other than trading	-101	-36	-65
Net income from financial instruments measured at fair value through profit or loss	**1,716**	**3,962**	**-2,246**
Gains and losses on shares and other variable-yield securities (including other shareholdings)	**4,856**	**6,360**	**-1,504**
Fair value gains and losses on shares and other variable-yield securities (including other shareholdings)	6,420	5,420	1,000
Realised gains and losses on shares and other variable-yield securities (including other shareholdings)	-1,564	940	-2,504
Net income from investments in subsidiaries	**20**	**14**	**6**
Net remeasurement income from investments in subsidiaries	19	13	6
Realised net income from investments in subsidiaries	1	1	–
Net income from derivative financial instruments in relation to non-derivative financial instruments	**-3,160**	**-2,412**	**-748**
Realised net income from derivative financial instruments in relation to non-derivative financial instruments	-3,160	-2,412	-748
Total	**13,316**	**-14,381**	**27,697**

[30] Net income from companies accounted for using the equity method

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Joint ventures	**4,626**	**2,454**	**2,172**
Associates	**11,312**	**232**	**11,080**
Total	**15,938**	**2,686**	**13,252**

[31] Administrative expenses

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Staff costs	**-395,182**	**-354,072**	**-41,110**
Wages and salaries	-346,871	-311,068	-35,803
Social security contributions	-34,022	-31,522	-2,500
Pensions and other post-employment benefit expenses	-14,289	-11,482	-2,807
Other administrative expenses	**-427,240**	**-379,009**	**-48,231**
IT expenses	-106,276	-95,901	-10,375
Public relations/marketing	-75,143	-75,179	36
Consulting	-65,422	-54,412	-11,010
Office expenses	-52,983	-40,188	-12,795
Property and occupancy costs	-41,158	-39,449	-1,709
Miscellaneous	-86,258	-73,880	-12,378
Depreciation and amortisation expense	**-35,962**	**-31,090**	**-4,872**
Property, plant and equipment	-4,633	-4,393	-240
Intangible assets	-31,329	-26,697	-4,632
Total	**-858,384**	**-764,171**	**-94,213**

[32] Other operating result

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Other operating income	**33,726**	**38,394**	**-4,668**
Income from the reversal of deferred liabilities	9,520	9,279	241
Income from the refund of other taxes	7,788	13,316	-5,528
Income from the reversal of provisions	2,850	4,620	-1,770
Income from exchange differences on currency translation	165	367	-202
Income from deconsolidation	–	5	-5
Miscellaneous other operating income	13,403	10,807	2,596
Other operating expenses	**-30,345**	**-10,212**	**-20,133**
Impairment losses on intangible assets	-4,685	-1	-4,684
Expenses for other taxes	-2,406	-285	-2,121
Expenses for restructuring measures	-500	-3,995	3,495
Write-downs on purchased customer relationships	-474	-474	–
Expenses for exchange differences on currency translation	-405	-430	25
Impairment losses on other assets	0	–	0
Impairment losses on property, plant and equipment	–	-470	470
Miscellaneous other operating expenses	-21,875	-4,557	-17,318
Total	**3,381**	**28,182**	**-24,801**

[33] Income taxes

The breakdown of income taxes is as follows:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Current tax expense	**-187,634**	**-146,572**	**-41,062**
Deferred taxes	**-1,179**	**12,560**	**-13,739**
Total	**-188,813**	**-134,012**	**-54,801**

The following reconciliation shows the relationship between consolidated earnings before taxes and income taxes in the financial year:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Consolidated earnings before taxes	**610,155**	**468,160**	**141,995**
× income tax rate	**31.155 %**	**31.155 %**	**–**
= expected income tax expense in financial year	**190,094**	**145,855**	**44,239**
Deduction from tax owing to tax-exempt income	-15,551	-7,100	-8,451
Addition to tax owing to non-deductible expenses	8,299	7,490	809
Trade tax variance	4,754	3,752	1,002
Tax rate differences on income subject to taxation in other countries	-4,543	-2,546	-1,997
Effects of tax rate changes and new taxes	–	-326	326
Current tax expense/income relating to prior periods	2,643	-12,680	15,323
Deferred tax expense/income relating to prior periods	0	–	0
Change in impairment of deferred tax assets	-245	712	-957
Other	3,362	-1,145	4,507
Tax expense in accordance with IFRS	**188,813**	**134,012**	**54,801**

Income tax expense includes income from the interest on recognised corporation tax credits amounting to EUR 0 thousand (previous year: EUR 123 thousand).

The deferred tax expense (income) attributable to temporary differences or the reversal thereof that did not result from either loss carry-forwards or tax rate differences amounted to EUR -1,179 thousand (previous year: EUR 12,234 thousand).

The deferred tax expense/income attributable to tax rate changes or the introduction of new types of tax is shown separately in the reconciliation.

Statement of comprehensive income disclosures

[34] Amounts reclassified to profit or loss

As in the previous year, no sums we reclassified from other comprehensive income to the consolidated income statement in the financial year.

[35] Income taxes relating to components of other comprehensive income

The table below shows the income taxes relating to the various components of other comprehensive income:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Amounts reclassified to profit or loss (before taxes)	**11,532**	**2,933**	**8,599**
Income taxes relating to components of other comprehensive income	**-147**	**1,169**	**-1,316**
Amounts reclassified to profit or loss (after taxes)	**11,385**	**4,102**	**7,283**
Gains and losses on available-for-sale financial assets (before taxes)	16,172	2,597	13,575
Income taxes relating to components of other comprehensive income	-195	1,198	-1,393
Gains and losses on available-for-sale financial assets (after taxes)	**15,977**	**3,795**	**12,182**
Exchange differences on currency translation of foreign subsidiaries (before taxes)	1,773	-1,029	2,802
Income taxes relating to components of other comprehensive income	48	-29	77
Exchange differences on currency translation of foreign subsidiaries (after taxes)	**1,821**	**-1,058**	**2,879**
Share of other comprehensive income of joint ventures and associates accounted for using the equity method (before taxes)	-6,413	1,365	-7,778
Income taxes relating to components of other comprehensive income	–	–	–
Share of other comprehensive income of joint ventures and associates accounted for using the equity method (after taxes)	**-6,413**	**1,365**	**-7,778**
Amounts not reclassified to profit or loss (before taxes)	**4,964**	**-24,088**	**29,052**
Income taxes relating to components of other comprehensive income	**-1,580**	**7,501**	**-9,081**
Amounts not reclassified to profit or loss (after taxes)	**3,385**	**-16,587**	**19,972**
Actuarial gains and losses on defined benefit plans (before taxes)	4,965	-24,088	29,053
Income taxes relating to components of other comprehensive income	-1,580	7,501	-9,081
Actuarial gains and losses on defined benefit plans (after taxes)	**3,385**	**-16,587**	**19,972**
Other comprehensive income (before taxes)	**16,497**	**-21,155**	**37,652**
Income taxes relating to components of other comprehensive income	**-1,727**	**8,670**	**-10,397**
Other comprehensive income (after taxes)	**14,770**	**-12,485**	**27,255**

Consolidated statement of financial position disclosures

[36] Cash reserve

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Cash in hand	**18**	**39**	**-21**
Total	**18**	**39**	**-21**

[37] Loans and advances to banks

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Loans and advances to banks in Germany	**320,754**	**204,874**	**115,880**
of which repayable on demand	319,071	202,480	116,591
Loans and advances to banks outside Germany	**52,227**	**58,298**	**-6,071**
of which repayable on demand	49,002	54,876	-5,874
Total	**372,981**	**263,172**	**109,809**

[38] Loans and advances to customers

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Loans and advances to customers in Germany	**43,268**	**38,896**	**4,372**
Loans and advances to customers outside Germany	**32,053**	**26,796**	**5,257**
Total	**75,321**	**65,692**	**9,629**

Loans and advances to customers included loans of EUR 17 thousand secured by mortgage (previous year: EUR 18 thousand).

Loans and advances to customers also included employer loans to salaried staff amounting to EUR 17 thousand (previous year: EUR 642 thousand).

In addition, they include receivables from customers of EUR 8,659 thousand (previous year: EUR 7,988 thousand) in respect of deferred custody account fees for investment accounts under Germany's Capital Accumulation Act (VermBG).

[39] Asset derivatives

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
From other transactions	**37,040**	**–**	**37,040**
Total	**37,040**	**–**	**37,040**

[40] Investment securities

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Equities and other variable-yield securities	**1,338,642**	**1,169,212**	**169,430**
Equities	32	32	–
Investment fund units	1,336,962	1,168,875	168,087
Other shareholdings	1,648	305	1,343
Investments in subsidiaries	**29,203**	**13,401**	**15,802**
Total	**1,367,845**	**1,182,613**	**185,232**

Changes in investment securities

	Equities and other variable-yield securities EUR thousand	Investments in subsidiaries EUR thousand	Total EUR thousand
Carrying amount as at 1 Jan. 2016	**1,047,047**	**10,901**	**1,057,948**
Cost as at 1 Jan. 2016	**1,050,515**	**7,722**	**1,058,237**
Additions	943,239	35	943,274
Reclassifications	-4,059	14,145	10,086
Disposals	-824,030	-44	-824,074
Currency translation	-170	-38	-208
Cost as at 31 Dec. 2016	**1,165,495**	**21,820**	**1,187,315**
Cumulative changes resulting from measurement at fair value as at 1 Jan. 2016	**-3,468**	**3,981**	**513**
Changes recognised in other comprehensive income resulting from measurement at fair value in reporting period	–	2,596	2,596
Changes resulting from measurement at fair value through profit or loss in reporting period	6,866	24	6,890
Reclassifications (measurement at fair value)	275	-15	260
Disposals (measurement at fair value)	58	0	58
Changes resulting from currency translation (measurement at fair value)	-14	1	-13
Cumulative changes resulting from measurement at fair value as at 31 Dec. 2016	**3,717**	**6,587**	**10,304**
Impairment losses as at 1 Jan. 2016	**–**	**-802**	**-802**
Reclassifications	–	-14,204	-14,204
Impairment losses as at 31 Dec. 2016	**–**	**-15,006**	**-15,006**
Carrying amount as at 31 Dec. 2016	**1,169,212**	**13,401**	**1,182,613**
Cost as at 1 Jan. 2017	**1,165,495**	**21,820**	**1,187,315**
Additions	964,062	273	964,335
Reclassifications	-7,024	-918	-7,942
Disposals	-791,793	-13	-791,806
Currency translation	328	40	368
Cost as at 31 Dec. 2017	**1,331,068**	**21,202**	**1,352,270**

	Equities and other variable-yield securities EUR thousand	Investments in subsidiaries EUR thousand	Total EUR thousand
Cumulative changes resulting from measurement at fair value as at 1 Jan. 2017	**3,717**	**6,587**	**10,304**
Changes recognised in other comprehensive income resulting from measurement at fair value in reporting period	-217	16,388	16,171
Changes resulting from measurement at fair value through profit or loss in reporting period	4,315	49	4,364
Reclassifications (measurement at fair value)	253	-17	236
Disposals (measurement at fair value)	-472	0	-472
Changes resulting from currency translation (measurement at fair value)	-22	0	-22
Cumulative changes resulting from measurement at fair value as at 31 Dec. 2017	**7,574**	**23,007**	**30,581**
Impairment losses as at 1 Jan. 2017	**–**	**-15,006**	**-15,006**
Impairment losses as at 31 Dec. 2017	**–**	**-15,006**	**-15,006**
Carrying amount as at 31 Dec. 2017	**1,338,642**	**29,203**	**1,367,845**

In December 2016, UMH AG acquired all the shares in Nalinus GmbH (in liq), Frankfurt am Main (Nalinus). This resulted in the reclassification of costs in the amount of EUR 14,338 thousand and of cumulative impairment losses totalling EUR 14,204 thousand relating to investments in subsidiaries. Nalinus had previously been an associate accounted for using the equity method.

[41] Shares in companies accounted for using the equity method

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Investments in joint ventures	**52,981**	**50,175**	**2,806**
Investments in associates	**51,435**	**6,831**	**44,604**
Total	**104,416**	**57,006**	**47,410**

There are no active markets for the investments accounted for using the equity method, nor can their fair value be reliably determined by using a measurement method based on assumptions that do not rely on available observable market data. There are no other suitable markets elsewhere. The investments in joint ventures and associates are largely intended to support the operating activities of the UMH Group over the long term.

Changes in shares in companies accounted for using the equity method

	Investments in joint ventures EUR thousand	Investments in associates EUR thousand	Total EUR thousand
Carrying amount as at 1 Jan. 2016	**52,311**	**5,387**	**57,698**
Reclassifications	-1,464	1,464	–
Disposals	–	-69	-69
Changes resulting from measurement under the equity method	462	49	511
of which changes recognised in other comprehensive income	-1,992	-183	-2,175
of which changes recognised in profit or loss	2,454	232	2,686
Impairment losses	-1,134	–	-1,134
Carrying amount as at 31 Dec. 2016	**50,175**	**6,831**	**57,006**
Additions	–	33,431	33,431
Changes resulting from measurement under the equity method	-5,398	11,173	5,775
of which changes recognised in other comprehensive income	-10,024	-139	-10,163
of which changes recognised in profit or loss	4,626	11,312	15,938
Reversals of impairment losses	8,204	–	8,204
Carrying amount as at 31 Dec. 2017	**52,981**	**51,435**	**104,416**

The changes recognised in equity relating to investments in joint ventures accounted for using the equity method include EUR -6,717 thousand (previous year: EUR 1,480 thousand) attributable to currency translation, EUR 304 thousand (previous year: EUR -115 thousand) attributable to the remeasurement of available-for-sale financial assets and EUR -3,611 thousand (previous year: EUR -3,357 thousand) attributable to distributions.

The changes recognised in equity relating to investments in associates accounted for using the equity method comprised EUR -139 thousand (previous year: EUR -183 thousand) attributable to distributions.

The reversal of impairment losses of EUR 8,204 thousand recognised in the financial year (previous year: impairment loss of EUR -1,134 thousand) relates to the joint venture BEA Union Investment Management Limited, Hong Kong. The fair value of the joint venture calculated on the basis of an income capitalisation approach is higher than the equity carrying amount before impairment losses and reversals of impairment losses on account of increased expected income.

[42] Property, plant and equipment

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Land and buildings	**12,611**	**12,646**	**-35**
Operating and office equipment	**9,795**	**10,910**	**-1,115**
Total	**22,406**	**23,556**	**-1,150**

Changes in property, plant and equipment

	Land and buildings EUR thousand	Operating and office equipment EUR thousand	Total EUR thousand
Carrying amount as at 1 Jan. 2016	**49,090**	**9,541**	**58,631**
Cost as at 1 Jan. 2016	**71,481**	**34,021**	**105,502**
Additions	1,916	4,493	6,409
Disposals	-50,251	-554	-50,805
Currency translation	–	-96	-96
Change in consolidated group – additions	–	–	–
Cost as at 31 Dec. 2016	**23,146**	**37,864**	**61,010**
Amortisation and impairment losses as at 1 Jan. 2016	**-22,391**	**-24,480**	**-46,871**
Additions (depreciation)	-1,624	-2,768	-4,392
Additions (impairment losses)	-470	0	-470
Disposals (depreciation)	13,976	227	14,203
Disposals (impairment losses)	9	–	9
Currency translation	–	67	67
Amortisation and impairment losses as at 31 Dec. 2016	**-10,500**	**-26,954**	**-37,454**
Carrying amount as at 31 Dec. 2016	**12,646**	**10,910**	**23,556**

	Land and buildings EUR thousand	Operating and office equipment EUR thousand	Total EUR thousand
Cost as at 1 Jan. 2017	**23,146**	**37,864**	**61,010**
Additions	1,306	2,145	3,451
Reclassifications	–	1	1
Disposals	–	-271	-271
Currency translation	–	179	179
Cost as at 31 Dec. 2017	**24,452**	**39,918**	**64,370**
Amortisation and impairment losses as at 1 Jan. 2017	**-10,500**	**-26,954**	**-37,454**
Additions (depreciation)	-1,341	-3,291	-4,632
Additions (impairment losses)	–	–	–
Reclassifications	–	-1	-1
Disposals (depreciation)	–	245	245
Disposals (impairment losses)	–	–	–
Currency translation	–	-122	-122
Amortisation and impairment losses as at 31 Dec. 2017	**-11,841**	**-30,123**	**-41,964**
Carrying amount as at 31 Dec. 2017	**12,611**	**9,795**	**22,406**

The normal useful life for operating and office equipment is between three and 13 years.

The ‘Land and buildings’ item includes leasehold improvements, the normal useful life of which is based on the respective lease term.

In the previous year, the land and building disposals primarily related to the sale of the partially owned property at Westendstrasse 1.

[43] Intangible assets

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Software	**94,990**	**91,206**	**3,784**
Purchased customer relationships	**4,742**	**5,216**	**-474**
Miscellaneous intangible assets	**37,189**	**40,049**	**-2,860**
Total	**136,921**	**136,471**	**450**

No goodwill has been recognised by the UMH Group. All intangible assets have a finite useful life.

Changes in intangible assets

	Software EUR thousand	Purchased customer relationships EUR thousand	Miscellaneous intangible assets EUR thousand	Total EUR thousand
Carrying amount as at 1 Jan. 2016	**78,512**	**5,690**	**42,909**	**127,111**
Cost as at 1 Jan. 2016	**226,502**	**5,690**	**42,909**	**275,101**
Additions	36,716	–	–	36,716
Disposals	-171	–	–	-171
Currency translation	-57	–	–	-57
Cost as at 31 Dec. 2016	**262,990**	**5,690**	**42,909**	**311,589**
Amortisation and impairment losses as at 1 Jan. 2016	**-147,990**	**–**	**–**	**-147,990**
Additions (amortisation)	-23,837	-474	-2,860	-27,171
Additions (impairment losses)	-1	–	–	-1
Disposals	0	–	–	0
Currency translation	44	–	–	44
Amortisation and impairment losses as at 31 Dec. 2016	**-171,784**	**-474**	**-2,860**	**-175,118**
Carrying amount as at 31 Dec. 2016	**91,206**	**5,216**	**40,049**	**136,471**

	Software EUR thousand	Purchased customer relationships EUR thousand	Miscellaneous intangible assets EUR thousand	Total EUR thousand
Cost as at 1 Jan. 2017	**262,990**	**5,690**	**42,909**	**311,589**
Additions	36,921	–	–	36,921
Currency translation	108	–	–	108
Cost as at 31 Dec. 2017	**300,019**	**5,690**	**42,909**	**348,618**
Amortisation and impairment losses as at 1 Jan. 2017	**-171,784**	**-474**	**-2,860**	**-175,118**
Additions (amortisation)	-28,470	-474	-2,860	-31,804
Additions (impairment losses)	-4,685	–	–	-4,685
Currency translation	-90	–	–	-90
Amortisation and impairment losses as at 31 Dec. 2017	**-205,029**	**-948**	**-5,720**	**-211,697**
Carrying amount as at 31 Dec. 2017	**94,990**	**4,742**	**37,189**	**136,921**

The normal useful life of most software is four or five years, for purchased customer relationships twelve years and for miscellaneous intangible assets 15 years. Amortisation is recognised on a straight-line basis.

The impairment losses in the financial year resulted entirely from the early end of the iVVI (MEINVermögen) project.

[44] Income tax assets

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Current income tax assets	**10,893**	**10,994**	**-101**
Germany	10,893	10,994	-101
Rest of world	–	–	–
Deferred income tax assets	**33,325**	**35,574**	**-2,249**
Deferred tax assets (recognised in profit or loss)	49,662	46,162	3,500
Deferred tax assets (recognised in equity)	30,782	30,394	388
Netting	-47,119	-40,982	-6,137
Total	**44,218**	**46,568**	**-2,350**

In the financial year, no corporation tax credits (previous year: EUR 1,159 thousand) were recognised under current income tax assets.

Deferred tax assets that were only expected to be realised after twelve months amounted to EUR 25,841 thousand (based on their net value; previous year: EUR 27,112 thousand).

Deferred tax assets represent the potential income tax relief from temporary differences between the carrying amounts of assets and liabilities in the IFRS consolidated statement of financial position and the tax accounts in accordance with local tax regulations for the com-panies in the UMH Group.

No deferred taxes were recognised in respect of loss carry-forwards of EUR 1,870 thousand (previous year: EUR 2,928 thousand) as it is not currently considered certain that they can be utilised.

Deferred tax assets were recognised in connection with the following statement of financial position items:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Assets			
Investment fund units	69	–	69
Investments in subsidiaries and equity investments	–	2	-2
Property, plant and equipment	119	119	–
Intangible assets	10	10	–
Other assets	374	517	-143
Equity and liabilities			
Liability derivatives	6,677	7,110	-433
Provisions for employee benefits	66,310	61,412	4,898
Other provisions	737	1,467	-730
Other liabilities	6,148	5,919	229
Total	**80,444**	**76,556**	**3,888**

[45] Other assets

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Other financial receivables	**142,657**	**116,172**	**26,485**
Trade receivables	141,228	115,069	26,159
of which from investment funds	137,966	111,813	26,153
Miscellaneous other receivables	1,429	1,103	326
Other tax assets	**17,704**	**30,950**	**-13,246**
Miscellaneous other assets	**9,733**	**7,716**	**2,017**
of which funding surplus for defined benefit plans	114	–	114
of which reimbursement rights recognised as assets in accordance with IAS 19.116	8,430	6,752	1,678
Deferred income	**7,769**	**10,397**	**-2,628**
Total	**177,863**	**165,235**	**12,628**

[46] Assets held for sale

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Investment securities	**27,029**	**20,148**	**6,881**
Total	**27,029**	**20,148**	**6,881**

[47] Liabilities to banks

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Liabilities to banks in Germany	**14,626**	**13,210**	**1,416**
Liabilities to banks outside Germany	**16**	**36**	**-20**
Total	**14,642**	**13,246**	**1,396**

[48] Liabilities to customers

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Liabilities to customers in Germany	**1,218**	**1,301**	**-83**
Liabilities to customers outside Germany	**–**	**5**	**-5**
Total	**1,218**	**1,306**	**-88**

[49] Liability derivatives

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
In connection with guarantee commitments	**26,970**	**32,269**	**-5,299**
From other transactions	**5,019**	**–**	**5,019**
Total	**31,989**	**32,269**	**-280**

[50] Provisions

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Provisions for employee benefits	**175,193**	**163,822**	**11,371**
Provisions for defined benefit pension obligations	109,247	110,855	-1,608
Provisions for other long-term employee benefits	64,344	48,150	16,194
of which provisions for partial retirement schemes	17,169	11,282	5,887
of which miscellaneous provisions for other long-term employee benefits	47,175	36,868	10,307
Provisions for termination benefits	1,602	4,817	-3,215
of which provisions for termination benefits linked with restructuring	1,455	4,817	-3,362
of which miscellaneous provisions for termination benefits	147	–	147
Other provisions	**18,536**	**12,996**	**5,540**
Provisions for onerous contracts	–	2,674	-2,674
Provisions for sales commission	–	146	-146
Provisions for restructuring	258	957	-699
Miscellaneous provisions	18,278	9,219	9,059
Total	**193,729**	**176,818**	**16,911**

Provisions for defined benefit pension obligations

The provisions for defined benefit plans comprise both closed pension schemes that are no longer accepting new participants and open schemes for, among others, board members and managing directors. New employees in Germany are almost always only offered defined contribution pension plans, for which no provisions have to be recognised. The picture outside Germany is more varied because there are both defined contribution and defined benefit plans that are open to a small proportion of new employees. Overall, the proportion of the group's total obligations accounted for by obligations outside Germany is not material.

The cost of defined contribution plans was EUR -4,828 thousand in the financial year (previous year: EUR -3,572 thousand) and is recognised in administrative expenses under pensions and other post-employment benefit expenses.

The present value of defined benefit obligations is broken down by risk class as follows:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Germany	**297,549**	**283,855**	**13,694**
Final salary-dependent plans	135,752	131,009	4,743
Defined benefit contribution plan	161,797	152,846	8,951
Rest of world	**5,660**	**5,886**	**-226**
Final salary-dependent plans	–	–	–
Defined benefit contribution plan	5,660	5,886	-226
Total	**303,209**	**289,741**	**13,468**

The final salary-dependent pension obligations are the employer's pension obligations to employees, the amount of which depends on the employee's final salary before the insured event occurred. For the most part, they can be assumed to constitute a life-long payment obligation. In Germany, Section 16 (1) of the Occupational Pensions Act (BetrAVG) requires the pension amount to be adjusted every three years to reflect the change in consumer prices or net wages. The main risk factors for final salary-dependent pension plans are therefore longevity, changes in salary, inflation risk and the discount rate.

A significant risk factor – over which the company has no influence – is the level of market interest rates for investment-grade fixed-income corporate bonds because the resulting interest affects both the amount of the obligations and the measurement of the plan assets. This risk can be limited by means of appropriate plan structuring or asset investment in order to match the obligations and the plan assets.

The majority of defined benefit contribution plans comprise obligations to pay fixed capital amounts or amounts at fixed interest rates, part of which are paid by the employee and part by the employer. The most prevalent pension scheme is funded by employees paying part of their salary into the scheme. Under the other significant scheme, the contributions are linked to remuneration and must be paid by the employer. However, this pension scheme is closed to new employees.

The pension plans in Germany are not subject to minimum funding requirements. Some pension plans outside Germany are governed by local regulations, but these do not include minimum funding requirements.

The changes in the present value of the defined benefit obligations were as follows:

	2017 EUR thousand	**2016** EUR thousand	**Change** EUR thousand
Opening balance as at 1 Jan.	**289,741**	**254,937**	**34,804**
Current service cost	7,328	6,134	1,194
Interest cost	5,081	5,752	-671
Current pension payments	-5,464	-5,352	-112
Employee contributions	4,724	4,803	-79
Actuarial gains (–)/losses (+)	1,799	23,000	-21,201
of which due to experience adjustments	1,799	-217	2,016
of which due to changes in financial assumptions	–	23,217	-23,217
Changes resulting from assumption	–	467	-467
Closing balance as at 31 Dec.	**303,209**	**289,741**	**13,468**

The following actuarial assumptions were used in the measurement of defined benefit pension obligations:

	31 Dec. 2017 percent	**31 Dec. 2016** percent	**Change** percentage points
Discount rate	**1.75**	**1.75**	–
Salary increases	**0.00–2.50**	**0.00–2.50**	–
Pension increases	**0.00–3.00**	**0.00–3.00**	–
Staff turnover	**0.00–6.00**	**0.00–6.00**	–

Based on the present value of the defined benefit pension obligations, the weighted absolute percentages for the salary increase parameter and pension increase parameter are 1.48 % (previous year: 1.51 %) and 1.48 % (previous year: 1.50 %) respectively. The weighted absolute percentage for staff turnover is 0.86 % (previous year: 0.88 %).

Sensitivity analysis

The following table shows the sensitivity of the defined benefit pension obligations to the main actuarial assumptions. The effects shown are based on an isolated change to one assumption, with the other assumptions remaining the same. Correlation effects between individual parameters are not considered.

	31 Dec. 2017 EUR thousand	**31 Dec. 2016** EUR thousand	**Change** EUR thousand
Change in the present value of defined benefit pension obligations as at the end of the reporting period if	**303,209**	**289,741**	**13,468**
the discount rate were 100 basis points higher	-34,046	-34,296	250
the discount rate were 100 basis points lower	44,154	44,639	-485
the future salary increases were 50 basis points higher	3,902	4,087	-185
the future salary increases were 50 basis points lower	-3,691	-3,859	168
the future pension increases were 25 basis points higher	4,539	4,378	161
the future pension increases were 25 basis points lower	-4,333	-4,179	-154
the future life expectancy were one year longer	5,179	5,048	131
the future life expectancy were one year shorter	-5,421	-5,299	-122

The duration of the defined benefit obligations as at the end of the financial year was 15 years for Germany (previous year: 15 years) and 12 years for the rest of the world (previous year: 13 years).

Plan assets

The funding status of the defined benefit pension obligations is shown in the following table:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Present value of defined benefit pension obligations	**303,209**	**289,741**	**13,468**
of which not funded by plan assets	66,602	65,212	1,390
of which funded by plan assets	236,607	224,529	12,078
Less fair value of plan assets	**-194,076**	**-178,886**	**-15,190**
Defined benefit pension obligations (net)	**109,133**	**110,855**	**-1,722**
Funding surplus	**114**	**–**	**114**
Provisions recognised for defined benefit pension obligations	**109,247**	**110,855**	**-1,608**
Fair value of reimbursement rights	8,430	6,752	1,678

The following table shows the changes in plan assets:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Opening balance as at 1 Jan.	**178,886**	**171,125**	**7,761**
Interest income	3,188	3,916	-728
Income from/expenses for plan assets (not including interest income)	6,342	-918	7,260
Funding of plan assets	9,296	8,909	387
of which contributions by employers	4,582	4,116	466
of which contributions by employees	4,714	4,793	-79
Pension benefits paid	-3,636	-4,146	510
Closing balance as at 31 Dec.	**194,076**	**178,886**	**15,190**

The actual income from plan assets amounted to EUR 9,530 thousand in the year under review (previous year: EUR 2,998 thousand).

Additional contributions to plan assets of EUR 8,745 thousand are expected in the subsequent financial year (previous year: EUR 8,883 thousand).

The plan assets mainly comprise entitlements arising from insurance contracts and investment fund units with broadly diversified portfolios. The risks attached to plan assets in connection with entitlements arising from insurance contracts are reviewed regularly by the pension providers VGUeV and RVP in order to determine the funding ratio for the obligation.

The pension obligations and the plan assets are in the eurozone.

The fair value of the plan assets is broken down by asset class as follows:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Investment fund units (securities funds) – no market price quoted on an active market	**106,320**	**94,650**	**11,670**
Investment fund units (real estate funds) – no market price quoted on an active market	**305**	**1,334**	**-1,029**
Entitlements arising from insurance contracts	**87,451**	**82,902**	**4,549**
Total	**194,076**	**178,886**	**15,190**

Reimbursement rights

The following table shows the changes in reimbursement rights:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Opening balance as at 1 Jan.	**6,752**	**6,130**	**622**
Interest income	118	138	-20
Income from/expenses for reimbursement rights (not including interest income)	422	-170	592
Funding of reimbursement rights	1,161	673	488
of which contributions by employers	1,151	663	488
of which contributions by employees	10	10	–
Pension benefits paid	-23	-19	-4
Closing balance as at 31 Dec.	**8,430**	**6,752**	**1,678**

The actual income from reimbursement rights amounted to EUR 540 thousand in the year under review (previous year: EUR -32 thousand).

Changes in other provisions

	Provisions for onerous contracts EUR thousand	Provisions for sales commission EUR thousand	Provisions for restructuring EUR thousand	Miscel-laneous provisions EUR thousand	Total EUR thousand
Opening balance as at 1 Jan. 2017	**2,674**	**146**	**957**	**9,219**	**12,996**
Additions	–	–	–	12,112	12,112
Utilisation	–	–	-631	-3,030	-3,661
Reversals	-2,674	-146	–	-30	-2,850
Reclassifications	–	–	-68	–	-68
Effect from the increase in the discounted amount over time and change in the discount rate	–	–	–	7	7
Closing balance as at 31 Dec. 2017	**–**	**–**	**258**	**18,278**	**18,536**

The remaining terms of other provisions are shown in the table below:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Provisions for onerous contracts	**–**	**2,674**	**-2,674**
Up to three months	–	75	-75
Three months to one year	–	223	-223
One year to five years	–	1,188	-1,188
More than five years	–	1,188	-1,188
Indefinite	–	–	–
Provisions for sales commission	**–**	**146**	**-146**
Up to three months	–	–	–
Three months to one year	–	146	-146
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	–	–	–
Provisions for restructuring	**258**	**957**	**-699**
Up to three months	–	–	–
Three months to one year	258	957	-699
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	–	–	–
Miscellaneous provisions	**18,278**	**9,219**	**9,059**
Up to three months	629	426	203
Three months to one year	1,655	2,703	-1,048
One year to five years	7,340	4,871	2,469
More than five years	8,479	1,054	7,425
Indefinite	175	165	10

[51] Income tax liabilities

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Current income tax liabilities	**76,130**	**65,453**	**10,677**
Provisions for income taxes	74,880	65,172	9,708
Income tax liabilities	1,250	281	969
Deferred tax liabilities	**3,998**	**3,340**	**658**
Deferred tax liabilities (recognised in profit or loss)	42,231	37,600	4,631
Deferred tax liabilities (recognised in equity)	8,886	6,722	2,164
Netting	-47,119	-40,982	-6,137
Total	**80,128**	**68,793**	**11,335**

Provisions for income taxes are tax liabilities for which a final and binding tax assessment notice has not yet been issued. Income tax liabilities include payment obligations for current income taxes owed to tax authorities both in Germany and in other countries.

Deferred tax liabilities represent the potential income tax expense from temporary differences between the carrying amounts of assets and liabilities in the IFRS consolidated statement of financial position and the tax accounts in accordance with local tax regulations for the companies in the UMH Group. Deferred tax liabilities that were only expected to be incurred after twelve months amounted to EUR 2,889 thousand (based on their net value; previous year: EUR 2,545 thousand).

Deferred tax liabilities were recognised in connection with the following statement of financial position items:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Assets			
Loans and advances to banks	–	4	-4
Asset derivatives	1,449	–	1,449
Investment fund units	5,889	4,625	1,264
Investments in subsidiaries and equity investments	362	157	205
Property, plant and equipment	25	31	-6
Intangible assets	1,185	1,304	-119
Other assets	163	56	107
Assets held for sale	13	–	13
Equity and liabilities			
Liability derivatives	595	–	595
Provisions for employee benefits	41,405	38,114	3,291
Other provisions	29	29	–
Other liabilities	2	2	–
Total	**51,117**	**44,322**	**6,795**

[52] Other liabilities

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Other financial liabilities	**9,178**	**5,301**	**3,877**
Trade payables	6,344	2,526	3,818
Miscellaneous other liabilities	2,834	2,775	59
Other tax liabilities	**43,941**	**36,524**	**7,417**
Deferred liabilities	**669,584**	**566,844**	**102,740**
of which for sales commission	486,910	407,407	79,503
Miscellaneous other liabilities	**43**	**21**	**22**
Deferred income	**686**	**630**	**56**
Total	**723,432**	**609,320**	**114,112**

[53] Equity

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Issued capital	**87,130**	**87,130**	**–**
Capital reserves	**18,617**	**18,617**	**–**
Retained earnings	**751,331**	**591,888**	**159,443**
Revaluation surplus	**20,371**	**5,962**	**14,409**
Currency translation reserve	**6,413**	**11,309**	**-4,896**
Consolidated net profit	**413,889**	**328,377**	**85,512**
Non-controlling interests	**23,169**	**15,465**	**7,704**
Total	**1,320,920**	**1,058,748**	**262,172**

Issued capital

The issued capital corresponds to the share capital of UMH AG. It amounts to EUR 87,130 thousand (previous year: EUR 87,130 thousand) and is divided into 29,043,466 (previous year: 29,043,466) fully paid, registered no-par-value shares. The UMH Group did not hold any treasury shares at the end of the reporting period. There were no preferential rights or restrictions in relation to the distribution of dividends.

A dividend of EUR 6.89 per share (previous year: basic dividend of EUR 10.29 per share and a special dividend of EUR 2.80 per share) was distributed to shareholders in the reporting year in accordance with the resolution adopted by the Annual General Meeting on 12 May 2017. This equates to a total dividend payment of EUR 200,109 thousand (previous year: EUR 380,179 thousand).

The payment of a dividend of EUR 11.02 per share will be proposed at the Annual General Meeting on 4 May 2018. This would equate to a total dividend payment of EUR 320,059 thousand. The Supervisory Board of UMH AG approved the proposed appropriation of profit at its meeting held on 1 March 2018.

Capital reserves

The capital reserves comprise the premiums arising on the issue of shares in the company.

Retained earnings

Retained earnings comprise the undistributed earnings from prior years, actuarial gains and losses on defined benefit plans and plan assets in accordance with IAS 19.120(c), and on reimbursement rights in accordance with IAS 19.116, together with the effects of the first-time application of IFRS with the exception of the effects from the remeasurement of available-for-sale financial instruments.

Breakdown of changes in retained earnings by component of other comprehensive income:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Actuarial gains and losses on defined benefit plans	**3,291**	**-16,215**	**19,506**
Total	**3,291**	**-16,215**	**19,506**

Revaluation surplus

The revaluation surplus comprises the effects from the remeasurement of the fair value of available-for-sale financial instruments (net of the associated deferred taxes) before these effects can be recognised in profit or loss. Gains and losses are only recognised in profit or loss when the relevant asset is sold or an impairment loss has been recognised.

Breakdown of changes in the revaluation surplus by component of other comprehensive income:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Gains and losses on available-for-sale financial assets	**14,365**	**3,567**	**10,798**
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	**304**	**-116**	**420**
Total	**14,669**	**3,451**	**11,218**

Currency translation reserve

The effects of exchange rates arising when the financial statements of group companies denominated in foreign currency are translated into the group reporting currency (euro) are reported in the currency translation reserve.

Breakdown of changes in the currency translation reserve by component of other comprehensive income:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Exchange differences on currency translation of foreign subsidiaries	**1,821**	**-1,058**	**2,879**
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	**-6,717**	**1,480**	**-8,197**
Total	**-4,896**	**422**	**-5,318**

Non-controlling interests

Non-controlling interests comprise the share of subsidiaries' equity not attributable to UMH AG.

Breakdown of changes in non-controlling interests by component of other comprehensive income:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Gains and losses on available-for-sale financial assets	**1,613**	**228**	**1,385**
Actuarial gains and losses on defined benefit plans	**93**	**-371**	**464**
Total	**1,706**	**-143**	**1,849**

Financial instruments disclosures

[54] Categories of financial instruments

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Loans and receivables	**590,959**	**445,036**	**145,923**
Loans and advances to banks	372,981	263,172	109,809
Loans and advances to customers	75,321	65,692	9,629
Other financial receivables	142,657	116,172	26,485
Other financial liabilities	**25,038**	**19,853**	**5,185**
Liabilities to banks	14,642	13,246	1,396
Liabilities to customers	1,218	1,306	-88
Other financial liabilities	9,178	5,301	3,877
Available for sale	**30,624**	**12,855**	**17,769**
Investment securities	30,624	12,855	17,769
Equities and other variable-yield securities (including other shareholdings)	1,680	337	1,343
– measured at fair value	66	–	66
– measured at cost	1,614	337	1,277
Investments in subsidiaries	28,944	12,518	16,426
– measured at fair value	28,688	12,299	16,389
– measured at cost	256	219	37
Designated as at fair value through profit or loss	**1,364,250**	**1,189,905**	**174,345**
Investment securities	1,337,221	1,169,757	167,464
Equities and other variable-yield securities (including other shareholdings)	1,336,962	1,168,874	168,088
Investments in subsidiaries	259	883	-624
Assets held for sale	27,029	20,148	6,881
Held for trading	**69,029**	**32,269**	**36,760**
Asset derivatives	37,040	–	37,040
Liability derivatives	31,989	32,269	-280

Investment securities with a carrying amount of EUR 1,870 thousand (previous year: EUR 556 thousand) were measured at cost. There are no active markets for these investment securities, nor can their fair value be reliably determined by using a measurement method based on assumptions that do not rely on available observable market data. There are no other suitable markets elsewhere. The purpose of these investment securities is largely to support the operating activities of the UMH Group over the long term.

The financial instruments in the UMH Group do not form part of any hedge.

[55] Items of income, expense, gains and losses

Net gains and losses

The breakdown of net gains and losses on financial instruments by IAS 39 category for financial assets and financial liabilities is as follows:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Financial instruments at fair value through profit or loss	**25,930**	**-5,688**	**31,618**
Held-for-trading financial instruments	11,600	-18,343	29,943
Financial instruments designated as at fair value through profit or loss	14,330	12,655	1,675
Available-for-sale financial assets	**1,578**	**1,814**	**-236**
Loans and receivables	**-137**	**-53**	**-84**
Other financial liabilities	**-974**	**-972**	**-2**

Net gains or net losses comprise gains and losses on fair value measurement through profit or loss, impairment losses and reversals of impairment losses and gains and losses on the sale or early repayment of the financial instruments concerned. These items also include interest income/expenses and current income.

Interest income and expenses

The following total interest income and expenses arose in connection with financial assets and financial liabilities that are not measured at fair value through profit or loss:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Interest income	**356**	**360**	**-4**
Interest expenses and negative interest on financial assets	**-1,451**	**-1,361**	**-90**

Items of income and expense arising from commission for asset management provided for third-party account

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Fee and commission income	**2,312,823**	**1,969,031**	**343,792**
Fee and commission expenses	**-896,429**	**-759,884**	**-136,545**

Impairment losses on financial assets

The table below shows impairment losses on financial assets broken down by financial instruments in the following statement of financial position line items:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Loans and advances to customers	**15**	**24**	**-9**

[56] Fair values

If there is an active market for financial assets and financial liabilities, the fair value is based on the relevant market price as at the end of the reporting period. The fair values of investment fund units are the redemption prices (net asset value) published by the relevant asset management companies in accordance with requirements under national investment law. If the contractual conditions of a fund stipulate a redemption charge, the fair value is reduced by this charge.

The fair value of investment securities classified as equity instruments that are not quoted on an active market is determined using an income capitalisation approach based on parameters such as forecasts, calculated free cash flows, beta factors or risk-adjusted and interpolated interest rates based on the basic discount curve. If fair value cannot be reliably determined largely owing to the unavailability of profit planning data, equity instruments that are not quoted on an active market are measured at cost.

Owing to the short remaining term, the carrying amount is used as a realistic estimate of the fair value of financial resources, current trade receivables and other receivables, checking account and instant-access deposits with banks, current trade payables and other payables, checking account liabilities to banks and borrowing with or without an interest rate that is fixed in the short term.

The carrying amounts of the financial assets in the table reflect the amount that best represents the company’s maximum exposure to credit risk as at the end of the reporting period. Collateral and other credit enhancements held were not taken into account. The maximum credit risk for liability derivatives was EUR 20,913 thousand (previous year: EUR 22,270 thousand) in respect of capital preservation commitments for the UniProfiRente retirement pension product and EUR 6,057 thousand (previous year: EUR 9,999 thousand) in respect of minimum payment commitments in connection with guarantee funds launched by asset management companies belonging to the group.

The measurement methods described above are used to determine the fair values of all classes of financial instrument.

Assets	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Loans and advances to banks (fair value)	372,981	263,172	109,809
Loans and advances to banks (carrying amount)	372,981	263,172	109,809
Loans and advances to customers (fair value)	75,321	65,692	9,629
Loans and advances to customers (carrying amount)	75,321	65,692	9,629
Asset derivatives (fair value)	37,040	–	37,040
Asset derivatives (carrying amount)	37,040	–	37,040
Investment securities (fair value)	1,367,845	1,182,613	185,232
Investment securities (carrying amount)	1,367,845	1,182,613	185,232
Other financial receivables (fair value)	142,657	116,172	26,485
Other financial receivables (carrying amount)	142,657	116,172	26,485
Assets held for sale (fair value)	27,029	20,148	6,881
Assets held for sale (carrying amount)	27,029	20,148	6,881

Equity and liabilities	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Liabilities to banks (fair value)	14,642	13,246	1,396
Liabilities to banks (carrying amount)	14,642	13,246	1,396
Liabilities to customers (fair value)	1,218	1,306	-88
Liabilities to customers (carrying amount)	1,218	1,306	-88
Liability derivatives (fair value)	31,989	32,269	-280
Liability derivatives (carrying amount)	31,989	32,269	-280
Other financial liabilities (fair value)	9,178	5,301	3,877
Other financial liabilities (carrying amount)	9,178	5,301	3,877

[57] Fair value hierarchy

Assets and liabilities measured at fair value in the statement of financial position

The recurring fair value measurements are assigned to the levels of the fair value hierarchy as follows:

Assets	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Asset derivatives	**37,040**	**–**	**37,040**
of which level 1	–	–	–
of which level 2	–	–	–
of which level 3	37,040	–	37,040
Investment securities	**1,365,976**	**1,182,056**	**183,920**
of which level 1	–	–	–
of which level 2	1,328,935	1,160,647	168,288
of which level 3	37,041	21,409	15,632
Assets held for sale	**27,029**	**20,148**	**6,881**
of which level 1	–	–	–
of which level 2	27,029	20,148	6,881
of which level 3	–	–	–
Total	**1,430,045**	**1,202,204**	**227,841**

Equity and liabilities	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Liability derivatives	**31,989**	**32,269**	**-280**
of which level 1	–	–	–
of which level 2	26,970	32,269	-5,299
of which level 3	5,019	–	5,019
Total	**31,989**	**32,269**	**-280**

Level 1 fair value measurements are derived from quoted prices in active markets for identical financial assets or liabilities

Level 2 fair value measurements are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Investment fund units held for own-account investing activities are assigned to this level of the fair value hierarchy.

Level 3 fair value measurements use models with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Reclassifications

Assets held at the end of the reporting period and measured at fair value on a recurring basis were not reclassified between levels 1, 2 and 3 in the financial year.

Transfers between levels 1 and 2 take place when there is a change in the inputs that is relevant to categorisation in the fair value hierarchy.

Fair value measurements at level 3

The table below shows the changes in the recurring fair value measurements of level 3 assets in the financial year:

Asset derivatives	**2017** EUR thousand	**2016** EUR thousand	**Change** EUR thousand
Opening balance as at 1 Jan.	**–**	**–**	**–**
Additions (purchases)	32,501	–	32,501
Changes resulting from measurement at fair value	4,539	–	4,539
of which through profit or loss	4,539	–	4,539
Closing balance as at 31 Dec.	**37,040**	**–**	**37,040**

Investment securities	**2017** EUR thousand	**2016** EUR thousand	**Change** EUR thousand
Opening balance as at 1 Jan.	**21,409**	**18,128**	**3,281**
Additions (purchases)	696	–	696
Reclassifications	284	–	284
Changes resulting from measurement at fair value	15,999	4,017	11,982
of which through profit or loss	-173	1,420	-1,593
of which in equity	16,172	2,597	13,575
Disposals (sales)	-1,347	-736	-611
Closing balance as at 31 Dec.	**37,041**	**21,409**	**15,632**

The table below shows the changes in the recurring fair value measurements of level 3 liabilities in the financial year:

Liability derivatives	**2017** EUR thousand	**2016** EUR thousand	**Change** EUR thousand
Opening balance as at 1 Jan.	**–**	**–**	**–**
Additions (purchases)	6,882	–	6,882
Changes resulting from measurement at fair value	-1,863	–	-1,863
of which through profit or loss	-1,863	–	-1,863
Closing balance as at 31 Dec.	**5,019**	**–**	**5,019**

As part of the processes for fair value measurement, the UMH Group reviews whether the measurement methods used are typical and whether the measurement parameters used in the measurement methods are observable in the market. This review takes place at the end of each reporting period. On the basis of this review, the fair values are assigned to the levels of the fair value hierarchy. In the UMH Group, transfers between the levels take place as soon as there is a change in the inputs that is relevant to categorisation in the fair value hierarchy. In each step of this process, both the distinctive features of the particular product type and the distinctive features of the business models of the group entities are taken into consideration.

The measurement of call and put options to shares of ZBI Partnerschafts-Holding GmbH is described in more detail in note [18]. The calculation of enterprise value was based on a risk-adjusted interest rate of 11.11 %; a 360-day volatility of 24.1 % and risk-free interest rates of zero and 0.92 % were used in the Black-Scholes model. The gain of EUR 6,402 thousand (previous year: EUR – thousand) in the reporting year is reported in profit or loss under other net remeasurement income on financial instruments.

In the reporting year, carrying amounts totalling EUR 284 thousand of available-for-sale investments not quoted on active markets and previously measured at cost were transferred to measurement at fair value in level 3 as the criteria of IAS 39.46(c) were no longer met.

The loss of EUR -173 thousand (previous year: EUR 1,420 thousand) in the reporting year is reported in profit or loss under other net remeasurement income on financial instruments. The gain recognised in equity of EUR 16,172 thousand (previous year: EUR 2,597 thousand) is reported in the statement of comprehensive income under gains and losses on available-for-sale financial assets.

The fair value of level 3 investments in subsidiaries is determined on the basis of the income capitalisation approach using unobservable inputs, such as future income. The risk-adjusted interest rates ranged between 6.25 % and 9.35 % (previous year: 9.40 %). The 'Investment securities' item contains units in investment funds (units in private equity funds). The fair value is the redemption price published by the asset management companies in line with national investment law provisions (net asset value). The calculation of the redemption price is essentially based on the discounted cash flow values sent by third-party managers of the funds in question.

No sensitivity analysis is performed for investment securities and asset and liability derivatives whose fair value is determined on the basis of measurement models as the resulting effects are immaterial.

Assets and liabilities not measured at fair value

Recurring fair value measurements of assets and liabilities that are not recognised at fair value in the statement of financial position, but whose fair value must be disclosed, are assigned to the levels of the fair value hierarchy as follows:

Assets	**31 Dec. 2017** EUR thousand	**31 Dec. 2016** EUR thousand	**Change** EUR thousand
Loans and advances to banks	**372,981**	**263,172**	**109,809**
of which level 1	–	–	–
of which level 2	372,981	263,172	109,809
of which level 3	–	–	–
Loans and advances to customers	**75,321**	**65,692**	**9,629**
of which level 1	–	–	–
of which level 2	75,321	65,692	9,629
of which level 3	–	–	–
Investment securities	**1,870**	**556**	**1,314**
of which level 1	–	–	–
of which level 2	–	–	–
of which level 3	1,870	556	1,314
Other financial receivables	**142,657**	**116,172**	**26,485**
of which level 1	–	–	–
of which level 2	142,657	116,172	26,485
of which level 3	–	–	–
Total	**592,829**	**445,592**	**147,237**

Equity and liabilities	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Liabilities to banks	**14,642**	**13,246**	**1,396**
of which level 1	–	–	–
of which level 2	14,642	13,246	1,396
of which level 3	–	–	–
Liabilities to customers	**1,218**	**1,306**	**-88**
of which level 1	–	–	–
of which level 2	1,218	1,306	-88
of which level 3	–	–	–
Other financial liabilities	**9,178**	**5,301**	**3,877**
of which level 1	–	–	–
of which level 2	9,178	5,301	3,877
of which level 3	–	–	–
Total	**25,038**	**19,853**	**5,185**

Level 3 investment securities comprise equities and other variable-yield securities including other shareholdings and investments in subsidiaries measured at cost.

[58] Contractual maturity analysis

The maturity analysis shows the contractually agreed cash inflows and outflows:

Assets	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Loans and advances to banks	**372,981**	**263,172**	**109,809**
Up to one month	372,962	263,136	109,826
One month to three months	8	36	-28
Three months to one year	–	–	–
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	11	–	11
Loans and advances to customers	**75,890**	**66,361**	**9,529**
Up to one month	68,034	56,988	11,046
One month to three months	1,608	1,197	411
Three months to one year	2	7	-5
One year to five years	5,832	8,021	-2,189
More than five years	324	148	176
Indefinite	90	–	90
Asset derivatives	**37,040**	**–**	**37,040**
Up to one month	–	–	–
One month to three months	–	–	–
Three months to one year	–	–	–
One year to five years	37,040	–	37,040
More than five years	–	–	–
Indefinite	–	–	–
Investment securities	**1,367,845**	**1,182,613**	**185,232**
Up to one month	–	–	–
One month to three months	–	–	–
Three months to one year	–	–	–
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	1,367,845	1,182,613	185,232

Assets	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Other financial receivables	**142,657**	**116,172**	**26,485**
Up to one month	139,546	114,531	25,015
One month to three months	882	151	731
Three months to one year	1,783	172	1,611
One year to five years	146	1,095	-949
More than five years	290	214	76
Indefinite	10	9	1
Assets held for sale	**27,029**	**20,148**	**6,881**
Up to one month	–	–	–
One month to three months	–	–	–
Three months to one year	–	–	–
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	27,029	20,148	6,881

Equity and liabilities	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Liabilities to banks	**14,642**	**13,246**	**1,396**
Up to one month	14,642	13,246	1,396
One month to three months	–	–	–
Three months to one year	–	–	–
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	–	–	–
Liabilities to customers	**1,218**	**1,306**	**-88**
Up to one month	1,218	1,306	-88
One month to three months	–	–	–
Three months to one year	–	–	–
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	–	–	–

Equity and liabilities	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Liability derivatives	**79,296**	**32,269**	**47,027**
Up to one month	570	10,295	-9,725
One month to three months	68	37	31
Three months to one year	315	266	49
One year to five years	54,329	4,169	50,160
More than five years	24,014	17,502	6,512
Indefinite	–	–	–
Other financial liabilities	**9,178**	**5,301**	**3,877**
Up to one month	7,773	3,628	4,145
One month to three months	14	11	3
Three months to one year	7	24	-17
One year to five years	319	425	-106
More than five years	6	16	-10
Indefinite	1,059	1,197	-138

In the above table, the undiscounted contractual payment obligations from the capital preservation and guarantee commitments of all UniProfiRente contracts and guarantee funds less the assets allocated to these contracts as at the end of the reporting period were reported under liability derivatives, provided the capital preservation or guarantee commitments of these contracts had a negative fair value as at the end of the reporting period.

From 2017, the liability derivatives also include the exercise prices of the put options for shares in ZBI Partnerschafts-Holding GmbH, Erlangen, written by UMH in the reporting year. Their earliest possible exercise date cannot be determined by the calendar alone but rather depends on a range of other conditions. They were therefore allocated to the 'One year to five years' maturity band on the basis of the expected exercise dates. In contrast, the call option for additional shares in ZBI Partnerschafts-Holding GmbH acquired in the financial year was recognised at fair value under asset derivatives in the maturity band of the earliest possible exercise date.

Other disclosures	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Financial guarantees	**52,056**	**58,912**	**-6,856**
Up to one month	–	–	–
One month to three months	–	–	–
Three months to one year	–	–	–
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	52,056	58,912	-6,856

The table above shows the potential cash outflows for financial guarantees rather than their expected outflows.

[59] Assets past due

Assets past due but not yet impaired	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Loans and advances to banks	**35**	**566**	**-531**
Up to three months	35	559	-524
Three months to six months	–	–	–
Six months to one year	–	–	–
More than one year	–	7	-7
Loans and advances to customers	**293**	**269**	**24**
Up to three months	199	30	169
Three months to six months	–	1	-1
Six months to one year	1	8	-7
More than one year	93	230	-137
Other financial receivables	**86**	**230**	**-144**
Up to three months	86	229	-143
Three months to six months	–	–	–
Six months to one year	–	1	-1
More than one year	–	–	–

[60] Foreign currency volumes

Assets	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Loans and advances to banks	**27,148**	**24,755**	**2,393**
US dollar (USD)	861	1,717	-856
Swiss franc (CHF)	–	–	–
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	137	362	-225
Polish zloty (PLN)	26,128	22,648	3,480
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	22	28	-6
Loans and advances to customers	**2,971**	**3,083**	**-112**
US dollar (USD)	2,502	2,778	-276
Swiss franc (CHF)	183	40	143
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	244	221	23
Polish zloty (PLN)	–	–	–
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	42	44	-2
Investment securities	**5,186**	**6,541**	**-1,355**
US dollar (USD)	18	10	8
Swiss franc (CHF)	17	–	17
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	13	1	12
Polish zloty (PLN)	5,026	6,530	-1,504
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	112	–	112

Assets	**31 Dec. 2017** EUR thousand	**31 Dec. 2016** EUR thousand	**Change** EUR thousand
Other financial receivables	**4,736**	**2,455**	**2,281**
US dollar (USD)	234	41	193
Swiss franc (CHF)	48	12	36
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	77	104	-27
Polish zloty (PLN)	4,377	2,298	2,079
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	–	0	0
Assets held for sale	**1,968**	**–**	**1,968**
US dollar (USD)	–	–	–
Swiss franc (CHF)	–	–	–
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	–	–	–
Polish zloty (PLN)	1,968	–	1,968
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	–	–	–
Total	**42,009**	**36,834**	**5,175**

Equity and liabilities	**31 Dec. 2017** EUR thousand	**31 Dec. 2016** EUR thousand	**Change** EUR thousand
Other financial liabilities	**580**	**437**	**143**
US dollar (USD)	63	63	–
Swiss franc (CHF)	51	–	51
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	–	29	-29
Polish zloty (PLN)	466	345	121
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	–	–	–
Total	**580**	**437**	**143**

Other disclosures	**31 Dec. 2017** EUR thousand	**31 Dec. 2016** EUR thousand	**Change** EUR thousand
Financial guarantees	**52,056**	**58,912**	**-6,856**
US dollar (USD)	52,056	58,912	-6,856
Swiss franc (CHF)	–	–	–
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	–	–	–
Polish zloty (PLN)	–	–	–
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	–	–	–
Total	**52,056**	**58,912**	**-6,856**

The nominal amount is reported for financial guarantees.

Other disclosures

[61] Equity management

As a subsidiary of DZ BANK, UMH AG is not subject to separate consolidated supervision as a banking group under the German Banking Act (KWG) and, consequently, nor is it subject to any regulatory capital requirements at the UMH Group level. However, some of the companies in the Union Investment Group are – at the individual bank level – subject to regulatory capital requirements under national legislation, which was complied with at all times in the reporting year. Regulatory capital requirements in the Federal Republic of Germany are specified for capital management companies by Section 25 of Germany's Investment Code (KAGB) and for Union Investment Service Bank AG, Quoniam Asset Management GmbH and VisualVest GmbH by European Regulation No. 575/2013 (CRR) in conjunction with Section 10 KWG. The Board of Managing Directors of UMH AG also uses the corporate guidelines on integrated risk and capital management as the basis for ensuring appropriate capital adequacy in the Union Investment Group. The aggregate risk is compared against the available aggregate risk cover for a given analysis period in order to make sure that, with a specified confidence level, the potential losses do not exceed the aggregate risk cover. Aggregate risk cover comprises the equity reported in the statement of financial position and quasi-equity components, and also takes into account hidden reserves and liabilities that would arise in the event of a loss. Please refer to the statement of changes in equity for further information on the composition of and changes in equity. Additional details on risk management can also be found in the risk report in the group management report.

[62] Disclosure of interests in other entities

Significant judgements and assumptions

- Control of other companies

The group controls an entity when it is exposed to variable returns from the entity and has the ability to affect those returns through its power over the entity.

In order to determine whether an entity must be consolidated, the UMH Group checks a series of factors, such as
- the purpose and form of the entity,
- the relevant activities and how these are determined,
- whether the group's rights result in the ability to direct the relevant activities,
- whether the group has exposure or rights to variable returns and whether the group has the ability to use its power to affect the amount of its returns.

If voting rights are relevant, the group is deemed to have control insofar as it holds, directly or indirectly, more than half of the voting rights over an entity unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities. Potential voting rights that are deemed to be substantive are also considered when assessing control. Likewise, the UMH Group also assesses existence of control where it does not control the majority of the voting rights but has the practical ability to unilaterally direct the relevant activities. This can arise in circumstances where the size and distribution of shareholders' voting rights give the group the power to direct the relevant activities.

The group reassesses the consolidation status at least at the end of each quarter. Therefore, any changes in the structure leading to a change in one or more of the control factors require reassessment when they occur. This includes changes in decision making rights, changes in contractual arrangements, changes in the financing, ownership or capital structure and changes following a trigger event which was anticipated in the original documentation.

In relation to the funds managed by the asset management companies of the group, after assessing their role in line with the national provisions of investment law, the UMH Group assumes that
- it has power of control within the meaning of IFRS 10.7(a),
- it has exposure, and rights, to variable returns from its involvement in these entities (IFRS 10.7(b)) and
- it has the ability to use its power over these entities to influence the amount of its returns (IFRS 10.7(c)).

Against this backdrop, it reviews for which of these funds the UMH Group has the role of the principal, which would necessitate consolidation, and for which it only acts as an agent for third-party investors.

As such, the UMH Group always plays the role of an agent for these funds if
- the contractually agreed remuneration is commensurate with the services provided and includes only terms customarily present in arrangements negotiated on an arm's length basis (IFRS 10.B69) and
- the scope of the UMH Group's participation in such a fund and the associated variability, taking into account its direct participation in this fund, and the material remuneration components of the UMH Group for the management of the fund do not exceed an internally determined threshold. If this threshold is exceeded, the overall circumstances are analysed on a case-by-case basis.

Due to the precedence taken by investor protection regulations, the UMH Group assumes that, as long as the control threshold in accordance with IFRS 10 is not exceeded, it does not have significant influence within the meaning of IAS 28 over investment funds managed by the group's asset management companies. Own-account investments in investment funds not fully consolidated are therefore not recognised according to the equity method but at fair value.

• Associates, joint control and significant influence

Associates are entities over which the UMH Group directly or indirectly has significant influence. Significant influence is generally presumed when the group holds between 20 % and 50 % of the voting rights.

The UMH Group holds 49 % of the voting rights of BEA Union Investment Management Limited, Hong Kong (BU). As this equity investment is controlled jointly with other partners, decisions on the relevant activities require the unanimous approval of all parties and the group has rights to the equity investment's net assets, it has been classified as a joint venture. The equity investment has been included in the consolidated financial statements using the equity method since its acquisition.

In the 2017 financial year, the UMH Group increased its interest in VR Consultingpartner GmbH, Frankfurt am Main, from 49 % to 51 %. The UMH Group does not control the company due to the rules on board composition and the design of the voting rules. There is also no joint control with other parties. VR Consultingpartner GmbH is therefore still included in the consolidated financial statements as an associate using the equity method.

Investments in subsidiaries

• Deviating reporting periods

In the reporting year, there were no companies in the UMH Group with a reporting period deviating from that of the UMH Group.

• Non-controlling interests in the activities of the UMH Group and its cash flows

There are significant non-controlling interests in the UMH Group for the subsidiaries Union Investment Real Estate GmbH, Hamburg (UIR), Quoniam Asset Management GmbH, Frankfurt am Main (QAM), Union Investment Institutional Property GmbH, Hamburg (UII) and Union Investment Real Estate Austria AG, Vienna (URA):

Non-controlling interests (incl. profit share)	**31 Dec. 2017** EUR thousand	**31 Dec. 2016** EUR thousand	**Change** EUR thousand
Union Investment Real Estate GmbH	17,452	10,066	7,386
Quoniam Asset Management GmbH	3,444	2,878	566
Union Investment Institutional Property GmbH	1,724	1,900	-176
Union Investment Real Estate Austria AG	542	616	-74
Miscellaneous	7	5	2
Total	**23,169**	**15,465**	**7,704**

Non-controlling interests	**2017** EUR thousand	**2016** EUR thousand	**Change** EUR thousand
Union Investment Real Estate GmbH	4,907	3,322	1,585
Quoniam Asset Management GmbH	2,369	1,814	555
Union Investment Institutional Property GmbH	193	576	-383
Union Investment Real Estate Austria AG	-16	59	-75
Miscellaneous	0	0	0
Total	**7,453**	**5,771**	**1,682**

– Union Investment Real Estate GmbH, Hamburg

UIR is a leading property manager in Europe. It has more than 50 years' expertise in asset management for properties and provides bespoke real estate solutions for private and institutional asset allocation. With its internationally diversified property portfolio, now distributed across 20 national markets, it leverages the opportunities of global market cycles for investors. Extensive market knowledge and an investment strategy based on the presence of its own teams and strong cooperation partners in target markets contribute to a high return on investment. UIR operates on commercial property markets as an investor and seller, builder and developer, lessor and service provider for all aspects of real estate. UIR currently manages property funds with net assets of EUR 31.7 billion (previous year: EUR 29.8 billion). UMH AG directly holds 90.0 % of shares in UIR. Its share in the voting rights is equal to its shareholding. There are non-controlling interests of 5.5 % (UIR Beteiligungs Holding GmbH & Co KG) and of 4.5 % (DZ BANK).

UMH AG concluded an indefinite control agreement with UIR in January 2014, which can be cancelled with notice of six months to the end of a financial year. For the duration of the agreement, this guarantees the non-controlling interest UIR Beteiligungs GmbH & Co KG a share of profits (cash dividend) for each full financial year of EUR 1,961 thousand for 5.5 % of shares in the company and, for DZ BANK, EUR 1,605 thousand for 4.5 % of shares. The non-controlling interests did not claim the guaranteed dividend, which does not affect the entitlement to the distributed dividend according to UIR's resolution on the appropriation of profit. In the financial year, the non-controlling interests in UIR received dividend distributions (cash dividends) of EUR 3,511 thousand (previous year: EUR 2,553 thousand).

In the reporting year, UMH AG sold 4 % of the shares in UIR to DZ BANK. This resulted in the following changes in equity attributable to UMH AG:

	2017 EUR thousand
Issued capital	-411
Capital reserves	-1,261
Retained earnings	-2,282
Revaluation surplus	-264

Summarised financial information on UIR:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Assets	298,126	285,351	12,775
Liabilities	123,600	117,570	6,030

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Interest and commission income	304,613	299,378	5,235
Net income through profit or loss	49,077	55,361	-6,284
Other comprehensive income	16,178	9	16,169
Total comprehensive income	65,255	55,370	9,885
Cash flow	1	-1	2

– Quoniam Asset Management GmbH, Frankfurt am Main

QAM is a limited liability asset management company based in Frankfurt and with a branch in London. Using its engineering-based approach, QAM focuses exclusively on the development and implementation of quantitative portfolio management strategies for global institutional investors.

UMH AG directly holds 88.0 % of the capital and all voting rights in QAM. Non-controlling interests account for 12.0 % of capital shares. These non-voting shares are held by the management of QAM.

In the financial year, (cash) dividends of EUR 1,867 thousand (previous year: EUR 1,884 thousand) were paid to the non-controlling interests of QAM.

Summarised financial information on QAM:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Assets	65,095	58,316	6,779
Liabilities	36,397	34,273	2,124

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Interest and commission income	71,035	66,812	4,223
Net income through profit or loss	19,741	15,120	4,621
Other comprehensive income	476	-695	1,171
Total comprehensive income	20,217	14,425	5,792
Cash flow	-2	4	-6

– Union Investment Institutional Property GmbH, Hamburg

UII, a property asset management company based in Hamburg and with a branch in London, systematically and successfully focuses on the investment requirements of institutional investors, and has been doing so for more than 30 years now. Vehicle expertise, best-in-class processes and a precise knowledge of the different requirements of institutional investors allow it to deliver tailored real estate solutions for institutional asset allocation. In addition to institutional mutual funds and multi-client special funds, UII offers institutional investors individual solutions. The fund vehicles can be of either German or Luxembourg provenance. UII currently manages a volume of EUR 4.7 billion in its institutional business (previous year: EUR 3.6 billion).

UMH AG directly holds 90.0 % of shares in UII. Its share in the voting rights is equal to its shareholding. At 10.0 %, the sole non-controlling interest is BAG Bankaktiengesellschaft, Hamm.

UMH AG concluded an indefinite control agreement with UII in October 2013, which can be cancelled with notice of six months to the end of a financial year. For the duration of the agreement, this guarantees the non-controlling interest a share of profits (cash dividend) for each full financial year of 12 % of the notional value of the company of EUR 620,000, i.e. EUR 74,400. In the financial year, the non-controlling interest in UII received dividend distributions (cash dividends) of EUR 400 thousand (previous year: EUR 100 thousand).

Summarised financial information on UII:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Assets	29,114	25,885	3,229
Liabilities	11,869	6,886	4,983

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Interest and commission income	26,394	24,021	2,373
Net income through profit or loss	1,930	5,756	-3,826
Other comprehensive income	316	-657	973
Total comprehensive income	2,246	5,099	-2,853
Cash flow	–	–	–

– Union Investment Real Estate Austria AG

URA, which is based in Vienna, is an asset management company for real estate in accordance with the Austrian Real Estate Investment Fund Act. The company was founded in 2003 and manages real estate in Austria and Germany. URA currently manages property funds with a volume of EUR 0.8 billion (previous year: EUR 0.7 billion).

UMH AG indirectly holds 94.5 % of shares in URA. Its share in the voting rights is equal to its shareholding. At 5.5 %, the sole non-controlling interest is BAG Bankaktiengesellschaft, Hamm.

In the financial year, (cash) dividends of EUR 58 thousand (previous year: EUR 134 thousand) were paid to the non-controlling interests of URA.

Summarised financial information on URA:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Assets	14,947	13,509	1,438
Liabilities	5,094	2,311	2,783

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Interest and commission income	8,654	7,450	1,204
Net income through profit or loss	-290	1,079	-1,369
Other comprehensive income	2	77	-75
Total comprehensive income	-288	1,156	-1,444
Cash flow	–	–	–

- Nature and extent of material restrictions

National regulatory requirements and provisions of company law restrict the UMH Group's ability to transfer assets to or from other companies within the group. However, these restrictions cannot be specifically assigned to individual assets or items of the statement of financial position.

In addition, owing to regulatory provisions, Union Investment Service Bank AG, the asset management companies and the securities companies of the Union Investment Group are subject to restrictions on lending to other group companies.

- Nature of risks entailed by interests in consolidated structured entities

The fund UI Vario: 2 is consolidated in the UMH consolidated financial statements at a net asset value of EUR 784.6 million as at the end of the reporting period (previous year: EUR 596.6 million). This is a fund of funds that was issued as a vehicle to bundle the strategic own-account investment positions of the UMH Group and its investment universe, and concentrates on funds managed by the Union Investment Group. All unit certificates of this fund managed by Union Investment Luxembourg S.A. are owned by companies of the UMH Group. Only the companies of the UMH Group can acquire these unit certificates. The maximum downside risk is limited to the consolidated net assets of this structured entity.

Interests in joint arrangements and associates

- Deviating reporting periods

In the reporting year, there were no companies in the UMH Group with a reporting period deviating from that of the UMH Group.

The last available annual financial statements, with any adjustments, are used. Any known material effects in the year under review are covered in a reconciliation statement.

- Type, extent and financial impact of interests in joint arrangements

– BEA Union Investment Management Limited, Hong Kong

BEA Union Investment Management Limited (BU) is a joint venture of UMH AG and The Bank of East Asia Limited, Hong Kong (BEA). The asset management company provides portfolio management services for mutual funds and mandatory provident fund (MPF) schemes – regulated pension products – and asset management and advisory services for institutional clients. Sales activities run through BEA and, increasingly, third parties, and mainly focus on Hong Kong and China. At the end of 2017, the company had HKD 56.9 billion in assets under management (previous year: HKD 43.1 billion) in 89 products (previous year: 71 products).

UMH AG's shareholding at the end of the reporting period was 49 % (previous year: 49 %). The remaining 51 % of shares (previous year: 51 %) are held by BEA. The shares in BU are accounted for in the UMH Group using the equity method. In the financial year, BU distributed a dividend of HKD 30.9 million or EUR 3,727 thousand to UMH AG (previous year: HKD 28.7 million or EUR 3,254 thousand).

Summarised financial information on BU:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Assets	**62,404**	**64,745**	**-2,341**
of which: cash reserve	–	–	–
Liabilities	**-7,347**	**-4,938**	**-2,409**
of which: financial liabilities	-7,344	-4,689	-2,655

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Interest income	**637**	**462**	**175**
Interest expenses	**–**	**–**	**–**
Fee and commission income	**29,064**	**22,499**	**6,565**
Fee and commission expenses	**-4,557**	**-3,151**	**-1,406**
Administrative expenses, depreciation and amortisation	**-14,713**	**-13,828**	**-885**
Income taxes	**-1,631**	**-910**	**-721**
Net income from continuing operations	**12,912**	**5,118**	**7,794**
Net income from discontinued operations	**–**	**–**	**–**
Other comprehensive income	**621**	**-236**	**857**
Total comprehensive income	**13,533**	**4,882**	**8,651**

Statement of reconciliation from summarised financial information to the carrying amount of the shares in BU:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Recognised net assets	**55,057**	**59,807**	**-4,750**
Multiplication by shareholding	**26,978**	**29,305**	**-2,328**
Goodwill before reversal of impairment	17,800	22,004	-4,204
Reversal of impairment of goodwill	8,204	-1,134	9,338
Carrying amount from remeasurement in line with the equity method	**52,982**	**50,175**	**2,807**

– Other joint ventures

There were no significant joint ventures accounted for using the equity method at the end of the reporting period.

- Type, extent and financial impact of interests in associates

– ZBI Partnerschafts-Holding GmbH

The ZBI Group's operating business is bundled in ZBI Partnerschafts-Holding GmbH, Erlangen, and its subsidiaries (ZBI). The ZBI Group is a leading company on the German residential property market. The group covers the entire value chain for a residential property. The ZBI Group issues open- and closed-ended mutual funds for private investors. Open-ended special funds and individual funds are issued for institutional investors. All funds invest exclusively in German residential properties.

ZBI Partnerschafts-Holding GmbH was founded in 2017. UMH AG directly holds a 49.9 % stake in the company; the rest of the shares are held by ZBI Zentral Boden Immobilien AG, Erlangen (ZBI AG). ZBI Partnerschafts-Holding GmbH and its subsidiaries are included in the consolidated financial statements as an associate using the equity method. No dividend was distributed to UMH AG in the financial year.

Summarised financial information on ZBI:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Assets	**70,782**	**–**	**70,782**
of which: cash reserve	–	–	–
Liabilities	**-33,662**	**–**	**-33,662**
of which: financial liabilities	-28,756	–	-28,756

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Interest income	**11,401**	**–**	**11,401**
Fee and commission income	**51,463**	**–**	**51,463**
Administrative expenses, depreciation and amortisation	**-31,440**	**–**	**-31,440**
Income taxes	**-8,948**	**–**	**-8,948**
Net income from continuing operations	**22,475**	**–**	**22,475**
Total comprehensive income	**22,475**	**–**	**22,475**

Statement of reconciliation from summarised financial information to the carrying amount of the shares in ZBI:

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Recognised net assets	**37,120**	**–**	**37,120**
Multiplication by shareholding	**18,523**	**–**	**18,523**
Goodwill before reversal of impairment	25,697	–	25,697
Reversal of impairment of goodwill	–	–	–
Carrying amount from remeasurement in line with the equity method	**44,220**	**–**	**44,220**

– Other associates

The carrying amount of associates individually insignificant to the UMH Group accounted for using the equity method was EUR 7.2 million as at the end of the reporting period (previous year: EUR 6.8 million).

Summarised financial information on individually insignificant associates accounted for using the equity method:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Pro rata net income from continuing operations	**1,887**	**709**	**1,178**
Pro rata net income from discontinued operations	**–**	**–**	**–**
Pro rata other comprehensive income	**–**	**–**	**–**
Pro rata total comprehensive income	**1,887**	**709**	**1,178**

- Nature and extent of material restrictions

In its domestic country of Hong Kong, the joint venture BU is subject to regulatory minimum capital requirements and therefore restrictions on its dividend and capital distributions.

The associate R+V Pensionsfonds Aktiengesellschaft, Wiesbaden, is subject to standard industry restrictions on dividend and capital distributions owing to insurance supervisory law regulations.

- Risks associated with interests in joint ventures and associates

– Obligations in relation to joint ventures

The two shareholders of BU are not permitted to end the joint venture without stating grounds. A special mechanism would take effect in this event. The terminating partner has to offer the non-terminating partner its shares at a price per share determined by the terminating partner itself. If the non-terminating partner refuses this offer, the terminating partner must, in return, assume the shares of the non-terminating partner at the previously determined price per share. This arrangement is not reflected in the carrying amounts of the UMH Group.

The UMH Group had recognised provisions for commission for BU of EUR 727 thousand as at the end of the reporting period (previous year: EUR 609 thousand).

- Unrecognised losses

There are no unrecognised losses for the joint ventures and associates accounted for using the equity method in the UMH consolidated financial statements.

Interests in unconsolidated structured entities

- Nature of interests

In its business activities, in its capacity as an asset manager and an investor, the UMH Group has relationships with various entities set up to generate commission or investment income. Some of these entities have one or more of the following characteristics:

– The structures have been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity,
– they have restricted activities or
– they have a narrow and well-defined objective.

Such entities are referred to as structured entities. They are consolidated when the substance of the relationship between the UMH Group and the structured entities indicates that the structured entities are controlled by the group. The entities covered by this note are not consolidated as the group has no control over voting rights, contracts, financing agreements or other funds.

The group has interests in structured entities as defined by IFRS 12 when the UMH Group is contractually or non-contractually exposed to variable returns on the performance of these entities. Examples include debt or equity investments, investment management agreements, liquidity facilities, guarantees and derivative instruments in which the group absorbs the financial risks from the structured entities. By contrast, instruments that transfer risks to these entities do not give rise to interests in structured entities on the part of the group.

The business activities of the UMH Group with unconsolidated structured entities can be broken down into the following two types:

– Business activity 1: Management of and own-account investment in funds set up by companies of the Union Investment Group.

– Business activity 2: Management of portfolios of funds set up by third-party companies.

- Business activity 1: Management of funds and own-account investment in funds set up by companies of the Union Investment Group

The unconsolidated structured entities to be taken into account in reporting in accordance with IFRS 12 are essentially funds set up by companies of the Union Investment Group in line with the contractual form model without voting rights and, to a smaller extent, in company structures with their own legal identity. The asset management companies of the group form such structured entities in order to satisfy different customer requirements in relation to investments in specific asset classes or investment styles.

The UMH Group generates income from ongoing management fees for its fund-based investment management services, supplemented in part by performance fees. In addition, the group's expenses are reimbursed from funds, partly in the form of flatrate remuneration.

There are no derivative transactions between companies of the UMH Group and the funds managed by the Union Investment Group. Funds are not refinanced by loans from Union Investment Group companies.

Own-account investments in funds are classified as at fair value through profit or loss, hence the recognised and unrecognised gains and losses on the remeasurement of these items are included in other net remeasurement income on financial instruments.

The funds are financed by issuing unit certificates to investors. Further financing – in the form of borrowing – is only used for open-ended mutual real estate funds, special property funds and other individual funds. A key feature of all the funds managed by the Union Investment Group is risk diversification according to national investment law provisions.

A further component of business activity 1 is the guarantee funds set up by companies of the Union Investment Group. These have market value guarantees. This means that a certain amount or a certain performance is guaranteed for these investments up to a certain level. The amount of the market value guarantees and the maturity dates vary on the basis of the agreements made for the individual investment funds. A market value guarantee is triggered when the market value of the unit certificates in question do not meet the guaranteed specifications at certain dates. As at the end of the reporting period, the UMH Group managed guarantee funds with a volume of EUR 4,130,635 thousand (net asset value) (previous year: EUR 5,845,063 thousand) and a minimum payment commitment (nominal amount) of EUR 3,814,043 thousand (previous year: EUR 5,495,056 thousand). The put options embedded in the guarantee funds were measured at EUR 6,057 thousand as at the end of the reporting period (previous year: EUR 9,999 thousand) and reported as liability derivatives on the equity and liabilities side of the statement of financial position.

Number of unit certificates and volume of funds managed by the UMH Group as business activity 1:

	Volume		Number (unit certificates)	
	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	31 Dec. 2017	31 Dec. 2016
Mutual funds	**171,793,713**	**153,017,517**	**391**	**416**
of which guarantee funds	4,130,635	5,845,063	48	59
Special funds	**94,926,645**	**88,584,177**	**384**	**389**
of which guarantee funds	–	–	–	–
Total	**266,720,358**	**241,601,694**	**775**	**805**
of which guarantee funds	4,130,635	5,845,063	48	59

The following assets and liabilities are recognised in the statement of financial position of the UMH Group in connection with the interests in business activity 1. There is also possible exposure from contingent liabilities and financial guarantees, credit commitments and other commitments.

2017 financial year	**Mutual funds**		**Special funds**		**Total**
	EUR thousand	of which guarantee funds EUR thousand	EUR thousand	of which guarantee funds EUR thousand	EUR thousand
Assets	**1,486,861**	**119**	**19,356**	**–**	**1,506,217**
Loans and advances to customers	3,127	–	913	–	4,040
Investment fund units	1,331,721	–	5,241	–	1,336,962
Investments in subsidiaries	259	–	0	–	259
Other receivables	124,725	119	13,202	–	137,927
Assets held for sale	27,029	–	–	–	27,029
Liabilities	**6,935**	**6,072**	**46**	**–**	**6,981**
Liability derivatives	6,057	6,057	–	–	6,057
Other liabilities	878	15	46	–	924
Net reported exposure (assets less liabilities)	**1,479,926**	**-5,953**	**19,310**	**–**	**1,499,236**
Contingent liabilities	**–**	**–**	**–**	**–**	**–**
Financial guarantees, credit commitments and other commitments	**3,807,986**	**3,807,986**	**0**	**–**	**3,807,986**
Financial guarantees	–	–	–	–	–
Credit commitments	–	–	–	–	–
Other commitments	3,807,986	3,807,986	0	–	3,807,986
Reported exposure (net reported exposure + contingent liabilities + financial guarantees, credit commitments and other commitments)	**5,287,912**	**3,802,033**	**19,310**	**–**	**5,307,222**
Actual maximum exposure	**5,287,912**	**3,802,033**	**19,310**	**–**	**5,307,222**

2016 financial year	Mutual funds		Special funds		Total
		of which guarantee funds		of which guarantee funds	
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Assets	**1,283,640**	**78**	**20,263**	**–**	**1,303,903**
Loans and advances to customers	1,564	–	702	–	2,266
Investment fund units	1,158,055	–	10,819	–	1,168,874
Investments in subsidiaries	883	–	–	–	883
Other receivables	102,990	78	8,743	–	111,733
Assets held for sale	20,148	–	–	–	20,148
Liabilities	**10,012**	**10,009**	**–**	**–**	**10,012**
Liability derivatives	9,999	9,999	–	–	9,999
Other liabilities	13	10	–	–	13
Net reported exposure (assets less liabilities)	**1,273,628**	**-9,931**	**20,263**	**–**	**1,293,891**
Contingent liabilities	**–**	**–**	**–**	**–**	**–**
Financial guarantees, credit commitments and other commitments	**5,485,057**	**5,485,057**	**0**	**–**	**5,485,057**
Financial guarantees	–	–	–	–	–
Credit commitments	–	–	–	–	–
Other commitments	5,485,057	5,485,057	0	–	5,485,057
Reported exposure (net reported exposure + contingent liabilities + financial guarantees, credit commitments and other commitments)	**6,758,685**	**5,475,126**	**20,263**	**–**	**6,778,948**
Actual maximum exposure	**6,758,685**	**5,475,126**	**20,263**	**–**	**6,778,948**

Financial guarantees, credit commitments and other commitments are stated at their nominal amounts. This takes into account only financial guarantees, credit commitments and other commitments for which no liabilities or contingent liabilities have been recognised.

The actual maximum exposure is calculated in the UMH Group as a gross value without offsetting any collateral and is equal to the exposure reported in the table above for business activity 1.

Regarding the disclosure of the maximum downside risk, it should be noted that the above table includes market price guarantees in the amount of the nominal values of the guarantee commitments for guarantee funds (EUR 3,814,043 thousand; previous year: EUR 5,495,056 thousand), less the liability amounts recognised for the put options embedded in these products (EUR 6,057 thousand; previous year: EUR 9,999 thousand). However, the maximum loss exposure for the market price guarantees on guarantee funds is not the economic risk of this product class as this also takes into account the net assets of these guarantee funds (EUR 4,130,635 thousand; previous year: EUR 5,845,063 thousand) as at the end of the reporting period and the management model for securing minimum payment commitments for these products.

In the reporting year, the UMH Group generated the following income from the structured entities for business activity 1:

2017 financial year	Management fees and other fee and commission income EUR thousand	Income from distributions EUR thousand	Realised and unrealised gains and losses on remeasurement through profit or loss EUR thousand	Total income recognised in profit or loss EUR thousand	Unrealised gains and losses on remeasurement in other comprehensive income EUR thousand
Mutual funds	**1,793,390**	**12,392**	**8,897**	**1,814,679**	**–**
of which guarantee funds	41,021	–	3,942	44,963	–
Special funds	**134,815**	**222**	**-115**	**134,922**	**–**
of which guarantee funds	–	–	–	–	–
Total	**1,928,205**	**12,614**	**8,782**	**1,949,601**	**–**
of which guarantee funds	41,021	–	3,942	44,963	–

2016 financial year	Management fees and other fee and commission income EUR thousand	Income from distributions EUR thousand	Realised and unrealised gains and losses on remeasurement through profit or loss EUR thousand	Total income recognised in profit or loss EUR thousand	Unrealised gains and losses on remeasurement in other comprehensive income EUR thousand
Mutual funds	**1,501,452**	**8,439**	**-1,798**	**1,508,093**	**–**
of which guarantee funds	60,732	–	-7,456	53,276	–
Special funds	**114,784**	**254**	**712**	**115,750**	**–**
of which guarantee funds	–	–	–	–	–
Total	**1,616,236**	**8,693**	**-1,085**	**1,623,843**	**–**
of which guarantee funds	60,732	–	-7,456	53,276	–

The UMH Group incurred losses of EUR -6,486 thousand from business activity 1 in the financial year (previous year: EUR -10,524 thousand). These were included solely in net income in profit or loss. The distributions by the funds in the financial year were deducted in calculating the losses incurred for each fund.

- Business activity 2: Management of portfolios of funds set up by third-party companies

In addition to managing funds set up by asset management companies of the Union Investment Group, the companies of the UMH Group manage portfolios of funds set up by third-party companies. The UMH Group generates management fees and, in some cases, additional performance fees from these contractual relationships. There are no derivative transactions between companies of the UMH Group and these third-party funds. Third-party funds are not refinanced by loans from Union Investment Group companies.

The volumes and number of mandates for business activity 2 were as follows year-on-year:

	Volume		Number	
	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	31 Dec. 2017	31 Dec. 2016
Outsourcing mandates	**37,852,234**	**32,059,103**	**214**	**190**

As at the end of the reporting period, business activity 2 was reflected only in the statement of financial position item loans and advances to customers with fee and commission receivables of EUR 17,330 thousand (previous year: EUR 13,103 thousand). There was no other exposure from contingent liabilities, financial guarantees, credit commitments or other commitments for this business activity as at the end of the reporting period.

The maximum downside risk from assets from unconsolidated structured entities for business activity 2 is equal to the current carrying amounts of these items and is EUR 17,330 thousand (previous year: EUR 13,103 thousand).

In the financial year, the group generated only fee and commission income of EUR 72,483 thousand from business activity 2 (previous year: EUR 67,418 thousand). No losses were incurred on this business activity in the financial year.

Support arrangements for unconsolidated structured entities

- Nature of support

The UMH Group is considered a fund's sponsor if market participants associate this structured entity with the UMH Group. The UMH Group assumes this to be the case if the terms 'Union Investment' or 'Union' are used in a fund's name.

As the asset management services performed by the UMH Group for the funds set up by the companies of the Union Investment Group and third-party companies generally already satisfy the criteria for interests in structured entities, these business relationships have already been included in the disclosures on relationships with unconsolidated structured entities above and are not necessary here.

The UMH Group acts as sponsor for the 'UniImmo: Wohnen ZBI' fund. The title allows the investors to associate the fund with the UMH Group. As sponsor, the UMH Group provides various services and its distribution channel.

'UniImmo: Wohnen ZBI' is an open-ended real estate fund issued by ZBI Fondsmanagement AG. The fund assets amounted to EUR 627 million as of 31 December 2017. The fund invests in residential buildings, housing complexes and residential and commercial buildings in Germany. The properties are held directly. The debt financing ratio was 6.54 % as of 31 November 2017, total liquidity 27.35 %. The UMH Group has an exclusive distribution right via its distribution network. In addition, the UMH Group helps ZBI Fondsmanagement AG manage the fund. The UMH Group receives compensation for distribution and for services provided.

The group generated income of EUR 1,717 thousand from this in the financial year. No losses were incurred on this business activity in the financial year.

[63] List of shareholdings

The shareholdings of Union Asset Management Holding AG were as follows as at the end of the reporting period:

Consolidated subsidiaries

Name, registered office	Shareholding – direct	Shareholding – indirect
Asset management companies		
Union Investment Institutional GmbH, Frankfurt am Main [1]	100.0 %	–
Union Investment Institutional Property GmbH, Hamburg [1]	90.0 %	–
Union Investment Luxembourg S.A., Luxembourg	100.0 %	–
Union Investment Privatfonds GmbH, Frankfurt am Main [1]	100.0 %	–
Union Investment Real Estate GmbH, Hamburg [1]	90.0 %	–
Union Investment Real Estate Austria AG, Vienna	–	94.5 %
Union Investment Towarzystwo Funduszy Inwestycyjnych S.A., Warsaw	100.0 %	–
Financial service institutions		
Quoniam Asset Management GmbH, Frankfurt am Main [2]	88.0 %	–
Union Investment Austria GmbH, Vienna	100.0 %	–
VisualVest GmbH, Frankfurt am Main [1]	100.0 %	–
Banks		
Union Investment Service Bank AG, Frankfurt am Main [1]	100.0 %	–
Securities trading companies		
attrax S.A., Luxembourg	100.0 %	–
Union Investment Financial Services S.A., Luxembourg	–	100.0 %
Service companies		
UIR Verwaltungsgesellschaft mbH, Hamburg	–	90.0 %
Union IT-Services GmbH, Frankfurt am Main [1]	100.0 %	–
Union Service-Gesellschaft mbH, Frankfurt am Main [1]	100.0 %	–

[1] Exercising Section 264 (3) of the German Commercial Code (HGB), the shareholder meetings of these subsidiaries resolved not to disclose their annual financial statements or their management reports for the financial year from 1 January to 31 December 2017 in accordance with Section 325 HGB.

[2] The share of voting rights for this company is 100 %.

Consolidated investment funds

Name, registered office	Shareholding – direct	Shareholding – indirect
UI Vario: 2, Luxembourg	–	100.0 %

Joint ventures accounted for using the equity method

Name, registered office	Shareholding – direct	Shareholding – indirect
BEA Union Investment Management Limited, Hong Kong	49.0 %	–

Associates accounted for using the equity method

Name, registered office	Shareholding – direct	Shareholding – indirect
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH, Wiesbaden	49.0 %	–
R+V Pensionsfonds Aktiengesellschaft, Wiesbaden	25.1 %	–
VR Consultingpartner GmbH, Frankfurt am Main	51.0 %	–
ZBI Partnerschafts-Holding GmbH, Erlangen	49.9 %	–

Investment funds held for sale

Name, registered office	Shareholding – direct	Shareholding – indirect
Global Credit Cash Duration EUR hedged I dis, Luxembourg	–	99.9 %
UniAbsolute Return Globalny FIZ, Warsaw	–	34.9 %
UniGotówkowy Aktywa Polskie, Warsaw	–	99.8 %
UniInstitutional Global Credit, Luxembourg	–	100.0 %
UniInstitutional SDG Equities, Luxembourg	–	100.0 %
UniRak Nordamerika, Luxembourg	–	60.3 %
UniRegularna Wypłata FIZ, Warsaw	–	42.3 %

Unconsolidated subsidiaries

Name, registered office	Shareholding – direct	Shareholding – indirect
Nalinus GmbH (in liq), Frankfurt am Main	100.0 %	–
UII Issy 3 Moulins SARL, Paris	–	90.0 %
UII PSD KN ImmoInvest GP GmbH, Hamburg	–	90.0 %
UII Verwaltungsgesellschaft mbH, Hamburg	–	90.0 %
UI Management S.a.r.l., Luxembourg	–	100.0 %
UIR FRANCE 1 S.a.r.l., Paris	–	90.0 %
UIR FRANCE 2 S.a.r.l., Paris	–	90.0 %
UNION INVESTMENT REAL ESTATE ASIA PACIFIC PTE. LTD., Singapore	–	90.0 %
Union Investment Real Estate France SAS, Paris	–	90.0 %
URA Verwaltung GmbH, Vienna	–	94.5 %

Unconsolidated investment funds

Name, registered office	Shareholding – direct	Shareholding – indirect
UniAbsolute Smart Beta FIZ, Warsaw	–	50.8 %

[64] Contingent liabilities

There were no contingent liabilities at the reporting date.

[65] Other commitments

The Union Investment Group has capital preservation commitments under Section 1 (1) no. 3 of the German Personal Pension Plan Certification Act (AltZertG) amounting to EUR 12,708,232 thousand (previous year: EUR 11,616,306 thousand). These commitments are the total amount of the contributions paid by investors into the individual variants of the UniProfiRente and UniProfiRente Select products of Union Investment Privatfonds GmbH, which, in accordance with statutory provisions, must be made available as a minimum amount at the start of the pay-out phase, plus the pay-out amounts guaranteed by Union Investment Privatfonds GmbH for contracts already in the pay-out phase.

In connection with actual guarantee funds launched by fund management companies in the UMH Group, there are also minimum payment commitments of EUR 3,814,043 thousand (previous year: EUR 5,495,056 thousand).

The fair value of the shortfall in cover for these guarantee commitments is reported in the statement of financial position under 'Liability derivatives' (note [49]).

[66] Operating lease disclosures

UMH Group as lessee

	31 Dec. 2017 EUR thousand	**31 Dec. 2016** EUR thousand	**Change** EUR thousand
Future minimum lease payments under non-cancellable operating leases	**295,614**	**311,799**	**-16,185**
of which up to one year	49,536	32,423	17,113
of which one year to five years	151,163	144,697	6,466
of which more than five years	94,915	134,679	-39,764
Future minimum lease payments are attributable to:	**295,613**	**311,799**	**-16,186**
Land and buildings leases	227,862	235,808	-7,946
Vehicle leases	5,698	3,236	2,462
IT leases	62,053	72,755	-10,702
Future rental receipts expected under non-cancellable subleases at the end of the reporting period	**338**	**4**	**334**
Lease and sublease payments recognised as an expense in the period	**38,837**	**34,104**	**4,733**
of which minimum lease payments	36,602	32,089	4,513
of which contingent rents	2,235	2,015	220
of which payments under subleases	–	–	–

Some lease arrangements include index-linked contingent rents.

Individual leases for buildings have options to renew the lease at the end of the initial term.

UMH Group as lessor

	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Future minimum lease payments under non-cancellable operating leases	**338**	**4**	**334**
of which up to one year	36	4	32
of which one year to five years	210	–	210
of which more than five years	92	–	92
Future minimum lease payments are attributable to:	**338**	**4**	**334**
Land and buildings leases	338	4	334
Vehicle leases	–	–	–
IT leases	–	–	–

[67] Financial guarantees

Following the disposal of GVA GENO-Vermögens-Anlage Gesellschaft mbH, Frankfurt am Main, (GVA), in the 2011 financial year UMH AG issued guarantees to DZ BANK and WGZ BANK as security for loans extended by these banks to two closed-end investment funds marketed by GVA. Following the merger of DZ BANK and WGZ BANK on 29 July 2016, the full amount of the guarantee relates to DZ BANK.

As at 31 December 2017, the nominal amount of these guarantees was USD 62,400 thousand (previous year: USD 62,400 thousand) or EUR 52,056 thousand (previous year: EUR 58,912 thousand).

[68] Number of employees

The following table gives a breakdown by category of the average number of employees in the financial year, calculated in accordance with Section 267 (5) HGB:

	2017 Number	2016 Number	Change Number
Female employees	**1,278**	**1,228**	**50**
of which full-time employees	732	704	28
of which part-time employees	546	524	22
Male employees	**1,632**	**1,550**	**82**
of which full-time employees	1,533	1,466	67
of which part-time employees	99	84	15
Total employees	**2,910**	**2,778**	**132**
For information only:			
Female trainees	56	52	4
Male trainees	74	74	–
Total trainees	**130**	**126**	**4**

[69] Auditor fees

The following table shows the breakdown of auditor fees by type of service:

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Audits of financial statements	744	453	291
Other assurance services	95	81	14
Tax consultancy services	4	45	-41
Other services	1,759	1,341	418
Total	**2,602**	**1,920**	**682**

Auditor fees comprise expenses relating to the audit of the consolidated financial statements and group management report of UMH AG, the statutory audit of the annual financial statements and management report of UMH AG, and the audit of the separate financial statements, management reports and consolidation packages of subsidiaries included in the consolidated financial statements for which an audit is required. This category also includes the fees for the auditor's review of the condensed interim consolidated financial statements packages during the year. The fees charged for other assurance services essentially included fees for the audit performed in accordance with Section 36 of the German Securities Trading Act (WpHG) and other assurance and audit-related services. The fees for other services mainly resulted from the auditing of funds.

[70] Events after the end of the reporting period

There were no events of particular significance after the end of the financial year.

[71] Related party disclosures

As at the end of the reporting period, DZ BANK directly held 72.32 % of the share capital of UMH AG (previous year: 72.25 %). In accordance with IFRS 10, UMH AG is therefore controlled by DZ BANK and is a related party of the UMH Group. The other companies included in the DZ BANK consolidated group, non-consolidated subsidiaries, associates and joint ventures of DZ BANK continue to be related parties.

The list of shareholdings (note [63]) shows the related parties controlled by the UMH Group or over which the UMH Group can exercise a significant influence.

In the UMH Group, the following are related parties (individuals) as defined by IAS 24.9: the Board of Managing Directors and the Supervisory Board of DZ BANK, the Board of Managing Directors and the Supervisory Board of UMH AG, the heads of segments/divisions and further key management personnel in the UMH Group and their respective close family members.

UMH AG maintains extensive business relationships with the entities included in the consolidated financial statements as part of its normal business activities. The transactions within these relationships are conducted on an arm's-length basis.

UMH AG and other entities included in the consolidated financial statements enter into relationships with other related parties in their normal business activities. Such business is transacted on an arm's-length basis.

Related party disclosures

Assets	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Loans and advances to banks	**306,108**	**179,584**	**126,524**
of which DZ BANK	292,529	155,143	137,386
of which entities also controlled by DZ BANK	13,536	24,397	-10,861
of which joint ventures of DZ BANK	43	44	-1
Loans and advances to customers	**2,387**	**1,195**	**1,192**
of which entities also controlled by DZ BANK	867	1,109	-242
of which unconsolidated subsidiaries	32	9	23
of which associates of UMH AG	1,384	–	1,384
of which joint ventures of UMH AG	104	77	27
Other assets	**9,372**	**27,090**	**-17,718**
of which DZ BANK	0	19,442	-19,442
of which entities also controlled by DZ BANK	877	851	26
of which unconsolidated subsidiaries	65	45	20
of which pension plans for employees	8,430	6,752	1,678

Equity and liabilities	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Liabilities to banks	**356**	**362**	**-6**
of which DZ BANK	7	18	-11
of which entities also controlled by DZ BANK	349	344	5
Liabilities to customers	**41**	**45**	**-4**
of which entities also controlled by DZ BANK	37	41	-4
of which associates of UMH AG	4	4	–
Other liabilities	**108,252**	**78,395**	**29,857**
of which DZ BANK	74,800	53,272	21,528
of which entities also controlled by DZ BANK	30,916	24,282	6,634
of which joint ventures of DZ BANK	1,564	–	1,564
of which associates of UMH AG	245	232	13
of which joint ventures of UMH AG	727	609	118

Consolidated income statement	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Interest income and current income	**-366**	**-296**	**-70**
of which DZ BANK	-290	-266	-24
of which entities also controlled by DZ BANK	-76	-30	-46
Interest expenses	**-954**	**-925**	**-29**
of which DZ BANK	-913	-899	-14
of which entities also controlled by DZ BANK	-41	-26	-15
Fee and commission income	**25,805**	**19,334**	**6,471**
of which DZ BANK	412	595	-183
of which entities also controlled by DZ BANK	24,967	18,403	6,564
of which joint ventures of DZ BANK	32	22	10
of which WGZ BANK	–	7	-7
of which joint ventures of UMH AG	394	307	87
Fee and commission expenses	**-197,701**	**-170,062**	**-27,639**
of which DZ BANK	-120,876	-94,070	-26,806
of which entities also controlled by DZ BANK	-72,028	-62,068	-9,960
of which joint ventures of DZ BANK	-1,063	-10	-1,053
of which WGZ BANK	–	-11,070	11,070
of which associates of UMH AG	-950	-662	-288
of which joint ventures of UMH AG	-2,784	-2,182	-602
Administrative expenses	**-8,299**	**-8,231**	**-68**
of which DZ BANK	-4,438	-4,427	-11
of which entities also controlled by DZ BANK	-2,057	-1,019	-1,038
of which joint ventures of DZ BANK	-596	-21	-575
of which WGZ BANK	–	-106	106
of which unconsolidated subsidiaries	-1,023	-1,636	613
of which associates of UMH AG	-185	-1,021	836
of which joint ventures of UMH AG	0	-1	1

Consolidated income statement	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Other operating result	**1,587**	**19,301**	**-17,714**
of which DZ BANK	317	18,693	-18,376
of which entities also controlled by DZ BANK	948	255	693
of which joint ventures of DZ BANK	-88	-147	59
of which WGZ BANK	–	33	-33
of which unconsolidated subsidiaries	405	409	-4
of which associates of UMH AG	5	58	-53
of which joint ventures of UMH AG	–	0	0

The income and expenses recognised for WGZ BANK in the previous year relate to the period prior to its merger with DZ BANK on 29 July 2016.

Other disclosures	31 Dec. 2017 EUR thousand	31 Dec. 2016 EUR thousand	Change EUR thousand
Financial guarantees	**52,056**	**58,912**	**-6,856**
of which DZ BANK	52,056	58,912	-6,856

Please see the information in note [67] regarding financial guarantees.

The fair value of the plan assets managed by the associate R+V Pensionsfonds Aktiengesellschaft, Wiesbaden, was EUR 25,029 thousand as at the end of the reporting period (previous year: EUR 23,410 thousand). Funding of EUR 551 thousand was provided in the financial year (previous year: EUR 663 thousand).

The ‘Other assets’ item includes pension plans for the benefit of employees with a value of EUR 8,430 thousand (previous year: EUR 6,752 thousand). This includes the fair value of reimbursement claims against R+V Lebensversicherung AG, Wiesbaden, a company also controlled by DZ BANK, amounting to EUR 5,810 thousand (previous year: EUR 4,630 thousand). Funding of EUR 959 thousand was provided in the financial year (previous year: EUR 491 thousand).

Remuneration paid to related parties

The UMH Group's key management personnel are deemed to comprise the Board of Managing Directors and the Supervisory Board of UMH AG, the heads of segments / divisions and other staff in key positions in the group.

In accordance with IAS 19.151, disclosures are also made with regard to the post-employment benefits paid to these persons.

	2017 EUR thousand	2016 EUR thousand	Change EUR thousand
Short-term remuneration	10,731	10,657	74
Long-term remuneration	2,587	2,991	-404
Contributions to defined contribution plans	55	35	20
Current service cost of defined benefit plans	2,145	1,968	177
Total	**15,519**	**15,651**	**-132**

The remuneration paid to the members of the Supervisory Board of UMH AG for the performance of their duties amounted to EUR 472 thousand in the financial year (previous year: EUR 359 thousand). The remuneration paid to the members of the Board of Managing Directors of UMH AG in the financial year amounted to EUR 4,531 thousand (previous year: EUR 4,643 thousand).

[72] Board of Managing Directors of Union Asset Management Holding AG

Name	Professional capacity
Hans Joachim Reinke	Chief Executive Officer
Alexander Schindler	Member of the Board of Managing Directors
Jens Wilhelm	Member of the Board of Managing Directors
Dr Andreas Zubrod	Member of the Board of Managing Directors

[73] Supervisory Board of Union Asset Management Holding AG

Name and Supervisory Board post	Professional capacity
Wolfgang Kirsch Chairman [1]	Chief Executive Officer, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
Rainer Schaidnagel Deputy Chairman (since 12 May 2017) [1]	Chairman of the Board of Managing Directors, Raiffeisenbank Kempten-Oberallgäu eG, Kempten
Karl-Heinz Moll Deputy Chairman (until 12 May 2017) [1]	Member of the Board of Managing Directors, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (until 30 June 2017)
Hermann Buerstedde Employee representative (until 12 May 2017)	Works Council member, Union Asset Management Holding AG, Frankfurt am Main
Uwe Fröhlich Member	Fully authorised representative, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (since 1 November 2017)
Dr Matthias Hildner Member (since 12 May 2017)	Chief Executive Officer, Wiesbadener Volksbank eG, Wiesbaden
Lars Hille Member (until 12 May 2017)	Member of the Board of Managing Directors, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (until 14 October 2017)
David Milleker Employee representative (since 12 May 2017)	Chief economist, Union Investment Institutional GmbH, Frankfurt am Main
Roland Müller Employee representative [1]	Works Council member, Union Asset Management Holding AG, Frankfurt am Main
Prof. Dr Wolfgang Müller Member	Chief Executive Officer, BBBank eG, Karlsruhe
Wolfgang Nett Employee representative	Sales director, Union Investment Privatfonds GmbH, Frankfurt am Main
Jörn Nordenholz Member	Chief Executive Officer, Volksbank eG, Sulingen
Heike Orth Employee representative	Group leader, Admin Service, Institutional Clients, Union Investment Institutional GmbH, Frankfurt am Main
Dr Cornelius Riese Member (since 12 May 2017) [1]	Member of the Board of Managing Directors, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
Dr Norbert Rollinger Member (since 26 January 2017)	Chief Executive Officer, R+V Versicherung AG, Wiesbaden (since 1 January 2017)
Stefan Schindler Member	Chief Executive Officer, Sparda-Bank Nürnberg eG, Nuremberg
Andreas Theis Member	Member of the Board of Managing Directors, Volksbank Eifel eG, Bitburg
Claudia Vives Carrasco Employee representative	Real estate manager, Union Investment Real Estate GmbH, Hamburg

[1] Also a member of the Executive Committee of the Supervisory Board.

[74] Supervisory mandates held by members of the Board of Managing Directors and employees

As at 31 December 2017, members of the Board of Managing Directors and employees also held mandates on the statutory supervisory bodies of major corporations. Companies included in the consolidated financial statements are indicated with an asterisk (*).

Mandates held by members of the Board of Managing Directors of Union Asset Management Holding AG:

Name	Mandate(s)
Hans Joachim Reinke	Union Investment Institutional GmbH, Frankfurt am Main (*) Deputy Chairman of the Supervisory Board Union Investment Luxembourg S.A., Luxembourg (*) Chairman of the Board of Directors Union Investment Privatfonds GmbH, Frankfurt am Main (*) Chairman of the Supervisory Board Union Investment Real Estate GmbH, Hamburg (*) Deputy Chairman of the Supervisory Board Union Investment Service Bank AG, Frankfurt am Main (*) Chairman of the Supervisory Board
Alexander Schindler	Union Investment Institutional GmbH, Frankfurt am Main (*) Chairman of the Supervisory Board Quoniam Asset Management GmbH, Frankfurt am Main (*) Chairman of the Supervisory Board
Jens Wilhelm	Union Investment Privatfonds GmbH, Frankfurt am Main (*) Deputy Chairman of the Supervisory Board Union Investment Real Estate GmbH, Hamburg (*) Chairman of the Supervisory Board Union Investment Service Bank AG, Frankfurt am Main (*) Member of the Supervisory Board (since 1 March 2017) Deputy Chairman of the Supervisory Board (since 15 March 2017)
Dr Andreas Zubrod	Union Investment Service Bank AG, Frankfurt am Main (*) Deputy Chairman of the Supervisory Board (until 28 February 2017)

Mandates held by employees of Union Asset Management Holding AG:

Name	Mandate(s)
Sonja Albers	Union Investment Service Bank AG, Frankfurt am Main (*) Member of the Supervisory Board

Mandates held by members of management boards / senior management and employees:

Name	Mandate(s)
Giovanni Gay Member of management (Union Investment Privatfonds GmbH)	attrax S.A., Luxembourg (*) Chairman of the Board of Directors Union Investment Luxembourg S.A., Luxembourg (*) Deputy Chairman of the Board of Directors
Björn Jesch Member of management (Union Investment Privatfonds GmbH) (until 31 December 2017)	Union Investment Luxembourg S.A., Luxembourg (*) Member of the Board of Directors (until 31 December 2017)
Rainer Kobusch Member of the Board of Managing Directors (Union Investment Service Bank AG)	attrax S.A., Luxembourg (*) Deputy Chairman of the Board of Directors
Dr Reinhard Kutscher Chief Executive Officer (Union Investment Real Estate GmbH)	Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft, Hamburg Member of the Supervisory Board
Klaus Riester Member of management (Union Investment Privatfonds GmbH)	attrax S.A., Luxembourg (*) Member of the Board of Directors
Nikolaus Sillem Member of management (Union Investment Institutional GmbH)	Union Investment Luxembourg S.A., Luxembourg (*) Member of the Board of Directors Quoniam Asset Management GmbH, Frankfurt am Main (*) Deputy Chairman of the Supervisory Board (since 1 January 2017)
Jörn Stobbe Member of management (Union Investment Institutional Property GmbH) (since 1 March 2017) (Union Investment Real Estate GmbH) (since 1 February 2017)	1. FC Köln GmbH & Co. KGaA, Cologne Member of the Supervisory Board ADO Properties S.A., Luxembourg Member of the Board of Directors Geneba Properties N.V., Amsterdam Member of the Supervisory Board

[75] Miscellaneous other disclosures

The Board of Managing Directors signed these consolidated financial statements on 7 March 2018 and approved them for submission to the Supervisory Board. It is the responsibility of the Supervisory Board to review the consolidated financial statements and then to declare whether the consolidated financial statements are approved.

Frankfurt am Main, 7 March 2018

Union Asset Management Holding AG

Hans Joachim Reinke
Chief Executive Officer

Alexander Schindler
Member of the Board of Managing Directors

Jens Wilhelm
Member of the Board of Managing Directors

Dr Andreas Zubrod
Member of the Board of Managing Directors

Independent auditor's report

To Union Asset Management Holding AG

Audit opinions

We have audited the consolidated financial statements of Union Asset Management Holding AG, Frankfurt am Main, and its subsidiaries (the group), comprising the consolidated income statement for the financial year from 1 January 2017 to 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of financial position as of 31 December 2017, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited Union Asset Management Holding AG's group management report for the financial year from 1 January 2017 to 31 December 2017. In line with the requirements of German law, we did not audit the content of the corporate governance declaration according to Section 289f (4) of the German Commercial Code (HGB) (disclosures on the proportion of women) included in section D of the management report or of the non-financial statement included in section F of the management report.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the group's net assets and financial position as of 31 December 2017, and of its results of operations for the financial year from 1 January 2017 to 31 December 2017, and

- the attached group management report as a whole presents an accurate view of the group's position. The group management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. Our audit opinion regarding the management report does not extend to the above-mentioned corporate governance declaration in section D of the management report or to the non-financial statement in section F of the management report.

Pursuant to Section 322 (3) Sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility according to these regulations and standards is described in further detail in the "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" section of our auditor's report. We are independent of the consolidated companies in compliance with the provisions of German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the group management report.

Other information

The Supervisory Board is responsible for the report of the Supervisory Board. Otherwise, the legal representatives are responsible for the other information. The other information includes the corporate governance declaration according to Section 289f (4) HGB (disclosures on the proportion of women) included in section D of the management report, obtained before the date of this auditor's report, and the non-financial statement included in section F of the management report, as well as the other parts of the annual report, the report of the Supervisory Board, the report of the Board of Managing Directors and the 2017 corporate social responsibility report expected to be provided after this date.

Our audit opinions regarding the consolidated financial statements and the group management report do not extend to the other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit, we have a responsibility to read the other information and to evaluate whether it

- exhibits material discrepancies with the consolidated financial statements, the group management report or the knowledge we have obtained during our audit, or

- otherwise seems significantly incorrect.

If, on the basis of our work, we conclude that this other information is significantly incorrect, we are obliged to report this fact. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the group or discontinue its business operations, or there is no realistic alternative.

Moreover, the legal representatives are responsible for preparing the group management report, which as a whole provides an accurate view of the group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a group management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the group management report.

The Supervisory Board is responsible for monitoring the group's accounting process for the preparation of the consolidated financial statements and the group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an accurate view of the group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the IDW will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and group management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the group management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls;

- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the group management report in order to plan audit procedures that are appropriate given the circumstances but not with the aim of providing an audit opinion regarding the effectiveness of these systems;

- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures;

- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the group management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the group is no longer a going concern;

- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315a (1) HGB;

- we obtain sufficient appropriate audit evidence for the company's accounting information or business activities within the group in order to provide audit opinions regarding the consolidated financial statements and the group management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;

- we evaluate the consistency of the group management report with the consolidated financial statements, its legality and the view it gives of the position of the group;

- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the group management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

Eschborn/Frankfurt am Main, 7 March 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Heist	Kruskop
Public auditor	Public auditor

Shareholders and executive bodies of Union Asset Management Holding AG

Shareholders

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main	72.32 %
VR GbR Frankfurt am Main	24.25 %
Local cooperative banks including holding companies of the primary banks, trade associations and special-purpose entities of Germany's Genossenschaftliche FinanzGruppe and other entities	3.43 %

As at: 7 March 2018.

Board of Managing Directors of Union Asset Management Holding AG

Hans Joachim Reinke	Chief Executive Officer
Alexander Schindler	Member of the Board of Managing Directors
Jens Wilhelm	Member of the Board of Managing Directors
Dr Andreas Zubrod	Member of the Board of Managing Directors

Supervisory Board of Union Asset Management Holding AG

Name	Supervisory Board post	Professional capacity
Wolfgang Kirsch [1)]	Chairman	Chief Executive Officer, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
Rainer Schaidnagel [1)]	Deputy Chairman (since 12 May 2017)	Chairman of the Board of Managing Directors, Raiffeisenbank Kempten-Oberallgäu eG, Kempten
Karl-Heinz Moll [1)]	Deputy Chairman (until 12 May 2017)	Member of the Board of Managing Directors, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (until 30 June 2017)
Hermann Buerstedde	Employee representative (until 12 May 2017)	Works Council member, Union Asset Management Holding AG, Frankfurt am Main
Uwe Fröhlich	Member	Fully authorised representative, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (since 1 November 2017)
Dr Matthias Hildner	Member (since 12 May 2017)	Chief Executive Officer, Wiesbadener Volksbank eG, Wiesbaden
Lars Hille	Member (until 12 May 2017)	Member of the Board of Managing Directors, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (until 14 October 2017)
David Milleker	Employee representative (since 12 May 2017)	Chief economist, Union Investment Institutional GmbH, Frankfurt am Main
Roland Müller [1)]	Employee representative	Works Council member, Union Asset Management Holding AG, Frankfurt am Main
Prof. Dr Wolfgang Müller	Member	Chief Executive Officer, BBBank eG, Karlsruhe
Wolfgang Nett	Employee representative	Sales director, Union Investment Privatfonds GmbH, Frankfurt am Main
Jörn Nordenholz	Member	Chief Executive Officer, Volksbank eG, Sulingen
Heike Orth	Employee representative	Group leader, Admin Service, Institutional Clients, Union Investment Institutional GmbH, Frankfurt am Main
Dr Cornelius Riese [1)]	Member (since 12 May 2017)	Member of the Board of Managing Directors, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
Dr Norbert Rollinger	Member (since 26 January 2017)	Chief Executive Officer, R+V Versicherung AG, Wiesbaden (since 1 January 2017)
Stefan Schindler	Member	Chief Executive Officer, Sparda-Bank Nürnberg eG, Nuremberg
Andreas Theis	Member	Member of the Board of Managing Directors, Volksbank Eifel eG, Bitburg
Claudia Vives Carrasco	Employee representative	Real estate manager, Union Investment Real Estate GmbH, Hamburg

1) Also a member of the Executive Committee of the Supervisory Board

Advisory Board

Matthias Battefeld	Member of the Board of Managing Directors Hannoversche Volksbank eG
Mario Baumert	Member of the Board of Managing Directors Raiffeisen-Volksbank eG, Aurich
Ralph Blankenberg	Chairman of the Board of Managing Directors Volksbank Ulm-Biberach eG
Günter Brück	Member of the Board of Managing Directors Volksbank Alzey-Worms eG
Gerd-Ulrich Cohrs	Member of the Board of Managing Directors Volksbank Lüneburger Heide eG
Andreas Fella	Member of the Board of Managing Directors Raiffeisenbank Main-Spessart eG
Josef Frauenlob	Chief Executive Officer Volksbank Raiffeisenbank Oberbayern Südost eG
Dr Christoph Glenk	Chief Executive Officer VR Bank Dinkelsbühl eG
Mirko Gruber	Deputy Chairman of the Board of Managing Directors Volksbank Raiffeisenbank Rosenheim-Chiemsee eG
Dr Holger Hatje	Chief Executive Officer Berliner Volksbank eG
Peter Herbst	Member of the Board of Managing Directors Nordthüringer Volksbank eG
Markus Hörmann	Member of the Board of Managing Directors Volksbank Tirol AG
Thomas Jakoby	Member of the Board of Managing Directors VVB Münster
Jochen Kerschbaumer	Member of the Board of Managing Directors Wiesbadener Volksbank eG
Martin Ließem	Member of the Board of Managing Directors VR-Bank Bonn eG
Jörg Lindemann	Member of the Board of Managing Directors Volksbank Darmstadt-Südhessen eG
Jan Mackenberg	Member of the Board of Managing Directors Volksbank Osterholz-Scharmbeck eG
Wolfgang Mauch	Chief Executive Officer Volksbank Kirchheim-Nürtingen eG
Sascha Monschauer	Member of the Board of Managing Directors Volksbank Rhein-Ahr-Eifel eG
Andreas Otto	Chief Executive Officer Volksbank Remscheid-Solingen eG

Eckhard Rave	Member of the Board of Managing Directors VR Bank Westküste eG
Reiner Richter	Member of the Board of Managing Directors Volksbank Lahr eG
Roland Schäfer	Chief Executive Officer Volksbank Bruchsal-Bretten eG
Georg Schneider	Member of the Board of Managing Directors VR-Bank Handels- und Gewerbebank eG
Dr Klaus Schraudner	Chief Executive Officer Pax Bank eG
Uwe Schulze-Vorwick	Member of the Board of Managing Directors Volksbank Bochum Witten eG
Thomas Sterthoff	Chief Executive Officer VB Bielefeld-Gütersloh
Thomas Taubenberger	Member of the Board of Managing Directors VR Bank Tübingen eG
André Thaller	Chief Executive Officer PSD Bank Nord eG
Roland Trageser	Deputy Chairman of the Board of Managing Directors Volks-und Raiffeisenbank Main-Kinzig-Büdingen eG
Edmund Wanner	Chief Executive Officer Volksbank Straubing eG
Michael Weidmann	Member of the Board of Managing Directors Sparda-Bank Hessen eG
Rolf Witezek	Member of the Board of Managing Directors Volksbank Mittelhessen eG
Matthias Zander	Chairman of the Board of Managing Directors Volksbank Kraichgau eG

As at: 16 March 2018.

Glossary

Associate
An associate is an entity in which an investor can exercise significant influence over the entity's financial and operating policy decisions. Associates are generally included in the investor's consolidated financial statements using the equity method.

Fair value
Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date.

Held-to-maturity investments
Held-to-maturity investments consist of non-derivative financial assets listed on an active market with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. IAS 39 provides for a separate measurement category for such financial instruments. However, this category is not used in the UMH Group.

Cash flow
Cash flow is the term given to inflows and outflows of cash and cash equivalents.

Derivatives
Derivatives are financial instruments with the following characteristics: their value changes in response to the change in a specified underlying instrument (for example share price, foreign exchange rate, interest rate); they generally require only a small initial investment or no initial investment at all; and they are settled at a future date in cash or by the delivery of the underlying instrument.

Effective interest method
The effective interest method is a method of determining the effective interest income or expense on interest-bearing financial instruments. The effective interest method is used, for example, to allocate premiums or discounts and capitalised transaction costs over the term of a financial instrument so as to generate a constant rate of interest on the carrying amount.

Designated as at fair value through profit or loss
IAS 39 offers the option of designating any financial asset or financial liability irrevocably as at fair value through profit or loss (fair value option). Further criteria must be satisfied before the option can be exercised. Exercise of the option normally reduces accounting mismatches.

Equity method
The equity method is a prescribed method for recognising and measuring investments in associates and joint ventures in consolidated financial statements prepared in accordance with IFRS. The measurement of the investment in the investor's financial statements is based on the proportion of equity attributable to the investor. Changes in this share of equity are reflected in the financial statements of the investor by an adjustment to the measurement of the investment (mirror-image method).

Acquisition method
The acquisition method must be used to account for business combinations in consolidated financial statements prepared in accordance with IFRS. The acquisition method is based on the notion that all the assets and liabilities held by the acquiree – rather than this entity's shares – are acquired at their respective fair value. Hidden reserves and liabilities reported in the acquiree's financial statements must therefore be disclosed in the consolidated financial statements.

Finance lease
A lease is classified as a finance lease if substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee. As the beneficial owner, the lessee must account for the asset and recognise a liability for the payment of lease instalments to the lessor. The lessor recognises the present value of the lessee's lease payments as a receivable.

Financial instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Amortised cost
Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus amortisation using the effective interest method and less any reduction impairment.

Goodwill
Goodwill is the positive difference between the price paid for a business combination and the sum of the fair values for the proportion of assets acquired and liabilities assumed. It encompasses future economic benefits that cannot be separately identified and recognised as individual assets.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards (IFRS) are the accounting standards published by the International Accounting Standards Board (IASB). In addition to the IFRS published since 2003, the standards include the previously published International Accounting Standards (IAS), the interpretations of the Standing Interpretations Committee (SIC) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Joint venture
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Loans and receivables
Loans and receivables are non-derivative financial assets that have fixed or determinable payments and that are not quoted on an active market. This category includes, in particular, receivables and some types of investment securities.

Deferred taxes
Deferred taxes are income taxes that are to be paid or refunded in the future, that arise from measurement differences between the tax base and the IFRS financial statements and that do not constitute a current tax liability due to the tax authorities, or a current tax receivable due from the tax authorities, on the date they are recognised. Deferred taxes are recognised in respect of timing differences and, in certain circumstances, in respect of tax loss carry-forwards.

Revaluation surplus
The revaluation surplus is a separate item under equity. Changes in the fair value of available-for-sale financial assets are reported in this item.

Non-controlling interests
Non-controlling interests comprise the share of subsidiaries' equity not attributable to the parent company.

Operating lease
All leases that do not satisfy the requirements for finance leases are classified as operating leases. Beneficial ownership of the leased asset remains with the lessor and the asset is recognised and measured in the lessor's financial statements.

Other financial liabilities
All financial liabilities that are not classified as held for trading or designated as at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities are measured at amortised cost.

Impairment
An asset is impaired if its recoverable amount is less than its carrying amount. The methodology for calculating the amount of an impairment loss depends on each individual case and the relevant IFRS provisions.

Financial instruments held for trading
Financial assets and financial liabilities are classified as financial instruments held for trading if they are primarily purchased with the intention of reselling them in the near term or sold with the intention of repurchasing them in the near term. Derivatives not designated as an effective hedge are also allocated to this category.

Held for sale
A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that cannot be assigned to any other category as specified in IAS 39. Changes in the fair value of assets in this category are recognised in equity. Only permanent impairment losses are recognised in the income statement.

2017 corporate social responsibility report

Key performance indicators

Sustainability in the Union Investment Group

The 2017 annual report and CSR report of the Union Investment Group provide an overview of the key economic, environmental and social developments and progress of the Union Investment Group in the 2017 financial year.

Overview

Sustainability management is a top priority at Union Investment. This is clear from the way in which the topic is handled organisationally. The sustainability officer reports directly to the Chairman of the Board of Managing Directors of Union Asset Management Holding. In addition, sustainability is firmly embedded in all relevant areas – from central purchasing to institutional business.

Five areas of activity provide the framework for dealing with sustainability matters. Relevant measures are agreed annually with all units, and implementation is set out in the sustainability programme. The sustainability programme is submitted to the Board of Managing Directors each year for a decision.

Since the first fund managed with a sustainability filter was launched in 1990, the fund volume in wholly sustainable funds has grown to EUR 33.5 billion as at 31 December 2017. In November 2017, Scope named Union Investment as the best asset manager in the 'Socially Responsible Investing' category for the fourth time in a row. Expertise in sustainable investment forms has become a real core specialism. Union Investment has introduced sustainability to a wide range of investors with more than 100 sustainable investment funds.

Climate strategy

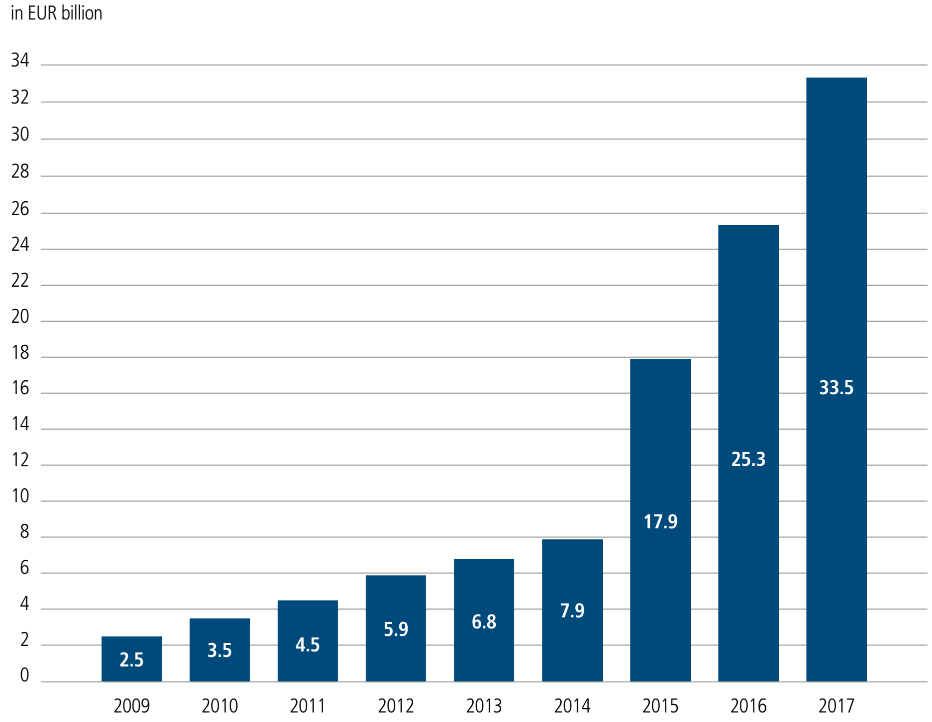
The broad scope of sustainability is apparent from the 17 goals of Agenda 2030, the Sustainable Development Goals of the United Nations. One prominent issue here is climate change and its consequence that affect nearly all spheres of life. Accordingly, the UN Climate Conference in Paris 2015 adopted a climate treaty that seeks to limit global warming to well under 2 °C, if possible 1.5 °C, compared with pre-industrial levels. As well as countries, companies in particular are also urged to work towards this target.

In 2015, Union Investment also devised and adopted an in-house climate strategy aimed at making a contribution towards the Paris agreement by reducing its own emissions. For instance, CO_2 emissions are to be reduced by 85 % by 2050 compared with the base year 2009. In 2009, CO_2 emissions stood at 24,670 tonnes, and were reduced to 15,116 tonnes in 2017.

Sustainable products

As at 31 December 2017, the Union Investment Group managed EUR 33.5 billion of investors' money in 101 sustainable investment funds and mandates as well as a further 51 funds in its subsidiary Quoniam. Investors' funds under management rose by EUR 8 billion year-on-year.

Development of assets under management with sustainability criteria (ESG)



In the 2017 financial year, eight sustainable investment funds were launched and a further four were converted to sustainability standards. At the subsidiary Quoniam, 14 investment funds with ESG criteria were launched or converted to sustainability standards.

For the sustainable institutional public funds managed according to ESG criteria, our clients receive monthly sustainability reports. In the reports, the exclusion rates of the fund assets and the ESG scores of the funds are compared with the respective peer group and the ESG scores of the largest investments are set out.

Investors in special funds can incorporate ESG information in their individual client reports if they wish.

Corporate social responsibility (CSR)

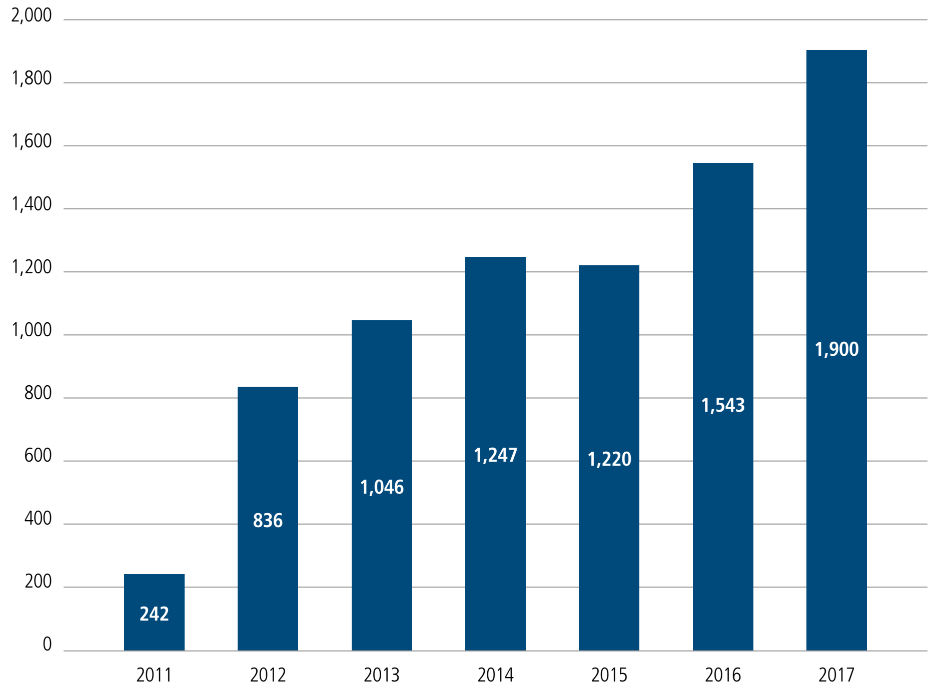
As a responsible investor and active asset manager, Union Investment practises active share ownership (CSR) in the form of a multidimensional CSR approach. The primary aim is to actively influence companies, thus helping to increase enterprise value. As well as business aspects, social, environmental and corporate-governance issues are also addressed in a targeted way here.

In dialogues with companies and at annual general meetings, Union Investment's Portfolio Management segment regularly influences the corporate governance and business policy of public limited companies in the interests of investors and ultimately to the benefit of the fund concerned. The principle is that Union Investment supports all measures that increase enterprise value for the long term, and votes against those that are incompatible with this aim.

A binding voting policy is essential to transparent and consistent exercising of the voting rights entrusted to us. Therefore, Union Investment has put in place extensive voting guidelines geared towards the recommendations of the German Corporate Governance Code and the guidelines of the German Investment Funds Association. The guidelines are set out in the Union Investment Proxy Voting Policy.

Union Investment performed its fiduciary duty and represented investors' interests by exercising voting rights at 1,900 annual general meetings in 28 countries in the reporting year. In addition, companies were actively influenced in more than 4,000 discussions with companies, including 488 sustainability dialogues. Union Investment has many years' experience as an active shareholder, which it is applying more and more.

Number of AGM votes over time



ESG integration in Portfolio Management

We firmly believe that enhancement of the investment processes through sustainability aspects goes hand in hand with positive effects on risk management of our funds. In connection with this, the ESG Committee handles institutional interlinking of Portfolio Management and sustainability expertise, and is the central body for integrating ESG into our investment funds. The ESG Committee is the platform on which key ESG issues are discussed and decided on in Portfolio Management. Analysis of ESG aspects helps fundamental research in terms of understanding risks as well as structural growth topics.

Our sustainability research and management is managed using the Sustainable Investment Research Information System (SIRIS) developed specially for Union Investment. SIRIS has been in use in Portfolio Management since 2013, and is maintained and continuously enhanced by the Sustainability & CSR team. It was rolled out across Portfolio Management at Union Investment in 2017.

Union Investment strengthens the sustainability expertise of our portfolio managers through training courses at our in-house ESG Academy. This systematically strengthens and broadens the sustainability expertise in securities portfolio management.

Conferences and studies

To raise awareness of the importance of sustainability in investment decisions, Union Investment holds an annual sustainability conference on different topics each time. In 2017, the conference focused on shortage of resources.

Each year, Union Investment examines the attitude of German major investors to sustainable investment and summarises the results in a sentiment index. In addition, we regularly have current sustainability issues scientifically assessed by various academics and internally within Portfolio Management.

Real estate

Union Investment is one of the leading real-estate investment managers in Europe and is firmly committed to spreading the use of sustainable real-estate investments. Sustainability for real-estate investments was defined as a strategic element in 2007 and implemented in all managed real-estate funds through standardised processes. Detailed information can be found in the "Union Investment real-estate portfolio" section.

About this report

Scope and data measurement

The economic section of this report and the employee key figures relate to the group companies in Germany and abroad. Unless otherwise stated, the key data in respect of social and environmental issues refers only to the main companies in at the locations in Germany, Luxembourg and Austria for the 2017 reporting year. The key figures for the real-estate portfolio of the Union Investment Group are shown for the 2014, 2015 and 2016 financial years and cover parts of the global real-estate portfolio held by Union Investment. The report is prepared once a year.

GRI standards 102-48 + 102-49 + 102-50 + 102-52 + 102-54
Transparency and comparability of reporting

This report was prepared in accordance with the GRI (Global Reporting Initiative) standards: core option. Union Investment also takes into account sector-specific requirements that are documented in the Financial Service Sector Supplement and the Construction and Real-Estate Sector Supplement. Furthermore, the supplements were prepared in compliance with the GRI G4 standard. The report is based on the principles of materiality, stakeholder inclusiveness and sustainability context.

In addition to following the GRI guidelines, the report complies with the requirements of the German Property Federation for sustainability reporting in the real-estate sector. Union Investment is a signatory to the German Property Federation sustainability code and undertakes to comply with the ten principles of the German Property Federation sustainability code when conducting its business activities. In accordance with the code, the Union Investment Group publishes its objectives, action plans, activities and progress each year, including disclosures relating to the clusters relevant to the group ('2: Operating and leasing' and '3: Investing').

At the company level, there were no material changes in the period under review relating to the 'employees', 'society' or 'products and services' areas of activity, hence the data is directly comparable with previous publications.

In the 'environment' area of activity, some of the key environmental figures at the company level for the reporting year are extrapolated on the basis of prior consumption and emissions. This results in current performance indicators. As soon as the actual figures are available for the extrapolated figures, these will be applied in future reports, meaning that there may temporarily be discrepancies between the environmental performance indicators at the company level over time.

Union Investment bases its reports covering the real-estate portfolio on international standards such as the Greenhouse Gas Protocol (GHG Protocol). These standards are being continuously refined with modifications to the methodology used. In preparing its report on the real-estate portfolio, Union Investment has taken into account these annual changes to the calculation and adjustment methods used for the CO_2 data records. Some of the reported values can therefore differ from those reported in the previous year.

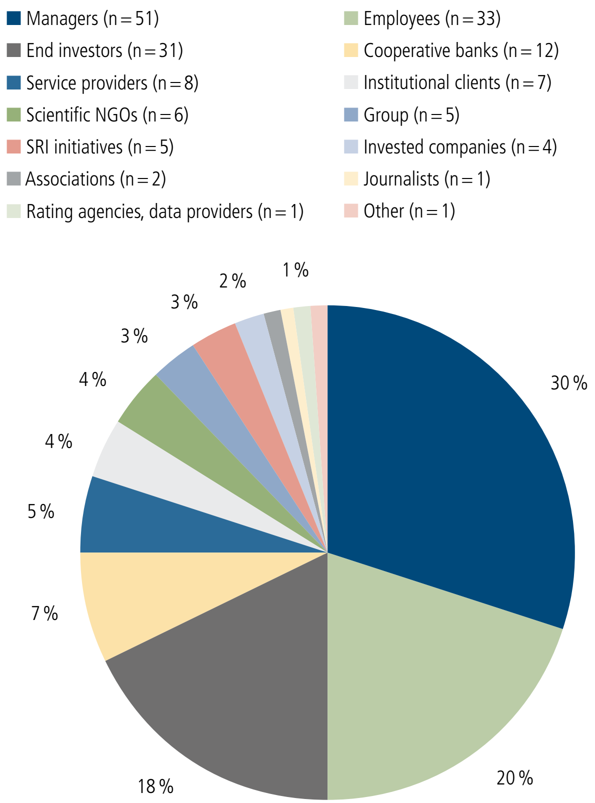
GRI standards 102-44
Stakeholder involvement

Union Investment's sustainability strategy is based on the requirements we make of ourselves in order to be successful on a long-term basis, as well as the impetus provided by our stakeholders and their expectations. An active dialogue with them is the only way to ensure that we perform better in the interests of our investors, clients and partner banks, our employees and shareholders, and improve our sustainability performance for the benefit of society and the environment. As such, questions, concerns and suggestions from stakeholder groups are gathered and examined continuously in the regular course of business, forwarded to the responsible specialist department as required, and responded to. Points of contact in the regular course of business include customer service (contact with end customers, partner banks, enquiries from members of the public), formats for regular dialogue with partner banks and shareholders, formats for dialogue with institutional clients, and numerous industry meetings with and without an explicit focus on sustainability (German Investment Funds Association, European Fund and Asset Management Association, UN Principles for Responsible Investment and others).

GRI standards 102-40 + 102-42 + 102-43
Determining the key stakeholders:

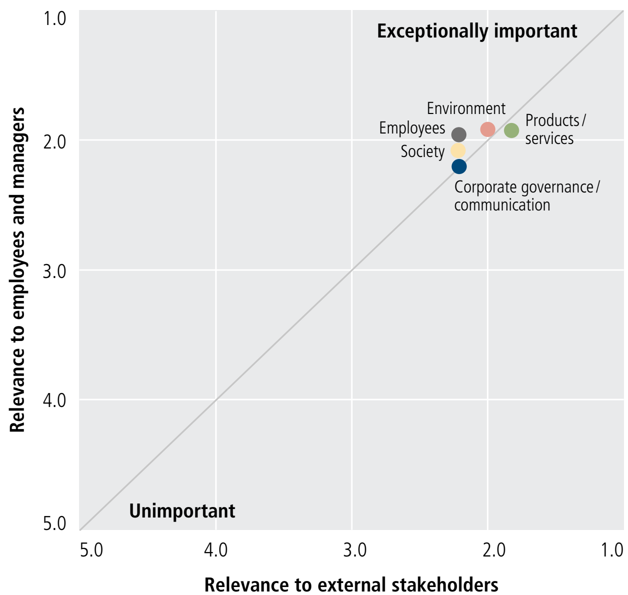
The stakeholder groups relevant to Union Investment were identified by way of an internal survey using a structured questionnaire. In a materiality analysis conducted in 2017, 167 people from the various stakeholder groups were asked about relevant aspects from the five CSR areas of activity that are relevant to Union Investment by way of an online survey using a structured questionnaire. The relevant areas of activity for the company are derived from the sustainability strategy adopted by the Board of Managing Directors, internal employee surveys and discussions among the members of the CSR round table. The CSR round table is a twice-yearly panel at which members from all areas of the company report on the progress made in integrating sustainability into core processes. The following areas of activity were identified as material: products and services, dealing responsibly with employees, impact of business operations on the environment and society, and transparent communications.

Key stakeholders and percentage of stakeholder groups in the materiality analysis:



GRI standards 102-46 + 103-1 + 102-43 Determining, prioritising and validating the material aspects:

Using a materiality matrix, the areas of activity are broken down in terms of their relevance according to the stakeholder survey on a scale of 1 (exceptionally important) to 5 (unimportant). The relevance of the areas of activity for Union Investment are derived accordingly.



The key aspects within the areas of activity are examined in order to determine their impact on Union Investment's current and future business activities. At the same time, we must be in a position to influence the respective issue, either directly or indirectly. If an issue meets these criteria, it is included in the next stage of the process.

The overlap between the aspects that are relevant to stakeholders and the aspects considered to be relevant by Union Investment (see the objectives and activities of the sustainability programme on p. 133, for example) serves to define the key aspects underlying the CSR report.

GRI standard 102-47
Identified material aspects:

The key aspects identified in the course of the materiality analysis have been allocated to the corresponding GRI G4 categories and G4 aspects as shown in the table below:

Union Investment CSR area of activity	Identified material aspects	Allocation to GRI standards
Corporate governance / communication	Corporate governance / communication	• Basis of preparation • Business: Economic performance • Business: Procurement practices • Business: Anti-competitive practice • Social: Socio-economic compliance
Products and services	Product portfolio	• Disclosures for the financial services industry: Product responsibility
	Product and service labelling	• Disclosures for the financial services industry: Product responsibility
Employees	Employees	• Social: Employment • Social: Occupational health and safety • Social: Training and education • Social: Diversity and equal opportunity • Social: Equal remuneration for women and men • Social: Non-discrimination • Business: Anti-corruption
Environment	Environmental management system	• Environment: Materials • Environment: Energy • Environment: Water • Environment: Effluents and waste • Environment: Environmental compliance
	Climate protection	• Environment: Emissions • Environment: Energy
Society	Advocacy, association and committee work	• Social: Political influence
	Supply chain responsibility	• Environment: Supplier environmental assessment • Social: Supplier social assessment

GRI standards 102-51+ 102-52
Formal aspects and additional information

English and German versions of the 2017 annual report and CSR report as well as the reports from previous years are available to download from our **website**. The most recent previous report was published in May 2017, and the next annual report and CSR report of the Union Investment Group will be published in 2019. An overview of the Union Investment Group is available online at **https://unternehmen.union-investment.de/.**

Management approaches – GRI standards 103-1 + 103-2 + 103-3

The following management approaches to the key aspects on which determination of the report content for the 2017 annual report and CSR report was based were identified by means of a materiality analysis from 2017. The aspects identified as key to Union Investment and its stakeholders can be allocated to the GRI standards. This allocation can be found in the table on page 163 of the 2017 annual report and CSR report.

The management approaches described are examined internally at regular intervals and enhanced as required. Operational goals and measures regarding the respective aspects are set out in the sustainability programme (2017 annual report and CSR report pages 133). The sustainability code, which is available online, stipulates how Union Investment meets its responsibilities in its business activities and acts in all its relationships with investors, employees, suppliers, the environment and society.

Management approach to corporate governance / communication[1]

The materiality analysis shows that aspects significant to stakeholders in the "corporate governance and communication" area of activity are disclosures regarding corporate strategy, values and principles, governance and comparisons with competitors (benchmarks, ratings and rankings).

As a financial service provider, Union Investment particularly relies on the trust of its investors. Complying with social standards and meeting expectations of us is an important aspect of business activities and responsible action for us. We have defined "environment", "employees" and "society" as guiding CSR topics, and "products and services" as our core business. For our CSR action areas and stakeholder groups, we develop guidelines for responsible action that we follow. In doing so, we adhere to best-practice standards in Germany, and regard this process as a continuous improvement process for the company. For instance, we recognised the Principles for Responsible Investment as a key standard for the implementation of sustainability in our core line of business back in 2010 and have continued to systematically develop our services ever since. In the real-estate business, we additionally comply with the leading German Property Federation code for sustainable real-estate business and report accordingly in our annual sustainability report. We therefore ensure that we evolve at the same pace as the foreseeable increase in requirements. The key aspects of our sustainability development and goals are published each year in the sustainability programme.

With the sustainability programme, Union Investment manages goals and measures relating to all aspects of sustainability. The goals and measures are set for a period of several years and are supplemented annually. The performance indicators are measured on the basis of recognised external standards. A six-monthly review of the set goals by the Head of Sustainability Management and corresponding reporting to the Board of Managing Directors of Union Asset Management Holding AG ensure a regular planning and controlling process. Data quality is ensured by application of an established electronic CSR management system.

In the context of the annual company-wide planning process[2], all business units of the group are required to come up with the environment trends and development requirements for their own service provision. This also includes relevant ESG aspects for the respective business processes. This ensures that their own performance capability and competitiveness are analysed and potential for improvement is identified on a regular basis for all stages of the value chain. In addition, specific continuation of the CSR strategy and key measures for the defined action areas results in separate goals being set and subsequently integrated in the business strategy. Consequently, specific ESG developments are interlinked with corporate planning at various levels.

Key action areas of the sustainability strategy are additionally integrated via the performance assessment, evaluation and incentive systems at all management levels of the company and are also expressed via anchoring of ESG key ratios in the balanced scorecard system of corporate governance.

Dialogue and engagement with various stakeholder groups assume different forms and intensities: for instance, the Union Investment shareholders are involved via the established supervisory bodies. For the cooperative partner banks, there are various series of events each year, including regional ones, where all aspects of collaboration with Union Investment are discussed intensively. With regard to employees, there are numerous events and internal media in which information about the company's situation is provided and interests and concerns can be discussed. Investors, special interest groups and other stakeholders are systematically involved in gauging opinions via surveys, advisory boards or other information formats.

[1] Complies with the GRI G4 aspects: General standard disclosures, economic performance, procurement, anti-competitive practice, compliance (society).

[2] Processes for assessing and examining environmental and social risks in the segments [G4-DMA (formerly FS2)].

Management approach to the product range[3]

As a custodian of over EUR 300 billion for more than four million investors, responsible handling of the invested money and a requirement-oriented range of products and services for our end investors (retail clients of the local cooperative banks) and institutional clients are essential. This is also reflected by the materiality analysis, in which the "products and services" area of activity is of the utmost relevance to stakeholders and Union Investment.

Responsibility for looking after our investors' money involves the challenge of responding to current and significant economic, environmental and social trends and incorporating them in the product range geared towards investors' requirements. For instance, the social challenge of demographic change is closely linked with the structuring of retirement pension products for the general public. Climate change is particularly important when it comes to developing and managing our real-estate and securities assets, and ensuring sound and responsible corporate governance is part of our multidimensional CSR approach in Portfolio Management.

Our product range is geared towards our investors' needs

Consultants of local cooperative banks find out directly from private investors what end clients need in terms of products. Our investors' needs are constantly ascertained through discussion between consultants and the Union Investment's Customer Service department, at events and via field sales and passed on to the relevant people at Union Investment. This results in impetus for marketing and products tailored to investors' requirements. We are in direct dialogue with institutional investors, so we find out what they want from our products at first hand. Internal dialogue between account managers and Portfolio Management thus leads to ideal solutions for professional investors.

We follow national and international industry standards

We align our product range with internationally recognised standards and implement them wherever this appears to be prudent: for instance, in 2010, we signed the Principles for Responsible Investment as a key standard for implementing stability in our core business. In the real-estate business, we comply with the German Property Federation code for sustainable real-estate business.

We are actively involved in enhancing industry standards

Developing products in line with requirements and engaging in regulatory projects in the interests of investors are a key part of our client-oriented solution management.

As a fair market player, we take into account the code of conduct of the German Investment Funds Association. Numerous company representatives of Union Investment are actively involved in industry associations, committees and initiatives of the finance and asset management industries, such as:

- German Investment Funds Association (BVI)
- German Equities Institute (DAI)
- European Securities and Markets Authority (ESMA)
- European Fund and Asset Management Association (EFAMA)
- European Parliamentary Financial Services Forum (EPFSF)
- Sustainable Investments Forum (FNG)
- Principles for Responsible Investment (PRI)
- Royal Institution of Chartered Surveyors (RICS)
- German Property Federation (ZIA)

[3] Complies with the GRI G4 aspects: products and services, marketing, customer privacy, compliance (product responsibility).

We invest responsibly[4]

As a cooperatively organised company and custodian, Union Investment always invests in the interests of its investors. Responsible investing has always been at the heart of the company's business model. We entrenched the principles for responsible investment in our core business in the guidelines on responsible investment adopted by the Board of Managing Directors in 2012. Various positive and negative ESG selection criteria are systematically applied in the portfolios in accordance with the guideline and the fund prospectuses.

We are an active shareholder[5]

As an active shareholder, Union Investment holds more than 4,000 meetings with companies each year. These are also focused on issues of social, environmental and regulatory corporate governance. In addition, we represent the interests of our investors at annual general meetings of companies in which we invest. The principles of our voting behaviour are set out in the proxy voting guideline.

Management approach to product and service labelling[6]

Investing is a matter of trust – as evidenced by the fact that transparent and comparable labelling of our products and services is important to stakeholders, for instance. Union Investment is committed to abiding by the code of conduct of the German Investment Funds Association. Accordingly, we comply with the standards of the code in disclosing fund performance as well as responsible and sustainable investments.

Management approach to employees[7]

As a service company, the skills and motivation of our employees are key success factors for the future viability of Union Investment and its position among competitors. The materiality analysis shows that the surveyed stakeholders and the company itself see the "employees" area of activity as having a similar degree of relevance.

HR activities at Union Investment are undertaken in a forward-looking, long-term and employee-oriented manner via an approved HR strategy. Our aim is to consistently position ourselves as an employer of choice. This is why we give our employees exciting tasks and challenging development opportunities and enable them to share in the operating result through performance-related incentive systems.

Treating our employees with respect is a key pillar of our sustainability strategy. The principle of equal opportunity is the focal point here. We also made a public commitment to this by signing the "Diversity Charter" in summer 2013. To us, this means equal treatment and support of all employees – regardless of their origin, skin colour, nationality, gender, age or physical disabilities. Union Investment does not tolerate any discrimination of employees or third parties on the grounds of their age, gender, ethnic origin, nationality, religion, political opinions, philosophy, race, disability or sexual identity. Accordingly, all employees receive mandatory training on the German General Equal Treatment Act. We are actively involved in the advancement of women.

We maintain our employees' efficiency and motivation on the basis of strategic health-care management. Union Investment provides numerous prevention, intervention and rehabilitation measures and instruments.

It is not merely lip service for Union Investment to offer its employees optimum labour conditions, but moreover an important aim and part of our HR strategy. We aim to achieve an optimum balance between career and family, as well as between the interests of the employees and the company's objectives. To this end, we offer our employees a plethora of support forms.

We are very keen to give our employees targeted help with their career and personal development and prepare them for future challenges. To this end, we provide a wide range of training options. HR development is geared towards two central principles here. In the context of requirements orientation, we assist employees with regard to their current tasks. By contrast, in the context of potential orientation, we highlight future opportunities.

To face up to demographic change, we have been investing in our junior staff (apprentices, trainees and graduates). We provide rigorous training in two different careers and a trainee

[4] Guidelines with specific environmental and social components [G4-DMA (formerly FS1)].
[5] Interaction with clients / borrowers / business partners regarding environmental an social risks and opportunities [G4-DMA (formerly FS5)].
[6] Complies with the GRI G4 aspects: Product and service labelling, marketing.
[7] Complies with the GRI G4 aspects: Employment, occupational health and safety, training and education, diversity and equal opportunity, equal remuneration for women and men, non-discrimination, anti-corruption.

programme in various disciplines. The topic of "succession planning" is a core part of our talent management approach.

Growing levels of stress at work and outside of work as well as longer working lives mean that special attention must be paid to the health of our employees. With our strategic health management, we aim to maintain our employees' performance and motivation levels by encouraging and helping them to work autonomously.

Our employees' satisfaction is gauged every two years via an anonymous online survey of all employees, the Union Investment climate barometer. The objective to identify what employees think of the climate at Union Investment in a way that pinpoints their satisfaction with the various aspects of their work at Union Investment and makes their identification with the company's values and goals transparent. Every other year, alternating with the climate barometer, there is the manager feedback process. Its purpose is to review and implement the standards defined in the management guidelines. These standards were jointly devised by the Board of Managing Directors and managers and describe how management is to be lived out at Union Investment. Measures are systematically derived from the climate barometer and management feedback formats and implemented.

Management approach to the environmental management system[8]

As the materiality analysis shows, it is important to Union Investment's stakeholders that the impacts of our business operations on the environment are systematically recorded and optimised. That is why the environmental management system is a key aspect in the "environment" area of activity.

We publish the key figures on our company's environmental impacts recorded via the environmental management system in our annual report and CSR report each year. The data is gathered on a decentralised basis by specialist departments and consolidated in Environmental Management. The environmental management officer and his deputy manage the environmental management system and ensure its continuous enhancement. Data gathering, calculation and reporting are certified in line with the ISO 14001 standard, and are therefore subject to regular monitoring and enhancement. For the real-estate portfolios in our investment funds that are particularly affected by environmental issues, there is special environment-oriented building management, geared towards international standards. The environmental data is published in line with the Germany's leading code for the real-estate industry, the German Property Federation code.

Union Investment's environmental targets and measures are managed via the sustainability programme and reported to the Board of Managing Directors of Union Asset Management Holding AG.

Our environmental management thrives on the involvement of all employees[9]

Union Investment's employees undergo skills-based training on operational environmental protection on joining the company. In addition, occasional "UniKompetenz" seminars are held on sustainability issues. They can be used as a training measure on a voluntary basis. Information sources on relevant guidelines are available to employees at all times via a knowledge database on the intranet.

Management approach to climate protection[10]

As an asset manager, our climate-relevant impacts at company level are limited compared with companies in the manufacturing sector. The materiality analysis confirms that the "environment" area of activity is important to both Union Investment and our stakeholders, but other areas of activity are more relevant. The publicly discussed topic of "climate protection" is a key aspect for our stakeholders in the "environment" area of activity. In addition to key figures on operational ecology, for instance greenhouse gas emissions arising from our activities as a company, stakeholders such as institutional investors are increasingly interested in product ecology, for instance the "CO_2 footprint" of the companies in our portfolios.

With the climate strategy adopted at the end of 2015, we show that with regard to operational ecology, we as a company are able to reach the climate target adopted at the UN Climate Change Conference at the end of 2015. Our climate strategy is aimed at reducing our company's greenhouse gas emissions in line with current benchmarks by 40 % by 2030 and 85 % by 2050, compared with 2009 in each case. In terms of product ecology, we intend to offer our clients specific solutions for structuring their investments in a climate-friendly way and in line with leading reporting standards.

[8] Complies with the GRI G4 aspects: Materials, energy, water, effluents and waste, compliance (environment).
[9] Processes for increasing employee expertise in the implementation of environmental and social guidelines and procedures of the segments [G4-DMA (formerly FS4)].
[10] Complies with the GRI G4 aspects: Emissions, transport.

Both issues – operational and product ecology – come down to two things: firstly, Union Investment wants to raise awareness of the corresponding climate effects and any risks and make them transparent. The second step is to implement specific changes ourselves or arrange them with our clients and suppliers. For us as a company, as part of a third step, the climate strategy contains provisions for compensation through the purchase of CO_2 certificates.

Management approach to advocacy, association and committee work[11]

As the materiality analysis shows, it matters to our stakeholders that Union Investment represents the interests of its investors and partners in relation to regulators and policymakers as one of Germany's biggest asset managers.

Consequently, we work actively to achieve a regulatory environment that is designed to favour investors and encourage sustainable development. Key issues are transparency obligations, accountability and regulations that ensure stability of the financial markets in the interests of our investors and sustainable development. Transparency in terms of political advocacy is essential to us here. This is why we provide information on the fundamental positions we have taken in our national and international advocacy (in associations and in our comments on draft legislation). Related content is published on the "FinanzAgenda" homepage.

Union Investment supports the transparency initiative of the European institutions and is listed in their transparency register. Major initiatives are rooted and published in the sustainability programme. We make donations to parties and politicians only in exceptional cases.

Management approach to supply-chain responsibility[12]

Union Investment's supply chain predominantly comprises providers of office supplies, paper, energy and water for the buildings the company uses, and agency services. As the materiality analysis shows, environmentally relevant procurement aspects matter to our stakeholders.

As a responsible company, Union Investment has integrated guidelines concerning environmentally sound and socially responsible procurement and supplier management into its business processes via its environmental management system: Union Investment is keen only to select suppliers and service providers that comply with applicable occupational safety and environmental regulations at European level. Environmentally relevant partners of Union Investment should have an environmental management system or intend to set one up in the medium term. Products that we circulate, such as advertising materials, must meet the CE labelling requirement of the EU directives.

In the context of procurement and supplier management, it is initially ensured that sufficient consideration is given to social and environmental aspects when selecting business partners. It is important here to prevent the suppliers from deviating from the sustainability code and the environmental objectives. Therefore, an assessment of environmental relevance must be performed for all suppliers. This is conducted by the responsible employees on the basis of a defined matrix. Product group-specific and economic criteria are taken into account here. After a contract has been concluded, the environmental relevance of the suppliers is regularly checked and is adapted accordingly if necessary.

Union Investment is keen to continuously improve the environmental performance of the selected environmentally relevant suppliers when assessing environmental relevance. In the context of a relevance check, we select the business partners we have in mind for supplier meetings. This selection is based on the suppliers' impact on the environment and society. Measures to improve environmental performance can be jointly defined and implemented in regular supplier meetings. Operational measures and checks of their efficiency are documented by Union Investment's Supplier Management employees.

Regular internal assure the quality of procurement and supplier management processes and procedures.

[11] Complies with the GRI G4 aspect: Political contributions.

[12] Complies with the GRI G4 aspects: Supplier environmental assessment; supplier assessment for labour practices.

Union Investment sustainability programme

With its sustainability programme, Union Investment manages and monitors its internal sustainability activities and objectives across all areas of CSR involvement. Each year, the responsible departments check the implementation level of the measures and objectives of the sustainability programme. Any new objectives and measures are added in consultation with the sustainability officer and approved by the Board of Managing Directors of Union Investment. This has enabled us to ensure that a consistent logic is in place for managing sustainability issues with the support of IT systems and that matching data material is available for all sustainability objectives and activities.

- Measure added in 2018

Strategy / organisation

Objectives and activities	Timetable	Status	Notes
Integrate sustainability into company management	**2018**		
1. Actively participate in external work groups or associations on environmental issues	2018	On schedule	
2. Examine the Sustainable Development Goals with regard to sustainability management	2018	On schedule	
3. Collect and implement key figures relating to sustainability in Austria	2018	On schedule	
4. Develop methods for relative and absolute measurement of the performance contribution of sustainable investment	2019	New	
5. Examine the German federal government's National Action Plan on Human Rights	2018	New	
6. Develop a method of measurement for recording the climate risk in line with Task Force on Climate-related Financial Disclosures (TCFD) requirements	2019	New	
7. Establish a CSR training platform	2018	New	
Continue to develop sustainability management	**2018**		
1. Conduct a stakeholder survey	2017	Completed	
2. Continue to develop the balanced scorecard management processes with sustainability KPIs	2017	Completed	
3. Adjust environmental management processes to comply with new ISO 14001 standard	2017	Completed	
4. Implement the 2018+ sustainability strategy	2019	New	
5. Continue to develop the goals of the sustainability programme	2018	New	
6. Integrate ESG data into the data warehouse	2019	New	
7. Establish a Steering Committee for sustainable investment issues	2018	New	

Communication

Objectives and activities	Timetable	Status	Notes
Establish a systematic process of communication on sustainability issues	**2018**		
1. Design a user-oriented sustainability website	2017	Completed	
2. Examine the option of an online-only annual report and CSR report	2017	Completed	
3. Hold events to train employees and raise their awareness of environmental issues	2018	On schedule	
4. Design and implement a Union Investment sustainability day for employees	2018	On schedule	
5. Continue to develop the communication positioning on sustainability for the Union Investment Group	2018	New	
6. Integrate "sustainability" into the expansion of the corporate website regarding the topic hub	2019	New	

- Measure added in 2018

Environment

Objectives and activities	Timetable	Status	Notes
Reduce per-employee consumption of electricity, gas, district heating and fuel by 10 % (reference year: 2014)	**2018**		
1. Reduce energy consumption by consolidating PC workstation hardware	2017	Completed	
2. Implement the building strategy at the Frankfurt location by relocating to another building certified gold by the DGNB on the MainTor Porta grounds	2018	On schedule	
3. Continue to develop the green car policy and continually reduce the maximum CO_2 levels of new cars	2018	On schedule	
Reduce CO_2 emissions by 40 % by 2030 (reference year: 2009)	**2018**		
1. Further specify and gradually implement the workplace concept	2019	On schedule	
2. Develop a building strategy for the Luxembourg location	2019	On schedule	
Reduce total paper consumption by 25 % per master securities account (reference year: 2014)	**2018**		
1. Continuously reduce printed matter for individual products and adjust customer brochures to current customer requirements	2018	On schedule	
Reduce per-employee printer and photocopying paper consumption by 10 % (reference year: 2014)	**2018**		
1. Raise employee awareness of handling photocopying paper	2018	On schedule	
Cover total annual paper requirements with a share of recycled paper of at least 17 %; remaining requirements should be at least 95 % FSC / PEFC-certified paper			
1. Additional measures to optimise print jobs	2018	On schedule	

Employees

Objectives and activities	Timetable	Status	Notes
Maintain and improve employee job satisfaction levels	**2018**		
1. Continue to develop sustainability training as part of UniKompetenz	2018 (2017)	Extended	Extended due to integration into the planned training platform
2. Conduct climate barometer (employee survey) in 2017	2017	Completed	
3. Implement the measures arising from the 2017 Union Investment climate barometer	2018	New	
Ensure employee retention			
1. Participate in the Top Employers contest	2017	Completed	
2. Continue to develop management culture: implement measures arising from 2016 management feedback	2017	Completed	
3. Continue to develop management culture: develop and implement leadership initiatives in the various business divisions	2018 (2017)	Extended	Expand the initiative to further areas
4. Perform the 2018 manager feedback process	2018	New	
5. Participate in the 2018 Top Employers contest	2018	New	
6. Expand the range of employee training measures	2018	New	
Promote a work-life balance	**2018**		
1. Successful recertification of audit of the 2017 work and family audit	2017	Completed	
2. Implement measures to promote women in specialist and management positions	2018	On schedule	
3. Implement measures relating to the work and family audit	2018	New	

• Measure added in 2018

Society

Objectives and activities	Timetable	Status	Notes
Continue to develop corporate social responsibility at Union Investment	**2018**		
1. New foundation project: improve investment fund expert training courses in conjunction with Mainz University of Applied Sciences or another new foundation project with a social benefit	2017	Completed	Transition to "promoting science education"
2. Promote science education as a foundation project	2018	New	
Promote sustainability and investor-oriented interests in the finance industry and in connection with regulatory issues	**2018**		
1. Represent investor interests in relation to a proposal from the European Commission on investor information for packaged retail investment products (PRIPs)	2017	Completed	
2. Be involved in the proposal from the European Commission for a regulation on the European long-term investment fund (ELTIF)	2017	Completed	
3. Participate in the introduction of a standard Europe-wide personal pension product	2018	On schedule	
4. Responsibility for refugees – work-shadowing opportunities	2018 (2017)	Extended	Continued for a limited period
5. Participate in the 'Frankfurt hilft!' initiative for refugees	2018 (2017)	Extended	Continued for a limited period
Continue to develop general corporate social responsibility for sustainability			
1. Focus the sustainability dialogue with suppliers to boost efficacy	2017	Completed	
2. Annual sustainability discussions with 100 % of Union Investment's top suppliers	2017	Completed	
3. Increase degree of ISO 14001 certification among top suppliers	2020 (2017)	Extended	New goals by 2020
4. Annual follow-up sustainability discussions with 100 % of Union Investment's top suppliers	2018	New	
5. Record the CO_2 footprint in supplier management	2019	New	
6. Reduce the PUE target of the data centre to a benchmark-compatible level	2018	New	
7. Expand the supplier development approach	2018	New	
8. Join the "Klima-Arena" in Sinsheim to promote general awareness of climate protection	2019	New	

Institutional clients

Objectives and activities	Timetable	Status	Notes
Increase sustainable assets under management by 50 % (from 2014 to 2018)	**2018**		
1. Introduce a new climate product for institutional investors	2017	Completed	In line with changing market conditions, the UniInstitutional Green Bonds fund was launched as an alternative to a climate product in 2017
2. Launch additional institutional SRI funds as long as there is a good business case	2018	On schedule	
3. Apply external quality standards to sustainable institutional funds of the Sustainable Investments Forum	2018	On schedule	
4. Increase the number of customers with portfolios as part of the active shareholder strategy by 25 % (reference year: 2014)	2018	On schedule	
5. Introduce an ESG minimum filter to certain institutional mutual funds	2018	On schedule	
6. Expand the auditing options for sustainable portfolio key figures in the trading system (CRIMS)	2018	New	
7. Train all IC employees on sustainability	2018	New	
Expand communication on sustainability issues and SRI in institutional business	**2018**		
1. Hold a sustainability conference for investors on the topic of global resource shortages	2017	Completed	
2. Conduct a survey among institutional investors on trends in sustainable investment	2018	On schedule	
3. Continue concept development for a sustainability conference for clients	2018	On schedule	
4. Add new participants to the CSR experts' group	2018	On schedule	
5. Continue to develop the annual CSR report for investors	2018	On schedule	
6. Expand tailored reporting for CSR clients	2019 (2017)	Extended	
7. Expand sustainability reporting for IC funds	2018	New	Consider increased requirements for client reporting
8. Expand the topic of sustainability on the IC website and in other IC media	2019	New	
9. Prepare a sustainability report for selected real-estate funds	2018	New	
10. Training concept for IC employees	2018	New	

- Measure added in 2018

Retail clients

Objectives and activities	Timetable	Status	Notes
Increase sustainable assets under management by 18 % (from 2014 to 2018)	**2018**		
1. Include ESG aspects in the private label area in investment committee meetings	2018	On schedule	
2. Maintain and update the sustainability criteria in the private label area	2018	On schedule	
3. Report on current sustainability issues	2018	On schedule	
4. Support and actively discuss sustainability with sales partners	2018	On schedule	
5. Examine expansion of the range of sustainable products for retail clients, particularly PrivatFonds, MeinInvestand and VisualVest	2018	New	
6. Hold internal information events on sustainability in the Retail Clients segment	2018	New	
7. Set up a section on sustainability in the "UnionOnline" extranet for consultants	2019	New	
8. Continue to develop the information material for retail investors	2018	New	

Portfolio management

Objectives and activities	Timetable	Status	Notes
Expand and refine investment processes	**2018**		
1. Continue to develop the ESG data pool for climate-related data	2017	Completed	
2. Introduce an ESG committee within Portfolio Management	2017	Completed	
3. Expand climate-related data in ESG analysis	2017	Completed	
4. Expand SIRIS (Sustainable Investment Research Information System) within Portfolio Management as a proprietary research tool	2018	On schedule	
5. Extend ESG analyses to various asset classes by issuer	2018	On schedule	
6. UN PRI assessment with above-average results	2018	On schedule	
7. Create an ESG academy as a training format for portfolio management	2018	On schedule	
8. Continue to develop climate activities	2019	New	
9. Continue to develop SIRIS expertise: digital platform for sustainability and CSR, single-value and portfolio analysis, Reporting 2.0	2020	New	
10. Research coverage of sustainability issues (e.g. SDGs) in the context ESG integration	2019	New	
Expand active share ownership	**2018**		
1. Expand involvement in climate issues	2017	Completed	
2. Perform regular collaborative CSR activities	2018	On schedule	
3. Increase reach of ESG involvement and proxy voting by 75 % (reference year: 2014)	2018	On schedule	
4. Increase ESG investor meetings by 75 % (reference year: 2014)	2018	On schedule	
5. Show commitment to integrating climate risks into corporate governance	2018	On schedule	
6. Expand active share ownership through greater coverage of AGM votes	2020	New	

- Measure added in 2018

Real-estate funds

Objectives and activities	Timetable	Status	Notes
Expand and refine investment processes for real-estate funds	**2018**		
Increase energy efficiency and improve the environmental impact of portfolio properties	**2018**		
1. Define specific improvement targets for energy, CO_2, water and waste for portfolio properties	2018	On schedule	Re 1: Target adjustment based on the Energy Saving Ordinance (EnEV) for commercial real estate to be passed by the federal government by 2018.
2. Increase the recording of energy, CO_2, water and waste data from the relevant parts of the real-estate portfolio to approximately 75 % of the total portfolio	2018	On schedule	
3. Implement the optimisation action plans that have been developed	2020	On schedule	
4. Measure the level of target attainment for the optimisation action plans that have been developed: analyse the energy, CO_2, water and waste data for the real-estate portfolio	2020	On schedule	
Develop and increase commitment to sustainability across the real-estate sector	**2018**		
1. Collaborate with the German Property Federation 'Sustainability, energy and environment' (NEU) working group and contribute to the work of the DGNB's real-estate advisory committee on developing the determination of key figures for the real-estate sector in Germany	2018	On schedule	
2. Design and collaborate in studies, initiatives and ratings, for example relating to the Environmental Sustainability Index (ESI), Sustainable Investment in Real Estate (s-i-r-e), the Global Real-Estate Sustainability Benchmark (GRESB) and Scope	2018	On schedule	

Union Investment real-estate portfolio

In the following section, Union Investment reports to its employees, clients, business partners and interested members of the public on its activities in the field of sustainable real-estate management. This includes not just a presentation of the various processes and instruments, but also in particular the consumption data gathered and extrapolated for investment funds[1)] over the last three periods. Union Investment is therefore making an important contribution to transparency as a basis for the sustainable ongoing development of the real-estate investment sector.

1. Strategic anchoring of sustainability

As an active real-estate asset manager, Union Investment aims to manage and increase its investors' assets in a responsible way. Investors' expectations, users' needs and statutory and social requirements must be taken into account here and actively incorporated into the orientation of business activities. Established risk management and sustainable management of the real-estate portfolio are essential here as only those who take economic, social and environmental aspects into account enjoy lasting long-term success and implement sustainability across the board.

Based on the results of the UN Climate Conference in Paris in 2015, the requirements were implemented in Germany in the form of the German federal government's 2050 climate protection plan. With very high consumption of resources and potential for emissions, the real-estate industry is one of those in the spotlight and is included in the ambitious target of achieving extensive "climate neutrality" by 2050 (80 % to 95 % reduction of greenhouse gas emissions).

For Union Investment, sustainability is part of a holistic understanding of real estate in which political requirements and discussions are also taken into account. Sustainability management in the real-estate portfolio needs to be firmly anchored in the strategy in order to succeed. Rather than being a standalone measure triggered by business activities, sustainability is a core element of business processes. Support from top management and involvement of the business units in the strategic orientation and implementation of sustainability management is a key aspect here. For instance, Union Investment regularly organises events in-house and with relevant stakeholders in order to discuss current challenges such as implementation of the German federal government's 2050 climate protection plan and devise solutions together. As a result, established sustainability initiatives across the entire real-estate value chain are enhanced and supplemented by further goals and measures.

Having a detailed overview of all its properties' emissions and resource consumption and using customised tools allow Union Investment to respond to future developments appropriately or even remedy them in advance. As such, the company is able to minimise its risks while also seizing performance opportunities.

2. Sustainability management processes

2.1 Comprehensive understanding of sustainability

Union Investment is committed to responsible action and has vowed to play its own part in maintaining an intact environment. This includes integrating sustainability comprehensively and systematically into its business processes. For the real-estate sector, this means reducing the environmental impact of properties on an ongoing basis while maintaining long-term financial success and thereby gradually improving the property portfolio.

In 2011, Union Investment introduced a comprehensive environmental management system (EMS) and was successfully certified according to the international standard DIN EN ISO 14001. In addition to operational ecology, i.e. the environmental impact of operations, this system looks at product ecology, i.e. the environmental impact of the "real-estate funds" product. As part of the environmental management system, processes are subject to quality assurance and their progress is monitored. Progress audits are conducted every year and recertification takes place every three years. Recertification was confirmed by the auditor without qualification in 2017.

Union Investment has established the responsibilities of its business units by enshrining the issue of sustainability in its guidelines and programmes at the company level. Union Investment's voluntary commitment to structuring its business processes in accordance with the requirements of the German Property Federation code (sustainability code of the German Property Federation) has therefore been satisfied.

Union Investment's sustainability instruments are applied throughout the entire life cycle of the respective properties. Objectives are pursued in the acquisition, letting and management and in the renovation and revitalisation of buildings that contribute to maintaining the value of the properties and their future viability and support business performance in the long term. External service providers are integrated into the internal processes.

[1)] Each less the number of residential buildings and properties under construction or restructuring; see also 3.2 Portfolio under review.

Union Investment also understands holistic sustainability management to encompass not only the consumption and emissions resulting directly and indirectly from operations but also the environmental impact of the properties held in the portfolio. As the main environmental impacts result from the consumption and emissions caused by the properties held, these are presented explicitly in the following sections. Accordingly, the CO_2 emissions generated in the real-estate portfolio are reported as Scope 3 emissions in accordance with the United Nations Greenhouse Gas Protocol. The direct and indirect emissions resulting from operations (Scopes 1 and 2) are shown on page 173 of the report.

2.2 Analysis and evaluation instruments

The core of sustainability management at Union Investment is formed by its proprietary portfolio sustainability management, SoFi PSM. SoFi PSM not only creates the necessary transparency regarding the portfolio's sustainability aspects but also tracks the objectives and activities derived from this. The data history now covers eight years. Among others, the following instruments and processes are managed with SoFi PSM:

Key performance indicators (KPIs)

The key performance indicators comprise all the consumption data specific to real estate, such as electricity, heating and water consumption, the volume of waste produced and CO_2 emissions. Recording and evaluating consumption figures allows property optimisation potential to be identified and savings targets to be defined, both at the property and portfolio levels. Measures for more efficient use of resources and to reduce operating costs can then be introduced and the targets can be monitored. SoFi PSM therefore forms the foundations of the long-term orientation of Union Investment's international real-estate portfolio. The recording of consumption data is firmly integrated into standard asset and property management processes at Union Investment, and ensures that the portfolio is analysed on an annual basis.

Sustainable investment check (SI check)

With the sustainable investment check developed specifically by Union Investment, buildings are assessed in terms of their sustainable quality as early as the purchasing process. Optimisation potential can be identified and measures to improve the properties can be planned at an early stage. The SI check is also applied to buildings already within the portfolio on an annual basis, with criteria in the areas of energy, resources, economy, user comfort, operation and location being examined and analysed. This instrument not only determines the current condition of a building but also monitors its specific development potential annually. The SI check was developed on the basis of common certification systems and is continuously expanded and adapted to the latest market developments.

The combination of the SI check for qualitative assessment and the recording of KPIs for quantitative analysis guarantees that Union Investment comprehensively documents and evaluates real-estate and portfolio data on an annual basis. At the same time, it follows up the impact of the actions it has taken and is gradually integrating this review of the success of the actions into work processes as a standard requirement.

Internal benchmarking

Union Investment applies reliable data adjustment to the KPIs recorded in compliance with the guidelines for introducing sustainability measurements in a real-estate portfolio, as recommended by the German Property Federation. This ensures the comparability of the portfolio buildings and facilitates internal benchmarking based on the type of use. Asset and fund managers can use these benchmarks to obtain indications of potential improvements at the property and portfolio levels.

Given the lack of statutory international specifications for benchmarking, comparisons with other portfolio managers are only possible to a limited extent. Union Investment worked with the German Property Federation to devise a guideline on benchmarking in 2017 (see section 2.7).

Green due diligence (GDD)

Green due diligence serves to determine specific optimisation measures for selected portfolio properties in terms of business, environmental and social aspects and therefore involves more than just an energy analysis. Drawing on SoFi PSM data, properties in need of optimisation are specifically selected and then undergo extensive examination conducted by experts. In the process, property-specific measures to reduce energy costs and overheads, increase user comfort or enhance the value of the building are identified and evaluated on the basis of cost-effectiveness studies in combination with emission and environmental analyses. This gives the property manager a sound basis for decisions regarding the building's ongoing development. The impact of the activities implemented is tracked in order to measure the attainment of goals and to take further action as necessary.

Certification

While the aforementioned instruments allow sustainability criteria to be managed throughout the entire real-estate portfolio, the certification of portfolio properties is an additional tool that makes sustainable property qualities transparent for users and other stakeholders in particular. Union Investment examines when certification makes sense for the individual properties. For new construction projects and extensive renovations, certification is an important sign of quality when it comes to implementing sustainability criteria. These must be taken into account during the property planning and construction phases in order to create optimum conditions for subsequent sustainable building operations.

Proportions of portfolio properties with certification or pre-certification

2015		2016		2017	
Number of properties	By appraisal value	Number of properties	By appraisal value	Number of properties	By appraisal value
87	43 %	112	55 %	133	57 %

Source: Union Investment, correct as at 31 December of the respective year. The statistics do not include new funds such as Urban Living No. 1 and ZBI.

Portfolio properties with certification or pre-certification

Property	Country	City	Type of use	Fund	Certification
Emporio Tower	Germany	Hamburg	Office	UniImmo: Deutschland	LEED CS 2.0, Platinum
Emporio Hotel Scandic	Germany	Hamburg	Office	UniImmo: Deutschland	DGNB NHO Gold
12 - 15 Finsbury Circus	UK	London	Office	UniImmo: Deutschland	BREEAM New Construction, Office 08 Excellent
CityQuartier DomAquarée	Germany	Berlin	Hotel	UniImmo: Deutschland	DGNB NSQ 10 Gold
Rhein-Galerie	Germany	Ludwigshafen	Shopping	UniImmo: Deutschland	DGNB Version 2009 Platinum
Pórtico	Spain	Madrid	Office	UniImmo: Deutschland	BREEAM ES In-Use Part 01 Very Good, BREEAM ES In-Use Part 02 Very Good
Trocadero	France	Paris	Office	UniImmo: Deutschland	HQE Gestion Durable Exceptionnel
Atmos	Germany	Munich	Office	UniImmo: Deutschland	DGNB NBV 08 Gold
Rund Vier	Austria	Vienna	Office	UniImmo: Deutschland	DGNB NBV 09A Gold
LogPark Rade	Germany	Neu Wulmstorf	Logistics	UniImmo: Deutschland	DGNB NIN 09 Gold
Centurion Commercial	Germany	Hamburg	Office	UniImmo: Deutschland	DGNB NBV 08 Platinum
Mélia	France	La Défense-Courbevoie	Hotel	UniImmo: Deutschland	HQE Bâtiment Durable v 2014 Excellent, HQE Bâtiment Tertiaires en exploitation
Rosmarin Karree	Germany	Berlin	Office	UniImmo: Deutschland	BREEAM In-Use DE Part 1 Very Good, BREEAM In-Use DE Part 2 Very Good
Eventes Business Gardens	Finland	Espoo	Office	UniImmo: Deutschland	LEED CS 2009, Gold
City Zen, Building A	France	Bois-Colombes	Office	UniImmo: Deutschland	BREEAM v 2009 Europe Commercial: Offices Very Good, HQE NF HQE Bâtiments tertiaires, HPE Certivea BBC 2005
City Zen, Building B	France	Bois-Colombes	Office	UniImmo: Deutschland	BREEAM v 2009 Europe Commercial: Offices Very Good, HPE Certivea BBC 2005, HQE
Europlaza 4	Austria	Vienna	Office	UniImmo: Deutschland	DGNB NBV 09A Platinum
Manufaktura	Poland	Łódź	Shopping	UniImmo: Deutschland	BREEAM In-Use DE Part 1 Very Good, BREEAM In-Use DE Part 2 Excellent
G1	UK	Glasgow	Office	UniImmo: Deutschland	BREEAM Office 05 Very Good, BREEAM BES 5058 Part 1 Very Good
Akzo Nobel	Netherlands	Amsterdam	Office	UniImmo: Deutschland	BREEAM NL New Construction, Excellent
UPM	Finland	Helsinki	Office	UniImmo: Deutschland	LEED NC Platinum
Hotel Holiday Inn	Germany	Frankfurt am Main	Hotel	UniImmo: Deutschland	DGNB NHO 09 Gold
Bülow Carree	Germany	Stuttgart	Office	UniImmo: Deutschland	LEED CS 2.0, Platinum
Forum am Hirschgarten	Germany	Munich	Office	UniImmo: Deutschland	DGNB NBV 09 Gold
K2 Ellipse	Luxembourg	Luxembourg	Office	UniImmo: Deutschland	BREEAM In-Use Part 1 Very Good, BREEAM In-Use Part 2 Very Good
K2 Forte 1 and 2	Luxembourg	Luxembourg	Office	UniImmo: Deutschland	BREEAM In-Use Part 1 Excellent, BREEAM In-Use Part 2 Very Good
Am Holzmarkt 1	Germany	Cologne	Office	UniImmo: Deutschland	DGNB NBV 12 Platinum
Mercedes Benz	Germany	Berlin	Office	UniImmo: Deutschland	DGNB NBV 09 Gold
Rungedamm 32	Germany	Hamburg	Logistics	UniImmo: Deutschland	DGNB NIN 09 Gold
Fiege Mega Center Rhein-Main	Germany	Dieburg	Logistics	UniImmo: Deutschland	DGNB NIN 09 Platinum
GreenWorx	Austria	Vienna	Office	UniImmo: Deutschland	LEED CS, Platinum

Property	Country	City	Type of use	Fund	Certification
Dominikanski A+C	Poland	Wroclaw	Office	UniImmo: Deutschland	LEED CS v2009 Platinum
Dominikanski B	Poland	Wroclaw	Office	UniImmo: Deutschland	LEED CS v2009 Platinum
Vertium	Ireland	Dublin	Office	UniImmo: Deutschland	LEED CS v2009 Gold
Andel's Berlin	Germany	Berlin	Hotel	UniImmo: Deutschland	BREEAM DE In-Use Part 01 Very Good
Vattenfall HQ	Sweden	Solna	Office	UniImmo: Deutschland	GreenBuilding, MiljÖ Byggnad Building V 2.0 Gold
Maraton	Poland	Poznan	Office	UniImmo: Deutschland	LEED CS v2009 Platinum
160 Aldersgate Street	UK	London	Office	UniImmo: Deutschland	BREEAM Refurbishment and Fit-Out 2014: Offices Excellent
600 13th Street	USA	Washington, D.C.	Office	UniImmo: Europa	LEED EBOM v2009 Gold
Fleetinsel	Germany	Hamburg	Hotel	UniImmo: Europa	BREEAM DE In-Use Part 01 Very Good, BREEAM DE In-Use Part 02 Good
Am Seestern	Germany	Dusseldorf	Office	UniImmo: Europa	LEED CS v2009 Gold
Spandau Arcaden	Germany	Berlin	Shopping	UniImmo: Europa	DGNB GIB Gold
IT-Port	Germany	Unterschleissheim	Office	UniImmo: Europa	LEED EBOM v2009 Gold
Centre d'Affaires Paris-Victoire	France	Paris	Office	UniImmo: Europa	HQE Bâtiment Durable Excellent, HQE Gestion Durable Tres Bon
France Avenue	France	Paris	Office	UniImmo: Europa	HQE Bâtiment Durable Tres Bon
Torre Diagonal	Spain	Barcelona	Office	UniImmo: Europa	LEED EBOM v2009 Gold, BREEAM ES In-Use Part 01 Good, BREEAM ES In-Use Part 02 Very Good
CityQuartier Fünf Höfe	Germany	Munich	Shopping	UniImmo: Europa	BREEAM In-Use DE Part 01 Excellent
Park.Gate	Germany	Munich	Office	UniImmo: Europa	LEED EBOM v2009 Gold
140 Broadway	USA	New York, New York	Office	UniImmo: Europa	LEED EBOM v2009 Gold
111 South Wacker	USA	Chicago	Office	UniImmo: Europa	LEED CS Gold, LEED EBOM v2009 Platinum
Limbecker Platz	Germany	Essen	Shopping	UniImmo: Europa	DGNB NHA 09 Gold
L'Unico	Luxembourg	Luxembourg	Office	UniImmo: Europa	BREEAM In-Use Part 01 Very Good, BREEAM In-Use Part 02 Very Good
Pixel	Luxembourg	Luxembourg	Office	UniImmo: Europa	BREEAM In-Use Part 01 Very Good, BREEAM In-Use Part 02 Very Good
UN-Studio	Netherlands	Amsterdam	Office	UniImmo: Europa	BREEAM NL In-Use Part 01 Very Good, BREEAM NL In-Use Part 02 Pass
Forum Kayseri	Turkey	Melikgazi / Kayseri	Shopping	UniImmo: Europa	BREEAM Retail Europe Very Good, BREEAM In-Use Part 01 Outstanding
Paseo del Mar	USA	San Diego	Office	UniImmo: Europa	LEED EBOM v2009 Silver
51 Fifty-one	Switzerland	Zurich	Office	UniImmo: Europa	LEED CS v2009 Gold
ARCOTEL Kaiserwasser	Austria	Vienna	Hotel	UniImmo: Europa	BREEAM AT In-Use Part 01 Very Good
Central Seine	France	Paris	Office	UniImmo: Europa	HQE Batiment Durable Excellent, HQE Gestion Durable Exceptionnel, HQE Exploitation Excellent
Hofgartenpalais	Germany	Dusseldorf	Office	UniImmo: Europa	LEED EBOM v2009 Gold
Saint Martial	France	Limoges Cedex 1	Shopping	UniImmo: Europa	BREEAM In-Use Part 01 Good, BREEAM In-Use Part 02 Good
CC Géant, Bois de Bersol	France	Pessac	Shopping	UniImmo: Europa	BREEAM In-Use Part 01 Excellent, BREEAM In-Use Part 02 Outstanding

Property	Country	City	Type of use	Fund	Certification
Kinetik	France	Boulogne-Billancourt	Office	UniImmo: Europa	BREEAM v 2009 Europe Commercial: Offices Excellent, HQE Batiment Dura-ble Excellent, HPE Certivea BBC5
555 Mission Street	USA	San Francisco	Office	UniImmo: Europa	LEED CS Gold
Multi-Cube	Germany	Heddesheim	Logistics	UniImmo: Europa	DGNB NIN 09 Platinum
Europaboulevard	Netherlands	Amsterdam	Hotel	UniImmo: Europa	BREEAM NL New Construction, Excellent
Hotel Barceló Raval	Spain	Barcelona	Hotel	UniImmo: Europa	BREEAM ES In-Use Part 01 Good, BREEAM ES In-Use Part 02 Good
Europlaza 5	Austria	Vienna	Office	UniImmo: Europa	DGNB NBV 09 Platinum
Senator	Poland	Warsaw	Office	UniImmo: Europa	BREEAM NC V2008 Office Very Good
Research Park Plaza III & IV	USA	Austin	Office	UniImmo: Europa	LEED EBOM v2009 Gold
One Snowhill	UK	Birmingham	Office	UniImmo: Europa	BREEAM Office 06 Very Good
ITO	Netherlands	Amsterdam	Office	UniImmo: Europa	BREEAM NL In-Use Part 01 Good, BREEAM NL In-Use Part 02 Acceptable
SOM	Netherlands	Amsterdam	Office	UniImmo: Europa	BREEAM NL In-Use Part 01 Good, BREEAM NL In-Use Part 02 Acceptable
Southpoint	Australia	Brisbane	Office	UniImmo: Europa	Green Building Council Australia 5 Green Star
50 South 10th Street	USA	Minneapolis	Office	UniImmo: Europa	LEED EBOM v2009 Gold
HQ EY	Finland	Helsinki	Office	UniImmo: Europa	LEED CS Gold
space2move A+B	Austria	Vienna	Office	UniImmo: Europa	LEED CS Gold
space2move C	Austria	Vienna	Office	UniImmo: Europa	LEED CS Gold
1000 Main	USA	Houston	Office	UniImmo: Europa	LEED EBOM v2009 Gold
4+5 Grand Canal Street (Part 1)	Ireland	Dublin	Office	UniImmo: Europa	BREEAM Excellent
4+5 Grand Canal Street (Part 2)	Ireland	Dublin	Office	UniImmo: Europa	BREEAM Excellent
Watermark Place	UK	London	Office	UniImmo: Europa	BREEAM Office 06 Excellent
Amazon VI	USA	Seattle	Office	UniImmo: Europa	LEED CS Gold, LEED EBOM v2009 Platinum
101 Seaport Boulevard	USA	Boston	Office	UniImmo: Europa	LEED CS v2009 Platinum, LEED EBOM v2009 Platinum
Rathaus-Galerie	Germany	Leverkusen	Shopping	UniImmo: Europa	DGNB New Construction Retail Buildings v2009 Gold
Midtown21	USA	Seattle	Office	UniImmo: Europa	LEED C&S v2009 Gold
LAGO	Germany	Konstanz	Shopping	UniImmo: Global	BREEAM DE In-Use Part 01 Very Good, BREEAM DE In-Use Part 02 Good
RellingHaus	Germany	Essen	Office	UniImmo: Global	BREEAM DE In-Use Part 01 Excellent
1 Coleman Street	UK	London	Office	UniImmo: Global	BREEAM Office 05 Very Good
Torre Mayor	Mexico	Mexico City	Office	UniImmo: Global	LEED EBOM v2009 Gold
Forum Mersin	Turkey	Mersin - Yenisehir	Shopping	UniImmo: Global	BREEAM In-Use Outstanding
STEP 6	Germany	Stuttgart	Office	UniImmo: Global	DGNB GIB Gold
Woodland Pointe	USA	Herndon	Office	UniImmo: Global	LEED EBOM v2009 Gold
Glass City Harumi	Japan	Tokyo	Office	UniImmo: Global	LEED EBOM v2009 Gold

Property	Country	City	Type of use	Fund	Certification
3Stawy	Poland	Katowice	Shopping	UniImmo: Global	BREEAM In-Use Part 01 Very Good, BREEAM In-Use Part 02 Excellent
West-Park	Switzerland	Zurich	Office	UniImmo: Global	BREEAM In-Use Part 01 Excellent, BREEAM In-Use Part 02 Very Good
Torre Oriente	Portugal	Lisbon	Office	UniImmo: Global	LEED EBOM v2009 Gold
Horizon Plaza	Poland	Warsaw	Office	UniImmo: Global	BREEAM In-Use Part 01 Excellent, BREEAM In-Use Part 02 Excellent
4085 Campbell Avenue	USA	Menlo Park	Office	UniImmo: Global	LEED EBOM v2009 Gold
155 Clarence Street	Australia	Sydney	Office	UniImmo: Global	4.5 Star NABERS (Green Star) Office as Built v3 2016 5 *
Converse at Lovejoy Wharf	USA	Boston	Office	UniImmo: Global	LEED CS Gold, LEED EBOM v2009 Gold
Dos Patios	Mexico	Mexico City	Office	UniImmo: Global	LEED CS Gold
Ten 10th	USA	Atlanta	Office	UniImmo: Global	LEED EBOM v2009 Gold
Courtyard WTC	USA	New York	Hotel	UniImmo: Global	LEED NC v2009 Silver
Hub	Sweden	Stockholm	Office	UniImmo: Global	BREEAM In-Use Part 01 Very Good
Torre Diagonal Litoral B-3	Spain	Barcelona	Office	UniInstitutional European Real Estate	LEED EBOM v2009 Gold
Pilke	Finland	Vantaa	Office	UniInstitutional European Real Estate	BREEAM New Construction Very Good
Zebra Tower	Poland	Warsaw	Office	UniInstitutional European Real Estate	LEED CS Gold
Alberga A	Finland	Helsinki - Espoo	Office	UniInstitutional European Real Estate	BREEAM New Construction Very Good
Hehku	Finland	Vantaa	Office	UniInstitutional European Real Estate	BREEAM New Construction Very Good
Europa-Galerie Saarbrücken	Germany	Saarbrucken	Shopping	UniInstitutional European Real Estate	DGNB NHA 09 Gold
K-Point	Luxembourg	Luxembourg	Office	UniInstitutional European Real Estate	BREEAM In-Use Part 01 Very Good, BREEAM In-Use Part 02 Very Good
Skanska HQ	Finland	Helsinki	Office	UniInstitutional European Real Estate	LEED CS 2009, Platinum
Stibbe Court	Netherlands	Amsterdam	Office	UniInstitutional European Real Estate	BREEAM New Construction Excellent
MainTor Porta	Germany	Frankfurt am Main	Office	UniInstitutional European Real Estate	DGNB NBV 09 Platinum
K2 Dolce	Luxembourg	Kirchberg, Luxembourg	Office	UniInstitutional European Real Estate	BREEAM In-Use Part 01 Very Good, BREEAM In-Use Part 02 Very Good
Riviera	Poland	Gdynia	Shopping	UniInstitutional European Real Estate	BREEAM In-Use Part 01 Excellent, BREEAM In-Use Part 02 Excellent

Property	Country	City	Type of use	Fund	Certification
FIRST	Netherlands	Rotterdam	Office	UniInstitutional European Real Estate	BREEAM Nieuwbouw Excellent
XYZ Building	UK	Manchester	Office	UniInstitutional European Real Estate	BREEAM NC Offices v2011 (shell only) Excellent
HIEX Munich City West	Germany	Munich	Hotel	UII Hotel Nr. 1	DGNB NHO 12 Platinum
Hampton by Hilton Berlin Alexanderplatz	Germany	Berlin	Hotel	UII Hotel Nr. 1	LEED CS v2009 Silver
Ferio	Poland	Stare Miasto	Shopping	UII Shopping Nr. 1	BREEAM In-Use
Lipinski	Poland	Warsaw	Shopping	DIFA-Fonds Nr. 3	BREEAM In-Use Part 01 Very Good
HIEX Berlin Alexanderplatz	Germany	Berlin	Hotel	DIFA-Fonds Nr. 3	DGNB NHO 12 Gold
42 Rue de Bassano	France	Paris	Office	DEFO Immobilienfonds 1	BREEAM In-Use 2015 Part 01 Very Good
55 Avenue Hoche	France	Paris	Office	DEFO Immobilienfonds 1	BREEAM In Use 2015 Part 01 Good
Marina Offices	Netherlands	Amsterdam	Office	DEFO Immobilienfonds 1	BREEAM NL NC 2011 v1.0 Pass
Hampton by Hilton	Poland	Warsaw	Hotel	DEFO Immobilienfonds 1	LEED NC Gold
Space 20	Germany	Darmstadt	Office	UII German Real Estate	DGNB NBV 09 Gold
Karlstraße 4 – 6	Germany	Frankfurt am Main	Office	UII German Real Estate	BREEAM In-Use Part 01 Good, BREEAM In-Use Part 02 Good, BREEAM In-Use Part 03 Pass
Kettwiger Tor	Germany	Essen	Shopping	UII German Real Estate	DGNB MBV 10 Gold, DGNB NHA 09 Gold
WQ1 Haus am Fluss	Germany	Bremen	Office	UII German Real Estate	DGNB NBV 12 Silver
Morphosys	Germany	Planegg	Office	UII German^{M}	DGNB NBV 12 Gold
TM50	Germany	Nuremberg	Office	UII German^{M}	LEED New Construction Gold

Source: Union Investment, correct as at 31 December 2017

2.3 Ratings

Green Star classification in GRESB rating

Union Investment took part in the Global Real-Estate Sustainability Benchmark (GRESB) survey for the fifth year in succession. The initiative, which was formed by investors in 2009, assesses the sustainability performance of real-estate funds on the basis of an annual analysis. In last year's survey, Union Investment took part with eight real-estate funds. All eight were classified as "Green Star". Funds are designated Green Stars – the highest of a total of four ratings – if they have integrated sustainability management and their processes and reporting procedures focus on sustainability criteria. The assessment also takes into account the management of environmental performance, such as the real-estate portfolio's energy consumption and CO_2 emissions. This benchmarking helps to actively manage sustainability performance and steadily improve the sustainability of the real-estate portfolio.

Scope regards Union Investment as a leader in implementation of sustainability strategy

Another rating that Union Investment systematically takes part in is the Scope rating. Scope has included sustainability criteria in its assessment of open-ended real-estate funds since 2013. In 2017, the UniImmo: Deutschland, UniImmo: Europa, UniImmo: Global, UniInstitutional European Real Estate and Uni-Institutional German Real Estate funds were predominantly rated as very good to average by industry standards in sustainability matters. Overall, Scope confirmed once again that Union Investment is a leader in organisational and administrative implementation of sustainability strategy.

2.4 Raising stakeholder awareness

Fully sustainable real-estate management thrives on continuous and open dialogue with relevant interest groups. Union Investment therefore informs and raises awareness among its employees and also market participants, clients and tenants regarding the opportunities and necessities of sustainability using a variety of media and events, such as this report and presentations at trade fairs.

Another opportunity for dialogue is the knowledge portal www.nachhaltige-immobilien-investments.de run by Union Investment. Specialist articles by various market players on sustainability aspects and their practical implementation set out different perspectives and also encourage discussion with tenants, clients and business partners. This is complemented by current information and news.

2.5 Obligations placed on property users

The operating phase is the longest part of a property's lifecycle, and therefore constitutes a significant lever for sustainability in and at the property. Partnership-based cooperation between tenants and lessors is essential if the property's potential is to be fully utilised. Through green leases, users and owners undertake to use and manage the property sustainably in order to ensure that it maintains its value in the long term and, not least, that operating costs remain reasonable. This includes, for example, information on and the exchange of sustainability-related data, stipulations regarding low-pollutant construction and cleaning materials, and assistance with low-impact usage. For certified properties, the parties can also agree to seek or improve certification.

In 2015, in conjunction with other players in the real-estate industry, Union Investment developed and published a guide entitled "Green lease agreements – Recommended clauses and actions for sustainable building use". This guideline can be downloaded free of charge at https://www.nachhaltige-immobilien-investments.de/aktuelles/.

In 2017, the "Green Lease" work group headed by the German Property Federation set itself the target of enhancing the sustainability clauses and stepping up work on establishing an industry standard. A guideline summarising the results will be published in 2018. Union Investment has already applied its own experience of the opportunities and challenges of green leases here as the standard leases for office properties in Germany and other European countries have contained clauses on sustainable aspects since 2016. These focus on the added value of sustainable use and management. Green clauses can still be arranged for specific properties or tenants. The goal is to establish this standard for other types of use and other countries too.

2.6 Obligations placed on service providers

Under the environmental management system, Union Investment has undertaken to incorporate environmentally relevant criteria into the development of products and services, new contracts for tender and the selection of business partners. In real-estate asset management, this has been a factor in the selection of property and facility managers since 2014 and in contract design. As it aims to constantly improve its environmental performance, Union Investment requires its service providers to apply sustainable principles to their activities and to impose similar obligations on their business partners. Union Investment examines the compliance of its service providers with the obligations of environmental law annually in a process conducted at the property level.

2.7 Information sharing and benchmarking within the industry

As part of its participation in a number of initiatives, Union Investment regularly shares information with other portfolio holders. It has been a member of the Urban Land Institute (ULI), which campaigns for the sustainable development of living environments, since 1999. As a founding member of the German Sustainable Building Council (DGNB), Union Investment has also been contributing its expertise and experience to wide-ranging work groups and expert panels since 2007. The DGNB certification system, for example, was established with the help of pilot certification projects closely supported by Union Investment. Implementation of the German government's climate policy targets for portfolio buildings is currently being discussed in DGNB work groups. In addition, a representative of Union Investment is currently the Chairman and Union Investment is a permanent member of the DGNB's real-estate advisory committee, which advises the office on strategic orientation and current issues.

Union Investment has been a member of the German Property Federation since June 2008 and has been heavily involved in the development of the industry-wide sustainability code. Union Investment also played a significant role in the development of the German Property Federation's "Guideline for the Introduction of Sustainability Measurement in Real-Estate Portfolios – Technological-Environmental Aspects", which was published in 2013. The objective of sustainability measurement is to provide an important basis for the value-added development of the majority of the existing properties in the portfolio, integrating environmental, economic and social criteria. Together with other major institutions and holders of real-estate portfolios, Union Investment was also involved in developing an industry-wide sustainability benchmarking guideline for real-estate properties. The German Property Federation published this in 2017. Union Investment is involved in many other work groups and committees of the German Property Federation and actively advances the issue of sustainability within the industry.

As a member of the German Investment Funds Association, Union Investment played an active part in drawing up the guidelines for sustainable real-estate portfolio management published in 2016. The guidelines aim to identify performance indicators at the fund and portfolio levels in order to ensure sustainability and hence long-term returns for investors.

3. Property-specific portfolio consumption data

With its portfolio sustainability management system SoFi PSM, Union Investment tracks property-specific consumption data for the buildings in its portfolio each year. One of the aims is to identify optimisation potential for properties and monitor the savings targets through internal benchmarking. Corresponding work on buildings can then be initiated.

3.1 Method

By recording consumption data for its property portfolio, Union Investment ensures the transparency of its portfolio and can derive recommendations for action at the property and portfolio levels.

Consumption data for a given calendar year is recorded in the autumn of the following calendar year. This is because the information sources applied include utility bills, for example, which are usually only produced at the end of a year. The additional time required for quality assurance means that there is a lag of one year in the recording of consumption data for reporting. Accordingly, this report is based on the consumption data for 2016. Consequently, the data for 2017 cannot be included in the current analysis. The analysis encompasses final energy consumption, CO_2 emissions, water consumption and the volume of waste produced.

The figures in this report are shown as absolute values as well as specific values per square metre and year. In light of the international orientation and heterogeneous nature of the portfolio, specific consumption data was adjusted for aspects that are specific to countries, properties and uses and that influence a property's environmental performance. These include building characteristics such as time in use, vacancy rates and special uses, and also take into account local weather conditions. This results in comparable consumption data that can be assessed with the help of internal benchmarks. The data used for the analysis of environmental performance was recorded for the entire floor area of each building and includes consumption by tenants.

The consumption data for 2014 and 2015, which was already published in the 2016 CSR report, has been presented again in this report to take into account the latest SoFi PSM developments and optimisations. Modifications to calculation methods can lead to changes in absolute and specific values, which are due exclusively to the refinement of the methods used. Optimisations are also applied retrospectively.

The continuously changing nature of the portfolio means that comparability between years is limited, particularly with regard to the absolute figures. To improve the comparability of the current years, the following analysis also discusses the consumption data for a like-for-like portfolio. The updated data recording and methodology will lead to optimised results in the future, thereby providing better comparability over the long term.

Consumption data:

Absolute values provide information on the overall consumption of an indicator. The consumption data for the portfolio included in the analysis is extrapolated for the total portfolio using a floor area factor. Absolute values cannot be used as comparative values as they do not relate to other key performance indicators (e.g. square metres).

Specific values define a quantity dependent on its environment. The specific KPIs of Union Investment mainly relate to the energy reference area in square metres and years. These values therefore essentially describe resource efficiency in relation to area. As previously, only the consumption data actually recorded for the portfolio reviewed is included in the calculation. Specific values therefore provide comparable indicators that allow comparisons between properties or funds. In addition, specific consumption/KPIs at Union Investment are adjusted for factors such as vacancy rates, climate and special users to filter out fluctuations within these factors and to create optimum comparability of values.

The like-for-like portfolio only contains buildings which have been part of the Union Investment portfolio for two consecutive calendar years and for which there are quality-assured consumption figures.

3.2 Portfolio under review

Union Investment's real-estate portfolio is subject to constant change. Properties are continuously purchased and sold during the course of the year as part of active portfolio management. Selected portfolio properties are also subject to restructuring and renovation processes.

This dynamic development means that the portfolio cannot be examined exhaustively. Accordingly, Union Investment aims to record data for a large, representative subportfolio consisting of at least 75 % of its total portfolio (in terms of floor area). The consumption data for the properties examined is then extrapolated for the portfolio as a whole.

The portfolio as a whole contains actively managed properties in the office, retail, hotel and logistics usage types. As at 31 December 2017, the portfolio consisted of 353 properties with a value of around EUR 30 billion. Properties under construction or conversion and residential properties are not included in this analysis. The Immofonds 1 fund newly issued in 2016 was included in this assessment for the first time.

In 2017, the ambitious goal of recording data for 75 % of the portfolio was exceeded. In total, 268 properties, i.e. 79 % of the portfolio floor area, were included in the analysis and subjected to external quality assurance. This was 28 properties and just under 590,000 m^2 more floor space than in the previous year.

The properties reviewed are representative of the overall portfolio in terms of usage types and floor area, and the data extrapolated for the portfolio as a whole is conclusive.

Portfolio under review

Type of use 2014	Number of properties	Floor area (m²)	Floor area (%)
Office buildings	136	2,336,597	51
Retail buildings	39	1,188,350	26
Hotel buildings	29	524,599	11
Logistics buildings	12	539,034	12
Total	**216**	**4,588,580**	**100**

Type of use 2015	Number of properties	Floor area (m²)	Floor area (%)
Office buildings	153	2,709,672	51
Retail buildings	46	1,508,719	29
Hotel buildings	30	575,043	11
Logistics buildings	11	471,655	9
Total	**240**	**5,265,089**	**100**

Type of use 2016	Number of properties	Floor area (m²)	Floor area (%)
Office buildings	164	2,908,703	50
Retail buildings	53	1,649,395	28
Hotel buildings	38	692,288	12
Logistics buildings	13	604,386	10
Total	**268**	**5,854,772**	**100**

Extrapolated portfolio

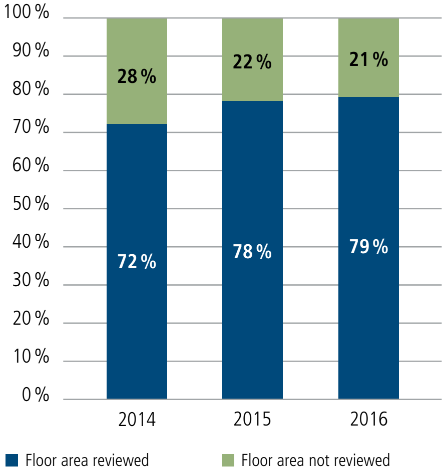
Type of use 2014	Number of properties	Floor area (m²)	Floor area (%)
Office buildings	191	3,180,537	50
Retail buildings	60	1,687,416	27
Hotel buildings	39	726,687	11
Logistics buildings	16	736,362	12
Total	**306**	**6,331,002**	**100**

Type of use 2015	Number of properties	Floor area (m²)	Floor area (%)
Office buildings	183	3,334,834	49
Retail buildings	65	1,791,582	27
Hotel buildings	46	840,399	12
Logistics buildings	16	781,247	12
Total	**310**	**6,748,062**	**100**

Type of use 2016	Number of properties	Floor area (m²)	Floor area (%)
Office buildings	211	3,641,661	49
Retail buildings	76	2,066,228	28
Hotel buildings	51	884,929	12
Logistics buildings	16	824,914	11
Total	**353**	**7,417,732**	**100**

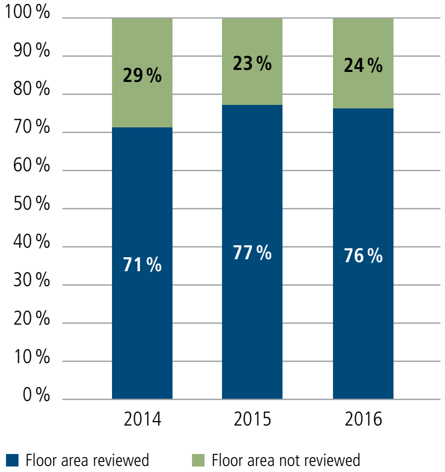
Floor area in total portfolio reviewed

in %



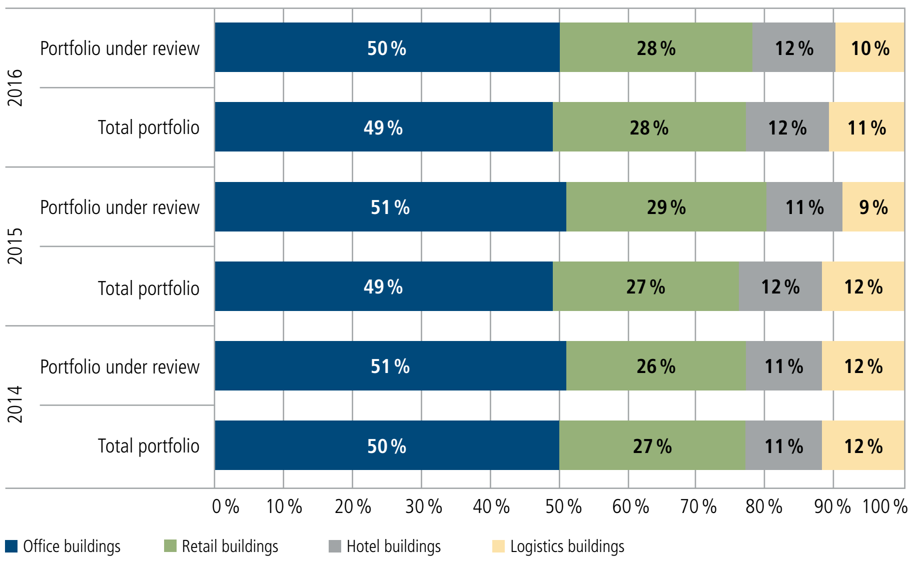
Number of buildings in total portfolio reviewed

in %



Comparison of reviewed portfolio floor area and total portfolio floor area by building use

in %



3.3 Main findings

In spite of considerable portfolio turnover compared with the previous year, it can be said on the whole that the specific values for the usage types CO_2, water and waste in the overall portfolio changed only marginally in the period from 2014 to 2016. However, the specific figure of final energy consumption was reduced by 6 % as a result of more energy-efficient properties and optimisation measures. In the like-for-like analysis of the portfolio, i.e. looking at properties that were part of the portfolio in both 2015 and 2016, reductions were achieved in the final energy and CO_2 consumption figures. The rise in the volume of waste produced stems from individual properties in the hotel sector. Additionally, optimisation measures were implemented in certain properties on the basis of the green due diligence audits conducted in 2016 and 2017. However, the results of these measures will become apparent at the earliest in the data collected in 2018.

3.4 Total values

The extrapolation of the reviewed KPIs to reflect the overall portfolio produced the following absolute and specific values:

Absolute and specific values for all the KPIs for the total portfolio (extrapolated)

Absolute values for all KPIs for the total portfolio (extrapolated)		**2014 (306 properties)**	**2015 (310 properties)**	**2016 (353 properties)**
Final energy consumption	**[GWh/year]**	**1,326**	**1,444**	**1,616**
Direct final energy consumption	[GWh/year]	113	131	139
Indirect final energy consumption	[GWh/year]	1,213	1,313	1,477
CO_2 emissions, GRI 305-3	**[t CO_2/year]**	**407,878**	**433,512**	**499,309**
Direct CO_2 emissions	[t CO_2/year]	22,787	26,114	27,914
Indirect CO_2 emissions	[t CO_2/year]	385,091	407,398	471,395
Water consumption GRI 303-1	**[m^3/year]**	**4,020,291**	**4,113,348**	**4,611,037**
Volume of waste	**[t/year]**	**46,750**	**45,425**	**54,229**
Specific values, portfolio under review		**2014**	**2015**	**2016**
Final energy consumption value, G4-CRE1	**[kWh/(m^2/year)]**	**250**	**252**	**234**
Energy consumption value, heating	[kWh/(m^2/year)]	94	88	84
Energy consumption value, electricity	[kWh/(m^2/year)]	156	164	150
CO_2 emissions, G4-CRE3	**[kg CO_2/(m^2/year)]**	**61**	**63**	**64**
Specific CO_2 emissions, heating	[kg CO_2/(m^2/year)]	13	13	14
Specific CO_2 emissions, electricity	[kg CO_2/(m^2/year)]	48	50	50
Water consumption, G4-CRE2	**[m^3/(m^2/year)]**	**0.60**	**0.59**	**0.60**
Volume of waste	**[kg/(m^2/year)]**	**7.0**	**6.4**	**6.9**

Unadjusted values for 2016 portfolio under review		**Portfolio under review**	**Office buildings**	**Retail buildings**	**Hotel buildings**	**Logistics buildings**
Specific final energy consumption, G4-CRE1	[kWh/ (m^2/year)]	211	216	238	247	59
Specific carbon emissions, G4-CRE3	[kg CO_2/ (m^2/year)]	64	63	77	70	20
Specific water consumption, G4-CRE2	[m^3/(m^2/ year)]	0.60	0.47	0.71	1.29	0.05

Note on data quality:

Quality assurance – Independent parties manually and objectively reviewed the recorded data for each property to check that it was complete and plausible.

Completeness of data – In cases where some of the consumption data was unavailable, it was added on the basis of reference values. The mechanism developed for this purpose incorporated use-related averages from different sources and historical portfolio data.

Extrapolation – If it was not possible to determine some of the data in full (such as tenant data), data was extrapolated on the basis of usage and with a floor area weighting on the basis of reference values within the software used.

Adjustment – Specific data was adjusted to ensure that the properties in the international portfolio were comparable. Final energy consumption data was adjusted for climate, operating hours, vacancy rates and special users. The climate adjustment was applied using location-related weather periods for the last few years compared with the Würzburg location. The specific consumption values for water and waste were adjusted for special users. Greenhouse gas emissions (shown as CO_2 equivalents or CO_2), which are calculated on the basis of country-specific emissions factors, are not adjusted. Absolute values are not adjusted.

Energy reference area – The total floor area in a building that is heated or temperature-controlled.

Note: Energy consumption and CO_2 emissions are shown separately according to direct and indirect primary energy sources. Direct primary energy sources are, for example, coal, natural gas, oil, biofuels, etc., i.e. energy generated directly on-site by means of combustion. Indirect primary energy sources are, for example, electricity from fossil fuels, nuclear energy, district heating and others, i.e. purchased energy.

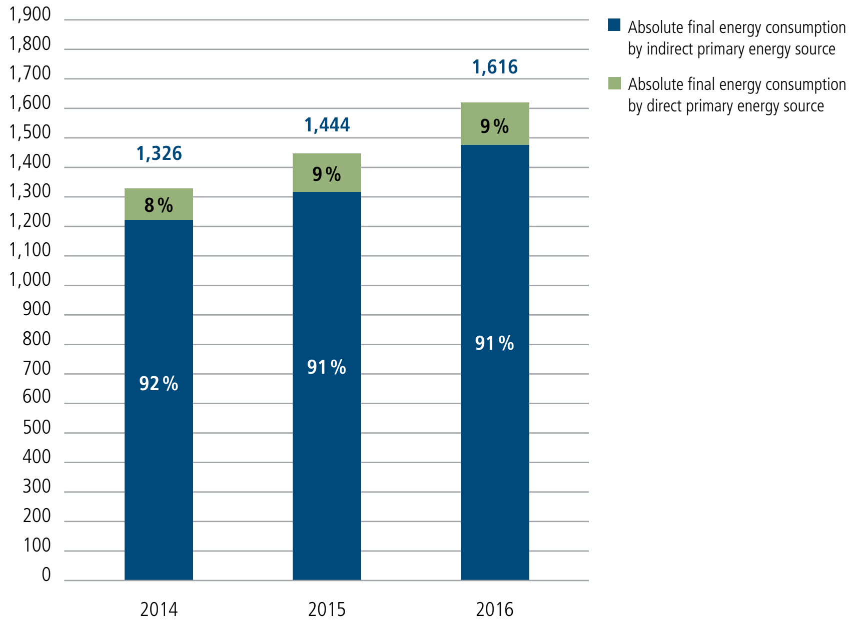
3.5 Absolute and specific consumption values for the portfolio by type of use

Direct energy is energy in which the fossil fuel is actually burnt on-site or in a process owned or controlled by the company concerned (such as natural gas for a heating system in the organisation or the consumption of fuel by a company's vehicle fleet). Indirect energy is energy in which the fossil fuel is burnt off site or outside the control of the company concerned to meet the needs of the organisation for secondary energy (such as electricity, district heating or cooling).

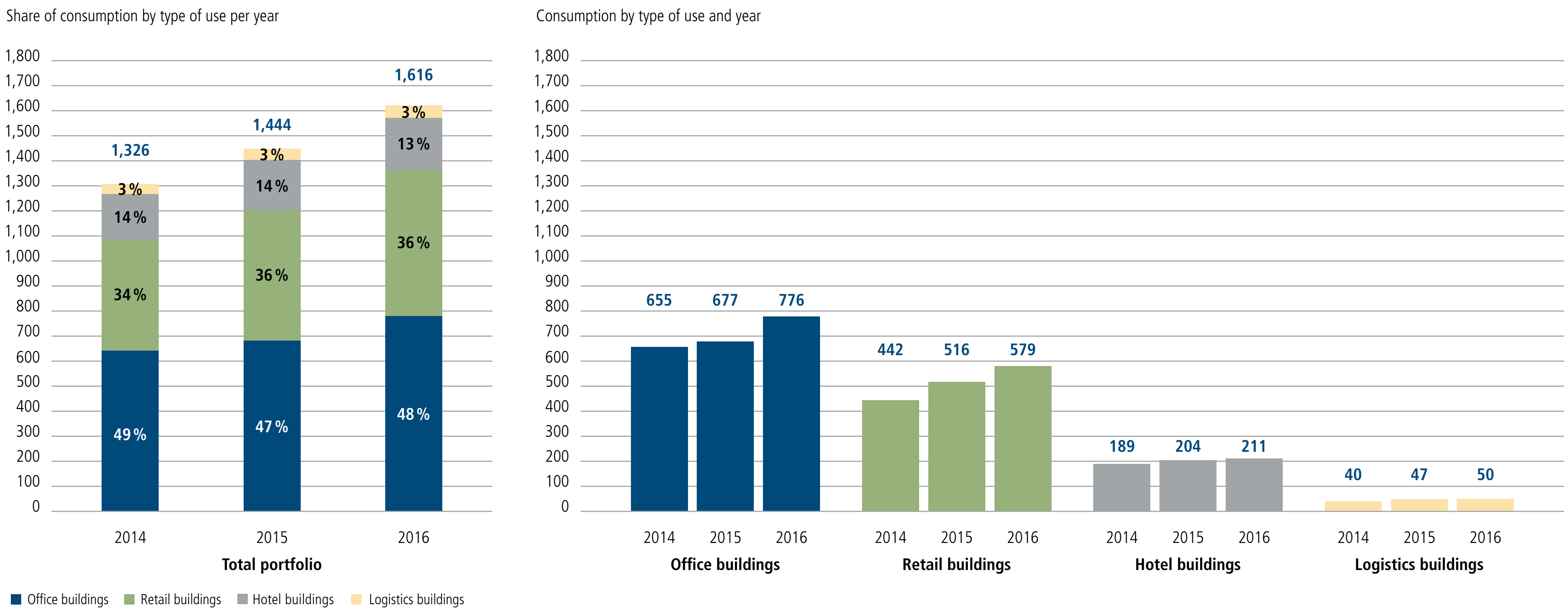
Strong portfolio growth means that absolute energy consumption has also risen in the last years, totalling 1,616 GWh in 2016. However, the ratio of direct to indirect energy sources has remained stable.

Absolute final energy consumption broken down by direct and indirect primary energy sources (GWh/year)

Share of consumption by extrapolated portfolio by primary energy source per year



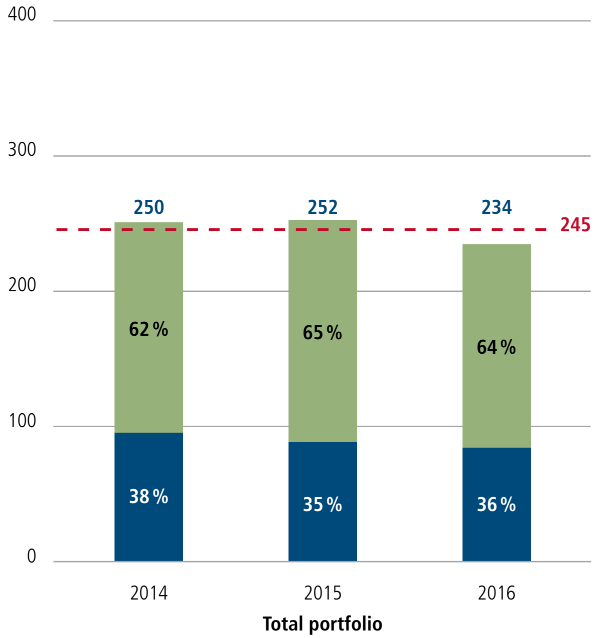
Absolute final energy consumption (GWh/year, extrapolated portfolio)



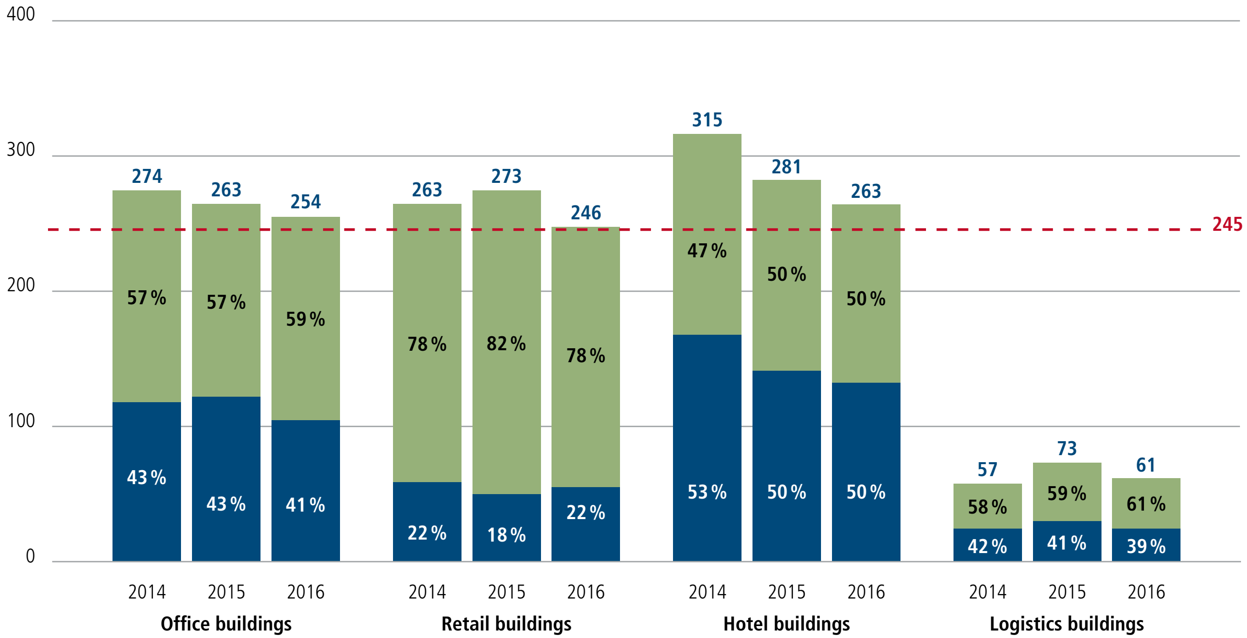
As in the overall portfolio, an increase in absolute energy consumption is also apparent in the individual types of use. This is associated with portfolio growth, which applies to all types of use. The percentage increases in energy consumption in the respective types of use are roughly in line with the percentage growth in floor area. This does not apply to hotels. Here, energy consumption only rose by just over 10 % between 2014 and 2016, while the hotel portfolio grew by just under 22 % in terms of floor area in the same period.

Specific final energy consumption – G4 CRE1 [kWh/(m^2/year)]

Average consumption of portfolio per year, by type of consumption



Average consumption of portfolio by type of use and year, by type of use



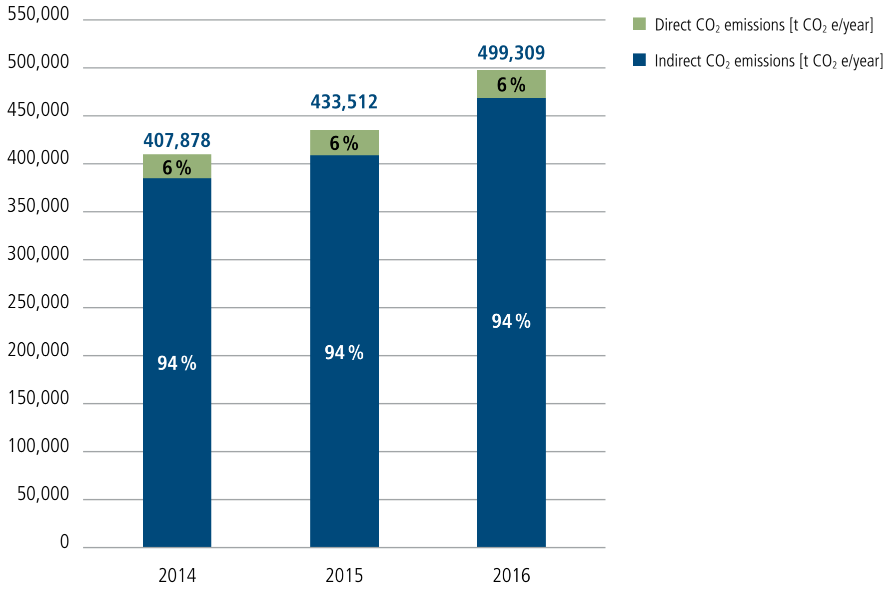
Energy consumption value, electricity [kWh/m^2] Energy consumption value, heating [kWh/m^2] Portfolio average over three years [kWh/m^2]

The specific energy key indicators fell sharply in 2016. Compared with 2014, reductions of 6 % to 7 % were attained for office and retail buildings, while hotel buildings actually saw a 16.5 % decrease. This means that more energy-efficient properties were added to the portfolio and measures in existing properties are having an impact. Only the logistics portfolio showed slight increases. However, as floor area of the logistics properties only accounts for 11 % of the total portfolio and the specific figures are well below average, the increase has hardly any impact in terms of the overall portfolio.

Absolute CO_2 emissions broken down by direct and indirect primary energy sources – GRI 305-3 (t CO_2e/year, extrapolated portfolio)

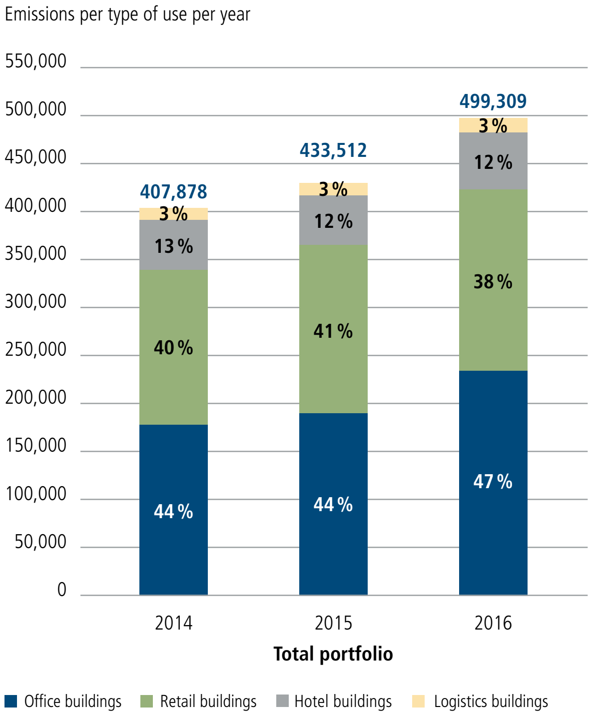
In the following, the term "CO_2" is used as a simplification and abbreviation for "CO_2 equivalents". Other greenhouse gases were calculated and converted using factors in line with the specifications of the United Nations' Greenhouse Gas Protocol. As discussed in section 2.1, Union Investment classifies the emissions generated by its portfolio properties as Scope 3 emissions. Recording the origin of the Scope 3 emissions means that they can also be broken down into direct and indirect emissions.

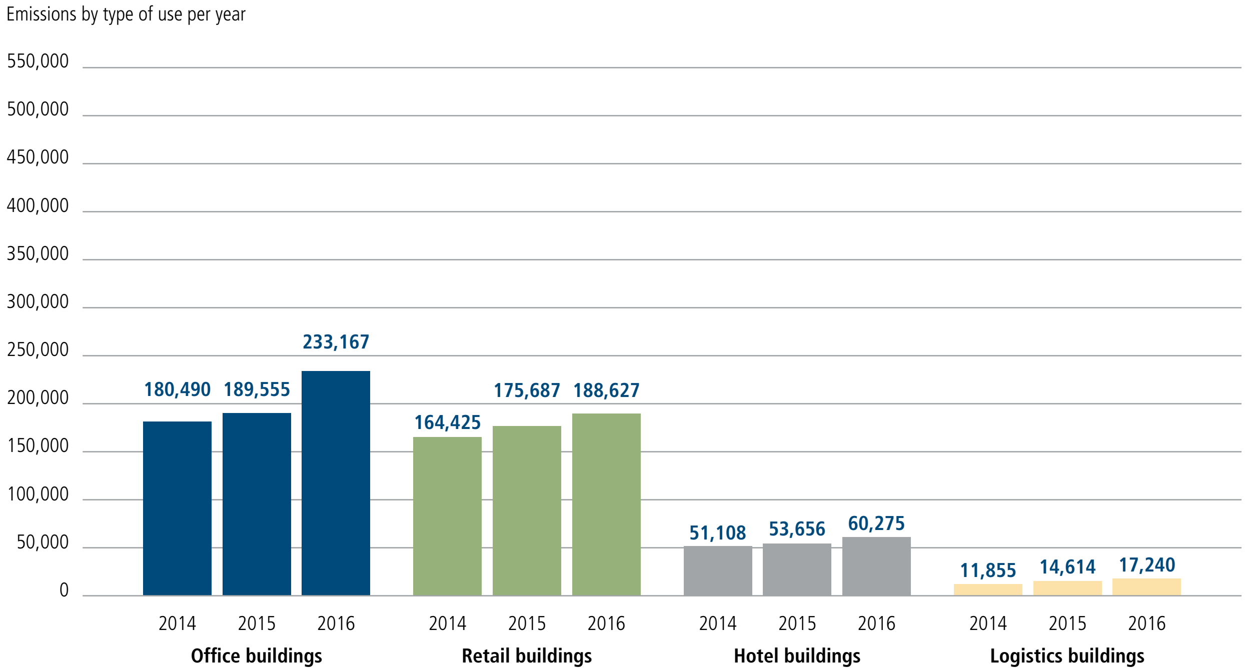
Scope 3 emissions of Union Investment by primary energy source per year



The absolute CO_2 emissions, which are otherwise known as the CO_2 footprint or carbon footprint, are based on the consumption of heating and electricity. In 2016, the CO_2 footprint of the overall portfolio was around 500,000 tonnes. Consequently, the figure rose by approx. 92,000 tonnes (just over 22 %) compared with 2014. A comparison with the development of absolute energy consumption shows that CO_2 emissions changed in almost the same ratio. Here too, the increase is attributable to the net growth of the property portfolio.

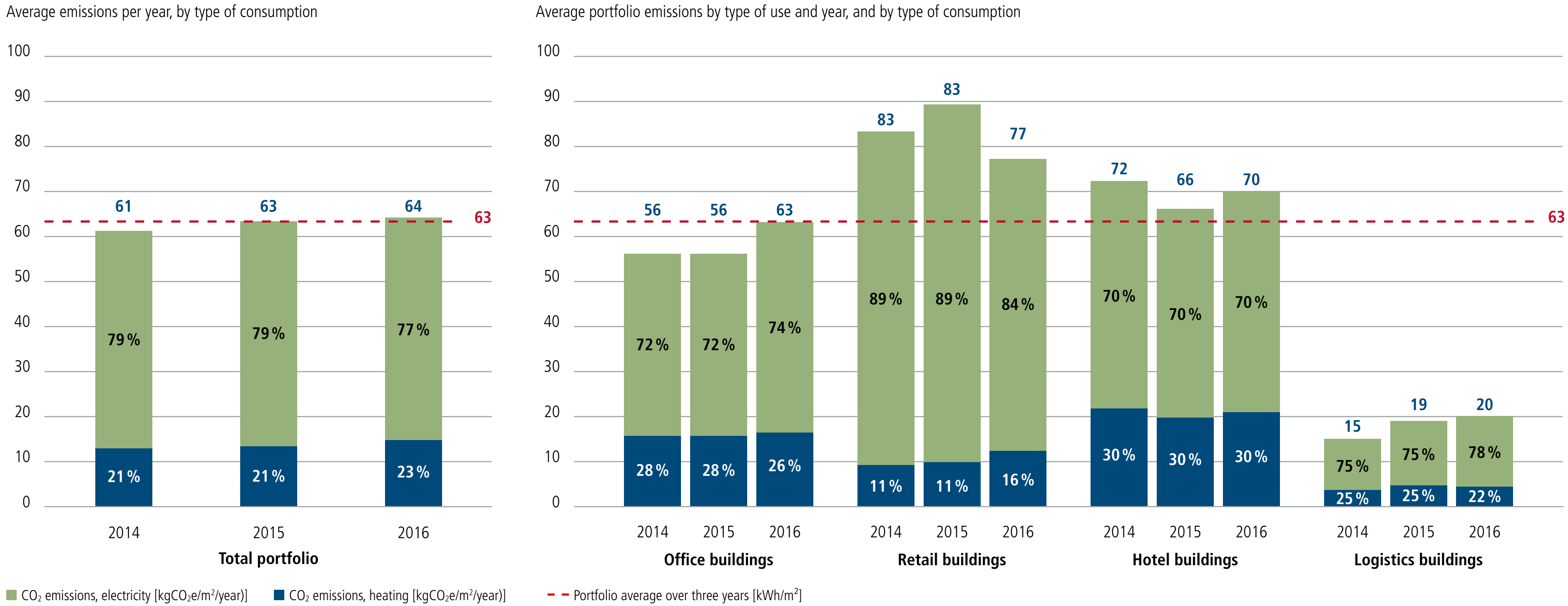
Absolute CO_2 emissions – GRI 305-3 (t CO_2 e/year, extrapolated portfolio)





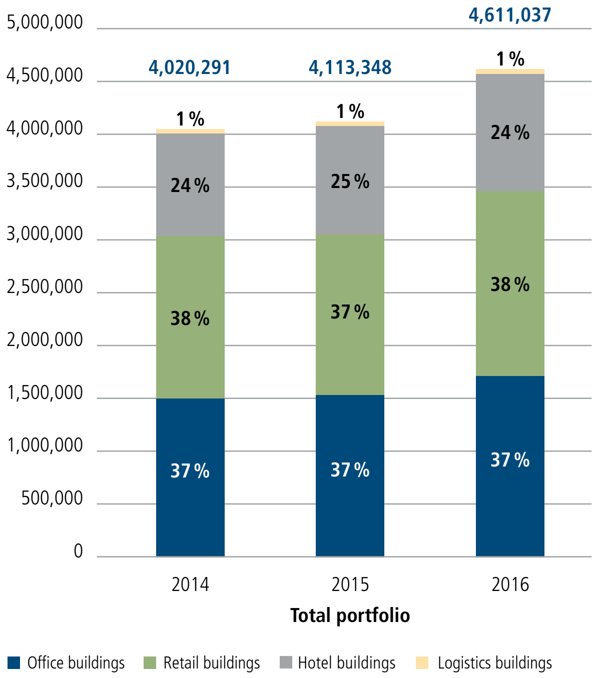
A rise in absolute CO_2 emissions is also apparent in the breakdown by type of use. As with energy consumption, increased emissions can be explained by growth of the real-estate portfolio. In addition, fluctuations in CO_2 emissions are caused by the different energy sources used in the properties to produce electricity, heating and cooling.

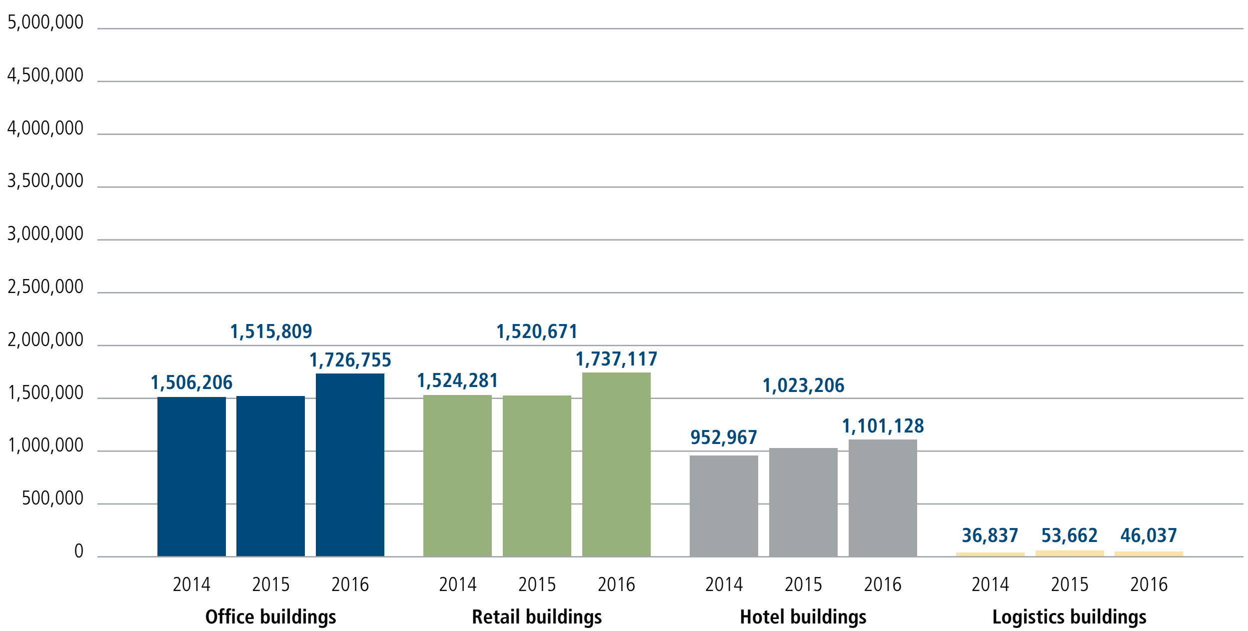
Specific CO_2 emissions – G4-CRE3 [$kgCO_2e/(m^2/year)$]



Fluctuations between types of use are apparent in the breakdown of specific emissions into individual types of use. Increases and reductions are attributable to individual properties here. Likewise, changes resulting from newly purchased or sold properties as well as the energy sources used are major factors.

Absolute water consumption – GRI 303-1 (m^3/year, extrapolated portfolio)

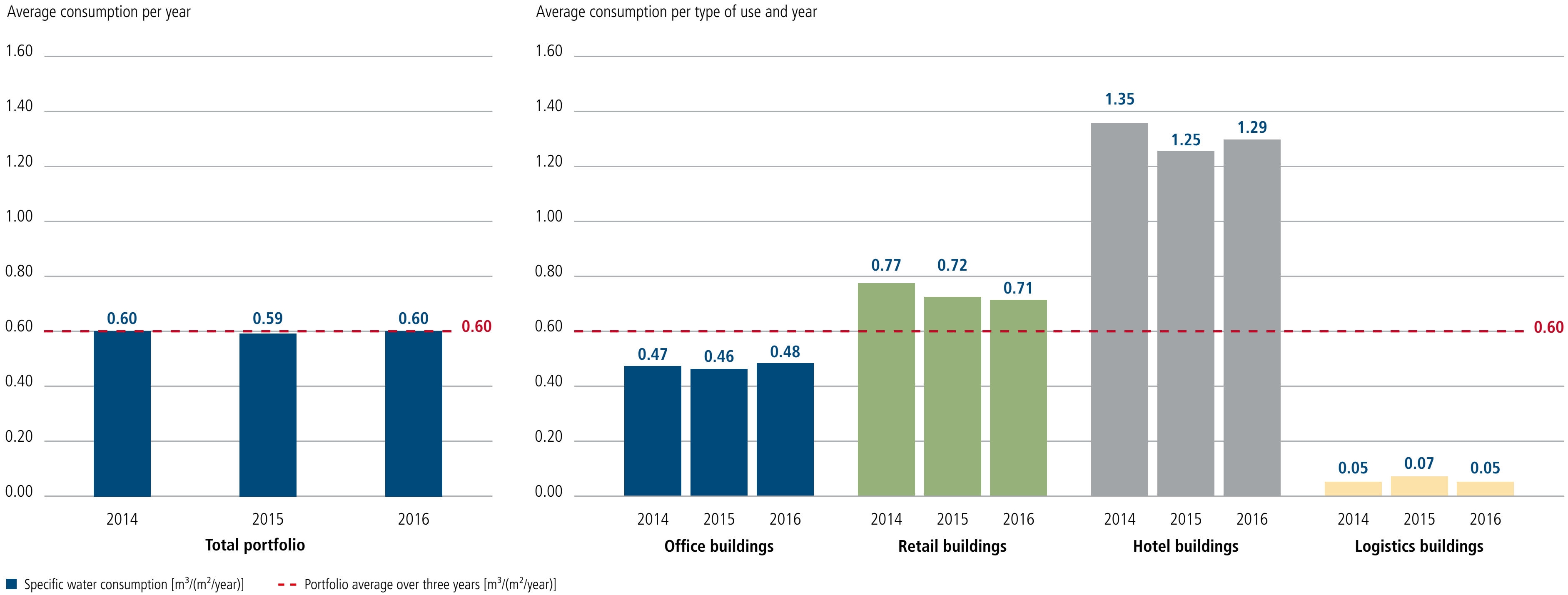




Absolute water consumption comprises the total volume of water consumed. The sources of supply included are drinking water, groundwater and surface water. Compared with 2014, the water footprint for the overall portfolio increased by around 14 % to a figure of just over 4.6 million m^3 in 2016. This increase is attributable to the growth in the real-estate portfolio.

An analysis of the individual types of use also shows that the growth in floor area of the portfolio is associated with the rise in absolute water consumption compared with 2014.

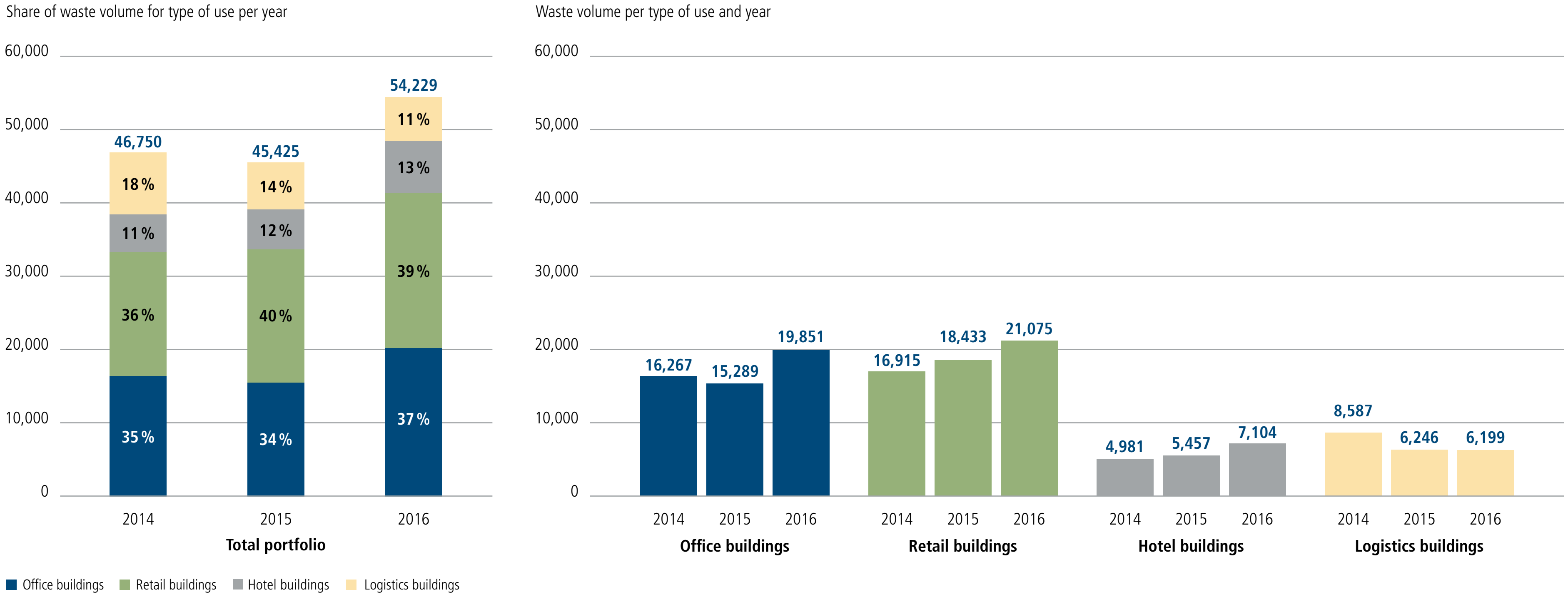
Specific water consumption – G4-CRE2 [$m^3/(m^2/year)$]



Specific water consumption is the absolute values adjusted for special users. At 0.60 m^3/m^2, the average water consumption of the overall portfolio has remained constant compared with 2014 and is precisely in line with the three-year portfolio average.

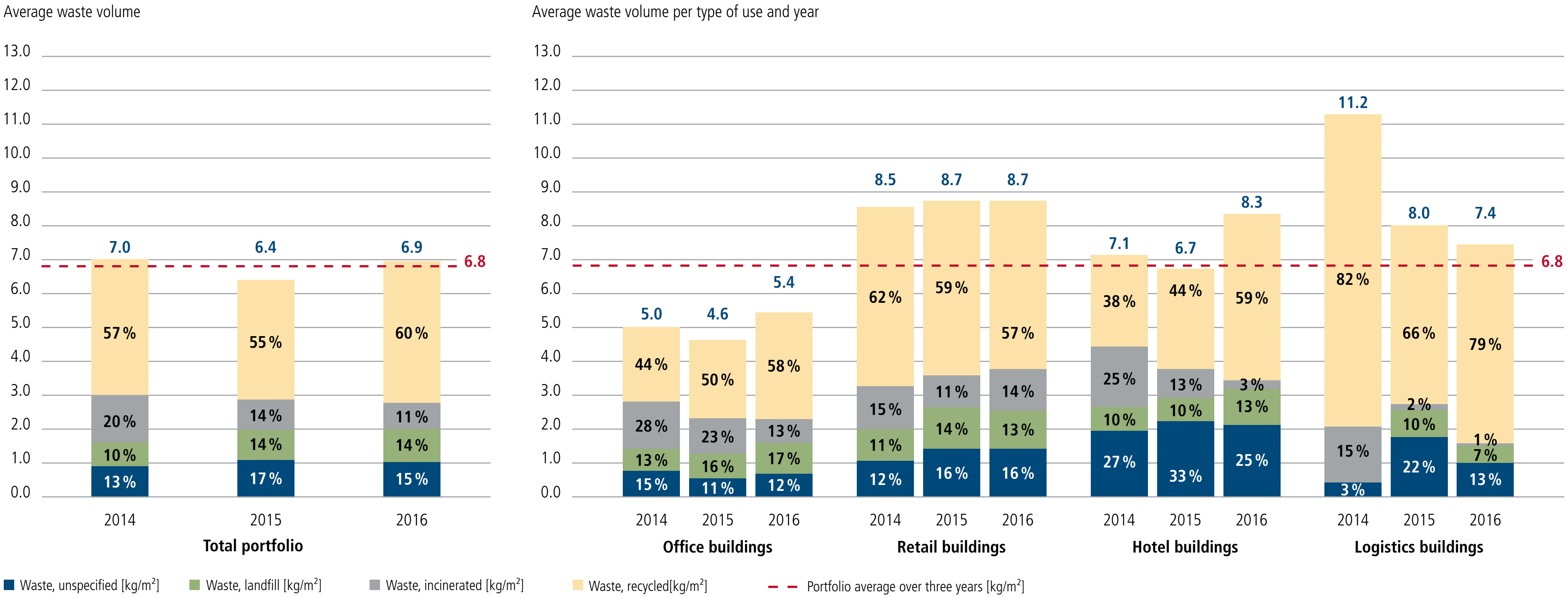
An analysis of the different types of use clearly shows that the values for office and logistics properties have remained constant over the years. By contrast, in the retail portfolio, specific water consumption in 2016 was down by around 7 % on 2014. Hotel properties use the most water due to the nature of their use. However, specific water consumption also fell by just under 5 % in the hotel portfolio in 2016.

Absolute volume of waste – (t/year, extrapolated portfolio)



The absolute volume of waste is the total quantity of waste produced in the categories of recycled waste, landfill waste and incinerated waste. The portfolio growth is also apparent here. In 2016, the absolute volume of waste for the total portfolio was just under 54,000 tonnes, up 16 % on 2014. The volume of waste produced by office, retail and hotel buildings developed in line with the floor area changes for these building types within the portfolio. Logistics buildings produced less waste than in 2014 in spite of floor area increases.

Specific volume of waste [kg/(m²/year)]



The specific volume of waste is adjusted for special users. Compared with 2014, the specific volume of waste for the total portfolio fell by just under 1 % in 2016 and was slightly above the three-year portfolio average at 6.9 kg/m².

An analysis of the individual types of use shows a rise in the volume of waste for office and hotel buildings. The 17 % increase for hotel buildings is attributable to four properties. Individual properties in the portfolio also account for the 7 % increase for office properties. Whereas retail buildings are almost constant over the years, the volume of waste for logistics buildings fell sharply in 2016. The 34 % decrease compared with 2014 is mainly due to the portfolio turnover.

3.6 Like-for-like portfolio

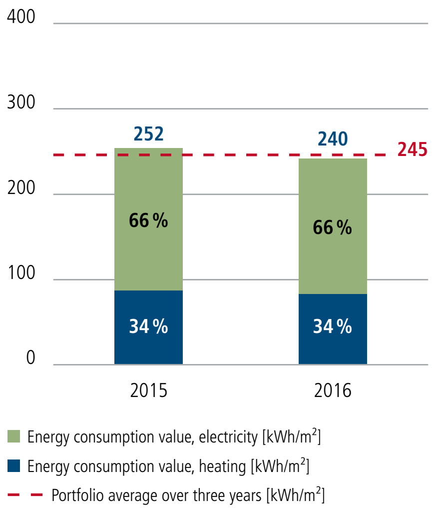
Like-for-like is a metric that adjusts the development in an indicator for new acquisitions or disposals. This is primarily used in dynamic markets to allow comparisons of growth factors, in this case consumption values. The like-for-like analysis of the Union Investment real-estate portfolio therefore only includes properties that were in the portfolio in both 2015 and 2016 and for which there is quality-assured consumption data for both of these years. The adjusted analysis allows specific statements to be made on the changes in consumption values within the real-estate portfolio. Measures that have contributed to the reduction in the respective types of consumption can thus be tracked and monitored. A disadvantage of this method is that statements only apply to a portion of the portfolio, rather than to the portfolio as a whole. The like-for-like portfolio covers 210 properties or approx. 60 % of the total portfolio.

Type of use	2015/2016		
	Number of properties	Floor area (m^2)	Floor area (%)
Office buildings	128	2,395,749	50
Retail buildings	43	1,443,893	30
Hotel buildings	30	575,077	12
Logistics buildings	9	397,620	8
Total	**210**	**4,812,339**	**100**

According to an analysis of the development of the like-for-like consumption data from 2015 to 2016, final energy consumption and CO_2 emissions were reduced by approx. 5 %. The calculation of CO_2 emissions goes hand in hand with the energy sources used and is therefore coherent. By contrast, water consumption in the like-for-like portfolio remained unchanged, while the volume of waste rose by just under 5 %.

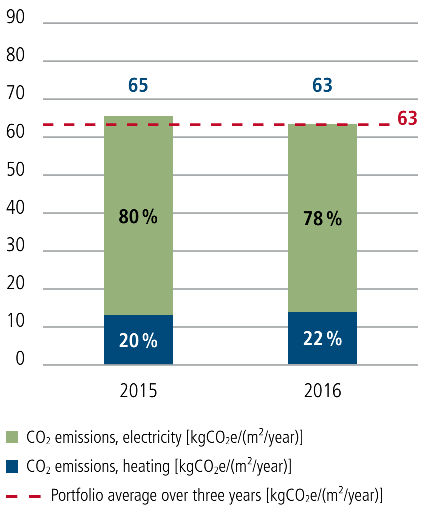
Specific final energy consumption – like-for-like [kWh/(m²/year)]

Average like-for-like portfolio consumption per year, by type of consumption



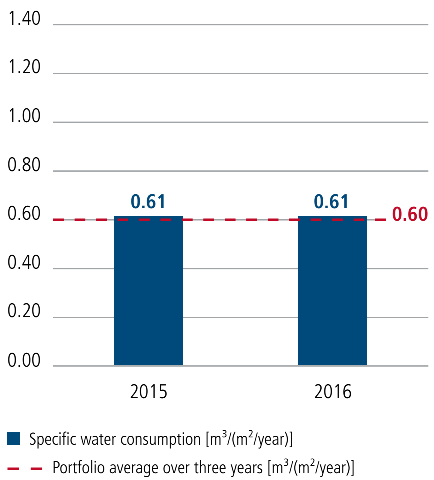
Specific CO_2 emissions – like-for-like [$kgCO_2e/(m^2/year)$]

Average emissions per year, by type of consumption



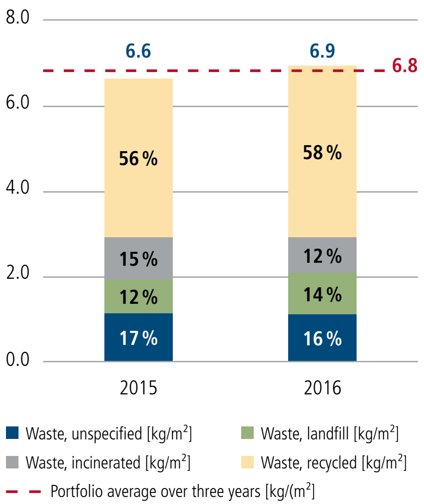
Specific water consumption – like-for-like [m³/(m²/year)]

Average consumption per year



Specific volume of waste – like-for-like [kg/(m²/year)]

Average volume, by type of waste



4. German Property Federation- and German Investment Funds Association-compliant sustainability reporting

The German Property Federation set out the basic principles for sustainable business in the real-state sector in its sustainability code published in 2011. The German Property Federation code encompasses an industry code together with stipulations covering industry reporting, sustainability measurement, corporate governance/responsibility and corporate social responsibility. Union Investment is a member of the German Property Federation and has been heavily involved in the development of the industry code.

Union Investment also played a significant role in the development of the German Property Federation's 'Guideline for the Introduction of Sustainability Measurement in Real-Estate Portfolios – Technological-Environmental Aspects', which was published in 2013. These guidelines contain recommendations for standard sustainability measurements to be used in the real-estate industry. Union Investment complies with the methodology recommended by the German Property Federation in carrying out the sustainability measurements for its portfolio and satisfies all the criteria, thereby ensuring that consumption data is of the requisite quality and facilitating benchmarking throughout the market.

Union Investment also played an active part in drawing up the guidelines for sustainable real-estate portfolio management published by the German Investment Funds Association in 2016. Union Investment complies with the sustainability reporting standards recommended in these guidelines as a matter of course.

GRI content index

GRI standard	Detail		Page / contents / URL
Organisational profile			
GRI 102: General disclosures 2016	**102-1**	**Name of the organisation**	Union Investment Gruppe
	102-2	**Activities, brands, products and services**	With more than 60 years of expertise in the area of funds and assets under management in excess of EUR 320 billion, the Union Investment Group is one of the biggest and most important service providers within the German asset management sector. As an active asset manager, Union Investment offers needs-based investment solutions – both for private and institutional investors. Once again in 2017, product policy in the retail clients business primarily focused on the clients' security needs, with business development continuing to focus on optimising assets, old-age provision, asset investment and savings. The portfolio of services for institutional clients is designed with discerning institutional investors of varying sizes in mind. The clients within the Genossenschaftliche FinanzGruppe cooperative banking group are partner banks and other specialist banks, and also corporate clients of the cooperative partner banks. Union Investment also competes for institutional investors' investment capital outside of the Genossenschaftliche FinanzGruppe group.
	102-3	**Location of headquarters**	Weissfrauenstrasse 7, 60311 Frankfurt am Main, Germany
	102-4	**Location of operations**	Group companies and equity investments as principal places of operation in Germany, Luxembourg, Poland, Austria and Hong Kong.
	102-5	**Ownership and legal form**	Unlisted joint-stock corporation DZ Bank: 72.3 % VR GbR: 24.3 % Local cooperative banks including holding companies of the cooperative banks and trade associations of the German cooperative financial services network and other entities: 3.4 %
	102-6	**Markets served**	In addition to its activities in Germany, the Union Investment Group offers selected products in Austria, Italy, Switzerland, the UK, the Netherlands and the Scandinavian markets. The joint venture between Union Investment and the Bank of East Asia (BEA Union Investment Management Ltd.) focuses exclusively on Asia as a future market. The Polish market is also served, through a subsidiary based in Warsaw. This report focuses on the Union Investment Group within Germany.
	102-7	**Scale of the organisation**	See consolidated financial statements

GRI standard	Detail		Page / contents / URL
	102-8	**Information on employees and other workers**	Most of the activities of the Union Investment Group are performed by permanent core employees. The number of employees is constantly subject to change in line with the performance of the company and the market. See table on p. 165
	102-9	**Supply chain**	For operation, management and enhancement of internal processes, Union Investment buys goods and services from the following 11 product groups (sorted in descending order by purchasing volume): – Consulting – Outsourcing (primarily IT outsourcing) – Facility management – Marketing – Information technology – Market data – Events (conferences/events/trade fairs) – Logistics – Travel management – Operating and office equipment – Vehicle fleet In addition to price and quality, Purchasing takes the following objectives into account in its decision-making: a) Risk minimisation (e.g. with regard to security of supply, data protection, performance, efficiency, compliance, reputation etc.) b) Environmental impact of purchase of the service For the services relevant to the business processes in particular (especially outsourcing of IT services), the supply chains (i.e. including upstream suppliers) are examined on the basis of regulatory requirements and monitored in terms of the stipulations set out above. Management of the supplier chains therefore requires a corresponding level of administrative work. Our supplier portfolio (approx. 2,200 suppliers as at 2017) primarily consists of consultants, developers, agencies, service providers, production companies (media), trainers and others. Our suppliers are mostly located in Germany [approx. 85 %] and the EU [approx. 97 %]. [Approx. 3 %] of suppliers are based outside the EU. This mainly relates to market data and software products with foreign headquarters of the manufacturers. The specific characteristics of our industry combined with the aforementioned focus of the purchased goods and services means that we do not use any services/suppliers with material connections to the low-wage sector or with a connection to ethically or socially controversial goods or practices

GRI standard	Detail		Page / contents / URL
	102-10	**Significant changes to the organisation and its supply chain**	In 2017, Union Asset Management Holding AG invested in the residential-property specialist ZBI Zentral Boden Immobilien Group. Specifically, UMH acquired 49.9 % of the shares in the newly established ZBI Partnerschafts-Holding GmbH, in which the operating activities of the ZBI Group are bundled. This was done to pursue the aim of adding the residential-property sector to the existing range of open-ended real-estate funds. Also in the reporting year, Union Asset Management Holding AG acquired a strategic 13 % stake in proptech company Architrave GmbH. Architrave is the leading provider of intelligent data management in the real-estate industry. Both companies are jointly pursuing the long-term aim of establishing an industry standard for recording property data in an open, digital platform. In addition, the portfolio data of Union Investment Real Estate GmbH's 400-plus properties worldwide is managed in the Architrave platform. Furthermore, Union Asset Management Holding AG increased its stake in VR Consultingpartner GmbH from 49 % to 51 % in the reporting year. At Union Investment Real Estate GmbH, Union Asset Management Holding AG reduced its stake from 94 % to 90 % in the last financial year. Restructuring of the Austrian company Union Investment Austria GmbH (UIA) as a sales and consulting company was also completed in the reporting year. All investment funds under its management have been transferred to other companies or closed. In the course of this, UIA renounced its licence to manage investment funds and obtained an investment-services licence under Austrian law at the same time. In the context of the restructuring, key operational functions were discontinued or outsourced to other group companies.
	102-11	**Precautionary principle or approach**	Union Investment takes a precautionary approach within the company by actively managing and improving its use of resources. The '2° sind machbar' (Two degrees are achievable) climate strategy adopted in 2015 directly stands for our commitment to playing our part in successfully curbing climate change. In our core line of business, our main priority is to safeguard our clients' assets and secure their pension and provision commitments through our services. For our clients, we act as effectively as possible in line with their investment horizon with a view to long-term asset allocation.

GRI standard	Detail		Page / contents / URL
	102-12	**External initiatives**	We strive to comply with strict nationally or internationally recognised standards in everything we do in the area of sustainability. For example, we are a member of the UN Global Compact and have pledged to apply the UN Principles for Responsible Investment. We signed the declaration of conformity with the German Sustainability Code in December 2013 and renewed this declaration in December 2016. In our real-estate activities, we have signed up to the ZIA's sustainability code for the real estate industry. We are represented in the sustainability committees of our industry associations (EFAMA, BVI, VfU). Since July 2013, Union Investment has been represented on the board of the Sustainable Investments Forum (FNG) by its head of Sustainability Management.
	102-13	**Membership of associations**	– Cooperative umbrella association: BVR – Industry associations: BVI, EFAMA – UN Principles for Responsible Investment; – Sustainable Investments Forum (FNG); – German Property Federation (ZIA); – VfU
Strategy			
GRI 102: General disclosures 2016	**102-14**	**Statement from senior decision-makers**	Union Investment has a sustainability strategy which was adopted by the full Board of Managing Directors at the end of 2014 and which positions us as an ambitious company in the area of sustainability issues in the years to come too, on the basis of the success achieved thus far. We base our activities on national or international standards and implement them wherever this appears to be prudent. We have laid down the objectives and activities for achieving our strategic goals in all the areas of activity in our public sustainability programme, which is passed by the Board of Managing Directors annually. We recognised the Principles for Responsible Investment as a key standard for the implementation of sustainability in our core line of business back in 2010 and have continued to systematically develop our services in accordance with ever greater requirements ever since. The annual PRI feedback and other benchmarking standards give us valuable insights into how we need to further develop our core business processes. The primary focus for the next few years is to play an active part in shaping the anticipated changes, e.g. in the context of discussions on the long-term focus of the financial markets, and to implement these changes in the interests of the company and our investors. At times of low interest rates, we are called upon to develop solutions that contribute to safeguarding and increasing the prosperity of our investors. In view of the particular significance of sustainable investment to Union Investment, the UMH Board of Managing Directors commissioned a review of its ongoing strategy in Q3/2017 so that it can come into line with the current initiatives at European and conceivably also national level as a company.

GRI standard	Detail		Page / contents / URL
	102-15	**Key impacts, risks and opportunities**	As a custodian for over 4 million private investors and numerous institutional investors, we also actively uphold owners' interests in terms of sustainability. In the company dialogue, when selecting our investment properties and when buying, developing and managing real-estate properties, we actively incorporate sustainability aspects in the decision-making processes and work towards improvements regarding environmental, social and management aspects. We do this both as an individual company and in the context of joint activities with other international asset managers and property developers in order to make our activities more effective. Since 2012, we have also been offering this form of "CSR" to investors who have not invested in Union Investment products in order to extend the reach of our sustainability initiatives even further. As an active, committed company, we support numerous associations and initiatives that work to create standards in the field of sustainability. We have repeatedly supported the creation of ESG standards in the bond sector via the PRI since 2015. As members of the Sustainable Investments Forum (FNG), we have been actively involved in designing and introducing a quality label for sustainable mutual funds and are the first German asset manager to sign up to the PRI initiative "Montreal Pledge". Since 2017, we have been signatories of the Frankfurt Declaration and working to develop future-proof standards for Germany as a financial location.
Ethics and integrity			
GRI 102: General details 2016	**102-16**	**Values, principles, standards and norms of behaviour**	Union Investment developed a new mission statement in 2010. It states that the company's mission is geared towards the interests of our investors and enshrines transparency, partnership and professionalism as key elements of the corporate culture alongside our cooperative identity. In 2015, the existing sustainability code was revised and adopted anew. The code contains a comprehensive description of our understanding of good corporate governance and the various areas of activity of sustainability. There are separate guidelines on responsible investment for our core business process of asset management. The sustainability requirements for suppliers of the DZ BANK Group are applied as guidelines for dealing with external suppliers. Separate management guidelines also exist for employee management.
	102-17	**Mechanisms for advice and concerns about ethics**	Various guidelines and processes are established for internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity. There are whistle-blowing systems that track the relevant specific matters, which in particular guarantee the whistle-blower's anonymity. If necessary, external bodies/advisors are also involved in order to handle/draft the relevant constellations.

102-8 Information on employees and other workers

	Permanent	Temporary
Male	1,670	41
Female	1,253	54
Total	**2,923**	**95**

GRI standard	Detail		Page / contents / URL
Governance			
GRI 102: General disclosures 2016	**102-18**	**Governance structure**	The Board of Managing Directors of Union Asset Management Holding AG is the highest decision making body of the Union Investment Group. The Supervisory Board of Union Asset Management Holding AG is the highest supervisory body. The group-wide managerial and coordination responsibilities are pooled within Union Asset Management Holding AG as the controlling company of the Union Investment Group. In addition to these core responsibilities, this company handles group-wide services. It does not engage in any operating activities. Hermann Buerstedde (employee representative), Lars Hille and Karl-Heinz Moll left the Supervisory Board in May 2017. Dr Matthias Hildner (CEO of Wiesbadener Volksbank eG), David Milleker (employee representative) and Dr Cornelius Riese (member of the Board of Managing Directors of DZ BANK AG) joined the Supervisory Board in their place on 12 May 2017.
	102-19	**Delegating authority**	Improving economic, environmental and social performance is firmly embedded in the company and its structures. Responsibilities and functions are delegated to the line managers on this basis. Coordination of the sustainability strategy and measures is the responsibility of the sustainability officer.
	102-20	**Executive-level responsibility for economic, environmental and social topics**	The Union Investment Group's sustainability strategy is coordinated by the sustainability officer and the environmental management officer. Both of these report directly to the CEO.
	102-21	**Consulting stakeholders on economic, environmental and social topics**	Resolution recommendations are usually addressed to the Supervisory Board via the Board of Managing Directors. Nonetheless, shareholders and employees may, at any time, address recommendations or instructions not only to the Board of Managing Directors but also directly to the Supervisory Board. No specific mechanism has been put in place for this.
	102-22	**Composition of the highest governance body and its committees**	The Supervisory Board of Union Asset Management Holding AG comprises 15 members in total, ten of whom are shareholder representatives and five of whom are employee representatives. All the members of the Supervisory Board are bound by the requirements, rights and obligations inherent to the activities of the supervisory board of a public limited company as prescribed in Germany's Stock Corporation Act (AktG). The tenure of the incumbent UMH Supervisory Board, which currently comprises 13 men and 2 women, is scheduled to last until the Annual General Meeting of UMH in 2022. Additionally, the company's Articles of Association require the members of the Supervisory Board appointed by the Annual General Meeting to protect the interests of the shareholders in investment funds issued by subsidiaries on the basis of their personality and expertise, and stipulate that, in principle, only persons who are a member of the governance body of a cooperative company may be appointed as the Supervisory Board member for shareholders. This principle may be deviated from in the case of a maximum of two shareholder representatives. As Union Asset Management Holding AG is not an asset management company within the meaning of Germany's Investment Code (KAGB), the independence requirements stipulated in Section 18 (3) KAGB do not apply to this company. The supervisory boards of the four group companies Union Investment Privatfonds GmbH, Union Investment Institutional GmbH, Union Investment Real Estate GmbH and Union Investment Institutional Property GmbH, which do fall within the scope of Section 18 (3) KAGB, each include a supervisory board member who, in accordance with the law, is independent of the shareholders, the companies associated with them and the company's business partners. There are no obstacles to any of the members of the Supervisory Board of Union Asset Management Holding AG being members of said board on the basis of other mandates already exercised, pursuant to Section 25 c/d of the German Banking Act (KWG). In 2015, the Supervisory Board of Union Asset Management Holding AG set targets for the proportion of women on the company's Supervisory Board and Board of Managing Directors pursuant to Section 111 (5) AktG, to be met by 30 June 2017. The target set for the Supervisory Board is 20 %. The proportion of women on the Supervisory Board in the reporting period was 13.3 %. The proportion of women on the Board of Managing Directors in the reporting period was 0 %. The Supervisory Board set a target of maintaining the status quo until 30 June 2017.
	102-23	**Chair of the highest governance body**	The Chief Executive Officer of Union Asset Management Holding AG is Mr Hans Joachim Reinke. He is not simultaneously the managing director of an operating subsidiary of Union Asset Management Holding AG. The Chairman of the Supervisory Board of Union Asset Management Holding AG is Mr Wolfgang Kirsch (CEO of DZ BANK AG).

GRI standard	Detail		Page / contents / URL
	102-24	**Nominating and selecting the highest governance body**	In accordance with the Articles of Association of Union Asset Management Holding AG, the members of the Supervisory Board of Union Asset Management Holding AG appointed by the Annual General Meeting must protect the interests of the shareholders in investment funds issued by subsidiaries on the basis of their personality and expertise. In principle, only persons who are members of the governance body of a cooperative company may be appointed as the Supervisory Board member for shareholders. Selection is subject to various criteria, including expertise and experience in the area of financial correlations. The Supervisory Board of Union Asset Management Holding AG additionally passed a resolution setting a target of 20 % for the proportion of women on the Supervisory Board of Union Asset Management Holding AG, to be met by 31 December 2021.
	102-25	**Conflicts of interest**	The five employee representatives on the Supervisory Board are elected by the workforce. The members of the Board of Managing Directors of Union Asset Management Holding AG are appointed by the Supervisory Board of Union Asset Management Holding AG. The Supervisory Board bases its decisions on stringent qualification and experience requirements. The qualification and regularity of the governance of Union Asset Management Holding AG are the subject of an audit performed by the Supervisory Board and the auditors. The code of procedure for the Supervisory Board of Union Asset Management Holding AG stipulates that every member of the Supervisory Board must disclose any conflicts of interest relating to their person to the Supervisory Board without undue delay. As a rule, members of the Supervisory Board must not accept third-party benefits or allow such benefits to be pledged to them or to third parties in relation to their exercising their activities, nor may they promise or grant unjustified benefits to third parties. The company ensures that this rule is complied with by introducing and regularly updating internal guidelines and can stipulate criteria for exceptions to the rule (de minimis cases). A Supervisory Board member's consultancy contracts or any other service contracts or contracts for work with the company are subject to the approval of the Supervisory Board.
	102-26	**Role of highest governance body in setting purpose, values and strategies**	The guiding principles, strategic goals and guidelines are developed and set by the Board of Managing Directors of Union Asset Management Holding together with the managers. With regard to the company's sustainability focus, continuation of its CSR strategy up to and including 2018 was passed and implemented in 2014 and 2015. An updated sustainability code for the Union Investment Group was adopted in December 2015, and continuation of the sustainability programme in 2018 was prepared for in December 2017 and passed in January 2018. The report on the 2017 financial year will be submitted to the Supervisory Board in the first quarter of 2018.
	102-27	**Collective knowledge of highest governance body**	As the highest governance body, the Union Asset Management Holding Board of Managing Directors addresses sustainability issues in its regular reporting and as part of its responsibility for CSR activities. In September 2017, the current status of development in the core business was presented to the Board of Managing Directors and future prospects were discussed. After the future challenges were addressed in depth, an updated strategy for sustainable investments was commissioned.
	102-28	**Evaluating the highest governance body's performance**	The regularity of the Board of Managing Directors' management is assessed annually by the external auditors. The Supervisory Board is notified of the auditors' findings. Insofar as subsidiaries of Union Asset Management Holding AG are subject to supervision by Germany's Federal Financial Supervisory Authority (BaFin), the findings of the annual audit are also submitted to BaFin. BaFin generally conducts supervisory talks at least once a year with the management of the group companies which it supervises. BaFin occasionally also orders special audits. The Board of Managing Directors' management is also continuously monitored by the Supervisory Board. Please refer to the written report of the Supervisory Board in the annual report. The Supervisory Board assesses the performance of the Board of Managing Directors once a year on the basis of agreed ex-ante performance targets. Sustainability issues are a component of the Board of Managing Directors' target agreement and performance assessment. Decisions regarding the formal approval of the actions of the Supervisory Board and Board of Managing Directors of Union Asset Management Holding AG are made annually by the shareholders at the Annual General Meeting.
	102-29	**Identifying and managing economic, environmental and social impacts**	In September 2017, the Board of Managing Directors of Union Asset Management Holding AG audited and approved all ESG aspects of the CSR strategy developed in 2015, and performed a follow-up audit of parts thereof. The Supervisory Board is regularly informed of the status of sustainability initiatives at the first meeting following the year-end. The resultant sustainability programme measures are audited by the Board of Managing Directors annually and, in the event of deviations, corrective measures are implemented. Key CSR projects such as the climate strategy and our CSR policy are implemented with the involvement of the relevant stakeholders, such as NGOs and key investors, so as to incorporate different perspectives into the procedures. Development of the Union Investment CSR strategy is based on the framework guidelines agreed upon within the DZ BANK Group.
	102-30	**Effectiveness of risk management processes**	The Union Investment Group's business and risk strategy is presented to the Supervisory Board of Union Asset Management Holding AG once a year for approval. The written quarterly report submitted to the Supervisory Board of Union Asset Management Holding AG likewise always includes information regarding the risk situation.

GRI standard	Detail		Page / contents / URL
	102-31	**Review of economic, environmental and social topics**	At least once a year.
	102-32	**Highest governance body's role in sustainability reporting**	The CEO of Union Asset Management Holding AG is the highest formal position to approve the sustainability and annual reports.
	102-33	**Communicating critical concerns**	The company's critical concerns are addressed by means of the regular risk report and the quarterly reporting of all the operating segments to the Board of Managing Directors. If necessary, especially critical issues are subject to separate audits and, upon being audited, are resubmitted to be passed by a resolution.
	102-34	**Nature and total number of critical concerns**	The Supervisory Board was notified about the need for restructuring within a foreign subsidiary during the reporting period. Consent was sought regarding a plan of action. Most of the reorientation of the company in question was completed in the reporting period by mutual agreement with the stakeholders (employees). Progress reports were presented to the Supervisory Board.

GRI standard	Detail		Page / contents / URL
	102-35	**Remuneration policies**	The aim of the remuneration systems is to recognise the employees' achievements accordingly and to offer them effective performance incentives. The remuneration system for employees employees in the collectively negotiated wage sector in Germany is based on the wage agreements for the private banking industry and for public banks. In Luxembourg, it is based on the collective bargaining system applicable there. The agreed salaries comprise the monthly salaries and bonus payments. The remuneration structure for employees not in the collectively negotiated wage sector comprises a function-based monthly basic salary and a short-term performance-based component. The performance-based component comprises not only quantitative targets – qualitative and sustainable targets can also be agreed individually. A results-oriented bonus and a growth-oriented long-term incentive plan (LTIP) may be offered as voluntary special benefits. An LTIP offers an incentive for sustainable business success and for long-term staff retention, and also reflects the company's risk position. The remuneration structure for employees whose activities have a significant influence on the risk profile of the asset management company or the managed investment fund (risk functions) and for employees with a control function comprises basic remuneration and variable risk premium for risk functions. This variable remuneration entails a multi-year assessment period and delayed payment. The aim is to reduce the risk appetite of the risk functions by incorporating lengthy periods of assessment and payment into both the past and future. The remuneration system is also compatible with and beneficial to a sound and effective risk management system. In addition to basic remuneration, the board members of Union Asset Management Holding AG are paid on the basis of a target bonus system. The bonus components are broken down into group company and individual targets. 40 % of these are paid in the form of a deferred bonus as a sustainable component. The remuneration of the members of the Supervisory Board of Union Asset Management Holding AG as determined by the Annual General Meeting is fixed remuneration which is intentionally granted independently of the organisation's performance.
	102-36	**Process for determining remuneration**	Union Investment's remuneration system is based on an analytical job evaluation process, drawing on external remuneration benchmarks. Independent external advisory services are used both in internal and annual market analysis. The remuneration system is also audited and analysed annually by an independent, internal remuneration committee.

GRI standard	Detail		Page / contents / URL
	102-37	**Stakeholders' involvement in remuneration**	Resolution recommendations are usually addressed to the Supervisory Board via the Board of Managing Directors. Nonetheless, shareholders and employees may, at any time, address recommendations or instructions not only to the Board of Managing Directors but also directly to the Supervisory Board. No specific mechanism has been put in place for this.
	102-39	**Percentage increase in annual total compensation ratio**	The percentage increases for these two employee groups are comparable. Any deviations from the average may be due to HR policy influences but are in no way statistically representative.
Stakeholder engagement			
GRI 102: General disclosures 2016	**102-40**	**List of stakeholder groups**	Cooperative banks, tenants, employees, journalists, associations, rating agencies, end investors, institutional clients, invested companies, cooperative financial services group / network, NGOs, SRI initiatives, service providers, politicians and regulatory bodies, UI employee CSR round table and others.
	102-41	**Collective bargaining agreements**	The agreements reached under collective bargaining apply to 30.70 % of all employees.
	102-42	**Identifying and selecting stakeholders**	Regular relations with each of the stakeholder groups and their relevance to Union Investment's focus in all of its core areas of activity. The stakeholders surveyed should demonstrate a fundamental understanding of sustainability in investment. NGOs in particular, but also institutional investors, were incorporated into the survey and drawing up of requirements for developing and implementing the climate strategy.
	102-43	**Approach to stakeholder engagement**	Dialogue and engagement with the stakeholder groups is target-group-specific and assumes different forms and intensities: the Union Investment shareholders are involved via the established supervisory bodies, and for the local cooperative banks there are annual regional series of events in which all the aspects of partnership with Union Investment are discussed in detail. The employees are kept informed about the state of the company by means of regular events and via internal media. Interests and concerns can also be shared. There is ongoing dialogue with regulatory bodies and politicians, supervisory bodies and authorities. The worlds of science and culture are specifically incorporated into internal topical opinion forming processes via the Union Investment Foundation and in partnerships and studies. There is regular and in-depth customer care for institutional clients, while the retail clients are looked after by the respective cooperative banks. Both of these customer groups are surveyed regularly to gauge their satisfaction with the business relations. Feedback from the previous year's report and ongoing findings from our stakeholder dialogues are incorporated into the report. Another central stakeholder survey was conducted in 2017 and incorporated into the report.

GRI standard	Detail		Page / contents / URL
	102-44	**Key topics and concerns raised**	In 2017, external stakeholder communication with investors and sales partners again focused on how to deal with low interest rates and, accordingly, how to safeguard jeopardised prosperity. Due to the development of the capital markets in recent years, the issue of risk management is of great relevance to institutional clients in particular, and we work on this and discuss it actively with our clients. Union Investment supported the topic suggestions by sharpening the focus of its portfolio and communication policies. Regular engagement with stakeholders has demonstrated that, in the financial services sector, input that results in action primarily comes from highly informed stakeholder groups, while broad surveys rarely generate expedient input due to the abstractness of the products. We therefore make a distinction between general surveys of satisfaction on the one hand and very specific topic-based engagement of directly affect stakeholders on the other.
	102-45	**Entities included in the consolidated financial statements**	a. See p. 53 in the annual report b. The report covers all companies of the Union Investment Group that fulfil the following aspects: materiality, influencing capability, sufficient capacity and integration in segment organisation. The following companies are not included on account of these criteria: Quoniam Asset Management, Visual Vest, Union Investment TFI (Poland), BEA Union Investment Management Limited (Hong Kong), VR Consultingpartner Union Investment Real Estate France.
	102-46	**Defining report content and topic boundaries**	See materiality matrix on p. 126
	102-47	**List of material topics**	See table of aspects on p. 127
	102-48	**Restatements of information**	In 2017, the KPIs of our activities in Austria were added, even though no actual figures are available for the reporting in some areas, e.g. environmental. However, the impacts in the overall context of Union Investment Group are not serious, and so we regard inclusion of the activities as acceptable.
	102-49	**Changes in reporting**	None
	102-50	**Reporting period**	2017 calendar year
	102-51	**Date of most recent report**	1 May 2017
	102-52	**Reporting cycle**	Annual
	102-53	**Contact point for questions regarding the report**	Union Investment Group sustainability officer, Matthias Stapelfeldt

GRI standard	Detail		Page / contents / URL
	102-54	**Claims of reporting in accordance with the GRI standards**	This report was prepared in accordance with the GRI standards: core option.
	102-55	**GRI content index**	Starts on p. 163 (beginning of the index)
	102-56	**External assurance**	The report was not audited externally.
Organisational profile			
GRI 103: Management approach in 2016	**103-1**	**Explanation of the material topic and its boundary**	See p. 128
	103-2	**The management approach and its components**	See p. 128
	103-3	**Evaluation of the management approach**	See p. 128
Economy			
GRI 201: Economic performance 2016	**201-1**	**Direct economic value generated and distributed**	See income statement in annual report on p. 48
	201-2	**Financial implications and other risks and opportunities due to climate change**	The '2° sind machbar' (Two degrees are achievable) climate strategy was adopted in 2015 to achieve the political target of two degrees and measure the results. The planned measures were implemented in 2016 and 2017 as expected. With regard to investor behaviour, however, it has been observed that increased incorporation climate aspects into the portfolios calls for a lengthy preparatory period and intensive investor consultation.
	201-3	**Defined-benefit plan obligations and other retirement plans**	Union Investment provides several company pension schemes that differ in terms of contributions and implementation method. The resultant liabilities are mostly funded via plan assets. All permanent employees are in at least one pension scheme. See p. 77 of the 2017 annual report for the amount of Union Investment's company pension liabilities.
	201-4	**Financial assistance received from government**	None

GRI standard	Detail		Page / contents / URL
GRI 203: Indirect economic impacts 2016	**203-1**	**Infrastructure investments and services supported**	A contribution to reducing CO_2 emissions is made by investing in wind farms and solar farms in the UniInstitutional Infrastruktur SICAV-SIF Erneuerbare Energien fund. The portfolio data is published quarterly.
GRI 204: Procurement practices 2016	**204-1**	**Proportion of spending on local suppliers**	a. Approx. 97 % Our suppliers are mostly located in Germany [85 %] and the EU [97 %]. [3 %] of suppliers are based outside the EU. This mainly relates to market data and software products with foreign headquarters of the manufacturers. b. "Local" is defined as procurement within the Federal Republic of Germany. c. The significant locations of operation are the parts of the group in Germany, Luxembourg and Austria.
GRI 205: Anti-corruption 2016	**205-1**	**Operations assessed for risks related to corruption**	All business locations are assessed in terms of corruption risks.
	205-2	**Communication and training about anti-corruption policies and procedures**	All employees and managers are informed of and trained on anti-corruption strategies and measures.
	205-3	**Confirmed incidents of corruption and actions taken**	The money laundering officer was not made aware of any incidences of corruption in the 2017 reporting period which would have resulted in judicial sentencing or an employee dismissal. This equally applies to any contracts with business partners founded on such a matter. The money laundering officer is likewise not aware of any public lawsuits levelled at the group in relation to its operations.
GRI 206: Anti-competitive behaviour 2016	**206-1**	**Legal actions for anti-competitive behaviour, anti-trust and monopoly practices**	None

GRI standard	Detail		Page / contents / URL
Environment			
GRI 301: Materials 2016	**301-1**	**Materials used by weight or volume**	• Specific paper consumption: 2016: 264.2 kg / employee – 2017: 322 kg / employee • Paper consumption reduced by 13.1 % compared with the reference year (2014) • Reduction in paper consumption per client compared with the reference year (2014): 17.9 % • Photocopying paper consumption totalled 73,178 kg in 2017 (86,931 kg in 2016) This equates to consumption of 25.9 kg per employee in 2017. See also table on p. 172
	301-2	**Recycled input materials used**	See table on p. 172
GRI 302: Energy 2016	**302-1**	**Energy consumption within the organisation**	See table on p. 172
	302-2	**Energy consumption outside of the organisation**	Unfortunately, our suppliers are not all able to report on their product-related or service-related energy consumption or CO_2 footprint. However, we aim to make progress here in the context of supplier development. With regard to the CO_2 footprint, we already report very extensively on Scope 3 emissions wherever possible.
	302-3	**Energy intensity**	See table on p. 172
	302-4	**Reduction of energy consumption**	The KPIs on resource efficiency (CO_2 footprint, energy consumption, etc.) can be found in the CSR report. The KPIs are determined annually in the sustainability platform Sofi on the basis of consumption, bills and reports from suppliers. If no KPIs are available, they are extrapolated on the basis of previous years or levels at other locations. For some KPIs (e.g. commuter emissions or event emissions), it is necessary to make assumptions that are usually derived from current recommendations (e.g. of the Environment Ministry of NGOs) or determined in internal workshops on the basis of experience. The assumptions are also documented in the recording tool.
	302-5	**Reductions in energy requirements of products and services**	See table on p. 172

GRI standard	Detail		Page / contents / URL
GRI 303: Water 2016	**303-1**	**Water withdrawal by source**	See table on p. 174
GRI 305: Emissions 2016	**305-1**	**Direct (Scope 1) GHG emissions**	See table on p. 173
	305-2	**Energy indirect (Scope 2) GHG emissions**	See table on p. 173
	305-3	**Other indirect (Scope 3) GHG emissions**	See table on p. 173
	305-5	**Reduction of GHG emissions**	There is a climate strategy with extensive measures. These can be found in the current sustainability programme. The extent of reduction of GHG emissions is set out on p. 173.
GRI 306: Effluents and waste 2016	**306-1**	**Water discharge by quality and destination**	Union Investment discharges waste into the communal drainage systems. See table on p. 174
	306-2	**Waste by type and disposal method**	Volumes of waste are calculated on the basis of reports or disposal certificates via the waste register. In the rare cases where waste data is not available, e.g. where collection containers are shared with other tenants, the data is extrapolated on the basis of the number of employees at the respective location. Our waste disposal companies are responsible for selecting the disposal method. Toner waste is returned to the service provider of our printing service provider. See table on p. 173
GRI 307: Environmental compliance 2016	**307-1**	**Non-compliance with environmental laws and regulations**	None in 2017 reporting year.
GRI 308: Supplier environmental assessment 2016	**308-1**	**New suppliers that were screened using environmental criteria**	100 %

GRI standard	Detail		Page / contents / URL
	308-2	**Negative environmental impacts in the supply chain and actions taken**	Ecological environmental impacts measured on the basis of CO_2 footprint arise in the following product groups: – Outsourcing: Electricity consumption of data-centre service providers – Facility management: Waste, water supply, district heating, natural gas, electricity consumption – Marketing: Paper consumption – Events (conferences / events / trade fairs) – Logistics: Packages, mail deliveries – Travel management: Business trips, hotel stays – Operating and office equipment: Toner consumption – Vehicle fleet: Fuel consumption Consequently, we maintain close dialogue with our suppliers and devise development pathways with them. Further development of the suppliers identified as relevant is subject to monitoring through establishment of a concept for ongoing supplier development as a formal "work instruction". The specific development pathway of the supplier is tracked by means of the audits required as part of this. No infringements with significant actual and potential negative environmental impacts were identified in the reporting period. Therefore, no business relationships were terminated on these grounds. See table on p. 174

301-1 + 301-2 Paper consumption [1] and use of recycled paper [comparison with reference year 2014 (kg)]

Paper consumption	2014	2017	2017 in %
Recycled paper	131,785	197,852	21.7
FSC-certified paper	495,880	634,649	69.6
PEFC-certified paper	372,058	25,028	2.7
Non-certified paper	49,476	54,000	5.9
Total paper consumption	**1,049,199**	**911,529**	**100**
Paper consumption per customer [g]	**256.1**	**210.3**	

[1] Paper consumption includes the following types of consumption: customer mail, photocopying paper, customer information (magazines, flyers, product brochures), reports, office supplies (stationery, business cards, letterheads) and hygienic tissue paper. All print jobs and paper orders are recorded in the company's procurement portal. This forms the basis for calculating paper quantities. Reports from the cleaning service provider are applied for hygienic tissue paper consumption.

302-1 + 302-3 + 302-4 + 302-5 Direct energy consumption [1] (fuels) by source [comparison with reference year 2014 [2] (MJ)]

Energy type	2014	2017		
	Consumption in MJ	Consumption in MJ	Reduction versus reference year in MJ	Consumption per employee [MJ/FTE[3]]
Petrol	522,885.27	452,571.97	70,313.3	159.9
Diesel	18,106,047.03	21,492,841.64	-3,386,794.6	7,594.6
Natural gas	16,544,795.62	13,248,298.80	3,296,496.8	4,681.4
District heating	7,316,299.87	11,339,903.63	-4,023,603.8	4,007.0
Electricity	31,030,810.02	34,647,653.81	-3,616,843.8	12,243.0
Total	**73,520,837.81**	**81,181,269.85**	**-7,660,432.04**	**28,685.96**

[1] The KPIs are calculated on the basis of the utility bills and the report on the vehicle fleet. Missing data for individual locations is extrapolated on the basis of employee development. Direct energy consumption relates to non-renewable sources. Apart from a small proportion of shared electricity, only green electricity is purchased. Emissions for natural gas are compensated by the energy supplier via a Gold Standard-certified climate-protection project. The energy intensity ratio is based on energy consumption within the organisation. Details on energy consumption for the reference year (2014) have been adjusted in relation to the previous year's report. When determining key figures, the quantities actually billed were applied.
[2] The reference year 2014 was selected on account of the target agreement in the sustainability programme; see p. 133
[3] FTE = Full-time equivalent.

305-1 + 305-2 + 305-3 Total direct, indirect and other greenhouse gas emissions (GHG emissions) by weight (t CO_2 equivalents)[1], reduction compared with reference year 2009 and GHG emissions intensity

Source of GHG emissions	2009	2017			Reduction versus reference year	
	CO_2 in tonnes		Percentage [%]	Emissions per employee [kg/FTE]	CO_2 in tonnes	Reduction [%]
Vehicle fleet (fuel consumption)	2,992.2	2,418.2	16.0	854.5	574.0	19.2
Natural gas	1,605.2	308.5	2.0	109.0	1,296.7	80.8
Coolant losses	0.0	6.7	0.0	2.4	-6.7	-
District heating	148.6	502.1	3.3	177.4	-353.5	-237.9
Electricity consumption	6,929.8	410.9	2.7	145.2	6,519.0	94.1
Paper consumption	1,385.1	1,059.8	7.0	374.5	325.4	23.5
Business travel (rail, rental cars, aircraft, private cars)	3,621.3	4,123.3	27.3	1,457.0	-502.0	-13.9
Water supply	19.4	14.7	0.1	5.2	4.7	24.4
Hotel accommodation	68.4	201.7	1.3	71.3	-133.2	-194.7
Commuter traffic	2,138.9	2,252.4	14.9	795.9	-113.6	-5.3
Letters	621.7	3.5	0.0	1.2	618.2	99.4
Parcels	116.4	0.0	0.0	0.0	116.4	100.0
Waste	115.6	122.0	0.8	43.1	-6.4	-5.5
Events	3,567.1	3,650.0	24.1	1,289.8	-82.9	-2.3
Toner consumption	50.7	42.2	0.3	14.9	8.6	16.9
Total	**23,380.6**	**15,115.9**	**100.0**	**5,341.3**	**8,264.7**	**35.3**

[1] For all GHG emission sources, the carbon footprint also contains the upstream and downstream Scope 3 emissions (CDP standard; GHG market-based method). 2009 was applied as the reference year because this was the year in which the environmental management system was introduced, meaning it provides the best possible transparency with regard to the measures already implemented. The carbon footprint is calculated on the basis of utility bills and reports from service providers. Manufacturer information was applied for the emission factors where possible. Where this information was not available, the factors published by the VfU were applied. We take the RFI factor 2.7 into account when determining business-travel emissions for aircraft.

[2] Shows the emissions from electricity consumption (GHG location-based method) where this was not purchased as renewable energy.

305-1 + 305-2 + 305-3 Comparative value: Scope 2 emissions based on the energy mix in Germany[1]

Source of GHG emissions	2009	2017			Reduction versus reference year	
	CO_2 in tonnes		Percentage [%]	Emissions per employee [kg/FTE]	CO_2 in tonnes	Reduction [%]
Electricity consumption	6,929.85	5,910.32	—	2,088.5	1,019.5	14.7
Total [1]	**23,380.60**	**20,615.34**	—	**7,284.6**	**2,765.26**	**11.8**

[1] Shows the emissions from electricity consumption (GHG location-based method) where this was not purchased as renewable energy.

306-2 Total weight of waste by type and disposal method[1]

Type of waste	2014	2015	2016	2017
Paper waste (t)	270.9	346.4	188.2	187.4
Mixed packaging (t)	46.0	9.9	9.6	0.8
Residual waste (t)	76.7	160.0	167.8	162.5
Other				
Lighting (kg)	56.6	9.0	14.5	42.0
Old batteries (kg)	15.5	6.0	24.0	21.0
Commercial waste (t)	14.9	179.5	17.8	19.6
Data carriers (kg)	120.5	197.0	218.0	377.0
Electrical waste (kg)	75.0	5,155.0	274.0	5,564.0
Toner waste (kg)	3,357.4	3,519.4	3,531.0	2,526.0

[1] Volumes of waste are calculated on the basis of reports or disposal certificates via the waste register. In the rare cases where waste data is not available, e.g. where collection containers are shared with other tenants, the data is extrapolated on the basis of the number of employees at the respective location. Our waste disposal companies are responsible for selecting the disposal method. Toner waste is returned to the service provider of our printing service provider.

303-1 + 306-1 Water withdrawal and water discharge by source[1] (m^3)

	2014	2015	2016	2017
Water withdrawal[2]	26,259	35,786	34,795	41,325
Water discharge[3]	25,273	35,194	34,795	41,325
Water withdrawal per employee	10.6	14.0	13.1	14.6

1) Union Investment uses drinking water exclusively from the communal water supply in its buildings and hence discharges waste water into the communal drainage systems. Water and waste water volumes are based on the utility bills. If these are not available for the current reporting year, they are extrapolated on the basis of employee development.
2) The increase in water withdrawal from 2017 is due to: a) Extra need for air-conditioning in the Maintor Porta building due to weather, b) Addition of the Vienna location.
3) The difference between water withdrawal and water discharge is due to water used for cooking, kettles, plant care and evaporation due to air conditioning.

308-2 Environmental impacts of transport – business trips and logistics

Means of transport [km][1]	**2014**	**2015**	**2016**	**2017**
Flight	9,198,611	10,359,354	10,978,285	11,090,031
Cars	1,037,779	1,237,541	1,022,976	1,140,039
Rail	3,736,968	3,558,851	3,860,916	4,401,118
Total distance	**13,973,358**	**15,155,746**	**15,862,177**	**16,631,188**
Distance per employee	**5,648**	**5,934**	**5,961**	**5,877**

Deliveries[2]	**2014**	**2015**	**2016**	**2017**
Letters sent within Germany (quantity)	21,265,816	20,174,110	19,311,032	27,922,741
Letters sent within Europe/world (quantity)	285,274	235,343	279,350	153,374
Parcels sent (quantity)	116,354	104,750	125,362	71,359

1) The KPIs are calculated on the basis of travel expense reports and reports from service providers. The figures do not include the distances travelled using company cars as these are also used privately.
2) The delivery quantities are taken from reports from service providers. Delivery is made if the service provider offers it as a climate-neutral service.

GRI standard	Detail		Page/contents/URL
Social			
GRI 401: Employment 2016	**401-1**	**New employee hires and employee turnover**	See table on p. 176
	401-2	**Benefits provided to full-time employees that are not provided to temporary or part-time employees**	No distinction is made between full-time and part-time employees when it comes to benefits.
	403-2	**Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities**	The injury rate was 0.16 % among women and 0.04 % among men. Types of injury: Paper cuts, bruising caused by doors; whiplash due to car accident. The lost workday rate among female and male employees amounted to 0.05 %. There were no deaths.
	403-3	**Workers with high incidence or high risk of diseases related to their occupation**	There are no occupations with a particularly high disease or health risk within the company.
GRI 404: Training and education 2016	**404-1**	**Average hours of training per year per employee**	See table on p. 177

GRI standard	Detail		Page / contents / URL
	404-2	**Programs for upgrading employee skills and transition assistance programs**	a. HR development is based on a multidimensional approach at Union Investment: 1. Needs-driven development (adjusting or upgrading for direct workplace requirements) 2. Potential development (qualification for future requirements or taking on further functions) 3. Promoting internal employability (grasp of processes and connections with regard to diverse employability) Various target group-specific programmes and instruments are used. Knowledge management systems are used in various organisational units. b. Union Investment does not offer any transitional aid programmes designed to facilitate further employability or to handle a career exit due to retirement or termination of employment.
	404-3	**Percentage of employees receiving regular performance and career development reviews**	All employees and managers regularly receive performance and career development reviews.
GRI 405: Diversity and equal opportunity 2016	405-1	**Diversity of governance bodies and employees**	See table on p. 177
	405-2	**Ratio of basic salary and remuneration of women to men**	The different pay systems for collective bargaining and non-collective bargaining are the same for all employee groups at all locations, regardless of age, gender or other diversifications. There can be slight differences in the basic salary of men and women depending on employee group, but some salaries are at the same level. There is no discernible significant difference between the sexes in terms of basic salaries or annual pay adjustments.
GRI 406: Non-discrimination 2016	406-1	**Incidents of discrimination and corrective actions taken**	None

GRI standard	Detail		Page / contents / URL
GRI 407: Freedom of association and collective bargaining 2016	407-1	**Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk**	There is no danger to the right of collective bargaining.
GRI 408: Child labour 2016	408-1	**Operations and suppliers at significant risk for incidents of child labour**	There is no risk of child labour for the services performed by Union Investment. Our key suppliers are also obliged not to practise, tolerate or support child labour of any kind.
GRI 409: Forced or compulsory labour 2016	409-1	**Operations and suppliers at significant risk for incidents of forced or compulsory labour**	There is no risk of forced or compulsory labour for the services performed by Union Investment. Our key suppliers are also obliged not to practise, tolerate or support forced or compulsory labour of any kind.
GRI 414: Supplier social assessment 2016	414-1	**New suppliers that were screened using social criteria**	100 %
	414-2	**Negative social impacts in the supply chain and actions taken**	The specific characteristics of our industry combined with the aforementioned focus of the purchased goods and services means that, apart from catering, cleaning and security services, we do not use any services/suppliers with material connections to the low-wage sector or with a connection to ethically or socially controversial goods or practices. All suppliers with locations in Germany or the EU are subject to local occupational safety regulations. On the basis of the sustainability obligation and self-disclosure, suppliers confirm in writing that they comply with the corresponding regulations when signing any contract. Suppliers in the product subgroups catering, cleaning and security are based in Germany. Consequently, no goods or services are purchased from suppliers that pose a significant risk of negative working practices, and there is no collaboration with any such suppliers. d. 0 % e. 0 %: No infringements with significant actual and potential negative impacts on working practices were identified in the reporting period. Therefore, no business relationships were terminated on these grounds. See table on p. 177

GRI standard	Detail		Page / contents / URL
GRI 415: Public policy 2016	**415-1**	**Political contributions**	The Union Investment Group supports the political work of parties by means of non-cash and monetary benefits (for instance in the form of sponsorship actions). Total monetary value in 2017: EUR 85,503 (detailed information at www.finanzagenda.de)
	416-2	**Incidents of non-compliance concerning the health and safety impacts of products and services**	No cases of non-compliance with regulations or voluntary codes of conduct relating to the impacts of products and services on health and safety were identified for 2017.
GRI 417: Marketing and labelling 2016	**417-1**	**Requirements for product and service information and labelling**	In addition to the statutory requirements, our product information and labelling complies with the code of conduct of the German Investment Funds Association (BVI).
	417-2	**Incidents of non-compliance concerning product and service information and labelling**	No cases of non-compliance with regulations or voluntary codes of conduct relating to information on and labelling of products and services were identified for 2017.
	417-3	**Incidents of non-compliance concerning marketing and communications**	None
GRI 418: Customer privacy 2016	**418-1**	**Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data**	There was one complaint regarding customer privacy in the reporting period.

401-1 New employee[1)] hires in 2016 by age group and gender

	< 30	30–50	> 50	Total
Male	42	107	17	166
Female	41	61	8	110

[1)] Only persons joining Union Investment for the first time are considered new employee hires.

401-1 Number of employees who left the company in 2016 by age group and gender

	< 30	30–50	> 50	Total
Male	5	31	4	40
Female	4	26	3	33

401-1 Overall turnover in 2016 by age group and gender

	< 30	30–50	> 50	Total
Male	4.39 %	2.51 %	1.10 %	2.34 %
Female	2.88 %	2.67 %	1.55 %	2.52 %
Total	**3.56 %**	**2.58 %**	**1.26 %**	**2.42 %**

404-1 Average hours of training per year per employee

Training and education	Hours/year
Training of heads of department	38.5
Training of group managers	38.7
Training of employees	21.8
Training of heads of division	49.9

405-1 Employee diversity

	< 30	30–50	> 50	Total
Male	114	1,235	362	1,711
Female	139	975	193	1.307

405-1 Diversity of governance bodies and employees

	Women	Men	< 30	30–50	> 50
Management	15.2 %	84.8 %	0 %	73.7 %	26.3 %
Employees	43.3 %	56.7 %	8.4 %	73.2 %	18.4 %

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

Suppliers	Number	in %
New suppliers that were screened on the basis of social criteria		100
Suppliers that were screened on the basis of social impacts	500	
Suppliers identified as having significant actual and potential negative social impacts	0	

GRI standard	Detail		Page / contents / URL
GRI 419: Socioeconomic compliance 2016	**419-1**	**Non-compliance with laws and regulations in the social and economic area**	No infringements of statutory regulations in the social or commercial sphere were identified for 2017.
Industry-related disclosures (G4-FS and G4-CRE)			
Product portfolio	**G4-DMA (FS1)**	**Policies with specific environmental and social components applied to business lines**	See responsible investment guidelines. See p. 130
	G4-DMA (FS2)	**Procedures for assessing and screening environmental and social risks in business lines**	The relevant ESG criteria are embedded in corporate governance in the balanced scorecard and in risk management. Environmental risks are also regularly analysed and managed using the environmental management system certified in accordance with ISO 14001. With regard to employees as a factor which is crucial to service companies, social issues are addressed via the regular external auditing programme "Germany's Top Employers". Deficiencies that arise or room for improvement are included in future company planning and target planning for the persons responsible within the company subject to a resolution by the Board of Managing Directors.
	G4-DMA (FS4)	**Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines**	Union Investment strengthens the sustainability expertise of our portfolio managers through training courses at our in-house ESG Academy. This systematically strengthens and broadens the sustainability expertise in securities portfolio management.
	G4-DMA (FS5)	**Interactions with clients / investees / business partners regarding environmental and social risks and opportunities**	There is regular constructive company dialogue with our investment properties' decision makers regarding environmental and social risks and opportunities. We regularly discuss with our clients how we can increasingly incorporate ESG aspects into our asset investments. Union Investment holds an annual sustainability conference on different topics each time in order to raise awareness of the importance of sustainability in investment decisions. Each year, we examine the attitude of German major investors to sustainable investment and summarise the results in a sentiment index. In addition, we regularly have current sustainability issues scientifically assessed by various academics and internally within Portfolio Management.

GRI standard	Detail		Page / contents / URL
Audit	**G4-DMA**	**Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.**	Environmental management involves regular internal and external certification in accordance with ISO 14001. There is annual external auditing of our HR activities through the "Germany's Top Employers" programme.
Active-Ownership	**G4-FS10**	**Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.**	In 2017, Union Investment discussed environmental and social issues with 329 companies in the context of CSR dialogues.
	G4-FS11	**Percentage of assets subject to positive and negative environmental or social screening.**	100 %
	G4-FS12	**Voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote or advises on voting.**	See proxy voting policy
Local communities	**G4-FS13**	**Access areas in low-populated or economically disadvantaged areas by type.**	Union Investment does not engage directly in activities in economically weak or sparsely populated regions. However, our products are available through the local cooperative banks.
	G4-FS14	**Initiatives to improve access to financial services for disadvantaged people.**	In addition to being accessible through local cooperative banks via a number of communication channels, Union Investment can be reached via its own customer service department and offers people with all sorts of physical and mental disabilities flexible and smooth contact options.
Product and service labelling	**G4-DMA (FS15)**	**Policies for the fair design and sale of financial products and services.**	The Union Investment Group is committed to abiding by the code of conduct of the German Investment Funds Association (BVI). It therefore also respects the standards of the code when reporting on the performance of its funds.
	G4-DMA (FS16)	**Initiatives to enhance financial literacy by type of beneficiary.**	Union Investment supports the BVI's "Hoch im Kurs" ("Highly Rated") campaign to promote general financial education in schools. We commissioned the education study "Bildung hat Zukunft" ("Education has a Future") and held a workshop on improving knowledge of financial issues. Interactive exhibition.
Energy	**G4-CRE1**	**Building energy intensity**	See p. 150
Water	**G4-CRE2**	**Building water intensity**	See p. 150
Emissions	**G4-CRE3**	**Greenhouse gas emissions intensity from buildings**	See p. 150
Product and service labelling	**G4-CRE8**	**Type and number of sustainability certifications, rating and labelling schemes for new construction, management, occupation and redevelopment**	See p. 141

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