Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

Union Investment

2016 annual report and CSR report

Contents

Foreword

Dear readers, dear shareholders,

2016 – what a year! The UK decides to leave the EU and Donald Trump is elected as the president of the USA, with the pollsters getting it wrong in both instances. With the ever-increasing influence of social media, it is evidently becoming more and more difficult to make reliable forecasts in the political arena. The capital markets delivered a few surprises too. For example, on more than one occasion we experienced sudden changes in direction and somewhat irrational market developments that made our work as asset managers all the more difficult. And yet in spite of this challenging environment, we succeeded in generating positive earnings for our customers. Far from being simply the order of the day, acting with foresight is an integral part of our brand.

German savers are likewise acting with foresight. More than half of the population puts money aside on a monthly basis, while only one in ten doesn't currently save anything. However, some savers are acting rather short-sightedly considering the returns on savings, with, for example, returns on demand deposits having risen to 56 %. As such, savers are missing out on the opportunity to generate adequate earnings and then reinvest them – in education, for example. And this is such an important topic: commissioned by Union Investment, the ifo Institute established that the higher the level of education completed, the better the income. At the same time, better education reduces the risk of being made unemployed. This study is one of the many ways in which we raise public awareness of the topic of saving correctly, for example in the form of an investment fund savings plan.

We have also acted with regard to our pension products and have further developed our portfolio. For example, we have significantly increased the opportunity component of our fund-based Riester solutions and now guarantee, among other things, fixed stock options. As a result, our Riester investment fund savings plans offer comparatively good return opportunities – all without the risk of losses for the investor.

Last year's results demonstrate how successful we have been with our initiatives. With net sales of EUR 23.2 billion, we recorded the second-highest level of new business in our company's history. The assets under our management rose to a new high of EUR 292.3 billion. At the same time, we achieved the third-highest pre-tax operating result in our company's history, totalling EUR 468 million.

For us, acting with foresight also means further advancing sustainable investment concepts. In total, there were investments of EUR 25.3 billion based on sustainability criteria with Union Investment at the end of 2016 – this equates to a year-on-year increase of approximately 40 %. This means we remain one of the leading asset managers in this segment in Germany.

We were only able to achieve all of this together with our partners within the Genossenschaftliche FinanzGruppe cooperative banking group and thanks to the huge commitment of our almost 2,800 employees. On behalf of the Board of Managing Directors of Union Investment, I would like to express my heartfelt gratitude for this.

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 2016 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 2016. The Supervisory Board was regularly reported to on its activities.

The former CEO of R+V Versicherung AG, Dr Friedrich Caspers, stepped down from the Supervisory Board on 31 December 2016, having belonged to it as a shareholder representative since 19 May 2006. The Supervisory Board thanks Dr Caspers for his committed and valued support. Frankfurt am Main Local Court appointed the new CEO of R+V Versicherung, Dr Norbert Rollinger, as his successor with effect from 26 January 2017. The Supervisory Board wishes Dr Rollinger all the best and much success in his new function as a member of the Supervisory Board.

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 four 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 development of the subsidiaries Union Investment Austria GmbH (Vienna) and VisualVest GmbH, and IT issues of strategic importance to Union Investment.

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 %. The proportion of women on the Supervisory Board in the reporting period was 13.3 %. This currently represents the female employee representatives. For the Board of Managing Directors, which had a proportion of female members of 0 % in the reporting period, the

Supervisory Board defined the current level as the target for 30 June 2017.

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.

Cooperation with the auditors

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn, Frankfurt am Main, was elected as the auditor by the Annual General Meeting on 29 April 2016 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 2016 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.

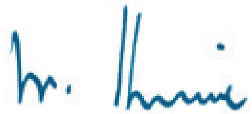
The Supervisory Board also acknowledged and approved the findings of the audit of the separate financial statements, the consolidated financial statements, the management report for the company, the Group management report and the dependent company report conducted by the auditors. In a resolution adopted on 2 March 2017, 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 2016.

Frankfurt am Main, 30 March 2017

Union Asset Management Holding AG,
Frankfurt am Main



Wolfgang Kirsch
Chairman of the Supervisory Board

Group management report

2016 financial year

Group management report of Union Asset Management Holding AG for the financial year from 1 January to 31 December 2016

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 23 entities[1]. These entities include non-operating companies whose purpose is, for example, to hold properties. 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:
  Portfolio management, consulting and advice in the field of quantitative asset management.

- Banks:
  Provision of investment accounts for retail clients.

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

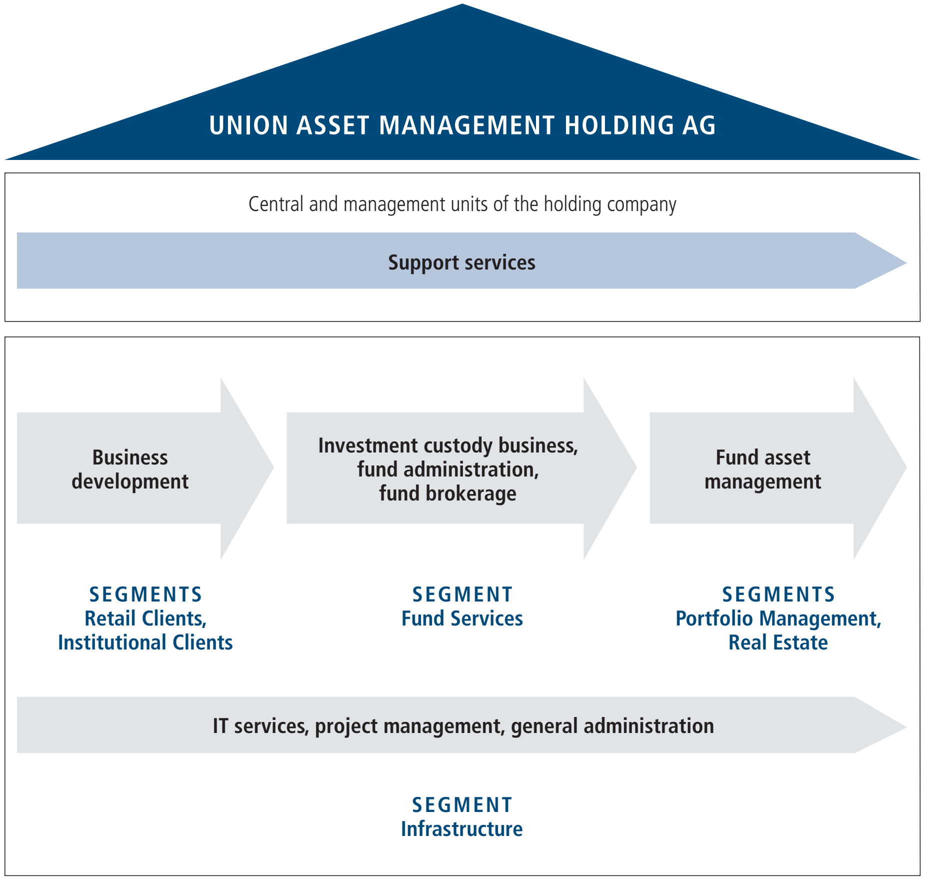
- Securities trading companies:
  Bundling of fund brokerage, investment custody business and funds sales for various companies based in Luxembourg.

[1] Comprises the companies included in the consolidated group of the UMH Group, as at 31 December 2016.

Specifically, these are the following companies:

UNION ASSET MANAGEMENT HOLDING AG			
Germany			Rest of world
Asset management companies	**Service companies**	**Other subsidiaries**	**Management companies**
Union Investment Privatfonds	Union IT-Services	BIG-Immobilien GmbH & Co. Betriebs KG	Union Investment Luxembourg
Union Investment Institutional	Union Service-Gesellschaft	BIG-Immobilien GmbH	Union Investment TFI, Warsaw
Union Investment Real Estate	UIR Verwaltungs-gesellschaft	VisualVest	BEA Union Investment, Hong Kong
Union Investment Institutional Property		Nalinus (in liq*)	Union Investment Austria, Vienna
		Non-controlling interests	Union Investment Real Estate Austria, Vienna
		R+V Pensionsfonds	Securities trading companies
Banks	Financial service providers	compertis	Union Investment Financial Services, Luxembourg
Union Investment Service Bank	Quoniam Asset Management	VR Consultingpartner	attrax, Luxembourg

* In liquidation. The company was no longer consolidated as of 31 December 2016.



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.

The subsidiary Union Investment Institutional GmbH commenced business operations in London in the year under review. Union Investment's business activities in London have been boosted since its branch opened there on 1 May 2016, thus increasing its market presence specifically for institutional investors in the UK.

B Economic report

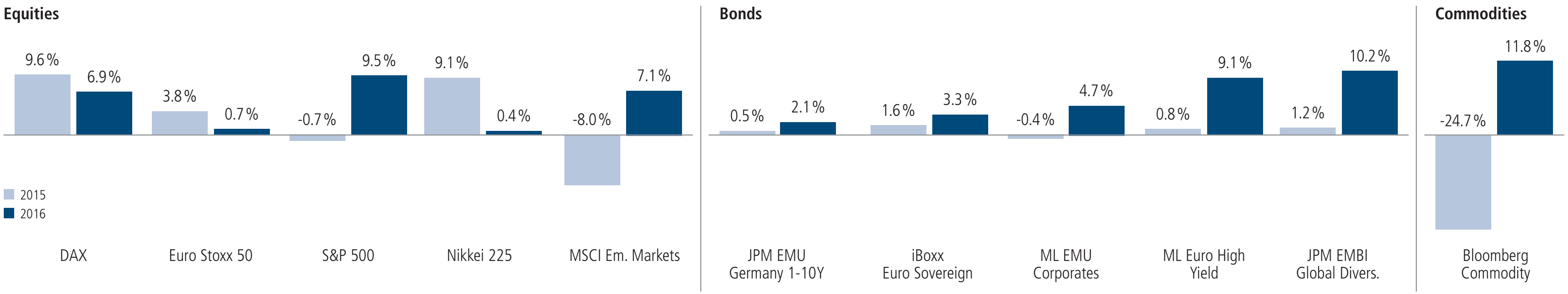
I. General economic and industry conditions

1. Capital markets

2016 got off to an historically bad start on the global stock markets. The DAX saw its weakest start to the year in a quarter of a century, while the stock markets in the USA started the year at an all-time low. There were a number of reasons for the stock price losses, including unsuccessful market intervention on the Shanghai stock exchange on the part of the Chinese government, disappointing lead indicators in the USA and oil prices that continued to fall. The deterioration in the USA's economic outlook and uncertainties regarding the US Federal Reserve's future fiscal policy maintained the pressure on the stock markets and the risky bond market segments up to the middle of February, while also boosting demand for the government bonds of debtors with good credit ratings. This was followed by a significant upswing as economic woes subsided on the back of improved US data and the price of oil began to rise again. A positive effect was felt in March when the European Central Bank resolved to implement further monetary policy measures. In the area of government bonds, Germany's yield curve levelled out significantly in the course of the year due to their long tenors. Ten-year Bund yields turned negative for the first time in June as the market upheavals triggered by the UK's referendum on leaving the European Union (Brexit) considerably increased, resulting in falling share prices and increasing credit spreads on the periphery of the eurozone. The uncertainties were only short-lived, however, with global share prices picking up over the summer months thanks to pleasing company results during the reporting season and hopes that the central banks would keep interest rates low for the foreseeable future, thereby reversing the losses incurred on the back of the Brexit referendum. The surprising victory of the Republican candidate in the US presidential election, Donald Trump, triggered a significant risk-off movement in the international capital markets as soon as the election outcome was announced – but here, too, the sense of panic soon passed. In the US market in particular, the belief that the new US administration's economic policies had the potential to generate additional growth soon gained the upper hand. While the US stock markets were already hitting new all-time highs in November, the markets in Europe gathered pace more hesitantly due to uncertainties caused by political risks and the problems in Italy's banking sector. A year-end rally in Europe's stock markets did not set in until December, when the European Central Bank (ECB) announced it was extending its purchase programme until the end of 2017, albeit with a reduction in the monthly purchase volume to EUR 60 billion as of April. Even so, taking the year as a whole, the European markets failed to match the developments in the USA and in the emerging markets.

2016: improvements in all asset classes

Performance in local currency



Source: Datastream, Union Investment, correct as at 31 December 2016

Falling returns and credit spreads resulted in all bond segments recording pleasing capital gains until late in the summer. In addition to the ECB's purchase programme, it was in particular the investors' hunt for returns that was a main driver here, first and foremost buoying bonds from the emerging markets, which recorded significant cash inflows. The emerging markets benefited from a stabilising economic environment in key countries such as China, Russia and Brazil, and from the Federal Reserve's hesitancy for much of the year. There was a turnaround in the interest rates market in October, however, which was then given impetus by the US presidential election: returns on ten-year US Treasuries increased by more than 100 basis points from their low, compared with German Bunds, which achieved about half of this increase at best. Emerging market bonds came under even greater pressure as investors turned their back on this asset class as a result of the rising US interest rate, the firmer US dollar and Donald Trump's protectionist proclamations during the election campaign. On balance, though, most of the bond market segments recorded positive value added in 2016.

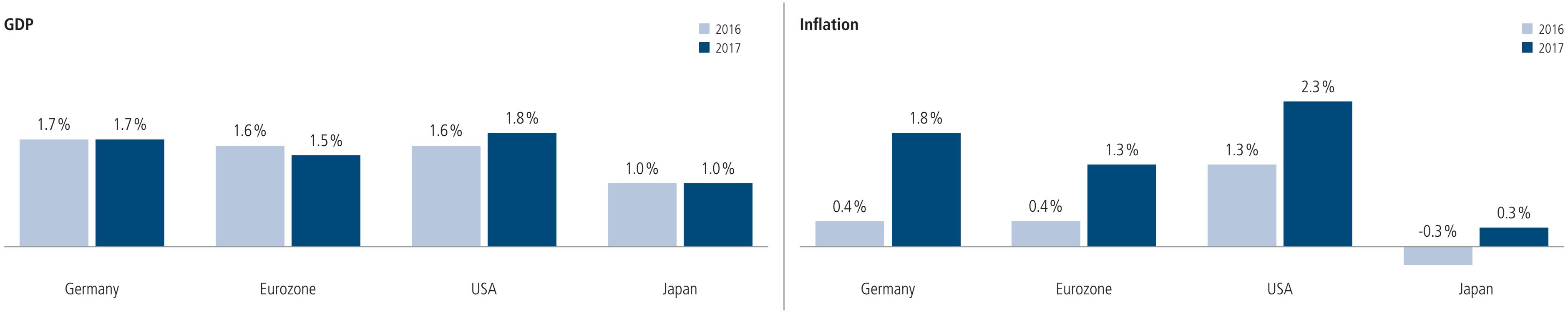
The top-performing asset class of 2016 was that of commodities, which were at the bottom of the pile in 2015 in particular due to the slump in oil prices. It recovered considerably from the end of January and went on to benefit for the rest of the year from OPEC's endeavours to reach an agreement on capping oil production, this ultimately being passed at the end of November. Precious metals benefited from the ongoing drop in returns right into summer. They forfeited a substantial proportion of their gains in the second half of the year due to a turnaround in the trend and a strengthening of the US dollar, but still succeeded in closing the year at a much higher level than where they started in January.

The latest lead indicators suggest that the economic environment remains robust. In the USA in particular, the economy is like to pick up in the short term thanks to the new administration's spending programmes. Our economists have raised their growth forecast for 2017 to 1.8 % in anticipation of a fiscal programme in the USA. The forecast for the eurozone has likewise been revised upwards slightly, to 1.5 %. The home economy in particular is likely to be the driving force behind growth in the eurozone. Meanwhile, the risks that loom in Europe should not be ignored: major economies such as Germany, France and the Netherlands are all electing new governments this year. At the same time, the UK government will press ahead with its Brexit negotiations. The UK's decision to leave the European Union sets it on course for an extended period of uncertainty. Our economists are forecasting a growth deficit of around 0.5 percentage points compared with the original reference path – and that's for every year in which there is no clarity regarding the UK's access to the Single Market.

As far as price developments are concerned, there are no expectations of a significant increase in the rate of inflation in the near future. Statistical base effects resulting from the increase in energy prices in early 2016 may lead to higher rates of inflation in the USA and the eurozone in the first quarter of 2017, but no other significant stimuli are foreseen for the rest of the year. The medium-term inflation expectations are currently much more volatile, having increased both in the USA and Europe following the US presidential election. Were the expectations to settle at the current level, this would constitute a 'regime change' to significantly higher rates of inflation.

Growth and inflation forecasts

Year-on-year percentage changes



Source: Union Investment, correct as at 8 January 2017

In view of the sustained robust state of the US economy and the fiscal policy measures announced by the new US administration, the US Federal Reserve is likely to follow up last December's interest rate move with another two moves in 2017. As such, the monetary policies of the Federal Reserve and the ECB would drift further apart. The ECB postponed the discussions as to whether or not its bond buying programme should be extended or whether it should abandon its very relaxed monetary policy until the second half of the year when it opted to extend the programme.

The returns on ten-year US Treasuries are expected to continue to rise in 2017, albeit at a slower pace. We expect the returns to be at 2.8 % at the end of the year – among other things, because new bonds will need to be issued in order to finance the fiscal programme. We have also increased our forecast for returns on German Bunds slightly (0.8 % at the end of 2017). There is likely to be greater demand for German Bunds than there is for US government bonds due to the ECB's purchase programme and repeated periods of political uncertainty.

The moderately positive economic outlook could again result in a good year for the stock markets in 2017. However, the trend of extending the evaluations, which has been going on for some time, is likely to lose momentum or indeed come to a complete halt. Based on our top-down profit model, we are anticipating profit increases of 5.1 % in the USA and 11.3 % in the eurozone.

The commodity markets achieved a turnaround in 2016. The curbing of production agreed upon by the members of OPEC should settle the crude oil market as early as in the first quarter of 2017. We are therefore forecasting a price in the range of USD 55 to 60 a barrel for Brent Crude.

2. Real estate markets

The global real estate markets once again benefited from the generally strong economic situation and low interest rates in 2016. Many businesses began to increase the amount of office space they rented, and the transaction volume for commercial real estate remained high.

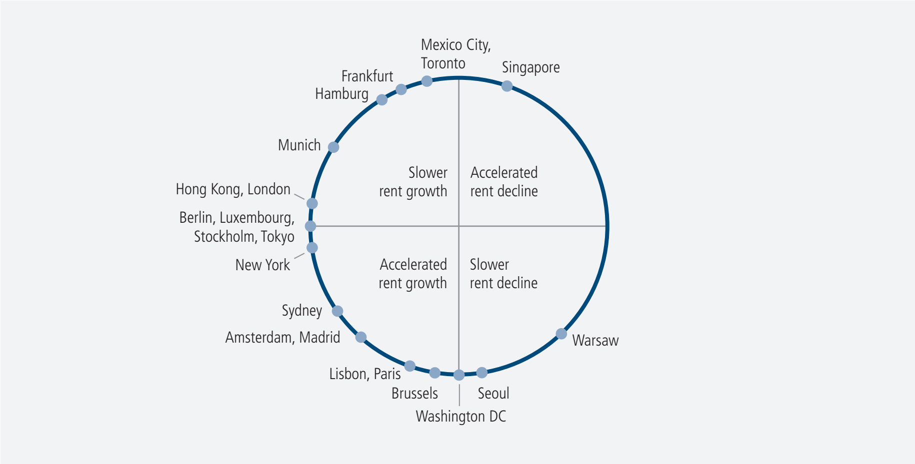
A number of European office markets developed positively in 2016. Vacancy rates remained stable or fell in many places. The average prime office rent increased by 3.6 % in the course of 2016. Rental price increases were especially pronounced in Stockholm, Milan, Amsterdam and Madrid. The German office markets also saw encouraging development. The positive performance of the US office real estate markets continued in 2016, with rents rising and vacancy rates falling in most locations. By contrast, the major office markets in the Asia-Pacific region again saw mixed developments in 2016. In Sydney in particular, high demand for office space led to significant rental growth and falling vacancy rates, whereas rents in Singapore declined significantly compared with the previous year due to the very high level of new builds.

Low financing costs and a market outlook which remains positive meant that demand for real estate remained high in 2016. However, demand considerably outstripped supply. The global transaction volume for commercial real estate was approximately EUR 627 billion in 2016, putting it 6.5 % short of the previous year's very high level. Worldwide, the highest transaction volume was achieved on the American continent. Just under EUR 270 billion was invested in commercial real estate here in the course of 2016; this equates to a year-on-year decline of around 9 %. In Europe, commercial real estate worth EUR 234 billion was bought in 2016, meaning investments were a good 8 % down on the previous year. In the Asia-Pacific region, the transaction volume for commercial real estate totalled approximately EUR 122 billion in 2016. This represents a 4 % increase in the transaction volume compared with 2015.

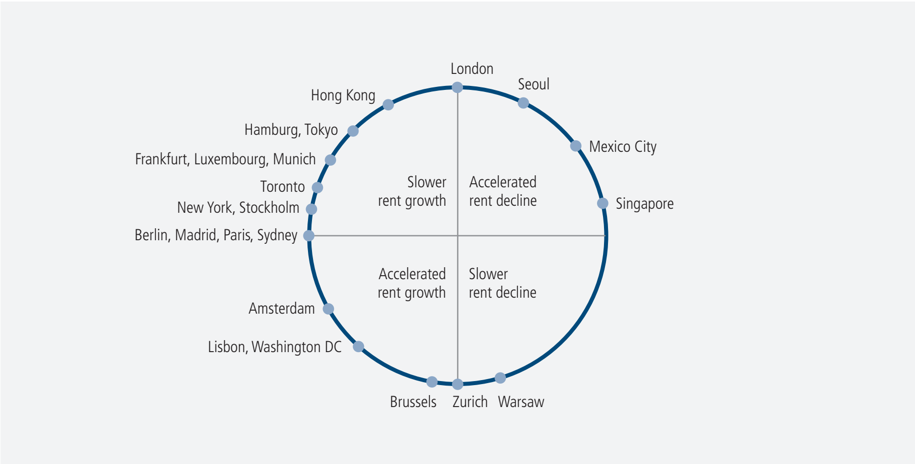
Worldwide, interest rates rose. There was a marginal increase in Europe. Nonetheless, historically speaking, interest rates remain very low, and this will prop up demand for real estate investments in the next few quarters. However, fewer investors are currently willing to relinquish their real estate. There will be further rent growth in the majority of real estate markets in the next few quarters. Investors continue to focus on core real estate, as their appetite for risk has declined once again on the back of the current global uncertainties. This will likely result in further purchase price increases in the core segment.

Global markets: almost exclusively rent growth

Office property clock – Q4 2015



Office property clock – Q4 2016



Note

The clock shows where the respective office market is within the rent cycle in the assessment of Jones Lang LaSalle (JLL). Local markets can move in different directions and at different speeds. The positions are not necessarily representative of the investment market.

Source: Jones Lang LaSalle, Union Investment, correct as at Q4 2016

3. Sales and fund assets

Sector situation: mutual funds

The German investment industry reported total net inflows of EUR 2.3 billion in mutual securities funds in 2016. Mixed funds benefited from this in particular (EUR 11.6 billion). Investors primarily sold capital-protected funds (EUR -4.4 billion), hybrid funds (EUR -1.3 billion), equity funds (EUR -1.8 billion), money market funds (EUR -1.2 billion) and bond funds (EUR -1.3 billion). The other asset classes in the area of mutual securities funds together accounted for net inflows of EUR 0.7 billion. Open-ended real estate funds achieved net sales of EUR 4.2 billion (source: BVI investment statistics, 12/2016).

Sector situation: special funds

In the area of special funds, the industry generated net inflows of EUR 87.9 billion in the special securities funds under its management in 2016 (as at 30 December 2016). This was down on the previous year's figure of EUR 115.4 billion (as at 30 December 2015). The volume under management in special securities funds totalled EUR 1,418.0 billion at the end of December 2016, and was therefore comfortably up on the previous year's figure of EUR 1,284.4 billion (as at 30 December 2015) (source: BVI investment statistics, 12/2016).

Sector situation: real estate funds

The market for German open-ended real estate funds was divided in the 2016 financial year, with 16 open-ended real estate funds still being closed. 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 suspended the redemption of unit certificates, must announce in the course of 2017 whether or not it will reopen. The shake-out in the market for open-ended real estate funds is therefore ongoing.

The products still being actively marketed brought the industry a net total of approximately EUR 4.2 billion in new funds up to December 2016. 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 1,130 in 2016, up considerably on the prior-year level of 1,227.

The volume of assets under management climbed from EUR 266.0 billion as at 31 December 2015 to EUR 292.3 billion in 2016, an increase of EUR 26.3 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 2016 can be summarised as follows:

- The volume of mutual funds increased by EUR 14.1 billion to EUR 169.1 billion.
- The volume of special funds increased by EUR 11.0 billion to EUR 89.8 billion.
- The volume of other formats (advisory mandates and asset management) less outsourced mandates was up year-on-year at EUR 33.4 billion (previous year: EUR 32.2 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:

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Fund assets	**258,956,113**	**233,818,011**	**25,138,099**
Volume in other formats	**44,838,949**	**42,812,232**	**2,026,717**
of which unit-linked asset management	909,000	696,000	213,000
of which institutional asset management	10,950,740	10,341,797	608,943
of which advisory and outsourcing	32,979,209	31,774,435	1,204,774
Accounts managed by third parties	**-11,523,168**	**-10,596,927**	**-926,241**
Total	**292,271,894**	**266,033,316**	**26,238,575**

Under the UMH banner, the Union Investment Group had total assets under management of EUR 292,271,894 292.271.894 thousand as at the end of the reporting period (previous year: EUR 266,033,316 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:

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Net inflows (fund assets)	**22,650,410**	**23,583,402**	**-932,991**
Net inflows (other formats)	**1,196,683**	**4,793,263**	**-3,596,580**
of which institutional asset management	-1,838,746	1,661,075	-3,499,821
of which advisory and outsourcing	3,035,429	3,132,188	-96,759
Net change in accounts managed by third parties	**-623,708**	**-2,179,637**	**1,555,929**
Total	**23,223,385**	**26,197,028**	**-2,973,642**

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 23,223,385 thousand in the financial year (previous year: EUR 26,197,028 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:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Mutual funds	**169,133,759**	**155,084,824**	**14,048,935**
Equity funds	40,487,772	37,901,494	2,586,278
Bond funds	44,598,637	39,549,146	5,049,491
Money market funds	2,536,058	2,897,958	-361,900
Mixed funds	37,990,913	31,220,093	6,770,820
Other securities funds	984,121	863,247	120,874
Capital-protected funds	10,566,382	13,195,690	-2,629,308
Open-ended real estate funds	30,224,755	27,904,237	2,320,518
Alternative investment funds	1,027,229	752,514	274,715
Hybrid funds	717,892	800,445	-82,553
Special funds	**89,822,354**	**78,733,187**	**11,089,167**
Equity funds	807,527	776,496	31,031
Bond funds	14,200,214	11,418,894	2,781,320
Mixed funds	58,228,766	52,104,416	6,124,350
Other securities funds	640,541	590,437	50,104
Capital-protected funds	11,941,077	10,374,468	1,566,609
Alternative investment funds	135,136	95,345	39,790
Special real estate funds	3,869,093	3,373,131	495,962
Total	**258,956,113**	**233,818,011**	**25,138,099**

Net inflows to fund assets

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

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Mutual funds	**12,672,463**	**13,522,278**	**-849,815**
Equity funds	1,825,382	1,957,771	-132,389
Bond funds	4,840,261	2,322,979	2,517,282
Money market funds	-330,032	160,765	-490,797
Mixed funds	6,228,319	7,890,990	-1,662,671
Other securities funds	86,842	-142,445	229,287
Capital-protected funds	-2,367,775	-1,030,948	-1,336,827
Open-ended real estate funds	2,255,447	2,213,265	42,182
Alternative investment funds	207,532	123,677	83,855
Hybrid funds	-73,513	26,224	-99,737
Special funds	**9,977,948**	**10,061,124**	**-83,176**
Equity funds	14,491	100,450	-85,959
Bond funds	2,652,707	69,950	2,582,757
Mixed funds	5,176,511	7,967,111	-2,790,600
Other securities funds	33,051	116,111	-83,060
Alternative investment funds	37,434	9,216	28,218
Capital-protected funds	1,486,090	1,010,872	475,218
Special real estate funds	577,664	787,414	-209,750
Total	**22,650,411**	**23,583,402**	**-932,992**

Number of investment funds managed

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

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Mutual funds	**866**	**863**	**3**
Equity funds	196	193	3
Bond funds	189	195	-6
Money market funds	13	13	–
Mixed funds	352	340	12
Other securities funds	12	8	4
Capital-protected funds	70	84	-14
Open-ended real estate funds	8	8	–
Alternative investment funds	18	15	3
Hybrid funds	8	7	1
Special funds	**392**	**364**	**28**
Equity funds	8	4	4
Bond funds	43	40	3
Mixed funds	252	235	17
Other securities funds	2	2	–
Alternative investment funds	2	2	–
Capital-protected funds	72	69	3
Special real estate funds	13	12	1
Total	**1,258**	**1,227**	**31**

1.2 Performance of Union Investment Group funds[2]

The positive development of the capital markets in the year as a whole is reflected in the absolute figures for equity, bond and mixed funds. There were nonetheless major challenges caused by abrupt changes in trends and favourites, which were primarily felt in the returns on equity and mixed funds at the primary composites level. In contrast, positive returns were achieved on bond, money market and related funds and with asymmetric, dynamic products.

Equity funds

The equity funds under management increased by an average of 5.4 % in absolute terms. Global blue chip funds increased slightly more strongly (up 6.9 %), while funds with a focus on Germany and the eurozone fell just short of the average, increasing by 4.2 % and 4.1 % respectively. The latter left their benchmark behind them by more than 0.8 percentage points. Composite emerging market shares were the top performers in absolute terms, increasing by 19.0 % and achieving pleasing returns of 1.8 %.

Bond funds

Declining returns and spreads for bond funds in the course of the year resulted in absolute price increases. As such, the composites Renten EUR Staatsanleihen, Renten EUR Aggregate and Renten EUR Unternehmensanleihen IG improved by between 1.2 and 4.8 %. Funds with a focus on emerging market bonds (hard currency, no fixed time to maturity) rose by 6.2 %. Positive returns were achieved for the majority of the main bond composites.

Money market and related funds

Money market and related funds turned in a convincing performance of 0.6 % on average in the zero-interest environment and were therefore 0.9 percentage points ahead of their benchmarks.

Mixed funds

Mixed funds increased by an average of 3.1 %. Asymmetric, dynamic capital-protected products were up by 0.9 % at the end of the year, putting them 0.3 percentage points ahead of their benchmark. Guarantee funds increased in value by 1.1 %.

Real estate funds for retail investors

The open-ended real estate mutual funds managed by Union Investment for retail investors reported annual returns of 3.0 % (UniImmo: Deutschland), 2.7 % (UniImmo: Europa) and 2.5 % (UniImmo: Global) as at 31 December 2016. The UniImmo: Deutschland fund performed slightly better year-on-year. The UniImmo: Europa fund's performance remained stable. In contrast, the UniImmo: Global fund fell by 50 basis points.

[2] All the following performance figures are based on gross performance, i.e. are cost-adjusted and relate to the 2016 financial year.

Real estate funds for institutional investors

Business with institutional real estate investors continued to expand in 2016. Performance contributions by the special funds managed, DEFO-Immobilienfonds 1, UII Shopping Nr. 1, UII Hotel Nr. 1 and DIFA-Fonds Nr. 3, were in line with planning. The institutional mutual fund UniInstitutional European Real Estate had achieved a gain of 2.5 % by the end of December. UniInstitutional German Real Estate, another institutional mutual fund, successfully acquired additional properties and its performance improved by 3.2 % over the year. UII Immobilien Miteigentumsfonds Nr. 1 was closed in 2016, as planned.

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.

SDK Immoselect was transferred to a master asset management company as planned in spring 2016.

Residential Value Germany was newly issued with a view to investing in residential real estate in Germany over the next four years.

VPV Invest enjoyed encouraging development. New investments were indirectly made in the target fund within this fund and the capital resources were increased.

The capital pledged for the two UniInstitutional Infrastruktur SICAV-SIF sub-funds (approximately EUR 133 million) was drawn in full with the final cash call in March 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 terms of availability over time, the guaranteed level of 97 % was achieved as a minimum in every month in 2016 and, with an average of 98.5 %, was also surpassed by 1.5 percentage points. This availability stands as a testament to conscientious technical management and serves as the basis for production output.

After the energy park's production exceeded expectations in 2015 (103.1 %), output fell well short of the forecasts in 2016. In the last calendar year, only 88.2 % of the anticipated electricity volume was fed into the grids.

A sum of EUR 23.09 per share was paid out from the net profit for the year on 15 December 2016 for sub-fund 1, while EUR 25.33 per share or participation certificates were paid out to the investors for sub-fund 2. For both sub-funds, this equates to a distribution return of around 2.5 % on the net asset value.

1.3 Awards, rankings and ratings

For the 14th time in a row, the renowned German business magazine Capital awarded Union Investment its highest rating of five stars in 2016 – the only investment company to achieve this. Union Investment was named the customers' favourite for 2016 in the investment company category by Focus-Money in June and was awarded gold by Deutschland Test in September. The company also received the German Fairness Award 2016 in the investment company category in October from n.tv in partnership with DISQ GmbH & Co. KG. In November, Union Investment was recognised as the best asset manager in Germany, Austria and Switzerland in the category 'Socially Responsible Investing' for the third time in a row in the FERI EuroRating Award 2017. Union Investment came second in the Europe-wide Asset Manager of the Year Award bestowed by Funds Europe, while Björn Jesch was named CIO of the Year. The company took the top spot in the category of major asset managers in the 2016 TELOS Institutional Investors' Satisfaction Study. Union Investment was awarded the Golden Bull by €uro-Finanzen as Investment Company of the Year 2017.

In the quarterly ranking of asset management companies performed by FERI EuroRating Services as at 31 December 2016, Union Investment was ranked 15th with a ratio of 44.7 % of funds with a top rating, making it the second-best German asset management company (Deka: seventh, 50.0 %; Allianz Global Investors: 23rd, 39.6 %; Deutsche Asset & Wealth Management: 28th, 32.3 %).

In the rankings issued by the Morningstar ratings agency as at 31 December 2016 that compare Union Investment against its main competitors in Germany, Union Investment was ranked fourth over one year and three years and third over five years. The proportion of funds in the upper half of each peer group was 38.9 % over a one-year period, and 46.1 % and 43.1 % over the longer analysis periods.

2. Development in sales and fund assets[3]

2.1 Union Investment Group sales and fund assets

The Union Investment Group had total assets under management of EUR 292.3 billion as at 31 December 2016 (2015: EUR 260.8 billion). It therefore achieved a market share of 14.0 % according to the investment statistics of the German Investment Funds Association (BVI) (2015: 12.8 %); this equates to third place overall in the market. 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.

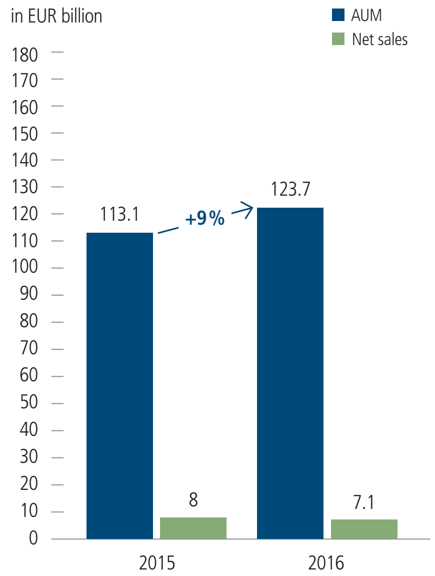
Historically, this strategy of clearly focusing on the Genossenschaftliche FinanzGruppe Volksbanken Raiffeisenbanken cooperative financial network has formed the basis for the exceptional level of successes enjoyed by the Union Investment Group in the marketplace. The close cooperation within the Genossenschaftliche FinanzGruppe again proved its worth in 2016.

At EUR 27.2 billion, gross sales in retail client business were once again high in 2016 (2015: EUR 33.4 billion). Net inflows were likewise on a par with the previous year, at EUR 7.1 billion (2015: EUR 8.0 billion). Net inflows were generated in the asset classes of mixed funds, bond funds and open-ended real estate funds in particular.

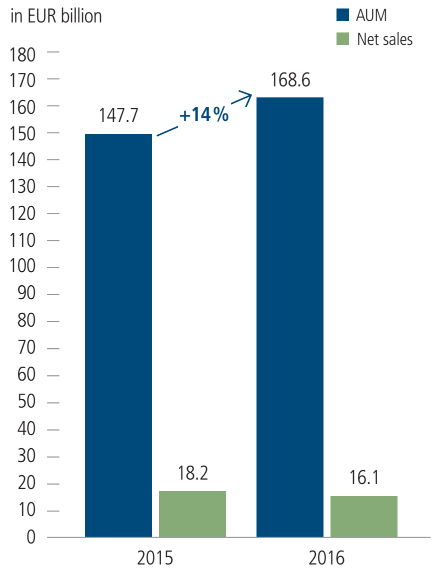
The volume of assets under management in business with retail clients rose to EUR 123.7 billion as at 31 December 2016 (2015: EUR 113.1 billion).

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 20.3 % at the end of 2016 (2015: 18.7 %). Union Investment was therefore the second-largest manager of mutual funds in Germany (2015: 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 168.6 billion in 2016 (2015: EUR 147.7 billion). The assets under management in special funds for institutional investors increased to EUR 82.9 billion (2015: EUR 72.3 billion). Assets under management in other institutional business formats (mutual funds, advisory and institutional asset management) increased to EUR 85.8 billion (2015: EUR 75.4 billion).

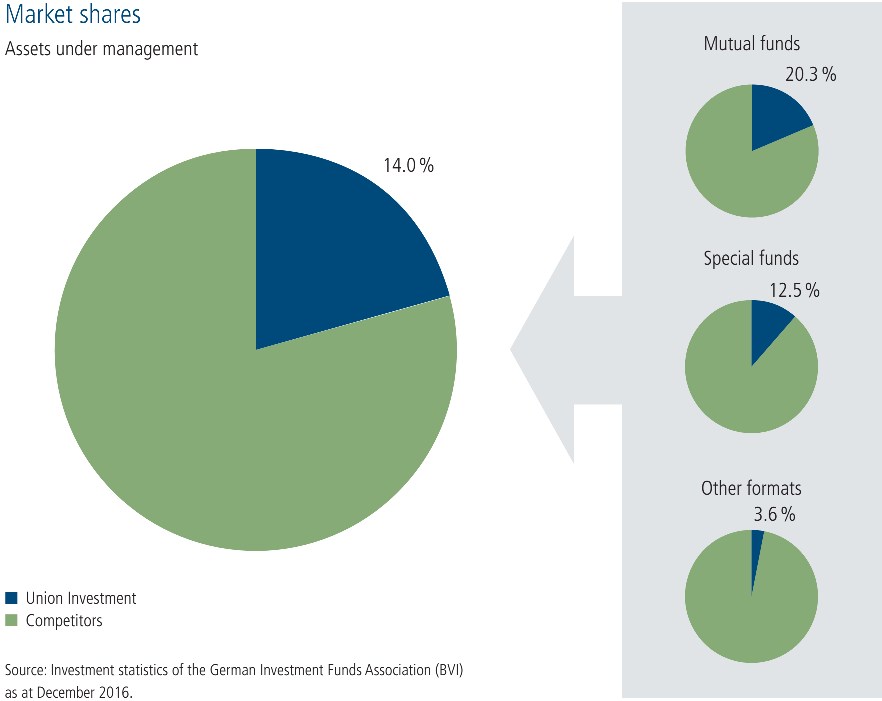
The growth in assets under management was driven in particular by the high level of net sales. In 2016, institutional business generated net inflows of EUR 16.1 billion (2015: EUR 18.2 billion). Special funds and institutional mutual funds were particularly sought after.

According to the BVI investment statistics, the Union Investment Group's share of the special funds market was 12.5 % at the end of 2016 (2015: 11.5 %). The Group is therefore still the second-largest manager of special funds in Germany.

[3] The prior-year figures given in this chapter do not include the assets managed by the Austrian subsidiaries. For UIA, these amounted to EUR 4.5 billion in 2015, comprising EUR 1.6 billion in mutual funds, EUR 0.8 billion in special funds and EUR 2.1 billion in other formats. URA's assets under management in 2015 were EUR 0.7 billion in mutual funds.

Market shares

Assets under management



Source: Investment statistics of the German Investment Funds Association (BVI) as at December 2016.

2.2 Custody business and fund brokerage

As at the end of 2016, the Union Investment Group managed more than 4.2 million client custody accounts with portfolios of the Group's own and third-party investment funds. The portfolio volume was increased by EUR 13.6 billion from EUR 90.9 billion in total to EUR 104.5 billion.

The number of managed custody accounts with third-party funds (funds from asset management companies outside the Group) was around 295,000 as at the end of the period under review (2015: 252,000 custody accounts). The volume of assets invested in third-party funds was EUR 5.1 billion at the end of 2016 (2015: EUR 4.4 billion).

Union Investment Service Bank AG handled a total of around 53.6 million customer transactions in 2016, which can be broken down as follows:

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

1.6 million transactions were entered directly by the end investor and banks using the online service. Automated processing accounts for 99.1 % of the transactions processed (previous year: 98.9 %), still the optimum level from a business perspective.

The fund brokerage business processed a total of around 1.1 million attrax S.A. client orders with a volume of approximately EUR 35.2 billion in the year under review. 0.2 million orders worth EUR 6.8 billion were posted in Union Investment Group funds.

The volume of assets held in custody for attrax clients was EUR 48.5 billion as at the end of the year under review (previous year: EUR 41.8 billion). EUR 16.5 billion of this was held for cooperative partner banks (previous year: EUR 14.8 billion) and EUR 32.0 billion for institutional clients (previous year: EUR 27.0 billion). The volume of fees and commission paid as trail commission in 2016 amounted to approximately EUR 94.5 million (previous year: EUR 87.8 million).

The fund brokerage business actively managed 182 cooperative banks, while the number of institutional clients managed rose from 129 to 132 as at the end of 2016.

III. Business environment

To prevent a further downturn in economic momentum and in light of the low inflation prospects in the eurozone, the European Central Bank (ECB) passed various monetary policy resolutions on 10 March 2016:

- The interest rate for the euro system's main refinancing business, this being the rate at which banks can borrow money from the ECB in order to lend it to others, was lowered by a further 5 basis points to a new record low of 0.00 %.

- At the same time, the ECB resolved to reduce the deposit facility, i.e. the interest rate at which banks can temporarily deposit surplus funds with the ECB, by a further 10 basis points to -0.40 % with effect from 16 March 2016. The aim of this is to further increase the pressure on the banks to grant more loans so as to buoy the economies of the eurozone countries. However, the side effect of this is that the banks are increasingly granting no interest or at least only very low interest on investments.

- Additionally, the interest rate for the marginal lending facility, via which banks obtain overnight liquidity from the ECB, was cut to a record low of 0.25 %.

To further boost consumption and investments in the eurozone, the ECB also decided to extend the existing programme for the purchase of interest-bearing securities in the public and private sectors in the amount of EUR 60 billion a month to EUR 80 billion a month with effect from April 2016.

On 8 December 2016, this programme was amended such that the net purchase of such assets would be reduced back down to the original sum of EUR 60 billion a month between April 2017 and the end of December 2017 or, if necessary, beyond this date. The ECB plans to continue with these purchases 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 The interest rates mentioned above were each confirmed in all the meetings since March. As such, the ECB once again maintained its existing policy of having extremely low interest rates throughout 2016.

In the current environment of historically low interest on loans and deposits and the associated rise in investment funds, institutional and retail investors are having to take ever greater risks to still achieve an appropriate return after deducting inflation and taxes.

The capital markets were characterised by the influence of political events and various breaks in trends in 2016. After having got off to a difficult start, the stock markets recovered in the first half of the year, buoyed by more positive US economic data, rising oil prices and the European Central Bank's aforementioned monetary policy measures. The result of the Brexit referendum caused only brief market upheavals in the summer. And five months later, the generally surprising outcome of the US presidential election even boosted shares, in particular US stocks, albeit with significant changes in the appeal of the various sectors. The yield curve of German government bonds initially flattened off in the course of the year, with ten-year German Bunds offering a negative return for the first time ever in June. Influenced by growing expectations of inflation and the ECB's latest decision, there were signs of a turnaround towards the end of the year – the returns on longer maturities increased marginally and the yield curve took an upward turn. In the area of oil, the most recent OPEC decisions boosted the development in the direction of a balanced market and slightly higher prices. Looking ahead to 2017, a shadow is cast in particular by the 'super election year' ahead of us in Europe, with political risks remaining the centre of attention.

Union Investment continues to play 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) and has provided its president for two years effective 19 June 2015. 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). A successful and permanent dialogue also takes place with other European and international regulatory authorities and with political representatives at both the regional and European levels.

Tax regulations

Due to the US government's Foreign Account Tax Compliance Act (FATCA), Section 117c of the German Fiscal Code (AO) was amended to create a legal basis for the automated cross-border exchange of tax data to prevent tax evasion. In addition, the OECD developed Common Reporting Standards (CRS) for the automatic exchange of information about financial accounts. Insofar as countries participate, tax information is exchanged automatically.

Comprehensive reform of investment taxation as of 1 January 2018 was resolved with the passing of the Investment Tax Reform Act (InvStRefG) by the Bundestag on 9 June 2016 and the its approval by the Bundesrat on 8 July 2016. As such, an opaque taxation system will apply to mutual funds as of 2018. This means the abandonment of the existing principle under which fund investments are treated in the same way as direct investments. A consequence of the opaque taxation system is that mutual funds will become subject to corporation tax on German investment income and German real estate income as of 2018. Additionally, dividend payments on mutual funds will be subject to taxation as a rule as of 2018. As compensation for these amendments, 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 being introduced, which is subject to taxation on the part of the investor on 1 January of the following year. In addition, the portfolio tax protection for fund units purchased prior to 1 January 2009 is being lifted. However, realised and unrealised gains on such 'old units' will remain tax-exempt up to 31 December 2017. A new allowance of EUR 100,000 per person is also being introduced for the performance of these old units as of 1 January 2018.

In contrast, the existing transparent taxation system for special funds essentially remains in place, although here, too, income on German investments and real estate will henceforth be 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.

Mutual and special fund units are to be notionally divested as at 31 December 2017 as a result of the transition to the new taxation system, to then be repurchased at the same unit price. Taxes on this notional income are, however, only incurred if the units actually are sold.

Amendment of the UCITS Directive

Directive 2014/91/EU on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions (UCITS V Directive) came into force on 28 August 2014. This serves to harmonise in particular the regulations concerning remuneration policies, depositary functions and liability, and sanctions on an EU-wide basis. New mechanisms for the reporting of potential or actual violations of the corresponding national implementations of the Directive (whistle-blower systems) are also being introduced. In Germany, the Directive was implemented with the UCITS V Implementation Act. As the German Investment Code (KAGB) established various uniform regulations for all mutual investment funds, the UCITS V Implementation Act extends the new requirements to all mutual investment funds in addition to the implementation of the amendments to the current UCITS Directive 2009/65/EC.

In addition, the European Commission adopted Delegated Regulation (EU) 2016/438 on 17 December 2015 as a supplement to Directive 2009/65/EC of the European Parliament and of the Council with regard to the obligations of depositaries. This came into force on 13 October 2016 and applies to UCITS and their depositaries directly in member states of the European Union. The German lawmakers plan to extend the requirements of this Directive to asset management companies and to the depositaries of mutual AIFs. The draft of a Second Financial Markets Amendment Act (2. FiMaNoG) on the basis of European legislation includes the addition of corresponding rules to the German Investment Code (KAGB).

MiFID amendment

The European Markets in Financial Instruments Directive (MiFID), which entered into effect in 2007, is currently being 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. The new requirements, which are yet to be defined in greater detail at the European Union level in the form of additional implementing measures, must be transposed into national law by 3 July 2017 and are effective from 3 January 2018.

The aforementioned requirements due to the MiFID revision are currently in the legislative process. At the national level, the government draft of 2. FiMaNoG was published in December 2016, which will amend, among other things, Germany's Securities Trading Act (WpHG). 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 designed to enhance the quality of the service performed and do not compromise fulfilment of the obligation to act in the clients' best interests. The criteria will be clarified in greater detail in the EU implementing measures that are yet to be adopted and in their national implementation. There is the risk that their application will restrict commission-based business.

Furthermore, execution-only business in respect of investment funds will be limited. Structured UCITS and, in all probability, AIFs could therefore be considered too complex for execution-only business. This could have substantial repercussions for the current business model of Union Investment Service Bank AG which holds large volumes of the mutual fund unit certificates managed for investors by the Union Investment Group. This potentially having an indirect impact on the sales success of mutual funds cannot be ruled out.

In addition, the requirements concerning investor information on the services performed and the costs and fees charged have been amended. In future, securities account holders must be informed about the securities under management on a quarterly basis, and not annually as was previously the case. The costs and fees of securities services and financial products must be disclosed both before a securities service is provided (ex ante) in aggregated form as well as while the customer relationship is ongoing (ex post).

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. The Regulation is intended to create 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. The Regulation sets out the duty of the product originator to prepare and review key information documents and the duty of the provider to make these documents available.

'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 comes into force on 1 January 2018. Investment funds for which the investor information significant under national law is prepared in line with the provisions for UCITS funds are initially exempt from the implementation of the PRIIPs Regulation until 31 December 2019. Although the Regulation is directly applicable and does not have to be transposed into national law, supplementary regulations on these provisions were included in the First Financial Markets Amendment Act (1. FiMaNoG) declared in Germany on 1 July 2016 and were implemented in the German Investment Code (KAGB). For example, in the case of units in special AIFs sold to semi-professional investors, key investor information may be provided instead of PRIIPs basic information sheets. However, this key information for semi-professional investors must have already been made available as of 31 December 2016.

The provisions of the PRIIPs Regulation are yet to be defined in greater detail in the form of additional EU implementing measures ('Level 2'). Implementing technical standards are currently being jointly developed by the EU regulatory authorities (EBA, EIOPA and ESMA).

IV. Research and development

1. Retail clients

Once again in 2016, 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. 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.

Asset investment

UniAbsoluterErtrag

The UniAbsoluterErtrag fund (including a class without a front-end fee), which involves a dynamic combination of market-based and relatively market-neutral investments in promising asset classes, sectors and investment strategies, has enjoyed high inflows since its launch on 30 April 2015. Since then, the fund volume has reached EUR 2.1 billion (as at 31 December 2016). The fund's performance has developed negatively since it was launched. This is being counteracted by the establishment of a dedicated Absolute Return department within Portfolio Management as of January 2017, thereby resulting in improved networking and greater specialisation in this area.

Fixed-term bond funds

No new fixed-term bond funds were launched in 2016 due to the limited prospects of returns and in view of the two funds UniEuroRenta Unternehmensanleihen EM 2021 and UniEuroRenta EM 2021 still open for inflows. These fixed-term EM funds now have a volume totalling EUR 486 million. The UniEuroRenta Corporates 2016 fixed-term bond fund was closed as at 30 November 2016.

Open-ended real estate funds

Sales of open-ended real estate funds in 2016 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, based on the 'traffic light' approach, it was only possible to offer open-ended real estate funds for sale during two brief periods in the first half of the year. UniImmo: Europa was open for 19 business days from 7 January to 2 February 2016. In the case of UniImmo: Global, the green-light phase had to be reduced to five business days from 9 to 13 May 2016 already at the time of the announcement of the issuance of units. This prompted Union Investment to switch its inflow management from the 'traffic light' approach to the quota method in which a fixed sales quota is assigned to the primary banks for a specified period. UniImmo: Deutschland units were first issued subject to this quota method from 12 September to 21 October 2016. The quotas were assigned according to the following parameters: 50 % of a bank's corrected deposit size and 50 % of a bank's Union fund portfolio. One-time investments in UnionDepot were only allowed up to an amount of EUR 500,000 and savings plans were only allowed up to instalments of EUR 1,000. Inflows in the amount of EUR 673 million were generated with one-time investments, while 76,540 savings plans with a twelve-month savings volume totalling EUR 567 million were invested. As at 31 December 2016, the three open-ended real estate funds had attracted net inflows of more than EUR 2.3 billion in 2016.

Capital-protected funds

The marketing of capital-protected funds focuses on maturity management. Sales partners are supported with extensive materials and accompanying communicative activities. A total of eleven static guarantee funds and one UniProfiAnlage fund came to the end of their terms as at 31 December 2016. The UniGarant: Deutschland (2016), UniGarant: Europa (2016) and UniGarant: Dividendenstars (2016) funds were closed as at the end of March. These were followed by UniGarant: Best of World (2016) and UniGarant: Deutschland (2016) II as at 24 June 2016 and by UniProfiAnlage (2016) as at 14 July 2016. The following funds were closed at the end of their terms on 23 September 2016: UniGarant: 3 Chancen (2016), UniGarant: 3 Chancen (2016) II, UniGarant: Best of World (2016) II, UniGarant: Commodities (2016), UniGarant: Deutschland (2016) III and UniGarant: Europa (2016) II.

Optimising assets

PrivatFonds products

PrivatFonds products continued to enjoy steady inflows. The net inflow since the start of the year was around EUR 3.1 billion (as at 31 December 2016). PrivatFonds: Kontrolliert (EUR 2.98 billion) and PrivatFonds: Kontrolliert pro (EUR 0.21 billion) generated the highest net inflows. The total fund value for PrivatFonds products was EUR 16.6 billion.

UniKonzept funds

As the product concept of the rule-governed UniKonzept: Portfolio A and UniKonzept: Dividenden A funds (each including a class with no front-end fee) did not always succeed in attracting investors in the current market environment of high volatility and a lack of trend markets, these funds will cease to be focus products from next year. The volume of funds managed in the Retail Clients segment as at 31 December 2016 totalled EUR 2.3 billion.

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 2016 with a market share of 58 % (as at 30 September 2016) 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 128 thousand clients were signed up to the newer product UniProfiRente Select as at 31 December 2016. As at this date, Union Investment managed around 1.8 million Riester contracts; the total volume of Riester pension products was EUR 15.0 billion as at 31 December 2016. The total volume in cooperative business with R+V-Versicherung is currently around EUR 5.8 billion (as at 31 December 2016). 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 family of unit-linked insurance products was expanded in September 2016 with the addition of the RBA 3 Märkte product. Net sales of no less than EUR 525 million in mutual and special funds were generated in the year with RBA (as at 31 December 2016). The current RBA portfolio totals approximately EUR 2.5 billion (as at 31 December 2016).

Savings

There was a particular focus on investment fund savings plans in 2016. In addition to access being made easier by lowering the minimum savings amount from EUR 50 to EUR 25 in the case of Union funds and also other measures, a broad-based advertising campaign was launched throughout Germany on 1 July 2016. This centralised measure was reflected in regional measures, resulting in effective business development support. The twelve-month savings volume for Union investment fund savings plans amounted to EUR 2.8 billion[4] as at 31 December 2016, equating to a year-on-year increase of 57 %. Totalling 487 thousand as at 31 December 2016, the number of new savings plans was 48 % higher year-on-year. This increase was due on the one hand to the positive effect of the set of savings plan measures and on the other to the issuance of UniImmo: Deutschland units as part of the quota method from 12 September to 21 October 2016.

Product range in general

There was a new product launch in the focal area of asset investment with UniAusschüttung A und UniAusschüttung -net- A, a globally invested mixed fund that seeks to generate regular earnings by flexibly combining various asset classes. The earnings are generally paid out on a quarterly basis. In addition to the funds closed upon maturity as mentioned above, the following funds were closed or merged: BBV-Invest Union and VR-Bank Würzburg

[4] The net sales and portfolio figures reported in relation to the focal issue of savings include sums relating to the other focal issues that are generated on the basis of savings plans.

Portfolio were closed on 15 January 2016 and 6 April 2016 respectively. LIGA-Pax-K-Union was merged with the LIGA-Pax-Rent-Union fund on 29 July 2016. Finally, the following funds were closed upon reaching maturity on 30 November 2016: UniVario Point: Chance, UniVario Point: Ertrag, UniVario Point: Sicherheit and UniVario Point: Wachstum. 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.

2. Institutional investors

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 16.1 billion (compared with EUR 18.2 billion in the previous year). It gained a total of 74 new clients in the reporting year (2015: 66), 71 of which came from outside the cooperative sector. Net sales generated by new clients amounted to EUR 3.3 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 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 six new clients with additional assets under management of EUR 285 million. Quoniam operates as a specialist in quantitative investment strategies across all asset classes. The company currently manages assets of EUR 26.5 billion in 138 institutional portfolios.

With a market share of 6.0 % 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.

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 more than EUR 619 million (not including funds of funds) and therefore remains successful. Its assets under management rose by 19.1 %.

3. 2017 outlook

3.1 Retail clients

The marketing priorities for 2017 are derived from the four focal areas of optimising assets, asset investment, savings and old-age provision. Fixed-term bond funds are also launched on a selective basis if conditions in the capital market give rise to opportunities. 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 2017. 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 14 capital-protected and fixed-term bond funds will come to the end of their term. Marketing activities in 2017 will again prioritise the focal area of savings. Measures aimed at achieving stronger growth in savings plan business are intended to attract new customers in particular, as well as expanding the breadth of advisory expertise. The campaign already launched in the second half of 2016 will be continued and will be picked up on by a regionalisation concept. The aim here is to make marketing highly relevant to the bank’s regional environment in 2017.

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 2017.

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

	2016 EUR million	2015 EUR million	Change EUR million
Interest-based business			
Interest income from lending and money market business and from fixed-income securities	0	0.2	-0.2
Current income from variable-yield securities	10.4	15.7	-5.3
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	**9.4**	**14.9**	**-5.5**
Commission-based business			
Fee and commission income	1,969.0	1,950.1	18.9
Fee and commission expenses	-761.5	-722.9	-38.6
Net fee and commission income	**1,207.5**	**1,227.2**	**-19.7**
Net income from investment securities	**-1.1**	**-7.4**	**6.3**
Other net remeasurement income on financial instruments	**-14.4**	**-15.2**	**0.8**
Net income from companies accounted for using the equity method	**2.7**	**2.1**	**0.6**
Administrative expenses			
Staff costs	-354.1	-338.9	-15.2
Other administrative expenses	-379.0	-339.5	-39.5
Depreciation and amortisation expense	-31.1	-24.2	-6.9
Administrative expenses	**-764.2**	**-702.6**	**-61.6**
Other operating result	**28.2**	**36.6**	**-8.4**
Consolidated earnings before taxes	**468.1**	**555.6**	**-87.5**
Income taxes	**-134.0**	**-180.5**	**46.5**
Consolidated net income	**334.1**	**375.1**	**-41.0**
Attributable to:			
Shareholders of Union Asset Management Holding AG	**328.3**	**368.3**	**-40.0**
Non-controlling interests	**5.8**	**6.8**	**-1.0**

	2016	2015	Change
Assets under management (final volumes) in EUR billion	**292.3**	**260.8**	**31.5**
Cost/income ratio (CIR)	**62.0 %**	**55.8 %**	**6.2 %**

Net interest income after allowances for losses on loans and receivables was well below the previous year's level at EUR 9.4 million. The decline was primarily the result of lower distributions from own-account fund investments.

Net fee and commission income breaks down as follows:

	2016 EUR million	2015 EUR million	Change EUR million
Fee and commission income	**1,969.0**	**1,950.1**	**18.9**
from sales commission	30.6	32.1	-1.5
from management fees	1,705.4	1,691.9	13.5
- from securities funds	1,395.6	1,413.1	-17.5
- of which performance-related fees	28.9	91.1	-62.2
- from real estate funds	309.8	278.8	31.0
from securities custody accounts	50.7	51.1	-0.4
Other	182.3	175.0	7.3
Fee and commission expenses	**-761.5**	**-722.9**	**-38.6**
for volume-based commission	-585.6	-562.2	-23.4
Other	-175.9	-160.7	-15.2
Net fee and commission income	**1,207.5**	**1,227.2**	**-19.7**

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 31.5 billion in 2016, to EUR 292.3 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 significantly by EUR 52.3 million in 2016. This was as a result of the significantly higher average volume of assets under management (up 10.0 %).

The sharp increase in management fees from property funds was due in particular to the higher average volume of property funds (up 11.4 %). In addition, transaction fees were up in the property area.

In 2016, income from performance-based management fees was down sharply year-on-year at EUR 28.9 million (down EUR 62.2 million). This income was offset by expenses in the amount of EUR 0.7 million, resulting in net performance-related management fees of EUR 28.2 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 fell year-on-year, resulting in a clear reduction in this earnings item. In addition, there was a significant 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 sharp reduction in the impairment of the equity carrying amount of BEA Union Investment Management Limited, Hong Kong.

Other net remeasurement income on financial instruments amounted to EUR -14.4 million after EUR -15.2 million in the previous year. This sizeable increase was due to the higher performance contribution from funds held for own-account investing activities. This was offset by an increase in the guarantee pledges measured.

Net income from companies accounted for using the equity method was much higher year-on-year at EUR 2.7 million (EUR 2.1 million) and primarily related to the share of the profit or loss 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 2016, rising by EUR -61.6 million to EUR -764.2 million (previous year: EUR -702.6 million):

The slight increase in staff costs was primarily due to the average salary adjustments, new jobs and appointments to unoccupied positions in 2015/2016.

Other administrative expenses were significantly higher year-on-year in 2016, rising by EUR -39.5 million to EUR -379.0 million (previous year: EUR -339.5 million):

	2016 EUR million	2015 EUR million	Change EUR million
Total	**-379.0**	**-339.5**	**-39.5**
IT expenses	-95.9	-82.1	-13.8
Public relations/marketing	-75.2	-58.9	-16.3
Office expenses	-40.2	-40.5	0.3
Consulting	-54.4	-48.0	-6.4
Property and occupancy costs	-39.4	-41.2	1.8
Miscellaneous	-73.9	-68.8	-5.1

Increased expenses for public relations/marketing were essentially due to campaigns designed to boost savings plan business and strengthen the Union Investment brand. IT expenses were higher year-on-year due to greater expenses for application maintenance and higher software and hardware costs. The higher consulting expenses were due to greater project expenses. Miscellaneous expenses increased first and foremost as a result of increases in the use of fee-based services. In contrast, property and occupancy costs fell because of fewer relocation activities compared with the previous year. There was a marginal decline in office expenses year-on-year.

Depreciation and amortisation expense was significantly higher year-on-year in 2016, rising by EUR -6.9 million to EUR -31.1 million (previous year: EUR -24.2 million): This was primarily due to the depreciation of marketing rights in Austria and a higher level of capitalised software.

The other operating result amounted to EUR 28.2 million in the period under review and was therefore well below the previous year's figure of EUR -8.4 million. This decline was mainly attributable to reduced income from the reversal of provisions.

Based on a Group tax rate of 31.155 %, the effective tax rate within the UMH Group was 28.63 % (previous year: 30.91 %). Income tax expense fell sharply by EUR 46.5 million year-on-year to EUR -134.0 million in the year under review. It comprises current tax expense of EUR -146.6 million (previous year: EUR -184.7 million) and deferred tax income of EUR 12.6 million (previous year: tax expense of EUR 4.2 million). The drop in current tax expense was caused by the lower consolidated earnings before taxes. The deferred tax income was largely due to the reversal of deferred tax liabilities in connection with property, plant and equipment.

Overall, the developments described led to a significant year-on-year decline in consolidated earnings of EUR -41.0 million to EUR 334.1 million (2015: EUR 375.1 million), the third-highest level ever achieved by the company over an equivalent period.

In addition, the very low cost/income ratio (CIR) of 62.0 % 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 improved by a sizeable 6.2 % percentage points year-on-year.

Comparison with earnings originally forecast for 2016

The original forecasts for consolidated earnings in 2016 were marginally exceeded. The main reason for this positive development was a lower-than-expected decline in performance-related management fees and greater transaction fees in the property area. The fractionally lower-than-expected average assets under management led to a slight decline in volume-based fee and commission income compared with expectations. This effect was reinforced by a structure for assets under management which was less favourable from an earnings point of view. The rise in administrative expenses compared with expectations was minimal. In net terms, this resulted in a slight 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 6.89 per share will be proposed at the Annual General Meeting on 12 May 2017. This would equate to a total dividend payment of EUR 200.1 million. The Supervisory Board of UMH approved the proposed appropriation of profit at its meeting held on 2 March 2017.

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:

Short-term investments for liquidity management purposes (liquidity): If financial resources are expected to be invested for less than three years, they are allocated to the liquidity category. Investments for liquidity management purposes include cash accounts, time deposits, money market and related funds, and bond funds.

Initial funding (funding): Investment funds are initially funded on the basis of each fund profile with funds transferred from the issuing company's short-term investments used for liquidity management. Initial funding is repaid as soon as possible to the short-term investments used for liquidity management.

Investment in pension plans and employee retention programmes (employee investments): All cash invested by employees of the company as part of pension plans and employee retention programmes is allocated to this investment category.

Longer-term capital investments (strategic 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 before 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. 2016		31 Dec. 2015		Change
	EUR million	%	EUR million	%	EUR million
Short-term investments for liquidity management purposes	**535.2**	**45.0**	**536.5**	**50.4**	**-1.3**
of which bond funds	480.5	40.4	457.9	43.0	22.6
of which money market funds	54.7	4.6	78.6	7.4	-23.9
Strategic investments	**584.5**	**49.1**	**443.9**	**41.7**	**140.6**
of which bond funds	464.1	39.0	356.8	33.5	107.3
of which equity funds	82.9	7.0	34.7	3.3	48.2
of which alternative investment funds	23.1	1.9	0	0	23.1
of which mixed funds	9.7	0.8	11.0	1.0	-1.3
of which real estate funds	4.7	0.4	16.2	1.5	-11.5
of which hybrid funds	0	0	16.8	1.6	-16.8
of which money market funds	0	0	8.4	0.8	-8.4
Funding	**67.7**	**5.7**	**81.7**	**7.7**	**-14.0**
of which bond funds	37.6	3.2	51.0	4.8	-13.4
of which mixed funds	10.2	0.9	14.6	1.4	-4.4
of which alternative investment funds	9.1	0.8	8.4	0.8	0.7
of which equity funds	3.2	0.3	1.8	0.2	1.4
of which money market funds	2.1	0.2	2.1	0.2	0.0
of which real estate funds	0	0	0.5	0.0	-0.5
of which other funds	5.5	0.5	3.3	0.3	2.2
Employee investments	**2.5**	**0.2**	**2.2**	**0.2**	**0.3**
of which bond funds	1.9	0.1	1.6	0.1	0.3
of which mixed funds	0.6	0.1	0.6	0.1	0.0
of which equity funds	0	0	0	0	0.0
of which capital-protected funds	0	0	0	0	0.0

	31 Dec. 2016		31 Dec. 2015		Change
	EUR million	%	EUR million	%	EUR million
Total securities	**1,189.9**	**100.0**	**1,064.3**	**100.0**	**125.6**
of which bond funds	984.1	82.7	867.3	81.5	116.8
of which equity funds	86.1	7.2	36.5	3.4	49.6
of which money market funds	56.8	4.8	89.1	8.4	-32.3
of which alternative investment funds	32.2	2.7	8.4	0.8	23.8
of which mixed funds	20.5	1.7	26.2	2.5	-5.7
of which real estate funds	4.7	0.4	16.7	1.6	-12.0
of which hybrid funds	0	0	16.8	1.6	-16.8
of which capital-protected funds	0	0	0	0	0.0
of which other funds	5.5	0.5	3.3	0.3	2.2

The table below shows total cash and cash equivalents:

	31 Dec. 2016		31 Dec. 2015		Change
	EUR million	%	EUR million	%	EUR million
Securities holdings	1,189.9	82.2	1,064.3	71.3	125.6
Bank holdings	257.4	17.8	428.0	28.7	-170.6
Total cash and cash equivalents	**1,447.3**	**100.0**	**1,492.3**	**100.0**	**-45.0**

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 54.0 % 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. 2016		31 Dec. 2015		Change
	EUR million	%	EUR million	%	EUR million
Liabilities and advances to					
banks	263.2	13.4	435.7	21.9	-172.5
customers	65.7	3.4	63.9	3.2	1.8
Investment securities	1,182.6	60.3	1,057.9	53.1	124.7
Shares in companies accounted for using the equity method	57.0	2.9	57.7	2.9	-0.7
Property, plant and equipment and intangible assets	160.1	8.2	185.7	9.3	-25.6
Income tax assets	46.6	2.4	27.3	1.4	19.3
Miscellaneous assets	165.2	8.4	148.0	7.4	17.2
Assets held for sale	20.1	1.0	16.4	0.8	3.7
Total assets	**1,960.5**	**100.0**	**1,992.6**	**100.0**	**-32.1**

Equity and liabilities	31 Dec. 2016		31 Dec. 2015		Change
	EUR million	%	EUR million	%	EUR million
Liabilities to					
banks	13.2	0.7	13.1	0.7	0.1
customers	1.3	0.1	0.1	0.0	1.2
Provisions	176.8	9.0	153.1	7.7	23.7
Income tax liabilities	68.8	3.5	102.2	5.1	-33.4
Miscellaneous liabilities	641.7	32.7	602.3	30.2	39.4
Equity	1,058.7	54.0	1,121.8	56.3	-63.1
Total equity and liabilities	**1,960.5**	**100.0**	**1,992.6**	**100.0**	**-32.1**

Consolidated total assets fell by 2 % year-on-year to EUR 1,960.5 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.

Investment securities of EUR 1,182.6 million are the defining item on the assets side of the consolidated statement of financial position (previous year: EUR 1,057.9 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. Investment securities increased by EUR 124.7 million, from EUR 1,057.9 million in the previous year to EUR 1,182.6 million.

Loans and advances to banks fell by EUR 172.5 million, from EUR 435.7 million in the previous year to EUR 263.2 million. This includes bank balances payable on demand in the amount of EUR 257.4 million (previous year: EUR 406.7 million).

EUR -0.6 million of the decrease in shares in companies accounted for using the equity method relates to BEA Union Investment Ltd., Hong Kong. The remaining change (EUR -0.1 million) relates to the other companies accounted for using the equity method. The reduction at BEA Union Investment Ltd., Hong Kong, relates to an impairment loss of EUR -1.1 million, the dividend from BU of EUR -3.4 million in the previous year, currency translation in the amount of EUR 1.5 million and recognition through profit or loss of an adjustment to the carrying amount of equity in the amount of EUR 2.5 million.

Additions to property, plant and equipment of EUR 6.4 million were offset by depreciation of EUR 4.4 million and disposal of the stake in the property at Westendstrasse 1 with a carrying amount of EUR 35.1 million. Including other changes, the net carrying amount of property, plant and equipment fell by EUR 35.0 million from EUR 58.6 million in the previous year to EUR 23.6 million.

Additions to intangible assets of EUR 36.7 million were offset by amortisation in the amount of EUR 27.2 million in the year under review. Including other changes, the net carrying amount increased by EUR 9.4 million from EUR 127.1 million in the previous year to EUR 136.5 million.

Miscellaneous assets include receivables from funds of EUR 111.8 million (previous year: EUR 111.2 million). This amount primarily comprised deferred management fee receivables for the month of December.

Liabilities to banks and customers increased by EUR 1.3 million from EUR 13.2 million to EUR 14.5 million, primarily as a result of commission liabilities in connection with fund unit trading.

	31 Dec. 2016 EUR million	31 Dec. 2015 EUR million	Change EUR million
Provisions for employee benefits	**163.8**	**132.1**	**31.7**
Provisions for defined benefit obligations	110.9	83.9	27.0
Provisions for other long-term employee benefits	48.1	45.5	2.6
Provisions for termination benefits	4.8	2.7	2.1
Other provisions	**13.0**	**21.0**	**-8.0**
Total	**176.8**	**153.1**	**23.7**

Provisions increased by EUR 23.7 million from EUR 153.1 million to EUR 176.8 million. Provisions for defined benefit obligations increased by EUR 27.0 million. This was mainly due to the interest rate used for discounting of 1.75 % (previous year: 2.25). Provisions for other long-term employee benefits were up by EUR 2.6 million from EUR 45.5 million to EUR 48.1 million. Termination benefits rose by EUR 2.1 million from EUR 2.7 million to EUR 4.8 million, while other provisions fell by EUR 8.0 million from EUR 21.0 million to EUR 13.0 million.

Equity fell by EUR 63.1 million from EUR 1,121.8 million to EUR 1,058.7 million. The decline was primarily due to the dividends for the previous year paid out in the financial year (EUR 380.2 million), compared with lower total comprehensive income in the year under review (EUR 321.7 million).

The equity ratio was 54.0 %, down 2.3 percentage points on the prior-year figure of 56.3 %.

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 3.3 million was invested in human resource development activities in the 2016 financial year (2015: EUR 3.3 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 2016, UMH employed 277 people (2015: 260 employees) with an average age of 41.8 (2015: 41.6) and an average period of service of 9.9 years (2015: 9.8 years). The Union Investment Group employed 2,824 people as at the end of 2016 (2015: 2,704). Across the Group, the average age of employees was 42.1 (2015: 41.8) and the average period of service was 10.2 years (2015: 10.1 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 95. 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 71 in the year under review. For technical reasons relating to data collection, it was not possible to determine the brand strength index for institutional investors in 2016; in 2015, this was 86. The index value for real estate business partners increased by four points to 85, while the figure for tenants in UIR/UII properties fell marginally by one point to 71. 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. We predict that the brand parameter values will remain steady in the 2017 financial year with just a few small deviations from the actual values achieved in 2016.

Client satisfaction

In the 2016 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 1.9 (2015: 1.8). The figure for bank consultants is likewise 1.9, unchanged from the previous year. The average satisfaction score for retail investors is 2.5. The average figure for this customer group in 2015 was 2.3, which marked the group's all-time high.

Internal satisfaction surveys are carried out among Union Investment's institutional investors on a two-year cycle. The surveys are carried out in uneven years and were therefore not conducted in the year under review. 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 most recently improved from an already excellent 1.84 (2013) to 1.75 in 2015.

The renowned independent consulting firm Greenwich Associates conducts annual market studies on the German institutional asset management market. Institutional investors are surveyed about the performance of the asset managers they are currently working with. The results are confidential. The Greenwich Overall Quality Index, which encompasses various parameters on participant satisfaction with asset management and customer service, declined slightly in 2016, from 556 in 2015 to 539 points. It is worth noting that institutional investors rated their asset managers more critically in general in the year under review than they did in 2015. As such, Union Investment once again comfortably maintained its ranking within the top quartile of the competition in 2016.

As in the previous year, the average satisfaction score for tenants in German properties of UIR/UII was 2.4 in 2016.

We are setting ourselves the ambitious goal of maintain the high customer satisfaction levels in the 2017 financial year. This unchanged forecast is based firstly on the assumption that investors 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.

19 projects were initiated by employees in 2016, including one project in Luxembourg, one in Vienna, three in Hamburg and 14 in the Frankfurt region. Group-wide, 663 employees from all hierarchy levels and all locations (Frankfurt, Hamburg, Luxembourg and Vienna) sacrificed around 1,944 hours of their own time to volunteer for 16 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. 2016 EUR million	31 Dec. 2015 EUR million
Cash flow from operating activities	506.6	397.5
Cash flow from investing activities	-121.9	-150.4
Cash flow from financing activities	-384.7	-247.1
= 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 825.0 million from the disposal of investment securities and payments of EUR 943.3 million to acquire investment securities. There were also proceeds of EUR 39.3 million from the disposal of property, plant and equipment, payments in the amount of EUR 36.7 million relating to the acquisition of intangible assets and payments of EUR 6.4 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 2015 financial year amounting to EUR 380.2 million and the payment of dividends from subsidiaries of UMH to non-controlling interests amounting to EUR 4.5 million. Offsetting this, there were changes in funds from other capital of EUR 0.1 million.

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 289a (4) in conjunction with (2) no. 4 HGB

The company's Supervisory Board has 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.

In addition, the Board of Managing Directors has defined targets in accordance with Section 76 (4) AktG for the two management levels below the Board of Managing Directors; these targets are to be met by 30 June 2017.

The target is 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.

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 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. Multi-asset and absolute return solutions are a promising area.

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 were implemented that have a significant impact on securities business. Other legislative measures are in the preparatory phase. In view 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 advancing and 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 123.2 million was calculated for UIG as at 31 December 2016 (previous year: EUR 163.9 million). The alert threshold was EUR 195 million (previous year: EUR 170.1 million). The risk contribution did not exceed the alert 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 alert 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. 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. 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 investors or 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.

The economic risk capital requirements for market risk were calculated as EUR 189.4 million as at 31 December 2016 (previous year: EUR 190.4 million). The upper loss limit was EUR 235 million (previous year: EUR 209 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 calculated as a relative value at risk with a confidence level of 99.9 % and a holding period of one year. The economic risk capital requirements for equity investment risk were calculated as EUR 37.1 million as at 31 December 2016 (previous year: EUR 44.8 million). The upper loss limit was EUR 45 million (previous year: EUR 70 million). The risk capital requirements did not exceed the upper loss limit 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 32.6 as at 31 December 2016 (previous year: EUR 0 million). The upper loss limit was EUR 37 million (previous year: EUR 10 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, the labour market or the general public, 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 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.

Total risk

Total risk is calculated on the basis of the individual risk types. Diversification effects are taken into account in aggregation. The total capital requirements amounted to EUR 349.3 million as at 31 December 2016 (previous year: EUR 375.7 million). The overall limit was EUR 468.8 million in the reporting period (previous year: EUR 427.5 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 678.3 million as at 31 December 2016 (previous year: EUR 593 million). Utilisation of risk cover by the overall limit was 69 % as at 31 December 2016 (previous year: 72.1 %). 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 2016 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. V. 3.2 for information on the non-financial performance indicators.

This forecast covers the 2017 financial year.

Following high consolidated earnings and net sales and also a record volume of assets under management in the 2016 financial year, Union Investment has again set itself ambitious targets for the 2017 financial year.

The capital markets remain high, among other things due to historically low interest rates around the world. However, uncertainty within the capital markets has risen since the outcome of the US presidential election, with interest rates increasing significantly following the election. There are also expectations of further interest rate moves on the part of the US Federal Reserve. It is not possible to judge at present whether this development is only temporary or the extent to which it will influence interest rates in the eurozone. The eurozone itself will be subject to some major political influences in the forecast period, in particular the elections being held in France and Germany, the situation in Italy, the foreign policy challenges relating to Turkey and Russia, and the ongoing Brexit process. It is precisely these conditions that mean there is still an inherent potential for a setback in this forecast. If, for example, there are serious changes in the regulatory environment, this could necessitate adjustments in the budgeted income or expenses.

For the 2017 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 minor 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 2017 financial year. This will be due to infrastructure investments and the resulting operating costs. In addition, further measures designed to strengthen the Union Investment brand are planned for 2017. Staff costs will increase slightly as a result of targeted recruitment in 2017, the full-year effect of appointments, and planned salary adjustments. This will be offset by a reduction in variable remuneration components.

Given the factors described above, high consolidated earnings are once again forecast for 2017, 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.

Frankfurt am Main, 14 March 2017

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

2016 financial year

Consolidated financial statements (IFRS) of Union Asset Management Holding AG for the financial year from 1 January to 31 December 2016

Consolidated income statement for the financial year from 1 January to 31 December 2016

UMH Group	Note	2016 EUR thousand	2015 EUR thousand
Net interest income	[25]	**9,486**	**14,991**
Interest income and current income		10,478	16,014
Interest expenses		-992	-1,023
Allowances for losses on loans and receivables	[26]	**-24**	**-21**
Net interest income after allowances for losses on loans and receivables		**9,462**	**14,970**
Net fee and commission income	[27]	**1,207,516**	**1,227,248**
Fee and commission income		1,969,031	1,950,182
Fee and commission expenses		-761,515	-722,934
Net income from investment securities	[28]	**-1,134**	**-7,358**
Other net remeasurement income on financial instruments	[29]	**-14,381**	**-15,158**
Net income from companies accounted for using the equity method	[30]	**2,686**	**2,063**
Administrative expenses	[31]	**-764,171**	**-702,739**
Other operating result	[32]	**28,182**	**36,538**
Consolidated earnings before taxes		**468,160**	**555,564**
Income taxes	[22], [33]	**-134,012**	**-180,509**
Consolidated net income		**334,148**	**375,055**
Attributable to:			
Shareholders of Union Asset Management Holding AG		**328,377**	**368,242**
Non-controlling interests		**5,771**	**6,813**

Statement of comprehensive income for the financial year from 1 January to 31 December 2016

UMH Group	Note	2016 EUR thousand	2015 EUR thousand
Consolidated net income		**334,148**	**375,055**
Other comprehensive income		**-12,485**	**21,537**
Amounts reclassified to profit or loss		**4,102**	**8,286**
Gains and losses on available-for-sale financial assets	[34], [35], [52]	2,597	3,206
Exchange differences on currency translation of foreign subsidiaries	[35], [52]	-1,029	764
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	[35], [52]	1,365	5,349
Income taxes relating to components of other comprehensive income	[35]	1,169	-1,033
Amounts not reclassified to profit or loss		**-16,587**	**13,251**
Actuarial gains and losses on defined benefit plans	[35], [52]	-24,088	18,177
Income taxes relating to components of other comprehensive income	[35]	7,501	-4,926
Total comprehensive income		**321,663**	**396,592**
Attributable to:			
Shareholders of Union Asset Management Holding AG		**316,035**	**389,451**
Non-controlling interests		**5,628**	**7,141**

Consolidated statement of financial position as at 31 December 2016

Assets	Note	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand
Cash reserve	[9], [36]	**39**	**37**
Loans and advances to banks	[10], [37]	**263,172**	**435,683**
Loans and advances to customers	[10], [38]	**65,692**	**63,898**
Investment securities	[12], [39]	**1,182,613**	**1,057,948**
Shares in companies accounted for using the equity method	[13], [40]	**57,006**	**57,698**
Property, plant and equipment	[14], [41]	**23,556**	**58,631**
Intangible assets	[15], [42]	**136,471**	**127,111**
Income tax assets	[22], [43]	**46,568**	**27,255**
Other assets	[44]	**165,235**	**147,963**
Assets held for sale	[16], [45]	**20,148**	**16,406**
Total assets		**1,960,500**	**1,992,630**

Equity and liabilities	Note	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand
Liabilities to banks	[17], [46]	**13,246**	**13,100**
Liabilities to customers	[17], [47]	**1,306**	**59**
Liability derivatives	[18], [48]	**32,269**	**13,962**
Provisions	[19], [20], [49]	**176,818**	**153,105**
Income tax liabilities	[22], [50]	**68,793**	**102,161**
Other liabilities	[51]	**609,320**	**588,442**
Equity	[52]	**1,058,748**	**1,121,801**
Issued capital		87,130	87,130
Capital reserves		18,617	18,617
Retained earnings		591,888	620,040
Revaluation surplus		5,962	2,511
Currency translation reserve		11,309	10,887
Consolidated net profit		328,377	368,242
Non-controlling interests		15,465	14,374
Total equity and liabilities		**1,960,500**	**1,992,630**

Statement of changes in equity for the financial year from 1 January to 31 December 2016

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. 2015		**87,130**	**18,617**	**518,736**	**523**	**4,719**	**339,580**	**969,305**	**9,478**	**978,783**
Consolidated net income		–	–	–	–	–	368,242	368,242	6,813	375,055
Other comprehensive income	[52]	–	–	13,053	1,988	6,168	–	21,209	328	21,537
Total comprehensive income		**–**	**–**	**13,053**	**1,988**	**6,168**	**368,242**	**389,451**	**7,141**	**396,592**
Capital increase		–	–	–	–	–	–	–	1,470	1,470
Acquisition/disposal of non-controlling interests		–	–	-1,265	–	–	–	-1,265	-205	-1,470
Changes in the consolidated group		–	–	–	–	–	–	–	552	552
Dividends paid	[52]	–	–	-250,064	–	–	–	-250,064	-4,062	-254,126
Appropriation to retained earnings		–	–	339,580	–	–	-339,580	–	–	–
31 Dec. 2015		**87,130**	**18,617**	**620,040**	**2,511**	**10,887**	**368,242**	**1,107,427**	**14,374**	**1,121,801**
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	[52]	–	–	-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	[52]	–	–	-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**

Statement of cash flows for the financial year from 1 January to 31 December 2016

UMH Group	2016 EUR thousand	2015 EUR thousand
Consolidated net income	**334,148**	**375,055**
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	46,066	47,795
Non-cash changes in provisions and deferred liabilities	546,633	507,843
Other non-cash income and expenses	191,573	233,577
Gains and losses on the disposal of assets and liabilities	-1,228	-1,046
Other adjustments (net)	-9,514	-17,086
Subtotal	**1,107,678**	**1,146,138**
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks	172,511	-38,857
Loans and advances to customers	-1,817	-6,426
Other assets	-17,272	-57,689
Liabilities to banks	147	-3,024
Liabilities to customers	1,248	-25
Liability derivatives	-2,448	-2,911
Other liabilities	-525,827	-461,980
Interest and dividends received	14,408	19,448
Interest paid	-1,355	-1,265
Income taxes paid	-240,670	-195,900
Cash flow from operating activities	**506,603**	**397,509**

UMH Group	2016 EUR thousand	2015 EUR thousand
Proceeds from the disposal of:		
Investment securities	825,015	944,888
Property, plant and equipment	39,330	8
Intangible assets	170	146
Payments for the acquisition of:		
Investment securities	-943,335	-995,150
Property, plant and equipment	-6,409	-13,271
Intangible assets	-36,716	-73,419
Effects of changes in consolidation:		
Payments for the acquisition of consolidated companies less cash acquired	–	-13,634
Cash flow from investing activities	**-121,945**	**-150,432**
Dividend payments to the shareholders of UMH AG and other shareholders	-384,716	-254,126
Changes in cash from other capital	60	7,048
Cash flow from financing activities	**-384,656**	**-247,078**
Cash and cash equivalents at the beginning of the year	**37**	**38**
Cash flow from operating activities	506,603	397,509
Cash flow from investing activities	-121,945	-150,432
Cash flow from financing activities	-384,656	-247,078
Cash and cash equivalents at the end of the year	**39**	**37**

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, 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 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 2016. 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. More detailed information is provided in the additional disclosures in the notes to the consolidated financial statements.

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 [57] and analysis of financial assets which are past due pursuant to IFRS 7.37 (note [58]), 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 2016 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 315a (1) of the German Commercial Code (HGB) in conjunction with Section 315a (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 2016 financial year

The following amended versions of financial reporting standards and the stated improvements to IFRS were adopted for the first time in the UMH consolidated financial statements for the 2016 financial year:
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions,
- Amendments to IFRS 11 – Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations,
- Amendments to IAS 1 – Disclosure Initiative,
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation,
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception,
- Annual Improvements to IFRS, 2010–2012 Cycle,
- Annual Improvements to IFRS, 2012–2014 Cycle.

The amendments to IAS 19 Defined Benefit Plans: Employee Contributions introduce choice regarding mandatory employee contributions in the accounting of defined benefit pension obligations. If such contributions are linked to the period of speech but independent of the number of years of service, a company may recognise these contributions as a reduction in the service cost in the period in which the related service is rendered, rather than spreading them across the period of service. The amendments are effective for annual periods beginning on or after 1 February 2015.

The amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3 Business Combinations is required to apply all of the principles on business combinations accounting in IFRS 3. They also clarify that an interest previously held in a joint operation need not be remeasured when additional shares are acquired, but joint control is maintained. The amendments are prospectively effective for annual periods beginning on or after 1 January 2016.

The amendments to IAS 1 Disclosure Initiative clarify that the concept of materiality applies to all parts of IFRS consolidated financial statements including the notes. Immaterial information should not be disclosed even if its disclosure is explicitly stipulated in other standards. Specifications regarding the presentation of subtotals in the statement of financial position, the income statement and other comprehensive income have also been added. Additionally, there is clarification regarding the presentation of an entity's share of other comprehensive income of equity-accounted associates and joint ventures in the statement of comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016.

The amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation clarify that a revenue-based method may not be used for the depreciation of property, plant and equipment. There is also clarification that, with regard both to property, plant and equipment and intangible assets, a decline in the selling prices of goods and services could be indicative of their economic ageing and can therefore indicate a decline in the economic benefits embodied in the underlying assets. The amendments are effective for annual periods beginning on or after 1 January 2016.

The amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception clarify that exemption from the obligation to prepare consolidated financial statements pursuant to IFRS 10.4(a) also applies to parent entities which are the subsidiary of an investment entity. It is further clarified that an investment entity must measure at fair value all subsidiaries which themselves meet the definition criteria of an investment entity. This also applies if the subsidiaries perform investment-related services. It is additionally clarified that a non-investment entity which incorporates an investment entity into its consolidated financial statements as an equity-accounted associate or joint venture may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after 1 January 2016.

In the Annual Improvements to IFRS, 2010–2012 Cycle with first-time application to annual periods beginning on or after 1 February 2015 and 2012–2014 Cycle with first-time application to annual periods beginning on or after 1 January 2016, the IASB provides clarifications and makes small amendments to various existing standards.

The above amendments and improvements to IFRS have no material impact on the UMH consolidated financial statements.

- 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.

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 'fair value through profit or loss', 'fair value OCI' or 'at cost'. The standard also affords the reporting entity the option of categorising financial assets as 'fair value through profit or loss' (fair value option) when allocating them to the categories 'fair value OCI' or 'at cost'. Use of the fair value option is not currently envisaged within the UMH Group. Equity instruments which are held for trading must be assigned to the category 'fair value through profit or loss'. The 'fair value OCI' option may be applied to equity instruments not held for trading; its application from the date of first-time application is not currently envisaged within the UMH Group. However, subsequent application of this option is not ruled out.

Unlike IAS 39, IFRS 9 specifies that, as regards financial liabilities designated as at fair value through profit or loss, any changes in such liabilities 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. There are no plans for early adoption of this regulation 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 risk-increasing criteria insofar as these were not already taken into account in the probability of default. 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. We assume there to be low credit risk when the security to be assessed has an investment grade rating.

The new IFRS 9 hedge accounting model will enable an improved presentation of internal risk management and entails extensive disclosure requirements. 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 no longer be possible to discontinue a hedge at any time without reason. 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. In future, opposing changes in value on the basis of the economic relationship between the hedged item and the hedging instrument can be demonstrated purely qualitatively, rather than by using quantitative bright lines.

Three simulated calculations have been or will be conducted within the UMH Group to assess the effects of this. The first two simulated calculations have already been conducted, with effective dates of 31 December 2015 and 30 June 2016. These indicate that the quantitative effects of the introduction of IFRS 9 are largely dependent on market developments up to the time of the standard’s first application. There are also unresolved interpretation issues regarding individual IFRS 9 provisions. At present, it can be assumed that the most significant effects for the UMH Group will be the result of the new provisions regarding measurement categories. Based on the simulated calculations conducted thus far, the UMH Group assumes that there will only be transfers in Group equity from the revaluation surplus to retained earnings, because own investments previously categorised as ‘available for sale’ and unconsolidated investments will henceforth be assigned to the category ‘fair value through profit or loss’. The final simulated calculation with an effective date of 31 December 2016 is scheduled for the first half of 2017.

The regulations of IFRS 9 are 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. Under IFRS 15, revenue is recognised when the customer acquires control of the agreed goods and services and can derive benefits from them. The questions of how much and at what time or over what period revenue must be recognised are to be determined in five steps in future. First, the contract with the customer and the separate performance obligations contained in it must be identified. Then, the transaction price of the customer contract is determined and allocated to the individual performance obligations. Variable components of the transaction price are estimated using the expected value method or the most likely amount method, and taken into account in line with the provisions limiting the inclusion of variable consideration in the transaction price. Finally, using the new model, revenue is recognised in the amount of the allocated pro rata transaction price for each performance obligation when the agreed service has been rendered or the customer achieves control over it. Using the criteria provided, a distinction must be made between performance at a point in time and performance over a period of time. The new standard does not distinguish 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 in terms of information on the nature, amount and progress of revenue and 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.

The amendments are 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. Early adoption of the standard is not envisaged within the UMH Group.

IFRS 15 will be applied within the UMH Group for the first time on the basis of the modified retrospective application method pursuant to IFRS 15.C3(b), with recognition of the cumulative adjustment amounts from the first-time application at the time of its initial application. With this method, IFRS 15 is applied to new and existing contracts not yet fulfilled at the time of the standard’s initial application. Existing contracts are to be measured as if the provisions of IFRS 15 had always been applied to them.

A preliminary assessment of IFRS 15 was made within the UMH Group in the 2016 financial year. This may change in the course of further, more detailed analyses. All the Group companies have begun to analyse their contracts in accordance with IFRS 15. Based on the initial assessments, the matters identified were either deemed insignificant or were not affected by the new regulations. For example, no significant financing components and no contracts with a reimbursement obligation in accordance with IFRS 15 were identified. At present, there are no expectations that implementing IFRS 15 will have any significant impact on the statement of financial position. However, it is not possible to provide a reliable assessment of the possible quantitative effects before detailed analysis has been completed.

- IFRS changes not yet endorsed

The following new accounting standards, amendments to or clarifications of existing accounting standards and IFRS improvements as issued by the International Accounting Standards Board, and the new IFRIC interpretation have not yet been endorsed by the EU:

- IFRS 14 Regulatory Deferral Accounts (will not be adopted into EU law in this version),
- IFRS 16 Leases,
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (adoption into EU law deferred indefinitely),
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses,
- Amendments to IAS 7 – Disclosure Initiative,
- Clarifications to IFRS 15 – Revenue from Contracts with Customers,
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions,
- Amendments to IAS 40 – Transfers of Investment Property,
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration,
- Annual Improvements to IFRS, 2014–2016 Cycle.

In future, the regulations of IFRS 16 Leases will replace the content of IAS 17 Leases. The key changes pursuant to IFRS 16 relate to accounting by lessees. Lessees must henceforth recognise so-called 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 accounting regulations for lessors largely correspond with the previous regulations pursuant to IAS 17. The note disclosure requirements for lessees and lessors are considerably more extensive with IFRS 16 in comparison to IAS 17. The mandatory date of first-time application is 1 January 2019, with earlier first-time application being possible (while also applying IFRS 15).

The amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses published by the IASB on 19 January 2016 concern the recognition of deferred tax assets for unrealised losses. The amendments 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 are effective for annual periods beginning on or after 1 January 2017.

The IASB published amendments to IAS 7 Disclosure Initiative in January 2016 with a view to improving the ability of users of financial statements to evaluate 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. The changes apply to reporting periods beginning on or after 1 January 2017.

The clarifications to IFRS 15 published in April 2016 address three identified issues (identifying performance obligations, principal versus agent considerations and licensing) and seek to provide transition relief for modified and completed contracts. The clarifications are mandatory for the first time for annual periods beginning on or after 1 January 2018. The amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions 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 other amendments referred to above, the new interpretation and the annual improvements have no material impact on the UMH consolidated financial statements. 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 18 subsidiaries (previous year: 18) in which UMH AG directly or indirectly holds more than 50 % of the shares or voting rights. Twelve of these subsidiaries (previous year: twelve) have their registered office in Germany, while six (previous year: six) are headquartered in other countries. Eight 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.

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: two) – one of which is in Germany (previous year: one) – is accounted for using the equity method.

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

Two investment funds (previous year: four) that UMH AG controls and 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.

Three investment funds (previous year: eight) 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 [62]).

[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 [61]).

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 can 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, 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 the negative fair values of the put options embedded in our guarantee products (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 [53].

[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 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. Loans are recognised when the loan is paid out.

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. Financial instruments are recognised at fair value plus individually attributable transaction costs on acquisition. The subsequent measurement of financial assets and financial liabilities 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.

Depreciation 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 specified in IFRS 5 allowing them to be reported as disposal groups under non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups. 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 and UniProfiRente Select products 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.

[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: 2.25 %). 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 2.25 %.

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 carryforwards 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 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 carryforwards 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 carryforwards 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

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Interest income and current income	**10,478**	**16,014**	**-5,536**
from lending and money market operations	360	462	-102
from negative interest on financial assets	-389	-274	-115
from investment fund units	8,693	13,478	-4,785
from other receivables	–	0	0
from equity investments	6	6	–
from investments in subsidiaries	1,808	2,342	-534
Interest expenses	**-992**	**-1,023**	**31**
for liabilities to banks and customers	-965	-992	27
for other liabilities	-27	-31	4
Total	**9,486**	**14,991**	**-5,505**

[26] Allowances for losses on loans and receivables

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Directly recognised write-downs	**-24**	**-21**	**-3**
Receipts from loans and receivables written off	**0**	**–**	**0**
Total	**-24**	**-21**	**-3**

[27] Net fee and commission income

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Fee and commission income	**1,969,031**	**1,950,182**	**18,849**
from sales commission	30,627	32,070	-1,443
from management fees	1,705,400	1,691,887	13,513
from securities custody accounts	50,650	51,094	-444
Other	182,354	175,131	7,223
Fee and commission expenses	**-761,515**	**-722,934**	**-38,581**
for volume-based commission	-585,571	-562,172	-23,399
for revenue-based commission	-7,387	-9,283	1,896
for securities custody accounts	-14,126	-15,682	1,556
Other	-154,431	-135,797	-18,634
Total	**1,207,516**	**1,227,248**	**-19,732**

[28] Net income from investment securities

	2016 EUR thousand	2015 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	**-1,134**	-7,358	6,224
Impairment on investments in joint ventures accounted for using the equity method	**-1,134**	-7,358	6,224
Total	**-1,134**	**-7,358**	**6,224**

[29] Other net remeasurement income on financial instruments

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Gains and losses on derivatives used for purposes other than trading	**-18,343**	**-5,540**	**-12,803**
Fair value gains and losses on derivatives used for purposes other than trading	-18,307	-5,528	-12,779
Realised gains and losses on derivatives used for purposes other than trading	-36	-12	-24
Net income from financial instruments measured at fair value through profit or loss	**3,962**	**-9,618**	**13,580**
Gains and losses on shares and other variable-yield securities (including other shareholdings)	**6,360**	**-6,731**	**13,091**
Fair value gains and losses on shares and other variable-yield securities (including other shareholdings)	5,420	-10,681	16,101
Realised gains and losses on shares and other variable-yield securities (including other shareholdings)	940	3,950	-3,010
Net income from investments in subsidiaries	**14**	**12**	**2**
Net remeasurement income from investments in subsidiaries	13	12	1
Realised net income from investments in subsidiaries	1	0	1
Net income from derivative financial instruments in relation to non-derivative financial instruments	**-2,412**	**-2,899**	**487**
Realised net income from derivative financial instruments in relation to non-derivative financial instruments	-2,412	-2,899	487
Total	**-14,381**	**-15,158**	**777**

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

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Joint ventures	**2,454**	**1,798**	**656**
Associates	**232**	**265**	**-33**
Total	**2,686**	**2,063**	**623**

[31] Administrative expenses

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Staff costs	**-354,072**	**-339,042**	**-15,030**
Wages and salaries	-311,068	-298,500	-12,568
Social security contributions	-31,522	-28,342	-3,180
Pensions and other post-employment benefit expenses	-11,482	-12,200	718
Other administrative expenses	**-379,009**	**-339,517**	**-39,492**
IT expenses	-95,901	-82,145	-13,756
Public relations/marketing	-75,179	-58,886	-16,293
Consulting	-54,412	-48,046	-6,366
Office expenses	-40,188	-40,453	265
Property and occupancy costs	-39,449	-41,161	1,712
Miscellaneous	-73,880	-68,826	-5,054
Depreciation and amortisation expense	**-31,090**	**-24,180**	**-6,910**
Property, plant and equipment	-4,393	-4,062	-331
Intangible assets	-26,697	-20,118	-6,579
Total	**-764,171**	**-702,739**	**-61,432**

[32] Other operating result

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Other operating income	**38,394**	**50,350**	**-11,956**
Income from the refund of other taxes	13,316	15,442	-2,126
Income from the reversal of deferred liabilities	9,279	8,736	543
Income from the reversal of provisions	4,620	16,233	-11,613
Income from exchange differences on currency translation	367	377	-10
Income from deconsolidation	5	–	5
Miscellaneous other operating income	10,807	9,562	1,245
Other operating expenses	**-10,212**	**-13,812**	**3,600**
Expenses for restructuring measures	-3,995	–	-3,995
Expenses for other taxes	-285	-4,038	3,753
Expenses for exchange differences on currency translation	-430	-507	77
Write-downs on purchased customer relationships	-474	–	-474
Impairment losses on property, plant and equipment	-470	-9	-461
Impairment losses on intangible assets	-1	–	-1
Impairment losses on other assets	–	-29	29
Miscellaneous other operating expenses	-4,557	-9,229	4,672
Total	**28,182**	**36,538**	**-8,356**

[33] Income taxes

The breakdown of income taxes is as follows:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Current tax expense	**-146,572**	**-184,662**	**38,090**
Deferred taxes	**12,560**	**4,153**	**8,407**
Total	**-134,012**	**-180,509**	**46,497**

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

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Consolidated earnings before taxes	**468,160**	**555,564**	**-87,404**
× income tax rate	**31.155 %**	**30.980 %**	**0.175 %**
= expected income tax expense in financial year	**145,855**	**172,114**	**-26,259**
Deduction from tax owing to tax-exempt income	-7,100	-6,082	-1,018
Addition to tax owing to non-deductible expenses	7,490	8,171	-681
Trade tax variance	3,752	5,215	-1,463
Tax rate differences on income subject to taxation in other countries	-2,546	-3,191	645
Effects of tax rate changes and new taxes	-326	–	-326
Current tax expense/income relating to prior periods	-12,680	3,130	-15,810
Deferred tax expense/income relating to prior periods	–	2	-2
Change in impairment of deferred tax assets	712	–	712
Other	-1,145	1,150	-2,295
Tax expense in accordance with IFRS	**134,012**	**180,509**	**-46,497**

Income tax expense includes income from the interest on recognised corporation tax credits amounting to EUR 123 thousand (previous year: EUR 132 thousand).

The deferred tax income (expense) attributable to temporary differences or the reversal thereof that did not result from either loss carryforwards or tax rate differences amounted to EUR 12,234 thousand (previous year: EUR 4,153 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:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Amounts reclassified to profit or loss (before taxes)	**2,933**	**9,319**	**-6,386**
Income taxes relating to components of other comprehensive income	**1,169**	**-1,033**	**2,202**
Amounts reclassified to profit or loss (after taxes)	**4,102**	**8,286**	**-4,184**
Gains and losses on available-for-sale financial assets (before taxes)	2,597	3,206	-609
Income taxes relating to components of other comprehensive income	1,198	-1,035	2,233
Gains and losses on available-for-sale financial assets (after taxes)	**3,795**	**2,171**	**1,624**
Exchange differences on currency translation of foreign subsidiaries (before taxes)	-1,029	764	-1,793
Income taxes relating to components of other comprehensive income	-29	2	-31
Exchange differences on currency translation of foreign subsidiaries (after taxes)	**-1,058**	**766**	**-1,824**
Share of other comprehensive income of joint ventures and associates accounted for using the equity method (before taxes)	1,365	5,349	-3,984
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)	**1,365**	**5,349**	**-3,984**
Amounts not reclassified to profit or loss (before taxes)	**-24,088**	**18,177**	**-42,265**
Income taxes relating to components of other comprehensive income	**7,501**	**-4,926**	**12,427**
Amounts not reclassified to profit or loss (after taxes)	**-16,587**	**13,251**	**-29,838**
Actuarial gains and losses on defined benefit plans (before taxes)	-24,088	18,177	-42,265
Income taxes relating to components of other comprehensive income	7,501	-4,926	12,427
Actuarial gains and losses on defined benefit plans (after taxes)	**-16,587**	**13,251**	**-29,838**
Other comprehensive income (before taxes)	**-21,155**	**27,496**	**-48,651**
Income taxes relating to components of other comprehensive income	**8,670**	**-5,959**	**14,629**
Other comprehensive income (after taxes)	**-12,485**	**21,537**	**-34,022**

Consolidated statement of financial position disclosures

[36] Cash reserve

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Cash in hand	**39**	**37**	**2**
Total	**39**	**37**	**2**

[37] Loans and advances to banks

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Loans and advances to banks in Germany	**204,874**	**324,980**	**-120,106**
of which repayable on demand	202,480	321,367	-118,887
Loans and advances to banks outside Germany	**58,298**	**110,703**	**-52,405**
of which repayable on demand	54,876	85,365	-30,489
Total	**263,172**	**435,683**	**-172,511**

[38] Loans and advances to customers

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Loans and advances to customers in Germany	**38,896**	**37,182**	**1,714**
Loans and advances to customers outside Germany	**26,796**	**26,716**	**80**
Total	**65,692**	**63,898**	**1,794**

Loans and advances to customers included loans of EUR 18 thousand secured by mortgage (previous year: EUR 19 thousand).

Loans and advances to customers also included employer loans to salaried staff amounting to EUR 642 thousand (previous year: EUR 1,400 thousand).

In addition, they include receivables from customers of EUR 7,988 thousand (previous year: EUR 6,988 thou sand) in respect of deferred custody account fees for investment accounts under Germany's Capital Accumulation Act (VermBG).

[39] Investment securities

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Equities and other variable-yield securities	**1,169,212**	**1,047,047**	**122,165**
Equities	32	32	–
Investment fund units	1,168,875	1,046,709	122,166
Other shareholdings	305	306	-1
Investments in subsidiaries	**13,401**	**10,901**	**2,500**
Total	**1,182,613**	**1,057,948**	**124,665**

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. 2015	**1,002,492**	**9,964**	**1,012,456**
Cost as at 1 Jan. 2015	**992,340**	**9,995**	**1,002,335**
Additions	994,887	264	995,151
Reclassifications	-4,434	-2,522	-6,956
Disposals	-947,272	-14	-947,286
Currency translation	-1	-12	-13
Change in consolidated group – additions	14,995	11	15,006
Cost as at 31 Dec. 2015	**1,050,515**	**7,722**	**1,058,237**
Cumulative changes resulting from measurement at fair value as at 1 Jan. 2015	**10,152**	**771**	**10,923**
Changes recognised in other comprehensive income resulting from measurement at fair value in reporting period	–	3,206	3,206
Changes resulting from measurement at fair value through profit or loss in reporting period	-12,245	12	-12,233
Reclassifications (measurement at fair value)	626	-8	618
Disposals (measurement at fair value)	-1,774	0	-1,774
Changes resulting from currency translation (measurement at fair value)	5	0	5
Change in consolidated group – additions	-232	0	-232
Cumulative changes resulting from measurement at fair value as at 31 Dec. 2015	**-3,468**	**3,981**	**513**
Impairment losses as at 1 Jan. 2015	**–**	**-802**	**-802**
Impairment losses as at 31 Dec. 2015	**–**	**-802**	**-802**
Carrying amount as at 31 Dec. 2015	**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**

	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. 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**

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.

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

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Investments in joint ventures	**50,175**	**52,311**	**-2,136**
Investments in associates	**6,831**	**5,387**	**1,444**
Total	**57,006**	**57,698**	**-692**

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. 2015	**54,563**	**6,137**	**60,700**
Additions	981	–	981
Disposals	–	-877	-877
Changes resulting from measurement under the equity method	4,125	127	4,252
- of which changes recognised in other comprehensive income	2,327	-138	2,189
- of which changes recognised in profit or loss	1,798	265	2,063
Impairment losses	-7,358	–	-7,358
Carrying amount as at 31 Dec. 2015	**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**

The changes recognised in equity relating to investments in joint ventures accounted for using the equity method include EUR 1,480 thousand (previous year: EUR 5,401 thousand) attributable to currency translation, EUR -115 thousand (previous year: EUR -52 thousand) attributable to the remeasurement of available-for-sale financial assets and EUR -3,357 thousand (previous year: EUR -3,022 thousand) attributable to distributions.

The changes recognised in equity relating to investments in associates accounted for using the equity method comprised EUR -183 thousand (previous year: EUR -138 thousand) attributable to distributions.

The impairment loss of EUR -1,134 thousand recognised in the financial year (previous year: EUR -7,358 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 lower than the equity carrying amount before impairment on account of lower expected income.

[41] Property, plant and equipment

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Land and buildings	**12,646**	**49,090**	**-36,444**
Operating and office equipment	**10,910**	**9,541**	**1,369**
Total	**23,556**	**58,631**	**-35,075**

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. 2015	**45,104**	**4,325**	**49,429**
Cost as at 1 Jan. 2015	**69,307**	**27,900**	**97,207**
Additions	5,823	7,446	13,269
Reclassifications	-192	192	–
Disposals	-3,457	-1,545	-5,002
Currency translation	–	7	7
Change in consolidated group – additions	–	21	21
Cost as at 31 Dec. 2015	**71,481**	**34,021**	**105,502**
Depreciation and impairment losses as at 1 Jan. 2015	**-24,203**	**-23,575**	**-47,778**
Additions (depreciation)	-1,636	-2,427	-4,063
Additions (impairment losses)	-9	–	-9
Disposals	3,457	1,544	5,001
Currency translation	–	-3	-3
Change in consolidated group – additions	–	-19	-19
Depreciation and impairment losses as at 31 Dec. 2015	**-24,203**	**-23,575**	**-47,778**
Carrying amount as at 31 Dec. 2015	**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

	Land and buildings EUR thousand	Operating and office equipment EUR thousand	Total EUR thousand
Cost as at 31 Dec. 2016	**23,146**	**37,864**	**61,010**
Depreciation 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
Depreciation 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**

The normal useful life for buildings is 40 years, and for operating and office equipment between three and 13 years.

The land and building disposals primarily relate to the sale of the partially owned property at Westendstrasse 1.

[42] Intangible assets

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Software	**91,206**	**78,512**	**12,694**
Purchased customer relationships	**5,216**	**5,690**	**-474**
Miscellaneous intangible assets	**40,049**	**42,909**	**-2,860**
Total	**136,471**	**127,111**	**9,360**

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. 2015	**68,165**	**–**	**–**	**68,165**
Cost as at 1 Jan. 2015	**195,471**	**–**	**–**	**195,471**
Additions	30,518	–	42,901	73,419
Disposals	-1,012	–	–	-1,012
Currency translation	-3	–	–	-3
Change in consolidated group – additions	1,528	5,690	8	7,226
Cost as at 31 Dec. 2015	**226,502**	**5,690**	**42,909**	**275,101**
Amortisation and impairment losses as at 1 Jan. 2015	**-127,306**	**–**	**–**	**-127,306**
Additions (amortisation)	-20,117	–	–	-20,117
Disposals	866	–	–	866
Currency translation	1	–	–	1
Change in consolidated group – additions	-1,434	–	–	-1,434
Amortisation and impairment losses as at 31 Dec. 2015	**-149,990**	**–**	**–**	**-149,990**
Carrying amount as at 31 Dec. 2015	**78,512**	**5,690**	**42,909**	**127,111**

	Software EUR thousand	Purchased customer relationships EUR thousand	Miscellaneous intangible assets EUR thousand	Total EUR thousand
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**

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.

[43] Income tax assets

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Current income tax assets	**10,994**	**3,025**	**7,969**
Germany	10,994	3,002	7,992
Rest of world	–	23	-23
Deferred income tax assets	**35,574**	**24,230**	**11,344**
Deferred tax assets (recognised in profit or loss)	46,162	43,650	2,512
Deferred tax assets (recognised in equity)	30,394	22,294	8,100
Netting	-40,982	-41,714	732
Total	**46,568**	**27,255**	**19,313**

Current income tax assets included corporation tax credits of EUR 1,159 thousand (previous year: EUR 2,195 thousand).

Deferred tax assets that were only expected to be realised after twelve months amounted to EUR 27,112 thousand (based on their net value; previous year: EUR 18,849 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 companies in the UMH Group.

No deferred taxes were recognised in respect of loss carryforwards of EUR 2,928 thousand (previous year: EUR 81 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. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Assets			
Investment fund units	–	15	-15
Investments in subsidiaries and equity investments	2	31	-29
Property, plant and equipment	119	123	-4
Intangible assets	10	10	–
Other assets	517	777	-260
Assets held for sale	–	1	-1
Equity and liabilities			
Liability derivatives	7,110	3,645	3,465
Provisions for employee benefits	61,412	53,984	7,428
Other provisions	1,467	1,331	136
Other liabilities	5,919	6,027	-108
Total	**76,556**	**65,944**	**10,612**

[44] Other assets

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Other financial receivables	**116,172**	**114,457**	**1,715**
Trade receivables	115,069	113,556	1,513
of which from investment funds	111,813	111,247	566
Miscellaneous other receivables	1,103	901	202
Other tax assets	**30,950**	**17,316**	**13,634**
Miscellaneous other assets	**7,716**	**6,782**	**934**
of which funding surplus for defined benefit plans	–	58	-58
of which reimbursement rights recognised as assets in accordance with IAS 19.116	6,752	6,130	622
Deferred income	**10,397**	**9,408**	**989**
Total	**165,235**	**147,963**	**17,272**

[45] Assets held for sale

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Investment securities	**20,148**	**16,406**	**3,742**
Total	**20,148**	**16,406**	**3,742**

[46] Liabilities to banks

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Liabilities to banks in Germany	**13,210**	**12,672**	**538**
of which repayable on demand	–	–	–
Liabilities to banks outside Germany	**36**	**428**	**-392**
of which repayable on demand	–	–	–
Total	**13,246**	**13,100**	**146**

[47] Liabilities to customers

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Liabilities to customers in Germany	**1,301**	**59**	**1,242**
of which repayable on demand	1,301	59	1,242
Liabilities to customers outside Germany	**5**	**0**	**5**
of which repayable on demand	5	0	5
Total	**1,306**	**59**	**1,247**

[48] Liability derivatives

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
In connection with guarantee commitments	**32,269**	**13,962**	**18,307**
Total	**32,269**	**13,962**	**18,307**

[49] Provisions

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Provisions for employee benefits	**163,822**	**132,141**	**31,681**
Provisions for defined benefit pension obligations	110,855	83,870	26,985
Provisions for other long-term employee benefits	48,150	45,616	2,534
of which provisions for partial retirement schemes	11,282	10,845	437
of which miscellaneous provisions for other long-term employee benefits	36,868	34,771	2,097
Provisions for termination benefits	4,817	2,655	2,162
of which provisions for termination benefits linked with restructuring	4,817	2,655	2,162
Other provisions	**12,996**	**20,964**	**-7,968**
Provisions for onerous contracts	2,674	2,971	-297
Provisions for sales commission	146	146	–
Provisions for restructuring	957	–	957
Miscellaneous provisions	9,219	17,847	-8,628
Total	**176,818**	**153,105**	**23,713**

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 -3,572 thousand in the financial year (previous year: EUR -3,215 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. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Germany	**283,855**	**249,498**	**34,357**
Final salary-dependent plans	131,009	113,609	17,400
Defined benefit contribution plan	152,846	135,889	16,957
Rest of world	**5,886**	**5,439**	**447**
Final salary-dependent plans	–	–	–
Defined benefit contribution plan	5,886	5,439	447
Total	**289,741**	**254,937**	**34,804**

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:

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Opening balance as at 1 Jan.	**254,937**	**250,882**	**4,055**
Current service cost	6,134	6,837	-703
Interest cost	5,752	5,024	728
Current pension payments	-5,352	-3,367	-1,985
Employee contributions	4,803	4,739	64
Actuarial gains (–)/losses (+)	23,000	-10,245	33,245
of which due to experience adjustments	-217	962	-1,179
of which due to changes in financial assumptions	23,217	-11,207	34,424
Changes in the consolidated group	–	1,166	-1,166
Reclassifications	–	-99	99
Changes resulting from assumption	467	–	467
Closing balance as at 31 Dec.	**289,741**	**254,937**	**34,804**

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

	31 Dec. 2016 %	31 Dec. 2015 %	Change Percentage points
Discount rate	**1.75**	**2.25**	**-0.50**
Salary increases	**0.00 – 2.50**	**0.00 – 3.00**	**0.00 – -0.50**
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 1.51 % (previous year: 1.48 %) and 1.50 % (previous year: 1.46 %) respectively. The weighted absolute percentage for staff turnover is 0.88 % (previous year: 0.84 %).

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. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Change in the present value of defined benefit pension obligations as at 31 December 2016 if	**289,741**	**254,937**	**34,804**
the discount rate were 100 basis points higher	-34,296	-29,354	-4,942
the discount rate were 100 basis points lower	44,639	37,954	6,685
the future salary increases were 50 basis points higher	4,087	3,437	650
the future salary increases were 50 basis points lower	-3,859	-3,238	-621
the future pension increases were 25 basis points higher	4,378	3,669	709
the future pension increases were 25 basis points lower	-4,179	-3,504	-675
the future life expectancy were one year longer	5,048	4,188	860
the future life expectancy were one year shorter	-5,299	-4,425	-874

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 13 years for the rest of the world (previous year: 14 years).

Plan assets

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

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Present value of defined benefit pension obligations	**289,741**	**254,937**	**34,804**
of which not funded by plan assets	65,212	54,471	10,741
of which funded by plan assets	224,529	200,466	24,063
Less fair value of plan assets	**-178,886**	**-171,125**	**-7,761**
Defined benefit pension obligations (net)	**110,855**	**83,812**	**27,043**
Funding surplus	**–**	**58**	**-58**
Provisions recognised for defined benefit pension obligations	**110,855**	**83,870**	**26,985**
Fair value of reimbursement rights	6,752	6,130	622

The following table shows the changes in plan assets:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Opening balance as at 1 Jan.	**171,125**	**154,566**	**16,559**
Interest income	3,916	3,142	774
Income from/expenses for plan assets (not including interest income)	-918	7,742	-8,660
Funding of plan assets	8,909	8,303	606
of which contributions by employers	4,116	3,574	542
of which contributions by employees	4,793	4,729	64
Pension benefits paid	-4,146	-2,628	-1,518
Closing balance as at 31 Dec.	**178,886**	**171,125**	**7,761**

The actual income from plan assets amounted to EUR 2,998 thousand in the year under review (previous year: EUR 10,884 thousand).

Additional contributions to plan assets of EUR 8,883 thousand are expected in the subsequent financial year (previous year: EUR 8,273 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. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Investment fund units (securities funds) – no market price quoted on an active market	**94,650**	**87,529**	**7,121**
Investment fund units (real estate funds) – no market price quoted on an active market	**1,334**	**1,287**	**47**
Entitlements arising from insurance contracts	**82,902**	**82,310**	**592**
Total	**178,886**	**171,126**	**7,760**

Reimbursement rights

The following table shows the changes in reimbursement rights:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Opening balance as at 1 Jan.	**6,130**	**5,244**	**886**
Interest income	138	105	33
Income from/expenses for reimbursement rights (not including interest income)	-170	190	-360
Funding of reimbursement rights	673	658	15
of which contributions by employers	663	648	15
of which contributions by employees	10	10	–
Pension benefits paid	-19	-67	48
Closing balance as at 31 Dec.	**6,752**	**6,130**	**622**

The actual income from reimbursement rights amounted to EUR -32 thousand in the year under review (previous year: EUR 295 thousand).

Changes in other provisions

	Provisions for onerous contracts EUR thousand	Provisions for sales commission EUR thousand	Provisions for re-structuring EUR thousand	Miscellan-eous provisions EUR thousand	Total EUR thousand
Opening balance as at 1 Jan. 2016	**2,971**	**146**	**–**	**17,847**	**20,964**
Additions	–	–	957	3,096	4,053
Utilisation	–	–	–	-7,443	-7,443
Reversals	-297	–	–	-4,323	-4,620
Reclassifications	–	–	–	22	22
Effect from the increase in the discounted amount over time and change in the discount rate	–	–	–	20	20
Closing balance as at 31 Dec. 2016	**2,674**	**146**	**957**	**9,219**	**12,996**

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

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Provisions for onerous contracts	**2,674**	**2,971**	**-297**
Up to three months	75	74	1
Three months to one year	223	223	–
One year to five years	1,188	1,188	–
More than five years	1,188	1,486	-298
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	**957**	**–**	**957**
Up to three months	–	–	–
Three months to one year	957	–	957
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	–	–	–
Miscellaneous provisions	**9,219**	**17,847**	**-8,628**
Up to three months	426	241	185
Three months to one year	2,703	6,016	-3,313
One year to five years	4,871	9,596	-4,725
More than five years	1,054	1,052	2
Indefinite	165	942	-777

[50] Income tax liabilities

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Current income tax liabilities	**65,453**	**88,935**	**-23,482**
Provisions for income taxes	65,172	88,850	-23,678
Income tax liabilities	281	85	196
Deferred tax liabilities	**3,340**	**13,226**	**-9,886**
Deferred tax liabilities (recognised in profit or loss)	37,600	47,618	-10,018
Deferred tax liabilities (recognised in equity)	6,722	7,322	-600
Netting	-40,982	-41,714	732
Total	**68,793**	**102,161**	**-33,368**

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 2,545 thousand (based on their net value; previous year: EUR 12,206 thousand).

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

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Assets			
Loans and advances to banks	4	6	-2
Investment fund units	4,625	6,445	-1,820
Investments in subsidiaries and equity investments	157	1,362	-1,205
Property, plant and equipment	31	8,503	-8,472
Intangible assets	1,304	1,423	-119
Other assets	56	80	-24
Equity and liabilities			
Provisions for employee benefits	38,114	37,112	1,002
Other provisions	29	6	23
Other liabilities	2	3	-1
Total	**44,322**	**54,940**	**-10,618**

[51] Other liabilities

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Other financial liabilities	**5,301**	**7,165**	**-1,864**
Trade payables	2,526	4,262	-1,736
Liabilities from profit transfer agreements	–	134	-134
Miscellaneous other liabilities	2,775	2,769	6
Other tax liabilities	**36,524**	**41,079**	**-4,555**
Deferred liabilities	**566,844**	**539,442**	**27,402**
of which for sales commission	407,407	398,087	9,320
Miscellaneous other liabilities	**21**	**56**	**-35**
Deferred income	**630**	**700**	**-70**
Total	**609,320**	**588,442**	**20,878**

[52] Equity

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Issued capital	87,130	87,130	–
Capital reserves	18,617	18,617	–
Retained earnings	591,888	620,040	-28,152
Revaluation surplus	5,962	2,511	3,451
Currency translation reserve	11,309	10,887	422
Consolidated net profit	328,377	368,242	-39,865
Non-controlling interests	15,465	14,374	1,091
Total	1,058,748	1,121,801	-63,053

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 basic dividend of EUR 10.29 per share (previous year: EUR 8.61 per share) and a special dividend of EUR 2.80 per share (previous year: EUR 0) were distributed to shareholders in the reporting year in accordance with the resolution adopted by the Annual General Meeting on 29 April 2016. This equates to a total dividend payment of EUR 380,179 thousand (previous year: EUR 250,064 thousand).

The payment of a dividend of EUR 6.89 per share will be proposed at the Annual General Meeting on 12 May 2017. This would equate to a total dividend payment of EUR 200,110 thousand. The Supervisory Board of UMH AG approved the proposed appropriation of profit at its meeting held on 2 March 2017.

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:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Actuarial gains and losses on defined benefit plans	-16,215	13,053	-29,268
Total	-16,215	13,053	-29,268

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:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Gains and losses on available-for-sale financial assets	3,567	2,041	1,526
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	-116	-53	-63
Total	3,451	1,988	1,463

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:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Exchange differences on currency translation of foreign subsidiaries	-1,058	767	-1,825
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	1,480	5,401	-3,921
Total	**422**	**6,168**	**-5,746**

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:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Gains and losses on available-for-sale financial assets	228	130	98
Actuarial gains and losses on defined benefit plans	-371	198	-569
Total	**-143**	**328**	**-471**

Financial instruments disclosures

[53] Categories of financial instruments

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Loans and receivables	**445,036**	**614,038**	**-169,002**
Loans and advances to banks	263,172	435,683	-172,511
Loans and advances to customers	65,692	63,898	1,794
Other financial receivables	116,172	114,457	1,715
Other financial liabilities	**19,853**	**20,324**	**-471**
Liabilities to banks	13,246	13,100	146
Liabilities to customers	1,306	59	1,247
Other financial liabilities	5,301	7,165	-1,864
Available for sale	**12,855**	**10,090**	**2,765**
Investment securities	12,855	10,090	2,765
Equities and other variable-yield securities (including other shareholdings)	337	338	-1
- measured at cost	337	338	-1
Investments in subsidiaries	12,518	9,752	2,766
- measured at fair value	12,299	9,702	2,597
- measured at cost	219	50	169
Designated as at fair value through profit or loss	**1,189,905**	**1,064,264**	**125,641**
Investment securities	1,169,757	1,047,858	121,899
Equities and other variable-yield securities (including other shareholdings)	1,168,874	1,046,709	122,165
Investments in subsidiaries	883	1,149	-266
Assets held for sale	20,148	16,406	3,742
Held for trading	**32,269**	**13,962**	**18,307**
Liability derivatives	32,269	13,962	18,307

Investment securities with a carrying amount of EUR 556 thousand (previous year: EUR 388 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.

[54] 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:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Financial instruments at fair value through profit or loss	**-5,688**	**-1,680**	**-4,008**
Held-for-trading financial instruments	-18,343	-5,540	-12,803
Financial instruments designated as at fair value through profit or loss	12,655	3,860	8,795
Available-for-sale financial assets	**1,814**	**2,348**	**-534**
Loans and receivables	**-53**	**167**	**-220**
Other financial liabilities	**-972**	**-1,011**	**39**

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:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Interest income	**360**	**462**	**-102**
Interest expenses and negative interest on financial assets	**-1,361**	**-1,284**	**-77**

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

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Fee and commission income	**1,969,031**	**1,950,182**	**18,849**
Fee and commission expenses	**-759,884**	**-721,105**	**-38,779**

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:

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Loans and advances to customers	**24**	**21**	**3**

[55] 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 22,270 thousand (previous year: EUR 11,419 thousand) in respect of capital preservation commitments for the UniProfiRente retirement pension product and EUR 9,999 thousand (previous year: EUR 2,543 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. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Loans and advances to banks (fair value)	263,172	435,683	-172,511
Loans and advances to banks (carrying amount)	263,172	435,683	-172,511
Loans and advances to customers (fair value)	65,692	63,898	1,794
Loans and advances to customers (carrying amount)	65,692	63,898	1,794
Investment securities (fair value)	1,182,613	1,057,948	124,665
Investment securities (carrying amount)	1,182,613	1,057,948	124,665
Other financial receivables (fair value)	116,172	114,457	1,715
Other financial receivables (carrying amount)	116,172	114,457	1,715
Assets held for sale (fair value)	20,148	16,406	3,742
Assets held for sale (carrying amount)	20,148	16,406	3,742

Equity and liabilities	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Liabilities to banks (fair value)	13,246	13,100	146
Liabilities to banks (carrying amount)	13,246	13,100	146
Liabilities to customers (fair value)	1,306	59	1,247
Liabilities to customers (carrying amount)	1,306	59	1,247
Liability derivatives (fair value)	32,269	13,962	18,307
Liability derivatives (carrying amount)	32,269	13,962	18,307
Other financial liabilities (fair value)	5,301	7,165	-1,864
Other financial liabilities (carrying amount)	5,301	7,165	-1,864

[56] 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. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Investment securities	**1,182,056**	**1,057,560**	**124,496**
of which level 1	–	–	–
of which level 2	1,160,647	1,039,432	121,215
of which level 3	21,409	18,128	3,281
Assets held for sale	**20,148**	**16,406**	**3,742**
of which level 1	–	–	–
of which level 2	20,148	16,406	3,742
of which level 3	–	–	–
Total	**1,202,204**	**1,073,966**	**128,238**

Equity and liabilities	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Liability derivatives	**32,269**	**13,962**	**18,307**
of which level 1	–	–	–
of which level 2	32,269	13,962	18,307
of which level 3	–	–	–
Total	**32,269**	**13,962**	**18,307**

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:

Level 3 – Investment securities	**2016** EUR thousand	**2015** EUR thousand	**Change** EUR thousand
Opening balance as at 1 Jan.	**18,128**	**16,954**	**1,174**
Changes resulting from measurement at fair value	4,017	1,174	2,843
of which through profit or loss	1,420	-2,032	3,452
of which in equity	2,597	3,206	-609
Disposals (sales)	-736	–	-736
Closing balance as at 31 Dec.	**21,409**	**18,128**	**3,281**

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 gain of EUR 1,420 thousand (previous year: loss of EUR 2,032 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 2,597 thousand (previous year: EUR 3,206 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 rate is 9.40 % (previous year: 9.20 %). 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.

Strategically held investments in subsidiaries and other shareholdings whose fair values are calculated using an income capitalisation approach are not included in a sensitivity analysis.

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. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Loans and advances to banks	**263,172**	**435,683**	**-172,511**
of which level 1	–	–	–
of which level 2	263,172	435,683	-172,511
of which level 3	–	–	–
Loans and advances to customers	**65,692**	**63,898**	**1,794**
of which level 1	–	–	–
of which level 2	65,692	63,898	1,794
of which level 3	–	–	–
Investment securities	**556**	**388**	**168**
of which level 1	–	–	–
of which level 2	–	–	–
of which level 3	556	388	168
Other financial receivables	**116,172**	**114,457**	**1,715**
of which level 1	–	–	–
of which level 2	116,172	114,457	1,715
of which level 3	–	–	–
Total	**445,592**	**614,426**	**-168,834**

Equity and liabilities	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Liabilities to banks	**13,246**	**13,100**	**146**
of which level 1	–	–	–
of which level 2	13,246	13,100	146
of which level 3	–	–	–
Liabilities to customers	**1,306**	**59**	**1,247**
of which level 1	–	–	–
of which level 2	1,306	59	1,247
of which level 3	–	–	–
Other financial liabilities	**5,301**	**7,165**	**-1,864**
of which level 1	–	–	–
of which level 2	5,301	7,165	-1,864
of which level 3	–	–	–
Total	**19,853**	**20,324**	**-471**

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

[57] Contractual maturity analysis

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

Assets	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Loans and advances to banks	**263,172**	**435,683**	**-172,511**
Up to one month	263,136	435,683	-172,547
One month to three months	36	–	36
Three months to one year	–	–	–
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	–	–	–
Loans and advances to customers	**66,361**	**64,162**	**2,199**
Up to one month	56,988	54,759	2,229
One month to three months	1,197	1,637	-440
Three months to one year	7	283	-276
One year to five years	8,021	7,337	684
More than five years	148	146	2
Indefinite	–	–	–
Investment securities	**1,182,613**	**1,057,948**	**124,665**
Up to one month	–	–	–
One month to three months	–	–	–
Three months to one year	–	–	–
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	1,182,613	1,057,948	124,665

Assets	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Other financial receivables	**116,172**	**114,457**	**1,715**
Up to one month	114,531	112,875	1,656
One month to three months	151	94	57
Three months to one year	172	383	-211
One year to five years	1,095	1,033	62
More than five years	214	63	151
Indefinite	9	9	–
Assets held for sale	**20,148**	**16,406**	**3,742**
Up to one month	–	–	–
One month to three months	–	–	–
Three months to one year	–	–	–
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	20,148	16,406	3,742

Equity and liabilities	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Liabilities to banks	**13,246**	**13,100**	**146**
Up to one month	13,246	13,100	146
One month to three months	–	–	–
Three months to one year	–	–	–
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	–	–	–
Liabilities to customers	**1,306**	**59**	**1,247**
Up to one month	1,306	59	1,247
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. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Liability derivatives	**32,269**	**13,962**	**18,307**
Up to one month	10,295	2,618	7,677
One month to three months	37	13	24
Three months to one year	266	127	139
One year to five years	4,169	1,519	2,650
More than five years	17,502	9,685	7,817
Indefinite	–	–	–
Other financial liabilities	**5,301**	**7,165**	**-1,864**
Up to one month	3,628	5,668	-2,040
One month to three months	11	116	-105
Three months to one year	24	12	12
One year to five years	425	33	392
More than five years	16	20	-4
Indefinite	1,197	1,316	-119

Other disclosures	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Financial guarantees	**58,912**	**57,306**	**1,606**
Up to one month	–	–	–
One month to three months	–	–	–
Three months to one year	–	–	–
One year to five years	–	–	–
More than five years	–	–	–
Indefinite	58,912	57,306	1,606

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

[58] Assets past due

Assets past due but not yet impaired	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Loans and advances to banks	**566**	**27**	**539**
Up to three months	559	24	535
Three months to six months	–	–	–
Six months to one year	–	–	–
More than one year	7	3	4
Loans and advances to customers	**269**	**388**	**-119**
Up to three months	30	167	-137
Three months to six months	1	–	1
Six months to one year	8	23	-15
More than one year	230	198	32
Other financial receivables	**230**	**35**	**195**
Up to three months	229	35	194
Three months to six months	–	–	–
Six months to one year	1	–	1
More than one year	–	–	–

[59] Foreign currency volumes

Assets	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Loans and advances to banks	**24,755**	**25,886**	**-1,131**
US dollar (USD)	1,717	1,600	117
Swiss franc (CHF)	–	–	–
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	362	595	-233
Polish zloty (PLN)	22,648	23,680	-1,032
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	28	11	17

Assets	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Loans and advances to customers	**3,083**	**3,647**	**-564**
US dollar (USD)	2,778	3,305	-527
Swiss franc (CHF)	40	39	1
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	221	261	-40
Polish zloty (PLN)	–	–	–
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	44	42	2
Investment securities	**6,541**	**4,922**	**1,619**
US dollar (USD)	10	–	10
Swiss franc (CHF)	–	–	–
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	1	1	–
Polish zloty (PLN)	6,530	4,921	1,609
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	–	–	–
Other financial receivables	**2,455**	**2,616**	**-161**
US dollar (USD)	41	27	14
Swiss franc (CHF)	12	26	-14
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	104	32	72
Polish zloty (PLN)	2,298	2,527	-229
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	0	4	-4
Assets held for sale	**–**	**1,425**	**-1,425**
US dollar (USD)	–	–	–
Swiss franc (CHF)	–	–	–
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	–	–	–
Polish zloty (PLN)	–	1,425	-1,425
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	–	–	–
Total	**36,834**	**38,496**	**-1,662**

Equity and liabilities	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Other financial liabilities	**437**	**282**	**155**
US dollar (USD)	63	61	2
Swiss franc (CHF)	–	–	–
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	29	–	29
Polish zloty (PLN)	345	221	124
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	–	–	–
Total	**437**	**282**	**155**

Other disclosures	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Financial guarantees	**58,912**	**57,306**	**1,606**
US dollar (USD)	58,912	57,306	1,606
Swiss franc (CHF)	–	–	–
Japanese yen (JPY)	–	–	–
Pound sterling (GBP)	–	–	–
Polish zloty (PLN)	–	–	–
Hong Kong dollar (HKD)	–	–	–
Other foreign currencies	–	–	–
Total	**58,912**	**57,306**	**1,606**

The nominal amount is reported for financial guarantees.

Other disclosures

[60] 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 and Quoniam Asset Management GmbH by European Regulation No. 575/2013 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.

[61] 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.

Where voting rights are relevant, the Group is deemed to have control where 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.

The merger of WGZ BANK with DZ BANK means the equity investment in VR Consultingpartner GmbH is now classified as a subsidiary rather than a joint venture at the DZ BANK level. VR Consultingpartner GmbH is therefore recognised as an associate at the UMH Group level.

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. 2016** EUR thousand	**31 Dec. 2015** EUR thousand	**Change** EUR thousand
Union Investment Real Estate GmbH	10,066	9,296	770
Quoniam Asset Management GmbH	2,878	3,030	-152
Union Investment Institutional Property GmbH	1,900	1,490	410
Union Investment Real Estate Austria AG	616	553	63
Miscellaneous	5	5	0
Total	**15,465**	**14,374**	**1,091**

Non-controlling interests	**2016** EUR thousand	**2015** EUR thousand	**Change** EUR thousand
Union Investment Real Estate GmbH	3,322	4,608	-1,286
Quoniam Asset Management GmbH	1,814	1,919	-105
Union Investment Institutional Property GmbH	576	286	290
Union Investment Real Estate Austria AG	59	–	59
Miscellaneous	0	0	0
Total	**5,771**	**6,813**	**-1,042**

- 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 seven property funds (previous year: seven) with net assets of EUR 29.8 billion (previous year: EUR 27.4 billion). UMH AG directly holds 94.0 % 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 0.5 % (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 178 thousand for 0.5 % of shares. In the financial year, the non-controlling interests in UIR received dividend distributions (cash dividends) of EUR 2,553 thousand (previous year: EUR 2,553 thousand).

Summarised financial information on UIR:

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Assets	**285,351**	**265,142**	**20,209**
Liabilities	**117,570**	**110,178**	**7,392**

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Interest and commission income	**299,378**	**280,224**	**19,154**
Net income through profit or loss	**55,361**	**76,800**	**-21,439**
Other comprehensive income	**9**	**3,055**	**-3,046**
Total comprehensive income	**55,370**	**79,855**	**-24,485**
Cash flow	**-1**	**-7**	**6**

- Quoniam Asset Management GmbH, Frankfurt am Main

DQAM 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 1,884 thousand (previous year: EUR 1,409 thousand) were paid to the non-controlling interests of QAM.

Summarised financial information on QAM:

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Assets	**58,316**	**55,509**	**2,807**
Liabilities	**34,273**	**30,192**	**4,081**

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Interest and commission income	**66,812**	**66,492**	**320**
Net income through profit or loss	**15,120**	**15,989**	**-869**
Other comprehensive income	**-695**	**612**	**-1,307**
Total comprehensive income	**14,425**	**16,601**	**-2,176**
Cash flow	**4**	**–**	**4**

- 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 3.6 billion in its institutional business (previous year: EUR 3.2 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 100 thousand (previous year: EUR 100 thousand).

Summarised financial information on UII:

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Assets	25,885	21,320	4,565
Liabilities	6,886	6,420	466

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Interest and commission income	24,021	17,041	6,980
Net income through profit or loss	5,756	2,860	2,896
Other comprehensive income	-657	712	-1,369
Total comprehensive income	5,099	3,572	1,527
Cash flow	–	–	–

- Union Investment Real Estate Austria AG

URA, which is based in Vienna, is an asset management company for real estate. The company was founded in 2003 and manages real estate in Austria and Germany. URA currently manages property funds with a volume of EUR 0.7 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 VOME Holding GmbH, Vienna. As at 31 December 2015, UMH AG held 100 % of the shares in UIA GmbH, giving it an indirect shareholding in URA.

In the financial year, (cash) dividends of EUR 134 thousand (previous year: EUR 80 thousand) were paid to the non-controlling interests of URA.

Summarised financial information on URA:

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Assets	13,509	15,014	-1,505
Liabilities	2,311	4,972	-2,661

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Interest and commission income	7,450	–	7,450
Net income through profit or loss	1,079	–	1,079
Other comprehensive income	77	–	77
Total comprehensive income	1,156	–	1,156
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 596.6 million as at the end of the reporting period (previous year: EUR 461.1 million). This is a fund of funds that was set up 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 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

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 2016, the company had HKD 43.1 billion in assets under management (previous year: HKD 37.4 billion) in 71 products (previous year: 66 products). UMH'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 28.7 million or EUR 3,254 thousand to UMH AG (previous year: HKD 31.0 million or EUR 3,589 thousand).

Summarised financial information on BU:

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Assets	**64,745**	**63,990**	**755**
of which: cash reserve	–	–	–
Liabilities	**-4,938**	**-3,879**	**-1,059**
of which: financial liabilities	-4,689	-3,161	-1,528

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Interest income	**462**	**595**	**-133**
Interest expenses	**–**	**–**	**–**
Fee and commission income	**22,499**	**21,918**	**581**
Fee and commission expenses	**-3,151**	**-2,798**	**-353**
Administrative expenses, depreciation and amortisation	**-13,828**	**-13,515**	**-313**
Income taxes	**-910**	**-897**	**-13**
Net income from continuing operations	**5,118**	**4,490**	**628**
Net income from discontinued operations	**–**	**–**	**–**
Other comprehensive income	**-236**	**-107**	**-129**
Total comprehensive income	**4,882**	**4,383**	**499**

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

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Recognised net assets	**59,807**	**60,111**	**-304**
Multiplication by shareholding	**29,305**	**29,454**	**-149**
Goodwill before impairment	22,004	28,750	-6,746
Impairment of goodwill	-1,134	-7,358	6,224
Carrying amount from remeasurement in line with the equity method	**50,175**	**50,846**	**-671**

- Other joint ventures

There were no significant joint ventures accounted for using the equity method at the end of the reporting period (previous year: EUR 1.5 million). VR Consultingpartner GmbH was classified as a joint venture in the previous year. The merger of WGZ BANK with DZ BANK means the equity investment in VR Consultingpartner GmbH is now classified as an associate rather than a joint venture.

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

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Pro rata net income from continuing operations	–	**-820**	**820**
Pro rata net income from discontinued operations	–	–	–
Pro rata other comprehensive income	–	–	–
Pro rata total comprehensive income	–	**-820**	**820**

- Type, extent and financial impact of interests in associates

- Other associates

The carrying amount of associates individually insignificant to the UMH Group accounted for using the equity method was EUR 6.8 million as at the end of the reporting period (previous year: EUR 5.4 million).

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

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Pro rata net income from continuing operations	**709**	**665**	**44**
Pro rata net income from discontinued operations	–	–	–
Pro rata other comprehensive income	–	–	–
Pro rata total comprehensive income	**709**	**665**	**44**

- 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 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 609 thousand as at the end of the reporting period (previous year: EUR 496 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 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 flat-rate 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 5,845,063 thousand (net asset value) (previous year: EUR 7,847,486 thousand) and a minimum payment commitment (nominal amount) of EUR 5,495,056 thousand (previous year: EUR 7,361,110 thousand). The put options embedded in the guarantee funds were measured at EUR 9,999 thousand as at the end of the reporting period (previous year: EUR 2,543 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 certificate type)	
	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	31 Dec. 2016	31 Dec. 2015
Mutual funds	**153,017,517**	**136,216,783**	**416**	**430**
of which: guarantee funds	5,845,063	7,847,486	59	71
Special funds	**88,584,177**	**80,497,504**	**389**	**361**
of which: guarantee funds	–	–	–	–
Total	**241,601,694**	**216,714,287**	**805**	**791**
of which: guarantee funds	5,845,063	7,847,486	59	71

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.

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	–	0	–	883
Other receivables	102,990	78	8,743	–	111,733
Assets held for sale	20,148	–	–	–	20,148
Liabilities	**10,012**	**10,009**	**0**	**–**	**10,012**
Liability derivatives	9,999	9,999	–	–	9,999
Other liabilities	13	10	0	–	13
Net reported exposure (assets less liabilities)	**1,273,628**	**-9,931**	**20,263**	**–**	**1,293,891**
Contingent liabilities	**–**	**–**	**0**	**–**	**0**
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**

2015 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	**1,152,128**	**83**	**26,380**	**–**	**1,178,508**
Loans and advances to customers	2,841	–	659	–	3,500
Investment fund units	1,029,706	–	16,504	–	1,046,210
Investments in subsidiaries	1,139	–	11	–	1,150
Other receivables	102,037	83	9,207	–	111,244
Assets held for sale	16,406	–	–	–	16,406
Liabilities	**2,548**	**2,543**	**6**	**–**	**2,554**
Liability derivatives	2,543	2,543	–	–	2,543
Other liabilities	5	–	6	–	11
Net reported exposure (assets less liabilities)	**1,149,580**	**-2,460**	**26,374**	**–**	**1,175,954**
Contingent liabilities	**0**	**0**	**154**	**–**	**154**
Financial guarantees, credit commitments and other commitments	**7,358,567**	**7,358,567**	**3,839**	**–**	**7,362,406**
Financial guarantees	–	–	–	–	–
Credit commitments	–	–	–	–	–
Other commitments	7,358,567	7,358,567	3,839	–	7,362,406
Reported exposure (net reported exposure + contingent liabilities + financial guarantees, credit commitments and other commitments)	**8,508,147**	**7,356,107**	**30,367**	**–**	**8,538,514**
Actual maximum exposure	**8,508,147**	**7,356,107**	**30,367**	**–**	**8,538,514**

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 5,495,056 thousand; previous year: EUR 7,361,110 thousand), less the liability amounts recognised for the put options embedded in these products (EUR 9,999 thousand; previous year: EUR 2,543 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 5,845,063 thousand; previous year: EUR 7,847,486 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:

2016 financial year	Management fees and other fee and commission income	Income from distributions	Realised and unrealised gains and losses on remeasurement through profit or loss	Total income recognised in profit or loss	Unrealised gains and losses on remeasurement in other comprehensive income
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	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**	**-1,086**	**1,623,843**	**–**
of which: guarantee funds	60,732	–	-7,456	53,276	–

2015 financial year	Management fees and other fee and commission income	Income from distributions	Realised and unrealised gains and losses on remeasurement through profit or loss	Total income recognised in profit or loss	Unrealised gains and losses on remeasurement in other comprehensive income
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Mutual funds	**1,504,187**	**12,747**	**-8,612**	**1,508,322**	**–**
of which: guarantee funds	80,424	–	-2,544	77,881	–
Special funds	**99,377**	**731**	**-650**	**99,458**	**–**
of which: guarantee funds	–	–	–	–	–
Total	**1,603,564**	**13,478**	**-9,262**	**1,607,780**	**–**
of which: guarantee funds	80,424	–	-2,544	77,881	–

The UMH Group incurred losses of EUR 10,524 thousand from business activity 1 in the financial year (previous year: EUR -10,242 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. 2016 EUR thousand	31 Dec. 2015 EUR thousand	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand
Outsourcing mandates	**32,059,103**	**27,268,954**	**190**	**175**

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 13,103 thousand (previous year: EUR 14,564 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 13,103 thousand (previous year: EUR 14,564 thousand).

In the financial year, the Group generated only fee and commission income of EUR 67,418 thousand from business activity 2 (previous year: EUR 61,160 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.

[62] 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 Austria GmbH, Vienna	100.0 %	–
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)]	94.0 %	–
Union Investment Real Estate Austria AG, Vienna	–	94.5 %
Union Investment Towarzystwo Funduszy Inwestycyjnych S.A., Warsaw	100.0 %	–
Financial services institutions		
Quoniam Asset Management GmbH, Frankfurt am Main [2)]	88.0 %	–
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	–	94.0 %
Union IT-Services GmbH, Frankfurt am Main [1)]	100.0 %	–
Union Service-Gesellschaft mbH, Frankfurt am Main [1)]	100.0 %	–
Other subsidiaries		
BIG-Immobilien GmbH & Co Betriebs KG, Frankfurt am Main	94.0 %	6.0 %
BIG-Immobilien Gesellschaft mit beschränkter Haftung, Frankfurt am Main	100.0 %	–
VisualVest GmbH, 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 2016 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	49.0 %	–

Investment funds held for sale

Name, registered office	Shareholding – direct	Shareholding – indirect
Quoniam Funds Selection SICAV - Global Credit Libor EUR I, Luxembourg	–	99.8 %
UniInstitutional European Mixed Trend, Luxembourg	–	57.0 %
UniInstitutional Global Bonds Select, Luxembourg	–	39.6 %

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 Verwaltungsgesellschaft mbH, Hamburg	–	90.0 %
UIR FRANCE 1 S.a.r.l., Paris	–	94.0 %
UIR FRANCE 2 S.a.r.l., Paris	–	94.0 %
UNION INVESTMENT REAL ESTATE ASIA PACIFIC PTE. LTD., Singapore	–	94.0 %
Union Investment Real Estate France SAS, Paris	–	94.0 %
URA Verwaltung GmbH, Vienna	–	94.5 %

Unconsolidated investment funds

Name, registered office	Shareholding – direct	Shareholding – indirect
UniStrategia Opcja na Zysk FIZ, Warsaw	–	97.5 %
UniObligacje High Yield FIZ, Warsaw	–	100.0 %

[63] Contingent liabilities

There were no contingent liabilities at the reporting date. In the previous year, there were contingent liabilities (EUR 154 thousand) for outstanding subscription obligations (EUR 3,839 thousand) in respect of a fund (UII Shopping Nr. 1) of Union Investment Institutional Property GmbH, Hamburg.

[64] 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 11,616,306 thousand (previous year: EUR 10,469,542 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 payout phase, plus the payout amounts guaranteed by Union Investment Privatfonds GmbH for contracts already in the payout phase.

There are also minimum payment commitments of EUR 5,495,056 thousand (previous year: EUR 7,361,110 thousand) in connection with actual guarantee funds launched by fund management companies in the UMH Group.

The fair value of the shortfall in cover for these guarantee commitments is reported in the statement of financial position under 'Liability derivatives' (note [48]).

[65] Operating lease disclosures

UMH Group as lessee

	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Future minimum lease payments under non-cancellable operating leases	**311,799**	**143,320**	**168,479**
of which up to one year	32,423	27,870	4,553
of which one year to five years	144,697	78,827	65,870
of which more than five years	134,679	36,623	98,056
Future minimum lease payments are attributable to:	**311,799**	**143,320**	**168,479**
Land and buildings leases	235,808	109,668	126,140
Vehicle leases	3,236	5,012	-1,776
IT leases	72,755	28,640	44,115
Future rental receipts expected under non-cancellable subleases at the end of the reporting period	**4**	**14**	**-10**
Lease and sublease payments recognised as an expense in the period	**34,104**	**27,902**	**6,202**
of which minimum lease payments	32,089	25,818	6,271
of which contingent rents	2,015	2,084	-69
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. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Future minimum lease payments under non-cancellable operating leases	**4**	**14**	**-10**
of which up to one year	4	14	-10
of which one year to five years	–	–	–
of which more than five years	–	–	–
Future minimum lease payments are attributable to:	**4**	**14**	**-10**
Land and buildings leases	4	14	-10
Vehicle leases	–	–	–
IT leases	–	–	–

[66] 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. As at 31 December 2016, the nominal amount of these guarantees was USD 62,400 thousand (previous year: USD 62,400 thousand) or EUR 58,912 thousand (previous year: EUR 57,306 thousand).

Following the merger of DZ BANK and WGZ BANK on 29 July 2016, the full amount of the guarantee relates to DZ BANK as of 31 December 2016.

[67] 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:

	2016 Number	2015 Number	Change Number
Female employees	**1,228**	**1,165**	**63**
of which full-time employees	704	663	41
of which part-time employees	524	502	22
Male employees	**1,550**	**1,459**	**91**
of which full-time employees	1,466	1,355	111
of which part-time employees	84	104	-20
Total employees	**2,778**	**2,624**	**154**
For information only:			
Female trainees	52	48	4
Male trainees	74	69	5
Total trainees	**126**	**117**	**9**

[68] Auditor fees

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

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Audits of financial statements	413	435	-22
Other assurance services	121	176	-55
Tax consultancy services	45	–	45
Other services	1.001	1.278	-277
Total	**1.580**	**1.889**	**-309**

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 and management reports of subsidiaries included in the consolidated financial statements for which an audit is required. 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), the auditor's review of the condensed interim consolidated financial statements package and other assurance and audit-related services. The fees for other services mainly resulted from the auditing of funds.

[69] Events after the end of the reporting period

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

[70] Related party disclosures

As at the end of the reporting period, DZ BANK directly held 72.25 % of the share capital of UMH AG (previous year: 54.51 %). 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 [62]) 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. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Loans and advances to banks	**179,584**	**365,936**	**-186,352**
of which DZ BANK	155,143	34,756	120,387
of which entities also controlled by DZ BANK	24,397	75,088	-50,691
of which joint ventures of DZ BANK	44	89	-45
of which WGZ BANK	–	256,003	-256,003
Loans and advances to customers	**1,195**	**1,152**	**43**
of which entities also controlled by DZ BANK	1,109	1,014	95
of which unconsolidated subsidiaries	9	44	-35
of which joint ventures of UMH AG	77	94	-17
Other assets	**27,090**	**24,048**	**3,042**
of which DZ BANK	19,442	17,151	2,291
of which entities also controlled by DZ BANK	851	720	131
of which unconsolidated subsidiaries	45	47	-2
of which pension plans for employees	6,752	6,130	622

Equity and liabilities	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Liabilities to banks	**362**	**457**	**-95**
of which DZ BANK	18	2	16
of which entities also controlled by DZ BANK	344	364	-20
of which WGZ BANK	–	88	-88
of which associates of UMH AG	–	3	-3
Liabilities to customers	**45**	**44**	**1**
of which entities also controlled by DZ BANK	41	44	-3
of which associates of UMH AG	4	–	4
Other liabilities	**78,395**	**78,480**	**-85**
of which DZ BANK	53,272	40,004	13,268
of which entities also controlled by DZ BANK	24,282	24,791	-509
of which WGZ BANK	–	13,028	-13,028
of which associates of UMH AG	232	161	71
of which joint ventures of UMH AG	609	496	113

Consolidated income statement	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Interest income and current income	**-296**	**-24**	**-272**
of which DZ BANK	-266	30	-296
of which entities also controlled by DZ BANK	-30	-54	24
of which WGZ BANK	–	0	0
Interest expenses	**-925**	**-921**	**-4**
of which DZ BANK	-899	-892	-7
of which entities also controlled by DZ BANK	-26	-29	3
of which WGZ BANK	–	0	0
Fee and commission income	**19,334**	**25,993**	**-6,659**
of which DZ BANK	595	5,044	-4,449
of which entities also controlled by DZ BANK	18,403	20,573	-2,170
of which joint ventures of DZ BANK	22	28	-6
of which WGZ BANK	7	14	-7
of which joint ventures of UMH AG	307	334	-27
Fee and commission expenses	**-170,062**	**-169,053**	**-1,009**
of which DZ BANK	-94,070	-80,364	-13,706
of which entities also controlled by DZ BANK	-62,068	-61,367	-701
of which joint ventures of DZ BANK	-10	–	-10
of which WGZ BANK	-11,070	-24,607	13,537
of which associates of UMH AG	-662	-510	-152
of which joint ventures of UMH AG	-2,182	-2,205	23
Administrative expenses	**-8,231**	**-7,494**	**-737**
of which DZ BANK	-4,427	-3,861	-566
of which entities also controlled by DZ BANK	-1,019	-1,578	559
of which joint ventures of DZ BANK	-21	-28	7
of which WGZ BANK	-106	-170	64
of which unconsolidated subsidiaries	-1,636	-1,500	-136
of which associates of UMH AG	-1,021	-243	-778
of which joint ventures of UMH AG	-1	-114	113

Consolidated income statement	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Other operating result	**19,301**	**8,833**	**10,468**
of which DZ BANK	18,693	8,387	10,306
of which entities also controlled by DZ BANK	255	211	44
of which joint ventures of DZ BANK	-147	-94	-53
of which WGZ BANK	33	43	-10
of which unconsolidated subsidiaries	409	213	196
of which associates of UMH AG	58	1	57
of which joint ventures of UMH AG	0	72	-72

The income and expenses recognised for WGZ BANK in the financial year relate to the period prior to its merger with DZ BANK.

Other disclosures	31 Dec. 2016 EUR thousand	31 Dec. 2015 EUR thousand	Change EUR thousand
Financial guarantees	**58,912**	**57,306**	**1,606**
of which DZ BANK	58,912	38,204	20,708
of which WGZ BANK	–	19,102	-19,102

Please see the information in note [66] regarding financial guarantees.

The fair value of the plan assets at the associate R+V Pensionsfonds Aktiengesellschaft, Wiesbaden, was EUR 23,410 thousand as at the end of the reporting period (previous year: EUR 25,053 thousand). Funding of EUR 663 thousand was provided in the financial year (previous year: EUR 101 thousand).

The 'Other assets' item includes pension plans for the benefit of employees with a value of EUR 6,752 thousand (previous year: EUR 6,130 thousand). This includes the fair value of reimbursement rights at R+V Lebensversicherung AG, Wiesbaden, a company also controlled by DZ BANK, amounting to EUR 4,630 thousand (previous year: EUR 4,112 thousand). Funding of EUR 491 thousand was provided in the financial year (previous year: EUR 494 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.

	2016 EUR thousand	2015 EUR thousand	Change EUR thousand
Short-term remuneration	10,657	10,503	154
Long-term remuneration	2,991	3,295	-304
Contributions to defined contribution plans	35	35	–
Current service cost of defined benefit plans	1,968	2,030	-62
Total	**15,651**	**15,863**	**-212**

The remuneration paid to the members of the Supervisory Board of UMH AG for the performance of their duties amounted to EUR 359 thousand in the financial year (previous year: EUR 355 thousand). The remuneration paid to the members of the Board of Managing Directors of UMH AG in the financial year amounted to EUR 4,643 thousand (previous year: EUR 4,453 thousand). The disclosure of the total remuneration of former members of the Board of Managing Directors in accordance with Section 314 (1) no. 6 HGB has been waived in accordance with Section 286 (4) HGB.

[71] 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

[72] 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
Karl-Heinz Moll Deputy Chairman[1]	Member of the Board of Managing Directors, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (since 29 July 2016)
Hermann Buerstedde Employee representative	Works Council, Union Asset Management Holding AG, Frankfurt am Main
Dr Friedrich Caspers Member (until 31 December 2016)	Chief Executive Officer, R+V Versicherung AG, Wiesbaden (until 31 December 2016)
Uwe Fröhlich Member	President, National Association of German Cooperative Banks (BVR), Berlin
Lars Hille Member	Member of the Board of Managing Directors, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
Roland Müller Employee representative[1]	Works Council, Union Asset Management Holding AG, Frankfurt am Main
Prof. 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 Norbert Rollinger Member (since 26 January 2017)	Chief Executive Officer, R+V Versicherung AG, Wiesbaden (since 1 January 2017)
Rainer Schaidnagel Member[1]	Chief Executive Officer, Raiffeisenbank Kempten-Oberallgäu eG, Kempten
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.

[73] Supervisory mandates held by members of the Board of Managing Directors and employees

As at 31 December 2016, 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 Quoniam Asset Management GmbH, Frankfurt am Main (*) Deputy Chairman of the Supervisory Board (until 31 December 2016)
Dr Andreas Zubrod	Union Investment Service Bank AG, Frankfurt am Main (*) Member of the Supervisory Board (until 14 February 2016) Deputy Chairman of the Supervisory Board (since 15 February 2016)

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)	Union Investment Luxembourg S.A., Luxembourg (*) Member of the Board of Directors
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

[74] Miscellaneous other disclosures

The Board of Managing Directors signed these consolidated financial statements on 14 March 2017 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, 14 March 2017

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

Audit opinion

We have audited the consolidated financial statements prepared by Union Asset Management Holding AG, Frankfurt am Main, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the Group management report, for the financial year from 1 January 2016 to 31 December 2016. The preparation of the consolidated financial statements and the Group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements 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). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 14 March 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Heist
Public auditor

Kruskop
Public auditor

Shareholders and executive bodies of Union Asset Management Holding AG

Shareholders

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main	72.25 %
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	3.50 %

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
Karl-Heinz Moll [1]	Deputy Chairman	Member of the Board of Managing Directors, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
Hermann Buerstedde	Employee representative	Union Asset Management Holding AG, Frankfurt am Main
Uwe Fröhlich	Member	President, National Association of German Cooperative Banks (BVR), Berlin
Lars Hille	Member	Member of the Board of Managing Directors, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
Roland Müller [1]	Employee representative	Union Asset Management Holding AG, Frankfurt am Main
Prof. Wolfgang Müller	Member	Chief Executive Officer, BBBank eG, Karlsruhe
Wolfgang Nett	Employee representative	Union Asset Management Holding AG, Frankfurt am Main
Jörn Nordenholz	Member	Chief Executive Officer, Volksbank eG, Sulingen
Heike Orth	Employee representative	Union Asset Management Holding AG, Frankfurt am Main
Dr Norbert Rollinger	Member	Chief Executive Officer, R+V Versicherung AG, Wiesbaden
Rainer Schaidnagel [1]	Member	Chief Executive Officer, Raiffeisenbank Kempten-Oberallgäu eG, Kempten
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	Union Asset Management Holding AG, Frankfurt am Main

[1] Also a member of the Executive Committee of the Supervisory Board.

Advisory Board

Roger Winter Chairman	Member of the Board of Managing Directors, Volksbank eG Konstanz Radolfzell Steisslingen, Constance
Andreas Otto Deputy Chairman	Member of the Board of Managing Directors, Volksbank Remscheid-Solingen eG, Remscheid
Matthias Battefeld	Member of the Board of Managing Directors, Hannoversche Volksbank eG, Hanover
Mario Baumert	Member of the Board of Managing Directors, Raiffeisen-Volksbank eG, Aurich Uplengen-Remels
Ralph Blankenberg	Member of the Board of Managing Directors, Volksbank Ulm-Biberach eG, Ulm
Thomas Bommer	Member of the Board of Managing Directors, Volksbank Hochrhein eG, Waldshut-Tiengen
Dr. Thomas Brakensiek	Member of the Board of Managing Directors, Hamburger Volksbank eG, Hamburg
Günter Brück	Member of the Board of Managing Directors, Volksbank Alzey-Worms eG, Worms
Gerd-Ulrich Cohrs	Member of the Board of Managing Directors, Volksbank Lüneburger Heide eG, Winsen (Luhe)
Andreas Fella	Member of the Board of Managing Directors, Raiffeisenbank Main-Spessart eG, Lohr/Main
Josef Frauenlob	Chief Executive Officer, Volksbank Raiffeisenbank Oberbayern Südost eG, Bad Reichenhall
Dr. Christoph Glenk	Chief Executive Officer, VR Bank Dinkelsbühl eG, Dinkelsbühl
Mirko Gruber	Member of the Board of Managing Directors, Volksbank Rosenheim-Chiemsee eG, Rosenheim
Peter Herbst	Member of the Board of Managing Directors, Nordthüringer Volksbank eG, Nordhausen
Markus Hörmann	Member of the Board of Managing Directors, Volksbank Tirol AG, Innsbruck
Thomas Jakoby	Member of the Board of Managing Directors, VVB Münster, Münster
Jochen Kerschbaumer	Member of the Board of Managing Directors, Wiesbadener Volksbank eG, Wiesbaden
Marija Kolak	Member of the Board of Managing Directors, Berliner Volksbank eG, Berlin
Martin Ließem	Member of the Board of Managing Directors, VR-Bank Bonn eG, Bonn
Jörg Lindemann	Member of the Board of Managing Directors, Volksbank Darmstadt-Südhessen eG, Darmstadt
Jan Mackenberg	Member of the Board of Managing Directors, Volksbank Osterholz-Scharmbeck eG, Osterholz-Scharmbeck
Wolfgang Mauch	Chief Executive Officer, Volksbank Kirchheim-Nürtingen eG, Nürtingen
Sascha Monschauer	Member of the Board of Managing Directors, Volksbank Rhein-Ahr-Eifel eG, Bad Neuenahr-Ahrweiler
Eckhard Rave	Member of the Board of Managing Directors, Husumer Volksbank eG, Husum
Roland Schäfer	Chief Executive Officer, Volksbank Bruchsal-Bretten eG, Bretten
Wolfgang Schauer	Managing Board Director, Volksbank Wien AG, Vienna
Georg Schneider	Member of the Board of Managing Directors, VR-Bank Handels- und Gewerbebank eG, Gersthofen
Dr. Klaus Schraudner	Chief Executive Officer, Pax-Bank eG, Cologne
Uwe Schulze-Vorwick	Member of the Board of Managing Directors, Volksbank Bochum-Witten eG, Bochum
Thomas Sterthoff	Chief Executive Officer, VB Bielefeld-Gütersloh, Gütersloh
Thomas Taubenberger	Member of the Board of Managing Directors, Volksbank Tübingen eG, Tübingen
André Thaller	Member of the Board of Managing Directors, PSD Bank Köln eG, Cologne
Roland Trageser	Member of the Board of Managing Directors, Volks- und Raiffeisenbank Main-Kinzig-Büdingen eG, Büdingen
Edmund Wanner	Chief Executive Officer, Volksbank Straubing eG, Straubing
Michael Weidmann	Member of the Board of Managing Directors, Sparda-Bank Hessen eG, Frankfurt am Main
Rolf Witezek	Member of the Board of Managing Directors, Volksbank Mittelhessen eG, Gießen

Correct as at 31 December 2016.

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
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 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 carryforwards.

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.

2016 corporate social responsibility report

Key performance indicators

About this report

The 2016 annual report and CSR report for the Union Investment Group presents an overview of the main economic, environmental and social developments and advances made by the Union Investment Group in the 2016 financial year.

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 issues refers only to the German offices for the 2016 reporting year. The environmental figures at the company level relate to the offices in Germany and Luxembourg in 2016, again unless stated otherwise. The key figures for the real estate portfolio of the Union Investment Group are shown for 2013, 2014 and 2015, and cover parts of the global real estate portfolio held by Union Investment.

G4-22 + G4-23 + G4-32
Transparency and comparability of reporting

The current report was prepared in accordance with the G4 Core guidelines of the Global Reporting Initiative (GRI). 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. 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 (ZIA) for sustainability reporting in the real estate sector. Union Investment is a signatory to the ZIA sustainability code and undertakes to comply with the ten principles of the ZIA 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 details 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, the key environmental figures at the company level for the year under review 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 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.

G4-18 + G4-24 + G4-26 + G4-27
Determining the report content

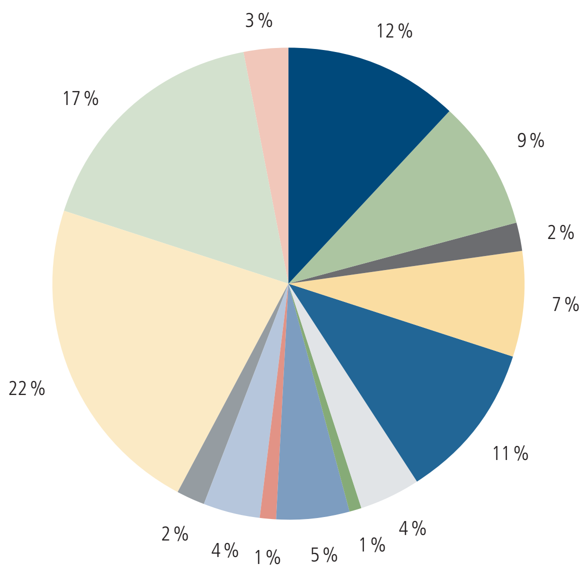
Union Investment's sustainability strategy is based on the requirements we make of ourselves in order to be sustainably successful on a long-term basis, as well as the impetus provided by our stakeholders and their expectations. An active dialogue with them is the only way to ensure that we perform better in the interests of our investors, customers 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 (BVI, EFAMA, UN PRI and others).

G4-24 + G4-25 + G4-26
Determining the key stakeholders

The relevant stakeholder groups were identified by way of an internal survey using a structured questionnaire. In a materiality analysis conducted in 2013, 98 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 materiality analysis:

- Cooperative banks
- Tenants
- Employees
- Journalists
- Associations
- Rating agencies
- End investors
- Institutional clients
- Invested companies
- Group
- NGOs
- SRI initiatives
- Employee CSR round table
- Other

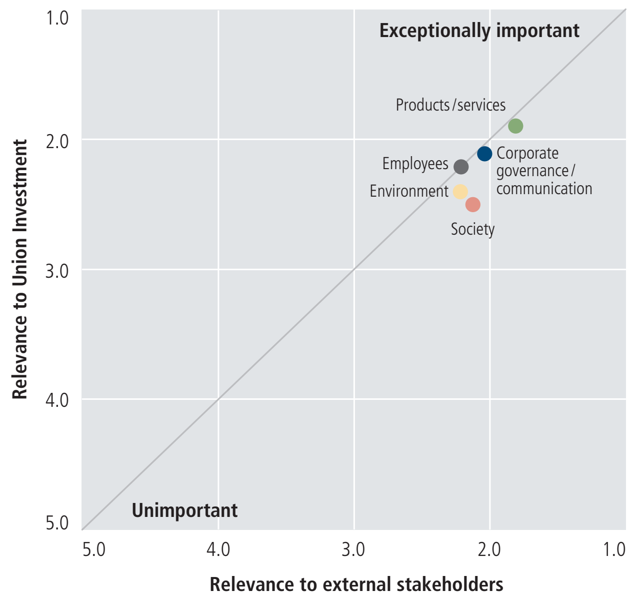


G4-18 + G4-20 + G4-21 + G4-24 + G4-26
Determining, prioritising and validating the material aspects

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. 118, for example) serves to define the key aspects underlying the CSR report.



Questioned on a scale of 1 to 5: 1 = exceptionally important to 5 = unimportant; (n ≥ 98)

G4-19
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 G4 categories and G4 aspects (categories: aspects)
Corporate governance/ communication	Corporate governance/ communication	• General Standard Disclosures • Economic: Economic Performance • Economic: Procurement Practices • Society: Anti-competitive Behaviour • Society: Compliance
Products and services	Product portfolio	• Environmental: Products and Services • Product Responsibility: Marketing Communications • Product Responsibility: Customer Privacy • Product Responsibility: Compliance
	Product and service labelling	• Product Responsibility: Product and Service Labelling • Product Responsibility: Marketing Communications
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 • Human Rights: Non-discrimination • Society: Anti-corruption
Environment	Environmental management system	• Environmental: Materials • Environmental: Energy • Environmental: Water • Environmental: Effluents and Waste • Environmental: Compliance
	Climate protection	• Environmental: Emissions • Environmental: Transport
Society	Advocacy, association and committee work	• Society: Public Policy
	Supply chain responsibility	• Environmental: Supplier Environmental Assessment • Social: Supplier Assessment for Labour Practices

G4-29 + G4-30
Formal aspects and additional information

The 2016 annual report and CSR report can be downloaded from gb.union-investment.de in English and German. The most recent previous report, published in May 2016, can be downloaded from http://ui-link.de/gb2015. The next combined annual report and CSR report of the Union Investment Group will be published in 2018. An overview of the Union Investment Group is available at https://unternehmen.union-investment.de.

Union Investment sustainability programme

Union Investment has implemented a sustainability programme to manage and monitor 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 2017

Strategy/organisation

Objectives and activities	Timetable	Status	Notes
Integrate sustainability into company management	**2018**		
1. Check whether sustainability issues can be incorporated into the activities of foreign companies in which Union Investment holds equity investments		Completed	
2. Develop a climate strategy for the Union Investment Group	2018	Completed	
3. Actively participate in external work groups or associations on environmental issues	2018	On schedule	
4. Examine the Sustainable Development Goals with regard to sustainability management	2018	New	
5. Collect and implement key figures relating to sustainability in Austria		New	
Continue to develop sustainability management	**2018**		
1. Implement updated requirements of the German Sustainability Code		Completed	
2. Update and implement Union Investment sustainability code (previously: sustainability policy)		Completed	
3. Implement Union Investment climate strategy		Completed	
4. Further develop the balanced scorecard management processes with sustainability KPIs	2017	New	
5. Adjust environmental management processes to comply with new ISO 14001 standard	2017	On schedule	
6. Conduct a stakeholder survey	2018	New	

Communication

Objectives and activities	Timetable	Status	Notes
Establish a systematic process of communication on sustainability issues	**2018**		
1. Review a CO_2-optimised event management concept		Completed	
2. Prepare sustainability reporting in accordance with GRI 4.0		Completed	
3. Design a user-oriented sustainability website	2017	On schedule	
4. Examine the option of an online-only annual report and CSR report	2017	On schedule	
5. Hold events to train employees and raise their awareness of environmental issues	2018	On schedule	
6. Design and implement a Union Investment sustainability day for employees	2018	On schedule	

- Measure added in 2017

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. Review electromobility for the Union Investment company car fleet		Completed	
2. Develop an electromobility concept		Completed	
3. Optimise air conditioning		Completed	
4. Reduce energy consumption by consolidating PC workstation hardware	2017	New	
5. Implement the building strategy at the Frankfurt location by relocating to another building certified gold by the DGNB on the MainTor Porta grounds	06/2018	On schedule	
6. 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. Report CO_2 emissions in the business trip booking system		Completed	
2. Convert to carbon-neutral natural gas at the Frankfurt location		Completed	
3. Develop a space usage optimisation concept		Completed	
4. Further specify and gradually implement the workplace concept	2019	New	
5. Develop a building strategy for the Luxembourg location	2019	New	
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. Implement measures from the 2015 climate barometer		Completed	
2. Continue to develop sustainability training as part of UniKompetenz	2017	On schedule	
3. Conduct climate barometer (employee survey) in 2017	2017	New	
Ensure employee retention			
1. Conduct 2016 management feedback		Completed	
2. Participate in the Top Employers contest		Completed	
3. Expand employee training measures on resilience		Completed	
4. Continue to develop management culture: implement measures arising from 2016 management feedback	2017	On schedule	
5. Continue to develop management culture: develop and implement leadership initiatives in the various business divisions	2017	On schedule	
Promote a work-life balance	**2016**		
1. Sign the Work-Life Balance Charter		Completed	
2. Implement measures arising from the work and family audit		Completed	

• Measure added in 2017

Society

Objectives and activities	Timetable	Status	Notes
Continue to develop corporate social responsibility at Union Investment	**2018**		Re 1: The form of support originally intended for the Embassy for Children in Berlin could not be realised. Union Investment provided support in a variety of ways in other SOS Children's Villages areas instead.
1. Support the planned SOS Embassy for Children in Berlin	2016	Completed	
2. 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	On schedule	
Promote sustainability and investor-oriented interests in the finance industry and in connection with regulatory issues	**2018**		Re 1 and 2: Delay in definition by the regulator.
1. Represent investor interests in relation to a proposal from the European Commission on investor information for packaged retail investment products (PRIPs)	2017	Postponed	
2. Participate in the introduction of a standard Europe-wide personal pension product	2018	Postponed	
3. Responsibility for refugees – work shadowing opportunities	2017	New	
4. Participate in the 'Frankfurt hilft!' initiative for refugees	2017	New	
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. Annual follow-up sustainability discussions with 100 % of Union Investment's top suppliers	2018	New	
4. Increase degree of ISO 14001 certification among top suppliers	2017	On schedule	

Institutional clients

Objectives and activities	Timetable	Status	Notes
Increase sustainable assets under management by 50 % (from 2014 to 2018)	**2018**		Re 2: Measure extended to 2018. Re 6: Product issuance postponed due to changing client requirements.
1. Systematically integrate sustainability issues (ESG benefits) into investment committee reports and meetings	2016	Completed	
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	2018	On schedule	
4. Increase number of customers with portfolios as part of active shareholder strategy by 25 % (reference year: 2014)	2018	On schedule	
5. Make the carbon footprint of portfolios reportable for interested investors	2016	Completed	
6. Introduce a new climate product for institutional investors	2017	Postponed	
7. Introduce a minimum filter to certain institutional mutual funds	2018	New	
Expand communication on sustainability issues and SRI in institutional business	**2018**		
1. Hold a sustainability conference on, among other things, climate issues	2016	Completed	
2. Prepare a scientific study on the impact of climate data on company performance	2016	Completed	
3. Conduct a survey among institutional investors on trends in sustainable investment	2018	On schedule	
4. Develop sustainability conference for clients	2018	On schedule	
5. Add new participants to the CSR experts' group	2018	On schedule	
6. Expand tailored reporting for CSR clients	2017	New	
7. Hold a sustainability conference for investors on the topic of global resource shortages	2017	New	
8. Continue to develop the annual CSR report for investors	2018	New	

• Measure added in 2017

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	

Portfolio management

Objectives and activities	Timetable	Status	Notes
Expand and refine investment processes	**2018**		
1. Continue to develop depth of ESG analysis to cover the UN Global Compact in ESG analysis	2016	Completed	
2. Report fund-related climate data via the Montreal Pledge initiative	2016	Completed	
3. Continue to develop the ESG data pool for climate-related data	2017	New	
4. Introduce an ESG committee within portfolio management	2017	New	
5. Expand climate-related data in ESG analysis	2017	New	
6. Expand SIRIS (Sustainable Investment Research Information System) within portfolio management as a proprietary research tool	2018	On schedule	
7. Perform regular collaborative CSR activities	2018	On schedule	
8. Extend ESG analyses to various asset classes by issuer	2018	On schedule	
9. UN PRI assessment with above-average results	2018	On schedule	
10. Create an ESG academy as a training format for portfolio management	2018	New	
Expand active share ownership	**2018**		
1. Expand involvement in climate issues	2017	On schedule	
2. Increase reach of ESG involvement and proxy voting by 75 % (reference year: 2014)	2018	On schedule	
3. Increase ESG investor discussions by 75 % (reference year: 2014)	2018	On schedule	
4. Show commitment to integrating climate risks into corporate governance	2018	New	

Real estate funds

Objectives and activities	Timetable	Status	Notes
Expand and refine investment processes for real estate funds	**2018**		
1. Implement a responsible investment policy in processes used by the real estate segment	2016	Completed	
2. Introduce green leases to be used for new European office space leases	2016	Completed	
Increase energy efficiency and improve the environmental impact of portfolio properties	**2018**		Re 1: Target adjustment based on the Energy Saving Ordinance (EnEV) for commercial real estate to be passed by the federal government by 2018.
1. Define specific improvement targets for energy, CO_2, water and waste for portfolio properties	2018	Postponed	
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. Specify improvement measures with a view to optimising energy, CO_2, water and waste data for office properties in Germany	2016	Completed	
4. Implement the optimisation action plans that have been developed	2020	On schedule	
5. Measure the level of target attainment for the 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. Devise an action concept for social responsibility in the real estate sector	2016	Completed	
2. Collaborate with the ZIA '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	
3. 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, customers, 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* 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. Sustainability as a strategic element

Managing real estate portfolios sustainably is a complex task – the various stakeholders have different expectations, some of which contradict one another. This makes active sustainability management with clearly defined objectives and measures all the more important, this being the only way to do justice to the investors' goals, the users' needs and our responsibility towards the environment.

Effective sustainability management therefore involves the development of a strategy in which the objectives and goal conflicts are defined and prioritised. All the measures then need to be planned and implemented with these objectives in mind, and their performance needs to be checked. This makes it easier to make gradual readjustments further down the line and adapt the measures to changing parameters, such as new risks arising from changes in society values and increasing climate-related legislation.

As buildings are one of the biggest consumers of energy, climate policy naturally focuses among other things on the real estate sector – sometimes with a far-reaching impact. There is, for example, the German government's climate protection plan that aims to make buildings carbon-neutral by 2050. The drastic reductions in carbon emissions that other leading economies have likewise committed themselves to time and again call upon all the stakeholders within the real estate industry to act.

Evaluating the sustainability of global portfolios remains a considerable challenge for international investment companies, with buildings, the quality of their locations, their technical concepts and the comfort requirements varying greatly from region to region. There is an ongoing learning process here.

Union Investment embraced responsible investment early on and has made a commitment to demonstrating sustainability. As one of the first major real estate portfolio holders in Europe, the company conducted a comprehensive analysis of all of its global real estate fund portfolios in terms of their sustainability and published the results. This made comprehensible benchmarking possible for the first time.

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 real estate as a product, 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 and was successfully certified according to the international standard DIN EN ISO 14.001. 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 (EMS) at Union Investment, processes are subject to quality assurance and their progress is monitored. Progress audits are conducted every year and recertification takes place every three years. The most recent recertification audit and last year's interim audit were both confirmed by an external auditor without qualification.

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 ZIA code has therefore been satisfied.

* Each less the number of residential buildings and properties under construction or restructuring; see also 3.2 Portfolio under review.

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.

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 carbon 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 154 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. 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, and the volume of waste produced. 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 the 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)

The sustainable investment check allows the sustainable quality of a building to be determined during the acquisition process and identifies any optimisation potential early on. 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 continues to be expanded and adapted to the latest market developments.

The combination of SI checks 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 ZIA. 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 is actively participating in finding a solution for this (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, ecological 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

2014		2015		2016	
Number of properties	By appraisal value	Number of properties	By appraisal value	Number of properties	By appraisal value
65	37 %	87	43 %	112	55 %

Source: Union Investment, as at 31 December of the respective year. The statistics do not include new funds such as UII Investa Urban Campus Nr. 1 and Immofonds 1.

Portfolio properties with certification or pre-certification

Property	City	Country	Type of use	Fund	Certification
Emporio Tower	Hamburg	Germany	Office	UniImmo: Deutschland	LEED CS 2.0, Platinum
Emporio Hotel Scandic	Hamburg	Germany	Hotel	UniImmo: Deutschland	DGNB, Gold
12–15 Finsbury Circus	London	UK	Office	UniImmo: Deutschland	BREEAM New Construction, Excellent
CityQuartier DomAquarée	Berlin	Germany	Hotel	UniImmo: Deutschland	DGNB New Mixed City Districts, Gold
Rhein-Galerie	Ludwigshafen	Germany	Shopping	UniImmo: Deutschland	DGNB NHA09, Platinum
Pórtico	Madrid	Spain	Office	UniImmo: Deutschland	BREEAM ES In-Use Part 1, Very Good, Part 2, Very Good
Trocadero	Paris	France	Office	UniImmo: Deutschland	HQE Bâtiment Durable, Très Bon, HQE Gestion Durable, Excellent
Atmos	Munich	Germany	Office	UniImmo: Deutschland	DGNB NBV08, Gold
Rund Vier	Vienna	Austria	Office	UniImmo: Deutschland	DGNB NBV09, Gold
LogPark Rade	Neu Wulmsdorf	Germany	Logistics	UniImmo: Deutschland	DGNB NIN09, Gold
Centurion Commercial	Hamburg	Germany	Office	UniImmo: Deutschland	DGNB NBV08, Platinum
Mélia	Paris	France	Hotel	UniImmo: Deutschland	HQE, Excellent
Rosmarin Karree	Berlin	Germany	Office	UniImmo: Deutschland	BREEAM In-Use Part 1, Very Good, Part 2, Very Good
Eventes Business Gardens	Helsinki-Espoo	Finland	Office	UniImmo: Deutschland	LEED CS 2009, Gold
City Zen, Building A	Boulogne-Billancourt	France	Office	UniImmo: Deutschland	BREEAM, Very Good
City Zen, Building B	Boulogne-Billancourt	France	Office	UniImmo: Deutschland	BREEAM, Very Good
Europlaza 4	Vienna	Austria	Office	UniImmo: Deutschland	DGNB NBV09, Platinum
Manufaktura	Łódź	Poland	Shopping	UniImmo: Deutschland	BREEAM In-Use Part 1, Very Good, Part 2, Excellent
G1	Glasgow	UK	Office	UniImmo: Deutschland	BREEAM Offices 2005, Very Good
UPM	Helsinki	Finland	Office	UniImmo: Deutschland	LEED NC, Platinum
Hotel Holiday Inn	Frankfurt	Germany	Hotel	UniImmo: Deutschland	DGNB NHO09, Gold
Bülow Carree	Stuttgart	Germany	Office	UniImmo: Deutschland	LEED CS, Platinum
Forum am Hirschgarten	Munich	Germany	Office	UniImmo: Deutschland	DGNB NBV09, Gold
K2 Ellipse	Luxembourg	Luxembourg	Office	UniImmo: Deutschland	BREEAM In-Use Part 1, Very Good, Part 2, Very Good
K2 Forte 1 and 2	Luxembourg	Luxembourg	Office	UniImmo: Deutschland	BREEAM In-Use Part 1, Very Good, Part 2, Very Good
Mercedes-Benz	Berlin	Germany	Office	UniImmo: Deutschland	DGNB NBV09, Gold
Rungedamm 32	Hamburg	Germany	Logistics	UniImmo: Deutschland	DGNB NIN09, Gold
Fiege Mega Center Rhein-Main	Dieburg	Germany	Logistics	UniImmo: Deutschland	DGNB NIN09, Platinum
GreenWorx	Vienna	Austria	Office	UniImmo: Deutschland	LEED CS, Platinum
Dominikański A+C	Wrocław	Poland	Office	UniImmo: Deutschland	LEED CS, Platinum
Dominikański B	Wrocław	Poland	Office	UniImmo: Deutschland	LEED CS, Platinum

Property	City	Country	Type of use	Fund	Certification
Vattenfall HQ	Solna	Sweden	Office	UniImmo: Deutschland	Green Building
600 13th Street	Washington DC	USA	Office	UniImmo: Europa	LEED EB, Silver
Am Seestern	Düsseldorf	Germany	Office	UniImmo: Europa	LEED CS, Gold
Spandau Arcaden	Berlin	Germany	Shopping	UniImmo: Europa	DGNB GIB, Gold
Corporate Village 'Davos'	Brussels	Belgium	Office	UniImmo: Europa	LEED EB, Gold
Corporate Village 'Elsinore'	Brussels	Belgium	Office	UniImmo: Europa	LEED EB, Gold
Corporate Village 'Figueras'	Brussels	Belgium	Office	UniImmo: Europa	LEED EB, Gold
Centre d'Affaires Paris-Victoire	Paris	France	Office	UniImmo: Europa	HQE Bâtiment Durable, Excellent, HQE Gestion Durable, Très Bon
France Avenue	Paris	France	Office	UniImmo: Europa	HQE Bâtiment Durable, Très Bon
Torre Diagonal	Barcelona	Spain	Office	UniImmo: Europa	LEED EB, Gold, BREEAM In-Use Part 1, Good, Part 2, Very Good
Millennium Tower	Seattle	USA	Office	UniImmo: Europa	LEED EB, Gold
Corporate Village 'Caprese'	Brussels	Belgium	Office	UniImmo: Europa	LEED EB, Gold
CityQuartier Fünf Höfe	Munich	Germany	Shopping	UniImmo: Europa	BREEAM In-Use Part 1, Excellent
140 Broadway	New York	USA	Office	UniImmo: Europa	LEED EB, Gold
Infopark Research Center	Budapest	Hungary	Office	UniImmo: Europa	LEED EB, Gold
Danube House	Prague	Czech Republic	Office	UniImmo: Europa	LEED EB, Platinum
111 South Wacker	Chicago	USA	Office	UniImmo: Europa	LEED CS, Gold, LEED EB, Platinum
Limbecker Platz	Essen	Germany	Shopping	UniImmo: Europa	DGNB NHA09, Gold
Corporate Village 'Bayreuth'	Brussels	Belgium	Office	UniImmo: Europa	LEED EB, Gold
L'Unico	Luxembourg	Luxembourg	Office	UniImmo: Europa	BREEAM In-Use Part 1, Very Good, Part 2, Very Good
Pixel	Luxembourg	Luxembourg	Office	UniImmo: Europa	BREEAM In-Use Part 1, Very Good, Part 2, Very Good
Haagsche Zwaan	The Hague	Netherlands	Office	UniImmo: Europa	BREEAM In-Use Part 1, Good, Part 2, Pass
Da Vinci	Luxembourg	Luxembourg	Office	UniImmo: Europa	BREEAM In-Use Part 1, Very Good, Part 2, Very Good
UNStudio	Amsterdam	Netherlands	Office	UniImmo: Europa	BREEAM NL In-Use Part 1, Very Good, Part 2, Pass
Forum Kayseri	Kayseri	Turkey	Shopping	UniImmo: Europa	BREEAM Europe Retail, Very Good
Paseo del Mar	San Diego	USA	Office	UniImmo: Europa	LEED EB, Silver
51 Fifty-One	Zurich	Switzerland	Office	UniImmo: Europa	LEED CS, Gold
Central Seine	Paris	France	Office	UniImmo: Europa	HQE Bâtiment Durable, Excellent, HQE Gestion Durable, Exceptionnel
Saint Martial	Limoges	France	Shopping	UniImmo: Europa	BREEAM In-Use Part 1, Good, Part 2, Good
CC Géant, Bois de Bersol	Bordeaux	France	Shopping	UniImmo: Europa	BREEAM In-Use Part 1, Excellent, Part 2, Outstanding
Kinetik	Boulogne-Billancourt	France	Office	UniImmo: Europa	BREEAM, Excellent, HQE Bâtiment Durable, Excellent
555 Mission Street	San Francisco	USA	Office	UniImmo: Europa	LEED CS, Gold
Multicube	Heddesheim	Germany	Logistics	UniImmo: Europa	DGNB NIN09, Platinum

Property	City	Country	Type of use	Fund	Certification
Europaboulevard	Amsterdam	Netherlands	Hotel	UniImmo: Europa	BREEAM, Excellent
Europlaza 5	Vienna	Austria	Office	UniImmo: Europa	DGNB NBV09, Platinum
Senator	Warsaw	Poland	Office	UniImmo: Europa	BREEAM NC Office, Very Good, BREEAM In-Use Part 1, Very Good, Part 2, Excellent
One Snowhill	Birmingham	UK	Office	UniImmo: Europa	BREEAM, Very Good
ITO	Amsterdam	Netherlands	Office	UniImmo: Europa	BREEAM In-Use Part 1, Very Good
SOM	Amsterdam	Netherlands	Office	UniImmo: Europa	BREEAM In-Use Part 1, Very Good
50 South 10th Street	Minneapolis	USA	Office	UniImmo: Europa	LEED EB, Gold
HQ EY	Helsinki	Finland	Office	UniImmo: Europa	LEED CS, Gold
space2move A+B	Vienna	Austria	Office	UniImmo: Europa	LEED CS, Gold
space2move C	Vienna	Austria	Office	UniImmo: Europa	LEED CS, Gold
1000 Main	Houston	USA	Office	UniImmo: Europa	LEED EB, Gold
4+5 Grand Canal Street (Part 1)	Dublin	Ireland	Office	UniImmo: Europa	BREEAM, Excellent
4+5 Grand Canal Street (Part 2)	Dublin	Ireland	Office	UniImmo: Europa	BREEAM, Excellent
Watermark Place	London	UK	Office	UniImmo: Europa	BREEAM Offices 2006, Excellent
Amazon VI	Seattle	USA	Office	UniImmo: Europa	LEED CS, Gold, LEED EB, Platinum
101 Seaport Boulevard	Boston	USA	Office	UniImmo: Europa	LEED CS, Platinum
RellingHaus	Essen	Germany	Office	UniImmo: Global	BREEAM In-Use Part 1, Excellent
1 Coleman Street	London	UK	Office	UniImmo: Global	BREEAM Offices 2005, Very Good
Torre Mayor	Mexico City	Mexico	Office	UniImmo: Global	LEED EB, Gold
Radisson Blu Hotel London Stansted Airport	Essex	UK	Hotel	UniImmo: Global	BREEAM In-Use Part 1, Good
Forum Mersin	Mersin	Turkey	Shopping	UniImmo: Global	BREEAM In-Use, Outstanding
STEP 6	Stuttgart	Germany	Office	UniImmo: Global	DGNB GIB, Gold
Woodland Pointe	Virginia Herndon	USA	Office	UniImmo: Global	LEED EB, Gold
Krisztina Palace	Budapest	Hungary	Office	UniImmo: Global	BREEAM In-Use Part 1, Very Good, Part 2, Very Good
3 Stawy	Katowice	Poland	Shopping	UniImmo: Global	BREEAM In-Use Part 1, Good, Part 2, Very Good
West-Park	Zurich	Switzerland	Office	UniImmo: Global	BREEAM In-Use Part 1, Excellent, Part 2, Very Good
Horizon Plaza	Warsaw	Poland	Office	UniImmo: Global	BREEAM In-Use Part 1, Very Good, Part 2, Excellent
4085 Campbell Avenue	Menlo Park	USA	Office	UniImmo: Global	LEED EB, Gold
155 Clarence Street	Sydney	Australia	Office	UniImmo: Global	NABERS Office As Built, 5 Stars
Converse at Lovejoy Wharf	Boston	USA	Office	UniImmo: Global	LEED CS, Gold
Dos Patios	Mexico City	Mexico	Office	UniImmo: Global	LEED CS, Gold
Pilke	Helsinki-Vantaa	Finland	Office	UniInstitutional European Real Estate	BREEAM, Very Good
Zebra Tower	Warsaw	Poland	Office	UniInstitutional European Real Estate	LEED CS, Gold

Property	City	Country	Type of use	Fund	Certification
Alberga A	Helsinki-Espoo	Finland	Office	UniInstitutional European Real Estate	BREEAM, Very Good
Hehku	Helsinki	Finland	Office	UniInstitutional European Real Estate	BREEAM, Very Good
Europa-Galerie Saarbrücken	Saarbrücken	Germany	Shopping	UniInstitutional European Real Estate	DGNB NHA09, Gold
K-Point	Luxembourg	Luxembourg	Office	UniInstitutional European Real Estate	BREEAM In-Use Part 1, Very Good, Part 2, Very Good
Skanska HQ	Helsinki	Finland	Office	UniInstitutional European Real Estate	LEED CS VS2009, Platinum
Stibbe Court	Amsterdam	Netherlands	Office	UniInstitutional European Real Estate	BREEAM NC, Excellent
MainTor Porta	Frankfurt	Germany	Office	UniInstitutional European Real Estate	DGNB NBV09, Platinum
K2 Dolce	Luxembourg	Luxembourg	Office	UniInstitutional European Real Estate	BREEAM In-Use Part 1, Very Good, Part 2, Very Good
Riviera	Gdynia	Poland	Shopping	UniInstitutional European Real Estate	BREEAM In-Use Part 1, Excellent, Part 2, Excellent
XYZ Building	Manchester	UK	Office	UniInstitutional European Real Estate	BREEAM NC Offices, Excellent
De Klanderij	Enschede	Netherlands	Shopping	UII Shopping Nr. 1	BREEAM NL In-Use
Ferio	Konin	Poland	Shopping	UII Shopping Nr. 1	BREEAM In-Use
Marina Offices	Amsterdam	Netherlands	Shopping	DEFO Immobilienfonds 1	BREEAM NC 2011, Pass
Hampton by Hilton	Warsaw	Poland	Hotel	DEFO Immobilienfonds 1	LEED NC, Gold
Space 20	Darmstadt	Germany	Office	UniInstitutional German Real Estate	DGNB NBV09, Gold
Karlstrasse 4–6	Frankfurt	Germany	Office	UniInstitutional German Real Estate	BREEAM In-Use Part 1, Good, Part 2, Good, Part 3, Pass
Kettwiger Tor	Essen	Germany	Office	UniInstitutional German Real Estate	DGNB MBV10, Gold, DGNB NHA09, Gold

Source: Union Investment, correct as at 31 December 2016

2.3 Ratings

Green Star classification in GRESB rating

Union Investment took part in the Global Real Estate Sustainability Benchmark (GRESB) survey for the fourth 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, all of the seven participating Union Investment real estate funds were classified as 'Green Stars'. 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 carbon emissions. This benchmarking helps to actively manage sustainability performance and steadily improve the sustainability of the real estate portfolio.

Scope recognises Union Investment's sustainability strategy as the most mature in the industry

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 2016, the participating funds – UniImmo: Deutschland, UniImmo: Europa, UniImmo: Global, UniInstitutional European Real Estate and Uni-Institutional German Real Estate – were rated as very good to above-average by industry standards in sustainability matters. Union Investment Real Estate's sustainability strategy was also recognised as the most mature in the entire industry.

2.4 Raising stakeholder awareness

Real estate management can only be fully sustainable if all those involved play their part. 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.

Information is also provided in the form of Union Investment's knowledge portal on sustainable real estate investment. Interested readers can gain an insight into the understanding and value added of sustainability criteria in the real estate industry as well as details of their practical implementation. This is complemented by current information and news. Signing up for the newsletter to receive the latest information is recommended. The site can be found at the following address: www.nachhaltige-immobilien-investments.de.

2.5 Obligations placed on property users

In addition to the fabric of a building, the use to which it is put and its management are also major factors that determine its ecological footprint. This realisation is increasingly being taken into account in leases.

The key component of a green lease is the commitment to sustainability by both the landlord and the tenant. This means there is a partner-like approach to achieving the sustainable use and management of the building in order to ensure that it maintains its value in the long term and, not least, that operating costs remain reasonable. Issues covered by green leases include, 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, Union Investment and other players from the real estate industry 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 www.nachhaltige-immobilien-investments.de/aktuelles.

Union Investment revised its standard green lease for German and, to some extent, European office and hotel real estate on the basis of this in 2016, placing the focus more on the added value of sustainable real estate 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.

Union Investment has been a member of the German Property Federation (ZIA) 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 ZIA'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 also plays an active role in developing industry-wide benchmarks.

As a member of the German Investment Funds Association (BVI), 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 2015. The data for 2016 cannot be included in the current analysis. The analysis encompasses final energy consumption, carbon 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 m^2 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 2013 and 2014, which was already published in the 2015 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. However, 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 permanent 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 2016, the portfolio consisted of 310 properties with a value of around EUR 27.2 billion. Properties under construction and residential properties are not included in this analysis. The UII Investa Urban Campus Nr. 1 and Immofonds 1 funds newly issued in 2016 are likewise not included.

In 2016, the ambitious goal of recording data for 75 % of the portfolio was exceeded. In total, 240 properties, i.e. 78 % of the portfolio floor area, were included in the analysis. This was 24 properties and upward of 670,000 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 2013	Number of properties	Floor area (m²)	Floor area (%)
Office buildings	139	2,407,649	54
Retail buildings	38	1,212,232	27
Hotel buildings	21	401,942	9
Logistics buildings	11	456,200	10
Total	**209**	**4,478,023**	**100**

Type of use 2014	Number of properties	Floor area (m²)	Floor area (%)
Office buildings	139	2,336,597	51
Retail buildings	39	1,188,350	26
Hotel buildings	29	524,599	11
Logistics buildings	12	539,034	12
Total	**217**	**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**

Extrapolated portfolio

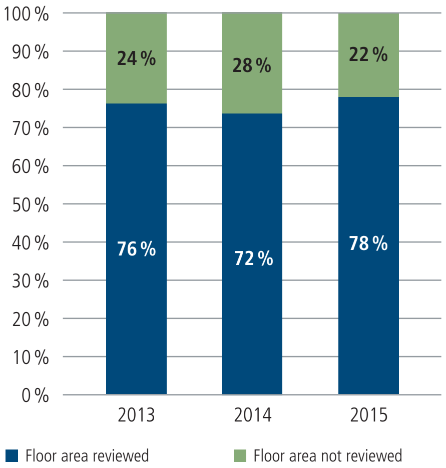
Type of use 2013	Number of properties	Floor area (m²)	Floor area (%)
Office buildings	199	3,208,338	54
Retail buildings	54	1,472,950	25
Hotel buildings	33	585,633	10
Logistics buildings	15	633,183	11
Total	**301**	**5,900,104**	**100**

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**

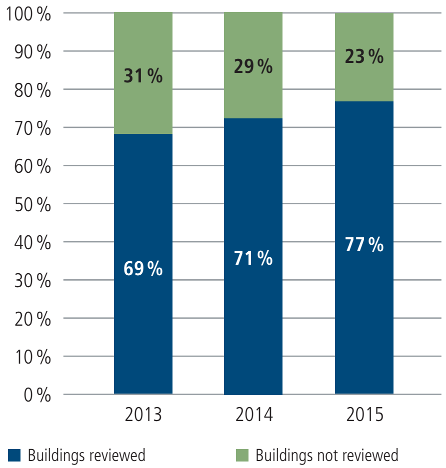
Proportion of total portfolio floor area reviewed

in %



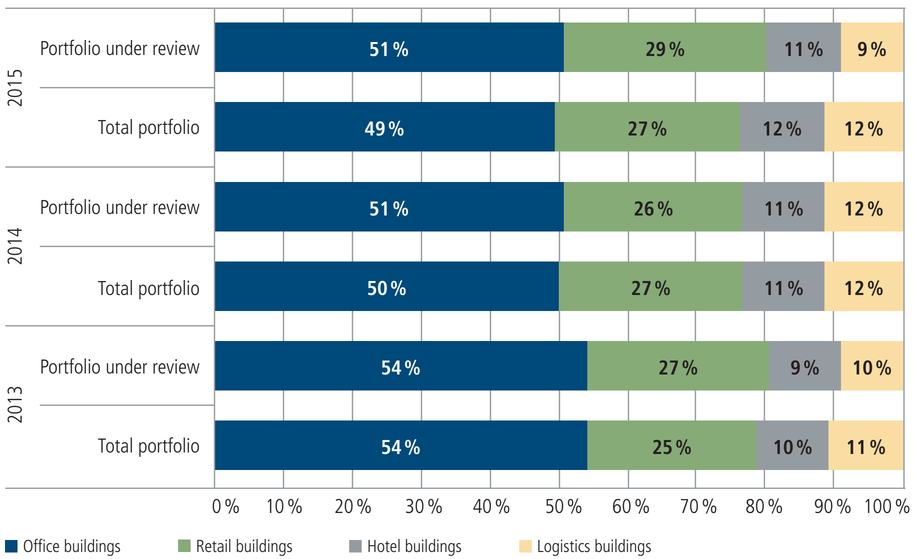
Number of buildings in total portfolio reviewed

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 all usage types in the overall portfolio changed only marginally in the period from 2013 to 2015. In the like-for-like analysis of the portfolio, i.e. looking at properties that were part of the portfolio in both 2014 and 2015, reductions were achieved in all the consumption figures. Additionally, optimisation measures were implemented in certain properties on the basis of the green due diligence audits conducted in 2015 and 2016. However, the results of these measures will become apparent at the earliest in the data collected in 2017.

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 the KPIs for the total portfolio (extrapolated)		**2013 (301 properties)**	**2014 (306 properties)**	**2015 (310 properties)**
Final energy consumption	**(GWh/year)**	**1,325**	**1,325**	**1,442**
Direct final energy consumption	(GWh/year)	171	112	131
Indirect final energy consumption	(GWh/year)	1,154	1,213	1,311
Carbon emissions, GR-EN17	**(t CO_2/year)**	**404,857**	**407,767**	**431,723**
Direct carbon emissions	(t CO_2/year)	34,262	22,777	26,106
Indirect carbon emissions	(t CO_2/year)	370,595	384,990	406,617
Water consumption	**(m^3/year)**	**3,554,968**	**4,018,810**	**4,128,672**
Volume of waste	**(t/year)**	**40,934**	**45,812**	**45,243**
Specific values, portfolio under review		**2013**	**2014**	**2015**
Final energy consumption value, G4-CRE1	**(kWh/[m^2/year])**	**252**	**249**	**251**
Energy consumption value, heating	(kWh/[m^2/year])	94	93	88
Energy consumption value, electricity	(kWh/[m^2/year])	158	156	163
Carbon emissions, G4-CRE3	**(kg CO_2/[m^2/year])**	**65**	**61**	**63**
Specific carbon emissions, heating	(kg CO_2/[m^2/year])	16	13	13
Specific carbon emissions, electricity	(kg CO_2/[m^2/year])	49	48	50
Water consumption, G4-CRE2	**(m^3/[m^2/year])**	**0.56**	**0.60**	**0.59**
Volume of waste	**(kg/[m^2/year])**	**6.5**	**6.8**	**6.4**

Unadjusted values for 2015 portfolio under review		Portfolio under review	Office buildings	Retail buildings	Hotel buildings	Logistics buildings
Specific final energy consumption, G4-CRE1	(kWh/[m²/year])	210	206	244	249	60
Specific carbon emissions, G4-CRE3	(kg CO_2/[m²/year])	63	56	83	66	19
Specific water consumption, G4-CRE2	(m³/[m²/year])	0.59	0.46	0.72	1.25	0.07

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 carbon equivalents or carbon), 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 carbon 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.

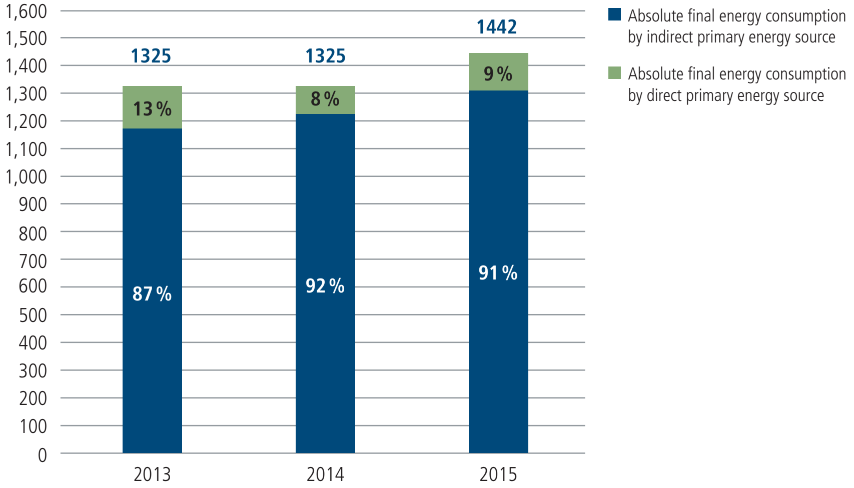
3.5 Absolute and specific consumption values for the portfolio by type of use

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).

Despite the very high level of portfolio turnover in recent years, the absolute energy consumption values changed only marginally. The increase in the absolute energy consumption figures is attributable to the larger portfolio size. In all, the portfolio grew by floor space of more than 400,000 m².

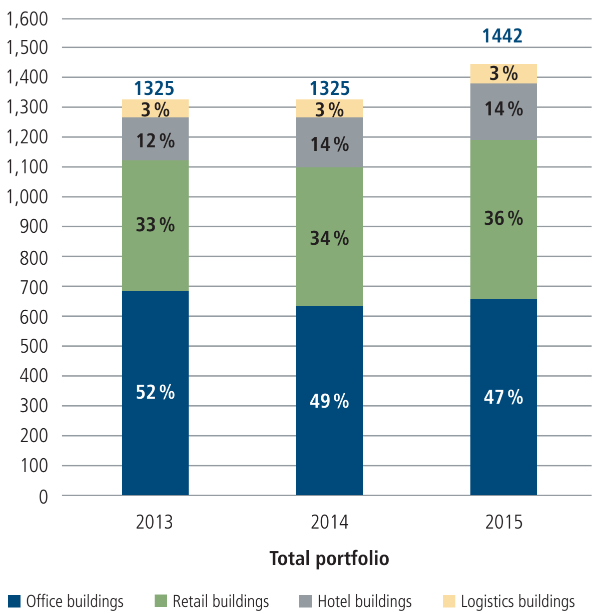
Absolute final energy consumption broken down by direct and indirect primary energy sources – EN 3 + EN 4 (GWh/year)

Share of consumption by extrapolated portfolio by primary energy source per year

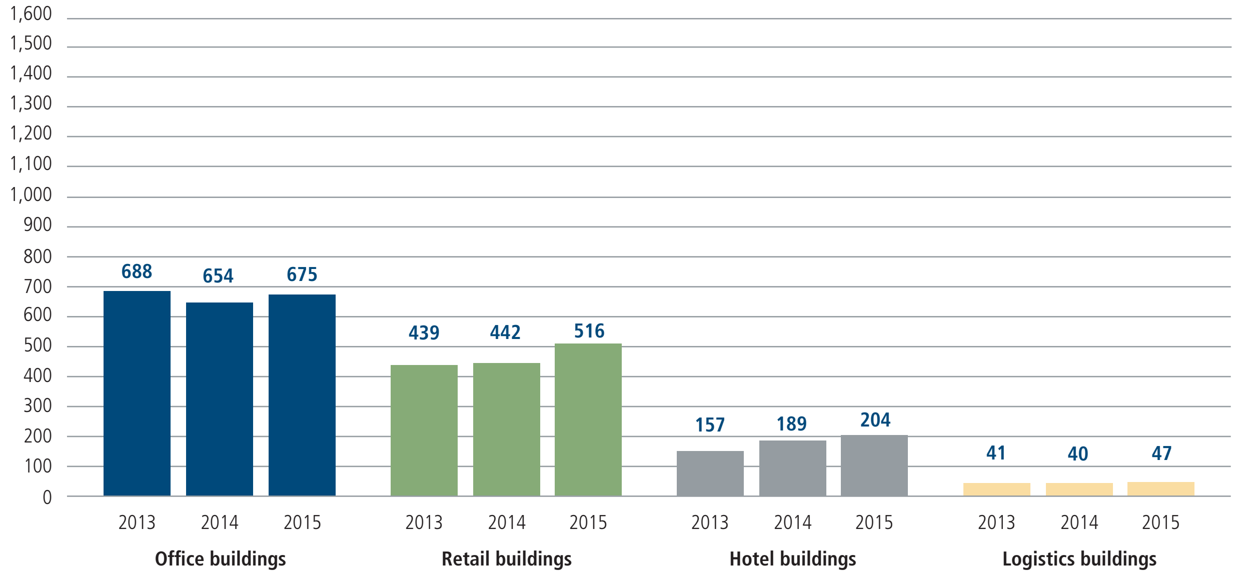


Absolute final energy consumption (GWh/year, extrapolated portfolio)

Share of consumption by type of use per year



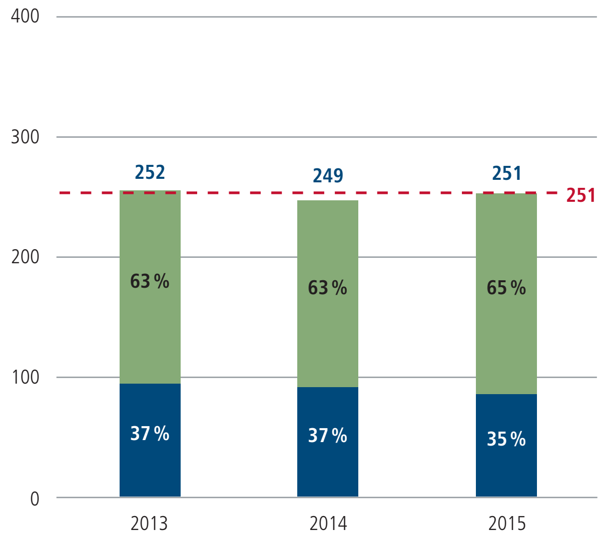
Consumption per type of use per year



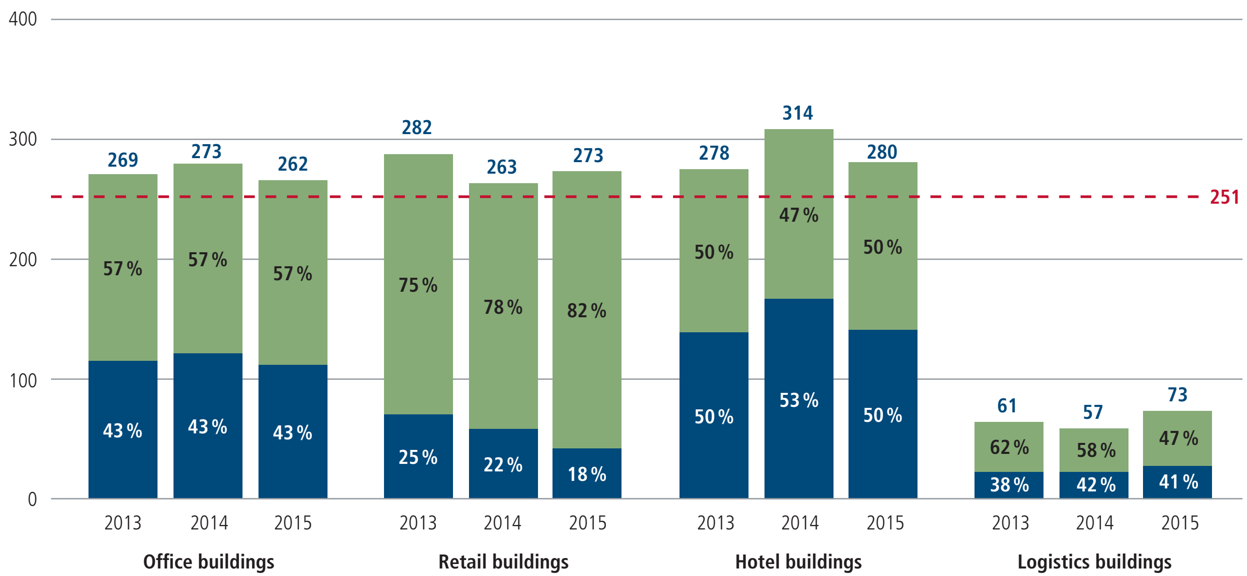
In addition to a breakdown by energy sources, a breakdown of consumption by types of use is also possible. The share of energy consumption accounted for by office buildings is approximately equal to their share of area of the overall portfolio. Retail buildings/shopping centres have slightly disproportionately higher energy consumption in relation to their area on account of how they are used, whereas logistics buildings have much lower than average energy consumption. The consumption figures for offices fell slightly in spite of an increase in office space. The increases for retail, hotel and logistics buildings are due to net growth within the respective usage types.

Specific final energy consumption – CRESS 1 (kWh/[m²/year])

Average consumption by portfolio per year, by type of consumption



Average consumption by portfolio per type of use and year, by type of consumption



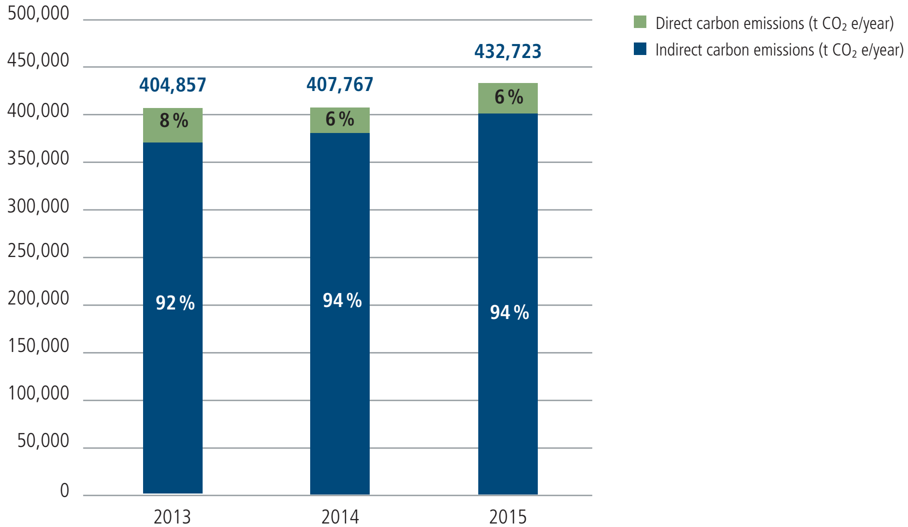
■ Energy consumption value, electricity (kWh/m²) ■ Energy consumption value, heating (kWh/m²) – – Portfolio average over three years (kWh/m²)

The specific energy indicators for the portfolio as a whole changed only slightly. The average for the last three years was 251 kWh/m²a. The specific consumption figures within the types of use likewise remained relatively constant. The upswing for hotel buildings is due to greater building turnover and the fluctuations this causes. There was a sharp increase for logistics properties in 2015. This is due to a number of properties having slightly higher figures in 2015 and also to individual properties with below-average consumption not being included in the data collected for 2015. However, as logistics properties account for only a small proportion of the portfolio as a whole, the increase can be considered small.

Absolute carbon emissions broken down by direct and indirect primary energy sources – EN 16 (t CO_2 e/year, extrapolated portfolio)

In the following, the term 'carbon' is used as a simplification and abbreviation for 'carbon 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.

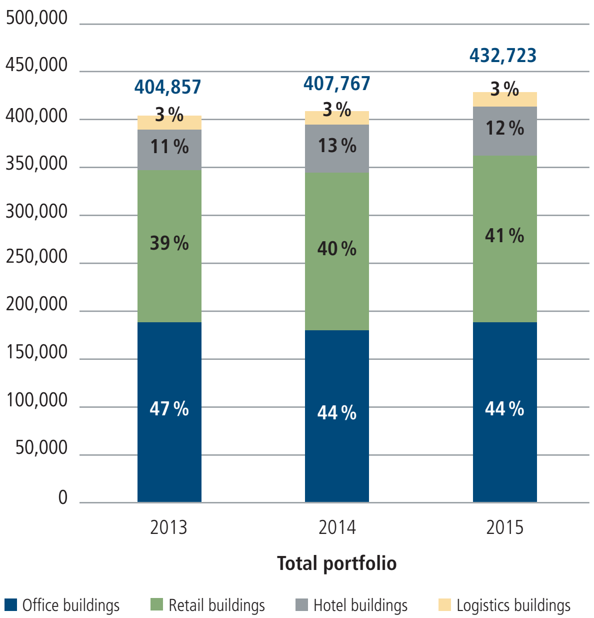
Portfolio emissions by primary energy source per year



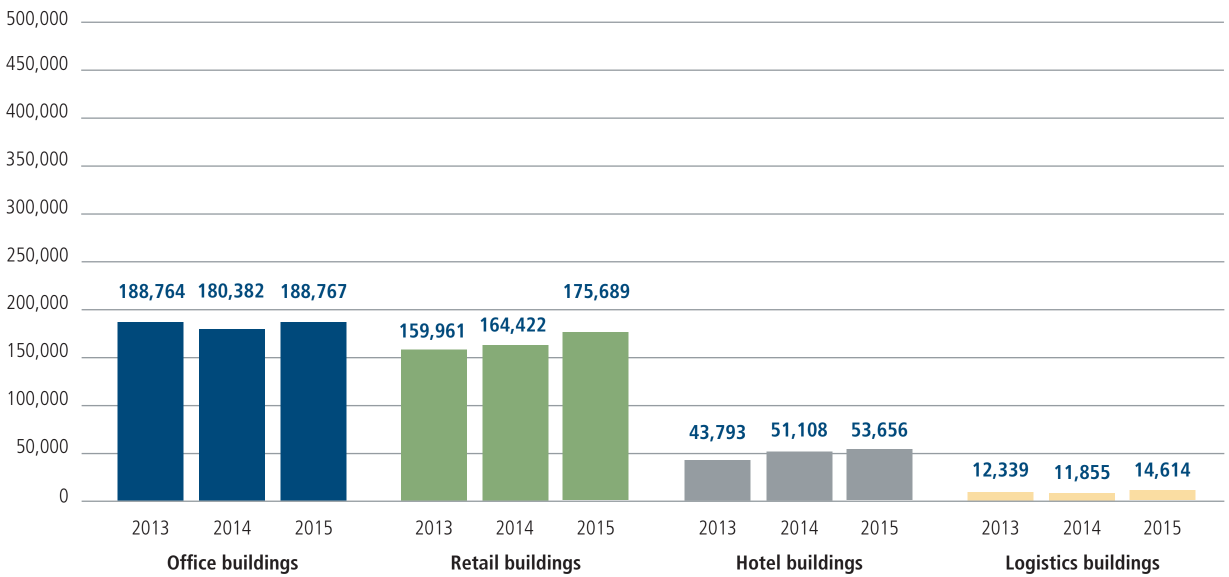
The absolute carbon emissions, which are otherwise known as the carbon footprint, are based on the consumption of heating and electricity. In 2015, the carbon footprint for the total portfolio was around 433,000 tonnes, a year-on-year increase of approximately 25,000 tonnes. A comparison with the development of absolute energy consumption shows that carbon emissions changed in almost the same ratio. Here, too, the increase is attributable to property portfolio growth.

Absolute carbon emissions – EN 16 (t CO_2 e/year, extrapolated portfolio)

Share of emissions by type of use per year



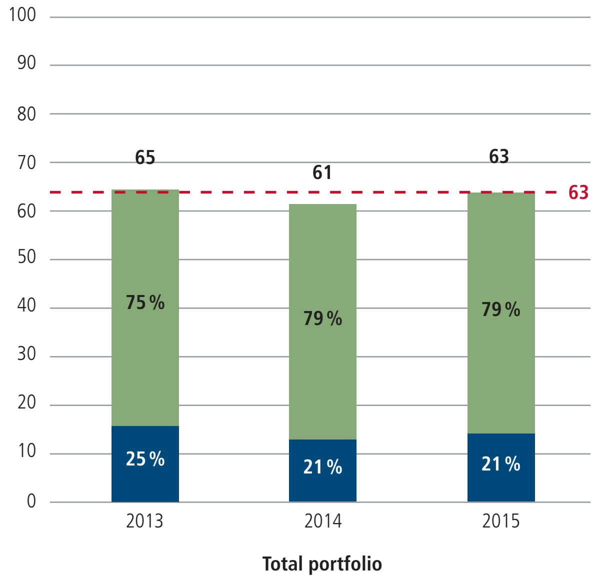
Emissions by type of use per year



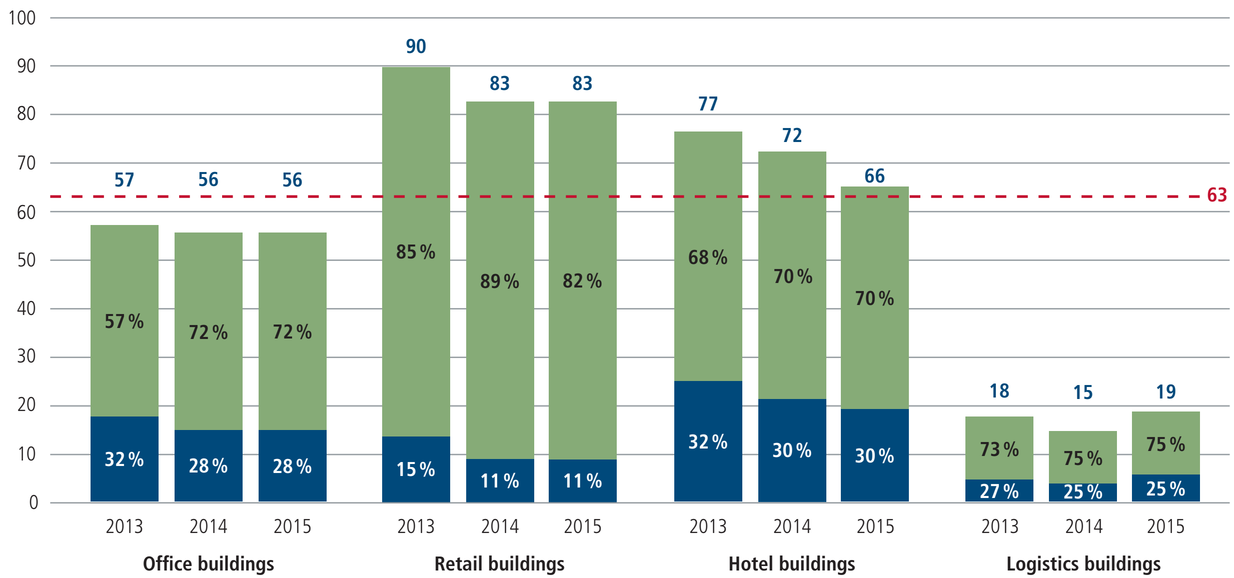
An analysis of the share of carbon emissions broken down by type of use shows that the emissions of retail and hotel buildings increased slightly. In both cases, this is due to property acquisitions. In a positive development, office building emissions fell in spite of a net increase in office space.

Specific carbon emissions – CRESS 3 (kg CO_2 e/[m²/year])

Average emissions per year, by type of consumption



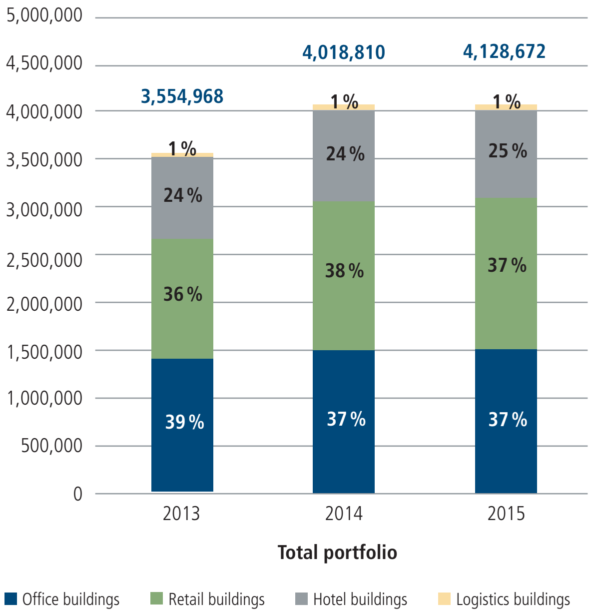
Average portfolio emissions by type of use and year, and by type of consumption

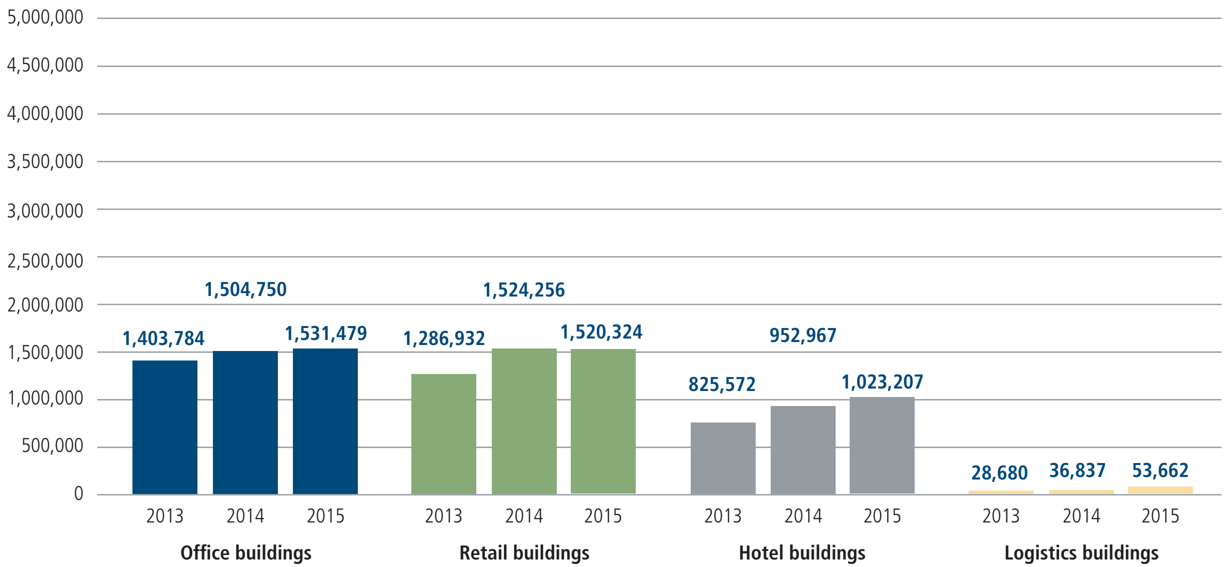


■ Carbon emissions, electricity (kg CO_2 e/[m²/year]) ■ Carbon emissions, heating (kg CO_2 e/[m²/year]) - - Portfolio average over three years (kg CO_2 e/[m²/year])

A positive development was observed in the specific carbon emissions of retail and hotel buildings by type of use, with reductions recorded for both usage types. The emissions of retail buildings fell by just under 8 % compared with 2013, while a reduction of no less than approximately 14 % was achieved in hotel buildings. The specific emissions of office buildings remained unchanged year-on-year.

Absolute water consumption – EN 8 (m³/year, extrapolated portfolio)

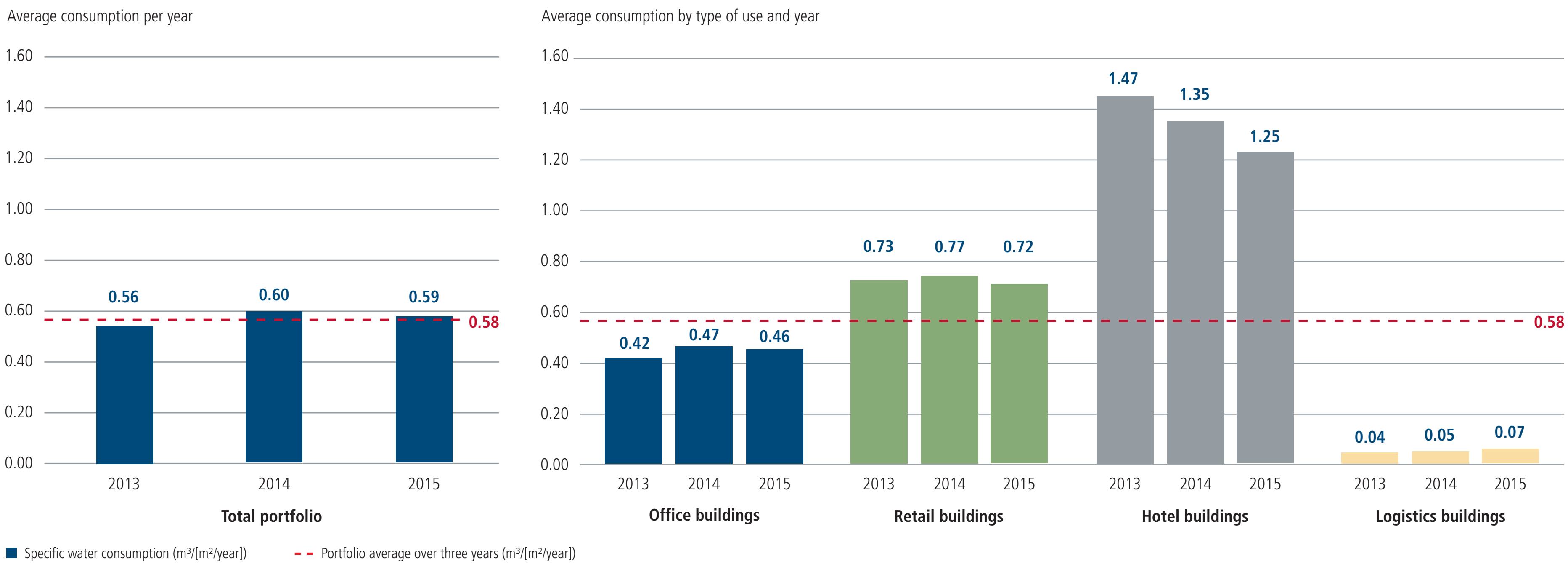




Absolute water consumption comprises the total volume of water consumed. The sources of supply included are drinking water, groundwater and surface water. Compared with 2014, the water footprint for the overall portfolio increased by around 3 % to a figure of just over 4.1 million m³ in 2015. Like the increase in energy consumption, this increase is attributable to the growth in the real estate portfolio.

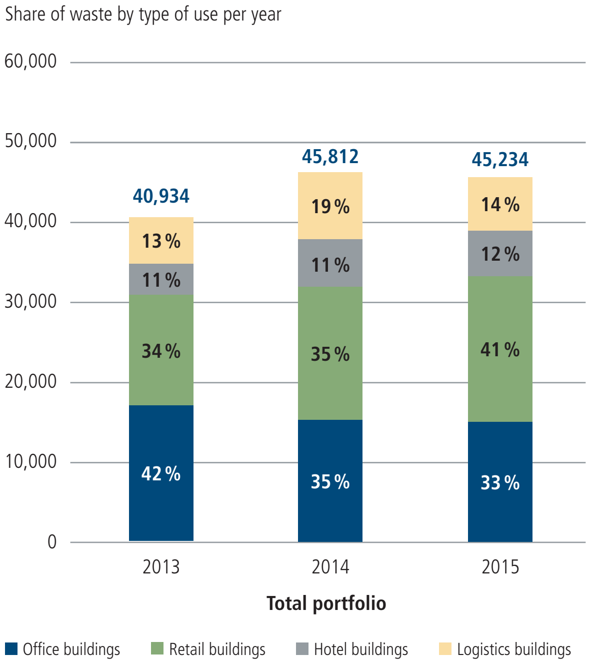
Although the floor area of office and retail buildings increased, water consumption remained essentially unchanged from 2014. With regard to hotel buildings, there was a correlation between the increases in floor area and water consumption. The water consumption of logistics properties increased more strongly than the increase in net floor space. This is due to individual properties having consumed a greater volume of water year-on-year.

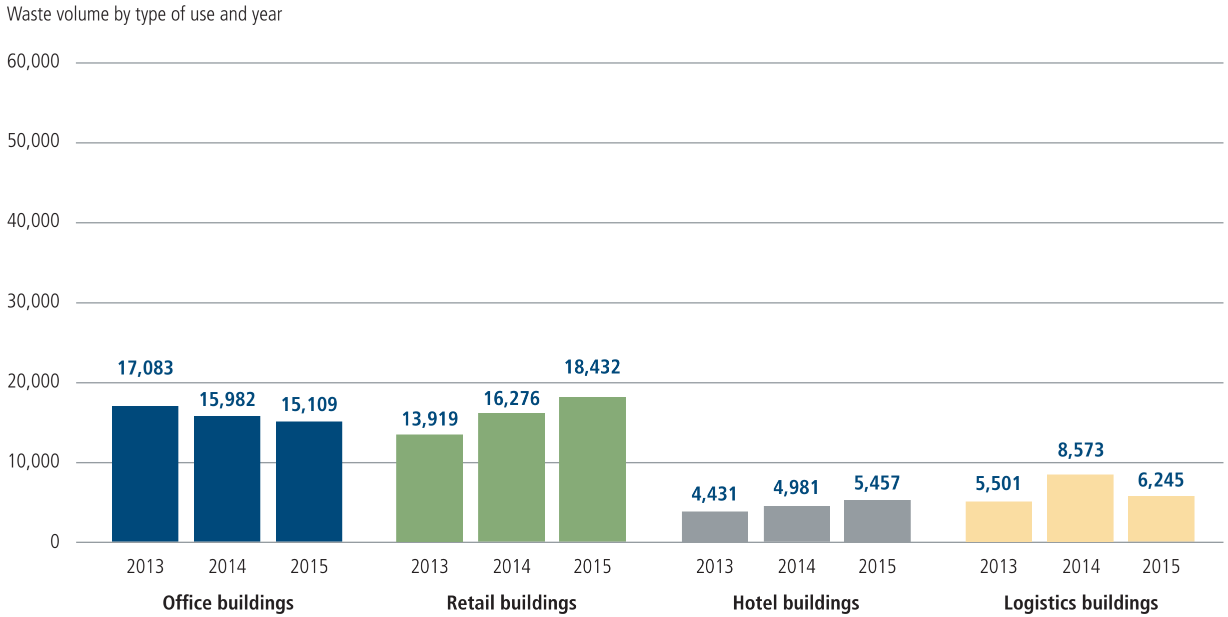
Specific water consumption – CRESS 2 ($m^3/[m^2/year]$)



Specific water consumption is the absolute values adjusted for special users. At 0.59 m^3/m^2, average water consumption in 2015 was 2 % lower than in the previous year, but 2 % higher than the three-year average for the portfolio. An analysis of the different types of use clearly shows that the values for office and retail properties have remained constant over the years. Hotel properties use the most water due to the nature of their use. However, specific water consumption in the hotel portfolio decreased by 7 % year-on-year in 2015.

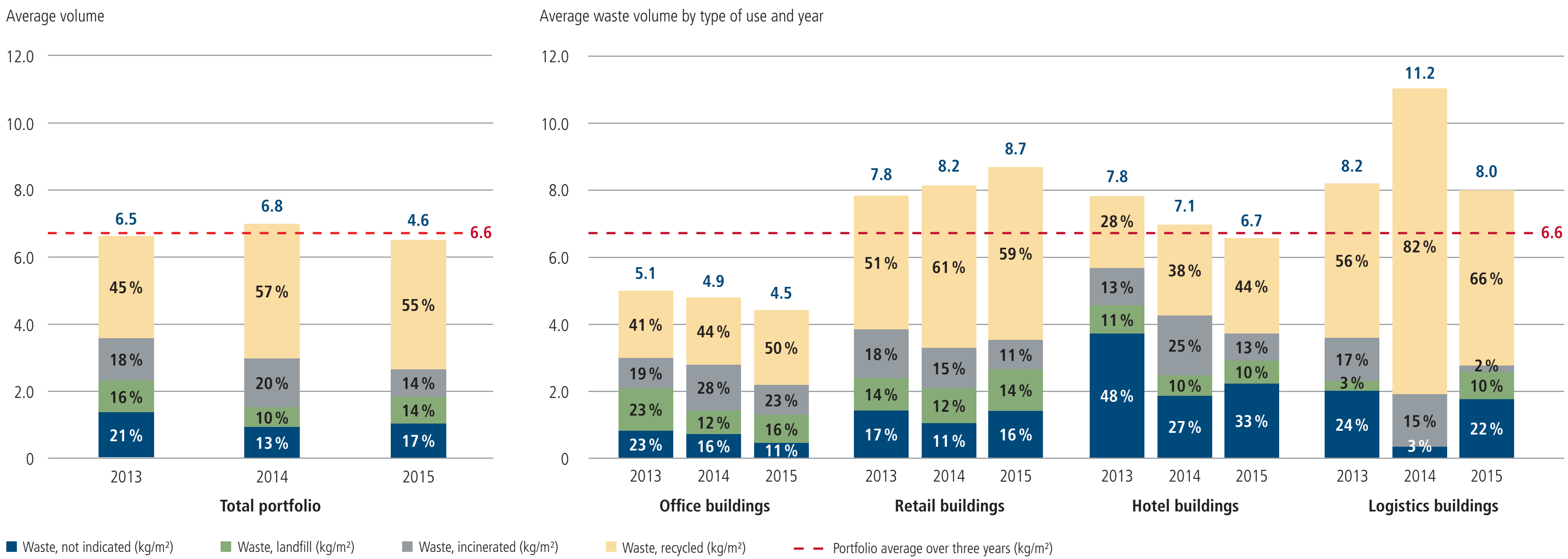
Absolute volume of waste – EN 22 (t/year, extrapolated portfolio)





The absolute volume of waste is the total quantity of waste produced in the categories of recycled waste, landfill waste and incinerated waste. In 2015, it amounted to just over 45,000 tonnes for the total portfolio. The volume of waste produced by retail and hotel buildings developed in line with the floor area changes for these building types within the portfolio. Office and 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. Year-on-year, the specific volume of waste fell by 6 % for the total portfolio in 2015 and is below the three-year portfolio average at 6.4 kg/m². An analysis of the individual types of use shows that the volume of waste produced by office and hotel buildings has fallen steadily since 2013. After a sharp increase in 2014, logistics buildings are now back at their 2013 level.

3.6 Like-for-like portfolio

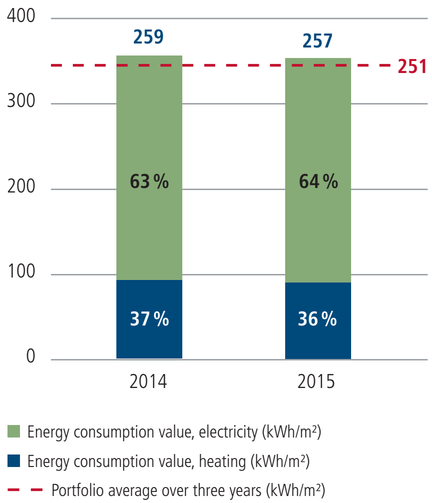
Like-for-like is a metric that adjusts the development in an indicator for new acquisitions or disposals. This is primarily used in dynamic markets to allow comparisons of growth factors, in this case consumption values. The like-for-like analysis of the Union Investment real estate portfolio therefore only includes properties that were in the portfolio in both 2014 and 2015 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. Owing to the rapid changes within the Union Investment real estate portfolio, the like-for-like portfolio covers 186 properties or 60 % of the total portfolio.

Type of use	2014/2015		
	Number of properties	Floor area (m²)	Floor area (%)
Office buildings	122	2,088,990	53
Retail buildings	34	1,151,161	29
Hotel buildings	22	387,771	10
Logistics buildings	8	293,338	8
Total	**186**	**3,921,260**	**100**

An analysis of the development in like-for-like consumption data from 2014 to 2015 shows a slight reduction in all types of consumption. Only the volume of carbon emissions remained unchanged, even though final energy consumption fell by approximately 1 % over the same period. The calculation of carbon emissions goes hand in hand with final energy consumption and, in particular, with the energy sources used. As final energy consumption fell only marginally, no reduction in carbon emissions can be expected if there is no change in the energy sources used. In contrast, water consumption in the like-for-like portfolio fell by approximately 5 %, while the volume of waste was some 7 % lower year-on-year.

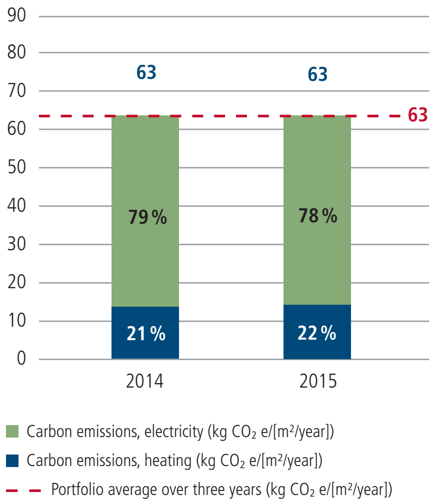
Specific final energy consumption – like-for-like (kWh/[m²/year])

Average like-for-like portfolio consumption per year, by type of consumption



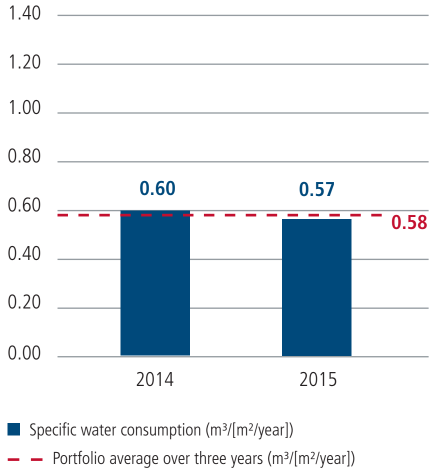
Specific carbon emissions – like-for-like (kg CO_2 e/[m²/year])

Average emissions per year, by type of consumption



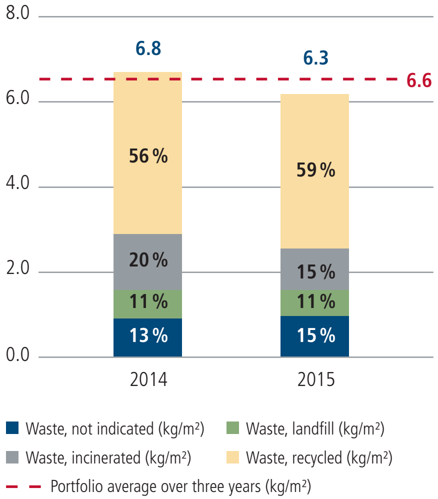
Specific water consumption – like-for-like (m³/[m²/year])

Average consumption per year



Specific volume of waste like-for-like (kg/[m²/year])

Average volume by type of waste



4. ZIA- and BVI-compliant sustainability reporting

The ZIA set out the basic principles for sustainable business in the real estate sector in its sustainability code published in 2011. The ZIA 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 ZIA and has been heavily involved in the development of the industry code.

Union Investment also played a significant role in the development of the ZIA'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 ZIA 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 (BVI) in 2016. Union Investment complies with the sustainability reporting standards recommended in these guidelines as a matter of course.

GRI G4 content index

GSD = general standard disclosures EA = external audit AR = 2016 annual report and CSR report

General standard disclosures

GSD	Page/contents	EA
Strategy and Analysis		
G4-1	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 UN 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 UNPRI 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 in the area of, for example, climate change 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. We were forced to discontinue the sustainability fund for Riester savers at the end of 2016 due to a lack of demand. We will not consider introducing a new product until the underlying conditions have improved.	–
Organisational Profile		
G4-3	Union Investment Group	–
G4-4	With more than 55 years of expertise in the area of funds and assets under management in excess of EUR 290 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 2016, its product policy for retail clients primarily focused on the clients' security needs, with its business development continuing to focus on optimising assets (PrivatFonds), old-age provision (UniProfiRente, UniProfiRente Select, unit-linked pension insurance), asset investment (open-ended real estate funds, capital-protected funds, fixed-term bond funds, UniAbsoluterErtrag) and savings (traditional savings plans). 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.	yes
G4-5	Weissfrauenstrasse 7, 60311 Frankfurt am Main	–
G4-6	Germany, Luxembourg, Poland, Austria and Hong Kong	–
G4-7	See appendix 'UMH shareholder structure as at 31.12.16'	–

GSD	Page/contents	EA
G4-8	In addition to its activities in Germany, the Union Investment Group offers selected funds in Austria, Italy, Switzerland, the UK, the Netherlands and in 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. In retail business, Union Investment services are exclusively available to the retail clients of the cooperative partner banks ('Verbund first'). 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 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 both at home and abroad, for example with pension funds and insurance companies.	–
G4-9	Union Investment is a DZ BANK Group company, together with Bausparkasse Schwäbisch Hall, DG HYP, DZ PRIVATBANK, R+V Versicherung, Team-Bank, VR LEASING and various other specialist banks. The DZ BANK Group is part of the Genossenschaftliche FinanzGruppe comprising some 1,000 cooperative banks, which is one of Germany's largest private financial service organisations based on its total assets. • Fee and commission income (consolidated income statement): EUR 1,969 million • Equity reported in the consolidated statement of financial position: EUR 1,058,748 thousand • Liabilities to banks reported in the consolidated statement of financial position: EUR 13,246 thousand • Liabilities to customers reported in the consolidated statement of financial position: EUR 1,306 thousand The audit exit meeting with our auditors will be held on 14 March 2017. Changes are possible until then. • Total number of employees: 2,824	yes
G4-10	• Total workforce: 2,897 employees, of which 1,979 not employed under collective bargaining agreements and 918 employed under collective bargaining agreements • Full-time employees: 2,280, part-time employees: 617 • Male employees: 1.624, female employees: 1,273 See also p. 38	–
G4-11	Percentage of collective bargaining agreements: 31.7 %. Union Investment does not have trade union (collective rights) organisation. However, the company follows the provisions of the retail banking sector's collective agreement. This applies to approximately 80 % of our employees.	–
G4-12	The supply chains for indirect materials sourced by the organisation for its operations, administration and change comprise the following services or products/goods, in descending order of volume: Consulting, outsourcing (primarily IT outsourcing), facility management, marketing, information technology, market data, conference/event/trade fair services, logistics, travel, other	–

GSD	Page/contents	EA
G4-13	The merger of the two main shareholders of Union Asset Management Holding AG, DZ BANK AG and WGZ BANK AG, was legally concluded on 31 July 2016 with its inclusion in the Commercial Register. As a result of the merger, the incorporating company DZ BANK AG now directly holds 72.25 % of the shares in Union Asset Management Holding AG. In 2015,Union Asset Management Holding AG acquired 100 % of the shares in Volksbank Invest Kapitalanlagegesellschaft mbH (Vienna) and 94.5 % of the shares in Immo Kapitalanlage AG (Vienna) from Österreichische Volksbanken-AG (ÖVAG). Since the beginning of 2016, Volksbank Invest Kapitalanlagegesellschaft mbH has been operating under the name Union Investment Austria GmbH. Immo Kapitalanlagegesellschaft AG (Vienna) has been operating under the name Union Investment Real Estate Austria AG since mid-2016.	yes
G4-14	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.	–
G4-15	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 Forum Nachhaltige Geldanlagen sustainable investment forum by its head of Sustainability Management.	–
G4-16	• Industry associations: BVI, EFAMA • UN Principles for Responsible Investment • Forum Nachhaltige Geldanlagen • German Property Federation (ZIA) • VfU	–
Identified Material Aspects and Boundaries		
G4-17	• UMH (Union Asset Management Holding AG) • UIP (Union Investment Privatfonds GmbH) • UIL (Union Investment Luxemburg S.A.) • UIT (Union IT-Services GmbH) • BIGG (BIG-Immobilien Gesellschaft mit beschränkter Haftung) • BIGK (BIG-Immobilien GmbH & Co Betriebs KG) • UFS (Union Investment Financial Services S.A) • TFI (Union Investment Towarzystwo Funduszy Inwestycyjnych S.A) • USG (Union Service-Gesellschaft mbH) • UIN (Union Investment Institutional GmbH) • UIR (Union Investment Real Estate GmbH) • UIRV (UIR Verwaltungsgesellschaft mbH) • UII (Union Investment Institutional Property GmbH) • USB (Union Investment Service Bank AG) • QAM (Quoniam Asset Management GmbH) • ATX (attrax S.A.) • VISV (VisualVest GmbH) • UIA (Union Investment Austria GmbH) • URA (Union Investment Real Estate AG) The report relates to the German and Luxembourg companies within the Union Investment Group. The workforce figures comprise all the consolidated Group companies. Additionally, Quoniam Asset Management GmbH was still taken into account in the assets under management as reported, but is not included in the rest of the report.	–

GSD	Page/contents	EA
G4-18	AR p. 115	–
G4-19	AR p. 117	–
G4-20	The report relates to the German and Luxembourg companies within the Union Investment Group. Quoniam Asset Management GmbH is not covered by the report.	–
G4-21	The GRI's G4 guidelines and measurement rules were applied wherever permitted by the data.	–
G4-22	Changes were made to the statement of the climate figures reported in accordance with the expanded '2° sind machbar' (Two degrees are achievable) climate strategy.	–
G4-23	Reporting for 2016 was in accordance with/based on the updated GRI 4.0 Core standard. The measurement methods are in line with the procedures for the previous 2015 CSR report, with additions relating to Union Investment's new climate strategy.	–
Stakeholder Engagement		
G4-24	Cooperative banks, tenants, employees, journalists, associations, rating agencies, end investors, institutional clients, invested companies, GFG/Group, NGOs, SRI initiatives, UI's employee CSR round table, other.	–
G4-25	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. Special NGOs and international investors were incorporated into the survey and drawing up of requirements for developing and implementing the climate strategy.	–
G4-26	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 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 issues can also be shared. There is ongoing dialogue with government 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. We therefore do not need to conduct an annual stakeholder survey specifically for the purposes of reporting.	–
G4-27	In 2016, external stakeholder communication with investors and sales partners focused on how to deal with low interest rates and, accordingly, how to safeguard prosperity. Union Investment supported the topic suggestions by sharpening the focus of its portfolio and communication policies. Among other things, these topics were focused on in the 2015 annual report, but were also communicated thoroughly in all other media. 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 stakeholder engagement on the other.	–

GSD	Page / contents	EA
Report Profile		
G4-28	Reporting is in accordance with the guidelines of the Global Reporting Initiative (GRI), G4 Core version. 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. Reviewing of the degree of application of the GRI 4 guidelines will continue in the 2016 reporting year. In addition to following the GRI guidelines, the report complies with the requirements of the German Property Federation (ZIA) for sustainability reporting in the real estate sector.	–
G4-29	May 2016	–
G4-30	Annual	–
G4-31	The CSR report was integrated into the annual report for the first time in the 2013 reporting season and is available on the Union Investment website. The relevant points of contact can be found on the Union Investment Group's website at www.union-investment.de.	–
G4-32	The sustainability report was prepared in accordance with the GRI index and can be found in the 2016 annual report/CSR report on pages 114 to 161.	–
G4-33	The sustainability section of the report is not audited externally. The management report and consolidated financial statements are audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.	–
Governance		
G4-34	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. Dr Friedrich Caspers stepped down from the Supervisory Board at the end of December 2016. In his place, Dr Norbert Rollinger, CEO of R+V Versicherung AG, joined the Supervisory Board on 26 January 2017.	–
G4-35	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.	–
G4-36	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.	–
G4-37	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.	–

GSD	Page / contents	EA
G4-38	The Supervisory Board of Union Asset Management Holding AG comprises 15 members in total, ten of which are shareholder representatives and five of which 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 comprises 13 men and two women, is scheduled to last until the Annual General Meeting of UMH in 2017. 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.	–
G4-39	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).	–
G4-40	In accordance with the Articles of Association of UMH AG, the members of the Supervisory Board 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 a member 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 on 31 March 2015 setting a target of 20 % for the proportion of women on the Supervisory Board of UMH, to be met by 30 June 2017.	–

GSD	Page / contents	EA
G4-41	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 may 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.	–
G4-42	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 2017 was passed in December 2016. The report on the 2016 financial year will be submitted to the Supervisory Board in the first quarter of 2017.	–
G4-43	As the highest control body, the UMH Board of Managing Directors addresses sustainability issues in its regular reporting and as part of its responsibility for CSR activities. The status quo was presented to the Board of Managing Directors in November 2016 and the targets and measures for 2017 and 2018 were discussed and approved.	–
G4-44	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.	–
G4-45	In November 2016, the UMH Board of Managing Directors audited and approved all the ESG aspects of the CSR strategy developed in 2015. 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 are implemented with the involvement of the relevant stakeholders, such as NGOs, 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.	–
G4-46	The UIG's business and risk strategy is presented to the UMH Supervisory Board once a year for approval. The written quarterly report submitted to the UMH Supervisory Board likewise always includes information regarding the risk situation. A report specifically on sustainability performance was incorporated into the process of reporting to the Supervisory Board for the first time in the 2015 financial year. Also, a risk appetite statement was incorporated into the process of reporting to the Supervisory Board in 2016 for the first time.	–
G4-47	At least once a year	–

GSD	Page / contents	EA
G4-48	The CEO of Union Asset Management Holding is the highest formal position to approve the sustainability and annual reports.	–
G4-49	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 UMH 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.	–
G4-50	The Supervisory Board was notified about the need for restructuring within a subsidiary during the reporting period. Consent was sought regarding a plan of action.	–
G4-51	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 covered by collective agreements 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 covered by collective bargaining agreements 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 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 represents 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.	–
G4-52	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.	–
G4-53	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.	–
G4-55	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.	–

GSD	Page/contents	EA
Ethics and Integrity		
G4-56	Union Investment developed a new mission statement in 2010. This 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.	–
G4-57	Various guidelines and processes have been 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.	–
G4-58	Appropriate procedures for reporting concerns have been integrated throughout the Group. There are various ways in which possible cases can be reported. The processes affected are subject to regular internal and external audits and also ongoing monitoring by the Compliance Office. Abuses which are identified are picked up on and are tracked in a targeted follow-up procedure.	–

G4-10 Number of employees by employment contract and gender

	Permanent	Temporary
Male	1,576	48
Female	1,200	73
Total	**2,776**	**121**

DMA = Disclosure on Management Approach and Indicators EA = external audit AR = 2016 annual report and CSR report

Specific standard disclosures

DMA	Page/contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
Economic					
Economic Performance					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-EC1	AR pp. 144–147	KPIs for the real estate portfolio.	The information is not currently available.	Data collection is largely dependent on other companies.	yes
G4-EC2	The '2° sind machbar' (Two degrees are achievable) climate strategy was adopted in 2015 to achieve the political target of two degrees. The planned measures were implemented in 2016 as expected. With regard to investor behaviour, however, it has been observed that incorporating climate aspects into the portfolios calls for a lengthy preparatory period and intensive investor consultation. There was a comprehensive evaluation of climate risks at the company level as part of the climate strategy developed in 2015. No specific direct climate risks were identified. The risks engendered by a general intensification of climate policy were addressed by Union Investment setting itself the goal at the company level of fully achieving the political target of two degrees by 2050. Climate change risks primarily relate to the portfolios held by our clients in the securities and real estate areas. Overall, the carbon values within these portfolios are considerably higher than the emissions caused by Union Investment. Potential risks due to the mispricing of assets on the capital market (stranded assets) represent a material long-term risk for clients. As a leading SRI asset manager, Union Investment offers its clients solutions for these problems, allowing them to analyse these risks and minimise them where applicable.	KPIs for the real estate portfolio.	The information is not currently available.	Data collection would involve inordinate degree of manual work.	–
G4-EC2	As part of its trustee obligations, Union Investment takes into account material climate change risks in its mutual funds when analysing them and selecting securities. In the real estate sector too, climate risks are an important element of the investment process when selecting and maintaining properties in fund portfolios.	KPIs for the real estate portfolio.	The information is not currently available.	Data collection would involve inordinate degree of manual work.	–
G4-EC3	There is no separate fund specifically for our pension obligations.				–
G4-EC4	Financial assistance received from government (G4-EC4) EUR 0				–
G4-EC7	No infrastructure investments were effected.				–
Procurement Practices					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-EC9	Due to the structure of the supplier portfolio, we are assuming that around 75 % of indirect materials are 'locally' purchased goods and services. 'Locally' is defined as procurement within the Federal Republic of Germany. A further 20 % is considered to be purchased from EU member states. The budget volume outside the EU is estimated at 5 %. The significant locations of operation are the parts of the Group in Germany and Luxembourg.				–
Environmental					
Energy					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-EN1	The primary material used in the Group's operations is paper.				–
G4-EN2	AR p. 153				–
Energie					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-EN3	Company level, see AR p. 153	KPIs for the real estate portfolio.	The information is not currently available.	Only qualitative data available – quantitative data is not collected.	–
G4-EN5	Company level, see AR p. 153				–

DMA	Page/contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
G4-EN6	Company level, see AR p. 153	KPIs for the real estate portfolio.	The information is not currently available.	Instruments for collecting the necessary data currently under development.	–
Water					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-EN8	Company level: see also AR p. 153	KPIs for the real estate portfolio.	The information is not material for the real estate portfolio.	The water for the investment funds is primarily provided by the relevant utilities.	–
Emissions					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-EN15	AR p. 154	KPIs for the real estate portfolio.	Indicator not applicable.	The Union Investment Real Estate invest-ment fund is a product, so emissions are reported as Scope 3. See G4-CRE3.	–
G4-EN16	AR p. 154				
G4-EN17	Company level, see AR p. 154. Real estate portfolio: Scope 3 relates to the product level (real estate portfolio) and is reported in accordance with the G4-CRE3 indicator on pp. 150, 152 and 153.				–
G4-EN18	AR p. 154				–
G4-EN19	AR p. 154				–
Effluents and Waste					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-EN22	AR p. 153				–
G4-EN23	AR p. 153	KPIs for the real estate portfolio.	The information is not material for the real estate portfolio.	Union Investment Real Estate GmbH's primary business model is the purchase, rental and sale of properties.	–
Products and Services					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-EN27	For securities investments, Union Investment encourages companies to reduce their emissions as part of its active share ownership.				–
Compliance					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-EN29	None in 2016 reporting year				–
Transport					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-EN30	AR p. 154				–
Supplier Environmental Assessment					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-EN32	0 %				–
G4-EN33	• Number of suppliers subject to an environmental impact assessment: 9 • Number of suppliers identified as having significant actual and potential negative environmental impacts: 0 • Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which corrective actions were subsequently agreed upon: 0 % • Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which business relations were subsequently terminated: 0 %				–

G4-EN1 + G4-EN2 Paper consumption [1] and use of recycled paper (comparison with reference year 2014 [kg])

Paper consumption	2014	2016	Share in 2015 in %
Recycled paper	131,785	34,746	5
FSC-certified paper	495,880	0	0
PEFC-certified paper	372,058	668,247	95
Non-certified paper	49,476	0	0
Total	**1,049,199**	**702,993**	**100**

[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.

G4-EN3 + G4-EN5 + G4-EN6 Direct energy consumption [1] (fuels) by source (comparison with reference year 2014 [3] [MJ])

	2014	2015		
Location/ energy type	**Consumption in MJ**	**Consumption in MJ**	**Reduction versus reference year in MJ**	**Consumption per employee (MJ/FTE[2])**
Luxembourg				
• Diesel	1,920,729.35	2,467,064.95	-546,335.6	7,364.4
• Natural gas	2,037,718.80	2,088,000.00	-50,281.2	6,232.8
• Electricity	3,386,116.80	3,478,888.80	-92,772.0	10,384.7
Germany				
• Petrol	522,885.27	550,207.90	-27,322.6	236.5
• Diesel	16,185,306.89	18,736,137.03	-2,550,830.1	8,055.1
• Natural gas	14,295,027.60	11,277,309.60	3,017,718.0	4,848.4
• District heating	7,000,326.00	10,794,927.60	-3,794,601.6	4,641.0
• Electricity	28,814,115.60	30,554,928.00	-1,740,812.4	13,136.3
Total	**74,162,226.31**	**79,947,463.88**	**-5,785,237.57**	**30,044.14**

[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. Fuel consumption is converted into quantities of energy using the factors published by the German Society for Environmental Management and Sustainability in Financial Institutions (VfU). Direct energy consumption relates to non-renewable sources. The energy intensity ratio is based on energy consumption within the organisation.
[2] FTE = full-time equivalent = equivalent to the workload of a full-time employee.
[3] The reference year 2014 was selected on account of the target agreement in the sustainability programme; see p. 118.

G4-EN8 + G4-EN22 Total water withdrawal and water discharge by source [1] (m^3)

	2013	2014	2015	2016
Water withdrawal [2]	27,481	26,574	35,261	34,756
Water discharge [3]	24,710	24,122	33,414	34,756
Water withdrawal per employee	11.8	10.7	13.8	13.1

[1] Union Investment exclusively uses drinking water 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 change in water withdrawal between 2014 and 2015 was due to: a) the opening of a second staff canteen at the new location in Frankfurt and b) the conversion of the drinking water supply from bottles to a fresh water system at the new location in Frankfurt.
[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.

G4-EN23 Total weight of waste by type and disposal method [1]

Type of waste	2012	2013	2014	2015	2016
Paper waste (t)	311.5	171.7	270.9	346.4	188.2
Mixed packaging (t)	7.8	27.0	46.0	9.9	9.6
Residual waste (t)	86.1	41.6	76.7	160.0	167.8
Other					
Lighting (kg)	25.2	420.0	56.6	9.0	14.5
Old batteries (kg)	17.0	0.0	15.5	6.0	24.0
Commercial waste (t)	31.1	5.7	14.9	179.5	17.8
Data carriers (kg)	29.0	5.0	120.5	197.0	218.0
Electrical waste (kg)	64.2	1943.7	75.0	5155.0	274.0
Toner waste (kg)	2947.0	2918.0	3357.4	3519.4	3531.0

[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.

G4-EN15 + G4-EN16 + G4-EN17 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	2015	2016	Scope	Reduction versus reference year	Emissions per employee (kg/FTE)
	CO_2 in tonnes					
Vehicle fleet (fuel consumption)	2,992.2	2,355.9	2,397.4	Scope 1	636.3	922.4
Natural gas	1,605.2	1,029.6	957.8	Scope 1	575.7	403.1
Coolant losses	0.0	0.0	62.4	Scope 1	0.0	0.0
District heating	148.6	270.1	478.9	Scope 2	-121.5	105.7
Electricity consumption	6,929.8	714.5	587.0	Scope 2	6,215.3	279.8
Paper consumption	1,385.1	1,019.8	845.5	Scope 3	365.4	399.3
Business travel (rail, rental cars, aircraft, private cars)	3,621.3	3,511.0	3,920.7	Scope 3	110.4	1,374.7
Water supply	19.4	26.4	26.0	Scope 3	-7.0	10.3
Hotel accommodation	68.4	82.1	85.5	Scope 3	-13.7	32.2
Commuter traffic	2,138.9	2,497.8	2,571.1	Scope 3	-358.9	978.0
Letters	621.7	13.6	14.3	Scope 3	608.1	5.3
Parcels	116.4	0.0	0.0	Scope 3	116.4	0.0
Waste	115.6	480.1	118.8	Scope 3	-364.5	188.0
Events	3,567.1	3,567.1	3,329.2	Scope 3	0.0	1,396.7
Toner consumption	50.7	36.2	54.0	Scope 3	14.5	14.2
Total	**23,380.6**	**15,604.0**	**15,448.7**	**–**	**7,776.6**	**6,109.6**

Scope 2 electricity consumption based on the energy mix in Germany[2]

Source of GHG emissions	2009	2015	2016	Scope	Reduction versus reference year	Emissions per employee (kg/FTE)
	CO_2 in tonnes					
Electricity consumption	6,929.85	6,578.35	6,150.62	Scope 2	351.5	2,575.7
Total[2]	**23,380.60**	**21,467.87**	**21,012.27**	**–**	**1,912.7**	**8,405.6**

[1] With the development of a climate strategy, the system boundaries of the carbon footprint have been extended to include all relevant upstream and downstream Scope 3 emissions (CDP standard, GHG market-based method). This was necessary in order to record the climate impact along the company's entire value chain. 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. In recalculating the reference year, only the values for events and toner consumption were required to be extrapolated retrospectively as there was insufficient data available. 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.

[2] Shows the emissions from electricity consumption (GHG location-based method) where this was not purchased as renewable energy.

G4-EN30 Environmental impacts of transport – business trips and logistics

Means of transport in 2015[1]	Distance	Distance per employee
Flight (km)	10,978,285	4,125.62
Cars (km)	1,022,976	384.43
Rail (km)	3,860,916	1,450.93

Deliveries in 2015	Items sent
Letters sent within Germany (quantity)	19,311,032
Letters sent within Europe (quantity)	279,350
Parcels sent (quantity)	125,362

[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 and are already reported extensively in G4-EN3.

DMA	Page/contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
Social					
Social: Labour Practices and Decent Work					
Employment					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-LA1	AR p. 156				–
G4-LA2	No distinction is made between full-time and part-time employees when it comes to benefits.				–
Occupational Health and Safety					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-LA6	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 have been recognised and certified as a family-friendly company by Beruf & Familie GmbH since 2011. We aim to achieve optimum reconcilability of career and family, and strike the right balance between the interests of the employees and the company's objectives. To this end, we offer our employees a plethora of support forms. • Occupational accidents: 25 • Occupational accident rate: 1 % • Travel accidents: 20 • Travel accident rate: 1 % • Fatalities: 0 • Lost days: 182 • Lost day rate: 0.03 % • Workplace accidents: 5 • Workplace accident rate: 0.94 % • Sick days: 28,994 • Illness rate: 4.40 %				–
G4-LA7	Employee assistance: • Employee Assistance Program (EAP), advisory service for employees and persons living in the same household. • Assistance with reintegration Support for employees' families: • Employee Assistance Program (EAP), advisory service for employees and persons living in the same household.				–
Training and Education					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-LA9	• Training at head of division level: 24.5 hrs/employee • Training at head of department level: 38.7 hrs/employee • Training at group manager level: 38.7 hrs/employee • Training at group manager level: 24.1 hrs/employee • Training at employee level: 21.2 hrs/employee				–
G4-LA10	HR development is based on a multi-dimensional 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. 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.			Not relevant for Union Investment as a service company.	–

DMA	Page/contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
G4-LA11	• Percentage of employees receiving performance reviews: 100 % • Percentage of employees receiving appraisal and feedback interviews: 100 % (2,897 employees) • Percentage of employees receiving target agreement and attainment interviews: 65.7 % (2,897 employees)				–
Diversity and Equal Opportunity					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-LA12	• Percentage of female employees in the workforce as a whole: 43.9 % • Percentage of male employees in the workforce as a whole: 56.1 % • Percentage of minorities in the workforce as a whole: 0 % • Percentage of female employees at management level: 14.6 % • Percentage of male employees at management level: 85.4 % • Percentage of minority groups at management level: 0 % • Percentage of employees at management level under 30 years old: 0 % • Percentage of employees at management level aged 30–50 years old: 76.8 % • Percentage of employees at management level over 50 years old: 23.2 % • Percentage of disabled persons: 2.8 % See also AR p. 157				–
Equal Remuneration for Women and Men					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-LA13	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.				–
Supplier Assessment for Labour Practices					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-LA14	Percentage of new suppliers screened on the basis of labour practices: 3 %				–

G4-LA1 New employee hires[1] in 2015 by age group and gender

	< 30	30 – 50	> 50	Total
Male	27	138	9	174
Female	24	76	9	109

[1] Only persons joining Union Investment for the first time are considered new employee hires.

G4-LA1 Number of employees who left the company in 2015 by age group and gender

	< 30	30 – 50	> 50	Gesamt
Male	1	58	7	66
Female	6	23	3	32

G4-LA1 Overall turnover in 2015 by age group and gender

	< 30	30 – 50	> 50
By age	0.24 %	2.80 %	0.35 %

Male	2.28 %
Female	1.10 %
Total	**3.38 %**

G4-LA12 Breakdown of employees by employee category

	Female	Male	< 30	30 – 50	> 50
Board of Managing Directors and heads of division	6.7 %	93.3 %	0 %	40.0 %	60.0 %
Heads of department	14.2 %	85.8 %	0 %	69.2 %	30.8 %
Group managers	15.3 %	84.7 %	0 %	82.4 %	17.6 %
Employees	48.5 %	51.5 %	9.3 %	75.5 %	15.2 %
Junior staff	–	–	–	–	–

DMA	Page / contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
G4-LA15	• Number of suppliers subject to impact assessments for labour practices: 71 • Number of suppliers identified as having significant actual and potential negative impacts for labour practices: 0 • Percentage of suppliers identified as having significant actual and potential negative impacts for labour practices with which improvements were agreed upon as a result of assessment: 0 % There are no significant actual or potential negative impacts for labour practices in the supply chain. The specific characteristics of Union Investment's industry combined with the aforementioned focus in terms of sourcing means we do not have any services/suppliers with material connections to the low-wage sector or with a connection to ethically or socially controversial goods or practices. Our supplier portfolio primarily consists of consultants, developers, agencies, service providers, production companies (media), trainers and others. Our suppliers are mostly located in Germany and are subject to national occupational safety legislation.				–
Social: Human Rights					
Non-discrimination					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-HR3	None in 2016 reporting year.				–
G4-HR4	None in 2016 reporting year.				–
Society					
Anti-corruption					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-SO3	Total number of operations assessed for risks related to corruption: 17 (100 %)				–

DMA	Page / contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
G4-SO4	• Guidelines regarding political donations while observing empowerment and disclosure procedures • Ban on the payment of bribes • Ban on the granting of kickbacks • Ban on the receipt of kickbacks How to handle potential cases of corruption is outlined in the internal guidelines as part of fraud prevention. This features a complete process including the topic of lessons learned and involving follow-up measures. The actual form such follow-up measures take depends on the case in question and is determined by an indications committee.				–
G4-SO4	• Number of informed business partners broken down by type of business partner and region: 0 • Number of informed employees broken down by region: 0 • Number of informed governance-body members broken down by region: 0 • Number of trained employees broken down by category and region: 983 • Number of trained employees broken down by employee category and region: 983 • Number of trained governance-body members broken down by region: 4 • Percentage of informed business partners broken down by type of business partner and region: 100 % • Percentage of informed employees broken down by employee category and region: 100 % of the employees for whom training is mandatory (training group) • Percentage of informed governance-body members broken down by region: 100 % • Percentage of trained employees broken down by category and region: 100 % of the employees for whom training is mandatory (training group) • Percentage of trained governance-body members broken down by region: 0 % • Total number of employees that have received training on anti-corruption: 983 • Anti-corruption training: 100 % of the employees for whom training is mandatory (training group)				–

DMA	Page/contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
G4-SO5	The money laundering officer was not made aware of any incidences of corruption in the 2016 reporting period which would have resulted in 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.				–
Public Policy					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-SO6	The Union Investment Group supports the political work of parties my means of non-cash and monetary benefits. This takes the form of, for example, sponsorship measures or active involvement in organisations affiliated to parties (e.g. CDU Economic Council, SPD Economic Forum). No donations were made directly to parties in 2016.				–
Anti-competitive Behaviour					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-SO7	None in 2016 reporting year.				–
Compliance					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-SO8	None in 2016 reporting year.				–
Product Responsibility					
Product and Service Labelling					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-PR2	No incidences of non-compliance with regulations concerning the health and safety impact of our products and services were identified in the reporting period.				–
G4-PR3	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-PR4	None in 2016 reporting year.				–
G4-PR5	Overall satisfaction with business relations with Union Investment; 2016 survey results • The customers were surveyed using a five-stage scale: 1: exceptionally happy, 2: very happy, 3: happy, 4: not so happy, 5: unhappy • 95 % of the institutional investors are exceptionally or very happy with UI; average 1.8 • 92 % of the managers of cooperative broker banks are exceptionally or very happy with UI; average 1.9 • 91 % of the consultants at cooperative broker banks are exceptionally or very happy with UI; average 1.9 • 48 % of the private investors are exceptionally or very happy with UI; average 2.5 • 56 % of the commercial tenants in Germany are exceptionally or very happy with UI; average 2.4 • In addition to overall satisfaction levels, the survey asks about the various customer groups' satisfaction with the main services offered specifically for the relevant target groups. Customer survey frequency: In the intervening years, customer surveys are conducted to a smaller extent as needed. Survey methodology: Interviews over the phone and online surveys (private investors) Customer feedback mechanisms: Union Investment also values customer feedback outside the biannual surveys. It therefore conducts systematic market research on a recurring basis. Quality assurance is performed for every customer contact, whether via the website, regular publications for the various customer groups by email or written correspondence, or at events.				–

DMA	Page/contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
Marketing Communications					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-PR6	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. Compliance with the Markets in Financial Instruments Directive (MiFID) is a matter of course for the Union Investment Group.				–
G4-PR7	None in 2016 reporting year.				–
Customer Privacy					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-PR8	None in 2016 reporting year.				–
Compliance					
G4-DMA	http://ui-link.de/csr-management-2016				–
G4-PR9	None in 2016 reporting year.				–
Industry-related disclosures (G4-FS and G4-CRE)					
G4-DMA (FS1)	Responsible investment guidelines				–
G4-DMA (FS2)	The relevant ESG criteria are embedded in corporate governance in the balanced score-card 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 providers, 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)	http://ui-link.de/csr-management-2016				–

DMA	Page/contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
G4-DMA (FS5)	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 canincreasingly incorporate ESG aspects into our asset investments.				–
G4-FS7	• Special funds: 12,302,000,000 • Institutional mutual funds: 875,000,000 • Retail mutual funds: 2,658,000,000 • Informative: also Quoniam: 9,479,000,000 • Total: 25,314,000,000				–
G4-FS8	See G4-FS7				–
Audit					
G4-DMA	The relevant ESG criteria are embedded in corporate governance in the balanced score-card and in risk management. Environmental risks are also regularly audited, 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 providers, 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-FS9	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. Our core business is assessed annually in accordance with the UN PRI standards.				–
Active Ownership					
G4-DMA	• Proxy Voting Policy: http://ui-link.de/proxyvoting • Voting behaviour by company and region: http://ui-link.de/abstimmungsverhalten				–

DMA	Page/contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
G4-FS10	As part of its business activities, Union Investment uses ESG checks to examine all the relevant service providers and suppliers. The approximately 30 largest service providers are subject to an annual review in terms of the relevant environmental and social aspects, including in the form of face-to-face meetings in some cases. In our investment activities, we conduct more than 4,000 discussions with companies every year, at which we also address environmental and social issues. We also exercise our trustee owner voting rights on predefined issues (voting policy) or in response to current events in the area of ESG. All of the wholly owned Union Investment Group subsidiaries in Germany take environmental factors (consumption of energy, water and paper) into account in their investment decisions and business processes. Below is a list of the Union Investment Group companies with EMS certification: Germany: • Union Asset Management Holding AG • Union Investment Privatfonds GmbH • Union Investment Service Bank AG • Union IT-Services GmbH • Union Service-Gesellschaft mbH • Union Investment Institutional Property GmbH • Union Investment Real Estate GmbH • Union Investment Institutional GmbH Luxembourg: • Union Investment Luxembourg S. A. • Union Investment Financial Services S. A. • attrax S.A.				–

DMA	Page/contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
G4-FS11	Union Investment pursues an integration approach for its funds in which the inclusion of ESG aspects into the investment process is taken into account in terms of both positive and negative screening. With regard to the investment funds explicitly designated as sustainable, we pursue a variety of ESG strategies that focus on CSR activities. We also apply the following exclusion criteria for sustainable products. These are not prescribed by law: 1. Negative criteria for companies a) ILO labour standards including child labour and forced labour, b) Human rights, c) Environmental protection, d) Anti-corruption, e) Cluster bombs, landmines, nuclear energy, f) Animal testing for cosmetic purposes, g) Armaments [1], h) Pornography, gambling, tobacco production, alcohol production [1], i) Controversial genetic engineering [1], j) Coal [2] 2. Negative criteria for states a) Undemocratic regime, b) Restrictions on religious freedom, c) Use of the death penalty, d) High degree of corruption, e) Nuclear energy (exclusion if > 35 % of the total energy mix) 3. Positive criteria (sustainable business model) a) Solar technology, b) Wind power technology, c) Heat insulation, d) Green building materials, e) Fair trade, f) Education, g) Recycling, h) Environmental consulting, i) LEDs, j) White biotechnology, k) Water infrastructure, l) Membranes, m) Medical technology, n) Diagnostics, o) Rail, p) Electric cars and batteries • Percentage of assets subject to positive screening: 8.7 % • Percentage of assets subject to negative screening: 8.7 % • Percentage of assets subject to combined positive and negative screening: 8.7 %				–

[1] Exclusion if revenue > 5 % of total revenue.
[2] Exclusion if > 30 % of revenue or energy production from coal.

DMA	Page/contents	Omissions	Reasons for omissions	Explanation for omission(s)	EA
G4-FS12	Percentage of assets under management for which the financial institution holds the right to vote shares or advises on voting: 50.2 %				–
G4-FS13	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	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.				–
G4-FS15	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-CRE1	AR pp. 133 and 136 (method described on p. 130)				–
G4-CRE2	AR pp. 133 and 141 (method described on p. 130)				–
G4-CRE3	AR pp. 133 and 139 (method described on p. 130)				–
G4-CRE8	AR p. 124	KPI for performance improvement.	The information is not currently available.	The improvements in performance attributable to the introduction of certification, evaluation and labelling programmes on the basis of building regulations cannot be reported at present.	–

Publisher
Union Asset Management Holding AG
Weissfrauenstrasse 7
60311 Frankfurt am Main, Germany
Tel.: +49 (0)69 5899 86060
Fax: +49 (0)69 5899 89000
Email: service@union-investment.de
Website: www.union-investment.de

Board of Managing Directors
Hans Joachim Reinke, Chief Executive Officer,
Alexander Schindler, Jens Wilhelm, Dr Andreas Zubrod

Editors
Stefan Kantzenbach, Corporate Communications,
Alexander Pröger, Corporate Communications,
Union Asset Management Holding AG, Frankfurt am Main

Genossenschaftliche FinanzGruppe
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