

# annual report and CSR report 2020

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## Foreword

Dear readers,  
dear shareholders,

The coronavirus pandemic has restricted social and economic life in many different respects. We will keep having to deal with this issue for the foreseeable future. The capital markets were also impacted by its effects. However, unlike in other crises, there were no massive sell-offs. Instead, private savers in particular proved very calm.

Our customers' strong trust in fund investment is reflected in net sales of EUR 15.1 billion. Our active portfolio management justified this trust particularly clearly in 2020: In equities, for example, we outperformed the benchmarks to an extent last achieved 15 years ago. As a result of the sales and the strong performance of the money entrusted to us, assets under management rose to a new high of EUR 385.9 billion. Earnings before taxes remained stable at EUR 649 million.

New business with private fund savers amounted to EUR 8.8 billion. The volume of private investors' money thus increased to EUR 173.8 billion. Once again, interest was primarily focused on net asset value. For example, equity funds saw a net inflow of EUR 3.8 billion. Mixed funds recorded new business of EUR 4.1 billion, while open-ended real-estate funds posted net inflows of EUR 2.1 billion. At the same time, there was a leap in demand for sustainable investment products. Their share of net inflows of private funds increased from 9% to 55% within two years. Once again, traditional fund savings plans proved to be the main pillar of new business. In September, we surpassed the three-million mark for savings plans. Including traditional savings plans, Riester savings plans and employer-funded capital formation schemes, Union Investment now manages 5.7 million fund savings plans.

Looking at business with institutional investors, there was a mixed picture. Some individual companies needed liquidity, particularly in the first half of the year, and liquidated major investments. By contrast, Union Investment posted more inflows in the second half of the year again and closed the year with net sales of EUR 6.3 billion. Assets under management rose to EUR 212.1 billion. The popularity of sustainable solutions among institutional investors in Germany and abroad remained high.

In this context, Union Investment increased the volume of sustainable investments across all customer groups from EUR 53.1 billion to EUR 60.9 billion. This was also attributable to growing interest from private investors. Including the volumes that integrate ESG criteria in their investment decisions, assets under ESG integration total EUR 278.1 billion.

So in summary, I can say that Union Investment has got through 2020 well in spite of the coronavirus. Thanks to sound sales and a positive performance, we have further strengthened our position. Overall, the opportunities in cooperative funds business still outweigh the risks. We are therefore optimistic about the future for our company.

Happy reading!

A handwritten signature in blue ink, appearing to read 'H.J. Reinke', written in a cursive style.

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



## Report of the Supervisory Board

### Supervisory Board and Executive Committee

In the 2020 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 2020. The Supervisory Board was regularly reported to on its activities.

There were no changes in the composition of the Supervisory Board or the Executive Committee in 2020.

### 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 and examined other material risks specific to fund management business.

### Supervisory Board meetings

Four meetings were held 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 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, and various equity investment matters.

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

### Report in accordance with Section 289f (4) in conjunction with (2) no. 4 of the German Commercial Code (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) of the German Stock Corporation Act (AktG), to be met by 31 December 2021.

The target set for the Supervisory Board is 20 % (3 out of 15). In the period under review, the proportion of women on the Supervisory Board was 26.7 % (4 out of 15).

The proportion of women on the Board of Managing Directors in the reporting period was 0 %. The Supervisory Board has determined not to set a binding, higher target until 31 December 2021.

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 31 December 2021.

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.

### Cooperation with the auditors

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn, Frankfurt am Main, was elected as the auditor by the Annual General Meeting on 15 May 2020 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 prepared and submitted by the Board of Managing Directors, the consolidated financial statements including the accounting system and the management reports for the company and the group for the 2020 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 Dr Cornelius Riese 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 26 February 2021, 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 2020.

Frankfurt am Main, 25 March 2021

**Union Asset Management Holding AG,  
Frankfurt am Main**



Dr Cornelius Riese  
Chairman of the Supervisory Board

# Group management report

## 2020 financial year

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# Group management report of Union Asset Management Holding AG for the financial year from 1 January to 31 December 2020

## 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 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 follows a two-stage sales approach, offering needs-based support for the client advisory process conducted by the partner banks. It then supports distribution partners across the entire value chain with suitable products and services, enabling partners to offer an optimal range of asset management options.

The portfolio of services for institutional clients is designed with 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, Erlangen, Luxembourg, Vienna and Paris.

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<sup>1</sup>. The most significant equity investments in the UMH portfolio can be broken down as follows:

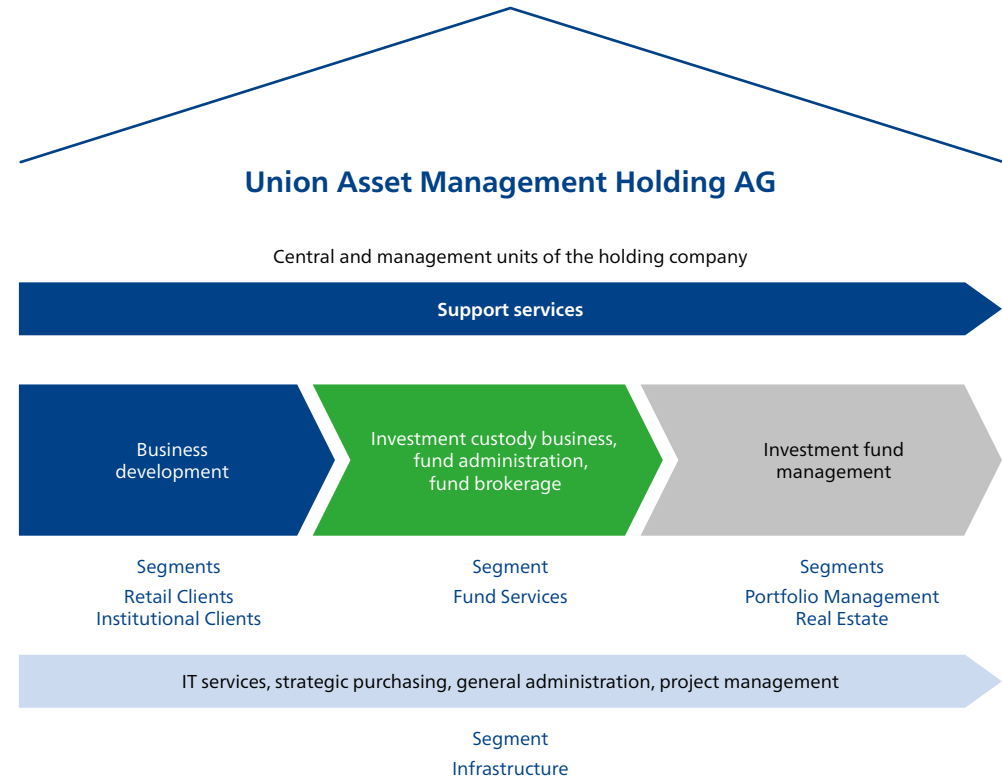
- **Asset management companies in Germany and abroad:**  
Bundling of asset management expertise for different management styles, asset classes or regional capital markets.
- **Financial service providers:**  
Offering of sophisticated portfolio management, investment consulting, sales and support services.
- **Finance companies:**  
Acquisition and management of equity investments and purchase of properties.
- **Banks:**  
Provision of investment accounts for retail clients.
- **Service companies:**  
Provision of services in the areas of fund administration and infrastructure, and purchase, sale and management of properties.
- **Securities trading companies:**  
Bundling of fund brokerage, investment custody business and funds sales for various companies based in Luxembourg.

<sup>1</sup> Comprises the companies included in the consolidated group of the UMH Group, as at 31 December 2020.

Specifically, there are the following companies:

| Union Asset Management Holding AG            |   |  |   |   |
|--|---|--|---|---|
| Germany                                      |   |  | Rest of world                                 |   |
| <b>Asset management companies</b>            | <b>Service companies</b>                          | <b>Financial service providers</b>                                       | <b>Asset management companies</b>             | <b>Financial service providers</b>                  |
| Union Investment Privatfonds GmbH            | Union IT-Services GmbH                            | Quoniam Asset Management GmbH  | Union Investment S,A,. Luxemburg              | Union Investment Austria GmbH. Wien                 |
| Union Investment Institutional GmbH          | Union Service-Gesellschaft mbH                    | VisualVest GmbH  | BEA Union Investment Ltd., Hongkong           | <b>Securities trading companies</b>                 |
| Union Investment Real Estate GmbH            | UIR Verwaltungsgesellschaft mbH                   | <b>Financial companies</b>   | Union Investment Real Estate Austria AG. Wien | Union Investment Financial Services S,A,. Luxemburg |
| Union Investment Institutional Property GmbH | ZBI Immobilien AG                                 |  |   | attrax S,A,. Luxemburg                              |
| ZBI Fonds-management AG                      | ZBVV Zentral Boden Vermietung und Verwaltung GmbH | <b>Associates</b>  |   |   |
| <b>Banks</b>                                 | <b>Other subsidiaries</b>                         |  | R+V Pensionsfonds AG                          |   |
| Union Investment Service Bank AG             | Union Investment Real Estate Digital GmbH         | compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH |   |   |

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, strategic purchasing, 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 on account of the ownership structure, and Union Investment equity investments in which self-contained management is beneficial because of the business model involved. These companies are managed through their respective supervisory bodies.

As an asset manager, Union Investment focuses on the investment needs of retail and institutional clients. It offers retail investors products and services ranging from savings solutions to asset accumulation and structuring to private pension schemes. The most successful solutions at present include UniProfiRente, the PrivatFonds series and business with fund savings plans. Other options offered to retail investors include equity funds, fixed-income funds, money-market funds, open-ended real-estate funds, mixed funds, funds of funds and capital preservation funds.

As one of the largest fund management companies in Germany, it is able to offer an extensive range of diverse investment strategies for institutional investors. 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 companies included in UMH's consolidated group are often subject to changes under company law or material changes in business policy.

In 2020, UMH AG increased its share in ZBI Partnerschafts-Holding GmbH from 49.9% to 94.9%. Four companies from the ZBI Group will be consolidated in the future: the already consolidated ZBI Partnerschafts-Holding GmbH as well as ZBI Fondsmanagement AG, ZBI Immobilien AG and ZBVV Zentral Boden Vermietung und Verwaltung GmbH.

## B Economic report

### I. General economic and industry conditions

#### 1.1 Capital markets

The monetary policy turnaround by the major central banks, the easing of trade tensions and hopes of an acceleration in global growth momentum had led to significant price increases in all asset classes in 2019.

At the start of the next year, hopes for the economy seemed to be reflected in the first leading indicators. The outbreak of the coronavirus in China initially only briefly stopped the capital market increases to new all-time highs. Only after it spread to become a global pandemic in the first quarter of 2020 did the containment measures subsequently adopted in many countries lead to a sharp slump on the stock markets and the associated restrictions on everyday life

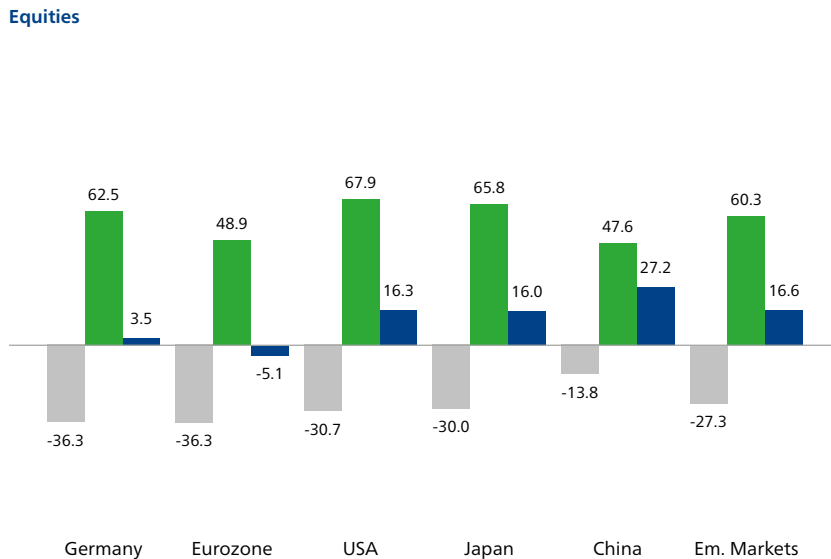
brought about a deep global recession. Many governments and central banks therefore adopted extensive aid packages at the same time to mitigate the economic effects of the epidemic. The capital markets responded positively. The development of the pandemic and the associated global recession no longer had any negative impact over the remainder of the year.

In the early autumn a second wave of infections swelled, and in the last few weeks of 2020 the number of people infected increased dynamically again in the USA, too. From a global perspective, the peak of the COVID-19 pandemic still has not yet been reached now, at the beginning of 2021. In many countries, containment measures have been introduced again, although these are mostly not quite as strict as the lockdowns last spring. This have generally become less likely, especially since the start of vaccinations at the end of 2020 has gradually given rise to the prospect of overcoming the COVID-19 pandemic and its economic effects.

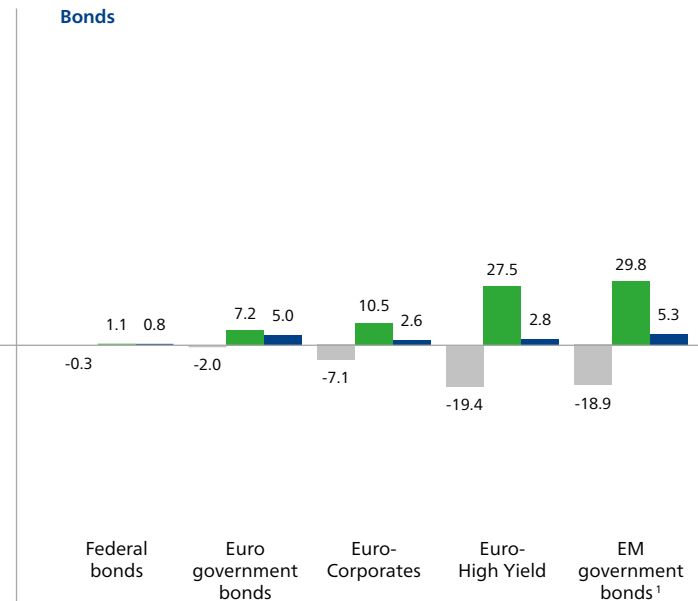
#### The corona year 2020 ends on a conciliatory note for investors

Performance (in %)

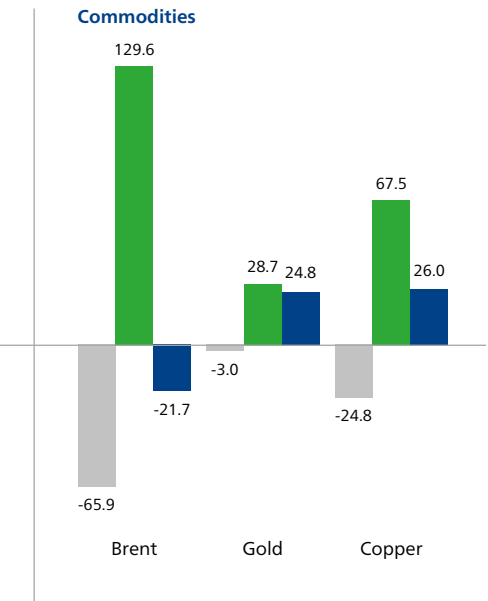
##### Equities



##### Bonds



##### Commodities



■ start of year to March low ■ March low to year-end ■ performance 2020

<sup>1</sup> hard currencies

Source: Refinitiv, correct as at 31 December 2020.

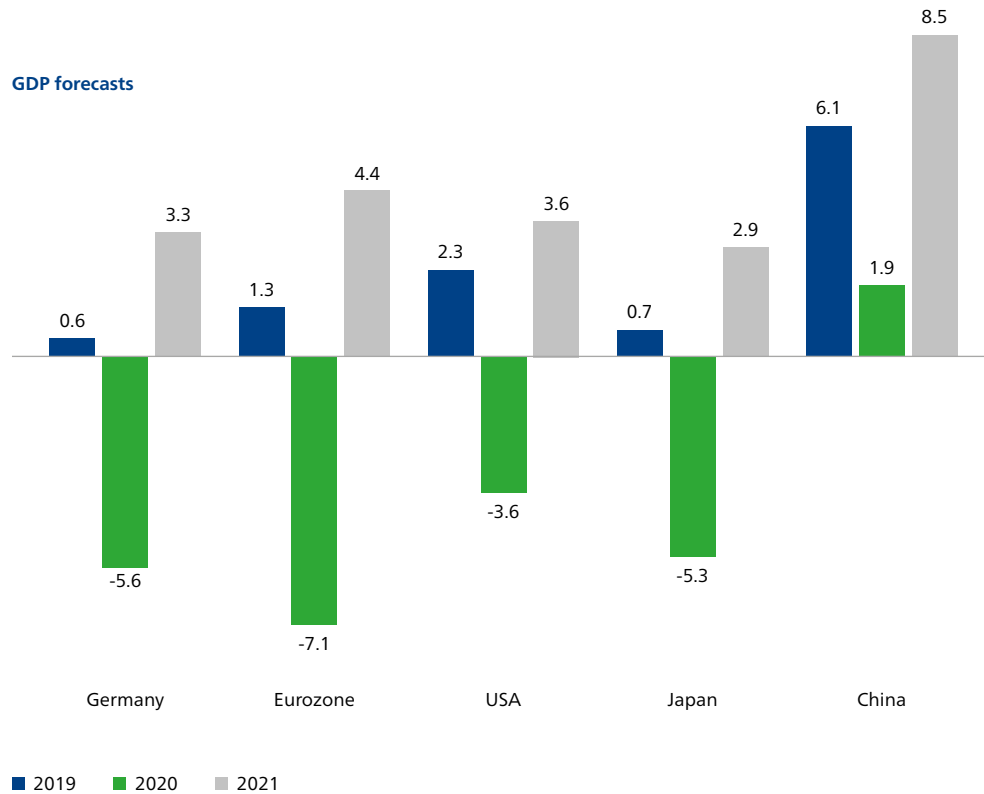
One of the sharpest slumps in capital market history was followed by one of the strongest recoveries, starting in the last weeks of March. This was also driven by investors' search for yield, the liquidity pumped into the markets by central banks and the outlook for an upturn in 2021. For a long time, the main drivers of price increases for equities were the big US platform companies, which were all among the winners in the COVID-19 pandemic. Since the positive news regarding the development of vaccines, there have been signs of a change in preferences to sectors from the "old economy" that were particularly hard hit by the pandemic. The US elections, in which Democratic challenger Joe Biden emerged as the winner, unsettled the capital markets only briefly, although incumbent Donald Trump did not acknowledge the outcome until the end of the year.

While most stock markets recorded new highs again, European shares closed 2020 with a slight decrease in aggregate terms, despite the significant recovery. The bond segments all recovered their losses again with the support of the central banks and all closed the year with gains. In the commodities segment, the oil price is still down more than 20% on the figure from the end of 2019, despite an increase of almost 130% since the end of March. By contrast, gold was sought after as a safe haven and in the context of negative real interest rates. Industrial metals particularly benefited from Chinese infrastructure measures. Overall, the capital market year 2020 thus ended positively for investors.

Global recession 2020 - recovery 2021

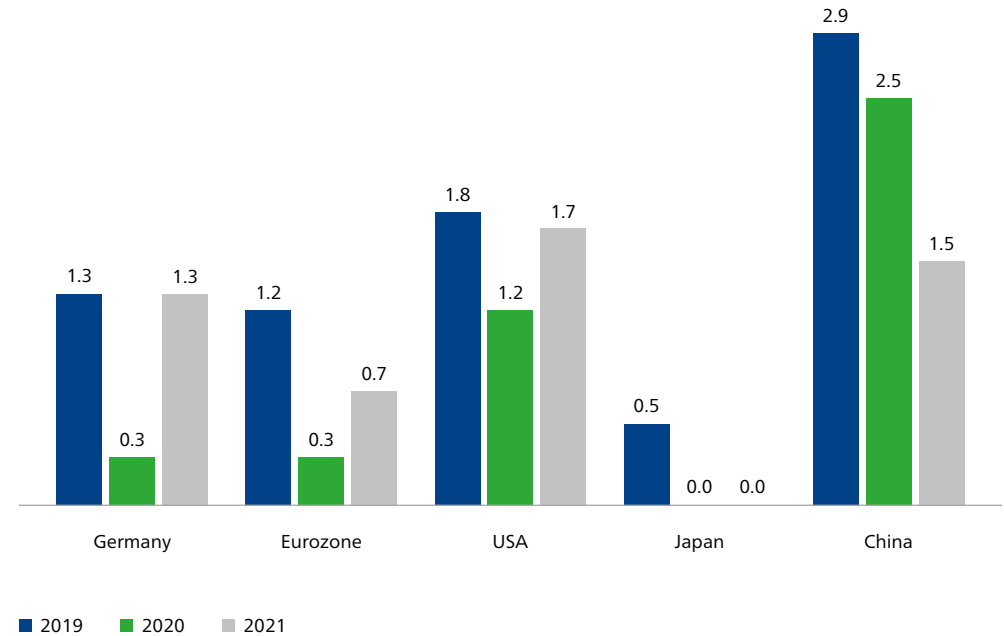
(figures in %)

GDP forecasts



Source: Refinitiv, correct as at 31 December 2020.

Inflation forecasts



Source: Refinitiv, correct as at 31 December 2020.

The coronavirus will have a decisive impact on the start of the 2020s on the capital markets, as the economic downturn is much steeper than in the financial crisis and has taken place over a much shorter period. According to our economists' forecasts, gross domestic product in the eurozone contracted by 7.1 % in 2020. Germany seems to have been impacted relatively lightly by the crisis, experiencing a decline of 5.6 %. The effects are likely to have been particularly severe in France, Italy (both -8.8 %) and Spain (-11.4 %). Even in the USA, economic output is expected to have declined by 3.6 %. The economy should start bottoming out in the second quarter of 2020. The extensive economic and monetary policy support measures are alleviating the slump and improving the medium-term prospects. With a sustained recovery starting from mid-2021, national economies should return to a growth trajectory (GDP forecast for 2021: USA +3.6 %, eurozone +4.4 %).

Despite all the progress made in medicine and in dealing with coronavirus generally, as well as the start of vaccination programmes, any forecast regarding the future development of the pandemic involves considerable uncertainty. Longer-lasting stricter lockdowns would lead to additional declines in growth and further delay the recovery. Based on comparable events in the past, it can be inferred that the economies affected, supported by fiscal and monetary policy stimuli, should return to their original growth trajectories after the epidemic, albeit with a delay and possibly at a somewhat lower level, as lost production time and consumption opportunities can no longer be recovered later.

One key pillar in fighting the crisis is the support measures taken by governments and central banks, representing a departure from austerity. Economic policy will also continue to focus on promoting growth rather than tackling public budget deficits. However, continued monetary policy support will be essential to ensure the sustainability of government debt worldwide. Central banks will expand their role as creditors on the market for government bonds, pushing down yields for years to come. Although the task of countering inflation is not fading into background, there are indications that central banks will also allow temporarily higher inflation rates if – as in the pandemic crisis – inflation temporarily falls significantly below the target levels. As such, the negative/low interest-rate environment will not only continue, but will even intensify and spread. Negative real yields, i.e. income after deducting inflation, will become the norm. Monetary and fiscal policy support is particularly important for the eurozone. Even before the coronavirus, the economic situation in countries such as Italy was already tense. As a result of declining growth and economic stimulus programmes, debt sustainability is therefore decreasing. This problem should be addressed effectively by the European Central Bank's measures and the resolved recovery fund, meaning that the political risk premiums for investments in the eurozone should fall further. This is also likely to shore up the external value of the euro.

The coronavirus crisis will act as a catalyst for some trends and speed them up. Globalisation is also likely to slow down further and thus lose strength as a driver of prosperity and growth. Particularly for critical goods such as protective equipment and vaccines, governments will push for an expansion of domestic production capacity. The crisis also laid bare the vulnerability of global supply chains, which should prompt companies to stockpile more and shorten their supply chains. All of this will tend to drive up costs and inflation. Another effect of the pandemic is that strong companies are likely to become stronger. As already ailing competitors are eliminated, this will lead to a higher concentration in many sectors, with the opportunity for higher margins and profits in the future.

Despite the high price increases since March 2020, risk investments are likely to remain in demand, as negative real yields are pushing investors towards investments with higher yields. Stock valuations may therefore remain at an elevated level for a long time. As a result of the economic recovery, company profits worldwide are likely to rise by up to 30 %, boosting share prices. A good stock selection is key in this environment, too. On the bond market, securities with a risk premium such as corporate, periphery and emerging market bonds are still favourites. In the course of the economic recovery, growing demand should gradually increase the attractiveness of cyclical commodities, although prices rushed ahead of the fundamental data at the end of 2020.

## 2. Real estate markets

The effects of the COVID-19 pandemic could be felt on all real estate markets over the course of the year. Whereas office and logistics properties got through the crisis relatively well, retail and hotel properties faced a particular challenge.

As a result of the coronavirus crisis, the letting volume in the office sector has been decreasing since March. In this context, vacancy rates rose moderately on almost all office markets. Prime office rents nonetheless remained stable almost everywhere, as new, well-equipped office space in central locations was still scarce and in high demand.

Logistics markets also proved very robust. Although some companies suffered from the economic slowdown and interrupted supply chains, sectors such as food logistics and pharmaceutical companies in particular gained in significance. Logistics service providers and shipping specialists also benefited from the growth in e-commerce and the general expansion in the online offers of bricks-and-mortar retailers.

On the retail markets, rents in top locations in major European cities are under pressure, as rising e-commerce sales and various lockdowns in 2020 led to considerably lower sales in bricks-and-mortar retail. Although visitor numbers and sales at retail locations recovered relatively quickly after the first lockdown, the renewed closures during Christmas business had a particularly heavy impact on the results for the year as a whole. This overall trend was bucked by properties that provide a local supply of essentials, such as supermarkets, discounters and retail parks, which proved comparatively resistant to the coronavirus and online competition.

As a result of travel restrictions and lockdown measures, the hotel market was also heavily impacted over the course of 2020. Occupancy rates at hotels throughout Europe fell significantly and in some cases there were temporary hotel closures. Although some holiday destinations temporarily posted a positive revenue development again during the summer holiday period, only very few European hotels could look back on a successful year as a whole.

In view of the availability of a vaccine and the forecast significant economic recovery, the property markets are expected to pick up in the second half of 2021. The investment markets will also develop more dynamically in relative terms, and property prices are likely to rise in many places over the course of the year.

### 3. Sales and fund assets

#### Sector situation: mutual funds

Up to and including September 2020, the German investment industry reported total net inflows of EUR 14.6 billion in mutual securities funds. In particular, this benefited mixed funds (EUR 7.8 billion), equity funds (EUR 6.2 billion) and money-market funds (EUR 2.8 billion). Investors primarily sold target return funds (EUR -1.1 billion) and capital preservation funds (EUR -2.2 billion). The other asset classes in the area of mutual securities funds together accounted for net inflows of EUR 1.1 billion. Open-ended real-estate funds achieved net sales of EUR 6.9 billion (Source: BVI investment statistics, September 2020).

#### Sector situation: special funds

The German investment industry generated net inflows of EUR 57.4 billion in the open-ended special securities funds under its management in 2020 (as at 30 November 2020). This was down on the previous year's figure of EUR 72.5 billion (as at 30 November 2019). The volume under management in open-ended special securities funds totalled EUR 1,970.2 billion at the end of November 2020, and was therefore up on the previous year's figure of EUR 1,757.3 billion (as at 30 November 2019) (source: BVI statistics).

#### Sector situation: real-estate funds

The market for German open-ended real-estate funds grew significantly again in the 2020 financial year. According to BVI, the 67 open-ended real-estate funds (not including open-ended special funds) on the German market reached a fund volume of EUR 117.3 billion as of November 2020. The products being actively marketed brought the industry a net total of EUR 7.9 billion in new funds by the end of November 2020. This is proof positive of investors' fundamental confidence in this asset class. For information purposes, it should be mentioned that 15 funds with a volume of EUR 1.1 billion are still being closed.

## 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 came to 1,114 in 2020, on a par with the prior-year level of 1,116.

The volume of assets under management climbed from EUR 368.2 billion as at 31 December 2019 to EUR 385.9 billion in 2020, an increase of EUR +17.7 billion. This increase resulted from the positive net inflows and the positive performance on the international capital markets.

Overall, the development of assets under management in 2020 can be summarised as follows:

The volume of mutual funds increased by EUR 10.9 billion to EUR 221.0 billion.

The volume of special funds increased by EUR 8.5 billion to EUR 126.3 billion.

The volume of other formats (advisory mandates and asset management) less outsourced mandates was down slightly year-on-year at EUR 38.7 billion (previous year: EUR 40.4 billion).

#### Volume of assets under management

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

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Fund assets</b>                       | <b>347,269,669</b>           | <b>327,829,763</b>           | <b>19,439,906</b>      |
| <b>Volume in other formats</b>           | <b>53,841,955</b>            | <b>54,606,199</b>            | <b>-764,244</b>        |
| of which unit-linked asset management    | 3,191,083                    | 2,206,442                    | 984,641                |
| of which institutional asset management  | 9,069,044                    | 10,349,506                   | -1,280,462             |
| of which advisory and outsourcing        | 41,581,827                   | 42,050,250                   | -468,423               |
| <b>Accounts managed by third parties</b> | <b>-15,177,040</b>           | <b>-14,227,571</b>           | <b>-949,469</b>        |
| <b>Total</b>                             | <b>385,934,584</b>           | <b>368,208,391</b>           | <b>17,726,193</b>      |

Under the UMH banner, the Union Investment Group had total assets under management of EUR 385,934,584 thousand as at the end of the reporting period (previous year: EUR 368,208,391 thousand). The fund assets comprise equity funds, fixed-income funds, money-market funds, mixed funds, other securities funds, capital preservation 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. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Net inflows (fund assets)</b>                       | <b>15,787,796</b>            | <b>20,754,181</b>            | <b>-4,966,385</b>      |
| <b>Net inflows (other formats)</b>                     | <b>-285,051</b>              | <b>-259,475</b>              | <b>-25,576</b>         |
| of which institutional asset management                | -933,734                     | -457,038                     | -476,696               |
| of which advisory and outsourcing                      | -301,648                     | -73,291                      | -228,357               |
| <b>Net change in accounts managed by third parties</b> | <b>-392,004</b>              | <b>-1,122,029</b>            | <b>730,025</b>         |
| <b>Total</b>   | <b>15,110,740</b>            | <b>19,372,677</b>            | <b>-4,261,937</b>      |

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 15,110,740 thousand in the financial year (previous year: EUR 19,372,677 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:

|                              | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|------------------------------|------------------------------|------------------------------|------------------------|
| <b>Mutual funds</b>          | <b>220,988,398</b>           | <b>210,056,614</b>           | <b>10,931,784</b>      |
| Equity funds                 | 59,385,668                   | 56,216,994                   | 3,168,674              |
| Fixed-income funds           | 46,256,571                   | 44,605,645                   | 1,650,926              |
| Money-market funds           | 828,777                      | 823,633                      | 5,144                  |
| Mixed funds                  | 65,178,950                   | 59,300,085                   | 5,878,865              |
| Other securities funds       | 1,539,281                    | 1,710,697                    | -171,416               |
| Pension funds                | –                            | –                            | –                      |
| Capital preservation funds   | 3,584,370                    | 5,590,752                    | -2,006,382             |
| Open-ended real-estate funds | 41,231,343                   | 39,288,920                   | 1,942,423              |
| Alternative investment funds | 1,640,156                    | 1,653,758                    | -13,602                |
| Hybrid funds                 | 1,343,282                    | 866,130                      | 477,152                |
| <b>Special fund</b>          | <b>126,281,271</b>           | <b>117,773,149</b>           | <b>8,508,122</b>       |
| Equity funds                 | 704,307                      | 631,657                      | 72,650                 |
| Fixed-income funds           | 17,372,332                   | 17,070,156                   | 302,176                |
| Mixed funds                  | 81,237,722                   | 76,213,675                   | 5,024,047              |
| Other securities funds       | 576,047                      | 585,728                      | -9,681                 |
| Capital preservation funds   | 15,438,610                   | 14,524,845                   | 913,765                |
| Special real-estate funds    | 10,623,923                   | 8,479,747                    | 2,144,176              |
| Alternative investment funds | 328,329                      | 267,341                      | 60,988                 |
| <b>Total</b>                 | <b>347,269,669</b>           | <b>327,829,763</b>           | <b>19,439,906</b>      |

## 1.2 Performance of Union Investment Group funds<sup>1</sup>

Despite the volatile development of the capital markets, all major composites except for asymmetric, dynamic products increased in absolute terms in 2020. In the relative analysis, a positive alpha was achieved across the board. For the year as a whole, the volume-weighted outperformer ratio across all funds was 87.6%.

The equity funds under management increased by an average of 8.6% in absolute terms, 5.8 percentage points above the average of their benchmarks. The funds with a focus on Asian equities (+16.4%), North American equities (+12.7%) and German equities (+10.7%) performed most positively. The global, European and eurozone equity funds also achieved gains (10.6%, 8.0% and 1.0% respectively). With the exception of Aktien Emerging Markets, all composites outperformed their benchmarks. The alpha was particularly large for Aktien Europa (+11.5 percentage points) and Aktien Global (+6.5 percentage points).

Among the fixed-income funds, increases were posted by the composites Renten EUR Staatsanleihen (+1.5%), Renten EUR Aggregate (+2.2%) and Renten EUR Unternehmensanleihen IG (with no fixed time to maturity) (+3.8%). Whereas the first of these matched the level of its benchmark, the latter two outperformed their benchmarks by 0.2 and 0.7 percentage points respectively. As a result of significantly decreasing risk premiums, funds focussing on emerging market bonds in hard currency gained value in both absolute terms (+4.2%) and relative terms (+0.3 percentage points). Thanks to the recovery over the past few months, the money-market and fixed-income funds with a remaining term of up to one year also increased by 0.9% in absolute terms, thus outperforming their benchmark by 1.2 percentage points.

The mixed funds gained 4.0% on average, 2.3 percentage points more than their benchmarks. Asymmetric, dynamic capital preservation products lost 1.3%, which was 0.8 percentage points less than their benchmarks. In terms of absolute return, the funds were up by 2.8% on average, 2.2 percentage points more than their money-market benchmarks.

### Real-estate funds for retail investors

Due to the strict lockdown conditions during the COVID-19 pandemic and the delays in paying out government support, tenants – particularly in the hotel and retail usage types – faced major challenges to pay their rent over the course of 2020. These were mainly alleviated by rent deferrals or temporary rent reductions. Compared to February 2020, the share of outstanding items from tenants increased by a factor of four to around 11% of gross annual target rent as of the end of the year. Over the course of the year, the impact of the crisis was also reflected in the price development of open-ended real-estate mutual funds for retail investors, whose average weighted performance contribution fell by 139 basis points from 2.65% (start of year) to 1.26% (end of year). The real-estate portfolio of Union Investment's three mutual funds grew by a total investment volume of EUR 1,890 million in 2020.

Source: PFA GIPS composites and outperformer ratios.

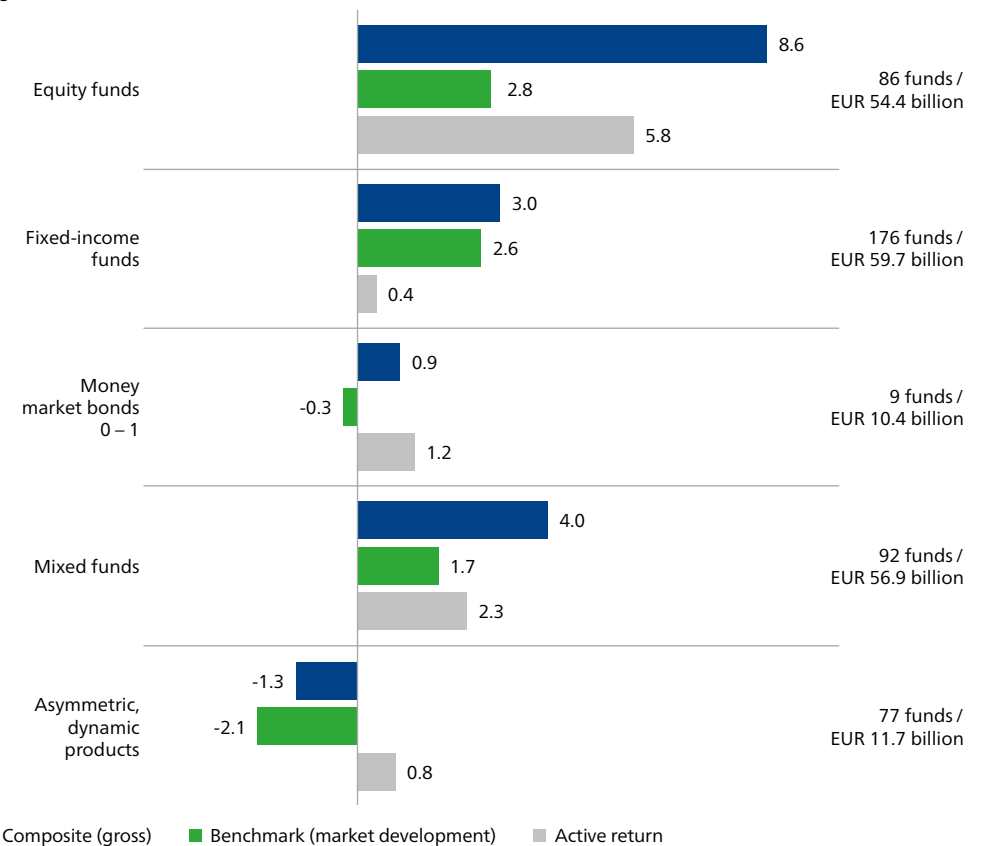
<sup>1</sup> All the following performance figures are based on the gross performance, i.e. on a cost-adjusted basis, and relate to 2020.

### Real-estate funds for institutional investors

The consequences of the pandemic also made their mark on institutional funds, which recorded a decline in performance of 63 basis points from 3.48% to 2.85% (average weighted performance contribution). At the same time, however, institutional business was expanded by three new funds and the portfolio was increased by a total investment volume of EUR 1,543 million. Business with service asset management mandates was also expanded further in 2020, closing the year with eleven funds and assets under management of EUR 8 billion.

### Union funds compared to benchmark (one year)<sup>2</sup>

(figures in %)



Source: Union Investment on the basis of PEARL; as at 31 December 2020.

<sup>2</sup> Performance since 1 January 2020; rounding differences possible; Money market bonds 0 - 1: Money market funds and short-dated bond funds, comparable to money market funds (residual maturity of securities < 1 year); Balanced: Mixed funds / MultiAsset funds; Asymmetric dynamic funds: IMMUNO & KONVEXO funds without maturity limitation.

### 1.3 Awards, rankings and ratings<sup>1</sup>

For the 18th time in a row, the renowned German business magazine Capital awarded Union Investment the highest rating of five stars in 2020 – it is the only investment company to achieve this. The company also received twenty 2020 Euro Fund Awards from the Euro financial magazine and two 2020 Refinitiv Lipper Fund Awards for individual funds. In November, Union Investment was recognised as a German Fund Champion 2021 by f-fex & finanzen.net in the categories of ESG/sustainability, equities and mixed funds.

In the ranking of asset management companies performed by Scope as at 31 December 2020, Union Investment was ranked second with a ratio of 52.0% of funds with a top rating, making it the best German asset management company (Deka: 3rd place, 48.6%; DWS: 13th place, 41.0%; Allianz Global Investors: 23rd place, 33.6%).

In the rankings issued by the Morningstar ratings agency as at 31 December 2020 that compare Union Investment against its main competitors in Germany, Union Investment was ranked third over one, three and five years. The proportion of funds in the upper half of each peer group was 51.6% over a one-year period, and 52.5% and 50.6% respectively over the longer analysis periods.

## 2. Development in sales and fund assets

### 2.1 Union Investment Group sales and fund assets<sup>2</sup>

The Union Investment Group had total assets under management of EUR 385.9 billion as at 31 December 2020 (2019: EUR 368.2 billion). As at the end of December 2020, it achieved a market share of 13.4% of the assets under management across the sector according to the investment statistics of the German Investment Funds Association (BVI) (as at December 2019: 14.7%); this equates to second place overall in the market (2019: second place). Its assets were distributed across the two business divisions of Retail Clients and Institutional Clients.

#### Retail investors – development in sales and assets

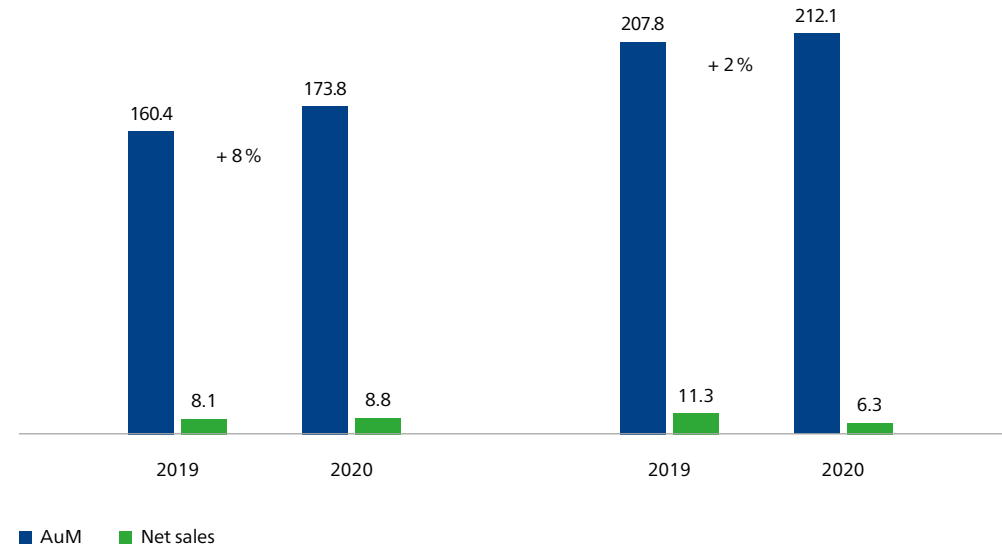
All funds under the Union Investment brand are offered to retail clients exclusively via our partner banks in the cooperative financial network. This approach distinguishes Union Investment from most of its competitors.

Historically, this strategy of focusing purely on the Genossenschaftliche FinanzGruppe Volksbanken Raiffeisenbanken cooperative financial network has formed the basis for the successful performance of the Union Investment Group. The close cooperation within the Genossenschaftliche FinanzGruppe again proved its worth in 2020.

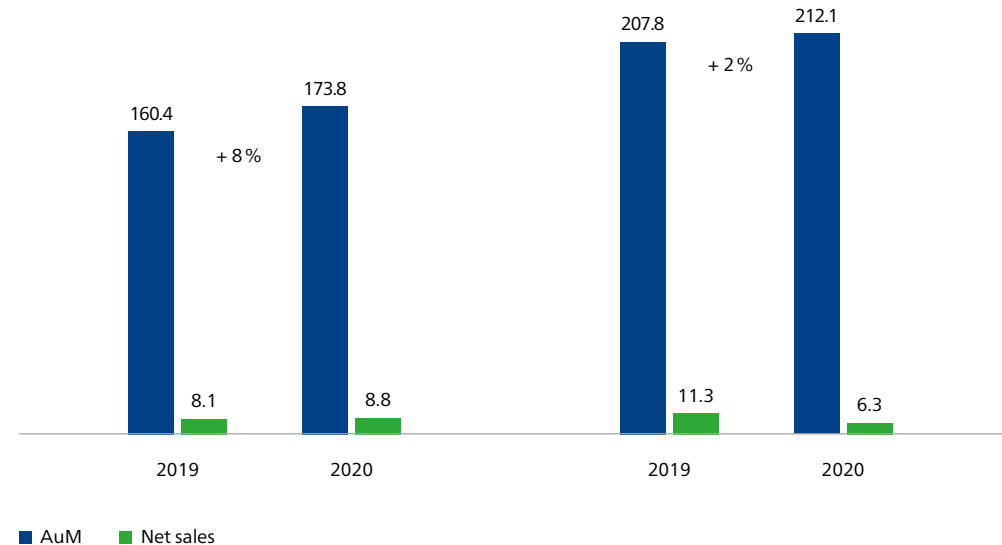
<sup>1</sup> Sources: PFA competition comparisons for Morningstar and Scope; Union Rating Portal

<sup>2</sup> Sources: Investment statistics from German Investment Funds Association as at 31 December 2020 and as at 31 December 2019; internal calculations.

Assets under management and net sales in the Retail Clients segment (in EUR billion)



Assets under management and net sales in the Institutional Clients segment (in EUR billion)



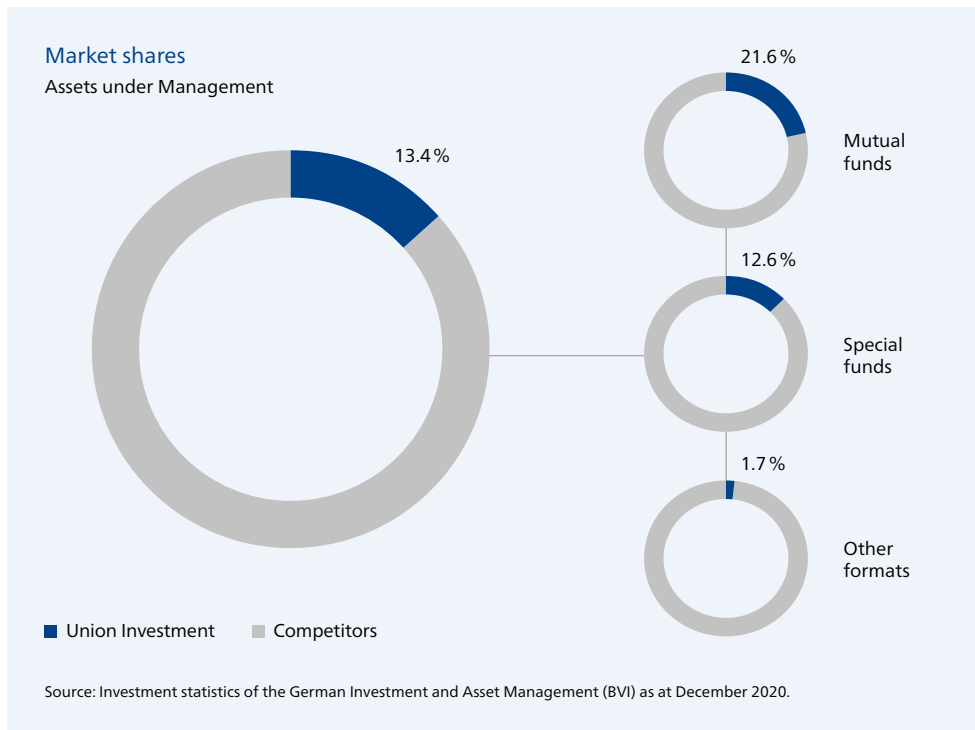
At EUR 28.6 billion, gross sales in retail client business were once again high in 2020 (2019: EUR 27.7 billion). Net inflows amounted to EUR 8.8 billion (2019: EUR 8.1 billion). The net inflows were aimed at the asset classes of mixed funds, real-estate funds, fixed-income funds and equity funds in particular. By contrast, clients withdrew funds from capital preservation funds.

The volume of assets under management in business with retail clients increased by around 8% to EUR 173.8 billion as at 31 December 2020 (2019: EUR 160.4 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 21.6% in December 2020 (2019: 21.1%). Union Investment therefore remained the largest manager of mutual funds in Germany (2019: largest).

#### Institutional investors – development in sales and assets

The volume of assets under management for institutional investors grew to EUR 212.1 billion in 2020 (2019: EUR 207.8 billion). The assets in special funds included therein increased to EUR 113.1 billion (2019: EUR 106.4 billion). Assets under management in other institutional business formats (mutual funds, advisory and institutional asset management) amounted to EUR 99.0 billion (2019: EUR 101.4 billion).



In 2020, institutional business generated net inflows of EUR 6.3 billion (2019: EUR 11.3 billion). Net sales were focussed on special funds.

According to the BVI investment statistics, the Union Investment Group's share of the special funds market was 12.6% in December 2020 (2019: 12.5%). The group is therefore still the second-largest manager of special funds in Germany.

### 2.2 Custody business and fund brokerage

As at the end of 2020, the Union Investment Group managed more than 4.8 million client custody accounts with portfolios of the group's own and third-party investment funds. The portfolio volume was increased by EUR 11.8 billion from EUR 144.1 billion in total to EUR 155.9 billion.

The number of managed custody accounts with third-party funds (funds from asset management companies outside the group) was around 439,000 as at the end of the period under review (2019: 387,000 custody accounts). The volume of assets invested in third-party funds was EUR 9.2 billion at the end of 2020 (2019: EUR 7.9 billion).

Union Investment Service Bank AG handled a total of around 81.5 million customer transactions in 2020, which can be broken down as follows:

- 64.0 million savings plans, withdrawal plans, employer-funded capital formation schemes, etc.
- 14.8 million income distributions/reinvestment and custody account fees
- 2.5 million online transactions
- 0.3 million manual, offline-only special postings

2.2 million transactions were entered directly by the end investor and banks using the online service. Automated processing accounts for 99.3% of the transactions processed (previous year: 99.2%), still the optimum level from a business perspective.

The fund brokerage business processed a total of around 0.5 million attrax S.A. client orders with a volume of approximately EUR 52.0 billion in the year under review.

0.1 million orders worth EUR 6.4 billion were posted in Union Investment Group funds.

The volume of assets held in custody for attrax clients was EUR 70.5 billion as at the end of the year under review (previous year: EUR 69.7 billion). EUR 25.2 billion of this was held for cooperative partner banks (previous year: EUR 22.8 billion) and EUR 45.3 billion for institutional clients (previous year: EUR 46.9 billion). The volume of fees and commission paid as trail commission in 2020 amounted to approximately EUR 134.9 million (previous year: EUR 134.3 million).

The fund brokerage business actively supported 164 cooperative banks, while the number of institutional clients supported changed from 141 to 44 as at the end of 2020 (change in the method for counting funds of funds).

## III. Business environment

2020 was dominated by the effects of the new Sars-CoV-2 virus (COVID-19). Due to the rapid global spread and its health effects, the World Health Organisation officially declared the outbreak to be a pandemic. The measures to contain COVID-19 led to a major economic slowdown worldwide. This also affected the eurozone. To counter the resulting risks for price stability, the monetary policy transmission mechanism and economic developments in the eurozone, the ECB Governing Council resolved on 18 March 2020 to establish a new temporary Pandemic Emergency Purchase Programme (PEPP) with a volume of EUR 750 billion.

The coronavirus emergency purchase programme for bonds was increased by EUR 600 billion on 4 June 2020 and another EUR 500 billion on 10 December 2020 to a total of EUR 1.85 trillion. In addition, the time frame for net purchases under the PEPP was extended until at least the end of March 2022. Purchases are to be continued until the COVID-19 pandemic is over.

Due to the continuing pandemic period, the ECB additionally adopted several other resolutions on 10 December 2020 to sustainably bolster the economy, ensure medium-term price stability and support the flow of credit to the different sectors of the economy. Among other measures:

- Four additional Pandemic Emergency Longer-Term Refinancing Operations (PELTROs) are to be offered in 2021. PELTROs are implemented as fixed-rate tenders with full allocation. They serve to safeguard liquidity in order to support the liquidity conditions in the eurozone and help ensure that the money markets work properly.
- The existing Asset Purchase Programme (APP) will be continued in a monthly amount of EUR 20 billion. The ECB will thus purchase newly issued bonds. Furthermore, the principal repayments from securities purchased under the APP can be used to purchase such securities in order to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

During 2020, the ECB left the interest rates for the main refinancing operations, the marginal lending facility and the deposit facility unchanged at 0.00%, 0.25% and -0.50% respectively. Key interest rates are expected to remain at this level or a lower level until the inflation outlook has robustly settled at a level sufficiently close to but below 2% and this indicates the pace of inflation.

According to the 2020 Annual Economic Report presented by the German Federal Ministry for Economic Affairs and Energy (BMWi) in January 2020, economic momentum in Germany was expected to pick up over the course of the year, with the effect that a 1.1% increase in price-adjusted gross domestic product was anticipated. This forecast was adjusted due to the economic effects of the COVID-19 pandemic. According to an assessment for Germany in 2020 that was presented in November, the German Council of Economic Experts anticipates a decline in real gross domestic product of 5.1% followed by growth of 3.7% in 2021. In its autumn forecast, the European Commission expected the eurozone economy to contract by 7.8% in 2020. In view of the ongoing epidemiological situation, growth forecasts are very uncertain and risky overall.

Union Investment helps shape the conditions for investment funds at both national and international level. At European level, Union Investment is involved in a wide variety of working groups set up by the European Fund and Asset Management Association (EFAMA). At national level, Union Investment participates in the committees of the German Investment Funds Association (BVI) and the National Association of German Cooperative Banks (BVR). Union Investment has been providing the President of the BVI for a two-year period since September 2020 in the form of Alexander Schindler, a member of the Board of Managing Directors of Union Asset Management Holding AG. In addition, successful continuous dialogue is maintained with other European and international regulatory authorities and with representatives from regional and European politics.

### Tax regulations

In Germany, Sections 138d et seq. of the German Fiscal Code entered into force. With this legal regulation, the European Amending Directive 2018/822/EU (DAC 6) on the new reporting obligation for model cross-border tax arrangements was implemented. The option since granted under EU law to postpone its entry into force by up to six months was not exercised. From 1 July 2020, any cross-border tax arrangement that meets certain criteria must therefore be reported to the financial authorities within 30 days. The reporting obligation applies to such cross-border tax

arrangements for which the first step towards implementation was made after 24 June 2018. The intermediary that markets the cross-border tax arrangement, designs it for third parties, organises it, makes it available for use or manages its use is subject to the reporting obligation. Reporting obligations can also apply to the user of the tax arrangement. An explanatory circular from the German Federal Ministry of Finance is expected in 2021.

The draft bill for the transposition of EU Directive 2016/1164 of 12 July 2016 (Anti-Tax Avoidance Directive/ATAD) into national law that was first introduced in mid-December 2019 has not yet started the legislative procedure and was still being revised as of November 2020. In particular, the relationship between taxation according to the German Investment Tax Act and according to the German External Tax Relations Act is expected to be adjusted from 1 January 2020 onward.

### Requirements of the Benchmark Regulation

The particular aim of European Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (known as the Benchmark Regulation) is to ensure that benchmarks created or used within the EU are robust, reliable, representative and suitable for their intended purpose. In this context a benchmark is understood to mean an index or an indicator for pricing financial instruments and financial contracts or measuring the performance of investment funds.

From 1 January 2020, supervised entities can use a benchmark from one of the 27 European Union member states or a combination of benchmarks in the EU only if the benchmark is provided by an administrator and entered in a public register kept by the European Securities and Markets Authority (ESMA) or the benchmark is entered accordingly.

For “critical benchmarks”, meaning in particular widely used interest rates such as LIBOR, EURIBOR and EONIA, the European Council and the European Parliament have decided to extend the transition period for registration until the end of 2021. The recognition deadline for benchmarks provided by an administrator located in a third country and already used within the EU as a reference for financial instruments and financial contracts or to measure the performance of investment funds has been extended until the end of 2023. In addition, the European Commission is given the mandate to extend this deadline for further recognition if necessary. Use of the LIBOR based on the US dollar has been extended until 30 June 2023, with the exception of the 1-week and 2-month maturities. The Euro Short-Term Rate (€STR) is used in the Union Investment Group as the successor to the EONIA benchmark rate. The €STR is determined by the European Central Bank and based on the Eurosystem’s money-market statistics.

### Promoting a sustainable financial system

Initial legislative proposals for the “Financing Sustainable Growth” action plan to promote a sustainable financial system in the EU were presented by the European Commission in 2018. On this basis, European Regulation 2019/2088 on sustainability-related disclosure obligations in the financial services sector (Disclosure Regulation) was published in the Official Journal of the European Union on 9 December 2019 and came into force on 10 March 2021. With this Regulation, information asymmetries in relation to promoting environmental and social features,

including sustainability risks and taking account of negative sustainability impacts are to be eliminated. Financial market participants and financial advisors are therefore required to provide certain pre-contractual information and ongoing disclosures to end investors.

For many of the information requirements, the European supervisory authorities can issue technical regulation standards that flesh out these requirements. These standards, the drafts of which have already been consulted on by the Joint Committee of the European Supervisory Authorities, had not yet been finalised as of mid-December 2020. They will therefore come into force not as at 10 March 2021, but at a later date, possibly 1 January 2022.

On 22 June 2020, the EU Regulation 2020/852 (Taxonomy Regulation) was also published. Although the Taxonomy Regulation includes criteria for determining whether an economic activity is to be classified as environmentally sustainable, it does not include any specific investment requirements and also does not represent a standard for sustainable investments. Instead, it aims to establish transparency and a uniform classification system for sustainable economic activities, which are intended to have a positive impact on the environmental goals in the EU.

Furthermore, the European Commission has put forward its revised draft of a delegated act on MiFID II regarding mandatory ascertainment of sustainability preferences. A final resolution on this had not yet been adopted by mid-December 2020. It is expected that clients' sustainability preferences must be ascertained when investment advice is provided from spring 2022.

#### Sustainability requirements

On 30 October 2020, the European Banking Authority (EBA) published a discussion paper on the management and regulation of ESG risks for banks. The paper presented quantitative and qualitative indicators and methods for measuring ESG risks. The resulting regulations are also expected to affect asset management companies.

With regard to the information sheet on handling sustainability risks that was published by BaFin on 20 December 2019, an implementation guide was developed in the "Sustainable Finance" working group of the BVR in November 2020. Using this implementation guide, the good practice approaches formulated by the supervisory authority can be implemented by the supervised companies in the area of sustainability risks.

#### Prevention of money laundering

The 5th EU Money Laundering Directive was implemented in German law as at 1 January 2020. In particular, this involved amending the German Money Laundering Act accordingly. As well as expanding the group of parties subject to the obligations, the applicable due diligence obligations were stepped up further. The implementation requirements were identified by the Union Investment Group's money laundering officer and a project plan for implementation was developed, enabling the implementation and adjustment of processes and guidelines to take place on schedule. The requirement to take account of the transparency register when implementing due diligence obligations under money laundering law was established.

#### Amendment of Investment Services Directive and MiFID II Quick Fix

Following the implementation of the second EU Directive on Markets in Financial Instruments (Directive 2014/65 EU – MiFID II) in German law at the beginning of 2018, the process of establishing the legislation at both EU and national level is not yet entirely complete. The ESMA guidelines on certain aspects of the MiFID II suitability requirements (ESMA35-43-1163 DE), which were issued in 2018, were incorporated in the Minimum Requirements for Compliance (MaComp) in the middle of the year. Alongside this, BaFin and ESMA conducted several market studies at banks to gather data on the implementation status and effectiveness of the new MiFID II regulations. Other measures related to details such as recording telephone calls. To this end, BaFin accordingly added to the FAQs on the "MiFID II rules of conduct in accordance with sections 63 et seq. WpHG" in June 2020. These and other measures were managed centrally for the Genossenschaftliche FinanzGruppe via the still active work packages in the BVR project on MiFID II, with the involvement of Union Investment.

At EU level, the European Commission published several proposals in July 2020 for the revision of various EU regulations at short notice in order to counter the economic effects of the coronavirus crisis ("EU Capital Markets Recovery Package"). These also included an EU Amending Directive in relation to the MiFID II Directive, whose implementation at national level is expected to be required in late 2021 or early 2022. In accordance with Article 24 (5a) of this Amending Directive, electronic formats are to be the new standard for customer information in future and are to be transmitted on a durable medium (obligatory customer information). Paper form is to be used only if the customer specifically requests it. In this case, the customer information is to be provided free of charge. As this regulation is expected to bring extensive changes for the Union Investment Group, a new project has been launched for this.

The EU legislators are also planning to make further optimisations to the MiFID II Directive. In February 2020, various questions with regard to adjusting certain elements of customer protection – such as cost information, the classification of customer groups and the target market provisions – were put forward for discussion as part of a public consultation by the European Commission. Some of the findings have already been taken into account in the MiFID II Quick Fix. However, further changes are anticipated in the following years. The above consultation was closely monitored by Union Investment in cooperation with BVR, BVI and EFAMA, and the group presented its own statement on the matter to the European Commission.

#### European Commission consultation on review of AIFM Directive

In October 2020, the European Commission published a consultation on the review of the AIFM Directive. The consultation comprises 102 questions that primarily deal with the topics of differentiating between small and professional investors, rules for depositories including considerations regarding an EU passport for depositories, valuation issues and reporting. In addition, it raises the question of whether the UCITS Directive and the AIFM Directive should be combined as one uniform regulation. The European Commission has set a deadline of 29 January 2021 for answering these questions. Union Investment is participating in the consultation via the BVI and the EFAMA.

### Draft bill on strengthening Germany as a fund location

In December 2020, the German Federal Ministry of Finance published a draft law to strengthen Germany as a fund location. This law is intended to remove existing barriers and make Germany more competitive. In addition, Directive (EU) 2019/1160 in relation to cross-border distribution is thereby to be implemented in national law.

The draft bill provides for the removal of several written form requirements, both between the asset management company and BaFin and between the asset management company and its investors. In addition, open-ended infrastructure funds and closed-end master-feeder structures are to be introduced. As part of the implementation of the EU directive on cross-border distribution, "pre-marketing" is introduced, i.e. the direct or indirect provision of information or communications on investment strategies or concepts to potential professional or semi-professional investors domiciled in Germany or another EU member state by or on behalf of an AIF management company.

### Requirements of the Shareholder Rights Directive

The German Act on the Implementation of the Second Shareholder Rights Directive (ARUG II -(EU) 2017/828) came into force on 1 January 2020. Overall, this law aims to further improve shareholder engagement at listed companies and to make it easier to provide cross-border information and exercise shareholder rights. It particularly includes increased transparency obligations for institutional investors, asset managers and voting rights advisors. Union Investment implemented the new requirements in full and on schedule.

### Requirements for information technology at asset management companies

In the fourth quarter of 2019, there was a regulatory publication on the requirements for IT at asset management companies. To identify potential need for action, a gap analysis and subsequently an evidence-based review of selected topics were conducted in 2020. Identified deviations in relation to information security are covered by an existing project and are intended to be rectified by the end of 2023.

In 2021, the amendment of the German IT Security Act for operators of critical infrastructure is anticipated. Based on the current draft legislation, this would be applicable to the Union Investment Group due to changed criteria, resulting in corresponding additional expenses.

### Requirements for IT at banks

An amendment of the regulatory requirements for IT to be followed by banks and financial services providers is anticipated in 2021. BaFin has completed a public consultation on this. Based on the current status, additions to the content and material expansions are expected in its implementation, which will result in increased documentation work.

## IV. Research and development

### 1. Retail Clients

In 2020, product policy in the Retail Clients segment continues to focus primarily on the clients' needs. Business development continues to focus on investing and optimising assets, old-age provision and savings. Sustainability likewise plays a major role in business development. Product policy issues for retail business are handled collectively by the Product Management department of Union Investment Privatfonds GmbH (UIP), also comprising the affiliates' funds and cooperative business with R+V.

#### Developments in the product range

##### Development of new launches

On 31 January 2020, the UniNordamerika XS A fund (including a unit class with no front-end fee) was launched. This equity fund mainly invests in individual stocks from the North American small and mid-cap segment. The focus is currently on equities and similar securities from issuers domiciled in the United States of America or in Canada with low market capitalisation.

Also as at 31 January 2020, the UniAusschüttung A fund was expanded with a conservative version. The UniAusschüttung Konservativ A fund (including a unit class with no front-end fee) focuses on the generation of regular income through the flexible combination of various asset classes and the use of different distribution sources. The conservative mixed fund invests in global bond and equity markets.

As at 1 April 2020, the sustainable product range was expanded with our first sustainable fixed-income fund. Following this fund launch, investors have the option of choosing a sustainable fund in all of the main asset classes. UniNachhaltig Unternehmensanleihen A (including a unit class with no front-end fee) is a fixed-income fund that invests globally with a focus on corporate bonds. When selecting issuers, environmental, social and ethical criteria are taken into consideration.

As at the end of December 2020, these funds took net inflows of just under EUR 106 million altogether. As at 31 December 2020, the fund volume amounted to EUR 109.7 million, with 2,621 savings plans concluded for the funds to date.

In the first half of 2020, four other funds (UniMultiAsset Chance I-III Nachhaltig and UniMulti-Asset Exklusiv Nachhaltig) were also launched that are intended to be used as a component of the VermögenPlus Nachhaltig financial portfolio management. In addition, the UniEuropaRenta -net- A unit class with no front-end fees was launched in Luxembourg as at 1 July 2020. At the same time as the launch, the German fund with the same name was merged with the new unit class.

### Financial portfolio management

The digital investment assistant MeinInvest has been available as a white label solution for all distribution partners since April 2018. As a standardised solution for the management of financial portfolios, MeinInvest offers three portfolios with different risk orientations. In these portfolios, Union Investment funds are used and third-party funds (ETFs) are also added in selected asset classes. As at the reporting date of 31 December 2020, 378 banks had actively introduced MeinInvest. A total of 38,049 custody accounts had been concluded through these banks at that time, 86% of which were associated with a savings plan. The investment volume came to EUR 112.8 million.

2019 saw the market launch of VermögenPlus, a fund-based financial portfolio management solution developed for the premium segment of customers requiring a high level of support and offered via banks. Personal advice for the customer is supported with modern technology for the advisor. VermögenPlus is based on an active portfolio management approach. Multi-asset portfolios managed exclusively for VermögenPlus in combination with third-party funds and the targeted use of ETFs are key features of this asset management. As at the reporting date of 31 December 2020, 213 banks were activated for VermögenPlus. A total of 39,731 VermögenPlus custody accounts had been opened since its market launch, and the investment volume as of the end of the year came to EUR 757.6 million. In addition, the 12-month savings volume in VermögenPlus amounted to approximately EUR 106.6 million.

For the MeinInvest and VermögenPlus financial portfolio management solutions, sustainable investment strategies will also be offered starting from January 2021. From then on, the banks will also be able to offer three sustainable portfolios per product in addition to the existing conventional investment strategies. The necessary expansion of the cooperation agreement with the banks is currently being implemented.

### Fund measures

In terms of fund measures, eight static guarantee funds were repaid as scheduled over the course of 2020. In addition, four fixed-term bond funds were closed at the end of their terms.

The merger of three funds enables the investors to participate in lot size advantages. The UniEuroRenta 5J fund was merged with the UniEuroRenta Corporates A fund. In addition, the advantages of merging the UniOptima fund with the UniEuroKapital fund outweighed the disadvantages. The German fund UniEuropaRenta -net- was merged with the new unit class with no front-end fees under the Luxembourg fund UniEuropaRenta.

In cooperation with Portfolio Management, a strategic review of the product range was conducted. The goal was firstly to take account of the changes on the capital market and in the regulatory environment, and secondly to ensure that the product range will also continue to comprise competitive products with income potential and an attractive peer group placement for our investors. The product concepts focus on increased use of existing degrees of freedom, a wider distribution across different bond segments and internationalisation of the investment universe to make the best possible use of different yield sources. In the review, it was ensured that the measures taken optimise the products' risk/reward profile on a long-term basis and provide a clearer positioning. As part of the review, the UniEuroAspirant and UniWirtschaftsAspirant funds were given a clear focus. As at 1 April 2020, the UniEuroAspirant fund was

clearly positioned in the direction of Eastern Europe and was renamed in this context (UniRenta Osteuropa). As at the same date, the investment universe of the former UniWirtschaftsAspirant was focused on government and corporate bonds from emerging-market issuers in local currencies. The fund was renamed UniRenta EmergingMarkets A.

The review also led to a conversion of the legal basis for the GenoAS: 1 fund from a pension fund to a UCITS fund and an associated change in the fund's name to UniKlassikMix.

## 2. Institutional investors

In the company, 14 new special AIFs, two new unit certificate classes for special AIFs and eight new advisory or insourcing mandates (also including mandate conditions under which a UIN special fund was transferred to a master asset management company but Union could continue its management) were developed and launched or transferred to management functions in 2020. There were also three changes in the asset management company for insourcing mandates (i.e. the mandate was already managed by UIN but the contract had to be drawn up again because the investor changed asset management company). The company continues to exhibit steady growth in advisory and insourcing mandates. To this end, it already provides portfolio management services for numerous master asset management companies and clients. For the acquisition of portfolio management services in the context of outsourcing mandates and the associated services, effective and efficient control processes were certified by an audit firm, which confirms the constant compliance with the company's high quality standards (audit in accordance with ISAE 3402).

In view of the difficult environment, the Institutional Clients segment of Union Investment was successful in the past financial year. Its net sales (including advisory and institutional asset management mandates) amounted to EUR 6.3 billion (compared with EUR 11.3 billion in the previous year). It gained a total of 36 new clients in the reporting year (2019: 70), 35 of which came from outside the cooperative sector. Net sales generated by new clients amounted to EUR 1.4 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, investors are looking for investments with higher yields.

Quoniam Asset Management GmbH, Frankfurt am Main, (Quoniam), which is part of the Union Investment Group, posted a net outflow in the year under review. Nevertheless, its customer base was strengthened by nine new clients with additional assets under management of EUR 0.9 billion. Quoniam operates as a specialist in quantitative investment strategies across all asset classes. The company currently manages assets of EUR 26.6 billion in 135 institutional portfolios.

BEA Union Investment Management Limited, Hong Kong, the joint venture set up with Hong Kong-based The Bank of East Asia Limited, generated net sales of around EUR 0.6 billion (not including funds of funds) and therefore remains successful. Its assets under management rose by 6.8% compared with 2019 to the equivalent of around EUR 11.0 billion.

## Real-estate funds for retail investors

Individual fund products and additional investment potential for the existing fund business on the market were established in 2020. For example, new sourcing formats such as “Catch of the Day” and “Manage to Core” were developed and integrated in the product range.

With the new product format “Catch of the Day”, new individual real-estate solutions are created by taking advantage of market opportunities. These are preferably large-volume off-market deals or property portfolios (usually over EUR 400 million). Existing Union Investment funds can also benefit by investing in the Catch of the Day product and gain exclusive access to sub-portfolios and/or individual properties as part of the product structuring. By using structuring options in a targeted way, combined with trendsetting property and portfolio strategies, an individual fund product for institutional investors was created.

“Manage to Core” refers to investments in undervalued existing buildings or speculative project developments with attractive added value potential. The goal is to develop and reposition properties in order to maximise income and generate an attractive property performance. In the initial phase, the focus is on office buildings in Germany and Europe. The targeted investment volume per project is more than EUR 20 million.

Due to the growing regulatory pressure at property and product level, the topic of sustainability is playing an increasingly important role. In connection with the Paris 2015 climate goals, the property portfolio in Germany is to be almost climate-neutral by 2050. At national level in particular, specific legal requirements are increasing rapidly and will have direct effects on the existing property portfolio and new purchases. Union Investment has developed a “Manage to Green” strategy to prepare the property portfolio for future challenges and achieve the goal of climate neutrality by 2050. The degree of progress in its implementation is clearly shown by the “atmosphere” label developed by the Real Estate segment. A key indicator shows the degree of completion of the strategy and that of the climate path and thus of regulation for properties and entire portfolios. The biggest challenge at present is the EU Action Plan, which covers the topics of taxonomy, sustainability preference queries and disclosure obligations. The taxonomy establishes a uniform definition of sustainable financial products in order to avoid greenwashing and clearly distinguish sustainability. In the ascertainment of sustainability preferences, clients will in future be asked in the consulting process whether a sustainable investment (as defined by the taxonomy) is desired. As part of the disclosure obligations applicable from 2021, financial services providers will also be required to report on sustainability risks and indicate the risks of non-sustainable financial products. In addition to some buildings that currently meet the generally applicable regulatory targets for 2050, additional expenses at property level and/or portfolio shifts are expected to be necessary to achieve the climate targets overall.

## 3. 2021 outlook

### 3.1 Retail Clients

In addition to regularly adjusting its product range, Union Investment also updates 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.

New product ideas are presented in the Retail Clients segment’s innovation process known as idea screening, with the best being selected for launch. In this context, review assignments for the development of product ideas were resolved for the 2021 financial year.

To meet the demand for sustainable funds in the future, too, product design options are currently being reviewed in various working groups. Both the launch of new funds and the reorganisation of existing funds are being examined in this context. In addition, a distinction will in future be drawn between funds with a sustainable investment concept and impact funds.

### 3.2 Institutional clients

It seems increasingly unlikely that the earnings dilemma in the eurozone will end in the foreseeable future. Institutional investors are having to spread their investments more broadly and use existing investment opportunities more flexibly in order to achieve the yields that they urgently require. 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 solutions for the present capital environment.

### 3.3 Real-estate funds for retail investors

In order to develop the service range further and seize new opportunities efficiently, Union Investment is starting a realignment for further profitable growth with real estate.

The strategic project IMMOMomentum serves to realign the business area in order to meet the dynamically changing requirements of the real estate market successfully. The goal is to better cater for desired sales in the Retail Clients and Institutional Clients segments by means of expanded sourcing potential. For the Retail Clients segment, a significant increase in benefits is targeted while also maintaining the current risk/reward profile. The Institutional Clients segment is to cater for a diverse client structure by means of an appropriate range of products and services. Safeguarding the future of property portfolios is also becoming increasingly important, requiring new ideas for the buildings' tenants and users. In addition, systematic identification of acquisition potential on the national markets is also important in view of the more competitive transaction markets. At an administrative level, effectiveness and efficiency are to be increased by focussing on value-adding processes and modernisation of the system and data landscape with increased use of digitalisation opportunities.

Union Investment responds to the challenge of safeguarding the future of the property portfolio in the long term with an integrated concept for a digital ecosystem that contributes to strategic portfolio protection with its services, functions and added value and facilitates future innovations. As well as tenants, owners and building service providers, the participants in this ecosystem will also include the building users, which will thus extend the real-estate value chain. As a result of this verticalisation and the development of a better understanding of the building users' needs, conventional office properties remain highly interesting and can use their competitive advantages sustainably. In the case of UniImmo: Deutschland's existing property "Emporio", for example, the app "Run this place" was launched to provide greater mobility, convenience and efficiency by combining various different services for the working day. Alongside functions such as contactless parking, other features for more productivity, interaction and variety in day-to-day office work will soon be available.

## V. Position of the company

### 1. Result of operations

|   | 2020<br>EUR million | 2019<br>EUR million | Change<br>EUR million |
|---|---------------------|---------------------|-----------------------|
| <b>Interest-based business</b>  |                     |                     |                       |
| Interest income from lending and money market business and from fixed-income securities | -1.7                | -1.2                | -0.5                  |
| Current income from variable-yield securities and profit transfer agreements            | 8.9                 | 9.8                 | -0.9                  |
| Interest expenses   | -1.0                | -2.3                | 1.3                   |
| Allowances for losses on loans and receivables  | 0                   | -0.1                | 0.1                   |
| <b>Net interest income after allowances for losses on loans and receivables</b>         | <b>6.2</b>          | <b>6.2</b>          | <b>-</b>              |
| <b>Commission-based business</b>  |                     |                     |                       |
| Fee and commission income   | 2,780.0             | 2,629.1             | 150.9                 |
| Fee and commission expenses   | -1,214.1            | -1,161.1            | -53.0                 |
| <b>Net fee and commission income</b>  | <b>1,565.9</b>      | <b>1,468.0</b>      | <b>97.9</b>           |
| <b>Net income from investment securities</b>  | <b>43.5</b>         | <b>2.4</b>          | <b>41.1</b>           |
| <b>Other net remeasurement income on financial instruments</b>                          | <b>-83.2</b>        | <b>-43.4</b>        | <b>-39.8</b>          |
| <b>Net income from companies accounted for using the equity method</b>                  | <b>4.6</b>          | <b>33.9</b>         | <b>-29.3</b>          |
| <b>Administrative expenses</b>  |                     |                     |                       |
| Staff costs   | -451.9              | -428.0              | -23.9                 |
| Other administrative expenses   | -390.6              | -412.7              | 22.1                  |
| Depreciation and amortisation expense   | -76.6               | -68.7               | -7.9                  |
| <b>Administrative expenses</b>  | <b>-919.1</b>       | <b>-909.4</b>       | <b>-9.7</b>           |
| <b>Other operating result</b>   | <b>31.5</b>         | <b>92.5</b>         | <b>-61.0</b>          |
| <b>Consolidated earnings before taxes</b>   | <b>649.4</b>        | <b>650.2</b>        | <b>-0.8</b>           |
| <b>Income taxes</b>   | <b>-189.2</b>       | <b>-169.7</b>       | <b>-19.5</b>          |
| <b>Consolidated net income</b>  | <b>460.2</b>        | <b>480.5</b>        | <b>-20.3</b>          |
| Attributable to:  |                     |                     |                       |
| Shareholders of Union Asset Management Holding AG                                       | 450.8               | 472.3               | -21.5                 |
| Non-controlling interests   | 9.4                 | 8.2                 | 1.2                   |

|   | 2020         | 2019         | Change      |
|---|--------------|--------------|-------------|
| <b>Assets under management (final volumes) in EUR billion</b> | <b>385.9</b> | <b>368.2</b> | <b>17.7</b> |
| <b>Cost/income ratio (CIR)</b>                                | <b>58.6%</b> | <b>58.3%</b> | <b>0.3%</b> |

Net interest income after allowances for losses on loans and receivables in the year under review was at the previous year's level at EUR 6.2 million

Net fee and commission income breaks down as follows:

|                                    | 2020<br>EUR million | 2019<br>EUR million | Change<br>EUR million |
|------------------------------------|---------------------|---------------------|-----------------------|
| <b>Fee and commission income</b>   | <b>2,780.0</b>      | <b>2,629.1</b>      | <b>150.9</b>          |
| from sales commission              | 377.8               | 391.7               | -13.9                 |
| from management fees               | 2,228.9             | 2,070.3             | 158.6                 |
| from securities investment funds   | 1,800.2             | 1,704.8             | 95.4                  |
| of which performance-related fees  | 32.6                | 9.2                 | 23.4                  |
| from real-estate investment funds  | 428.7               | 365.5               | 63.2                  |
| from securities custody accounts   | 53.9                | 53.6                | 0.3                   |
| Other                              | 119.4               | 113.5               | 5.9                   |
| <b>Fee and commission expenses</b> | <b>-1,214.1</b>     | <b>-1,161.1</b>     | <b>-53.0</b>          |
| for volume-based commission        | -760.7              | -729.4              | -31.3                 |
| Other                              | -453.4              | -431.7              | -21.7                 |
| <b>Total</b>                       | <b>1,565.9</b>      | <b>1,468.0</b>      | <b>97.9</b>           |

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 17.7 billion in 2020 to EUR 385.9 billion at the end of the year – a new record high. This increase resulted from the high net inflows and the positive developments on the international capital markets.

More than 80 % of net fee and commission income, particularly the main share of income from management fees (not including performance fees or transaction fees from real-estate investment funds) 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 73.8 million. This was due to the slightly higher average volume of assets under management (up 4.5 %).

The substantial increase in management fees from real-estate investment funds was due in particular to the considerably higher average volume of real-estate investment funds (up 10.5 %) and the significant rise in transaction fees in the property sector.

Income from performance-based management fees was up substantially year-on-year at EUR 32.6 million (EUR 9.2 million).

Income from sales commission primarily contained the gross amount of the front-end fees generated. The shares paid to distribution partners as sales commission are included in other fee and commission expenses. On balance, these were much lower than in the previous year.

The increase in net income from investment securities of EUR 41.1 million to EUR 43.5 million (previous year: EUR 2.4 million) is primarily due to one-time income generated in connection with the majority acquisition of ZBI Partnerschaftsholding GmbH.

Other net remeasurement income on financial instruments amounted to EUR -83.2 million after EUR -43.4 million in the previous year. The decline is mainly attributable to significantly increased expenses for the measured guarantee pledges for investment products. By contrast, net income from the measurement of Union Investment's own-account investments and from the measurement of options in connection with the acquisition of shares in an equity investment increased significantly.

Net income from companies accounted for using the equity method was considerably lower year-on-year at EUR 4.6 million (previous year: EUR 33.9 million) and primarily related to the share of the profit or loss of ZBI Partnerschafts-Holding GmbH, Erlangen, and of BEA Union Investment Management Limited, Hong Kong. This item also reflects the Union Investment Group's share of the profit or loss of R+V Pensionsfonds Aktiengesellschaft, Wiesbaden, and compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH, Wiesbaden.

At EUR 919.1 million, administrative expenses were up slightly by EUR 9.7 million on the previous year's level (EUR 909.4 million).

The moderate increase in staff costs mainly resulted from average salary adjustments, the staffing of new and vacant positions, and pro rata effects in connection with the majority acquisition of ZBI Partnerschafts-Holding GmbH.

Other administrative expenses were considerably lower year-on-year at EUR 390.6 million, falling by EUR 22.1 million (previous year: EUR 412.7 million). This reflected the effects of the measures taken in 2020 to secure earnings.

|                              | 2020<br>EUR million | 2019<br>EUR million | Change<br>EUR million |
|------------------------------|---------------------|---------------------|-----------------------|
| <b>Total</b>                 | <b>-390.6</b>       | <b>-412.7</b>       | <b>22.1</b>           |
| IT expenses                  | -109.0              | -105.5              | -3.5                  |
| Public relations/marketing   | -59.1               | -75.2               | 16.1                  |
| Consulting                   | -61.0               | -57.9               | -3.1                  |
| Office expenses              | -37.8               | -45.9               | 8.1                   |
| Property and occupancy costs | -23.1               | -21.8               | -1.3                  |
| Miscellaneous                | -100.6              | -106.4              | 5.8                   |

Other administrative expenses decreased, primarily due to public relations/marketing, office expenses and other administrative expenses (recognised under "Miscellaneous").

Depreciation and amortisation expense was significantly higher year-on-year at EUR -76.6 million, rising by EUR -7.9 million (previous year: EUR -68.7 million). This chiefly resulted from amortisation on intangible assets and on right-of-use assets.

The other operating result amounted to EUR 31.5 million in the period under review and was therefore considerably below the previous year's figure of EUR 92.5 million. The previous year's figure was mainly influenced by the deconsolidation gain realised on the sale of Union Investment Towarzystwo Funduszy Inwestycyjnych S.A. (TFI), Poland.

Based on a group tax rate of 31.26 %, the effective tax rate within the UMH Group was 29.13 % (previous year: 26.10 %). Income tax expense increased by EUR 19.5 million year-on-year to EUR 189.2 million in the year under review. It comprises current tax expense of EUR 210.8 million (previous year: EUR 187.3 million) and deferred tax income of EUR 21.6 million (previous year: tax income of EUR 17.6 million). The increase in current tax expense was caused by the lower share of tax-exempt income in consolidated earnings before taxes. The deferred tax income was largely due to the recognition of deferred tax assets for liability derivatives.

Overall, the developments described led to a slight year-on-year decline in consolidated earnings of EUR 20.3 million to EUR 460.2 million (previous year: EUR 480.5 million).

In addition, the low cost/income ratio (CIR) of 58.6 % is testimony to the efficient use of resources within the Union Investment Group. The CIR rose slightly by 0.3 percentage points year-on-year.

## Comparison with earnings originally forecast for 2020

The original forecasts for consolidated earnings in 2020 were significantly exceeded. This positive development was the result of a significant increase in net fee and commission income due to slightly higher volume-based income. A significant rise in performance-related management fees also resulted in a further increase in income. In addition, the substantial decline in administrative expenses led to a further improvement in earnings as compared to the original planning. This was primarily due to lower expenses for office operations, public relations/marketing, consulting, other administrative expenses and amortisation on right-of-use assets. By contrast, the financial result – comprising net interest income, net income from investment securities and other net remeasurement income on financial instruments – decreased significantly. This was mainly attributable to the significantly increased expense from the measurement of guarantee pledges for investment products, as well as the opposing effects from one-time income generated in connection with the majority acquisition of ZBI Partnerschaftsholding GmbH and the significantly increased positive value contribution from own-account investment. In net terms, this resulted in a strong improvement in earnings and a significantly improved CIR compared with the original planning.

## Distribution

The payment of a dividend of EUR 7.96 per share will be proposed at the Annual General Meeting on 17 May 2021. This would equate to a total dividend payment of EUR 231.2 million. The Supervisory Board of UMH AG approved the proposed appropriation of profit at its meeting held on 26 February 2021.

## 2. Liquidity management and financial position

### 2.1 Liquidity management

#### Principles and objectives of financial management

As well as ensuring that the companies of the Union Investment Group can meet their payment obligations at all times, the aim of liquidity management is the return- and risk-oriented investment of available financial resources.

The management is based on constant monitoring and analysis of all financial resources and cash flows of the companies. Building on this, regular liquidity planning determines the short- and medium-term liquidity situation. The planning 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. The planned cash inflows and outflows are thus derived from the budgeted income and expenses and from the foreseeable changes in statement of financial position items that affect liquidity.

The results of liquidity planning serve as the basis for the allocation of financial resources within the following four categories.

- **Investments for short-term liquidity management:**  
Financial resources with an expected investment duration of less than three years include bank balances as well as investments in money-market funds, fixed-income funds investing in short-term fixed-interest securities and other products suitable for short-term investment.
- **Funding:**  
Investments as initial funding of funds are often necessary to place a new investment product on the market. The amount required is decided upon on a case-by-case basis after a review of necessity. Funding is generally repaid within six months. This category also includes financial resources with contractual commitments.
- **Strategic investments (long-term investments):**  
Strategic investments have an expected investment duration of at least three years and comprise investments in funds or securities that are selected on the basis of risk/reward criteria. The expected term of each investment is determined when the group enters into the specific transaction.
- **Employee investments:**  
Employee investments comprise all cash invested for employees of the company as part of pension plans and employee retention programmes.

On the basis of the forecast cash flows from operating activities, the specific selection of investment alternatives is performed as part of tactical liquidity management. The investment decision incorporates regular stress tests 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 investment strategy is generally a conservative one.

The four categories of financial resources are subject to constant risk monitoring.

## 2.2 Group financial position

The table below shows total cash and cash equivalents:

|  | 31 Dec. 2020   |              | 31 Dec. 2019   |              | Change<br>EUR million |
|--|----------------|--------------|----------------|--------------|-----------------------|
|  | EUR million    | %            | EUR million    | %            |                       |
| Securities holdings                    | 1,718.1        | 74.6         | 1,508.7        | 73.7         | 209.4                 |
| Bank holdings                          | 586.2          | 25.4         | 537.0          | 26.3         | 49.2                  |
| <b>Total cash and cash equivalents</b> | <b>2,304.3</b> | <b>100.0</b> | <b>2,045.7</b> | <b>100.0</b> | <b>258.6</b>          |

The securities holdings break down as follows into the four categories of financial resources:

|   | 31 Dec. 2020   |             | 31 Dec. 2019 |             | Change<br>EUR million |
|---|----------------|-------------|--------------|-------------|-----------------------|
|   | EUR million    | %           | EUR million  | %           |                       |
| <b>Short-term investments for liquidity management purposes</b> | <b>416.1</b>   | <b>24.2</b> | <b>453.8</b> | <b>30.1</b> | <b>-37.7</b>          |
| of which fixed-income funds                                     | 416.1          | 24.2        | 453.8        | 30.1        | -37.7                 |
| <b>Strategic investments</b>                                    | <b>1,207.2</b> | <b>70.3</b> | <b>953.4</b> | <b>63.2</b> | <b>253.8</b>          |
| of which fixed-income funds                                     | 1,137.4        | 66.2        | 862.6        | 57.2        | 274.8                 |
| of which money-market funds                                     | 61.9           | 3.6         | 38.4         | 2.5         | 23.5                  |
| of which real-estate funds                                      | 4.3            | 0.3         | 4.5          | 0.3         | -0.2                  |
| of which equity funds   | 2.4            | 0.1         | 31.2         | 2.1         | -28.8                 |
| of which mixed funds  | 1.1            | 0.1         | 16.7         | 1.1         | -15.6                 |
| of which hybrid funds   | 0.1            | 0           | 0            | 0           | 0.1                   |
| <b>Funding</b>  | <b>91.8</b>    | <b>5.3</b>  | <b>98.9</b>  | <b>6.6</b>  | <b>-7.1</b>           |
| of which fixed-income funds                                     | 40.3           | 2.3         | 39.8         | 2.6         | 0.5                   |
| of which mixed funds  | 39.2           | 2.3         | 45.6         | 3.0         | -6.4                  |
| of which equity funds   | 5.5            | 0.3         | 2.6          | 0.2         | 2.9                   |
| of which alternative investment funds                           | 4.4            | 0.3         | 8.0          | 0.5         | -3.6                  |
| of which hybrid funds   | 0.6            | 0.0         | 0.9          | 0.1         | -0.3                  |
| of which real-estate funds                                      | 0.1            | 0.0         | 0            | 0           | 0.1                   |
| of which other funds  | 1.7            | 0.1         | 2.0          | 0.1         | -0.3                  |

|                                       | 31 Dec. 2020   |              | 31 Dec. 2019   |              | Change<br>EUR million |
|---------------------------------------|----------------|--------------|----------------|--------------|-----------------------|
|                                       | EUR million    | %            | EUR million    | %            |                       |
| <b>Employee investments</b>           | <b>3.0</b>     | <b>0.2</b>   | <b>2.6</b>     | <b>0.2</b>   | <b>0.4</b>            |
| of which fixed-income funds           | 2.0            | 0.1          | 2.1            | 0.1          | -0.1                  |
| of which mixed funds                  | 0.6            | 0.1          | 0.5            | 0.1          | 0.1                   |
| of which equity funds                 | 0.1            | 0            | 0              | 0            | 0.1                   |
| of which other funds                  | 0.3            | 0            | 0              | 0            | 0.3                   |
| <b>Total securities</b>               | <b>1,718.1</b> | <b>100.0</b> | <b>1,508.7</b> | <b>100.0</b> | <b>209.4</b>          |
| of which fixed-income funds           | 1,595.8        | 92.9         | 1,358.3        | 90.0         | 237.5                 |
| of which money-market funds           | 61.9           | 3.6          | 38.4           | 2.5          | 23.5                  |
| of which mixed funds                  | 40.9           | 2.4          | 62.8           | 4.2          | -21.9                 |
| of which equity funds                 | 8.0            | 0.5          | 33.8           | 2.2          | -25.8                 |
| of which alternative investment funds | 4.4            | 0.3          | 8.0            | 0.5          | -3.6                  |
| of which real-estate funds            | 4.4            | 0.3          | 4.5            | 0.3          | -0.1                  |
| of which hybrid funds                 | 0.7            | 0.0          | 0.9            | 0.1          | -0.2                  |
| of which other funds                  | 2.0            | 0.1          | 2.0            | 0.1          | 0.0                   |

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, if the planned level of performance is achieved the companies within the Union Investment Group at the time at which the management report was prepared will be able to meet their financial obligations becoming due in the said planning 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. 2020   |              | 31 Dec. 2019   |              | Change<br>EUR million |
|---|----------------|--------------|----------------|--------------|-----------------------|
|   | EUR million    | %            | EUR million    | %            |                       |
| <b>Liabilities and advances to</b>                        |                |              |                |              |                       |
| Banks   | 592.0          | 17.0         | 541.5          | 18.4         | 50.5                  |
| Customers   | 80.2           | 2.3          | 109.4          | 3.7          | -29.2                 |
| Asset derivatives   | 0              | 0.0          | 28.1           | 1.0          | -28.1                 |
| Investment securities                                     | 1,743.0        | 50.0         | 1,503.5        | 51.2         | 239.5                 |
| Shares in companies accounted for using the equity method | 61.7           | 1.8          | 130.2          | 4.4          | -68.5                 |
| Property, plant and equipment and intangible assets       | 343.7          | 9.9          | 174.7          | 6.0          | 169.0                 |
| Income tax assets   | 107.3          | 3.1          | 90.4           | 3.1          | 16.9                  |
| Right of use assets                                       | 300.4          | 8.6          | 103.0          | 3.5          | 197.4                 |
| Miscellaneous assets                                      | 217.6          | 6.2          | 217.2          | 7.4          | 0.4                   |
| Assets held for sale                                      | 39.2           | 1.1          | 37.7           | 1.3          | 1.5                   |
| <b>Total assets</b>                                       | <b>3,485.1</b> | <b>100.0</b> | <b>2,935.7</b> | <b>100.0</b> | <b>549.4</b>          |
| <b>Equity and liabilities</b>                             |                |              |                |              |                       |
|   | EUR million    | %            | EUR million    | %            | EUR million           |
| <b>Liabilities to</b>                                     |                |              |                |              |                       |
| Banks   | 30.1           | 0.9          | 26.9           | 0.9          | 3.2                   |
| Customers   | 1.5            | 0.0          | 1.2            | 0.0          | 0.3                   |
| Liability derivatives                                     | 179.9          | 5.2          | 96.6           | 3.3          | 83.3                  |
| Provisions  | 257.4          | 7.4          | 228.7          | 7.8          | 28.7                  |
| Income tax liabilities                                    | 59.9           | 1.7          | 68.5           | 2.3          | -8.6                  |
| Lease liabilities   | 302.4          | 8.7          | 104.1          | 3.5          | 198.3                 |
| Miscellaneous liabilities                                 | 865.7          | 24.8         | 855.2          | 29.2         | 10.5                  |
| Liabilities held for sale                                 | 0              | 0.0          | 0              | 0.0          | -                     |
| Equity  | 1,788.2        | 51.3         | 1,554.5        | 53.0         | 233.7                 |
| <b>Total equity and liabilities</b>                       | <b>3,485.1</b> | <b>100.0</b> | <b>2,935.7</b> | <b>100.0</b> | <b>549.4</b>          |

Consolidated total assets increased by 19% year-on-year to EUR 3,485.1 million. As is typical for the industry, the assets managed by the Union Investment Group for its clients – investment funds and other asset management formats – are not reported in the statement of financial position.

As a result of the majority acquisition of ZBI Partnerschafts-Holding AG, Erlangen (ZBI), four companies of the ZBI Group were added to the consolidated group. In this context, net assets of EUR 105.6 million were added to the consolidated statement of financial position.

The assets side of the consolidated statement of financial position is dominated by cash and cash equivalents, bank holdings and securities. Total cash and cash equivalents increased by EUR 258.6 million to EUR 2,304.3 million. Bank holdings are included in the loans and advances to banks item and climbed by EUR 49.2 million to EUR 586.2 million. Securities are mainly recognised under investment securities. The securities portfolio increased by EUR 209.4 million to EUR 1,718.1 million. The breakdown of cash and cash equivalents is explained in the 'Financial position' section.

In the previous year, asset derivatives included options that entitled UMH to purchase shares in a company in the future. The option was incorporated in the transaction costs as part of the acquisition of an equity interest in ZBI.

The decrease in shares in companies accounted for using the equity method is chiefly due to the majority acquisition of ZBI. Up until the acquisition date, this company was included using the equity method. As part of the transitional consolidation, the carrying amount of equity as at the acquisition date of EUR 49.7 million was derecognised.

**Additions to property, plant and equipment** of EUR 13.8 million were offset by depreciation of EUR 2.2 million. Including other changes, the net carrying amount of property, plant and equipment increased by EUR 11.3 million from EUR 25.4 million in the previous year to EUR 36.7 million.

**Additions to intangible assets** of EUR 36.4 million were offset by amortisation in the amount of EUR 43.9 million in the year under review. As a result of the majority acquisition of ZBI, goodwill of EUR 98.8 million and other intangible assets of EUR 66.5 million were recognised. Including other changes, the net carrying amount increased by EUR 149.3 million from EUR 149.3 million in the previous year to EUR 307.0 million.

Miscellaneous assets include receivables from funds of EUR 177.0 million (previous year: EUR 166.5 million) and receivables from other taxes of EUR 14.6 million (previous year: EUR 22.9 million). The receivables from funds largely comprised deferred receivables from management fees and flat-rate fees for the month of December.

**Right of use assets** increased particularly as a result of taking occupancy of the office space in the WINX building in Frankfurt and the renewal of the rental agreements for the office space in Emporio in Hamburg.

Liabilities to banks and customers increased by EUR 3.6 million from EUR 28.0 million to EUR 31.6 million, primarily as a result of commission liabilities in connection with fund unit trading.

Liability derivatives included EUR 179.9 million relating to measured capital preservation commitments in accordance with the German Personal Pension Plan Certification Act (AltZertG) and minimum payment commitments in connection with actual guarantee funds (previous year: EUR 87.2 million). In the previous year, this item of the statement of financial position still included options that entitled UMH to purchase shares in a company in the future. The options were incorporated in the transaction costs as part of the acquisition of an equity interest in ZBI.

|  | 31 Dec. 2020 | 31 Dec. 2019 | Change      |
|--|--------------|--------------|-------------|
|  | EUR million  | EUR million  | EUR million |
| <b>Provisions for employee benefits</b>          | <b>239.5</b> | <b>211.9</b> | <b>27.6</b> |
| Provisions for defined benefit obligations       | 153.3        | 137.6        | 15.7        |
| Provisions for other long-term employee benefits | 85.6         | 73.7         | 11.9        |
| Provisions for termination benefits              | 0.6          | 0.6          | –           |
| <b>Other provisions</b>                          | <b>17.9</b>  | <b>16.8</b>  | <b>1.1</b>  |
| <b>Total</b>                                     | <b>257.4</b> | <b>228.7</b> | <b>28.7</b> |

Provisions increased by EUR 28.7 million from EUR 228.7 million to EUR 257.4 million. Provisions for defined benefit obligations rose by EUR 15.7 million from EUR 137.6 million to EUR 153.3 million. Provisions for other long-term employee benefits increased by EUR 11.9 million from EUR 73.7 million to EUR 85.6 million. Other provisions increased by EUR 1.1 million from EUR 16.8 million to EUR 17.9 million.

Equity increased by EUR 233.7 million from EUR 1,554.5 million to EUR 1,788.2 million. The increase was primarily due to the dividend for the previous year paid out in the financial year (EUR 200.1 million) compared with total comprehensive income in the year under review (EUR 438.0 million). The equity ratio was 51.3%, down 1.7 percentage points on the prior-year figure of 53.0%.

### 3.2 Non-financial performance indicators

#### Employees

The Union Investment Group's workforce is critical to its performance, future profitability and competitiveness. The Union Investment Group pursues an innovative, needs-driven professional development strategy in order to provide the best possible framework in which it can nurture the capabilities and commitment of its employees in line with their responsibilities and potential. In the 2020 financial year, a total of around EUR 2.3 million was invested in human resources development activities (previous year: EUR 3.8 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 2020, UMH employed 330 people (previous year: 317 employees) with an average age of 42.9 (previous year: 42.9) and an average period of service of 10.9 years (previous year: 10.8 years). The Union Investment Group employed 3,929 people as at the end of 2020 (previous year: 3,200). Across the group, the average age of employees was 43.3 (previous year: 42.8) and the average period of service was 11.1 years (previous year: 10.7 years).

The number of employees in the Union Investment Group as at 31 December 2020 includes the new company ZBI. However, the key figures for average age and average period of service at UIG were analysed without including ZBI, as the corresponding data were not available due to the initial consolidation.

#### Brand performance

The figures based on traditional parameters for measuring brand performance remained at a high level in 2020 with the normal slight fluctuations. Population-based aided awareness of the Union Investment brand fell from 61.0% in December 2019 to 60.7% as of December 2020. Aided advertising recall rose to 33.9% in December 2020 after 31.0% as of December 2019, while willingness to purchase increased from 33.5% to 42.0% in the same period.

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. Among UIP's target groups, the index value for retail investors rose by one point to 72 index points in 2020, while the figure for broker banks also increased by one point to 93. The brand strength index figure for institutional investors was 85 in 2019 – one point higher than in the previous survey in 2017. It was not possible to determine the index in the institutional investors target group in 2020 for technical reasons relating to data collection. Likewise, it was not possible to determine the index value for real estate business partners in 2020 for technical reasons relating to data collection. In 2019 the figure came to 84 points and was thus unchanged in comparison to the previous survey from 2017. In the most recent measurement from 2018, the brand strength index figure for tenants in properties of UIR/UII was 72 index points. The figure for this target group was 71 points at the time of the previous survey in 2016. The brand strength index figure for tenants was not ascertained in 2019 or 2020 – a tenant survey had been planned for 2020 but did not take place due to the COVID-19 pandemic. Given the varying relevance of the brand in the decision-making process within the different target groups, the current values for all the target groups are seen as positive from a brand management perspective.

As brand is becoming more important in the course of digitalisation and has high priority at Union Investment and given that numerous measures are being pursued to strengthen the brand, we expect to consolidate these very good values further in the future.

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.

### Client satisfaction

Among the Union Investment brand's client groups, the only one for which new client satisfaction surveys were conducted in the year under review was retail investors.

The client satisfaction survey for cooperative broker banks that is conducted roughly every two years was not conducted in 2020. In the round of surveys at the end of 2018, the average satisfaction score for Geno bank executives was 2.0. The figure measured at the same time for Geno bank consultants was 2.2. As in the previous year, the average satisfaction score among retail investors in 2020 was 2.2 on a scale from 1 = "extremely satisfied" to 5 = "unsatisfied".

Internal satisfaction surveys are carried out among Union Investment's institutional investors on a two-year cycle. The surveys are conducted in odd-numbered years, so there are no survey results for the reporting year. On a scale from 1 = "extremely satisfied" to 5 = "unsatisfied", the score for the overall satisfaction of institutional investors with their business relationship with Union Investment was 1.81 in the most recent survey from 2019.

The highly regarded independent company Greenwich Associates carries out studies of the German institutional asset management market on an annual basis. Institutional investors are surveyed on the performance of the asset managers they are currently working with. Union Investment did not purchase the results of the Greenwich study in 2020. Nevertheless, Union Investment was designated as a "Greenwich Quality Leader". This strictly limited title is awarded to just two or three asset managers each year that achieve outstanding performance in their customers' perception.

Satisfaction surveys are conducted on a two-year cycle among tenants of Union Investment Real Estate GmbH and Union Investment Institutional Property GmbH properties. Due to the COVID-19 pandemic, which led to critical earnings situations for many tenants in key tenant groups – office tenants, hotels and retail tenants in shopping centres – UIR and UII decided in consultation with UMH, which conducts the surveys (and where the UIG's central market research is based), to postpone the client satisfaction survey that was due to be conducted in the year under review. The most recent survey is therefore from 2018.

In 2018 the satisfaction values remained at a good level compared with the time of the previous measurement. On a scale from 1 = "extremely satisfied" to 5 = "unsatisfied", the score for the satisfaction of tenants in Union Investment Real Estate GmbH/Union Investment Institutional Property GmbH properties in Germany remained at 2.3 in 2018.

The goal of maintaining the high customer satisfaction levels in all target groups in fund business in the 2021 financial year is an ambitious one. This is due to the fact that customers soon become accustomed to the level of service offered and require this on a permanent basis. For example, a new service feature that enthruses customers the year it is introduced is subsequently required as a normal part of the service and no longer leads to excellent satisfaction scores.

It is difficult to forecast how tenant satisfaction will develop in the 2021 financial year. One driving factor for the development will undoubtedly be the further course of the COVID-19 pandemic and its impact on the economic situation of the tenant groups. In the best-case scenario, we expect the most recently measured high level of client satisfaction to be maintained. This forecast is based partly on the assumption that tenants – just like B2C and B2B clients in fund business – will quickly get used to the level of service offered and simply maintaining this level will no longer be enough to maintain the satisfaction score achieved.

### 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.

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, where projects are added and employees can sign up for them.

A total of five employee projects were implemented in 2020, three of which took place at the Frankfurt location while two were initiated on a cross-location basis. Across the group, 192 employees from all hierarchy levels and the Frankfurt, Hamburg and Luxembourg locations devoted around 675 hours of their own time to volunteer for seven organisations.

This work helped socially disadvantaged children, young people and adults and people with disabilities. For example, the employees supported charities such as the Verein Höchster Leuchfeuer, the Internationales Kinderhaus in Frankfurt and the Teestube Jona in Frankfurt's railway station district. An environmental project was also implemented for the first time, with employees across different locations picking up litter in support of the forestation organisation "Deutschland forstet auf".

### 3.3 Statement of cash flows

The purpose of the statement of cash flows is to determine and present 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 liquidity or financial planning, nor is it used as a management tool.

|   | 2020<br>EUR million | 2019<br>EUR million |
|---|---------------------|---------------------|
| Cash flow from operating activities                       | 576.2               | 758.5               |
| Cash flow from investing activities                       | -334.1              | -469.5              |
| Cash flow from financing activities                       | -242.1              | -289.0              |
| = Changes in cash and cash equivalents                    | 0                   | 0                   |
| + Cash and cash equivalents at the beginning of the year  | 0                   | 0                   |
| <b>= Cash and cash equivalents at the end of the year</b> | <b>0</b>            | <b>0</b>            |

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.

Cash flow from operating activities was determined using the indirect method and provides information on 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 cash flow from investing activities in the year under review were proceeds of EUR 613.1 million from the disposal of investment securities and payments of EUR 812.1 million to acquire investment securities. The acquisition of consolidated companies resulted in payments of EUR 85.0 million. There were also payments of EUR 36.4 million for the acquisition of intangible assets and payments of EUR 13.8 million for the acquisition of property, plant and equipment.

In accordance with the definition in IAS 7.17, cash flow from financing activities comprised cash flows arising from transactions with equity holders and other shareholders in consolidated subsidiaries, from other capital, from the repayment of lease liabilities and from the utilisation and repayment of loans and other borrowings. Cash flow from financing activities was primarily accounted for by the payment by UMH of the dividend for the 2020 financial year amounting to EUR 200.1 million and the payment of dividends from subsidiaries of UMH to non-controlling interests amounting to EUR 7.0 million. Cash payments for the principal portion of lease liabilities amounted to EUR 27.7 million, and changes in cash from other capital amounted to EUR 7.3 million.

## VI. 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 transactions 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.

## C Corporate governance declaration <sup>1</sup>

Report in accordance with Section 289f (4) in conjunction with (2) no. 4 of the German Commercial Code (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) of the German Stock Corporation Act (AktG), to be met by 31 December 2021.

The target set for the Supervisory Board is 20 % (3 out of 15). In the period under review, the proportion of women on the Supervisory Board was 26.7 % (4 out of 15).

The proportion of women on the Board of Managing Directors in the reporting period was 0 %. The Supervisory Board has determined not to set a binding, higher target until 31 December 2021.

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 31 December 2021.

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.

<sup>1</sup> In line with the requirements of German law, the content of the corporate governance declaration in accordance with Section 289f (4) of the German Commercial Code (HGB) (disclosures on the proportion of women) has not been audited.

## D Forecast, report on risks and opportunities

### I. Report on opportunities

At UMH, the group's business performance is particularly reflected in the current result on equity investments, within which a distinction must be drawn between profit and loss transfer and income from equity investments. In the case of profit and loss transfer, the profit or loss generated by the subsidiary is transferred directly to UMH, while income from equity investments comprises dividends paid by the subsidiary to UMH, which can differ from the profit or loss generated for the year. The following opportunities are seen in this context and would primarily affect UMH's current result on equity investments.

The current low level of interest rates, to which there remains no end in sight, means there are only negligible returns on investment. As such, investors can only generate a return if they are prepared to take controlled risks. Union Investment believes there is an opportunity in this environment for it to further consolidate its position as an active risk manager both for retail investors and institutional client groups, and to expand its fund business.

In addition to regularly reviewing the product range, the focus for the client group of retail investors remains on generating value added via funds and solutions that reflect the current market environment. Institutional investors are focusing on flexible products in order to take advantage of the available investment opportunities. In particular, this means adopting a more international investment focus, generating more risk premiums, and properly networking their yield sources. This is accompanied by a shift away from conventional benchmark thinking and towards active and dynamic management.

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 active assistance in the area of corporate governance.

In recent years a large number of legislative provisions have been implemented or initiated with a significant impact on securities business; additional measures are in preparation. In light of these developments, Union Investment believes that there is an opportunity to develop customised, solution-oriented products and to strengthen customer loyalty in both retail and institutional client business. Union Investment offers institutional providers solutions that minimise regulatory effort and expense and save equity. Specific reporting solutions can further reduce the effort and expense for investors of meeting regulatory requirements.

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

The COVID-19 pandemic is even intensifying some of these trends. For example, the trend towards greater sustainability is now playing an increasingly important role for retail clients, too, and is

accordingly taken into account when making investment decisions. The low interest-rate environment is being cemented and even expanded by the extensive stimulus packages worldwide, making fund investment increasingly attractive as compared to other forms of investment. The same applies to private pension provisions. Firstly, the global increase in government debt comes at the expense of the basis for statutory pension provisions. Secondly, low interest rates are increasingly impacting the investment performance of long-term pension savings processes that are based on interest-bearing securities.

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 internal management systems are designed such that risks can be identified, monitored on a regular basis and actively managed, among other things. 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 Chief Risk Officer 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 an overall limit 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 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 13 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<sup>1</sup>

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 114.4 million was calculated for UMH as at 31 December 2020 (previous year: EUR 122.0 million). The limit was EUR 141 million (previous year: EUR 141 million). The risk contribution did not exceed the 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.

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 limit at any time during the reporting period.

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

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

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

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

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

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

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

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

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

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, 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.

<sup>1</sup> Sources: Own calculations and calculations by DZ BANK AG in line with the methods described in the risk manual, as at 31 December 2020.

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. In addition to fund price risk, general market risk also includes interest rate risks in connection with the measurement of pension obligations. The general market risk is calculated centrally by DZ BANK AG.

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.

UMH's market risk is managed directly at the risk capital requirements level and limited by a limit covering both the fund price risk and asset management risk as well as the decentral capital buffer. The latter amounts to EUR 71.5 million (previous year: EUR 50 million) and anticipates the expected rise in risk capital requirements based on the adjustment of asset management risk methods planned. The economic risk capital requirements for fund price risk and asset management risk were calculated as EUR 294.5 million as at 31 December 2020 (previous year: EUR 183.7 million). The risk capital requirements for market risk, including the capital buffer, thus amounted to EUR 366.0 million as at 31 December 2020 (previous year: EUR 233.7 million). The limit was EUR 525.0 million (previous year: EUR 463.0 million). The risk did not exceed the limit at any point during the course of the year.

#### Equity investment risk

Equity investment risk is defined as the risk of losses arising from negative changes in the fair value of that portion of the equity investments portfolio in which the risks are not covered by other types of risk. Equity investment risk only includes equity investments that are not integrated into the differentiated risk measurement process with a look-through approach for the individual risks. If the risk materialises, there may be a need to recognise impairment losses to reduce the carrying amounts of the equity investments concerned. Equity investment risk is quantified centrally by DZ BANK AG. A risk contribution of EUR 91.4 million was calculated for UMH as at 31 December 2020 (previous year: EUR 69.2 million). The limit was EUR 100 million (previous year: EUR 85 million). The risk contribution did not exceed the 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 centrally by DZ BANK AG using an earnings-at-risk approach as a value at risk with a one-year time frame and a confidence level of 99.9%. A risk contribution of EUR 0 was reported for UMH as at 31 December 2020 (previous year: EUR 0 million). Based on the low business risk and the calculations from the last reporting dates, the limit for 2020 was also zero. The additional risk indicator system triggered warnings for various risk indicators as intended. Corrective action to facilitate risk management was derived from these. There were no indications in the course of the year of any critical situations likely to represent a risk to the group as a going concern.

#### Reputational risk

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

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

#### Liquidity risk

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

#### Credit risk

Credit risk is the risk of unexpected losses due to the default of counterparties. UMH's credit risk primarily results from own-account investments in funds, bank deposits/time deposits, loans and advances to clients and other exposures. The risk is currently not limited at UMH level but is instead

included in the central capital buffer requirement at DZ BANK level. Credit risk is quantified semi-annually by UMH on the basis of capital requirements according to the standardised approach to credit risk. This uses all exposures relevant to credit risk to calculate the capital buffer. The central capital buffer requirement for credit risk amounted to EUR 108.5 million as at 31 December 2020 (previous year: EUR 91.5 million).

#### Longevity risk

Longevity risk results from commitments to pay pension benefits on retirement. The risk is that the value of the provisions for pension obligations could increase due to changes in life expectancy. Longevity risk is currently not limited at UMH level but is instead included in the central capital buffer requirement at DZ BANK level. Longevity risk is calculated using the customary actuarial methods and mortality tables. The central capital buffer requirement for longevity risk amounted to EUR 18.1 million as at 31 December 2020 (previous year: EUR 14.4 million).

#### Total risk

Total risk is calculated on the basis of the individual risk types. Diversification effects are taken into account in aggregation. The central capital buffer requirement is added to the correlated value both on the limit and the risk side. The total capital requirements amounted to EUR 672.4 million as at 31 December 2020 (previous year: EUR 508.8 million). The overall limit was EUR 860.8 million as at 31 December 2020 (previous year: EUR 775.5 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 1,145.8 million as at 31 December 2020 (previous year: EUR 1,106.1 million). Utilisation of risk cover by the overall limit was 75.1 % as at 31 December 2020 (previous year: 70.1 %). 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 actions taken as part of the risk management process.

The COVID-19 pandemic dominated the risk situation in the 2020 financial year. However, the changes in the work situation did not bring about an increase in the measured operational risks, nor were losses incurred in connection with the business activities necessitated by the pandemic. The volatile markets led to a higher risk level for pension products. However, over the 2020 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. As dictated by prudent business practice, provisions were recognised in the annual financial statements to cover business and tax risks. The liquidity of UMH and the companies within the Union Investment Group was never in jeopardy at any point in the year under review.

### III. Forecast

Please refer to the details in section B VI. 3.2.

UMH has set itself ambitious targets for the 2021 financial year.

In view of the continued difficult conditions in the political and economic environment – effects of the COVID-19 pandemic, as well as the associated extensive support measures and broad availability of a vaccine; the UK's withdrawal from the EU; the persistent low interest-rate environment in Europe and large parts of the world – UMH intends to keep systematically taking advantage of opportunities for positive business performance.

UMH is aiming to achieve a considerably higher level of assets under management by the end of the 2021 financial year. New business is expected to see substantial growth. The overall performance assumptions are expected to be slightly positive in the 2021 financial year.

Net fee and commission income is expected to increase significantly in the 2021 financial year. This is mainly due to the expectations of slightly higher volume-based income as a result of the considerably higher level of average assets under management, as well as to the significantly increased income expectations for performance-based management fees.

The financial result – comprising net interest income, net income from investment securities and other net remeasurement income on financial instruments – is expected to rise sharply in the 2021 financial year. This is mainly due to an anticipated substantial decrease in expenses from the measurement of guarantee pledges for investment products. By contrast, the one-time effect generated in the year under review in connection with the majority acquisition of ZBI Partnerschaftsholding GmbH no longer applies, and a significant decrease in the value contribution from own-account investment is anticipated.

Administrative expenses are expected to rise significantly again in the 2021 financial year, after having been influenced by mostly one-off savings measures to secure earnings in the year under review. UMH's staff costs increased slightly while its general administrative expenses rose significantly, primarily due to consulting and office expenses as well as expenses for public relations/marketing. Depreciation and amortisation expense is rising significantly, mainly due to building costs and the first-time capitalisation of investments.

A sharp decline is expected in the other operating result. This is chiefly due to the significantly lower anticipated level of income from the remeasurement of provisions.

Given the factors described above, earnings before taxes for the 2021 financial year are expected to be slightly higher than in the current financial year. The cost/income ratio will increase slightly.

## E Non-financial statement<sup>1</sup>

UMH is included in the non-financial corporate statement of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, and is therefore exempted from issuing its own non-financial statement. The non-financial corporate statement forms part of DZ BANK's sustainability report and is available in German on the following website: [www.berichte2020.dzbank.de](http://www.berichte2020.dzbank.de).

The reference to the Non-Financial Report of DZ BANK AG is voluntary. This does not affect the voluntary continuation of the previous sustainability reporting in accordance with the GRI standards outside of the management report.

Frankfurt am Main, 10 March 2021

### Union Asset Management Holding AG



Hans Joachim Reinke  
Chief Executive Officer



Alexander Lichtenberg  
Member of the Board  
of Managing Directors



Alexander Schindler  
Member of the Board  
of Managing Directors



Jens Wilhelm  
Member of the Board  
of Managing Directors

<sup>1</sup> In line with the requirements of German law, the content of the declaration in accordance with Section 289b (2) sentence 3 of the German Commercial Code (HGB) is not audited.

# Consolidated financial statements

## 2020 financial year

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# Consolidated financial statements (IFRS) of Union Asset Management Holding AG for the financial year from 1 January to 31 December 2020

## Consolidated income statement for the financial year from 1 January to 31 December 2020

| UMH Group   | Note       | 2020<br>EUR thousand | 2019<br>EUR thousand |
|---|------------|----------------------|----------------------|
| <b>Net interest income</b>  | [26]       | <b>6,227</b>         | <b>6,255</b>         |
| Interest income and current   |            | 7,215                | 8,583                |
| Interest expenses   |            | -988                 | -2,328               |
| <b>Allowances for losses on loans and receivables</b>                           | [27]       | <b>-17</b>           | <b>-54</b>           |
| <b>Net interest income after allowances for losses on loans and receivables</b> |            | <b>6,210</b>         | <b>6,201</b>         |
| <b>Net fee and commission income</b>  | [28]       | <b>1,565,889</b>     | <b>1,467,998</b>     |
| Fee and commission income   |            | 2,780,044            | 2,629,086            |
| Fee and commission expenses   |            | -1,214,155           | -1,161,088           |
| <b>Net income from investment securities</b>                                    | [29]       | <b>43,478</b>        | <b>2,443</b>         |
| <b>Other net remeasurement income on financial instruments</b>                  | [30]       | <b>-83,179</b>       | <b>-43,410</b>       |
| <b>Net income from companies accounted for using the equity method</b>          | [31]       | <b>4,603</b>         | <b>33,871</b>        |
| <b>Administrative expenses</b>  | [32]       | <b>-919,094</b>      | <b>-909,448</b>      |
| <b>Other operating result</b>   | [33]       | <b>31,508</b>        | <b>92,531</b>        |
| <b>Consolidated earnings before taxes</b>                                       |            | <b>649,415</b>       | <b>650,186</b>       |
| <b>Income taxes</b>   | [24], [34] | <b>-189,224</b>      | <b>-169,674</b>      |
| <b>Consolidated net income</b>  |            | <b>460,191</b>       | <b>480,512</b>       |
| Attributable to:  |            |                      |                      |
| <b>Shareholders of Union Asset Management Holding AG</b>                        |            | <b>450,752</b>       | <b>472,330</b>       |
| <b>Non-controlling interests</b>  |            | <b>9,439</b>         | <b>8,182</b>         |

## Statement of comprehensive income for the financial year from 1 January to 31 December 2020

| UMH Group  | Note             | 2020<br>EUR thousand | 2019<br>EUR thousand |
|--|------------------|----------------------|----------------------|
| <b>Consolidated net income</b>   |                  | <b>460,191</b>       | <b>480,512</b>       |
| <b>Other comprehensive income</b>  |                  | <b>-22,178</b>       | <b>-1,858</b>        |
| <b>Amounts reclassified to profit or loss</b>  |                  | <b>-4,608</b>        | <b>1,655</b>         |
| Exchange differences on currency translation of foreign subsidiaries                                       | [35], [36], [56] | -                    | -8                   |
| Share of other comprehensive income of joint ventures and associates accounted for using the equity method | [36], [56]       | -4,608               | 1,663                |
| Income taxes relating to components of other comprehensive income  | [36]             | -                    | 0                    |
| <b>Amounts not reclassified to profit or loss</b>  |                  | <b>-17,570</b>       | <b>-3,513</b>        |
| Gains and losses from equity instruments for which the fair value OCI option was exercised                 | [36], [56]       | -116                 | 1,882                |
| Actuarial gains and losses on defined benefit plans  |                  | -14,793              | -12,676              |
| Income taxes relating to components of other comprehensive income  | [36]             | -2,661               | 7,281                |
| <b>Total comprehensive income</b>  |                  | <b>438,013</b>       | <b>478,654</b>       |
| Attributable to:   |                  |                      |                      |
| <b>Shareholders of Union Asset Management Holding AG</b>   |                  | <b>428,842</b>       | <b>470,789</b>       |
| <b>Non-controlling interests</b>   |                  | <b>9,171</b>         | <b>7,865</b>         |

## Consolidated statement of financial position as at 31 December 2020

| Assets  | Note       | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand |
|---|------------|------------------------------|------------------------------|
| Cash reserve  | [9], [37]  | 44                           | 17                           |
| Loans and advances to banks                               | [10], [38] | 592,026                      | 541,495                      |
| Loans and advances to customers                           | [10], [39] | 80,211                       | 109,442                      |
| Asset derivatives   | [19], [40] | –                            | 28,136                       |
| Investment securities                                     | [12], [41] | 1,743,050                    | 1,503,473                    |
| Shares in companies accounted for using the equity method | [13], [42] | 61,743                       | 130,187                      |
| Property, plant and equipment                             | [14], [43] | 36,708                       | 25,440                       |
| Intangible assets   | [15], [44] | 306,954                      | 149,300                      |
| Income tax assets   | [24], [45] | 107,334                      | 90,450                       |
| Other assets  | [46]       | 217,419                      | 217,063                      |
| Right of use assets                                       | [47]       | 300,359                      | 102,963                      |
| Assets held for sale                                      | [17], [48] | 39,218                       | 37,740                       |
| <b>Total assets</b>                                       |            | <b>3,485,066</b>             | <b>2,935,706</b>             |

| Equity and liabilities              | Note             | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand |
|-------------------------------------|------------------|------------------------------|------------------------------|
| Liabilities to banks                | [18], [49]       | 30,101                       | 26,884                       |
| Liabilities to customers            | [18], [50]       | 1,525                        | 1,167                        |
| Liability derivatives               | [19], [51]       | 179,852                      | 96,641                       |
| Provisions                          | [20], [21], [52] | 257,382                      | 228,659                      |
| Income tax liabilities              | [24], [53]       | 59,931                       | 68,506                       |
| Other liabilities                   | [54]             | 865,695                      | 855,183                      |
| Lease liabilities                   | [55]             | 302,421                      | 104,140                      |
| <b>Equity</b>                       | [56]             | <b>1,788,159</b>             | <b>1,554,526</b>             |
| Issued capital                      |                  | 87,130                       | 87,130                       |
| Capital reserves                    |                  | 18,617                       | 18,617                       |
| Retained earnings                   |                  | 1,171,839                    | 919,363                      |
| Fair value OCI reserve              |                  | 20,362                       | 20,496                       |
| Currency translation reserve        |                  | 8,203                        | 12,811                       |
| Consolidated net profit             |                  | 450,752                      | 472,330                      |
| Non-controlling interests           |                  | 31,256                       | 23,779                       |
| <b>Total equity and liabilities</b> |                  | <b>3,485,066</b>             | <b>2,935,706</b>             |

## Statement of changes in equity for the financial year from 1 January to 31 December 2020

| UMH Group   | Note | Issued capital | Capital reserves | Retained earnings | Fair value OCI reserve | Currency translation reserve | Reserve from assets held for sale | Consolidated net profit | Equity before non-controlling interests | Non-controlling interests | Total equity     |
|---|------|----------------|------------------|-------------------|------------------------|------------------------------|-----------------------------------|-------------------------|---|---------------------------|------------------|
|   |      | EUR thousand   | EUR thousand     | EUR thousand      | EUR thousand           | EUR thousand                 | EUR thousand                      | EUR thousand            | EUR thousand                            | EUR thousand              | EUR thousand     |
| <b>1 Jan. 2019</b>                                |      | <b>87,130</b>  | <b>18,617</b>    | <b>843,017</b>    | <b>18,701</b>          | <b>11,148</b>                | <b>-3,500</b>                     | <b>339,059</b>          | <b>1,314,172</b>                        | <b>24,077</b>             | <b>1,338,249</b> |
| Consolidated net income                           |      | –              | –                | –                 | –                      | –                            | –                                 | 472,330                 | 472,330                                 | 8,182                     | 480,512          |
| Other comprehensive income                        | [56] | –              | –                | -4,997            | 1,801                  | 1,663                        | -8                                | –                       | -1,541                                  | -317                      | -1,858           |
| <b>Total comprehensive income</b>                 |      | <b>–</b>       | <b>–</b>         | <b>-4,997</b>     | <b>1,801</b>           | <b>1,663</b>                 | <b>-8</b>                         | <b>472,330</b>          | <b>470,789</b>                          | <b>7,865</b>              | <b>478,654</b>   |
| Acquisition/disposal of non-controlling interests |      | –              | –                | -11,724           | –                      | –                            | –                                 | –                       | -11,724                                 | -764                      | -12,488          |
| Changes in the consolidated group                 |      | –              | –                | –                 | –                      | –                            | 3,508                             | –                       | 3,508                                   | –                         | 3,508            |
| Dividends paid                                    | [56] | –              | –                | -245,998          | –                      | –                            | –                                 | –                       | -245,998                                | -7,399                    | -253,397         |
| Appropriation to retained earnings                |      | –              | –                | 339,059           | –                      | –                            | –                                 | -339,059                | –                                       | –                         | –                |
| Reclassifications within equity                   |      | –              | –                | 6                 | -6                     | –                            | –                                 | –                       | –                                       | –                         | –                |
| <b>31 Dec. 2019</b>                               |      | <b>87,130</b>  | <b>18,617</b>    | <b>919,363</b>    | <b>20,496</b>          | <b>12,811</b>                | <b>–</b>                          | <b>472,330</b>          | <b>1,530,747</b>                        | <b>23,779</b>             | <b>1,554,526</b> |
| <b>1 Jan. 2020</b>                                |      | <b>87,130</b>  | <b>18,617</b>    | <b>919,363</b>    | <b>20,496</b>          | <b>12,811</b>                | <b>–</b>                          | <b>472,330</b>          | <b>1,530,747</b>                        | <b>23,779</b>             | <b>1,554,526</b> |
| Consolidated net income                           |      | –              | –                | –                 | –                      | –                            | –                                 | 450,752                 | 450,752                                 | 9,439                     | 460,191          |
| Other comprehensive income                        | [56] | –              | –                | -17,168           | -134                   | -4,608                       | –                                 | –                       | -21,910                                 | -268                      | -22,178          |
| <b>Total comprehensive income</b>                 |      | <b>–</b>       | <b>–</b>         | <b>-17,168</b>    | <b>-134</b>            | <b>-4,608</b>                | <b>–</b>                          | <b>450,752</b>          | <b>428,842</b>                          | <b>9,171</b>              | <b>438,013</b>   |
| Acquisition/disposal of non-controlling interests |      | –              | –                | -2,577            | –                      | –                            | –                                 | –                       | -2,577                                  | -99                       | -2,676           |
| Changes in the consolidated group                 |      | –              | –                | –                 | –                      | –                            | –                                 | –                       | –                                       | 5,388                     | 5,388            |
| Dividends paid                                    | [56] | –              | –                | -200,109          | –                      | –                            | –                                 | –                       | -200,109                                | -6,983                    | -207,092         |
| Appropriation to retained earnings                |      | –              | –                | 472,330           | –                      | –                            | –                                 | -472,330                | –                                       | –                         | –                |
| Reclassifications within equity                   | [56] | –              | –                | 0                 | 0                      | –                            | –                                 | –                       | –                                       | –                         | –                |
| <b>31 Dec. 2020</b>                               |      | <b>87,130</b>  | <b>18,617</b>    | <b>1,171,839</b>  | <b>20,362</b>          | <b>8,203</b>                 | <b>–</b>                          | <b>450,752</b>          | <b>1,756,903</b>                        | <b>31,256</b>             | <b>1,788,159</b> |

## Statement of cash flows for the financial year from 1 January to 31 December 2020

| UMH Group  | 2020<br>EUR thousand | 2019<br>EUR thousand | UMH Group  | 2020<br>EUR thousand | 2019<br>EUR thousand |
|--|----------------------|----------------------|--|----------------------|----------------------|
| <b>Consolidated net income</b>   | <b>460,191</b>       | <b>480,512</b>       | <b>Proceeds from the disposal of:</b>                                  |                      |                      |
| <b>Non-cash items included in consolidated net income and reconciliation to cash flows from operating activities</b>                                   |                      |                      | Investment securities  | 613,148              | 336,286              |
| Depreciation, amortisation, impairment losses and reversals of impairment losses on assets and measurement changes on financial assets and liabilities | 143,363              | 96,788               | Property, plant and equipment  | 40                   | 3                    |
| Non-cash changes in provisions and deferred liabilities  | 771,387              | 751,302              | Intangible assets  | 13                   | –                    |
| Other non-cash income and expenses   | 133,064              | 19,449               | <b>Payments for the acquisition of:</b>                                |                      |                      |
| Gains and losses on the disposal of assets and liabilities   | -41,799              | 3,022                | Investment securities  | -812,080             | -842,966             |
| Other adjustments (net)  | -6,227               | -6,256               | Property, plant and equipment  | -13,824              | -7,963               |
| <b>Subtotal</b>  | <b>1,459,979</b>     | <b>1,344,817</b>     | Intangible assets  | -36,381              | -46,518              |
| <b>Cash changes in assets and liabilities arising from operating activities</b>  |                      |                      | <b>Effects of changes in the consolidated group:</b>                   |                      |                      |
| Loans and advances to banks  | -13,985              | 229,463              | Proceeds from the sale of consolidated companies                       | –                    | 91,630               |
| Loans and advances to customers  | 31,702               | -25,935              | Cash paid for the sale of consolidated companies                       | –                    | -1                   |
| Other assets   | -177,606             | -3,999               | Payments for the acquisition of consolidated companies                 | -85,000              | –                    |
| Liabilities to banks   | 3,221                | 7,250                | Cash obtained from the acquisition of consolidated companies           | 9                    | –                    |
| Liabilities to customers   | 358                  | -54                  | <b>Cash flow from investing activities</b>                             | <b>-334,075</b>      | <b>-469,529</b>      |
| Asset/liability derivatives  | -1,467               | -5,227               | Dividend payments to the shareholders of UMH AG and other shareholders | -207,092             | -253,397             |
| Other liabilities  | -560,944             | -640,633             | Payments for the redemption component of lease liabilities             | -27,689              | -24,779              |
| Interest and dividends received  | 27,684               | 25,937               | Changes in cash from other capital                                     | -7,283               | -10,833              |
| Interest paid  | -2,672               | -3,406               | <b>Cash flow from financing activities</b>                             | <b>-242,064</b>      | <b>-289,009</b>      |
| Income taxes paid  | -190,104             | -169,688             | <b>Cash and cash equivalents at the beginning of the year</b>          | <b>17</b>            | <b>30</b>            |
| <b>Cash flow from operating activities</b>   | <b>576,166</b>       | <b>758,525</b>       | Cash flow from operating activities                                    | 576,166              | 758,525              |
|  |                      |                      | Cash flow from investing activities                                    | -334,075             | -469,529             |
|  |                      |                      | Cash flow from financing activities                                    | -242,064             | -289,009             |
|  |                      |                      | <b>Cash and cash equivalents at the end of the year</b>                | <b>44</b>            | <b>17</b>            |

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

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

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

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

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

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

# Notes to the consolidated financial statements

## Basis of preparation

### [1] Principles of group accounting

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

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

The consolidated financial statements of UMH AG are included in the consolidated financial statements of DZ BANK, which in turn prepares the consolidated financial statements covering the greatest number of entities included in the overall group and is entered in the commercial register of the Frankfurt am Main Local Court under HRB 45651. DZ BANK's consolidated 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 consolidated 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 2020. The subsidiaries included share the same reporting period. The fully consolidated investment fund UI Vario: 2, which has a financial year ending 31 May, was included with interim financial statements as at 31 December 2020.

In accordance with standard international practice, the consolidated income statement and consolidated statement of financial

position are presented in a condensed and clearly structured format in compliance with the requirements of IAS 1. Statement of financial position items are shown in order of liquidity.

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

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

With the exception of the contractual maturity analysis as required by IFRS 7.39 (note [63]), the gross carrying amounts pursuant to IFRS 7.35I (note [59]) and the risk concentration of financial assets pursuant to IFRS 7.35M (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. For information on the effects of the COVID-19 pandemic, please refer to section 3 of 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 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) in conjunction with Section 315e (3) HGB.

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

### Changes in accounting policies

#### First-time adoption of IFRS amendments in the 2020 financial year

The following amendments to IFRSs were adopted for the first time in the UMH consolidated financial statements for the 2020 financial year:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 – Definition of a Business
- Amendments to IAS 1 and IAS 8 – Definition of "Material"
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- Amendments to IFRS 16 Leases – Covid-19-Related Rent Concessions

The changes included in the Amendments to References to the Conceptual Framework in IFRS Standards were required following the revision of the conceptual framework because many standards and other statements from the IASB include quotations from the conceptual framework or references to it. In addition to these amendments, some of which are editorial changes, the amendment standard includes clarifications as to which version of the conceptual framework applies in specific cases. Depending on the issue, users must apply the 2001, 2010 or 2018 version of the conceptual framework. Where necessary, a date of initial application for the amendments is included, which is standardised for financial years beginning on or after 1 January 2020. The implementation of the amendments had no impact on the UMH consolidated financial statements.

The intention of the amendments to IFRS 3 – Definition of a Business is to make it easier to distinguish acquisitions of business activities from acquisitions of a group of assets. To be considered a business, an acquisition as defined by the new definition of "business" must include resources and a substantive process that together create the opportunity to generate output. The amended definition shall be applied to acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning

on or after 1 January 2020. There was no impact on the UMH consolidated financial statements.

The amendments to IAS 1 and IAS 8 – Definition of “Material” aim to improve the definition of materiality without fundamentally altering the application of the materiality principle. In particular, the amendments led to the new characteristic of concealing information, which resulted in the omission or misrepresentation of information. The amendments shall be applied prospectively for financial years beginning on or after 1 January 2020. There was no impact on the UMH consolidated financial statements.

The amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform grant temporary relief for hedge accounting prior to the reform of key benchmark rates such as the EURIBOR, LIBOR and EONIA (IBOR reform). The exemptions apply to hedging relationships directly affected by interest rate benchmark reform. As there was no hedge accounting in the UMH Group in the financial year, these amendments had no impact on the UMH consolidated financial statements.

The amendments to IFRS 16 COVID-19-Related Rent Concessions provide optional, temporary COVID-19 related operational relief for lessees benefiting from lease payments holidays without undermining the relevance and usefulness of financial information reported by companies. The application of this optional exemption means that these rent concessions are accounted for as if they were not lease modifications. In particular, the reporting entity is no longer required to review all leases or rental agreements, to legally assess a relevant rent concession in light of the respective contract design, and if applicable to determine new discount rates. The amendments are applicable to financial years beginning on or after 1 January 2020. The UMH Group will not utilise the relief.

#### Endorsed IFRS amendments not applied

The following amendments to IFRS standards were not applied early voluntarily:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9

The amendments to IFRS 9 and IAS 39 follow on from the amendments of 2019 and take effect when a reporting entity replaces an interest rate benchmark with an alternative rate as a result of the reform. In addition, expedients were introduced with regard to accounting for modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis. Under these conditions, the change in contractual cash flows is not to be shown in the result of the modification. Instead, the practical expedient of IFRS 9.B5.4.5 allows subsequent measurement on the basis of the updated effective interest rate and thus recognition of the effect on earnings over the remaining term.

Hedge accounting continues after transition to the new benchmark rates, because a change in the benchmark rate constitutes only a limited change in the documented hedging relationship and therefore does not require its discontinuation. Furthermore, the amendments include minor adjustments to IFRS 16 and IFRS 4 as well as additional disclosure requirements in accordance with IFRS 7.

The amendments are effective and mandatory for financial years beginning on or after 1 January 2021, but may be applied earlier on a voluntary basis. The UMH Group is not utilising the option to apply these amendments early.

The amendments to IFRS 4 aim to address the temporary accounting consequences of the different effective dates of IFRS 9 Financial Instruments and the forthcoming IFRS 17 Insurance Contracts. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17. The EU adoption regulation set the expiry date of the optional deferral of the application of IFRS 9 for entities that predominantly undertake insurance activities, including the insurance sector of a financial conglomerate, at 1 January 2023. There are no insurance companies in the UMH Group, so these amendments are not relevant to the UMH Group.

#### IFRS amendments not yet endorsed

The following new accounting standards issued by the IASB and the listed amendments to several accounting standards have not yet been endorsed by the EU:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts
- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Annual Improvements to IFRSs 2018 - 2020 Cycle
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of Accounting Policies,
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts and pursues the aim of a consistent, principle-based accounting for all insurance contracts. It sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts and requires the measurement of insurance liabilities at the current settlement value. The measurement generally takes place using a general model according to a 3-component approach. Insurance contracts with a term of less than one year can be shown using the simplified allocation method (Premium Allocation Approach).

The amendments to IFRS 17 comprise a collection of numerous selective adjustments with which the IASB intends to help entities adopt the standard without significantly reducing the usefulness of the information provided. The amendments deferred the date of initial application of IFRS 17 by two years to 1 January 2023.

The amendments to IAS 1 clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The amendments are applicable retrospectively for financial years beginning on or after 1 January 2023. No material impact on the UMH consolidated financial statements is expected.

The amendments to IFRS 3 update the standard’s references to the revised IFRS conceptual framework. These amendments also stipulate that, for the recognition of acquired liabilities within the scope of IAS 37 or IFRIC 21, the definitions found there are to be applied instead of the differing definitions of the revised conceptual framework.

The amendment to IAS 16 Property, Plant and Equipment clarifies that proceeds from selling items produced with an item of property, plant and equipment while bringing that asset to the condition necessary for it to be capable of operating are to be recognised immediately in profit or loss.

The amendments to IAS 37 clarify what costs are considered in assessing whether a contract is onerous. The cost of fulfilling a contract comprises all costs that relate directly to the contract. On the basis of the Annual Improvements, the 10 % test to be performed in accordance with IFRS 9 in assessing whether to derecognise a financial liability may only include fees paid or received between the entity and the creditor. If the test for modified or exchanged financial liabilities results in extinguishment, all costs and fees are to be recognised in profit or loss. In contrast, if the modification or exchange does not result in extinguishment, costs and fees are amortised over the remaining term of the modified liability by adjusting the carrying amount and effective interest rate, provided they do not constitute compensation for the modification of the cash flows for the liability (e.g. fee as compensation for an interest rate reduction). The latter are to be recognised in profit or loss in the modification entry. The amendments to IFRS 3, IAS 16, IAS 37 and the improvements to IFRSs are applicable for the first time to financial years beginning on or after 1 January 2022.

The amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of Accounting Policies stipulate that entities must disclose their main accounting policies. The amendments to IAS 1 are applicable for the first time to financial years beginning on or after 1 January 2023, with early application permitted. No material impact on the UMH consolidated financial statements is expected.

The amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates clarify the distinction between changes in accounting policies and changes in accounting estimates. The amendments to IAS 8 are applicable for the first time to financial years beginning on or after 1 January 2023, with early application permitted. In the UMH consolidated financial statements, the clarifications will be observed in the assessment of accounting matters after the date of initial application.

The above amendments are not expected to have a 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 20 subsidiaries (previous year: 15) in which UMH AG directly or indirectly holds more than 50 % of the shares or voting rights. 15 of these subsidiaries (previous year: ten) have their registered office in Germany, while five (previous year: five) are headquartered in other countries.

21 subsidiaries (previous year: twelve) 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.

Union Investment Real Estate Digital GmbH, Hamburg, was founded on 31 March 2020. The company is fully consolidated.

UMH AG acquired a further 45 % of the shares in ZBI Partnerschafts-Holding GmbH, Erlangen, with effect as at 29 October 2020, and now holds 94.9 % of the shares. Please refer to the section on business acquisitions (note [71]).

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

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

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

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

Four investment funds (previous year: five) 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 [68]).

### [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 fair value at the acquisition date or at the date on which control is acquired (note [67]).

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 (amortised in a separate account in subsequent years) are determined at the time the investments are included in the consolidated financial statements for the first time. The same rules are applied as for subsidiaries.

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

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

Investments in subsidiaries, joint ventures and associates that are of no material significance and are therefore not consolidated and equities and other shareholdings are recognised under investment securities and measured at fair value.

## [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. The assumptions underlying the determination of fair values for the measurement parameters and measurement methods used are presented in the notes on financial instruments in note [61].

### Impairment of financial assets

When testing financial assets in the “financial assets measured at amortised cost” category and the “financial assets measured at fair value through other comprehensive income” and financing

lease receivables for impairment, the estimated future cash flows from interest payments, the repayment of principal and the recovery of collateral must be determined. This requires estimates and assumptions regarding the amount and timing of future cash flows, which in turn give rise to some uncertainty. Factors influencing evidence of impairment, which are determined by discretionary decisions, include, for example, economic conditions, the financial performance of the counterparty and the amount of collateral held. In addition, as part of determining evidence of impairment for portfolios, parameters such as probability of default, which are calculated using statistical models, are included in the estimates and assumptions.

### 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.

The measurement bases and the assumptions and estimates used to determine the amount to be recognised for provisions are shown in note [52].

In June 2020, the method used to derive the interest rate for the measurement of pension obligations was refined on the basis of a change in Bloomberg’s bond classification system. Without this

refinement, the interest rate would be 33 basis points lower. For information on sensitivities to changes in the discount rate of pension obligations, please refer to note [52].

### 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 (note [24]).

### Estimate whether variable considerations within the meaning of IFRS 15 are limited

The fee for the asset management service, which consists of current remuneration, parts of the lump-sum remuneration and the performance-related management fee, should be recognised over the term in equal amounts for the term intervals of the range of services. Since the ongoing remuneration and the flat-rate fee are variable fees depending on the assets under management, this uncertainty is related to the total amount of the remuneration due over the term of the investment fund or an asset management agreement. The development of assets under management depends on the development of the fair value of the assets under management, on payments made or paid out to shareholders or deposits or disbursements on asset management mandates. Owing to the regulations of IFRS 15 for the limitation of the recognition of variable consideration, the variable remuneration in this case should not be fully included in the transaction price from the beginning. It is included only at the time in which the uncertainty is overcome, which is the case at each respective settlement date (usually monthly).

If performance-based remuneration components have been agreed, they are influenced, among other things, by market developments and thus by factors beyond the company’s control. Since this income is subject to a large number and a wide range of possible outcomes due to significant risks of a downturn on the capital markets which cannot be excluded, it can only then be included in the amount of the transaction price subject to the provisions of IFRS 15 on the limitation of the recognition of variable consideration if the outperformance criteria agreed for a defined benchmark and the agreed

assessment period have been met as there is no significant risk of cancellation up until this date.

If investment compensation has been agreed for property funds or other AIF property funds, it can only then be included in the amount of the transaction price due to the provisions of IFRS 15 on the limitation of the recognition of variable consideration if benefits and encumbrances have been transferred or in the case of portfolio developments as soon as payments in the investment funds are settled according to the construction progress.

## [6] Financial instruments

All financial assets and financial liabilities, including all derivatives, are recognised in the statement of financial position in accordance with IFRS 9. 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 IFRS 9 category to which they are assigned on addition. For financial assets, the category is determined by the business model and the fulfilment of the cash flow criterion.

### Categories of financial instruments

#### Financial assets at fair value through profit or loss (fair value PL)

Financial assets that are not measured at amortised cost or at fair value through other comprehensive income should be categorised as “financial assets at fair value through profit or loss”. This category comprises the subcategories below:

##### Financial assets mandatorily measured at fair value through profit or loss

The subcategory “financial assets mandatorily measured at fair value through profit or loss” includes financial assets that do not meet the cash flow condition under IFRS 9 or that are acquired with the intention to subsequent disposal in the near future. For this purpose, these financial assets must be part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term

profit-taking or they must be derivative financial instruments that are not designated as hedges in effective hedging relationships.

The UMH group assigns units in investment funds and part of the loans and advances to banks to this category. This category also includes debt instruments that also come under the “hold to collect” or “hold to collect and sell” business model but that do not fulfil the criterion for cash flows. Derivative financial instruments also come under this category.

##### Financial assets from contingent consideration through business combinations

This subcategory includes contingent considerations that the acquirer has classified as financial assets in a business combination or analogous application of IFRS 3 for transactions based on IAS 28.

There are currently no cases of this being applied at the UM Group.

##### Financial assets designated at fair value through profit or loss (fair value option)

Financial assets classified at fair value through profit or loss may be assigned to the subcategory “financial assets at fair value through profit or loss” if they are used to eliminate or substantially reduce recognition or measurement inconsistencies (accounting mismatches).

The fair value option was not used within the UMH Group.

#### Financial assets measured at fair value through other comprehensive income (fair value OCI)

The category comprises the subcategories below:

##### Financial assets mandatorily measured at fair value through other comprehensive income

Allocation to this category takes place if the financial asset is held within the framework of a business model whose objective is both the recognition of contractual cash flows and the sale of financial assets. In addition, the contractual terms of the financial asset on specified dates must result in cash flows

that are solely payments of principal and interest on the principal amount outstanding.

Due to the cash flow conditions, these financial assets consist exclusively of debt instruments. They are measured at fair value. Interest income, impairment losses and effects from the currency translation reserve should be recognised in profit or loss. Differences between amortised cost and fair value are recognised in other comprehensive income. The amounts recognised in other comprehensive income must be reclassified to profit and loss (recycling).

In the UMH Group, no debt instruments are measured at fair value through other comprehensive income as at the end of the reporting period.

##### Financial assets designated at fair value through other comprehensive income (fair value OCI option)

For equity instruments, the irrevocable option of designation is recognised as “financial assets at fair value through profit or loss” (fair value OCI option). Except for dividends not transferred to capital, changes in fair value are recognised in consolidated other comprehensive income. Cumulative consolidated other comprehensive income is not subsequently reclassified to the income statement (recycling), for example due to the disposal of the instrument. After disposal of these equity instruments, the accumulated other comprehensive income is reclassified to retained earnings. The general option to exercise the fair value OCI only applies to equity instruments that are not held for trading or are contingent consideration recognised by an acquirer in a business combination under IFRS 3.

For each new addition of an equity instrument, the UMH Group checks whether the option should be exercised. The option is currently being exercised for all equity instruments.

#### Financial assets measured at amortised cost

It is classified in this category if the financial asset is held within a business model whose objective is to hold financial assets for the recognition of contractual cash flows. The contractual terms of the financial asset results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (so-called cash flow condition). Financial assets in this category consist exclusively of debt instruments due to the

cash flow condition. They are measured at amortised cost using the effective interest rate method. Interest income, impairment losses and effects from the currency translation reserve should be recognised in profit or loss.

The UMH Group assigns the majority of its loans and advances to banks and customers and trade receivables recognised under other assets.

#### Financial liabilities measured at fair value through profit or loss (fair value PL)

Financial liabilities that are not measured at amortised cost should be categorised as “financial assets measured at fair value through other profit or loss”. The category comprises the subcategories below:

##### Financial liabilities mandatorily measured at fair value through profit or loss

The subcategory “financial liabilities mandatorily measured at fair value through profit or loss” includes financial liabilities that do not meet the cash flow condition under IFRS 9 or that are acquired with the intention to repayment in the near future. For this purpose, these financial liabilities must be part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking or they must be derivative financial instruments that are not designated as hedges in effective hedging relationships.

In the UMH Group, only derivative financial instruments are required to be measured at fair value through profit or loss on a regular basis.

##### Financial assets from contingent consideration through business combinations)

This subcategory includes contingent considerations that the acquirer has classified as financial liabilities in a business combination or analogous application of IFRS 3 for transactions based on IAS 28.

##### Financial liabilities measured at fair value through profit or loss (fair value option)

Financial liabilities measured at fair value through profit or loss may be assigned to the subcategory “financial liabilities at fair value through profit or loss” if they eliminate or significantly reduce recognition or measurement inconsistencies (accounting mismatches), which are managed as a portfolio based on the fair value or one or more embedded derivatives subject to separation.

No financial liabilities are measured at fair value through profit or loss in the UMH Group.

#### Financial liabilities measured at amortised cost (AC)

Financial liabilities are to be categorised as “financial liabilities measured at amortised cost” for subsequent measurement. This excludes “financial liabilities measured at fair value through profit or loss”, financial liabilities that arise when a transfer of a financial asset does not meet the derecognition requirement or the accounting is based on its continuing involvement, financial guarantees, credit commitments with a below-market interest rate and contingent consideration that is recognised by a purchaser in a business combination in accordance with IFRS 3.

The UMH Group allocates all its liabilities to banks and customers and recognises trade payables under other liabilities in the statement of financial position.

##### 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.

Differences between transaction prices and fair values are recognised in profit or loss on initial recognition if the fair value equals the quoted market price for an identical asset or liability in an active market or is based on a measurement method that uses data only from observable markets. If the fair value at the time of acquisition is derived from transaction prices and this is also used as a measure in the subsequent measurement, changes in the fair value are only recognised in profit or loss if they can be attributed to the change in observable market data. Differences not recognised upon initial recognition are distributed over the term of the relevant financial instruments and recognised accordingly.

Financial assets are derecognised if the contractual rights to cash flows from them expire or are transferred to third parties and there are no significant opportunities and risks associated with the financial assets. If the derecognition criteria for financial assets are not met, the transfer to third parties is accounted for as secured borrowing. Financial liabilities are derecognised if the contractual obligations have been settled, cancelled or expired.

##### Impairment losses and reversals of impairment losses on financial assets

Impairment losses in accordance with IFRS 9 apply only to financial assets that are debt instruments. Equity instruments are not within the scope of IFRS 9. Impairment losses must be recognised for the financial assets below:

- Financial assets pursuant to the IFRS 9 category “financial assets measured at amortised cost”
- Financial assets (only debt instruments) assigned to the IFRS 9 category “financial assets measured at fair value through other comprehensive income”
- Open credit commitments for a currently existing legal obligation to lend (irrevocable credit commitments) if these are not measured at fair value through profit and loss
- Financial guarantees if they are not measured at fair value through profit or loss
- Lease receivables
- Trade receivables and contract assets that come under the scope of IFRS 15

All financial assets are initially assigned to stage 1. Purchased or originated credit-impaired assets (POCI) are an exception. 12-month expected credit losses are the minimum risk assessment measurement for stage 1 assets.

At the end of each reporting period, the credit risk for each instrument is determined and checked to see whether it has significantly increased since the end of the previous reporting period. 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. Macroeconomic factors are not taken into account here as the volume of receivables that are not due daily is of minor importance.

Assets for which the credit risk has increased significantly since initial recognition but there is not any objective evidence that the assets are impaired are assigned to stage 2. The impairment for these assets should be measured at the amount of the lifetime expected credit losses.

It can simply be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (low credit risk exemption). For loans and thus also for promissory note loans, the application of low credit risk exemption in the UMH Group is excluded. However, securities with a low default risk are not subject to an examination for a significant increase in default risk. Investment grade securities are assigned to stage 1.

Financial assets that are classified as impaired on the basis of objective evidence must be assigned to stage 3. The impairment for these assets should be measured at the amount of the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets (POCI) must initially be recognised at their carrying amount less the expected credit losses over the full term and amortised accordingly at a risk-adjusted effective interest rate. As at the end of the reporting period, only the cumulative changes in lifetime expected credit losses since initial recognition shall be recognised as a loss allowance. These assets are not expected to transfer between stages.

The UMH Group uses a standardised default definition to assess the credit-impaired status of a financial asset. The definition of default is based on Article 178 CRR. This definition states that a default event has occurred after 90 days of default.

If a financial asset is more than 30 days past due, we deem the default risk to be significantly increased. Unrated receivables are based on expert assessments. Otherwise, the rating of the counterparty available is included.

For stage 1 and 2 assets held under IFRS 9's 'general approach', expected credit losses are calculated collectively. Discounted cash flow scenarios are used for stage 3 assets.

In calculating the expected credit losses, the derivation of the expected probability of default to be stated is based on publicly

available ratings from Moody's, S&P or Fitch. The available external ratings are mapped to a master scale (VR Note) specified by DZ BANK. Matrices with specific probabilities of default are used for each of the rating grades contained therein. If it is determined at the end of the reporting period that there is no longer a significant increase in the default risk compared with previous reporting dates, the affected financial assets will be transferred back to stage 1 and risk provisions reduced to the level of the expected 12-month credit loss. For a return back from stage 3, the default status is reversed in accordance with the regulatory definition only after a corresponding period of good conduct.

The simplified approach in accordance with IFRS 9.5.5.15 is used at the UMH Group, whereby for receivables within the scope of application of IFRS 15 and other trade receivables, the expected credit loss over the entire term is initially determined.

For receivables in the scope of the simplified approach, the provision rates to be applied are based on the past experience of the UMH Group. Commission receivables are predominantly current receivables in accordance with IFRS 15, the carrying amount of which, in the experience of the UMH Group, is not influenced by macroeconomic factors.

Direct impairment losses directly reduce the carrying amount of assets. Direct write-downs are recognised if it is expected that the receivable has become uncollectible. These are generally insignificant minimum amounts.

If significant contractual adjustments are made to financial assets, these are derecognised and initially recognised as a new asset. To assess whether there is a substantial modification, a quantitative criterion is used in addition to various qualitative criteria. The threshold here is a change in the present value of the renegotiated contractual cash flows compared to the present value of the original contractual cash flows, which is significant at more than 10%. We consider a significant modification to be appropriate if it involves one of the following types of contractual adjustments: Currency conversion, inclusion or adjustment of equity conversion rights, change of debtor, inclusion of collateral agreements with which the cash flow criterion of IFRS 9 is no longer met. We also consider a significant modification to be appropriate if other contractual adjustments, taking into account the overall circumstances, have changed the nature of a financial asset to such an extent that a new financial instrument exists

within the meaning of IFRS 9. For impaired assets (stage 3), the regulations for POCI apply. If contractual adjustments of financial assets have no material impact, they are reviewed for a significant increase in default risk compared to the original date of acquisition. In the case of modifications that do not result in the derecognition of the financial asset (non-significant contractual adjustments), the adjustment of the contractually agreed cash flows is recognised as the result of the modification in the amount of the difference between the originally agreed cash flows and the modified cash flows discounted with the original effective interest rate.

In the current reporting period, no changes have been made to the assumptions for the calculation or the input factors of expected credit losses.

#### Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative financial instrument (host) – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative, but a separate financial instrument.

If a hybrid contract contains a host contract that is a financial asset within the scope of IFRS 9, the requirements governing the categorisation of financial assets apply to the entire hybrid contract.

If a hybrid contract contains a host contract that is not a financial asset within the scope of IFRS 9, a derivative should be separated from the host contract and accounted for separately if:

- the economic characteristics and risks of the derivative are not closely related to the economic characteristics and risks of the host contract;
- the separate instrument with the same terms as the derivative would meet the definition of a derivative; and
- the host contract is not measured at fair value through profit or loss.

If these requirements are not met cumulatively, the embedded derivative may not be separated from the host contract. If an embedded derivative is separated, the host contract shall be accounted for in accordance with the appropriate Standards.

If a contract contains one or more embedded derivatives and the host contract is not a financial asset within the scope of IFRS 9, the entire hybrid contract can be designated at fair value through profit or loss. This does not apply to cases in which embedded derivatives only insignificantly change the contractual cash flows, or if when initially assessing comparable hybrid instruments with little or no analysis it is apparent that embedded derivatives should be separated.

### Classes of financial instruments

The classes of financial instruments correspond to line items in the statement of financial position (note [57]).

#### [7] Fair value measurement of financial instruments

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

#### [8] Currency translation

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

are recognised either in profit or loss or in other comprehensive income.

If the functional currency of subsidiaries included in the financial statements of the UMH Group is different from the group's reporting currency (euro), all assets and liabilities are translated at the closing rate. 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] Loans and advances to banks and customers

Loans and advances to banks and customers include all receivables that are categorised either as "financial assets measured at amortised cost", "financial assets at fair value through profit or loss", or "financial assets measured at fair value through other comprehensive income".

Loans and advances to banks and customers are measured at amortised cost using the effective interest method if they meet the cash flow criterion of IFRS 9 and are managed within the "hold to collect" business model. The fair value option was not used by the UMH Group for receivables.

Interest income from loans and advances to banks and customers is recognised under interest income from lending and money market operations.

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

Allowances for losses on loans and receivables for cash reserve, loans and advances to banks and customers, financial assets and other assets, which are categorised at amortised cost or classified as finance leases, are deducted from assets as a separate item in the statement of financial position. Additions to and reversals of risk provisions for these financial position items are recognised in profit or loss as allowances for losses.

Uncollectible loans and receivables are written off immediately; any subsequent receipts from loans and receivables already written off are recognised in the income statement.

Loan loss provisions also include changes to provisions for financial guarantees. Additions to and reversals of provisions for financial guarantees are also recognised through profit or loss in allowances for losses on loans and receivables.

#### [12] Investment securities

Investment securities comprise bearer bonds and other fixed income securities, equities and other variable-yield securities and other shareholdings and investments in companies that are not materially significant, except where such securities or shares are not classified as held for trading. Investment securities also include shares in unconsolidated subsidiaries and investments in joint ventures and associates not accounted for using the equity method.

This item mainly consists of investment fund units. These investments comprise short-term investments for the purposes of liquidity management (liquidity), initial funding for newly launched funds (funding), investments in pension plans or employee retention programmes (employee investments) or longer-term capital investments (strategic investments). In addition, temporary investments in funds used to protect the liquidity of these funds are allocated to the 'funding' category.

The initial recognition of investment securities is generally based on fair value. The subsequent measurement of these financial assets depends on the IFRS 9 category to which they are assigned on acquisition. Gains and losses on the remeasurement of investment securities are reported under other net remeasurement income on financial instruments.

If these portfolios are equity instruments, they must be measured at fair value through profit and loss. In the UMH Group, the fair value OCI option was used for investments and unconsolidated subsidiaries held as at 1 January 2018. In the event of acquisitions of new equity instruments after 1 January 2018, the decision on whether to use the fair value OCI option is made on a case-by-case basis. If this item is a debt instrument, as is regularly the case with our own investments in investment fund units, it must be measured at fair value through profit or loss because the cash flow criterion of IFRS 9 is not met for these assets.

### [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. Gains, losses, impairment losses and reversals of impairment losses on investments in associates and investments in joint ventures accounted for using the equity method are recognised in net income from investment securities.

### [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 are measured at cost less depreciation, which is reduced by cumulative depreciation and cumulative impairment losses in subsequent financial years. Depreciation is calculated on a straight-line basis over the useful life. Land is not depreciated.

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.

If there are indications due to facts or circumstances that the assets may be impaired, the recoverable amount is determined. An impairment loss is recognised if the recoverable amount is less than the carrying amount at which the asset is recognised. The recoverable amount is the higher of the fair value less costs to sell and value in use.

The depreciation expense on property is recognised as an administrative expense. Impairment losses and gains are recognised in other operating income (note [33]).

### [15] Intangible assets

In addition to purchased and internally generated software, intangible assets also include distribution and exclusive rights, customers and goodwill.

Intangible assets are recognised at cost. For the purpose of subsequent measurement, software, purchased customer relationships and other intangible assets with a finite useful life are reduced by cumulative depreciation and cumulative impairment losses.

If there are indications (triggering events) 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. In the event of indications of impairment, these assets are also subjected to an ad hoc impairment test.

The amortisation expense on intangible assets is included in administrative expenses (note [32]). Impairment losses, reversals of impairment losses and gains and losses on disposals of intangible assets are recognised under other operating result (note [33]).

### [16] Right of use assets

Right of use assets under rental and lease agreements that have been capitalised under IFRS 16 are recognised under this item.

At the UMH Group, right of use assets are initially measured at the amount of the lease liabilities (note [22]), adjusted to take account of any prepaid or accrued lease payments for the lease in question. During subsequent measurement, the right of use

asset is measured at amortised cost less accumulated depreciation and impairment losses and taking into account any remeasurements of the lease liabilities.

They are depreciated in accordance with IAS 16 over the expected term of the lease. Depreciation is recognised in administrative expenses (note [32]).

The company elected not to capitalise these right of use assets for short-term leases with a term of less than one year and for leases of low-value assets.

If there are indications due to facts or circumstances that the assets may be impaired, the recoverable amount is determined. An impairment loss is recognised if the recoverable amount is less than the carrying amount at which the asset is recognised. The recoverable amount is the higher of the fair value less costs to sell and value in use. Impairment losses and gains are recognised in other operating income (note [33]). The provisions set out in IAS 36 Impairment of Assets are to be used to calculate impairment.

### [17] 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 [33]).

Occasionally, the UMH Group has holdings of funding provided for a number of investment funds, as a result of which the group is in a position to exercise control over the fund concerned. These holdings are consolidated unless they satisfy the criteria to be classified as "held for sale" as a disposal group and are reported according to IFRS 5. This is the case if the UMH Group actively endeavours to sell off the holdings immediately in order to ensure that the funding is repaid and if it is highly probable that the investment funds concerned will no longer be under the control of the UMH Group within one year of the initial acquisition of the holdings. They are measured at fair value in line with IFRS 9 in accordance with IFRS 5.5(c).

#### [18] Liabilities to banks and customers

Liabilities to banks and customers include all registered liabilities which are not classified as "held for trading". Liabilities to banks and customers are generally recognised at cost using the effective interest method. The fair value option was not used by the UMH Group for financial liabilities.

Interest expenses for liabilities to banks and customers are recognised separately in net interest income.

#### [19] 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 economic intention to hedge, the requirements for hedge accounting have not been met. Gains and losses on the re-meas-

urement of these items are reported under other net remeasurement income on financial instruments.

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

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

Under the 'Asset derivatives' statement of financial position item, a call option was capitalised in the previous year that entitled UMH AG to acquire additional shares in ZBI Partnerschafts-Holding GmbH. In addition, UMH AG recognised put options in the previous year, as the writer, that entitled the option holder to offer UMH AG shares in ZBI Partnerschafts-Holding GmbH. These were reported under the 'Liability derivatives' item in the previous year. Please see the information in note [71].

When determining the carrying amounts of market values from derivative financial instruments, valuation haircuts for counterparty credit risk (CVA) or own credit risk (DVA) are taken into account, if necessary.

#### [20] 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 0.75 % (previous year: 1.00 %). Mortality and invalidity assumptions are derived from the Heubeck 2018 G mortality tables.

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.

## [21] Other provisions

Other provisions are recognised in accordance with IAS 37.

Provisions are liabilities of uncertain timing or amount. They are recognised for present obligations arising from past events if an outflow of resources embodying economic benefits is likely and a reliable estimate of the obligation can be made.

The provisions are recognised and measured in the amount of best estimate of the present value of the expected utilisation, accounting for the risks and uncertainties associated with the respective issue as well as future events.

Provisions for financial guarantees that fall within the scope of IFRS 9 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.

## [22] Lease liabilities

Liabilities under leases and rental agreements in accordance with IFRS 16 are to be disclosed under this item. They are measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the rental agreement or, if this interest rate cannot be readily determined, using the lessee's company-specific incremental borrowing rate. Taking into account the lease term, the incremental borrowing rates are calculated on the basis of observable swap curves (base curve) with the same currency, supplemented by a credit spread.

Contractually granted renewal options extending beyond the basic lease term are taken into account at the time of initial acquisition, provided it is probable at the time of acquisition that the renewal option will be exercised. In the case of renewal options where the rent after renewal is equal to or higher than the rent during the basic lease term, it is not considered sufficiently certain that the renewal option will be exercised. This assumption can be refuted in an individual case if the economic consequences for the lessee of not exercising the renewal option, taking into account factors specific to the contract, the asset and the company and market-based factors, would be significant. The probability of renewal options for individual contracts being exercised is regularly assessed with the departments responsible at the time of initial acquisition and for subsequent measurement purposes.

Interest expenses on lease liabilities are reported in net interest income (note [26]).

## [23] Income

### Interest and dividends

Interest is recognised using the effective interest method and recognised on an accrual basis.

The cash flows used to calculate the effective interest rate used take account of contractual arrangements in connection with the respective financial assets and financial liabilities.

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

### Revenue from contracts with customers

In the UMH Group, contracts are concluded that may include the provision of multiple services. The resulting revenue is posted separately if a service is to be classified as a separately definable performance obligation.

Revenue from contracts with customers 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 income can be reliably determined. Thus, income is either recognised over the period in which the underlying services are performed or recognised directly in profit or loss after the service has been performed.

In the UMH Group, revenue from contracts with customers is primarily commission income.

Commissions earned over the period of the performance obligations include, in particular, fees for the management of investment funds or for asset management in other formats, as well as for the holding of securities ("union depots").

The UMH Group receives performance-based management fees from some contracts. These are contingent upon exceeding agreed absolute or relative outperformance criteria that vary from product to product and may include monthly, quarterly, annual or longer

measurement periods. In the case of performance-based management fees, revenue is received when the amount of that provision can be reliably estimated and it is highly likely that there will be no significant reversal in the recognised revenue as soon as uncertainty ceases to exist. Due to the risks of a downturn on the capital markets which cannot be excluded, these commissions are therefore regularly collected if the agreed outperformance criteria have been met in relation to the defined benchmark and the measurement period, as there is no significant risk of cancellation up until this date.

For some contracts with customers, the asset management companies of the UMH Group have the option of involving third parties in the provision of services to customers. In these cases, with few exceptions, the UMH Group is generally regarded as the originator ("principal") of these agreements because it has the power to dispose of the services promised to the customers.

The practical expedient waiver to adjust consideration to impact from a financing component (IFRS 15.63), recognition of costs of obtaining a contract as an expense (IFRS 15.94) and waiver of performance obligations (IFRS 15.121) are applied.

#### [24] 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 German companies was 15.4% (previous year: 15.4%). Deferred tax assets and liabilities arose in connection with differences between the carrying amounts of assets and liabilities in accordance with IFRS and those in the tax base. These differences are expected to affect income tax liabilities or refunds in the future (temporary differences). Deferred taxes were measured using the tax rates expected to apply in the country of the company concerned in the period in which the taxes will actually be paid or recovered. Deferred tax assets for as yet unused tax loss carry-forwards are only recognised if it is probable that there will be sufficient future taxable profits in the same tax entity against which the losses

can be utilised. Current tax receivables and payables are reported separately and are not netted, nor are they discounted.

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

Other, non-income-related taxes are reported under other operating result (note [33]).

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

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

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

The UMH Group also needs to make estimates to determine whether any impairment losses need to be recognised on

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

#### [25] 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 that arise from past events but which are not recognised because of the improbability of an outflow of resources embodying economic benefits or for which a sufficiently reliable estimate of the amount cannot be made also constitute contingent liabilities.

The amount of contingent liabilities is disclosed in the notes, unless the possibility of an outflow of resources embodying economic benefits is extremely low.

Contingent liabilities are measured at the best estimate of possible future utilisation.

Contingent liabilities for litigation risks are recognised when the conditions for recognising a provision have not been met, but the possibility that the litigation will result in a liability for a UMH Group entity is not unlikely. Risks from legal disputes are measured according to the probability of them occurring.

## Consolidated income statement disclosures

### [26] Net interest income

|  | 2020         | 2019          | Change        |
|--|--------------|---------------|---------------|
|  | EUR thousand | EUR thousand  | EUR thousand  |
| <b>Interest income and current</b>                     | <b>7,047</b> | <b>8,583</b>  | <b>-1,536</b> |
| from lending and money market operations               | 22           | 116           | -94           |
| from negative interest on financial assets             | -1,704       | -1,335        | -369          |
| from investment fund units                             | 7,297        | 8,180         | -883          |
| from other receivables                                 | 26           | 14            | 12            |
| from equity investments                                | 6            | 8             | -2            |
| from investments in subsidiaries                       | 1,400        | 1,600         | -200          |
| <b>Income from profit and loss transfer agreements</b> | <b>168</b>   | <b>-</b>      | <b>168</b>    |
| <b>Interest expenses</b>                               | <b>-988</b>  | <b>-2,328</b> | <b>1,340</b>  |
| for liabilities to banks and customers                 | -81          | -1,077        | 996           |
| for lease liabilities                                  | -887         | -994          | 107           |
| for other liabilities                                  | -20          | -257          | 237           |
| <b>Total</b>   | <b>6,227</b> | <b>6,255</b>  | <b>-28</b>    |

Interest income collected using the effective interest method amounts to EUR 22 thousand (previous year: EUR 116 thousand).

### [27] Allowances for losses on loans and receivables

|   | 2020         | 2019         | Change       |
|---|--------------|--------------|--------------|
|   | EUR thousand | EUR thousand | EUR thousand |
| <b>Allowances for losses on loans and advances to banks</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     |
| Addition  | -            | -            | -            |
| Reversal  | -            | -            | -            |
| Net income from modification                                    | -            | -            | -            |
| Directly recognised impairment losses                           | -            | -            | -            |
| Receipts from directly recognised loans and receivables         | -            | -            | -            |
| <b>Allowances for losses on loans and advances to customers</b> | <b>-17</b>   | <b>-54</b>   | <b>37</b>    |
| Addition  | -            | -            | -            |
| Reversal  | -            | -            | -            |
| Net income from modification                                    | -            | -            | -            |
| Directly recognised impairment losses                           | -18          | -55          | 37           |
| Receipts from directly recognised loans and receivables         | 1            | 1            | -            |
| <b>Allowances for other receivables</b>                         | <b>-</b>     | <b>-</b>     | <b>-</b>     |
| Addition  | -            | -            | -            |
| Reversal  | -            | -            | -            |
| Net income from modification                                    | -            | -            | -            |
| Directly recognised impairment losses                           | -            | -            | -            |
| Receipts from directly recognised loans and receivables         | -            | -            | -            |
| <b>Total</b>  | <b>-17</b>   | <b>-54</b>   | <b>37</b>    |

Contracts with customers within the meaning of IFRS 15 account for an impairment loss of EUR -18 thousand (previous year: EUR -55 thousand).

**[28] Net fee and commission income**

|                                    | <b>2020</b>       | <b>2019</b>       | <b>Change</b>  |
|------------------------------------|-------------------|-------------------|----------------|
|                                    | EUR thousand      | EUR thousand      | EUR thousand   |
| <b>Fee and commission income</b>   | <b>2,780,044</b>  | <b>2,629,086</b>  | <b>150,958</b> |
| from sales commission              | 377,843           | 391,705           | -13,862        |
| from management fees               | 2,228,892         | 2,070,272         | 158,620        |
| from securities custody accounts   | 53,902            | 53,616            | 286            |
| Other                              | 119,407           | 113,493           | 5,914          |
| <b>Fee and commission expenses</b> | <b>-1,214,155</b> | <b>-1,161,088</b> | <b>-53,067</b> |
| for volume-based commission        | -760,676          | -729,382          | -31,294        |
| for revenue-based commission       | -343,564          | -351,680          | 8,116          |
| for securities custody accounts    | -4,592            | -4,715            | 123            |
| Other                              | -105,323          | -75,311           | -30,012        |
| <b>Total</b>                       | <b>1,565,889</b>  | <b>1,467,998</b>  | <b>97,891</b>  |

Commission income is attributable to revenue from contracts with customers including funds.

The volume-based sales commission generated from the sale of fund units with a front-end fee, which is dependent on the transaction volume is used, among other things, to cover sales and marketing expenses. The amount of front-end fees is calculated in each case according to a percentage surcharge on the net asset value of the fund unit issued under investment conditions. Front-end fees are recognised at the date of the sale.

The management fees represent the payment of consideration for the 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. In the case of performance-based management fees, revenue is received if the agreed outperformance criteria have been met in relation to a defined benchmark and the agreed measurement period, as there is no significant risk of cancellation up until this date. Flat-rate payments are partly levied to cover costs defined in the contract. The ongoing management fees and lump-sum payments, which are contractually agreed as a percentage of the assets under management, are recognised over a period of time and generally settled on a monthly basis.

Management fees also include investment compensation agreed for the management of the property funds or other alternative investment vehicles. These are collected at the time of the transfer of benefits and encumbrances or, in the case of project developments, at the time the payments are settled in the investment funds in accordance with construction progress.

The management fees shown in the table above include commission income which the management companies of the UMH Group receive for the execution of securities lending transactions for the account of the customers. Any income is received over the period in which the service was performed. The commission income from securities lending transactions is distributed between the group's management companies and investment funds or the assets managed for clients in other formats, from which the securities are lent.

Income from securities custody accounts is primarily attributable to recognising custody account fees over a period for the union depots held by Union Investment Service Bank AG, Frankfurt am Main. These custody account fees are accrued monthly as receivables and are usually collected in December. This also includes fees for other services provided as part of the custody account management, which are collected at the time the service is provided.

Other fee and commission income includes income from the brokerage of investment funds of external asset management companies.

**[29] Net income from investment securities**

|   | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|---|----------------------|----------------------|------------------------|
| <b>Gains and losses from the disposal of shares and other variable-yield securities (including other shareholdings)</b> | <b>-5,018</b>        | <b>2,443</b>         | <b>-7,461</b>          |
| Gains and losses from the disposal of investment fund units   | -5,018               | 2,443                | -7,461                 |
| <b>Gains and losses on the sale or change in fair value of investments in associates</b>                                | <b>48,496</b>        | <b>–</b>             | <b>48,496</b>          |
| Realised net income from investments in associates  | 48,496               | –                    | 48,496                 |
| <b>Total</b>  | <b>43,478</b>        | <b>2,443</b>         | <b>41,035</b>          |

**[30] Other net remeasurement income on financial instruments**

|  | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|--|----------------------|----------------------|------------------------|
| <b>Gains and losses on derivatives used for purposes other than trading</b>                              | <b>-96,954</b>       | <b>-58,311</b>       | <b>-38,643</b>         |
| Fair value gains and losses on derivatives used for purposes other than trading                          | -95,487              | -52,850              | -42,637                |
| Realised gains and losses on derivatives used for purposes other than trading                            | -1,467               | -5,461               | 3,994                  |
| <b>Income from financial assets mandatorily measured at fair value through profit or loss</b>            | <b>13,775</b>        | <b>14,901</b>        | <b>-1,126</b>          |
| Income from financial assets mandatorily measured at fair value through profit or loss                   | 13,775               | 14,901               | -1,126                 |
| Net remeasurement income from investment units mandatorily measured at fair value through profit or loss | 13,775               | 14,901               | -1,126                 |
| <b>Total</b>   | <b>-83,179</b>       | <b>-43,410</b>       | <b>-39,769</b>         |

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

|                       | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|-----------------------|----------------------|----------------------|------------------------|
| <b>Joint ventures</b> | <b>5,869</b>         | <b>6,578</b>         | <b>-709</b>            |
| <b>Associates</b>     | <b>-1,266</b>        | <b>27,293</b>        | <b>-28,559</b>         |
| <b>Total</b>          | <b>4,603</b>         | <b>33,871</b>        | <b>-29,268</b>         |

**[32] Administrative expenses**

|   | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|---|----------------------|----------------------|------------------------|
| <b>Staff costs</b>                                  | <b>-451,965</b>      | <b>-428,002</b>      | <b>-23,963</b>         |
| Wages and salaries                                  | -393,468             | -374,560             | -18,908                |
| Social security contributions                       | -42,779              | -38,728              | -4,051                 |
| Pensions and other post-employment benefit expenses | -15,718              | -14,714              | -1,004                 |
| <b>Other administrative expenses</b>                | <b>-390,552</b>      | <b>-412,742</b>      | <b>22,190</b>          |
| IT expenses   | -109,026             | -105,488             | -3,538                 |
| Consulting  | -61,026              | -57,883              | -3,143                 |
| Public relations/marketing                          | -59,050              | -75,246              | 16,196                 |
| Office expenses                                     | -37,807              | -45,867              | 8,060                  |
| Property and occupancy costs                        | -23,081              | -21,834              | -1,247                 |
| Miscellaneous                                       | -100,562             | -106,424             | 5,862                  |
| <b>Depreciation and amortisation expense</b>        | <b>-76,577</b>       | <b>-68,704</b>       | <b>-7,873</b>          |
| Property, plant and equipment                       | -4,947               | -4,807               | -140                   |
| Intangible assets                                   | -42,893              | -38,603              | -4,290                 |
| Right of use assets                                 | -28,737              | -25,294              | -3,443                 |
| <b>Total</b>  | <b>-919,094</b>      | <b>-909,448</b>      | <b>-9,646</b>          |

**[33] Other operating result**

|  | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|--|----------------------|----------------------|------------------------|
| <b>Other operating income</b>  | <b>36,474</b>        | <b>33,133</b>        | <b>3,341</b>           |
| Income from the reversal of deferred liabilities   | 16,354               | 11,839               | 4,515                  |
| Income from the refund of other taxes  | 4,240                | 6,637                | -2,397                 |
| Reversals of impairment losses on intangible assets  | 975                  | -                    | 975                    |
| Income from exchange differences on currency translation   | 671                  | 176                  | 495                    |
| Income from the reversal of provisions   | 197                  | 979                  | -782                   |
| Rental income  | 218                  | 471                  | -253                   |
| Other income from leases   | 0                    | 1                    | -1                     |
| Income from deconsolidation  | -                    | 847                  | -847                   |
| Miscellaneous other operating income   | 13,819               | 12,183               | 1,636                  |
| <b>Other operating expenses</b>  | <b>-4,966</b>        | <b>-13,608</b>       | <b>8,642</b>           |
| Expenses for other taxes   | -1,080               | -9,392               | 8,312                  |
| Write-downs on purchased customer relationships  | -994                 | -474                 | -520                   |
| Expenses for exchange differences on currency translation  | -277                 | -331                 | 54                     |
| Expenses from loss absorption  | -175                 | -                    | -175                   |
| Expenses for restructuring measures  | -25                  | -                    | -25                    |
| Other expenses from leases   | 0                    | -36                  | 36                     |
| Miscellaneous other operating expenses   | -2,415               | -3,375               | 960                    |
| <b>Net earnings from non-current assets held for sale and disposal groups that do not represent a component of an entity</b> | <b>-</b>             | <b>73,006</b>        | <b>-73,006</b>         |
| Net earnings from disposal groups held for sale that do not represent a component of an entity                               | -                    | 73,006               | -73,006                |
| <b>Total</b>   | <b>31,508</b>        | <b>92,531</b>        | <b>-61,023</b>         |

**[34] Income taxes**

The breakdown of income taxes is as follows:

|                            | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|----------------------------|----------------------|----------------------|------------------------|
| <b>Current tax expense</b> | <b>-210,812</b>      | <b>-187,254</b>      | <b>-23,558</b>         |
| <b>Deferred taxes</b>      | <b>21,588</b>        | <b>17,580</b>        | <b>4,008</b>           |
| <b>Total</b>               | <b>-189,224</b>      | <b>-169,674</b>      | <b>-19,550</b>         |

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

|   | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|---|----------------------|----------------------|------------------------|
| <b>Consolidated earnings before taxes</b>                             | <b>649,415</b>       | <b>650,186</b>       | <b>-771</b>            |
| <b>x income tax rate</b>  | <b>31.260%</b>       | <b>31.260%</b>       | <b>-</b>               |
| <b>= expected income tax expense in financial year</b>                | <b>203,007</b>       | <b>203,248</b>       | <b>-241</b>            |
| Deduction from tax owing to tax-exempt income                         | -22,674              | -41,169              | 18,495                 |
| Additional taxes due to non-deductible expenses                       | 4,371                | 5,936                | -1,565                 |
| Trade tax variance  | 4,713                | 5,423                | -710                   |
| Tax rate differences on income subject to taxation in other countries | -6,128               | -4,274               | -1,854                 |
| Effects of tax rate changes and new taxes                             | -                    | -17                  | 17                     |
| Current tax expense/income relating to prior periods                  | -1,687               | -914                 | -773                   |
| Deferred tax expense/income relating to prior periods                 | 4,937                | 256                  | 4,681                  |
| Change in impairment of deferred tax assets                           | -128                 | -155                 | 27                     |
| Other   | 2,813                | 1,340                | 1,473                  |
| <b>Tax expense in accordance with IFRS</b>                            | <b>189,224</b>       | <b>169,674</b>       | <b>19,550</b>          |

The deferred tax income attributable to temporary differences or the reversal thereof that did not result from either loss carry-forwards or tax rate differences amounted to EUR 26,524 thousand (previous year: EUR 17,836 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

### [35] Amounts reclassified to profit or loss

Exchange differences on currency translation of foreign subsidiaries held for sale in the amount of EUR -3,508 thousand were reclassified to the consolidated income statement in the previous year due to the change in the consolidated group. EUR -8 thousand was incurred in losses from the currency translation of foreign subsidiaries held for sale in the previous year.

As in the previous year, there were no additional reclassifications from other comprehensive income to the consolidated income statement in the financial year.

**[36] 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:

|   | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|---|----------------------|----------------------|------------------------|
| <b>Amounts reclassified to profit or loss (before taxes)</b>  | <b>-4,608</b>        | <b>1,655</b>         | <b>-6,263</b>          |
| <b>Income taxes relating to components of other comprehensive income</b>  | <b>-</b>             | <b>0</b>             | <b>0</b>               |
| <b>Amounts reclassified to profit or loss (after taxes)</b>   | <b>-4,608</b>        | <b>1,655</b>         | <b>-6,263</b>          |
| Exchange differences on currency translation of foreign subsidiaries (before taxes)   | -                    | -8                   | 8                      |
| Income taxes relating to components of other comprehensive income   | -                    | 0                    | 0                      |
| <b>Exchange differences on currency translation of foreign subsidiaries (after taxes)</b>                                       | <b>-</b>             | <b>-8</b>            | <b>8</b>               |
| Share of other comprehensive income of joint ventures and associates accounted for using the equity method (before taxes)       | -4,608               | 1,663                | -6,271                 |
| Income taxes relating to components of other comprehensive income   | -                    | -                    | -                      |
| <b>Share of other comprehensive income of joint ventures and associates accounted for using the equity method (after taxes)</b> | <b>-4,608</b>        | <b>1,663</b>         | <b>-6,271</b>          |
| <b>Amounts not reclassified to profit or loss (before taxes)</b>  | <b>-14,909</b>       | <b>-10,794</b>       | <b>-4,115</b>          |
| <b>Income taxes relating to components of other comprehensive income</b>  | <b>-2,661</b>        | <b>7,281</b>         | <b>-9,942</b>          |

|   | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|---|----------------------|----------------------|------------------------|
| <b>Amounts not reclassified to profit or loss (after taxes)</b>   | <b>-17,570</b>       | <b>-3,513</b>        | <b>-14,057</b>         |
| Gains and losses from equity instruments for which the fair value OCI option was exercised (before taxes)       | -116                 | 1,882                | -1,998                 |
| Income taxes relating to components of other comprehensive income   | -76                  | -21                  | -55                    |
| <b>Gains and losses from equity instruments for which the fair value OCI option was exercised (after taxes)</b> | <b>-192</b>          | <b>1,861</b>         | <b>-2,053</b>          |
| Actuarial gains and losses on defined benefit plans (before taxes)  | -14,793              | -12,676              | -2,117                 |
| Income taxes relating to components of other comprehensive income   | -2,585               | 7,302                | -9,887                 |
| <b>Actuarial gains and losses on defined benefit plans (after taxes)</b>  | <b>-17,378</b>       | <b>-5,374</b>        | <b>-12,004</b>         |
| <b>Other comprehensive income (before taxes)</b>  | <b>-19,517</b>       | <b>-9,139</b>        | <b>-10,378</b>         |
| <b>Income taxes relating to components of other comprehensive income</b>  | <b>-2,661</b>        | <b>7,281</b>         | <b>-9,942</b>          |
| <b>Other comprehensive income (after taxes)</b>   | <b>-22,178</b>       | <b>-1,858</b>        | <b>-20,320</b>         |

## Consolidated statement of financial position disclosures

### [37] Cash reserve

|              | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--------------|------------------------------|------------------------------|------------------------|
| Cash in hand | 44                           | 17                           | 27                     |
| <b>Total</b> | <b>44</b>                    | <b>17</b>                    | <b>27</b>              |

### [38] Loans and advances to banks

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Loans and advances to banks in Germany</b>      | <b>561,031</b>               | <b>510,566</b>               | <b>50,465</b>          |
| of which repayable on demand                       | 558,087                      | 509,188                      | 48,899                 |
| <b>Loans and advances to banks outside Germany</b> | <b>30,995</b>                | <b>30,929</b>                | <b>66</b>              |
| of which repayable on demand                       | 28,111                       | 27,837                       | 274                    |
| <b>Total</b>                                       | <b>592,026</b>               | <b>541,495</b>               | <b>50,531</b>          |

The maximum risk for receivables is the carrying amount.

### [39] Loans and advances to customers

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Loans and advances to customers in Germany</b>      | <b>41,947</b>                | <b>66,779</b>                | <b>-24,832</b>         |
| <b>Loans and advances to customers outside Germany</b> | <b>38,264</b>                | <b>42,663</b>                | <b>-4,399</b>          |
| <b>Total</b>   | <b>80,211</b>                | <b>109,442</b>               | <b>-29,231</b>         |

The carrying amount is the maximum credit risk for all receivables. There are no secured receivables (previous year: none).

There are no employer loans to salaried staff (previous year: none).

In addition, they include receivables from customers of EUR 5,466 thousand (previous year: EUR 5,869 thousand) in respect of deferred custody account fees for investment accounts under Germany's Capital Accumulation Act (VermBG).

### [40] Asset derivatives

|                                | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--------------------------------|------------------------------|------------------------------|------------------------|
| <b>From other transactions</b> | <b>-</b>                     | <b>28,136</b>                | <b>-28,136</b>         |
| <b>Total</b>                   | <b>-</b>                     | <b>28,136</b>                | <b>-28,136</b>         |

### [41] Investment securities

|   | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|---|------------------------------|------------------------------|------------------------|
| <b>Equities and other variable-yield securities</b> | <b>1,686,246</b>             | <b>1,477,112</b>             | <b>209,134</b>         |
| Equities  | 31                           | 31                           | -                      |
| Investment fund units                               | 1,678,894                    | 1,470,948                    | 207,946                |
| Other shareholdings                                 | 7,321                        | 6,133                        | 1,188                  |
| <b>Investments in subsidiaries</b>                  | <b>56,804</b>                | <b>26,361</b>                | <b>30,443</b>          |
| <b>Total</b>  | <b>1,743,050</b>             | <b>1,503,473</b>             | <b>239,577</b>         |

## Changes in investment securities

|   | Equities and other variable-yield securities | Investments in subsidiaries | Total            |
|---|--|-----------------------------|------------------|
|   | EUR thousand                                 | EUR thousand                | EUR thousand     |
| <b>Carrying amount as at 1 Jan. 2019</b>  | <b>975,205</b>                               | <b>22,847</b>               | <b>998,052</b>   |
| <b>Cost as at 1 Jan. 2019</b>   | <b>990,683</b>                               | <b>6,650</b>                | <b>997,333</b>   |
| Additions   | 840,727                                      | 2,239                       | 842,966          |
| Reclassifications   | -13,992                                      | –                           | -13,992          |
| Disposals   | -337,379                                     | –                           | -337,379         |
| Currency translation  | 0  | –                           | 0                |
| <b>Cost as at 31 Dec. 2019</b>  | <b>1,480,039</b>                             | <b>8,889</b>                | <b>1,488,928</b> |
| <b>Cumulative changes resulting from measurement at fair value as at 1 Jan. 2019</b>                          | <b>-15,478</b>                               | <b>16,197</b>               | <b>719</b>       |
| Changes recognised in other comprehensive income resulting from measurement at fair value in reporting period | 607  | 1,275                       | 1,882            |
| Changes resulting from measurement at fair value through profit or loss in reporting period                   | 12,431                                       | –                           | 12,431           |
| Reclassifications (measurement at fair value)   | -4,023                                       | –                           | -4,023           |
| Disposals (measurement at fair value)   | 3,536  | –                           | 3,536            |
| Changes resulting from currency translation (measurement at fair value)                                       | 0  | –                           | 0                |
| <b>Cumulative changes resulting from measurement at fair value as at 31 Dec. 2019</b>                         | <b>-2,927</b>                                | <b>17,472</b>               | <b>14,545</b>    |
| <b>Carrying amount as at 31 Dec. 2019</b>   | <b>1,477,112</b>                             | <b>26,361</b>               | <b>1,503,473</b> |

|   | Equities and other variable-yield securities | Investments in subsidiaries | Total            |
|---|--|-----------------------------|------------------|
|   | EUR thousand                                 | EUR thousand                | EUR thousand     |
| <b>Cost as at 1 Jan. 2020</b>   | <b>1,480,039</b>                             | <b>8,889</b>                | <b>1,488,928</b> |
| Additions   | 812,030                                      | 50                          | 812,080          |
| Reclassifications   | 1  | –                           | 1                |
| Disposals   | -614,498                                     | -50                         | -614,548         |
| Change in the consolidated group – additions  | 1  | 31,746                      | 31,747           |
| <b>Cost as at 31 Dec. 2020</b>  | <b>1,677,573</b>                             | <b>40,635</b>               | <b>1,718,208</b> |
| <b>Cumulative changes resulting from measurement at fair value as at 1 Jan. 2020</b>                          | <b>-2,927</b>                                | <b>17,472</b>               | <b>14,545</b>    |
| Changes recognised in other comprehensive income resulting from measurement at fair value in reporting period | 1,187  | -1,303                      | -116             |
| Changes resulting from measurement at fair value through profit or loss in reporting period                   | 15,510                                       | –                           | 15,510           |
| Reclassifications (measurement at fair value)   | -1,479                                       | –                           | -1,479           |
| Disposals (measurement at fair value)   | -3,618                                       | 0                           | -3,618           |
| <b>Cumulative changes resulting from measurement at fair value as at 31 Dec. 2020</b>                         | <b>8,673</b>                                 | <b>16,169</b>               | <b>24,842</b>    |
| <b>Carrying amount as at 31 Dec. 2020</b>   | <b>1,686,246</b>                             | <b>56,804</b>               | <b>1,743,050</b> |

**[42] Shares in companies accounted for using the equity method**

|                               | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|-------------------------------|------------------------------|------------------------------|------------------------|
| Investments in joint ventures | 54,008                       | 59,060                       | -5,052                 |
| Investments in associates     | 7,735                        | 71,127                       | -63,392                |
| <b>Total</b>                  | <b>61,743</b>                | <b>130,187</b>               | <b>-68,444</b>         |

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 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<br>joint ventures<br>EUR thousand | Investments in<br>associates<br>EUR thousand | Total<br>EUR thousand |
|--|--|--|-----------------------|
| <b>Carrying amount as at 1 Jan. 2019</b>                   | <b>56,712</b>                                    | <b>54,590</b>                                | <b>111,302</b>        |
| Changes resulting from measurement under the equity method | 2,348  | 17,166                                       | 19,514                |
| of which changes recognised in other comprehensive income  | -4,230   | -10,127                                      | -14,357               |
| of which changes recognised in profit or loss              | 6,578  | 27,293                                       | 33,871                |
| Change in the consolidated group                           | –  | -629   | -629                  |
| <b>Carrying amount as at 31 Dec. 2019</b>                  | <b>59,060</b>                                    | <b>71,127</b>                                | <b>130,187</b>        |
| Changes resulting from measurement under the equity method | -5,052   | -13,717                                      | -18,769               |
| of which changes recognised in other comprehensive income  | -10,921  | -12,451                                      | -23,372               |
| of which changes recognised in profit or loss              | 5,869  | -1,266                                       | 4,603                 |
| Change in the consolidated group                           | –  | -49,675                                      | -49,675               |
| <b>Carrying amount as at 31 Dec. 2020</b>                  | <b>54,008</b>                                    | <b>7,735</b>                                 | <b>61,743</b>         |

The changes recognised in equity relating to investments in joint ventures accounted for using the equity method include EUR -4,608 thousand (previous year: EUR 1,663 thousand) attributable to currency translation and EUR -6,313 thousand (previous year: EUR -5,893 thousand) attributable to distributions.

The changes recognised in equity relating to investments in associates accounted for using the equity method comprised EUR -12,451 thousand (previous year: EUR -10,127 thousand) attributable to distributions

**[43] Property, plant and equipment**

|                                | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--------------------------------|------------------------------|------------------------------|------------------------|
| Land and buildings             | 24,621                       | 16,346                       | 8,275                  |
| Operating and office equipment | 12,087                       | 9,094                        | 2,993                  |
| <b>Total</b>                   | <b>36,708</b>                | <b>25,440</b>                | <b>11,268</b>          |

## Changes in property, plant and equipment

|  | Land and buildings<br>EUR thousand | Operating and office equipment<br>EUR thousand | Total<br>EUR thousand |
|--|------------------------------------|--|-----------------------|
| <b>Carrying amount as at 1 Jan. 2019</b>                     | <b>14,331</b>                      | <b>7,956</b>                                   | <b>22,287</b>         |
| <b>Cost as at 1 Jan. 2019</b>                                | <b>25,650</b>                      | <b>22,983</b>                                  | <b>48,633</b>         |
| Additions  | 3,271                              | 4,693  | 7,964                 |
| Reclassifications  | –                                  | 0  | 0                     |
| Disposals  | –                                  | -2,738   | -2,738                |
| <b>Cost as at 31 Dec. 2019</b>                               | <b>28,921</b>                      | <b>24,938</b>                                  | <b>53,859</b>         |
| <b>Amortisation and impairment losses as at 1 Jan. 2019</b>  | <b>-11,319</b>                     | <b>-15,027</b>                                 | <b>-26,346</b>        |
| Additions – amortisation                                     | -1,256                             | -3,550   | -4,806                |
| Reclassifications  | –                                  | 0  | 0                     |
| Disposals – depreciation                                     | –                                  | 2,733  | 2,733                 |
| <b>Amortisation and impairment losses as at 31 Dec. 2019</b> | <b>-12,575</b>                     | <b>-15,844</b>                                 | <b>-28,419</b>        |
| <b>Carrying amount as at 31 Dec. 2019</b>                    | <b>16,346</b>                      | <b>9,094</b>                                   | <b>25,440</b>         |

|  | Land and buildings<br>EUR thousand | Operating and office equipment<br>EUR thousand | Total<br>EUR thousand |
|--|------------------------------------|--|-----------------------|
| <b>Cost as at 1 Jan. 2020</b>                                | <b>28,921</b>                      | <b>24,938</b>                                  | <b>53,859</b>         |
| Additions  | 9,310                              | 4,514  | 13,824                |
| Disposals  | -5,975                             | -7,425   | -13,400               |
| Change in the consolidated group – additions                 | 69                                 | 4,753  | 4,822                 |
| <b>Cost as at 31 Dec. 2020</b>                               | <b>32,325</b>                      | <b>26,780</b>                                  | <b>59,105</b>         |
| <b>Amortisation and impairment losses as at 1 Jan. 2020</b>  | <b>-12,575</b>                     | <b>-15,844</b>                                 | <b>-28,419</b>        |
| Additions – amortisation                                     | -914                               | -4,032   | -4,946                |
| Disposals – depreciation                                     | 5,360                              | 7,352  | 12,712                |
| Disposals – impairment losses                                | 436                                | –  | 436                   |
| Change in the consolidated group – additions                 | -11                                | -2,169   | -2,180                |
| <b>Amortisation and impairment losses as at 31 Dec. 2020</b> | <b>-7,704</b>                      | <b>-14,693</b>                                 | <b>-22,397</b>        |
| <b>Carrying amount as at 31 Dec. 2020</b>                    | <b>24,621</b>                      | <b>12,087</b>                                  | <b>36,708</b>         |

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

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

**[44] Intangible assets**

|   | <b>31 Dec. 2020</b><br>EUR thousand | <b>31 Dec. 2019</b><br>EUR thousand | <b>Change</b><br>EUR thousand |
|---|-------------------------------------|-------------------------------------|-------------------------------|
| <b>Goodwill</b>                         | <b>98,778</b>                       | –                                   | <b>98,778</b>                 |
| <b>Purchased software</b>               | <b>112,333</b>                      | <b>117,248</b>                      | <b>-4,915</b>                 |
| <b>Internally generated software</b>    | <b>1,954</b>                        | –                                   | <b>1,954</b>                  |
| <b>Purchased customer relationships</b> | <b>65,165</b>                       | <b>3,793</b>                        | <b>61,372</b>                 |
| <b>Miscellaneous intangible assets</b>  | <b>28,724</b>                       | <b>28,259</b>                       | <b>465</b>                    |
| <b>Total</b>                            | <b>306,954</b>                      | <b>149,300</b>                      | <b>157,654</b>                |

With the exception of goodwill (note [71]) and a brand included in miscellaneous intangible assets at EUR 2,059 thousand (previous year: none), all intangible assets have finite useful lives.

## Changes in intangible assets

|  | Goodwill      | Purchased software | Internally generated software | Purchased customer relationships | Miscellaneous intangible assets | Total           |
|--|---------------|--------------------|-------------------------------|----------------------------------|---------------------------------|-----------------|
|  | EUR thousand  | EUR thousand       | EUR thousand                  | EUR thousand                     | EUR thousand                    | EUR thousand    |
| <b>Carrying amount as at 1 Jan. 2019</b>                     | –             | <b>106,769</b>     | –                             | <b>4,267</b>                     | <b>30,827</b>                   | <b>141,863</b>  |
| <b>Cost as at 1 Jan. 2019</b>                                | –             | <b>330,087</b>     | –                             | <b>5,690</b>                     | <b>42,909</b>                   | <b>378,686</b>  |
| Additions  | –             | 46,517             | –                             | –                                | –                               | 46,517          |
| Reclassifications  | –             | 0                  | –                             | –                                | –                               | 0               |
| Disposals  | –             | -6,741             | –                             | –                                | –                               | -6,741          |
| <b>Cost as at 31 Dec. 2019</b>                               | –             | <b>369,863</b>     | –                             | <b>5,690</b>                     | <b>42,909</b>                   | <b>418,462</b>  |
| <b>Amortisation and impairment losses as at 1 Jan. 2019</b>  | –             | <b>-223,318</b>    | –                             | <b>-1,423</b>                    | <b>-12,082</b>                  | <b>-236,823</b> |
| Additions (amortisation)                                     | –             | -36,035            | –                             | -474                             | -2,568                          | -39,077         |
| Reclassifications  | –             | 0                  | –                             | –                                | –                               | 0               |
| Disposals – depreciation                                     | –             | 2,053              | –                             | –                                | –                               | 2,053           |
| Disposals – impairment losses                                | –             | 4,685              | –                             | –                                | –                               | 4,685           |
| <b>Amortisation and impairment losses as at 31 Dec. 2019</b> | –             | <b>-252,615</b>    | –                             | <b>-1,897</b>                    | <b>-14,650</b>                  | <b>-269,162</b> |
| <b>Carrying amount as at 31 Dec. 2019</b>                    | –             | <b>117,248</b>     | –                             | <b>3,793</b>                     | <b>28,259</b>                   | <b>149,300</b>  |
| <b>Cost as at 1 Jan. 2020</b>                                | –             | <b>369,863</b>     | –                             | <b>5,690</b>                     | <b>42,909</b>                   | <b>418,462</b>  |
| Additions  | –             | 34,394             | 1,987                         | –                                | –                               | 36,381          |
| Disposals  | –             | -27                | –                             | –                                | –                               | -27             |
| Change in the consolidated group – additions                 | 98,778        | 1,846              | –                             | 62,366                           | 2,272                           | 165,262         |
| <b>Cost as at 31 Dec. 2020</b>                               | <b>98,778</b> | <b>406,076</b>     | <b>1,987</b>                  | <b>68,056</b>                    | <b>45,181</b>                   | <b>620,078</b>  |
| <b>Reversals of impairment losses as at 1 Jan. 2020</b>      | –             | –                  | –                             | –                                | –                               | –               |
| Additions  | –             | –                  | –                             | –                                | 975                             | 975             |
| <b>Reversals of impairment losses as at 31 Dec. 2020</b>     | –             | –                  | –                             | –                                | <b>975</b>                      | <b>975</b>      |
| <b>Amortisation and impairment losses as at 1 Jan. 2020</b>  | –             | <b>-252,615</b>    | –                             | <b>-1,897</b>                    | <b>-14,650</b>                  | <b>-269,162</b> |
| Additions (amortisation)                                     | –             | -40,125            | -33                           | -994                             | -2,735                          | -43,887         |
| Disposals – depreciation                                     | –             | 14                 | –                             | –                                | –                               | 14              |
| Change in the consolidated group – additions                 | –             | -1,017             | –                             | –                                | -47                             | -1,067          |
| <b>Amortisation and impairment losses as at 31 Dec. 2020</b> | –             | <b>-293,743</b>    | <b>-33</b>                    | <b>-2,891</b>                    | <b>-17,432</b>                  | <b>-314,099</b> |
| <b>Carrying amount as at 31 Dec. 2020</b>                    | <b>98,778</b> | <b>112,333</b>     | <b>1,954</b>                  | <b>65,165</b>                    | <b>28,724</b>                   | <b>306,954</b>  |

The normal useful life for most purchased software is four or five years, for purchased customer relationships twelve years or 20 years and for miscellaneous intangible assets 15 years. Internally generated software has a useful life of five years. Amortisation is recognised on a straight-line basis.

**[45] Income tax assets**

|   | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|---|------------------------------|------------------------------|------------------------|
| <b>Current income tax assets</b>                      | <b>25,518</b>                | <b>7,904</b>                 | <b>17,614</b>          |
| Germany   | 20,070                       | 2,242                        | 17,828                 |
| Rest of world   | 5,448                        | 5,662                        | -214                   |
| <b>Deferred income tax assets</b>                     | <b>81,816</b>                | <b>82,546</b>                | <b>-730</b>            |
| Deferred tax assets<br>(recognised in profit or loss) | 207,959                      | 117,651                      | 90,308                 |
| Deferred tax assets<br>(recognised in equity)         | 51,019                       | 43,333                       | 7,686                  |
| Netting   | -177,162                     | -78,438                      | -98,724                |
| <b>Total</b>  | <b>107,334</b>               | <b>90,450</b>                | <b>16,884</b>          |

Deferred tax assets that were only expected to be realised after twelve months amounted to EUR 77,677 thousand (based on their net value; previous year: EUR 76,212 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 carry-forwards of EUR 969 thousand (previous year: EUR 512 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. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Assets</b>                                      |                              |                              |                        |
| Investment fund units                              | 2,315                        | 4,131                        | -1,816                 |
| Investments in subsidiaries and equity investments | 0                            | 96                           | -96                    |
| Property, plant and equipment                      | 119                          | 119                          | -                      |
| Intangible assets                                  | 10                           | 10                           | -                      |
| Other assets                                       | 1,496                        | 1,483                        | 13                     |
| <b>Equity and liabilities</b>                      |                              |                              |                        |
| Liability derivatives                              | 53,659                       | 25,410                       | 28,249                 |
| Provisions for employee benefits                   | 94,833                       | 82,853                       | 11,980                 |
| Other provisions                                   | 633                          | 639                          | -6                     |
| Other liabilities                                  | 9,553                        | 13,368                       | -3,815                 |
| Lease liabilities                                  | 96,360                       | 32,875                       | 63,485                 |
| <b>Total</b>                                       | <b>258,978</b>               | <b>160,984</b>               | <b>97,994</b>          |

**[46] Other assets**

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Other financial receivables</b>   | <b>180,667</b>               | <b>170,528</b>               | <b>10,139</b>          |
| Trade receivables  | 179,174                      | 169,296                      | 9,878                  |
| of which from investment funds   | 176,967                      | 166,508                      | 10,459                 |
| Miscellaneous other receivables  | 1,493                        | 1,232                        | 261                    |
| <b>Other tax assets</b>  | <b>14,649</b>                | <b>22,865</b>                | <b>-8,216</b>          |
| <b>Miscellaneous other assets</b>  | <b>13,303</b>                | <b>13,880</b>                | <b>-577</b>            |
| of which funding surplus for defined benefit plans                               | 108                          | –                            | 108                    |
| of which reimbursement rights recognised as assets in accordance with IAS 19.116 | 12,280                       | 11,011                       | 1,269                  |
| <b>Prepaid expenses</b>  | <b>8,800</b>                 | <b>9,790</b>                 | <b>-990</b>            |
| <b>Total</b>   | <b>217,419</b>               | <b>217,063</b>               | <b>356</b>             |

The maximum risk for other financial receivables is the carrying amount.

**[47] Right of use assets**

|   | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|---|------------------------------|------------------------------|------------------------|
| <b>Right of use assets for land and buildings</b>             | <b>295,030</b>               | <b>97,025</b>                | <b>198,005</b>         |
| <b>Right of use assets for operating and office equipment</b> | <b>5,329</b>                 | <b>5,938</b>                 | <b>-609</b>            |
| <b>Total</b>  | <b>300,359</b>               | <b>102,963</b>               | <b>197,396</b>         |

Right of use assets for land and buildings increased particularly as a result of taking occupancy of the office space in the WINX building in Frankfurt am Main and the renewal of the rental agreements for the office space in Emporio in Hamburg.

**Changes in right of use assets**

|  | Land and buildings<br>EUR thousand | Operating and office equipment<br>EUR thousand | Total<br>EUR thousand |
|--|------------------------------------|--|-----------------------|
| <b>Carrying amount as at 1 Jan. 2019</b>     | <b>111,198</b>                     | <b>6,869</b>                                   | <b>118,067</b>        |
| Additions                                    | 2,939                              | 1,888  | 4,827                 |
| Remeasurement                                | 5,607                              | -225   | 5,382                 |
| Depreciation and amortisation                | -22,719                            | -2,575   | -25,294               |
| Disposals                                    | –                                  | -19  | -19                   |
| <b>Carrying amount as at 31 Dec. 2019</b>    | <b>97,025</b>                      | <b>5,938</b>                                   | <b>102,963</b>        |
| <b>Carrying amount as at 1 Jan. 2020</b>     | <b>97,025</b>                      | <b>5,938</b>                                   | <b>102,963</b>        |
| Change in the consolidated group – additions | 18,532                             | –  | 18,532                |
| Additions                                    | 167,853                            | 2,580  | 170,433               |
| Remeasurement                                | 37,191                             | -13  | 37,178                |
| Depreciation and amortisation                | -25,571                            | -3,166   | -28,737               |
| Disposals                                    | –                                  | -10  | -10                   |
| <b>Carrying amount as at 31 Dec. 2020</b>    | <b>295,030</b>                     | <b>5,329</b>                                   | <b>300,359</b>        |

**[48] Assets held for sale**

|                              | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|------------------------------|------------------------------|------------------------------|------------------------|
| <b>Investment securities</b> | <b>39,218</b>                | <b>37,740</b>                | <b>1,478</b>           |
| <b>Total</b>                 | <b>39,218</b>                | <b>37,740</b>                | <b>1,478</b>           |

**[49] Liabilities to banks**

|                                      | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--------------------------------------|------------------------------|------------------------------|------------------------|
| Liabilities to banks in Germany      | 30,101                       | 26,884                       | 3,217                  |
| Liabilities to banks outside Germany | 0                            | –                            | 0                      |
| <b>Total</b>                         | <b>30,101</b>                | <b>26,884</b>                | <b>3,217</b>           |

**[50] Liabilities to customers**

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| Liabilities to customers in Germany      | 1,503                        | 1,137                        | 366                    |
| Liabilities to customers outside Germany | 22                           | 30                           | -8                     |
| <b>Total</b>                             | <b>1,525</b>                 | <b>1,167</b>                 | <b>358</b>             |

**[51] Liability derivatives**

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| In connection with guarantee commitments | 179,852                      | 87,166                       | 92,686                 |
| From other transactions                  | –                            | 9,475                        | -9,475                 |
| <b>Total</b>                             | <b>179,852</b>               | <b>96,641</b>                | <b>83,211</b>          |

**[52] Provisions**

|   | 31 Dec. 2020<br>EUR thousand | 31.12.2019<br>EUR thousand | Change<br>EUR thousand |
|---|------------------------------|----------------------------|------------------------|
| <b>Provisions for employee benefits</b>                                 | <b>239,497</b>               | <b>211,924</b>             | <b>27,573</b>          |
| Provisions for defined benefit pension obligations                      | 153,334                      | 137,642                    | 15,692                 |
| Provisions for other long-term employee benefits                        | 85,604                       | 73,726                     | 11,878                 |
| of which provisions for partial retirement schemes                      | 35,671                       | 21,737                     | 13,934                 |
| of which miscellaneous provisions for other long-term employee benefits | 49,933                       | 51,989                     | -2,056                 |
| Provisions for termination benefits                                     | 559                          | 556                        | 3                      |
| of which provisions for termination benefits linked with restructuring  | 559                          | 556                        | 3                      |
| <b>Other provisions</b>   | <b>17,885</b>                | <b>16,735</b>              | <b>1,150</b>           |
| Miscellaneous provisions  | 17,885                       | 16,735                     | 1,150                  |
| <b>Total</b>  | <b>257,382</b>               | <b>228,659</b>             | <b>28,723</b>          |

**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 offered only 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 -5,665 thousand in the financial year (previous year: EUR -5,486 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. 2020   | 31 Dec. 2019   | Change        |
|-----------------------------------|----------------|----------------|---------------|
|                                   | EUR thousand   | EUR thousand   | EUR thousand  |
| <b>Germany</b>                    | <b>393,413</b> | <b>358,527</b> | <b>34,886</b> |
| Final salary-dependent plans      | 185,528        | 165,306        | 20,222        |
| Defined benefit contribution plan | 207,885        | 193,221        | 14,664        |
| <b>Rest of world</b>              | <b>7,619</b>   | <b>6,972</b>   | <b>647</b>    |
| Final salary-dependent plans      | –              | –              | –             |
| Defined benefit contribution plan | 7,619          | 6,972          | 647           |
| <b>Total</b>                      | <b>401,032</b> | <b>365,499</b> | <b>35,533</b> |

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:

|  | 2020           | 2019           | Change        |
|--|----------------|----------------|---------------|
|  | EUR thousand   | EUR thousand   | EUR thousand  |
| <b>Opening balance as at 1 Jan.</b>            | <b>365,499</b> | <b>315,731</b> | <b>49,768</b> |
| Current service cost                           | 7,908          | 6,718          | 1,190         |
| Interest cost                                  | 3,660          | 5,540          | -1,880        |
| Current pension payments                       | -5,845         | -5,985         | 140           |
| Employee contributions                         | 5,380          | 4,675          | 705           |
| Actuarial gains (-)/losses (+)                 | 24,430         | 38,820         | -14,390       |
| of which from experience adjustments           | 12,275         | 10,118         | 2,157         |
| of which from changes to financial assumptions | 12,155         | 28,702         | -16,547       |
| <b>Closing balance as at 31 Dec.</b>           | <b>401,032</b> | <b>365,499</b> | <b>35,533</b> |

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

|                          | 31 Dec. 2020     | 31 Dec. 2019     | Change            |
|--------------------------|------------------|------------------|-------------------|
|                          | %                | %                | Percentage points |
| <b>Discount rate</b>     | <b>0.75</b>      | <b>1.00</b>      | <b>-0.25</b>      |
| <b>Salary increases</b>  | <b>0.00–2.50</b> | <b>0.00–2.50</b> | <b>–</b>          |
| <b>Pension increases</b> | <b>0.00–3.00</b> | <b>0.00–3.00</b> | <b>–</b>          |
| <b>Staff turnover</b>    | <b>0.00–6.00</b> | <b>0.00–6.00</b> | <b>–</b>          |

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 1.4% (previous year: 1.4%) and 1.4% (previous year: 1.4%) respectively. The weighted absolute percentage for staff turnover is 0.7% (previous year: 0.8%).

## 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. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Change in the present value of defined benefit pension obligations as at the end of the reporting period if</b> | <b>401,032</b>               | <b>365,499</b>               | <b>35,533</b>          |
| the discount rate was 100 basis points higher  | -43,339                      | -40,154                      | -3,185                 |
| the discount rate was 100 basis points lower   | 58,658                       | 54,234                       | 4,424                  |
| the future salary increases were 50 basis points higher  | 4,788                        | 3,313                        | 1,475                  |
| the future salary increases were 50 basis points lower   | -4,545                       | -5,134                       | 589                    |
| the future pension increases were 25 basis points higher   | 6,630                        | 5,831                        | 799                    |
| the future pension increases were 25 basis points lower  | -6,309                       | -5,554                       | -755                   |
| the future life expectancy was one year longer   | 7,132                        | 6,352                        | 780                    |
| the future life expectancy was one year shorter  | -7,327                       | -6,540                       | -787                   |

The duration of the defined benefit obligations as at the end of the financial year was 14 years for Germany (previous year: 14 years) and eleven years for the rest of the world (previous year: eleven years).

## Plan assets

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

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Present value of defined benefit pension obligations</b>          | <b>401,032</b>               | <b>365,499</b>               | <b>35,533</b>          |
| of which not funded by plan assets                                   | 84,832                       | 79,729                       | 5,103                  |
| of which funded by plan assets                                       | 316,200                      | 285,770                      | 30,430                 |
| <b>Defined benefit pension obligations (net)</b>                     | <b>-247,806</b>              | <b>-227,857</b>              | <b>-19,949</b>         |
| <b>Defined benefit pension obligations (net)</b>                     | <b>153,226</b>               | <b>137,642</b>               | <b>15,584</b>          |
| <b>Funding surplus</b>   | <b>108</b>                   | <b>-</b>                     | <b>108</b>             |
| <b>Provisions recognised for defined benefit pension obligations</b> | <b>153,334</b>               | <b>137,642</b>               | <b>15,692</b>          |
| Fair value of reimbursement rights                                   | 12,280                       | 11,011                       | 1,269                  |

The following table shows the changes in plan assets:

|  | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|--|----------------------|----------------------|------------------------|
| <b>Opening balance as at 1 Jan.</b>                                  | <b>227,857</b>       | <b>194,199</b>       | <b>33,658</b>          |
| Interest income  | 2,310                | 3,458                | -1,148                 |
| Income from/expenses for plan assets (not including interest income) | 10,175               | 25,955               | -15,780                |
| Funding of plan assets   | 11,844               | 9,161                | 2,683                  |
| of which contributions by employers                                  | 6,477                | 4,499                | 1,978                  |
| of which contributions by employees                                  | 5,367                | 4,662                | 705                    |
| Pension benefits paid  | -4,380               | -4,916               | 536                    |
| <b>Closing balance as at 31 Dec.</b>                                 | <b>247,806</b>       | <b>227,857</b>       | <b>19,949</b>          |

The actual income from plan assets amounted to EUR 12,485 thousand in the year under review (previous year: EUR 29,413 thousand).

Additional contributions to plan assets of EUR 11,555 thousand are expected in the subsequent financial year (previous year: EUR 8,904 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. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| Investment fund units (securities funds) – no market price quoted on an active market  | 148,376                      | 133,815                      | 14,561                 |
| Investment fund units (real estate funds) – no market price quoted on an active market | 571                          | 500                          | 71                     |
| Entitlements arising from insurance contracts  | 98,859                       | 93,542                       | 5,317                  |
| <b>Total</b>   | <b>247,806</b>               | <b>227,857</b>               | <b>19,949</b>          |

## Reimbursement rights

The following table shows the changes in reimbursement rights:

|   | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|---|----------------------|----------------------|------------------------|
| <b>Opening balance as at 1 Jan.</b>   | <b>11,011</b>        | <b>9,515</b>         | <b>1,496</b>           |
| Interest income   | 110                  | 166                  | -56                    |
| Income from/expenses for reimbursement rights (not including interest income) | -538                 | 189                  | -727                   |
| Funding of reimbursement rights   | 1,717                | 1,280                | 437                    |
| of which contributions by employers   | 1,704                | 1,267                | 437                    |
| of which contributions by employees   | 13                   | 13                   | –                      |
| Pension benefits paid   | -20                  | -139                 | 119                    |
| <b>Closing balance as at 31 Dec.</b>  | <b>12,280</b>        | <b>11,011</b>        | <b>1,269</b>           |

The actual income from reimbursement rights amounted to EUR -428 thousand in the year under review (previous year: EUR 355 thousand).

## Changes in other provisions

|   | Miscellaneous provisions<br>EUR thousand | Total<br>EUR thousand |
|---|--|-----------------------|
| <b>Opening balance as at 1 Jan. 2020</b>  | <b>16,735</b>                            | <b>16,735</b>         |
| Additions   | 1,087                                    | 1,087                 |
| Utilisation   | -778                                     | -778                  |
| Reversals   | -140                                     | -140                  |
| Effect from the increase in the discounted amount over time and change in the discount rate | 20                                       | 20                    |
| <b>Closing balance as at 31 Dec. 2020</b>   | <b>17,885</b>                            | <b>17,885</b>         |

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

|                                 | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|---------------------------------|------------------------------|------------------------------|------------------------|
| <b>Miscellaneous provisions</b> | <b>17,885</b>                | <b>16,735</b>                | <b>1,150</b>           |
| Up to three months              | 0                            | –                            | 0                      |
| Three months to one year        | 556                          | 604                          | -48                    |
| One year to five years          | 7,303                        | 7,300                        | 3                      |
| More than five years            | 9,018                        | 8,604                        | 414                    |
| Indefinite                      | 1,008                        | 227                          | 781                    |

### [53] Income tax liabilities

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Current income tax liabilities</b>                      | <b>57,055</b>                | <b>66,531</b>                | <b>-9,476</b>          |
| Provisions for income taxes                                | 57,054                       | 66,290                       | -9,236                 |
| Income tax liabilities                                     | 1                            | 241                          | -240                   |
| <b>Deferred tax liabilities</b>                            | <b>2,876</b>                 | <b>1,975</b>                 | <b>901</b>             |
| Deferred tax liabilities<br>(recognised in profit or loss) | 162,120                      | 73,284                       | 88,836                 |
| Deferred tax liabilities<br>(recognised in equity)         | 17,918                       | 7,129                        | 10,789                 |
| Netting  | -177,162                     | -78,438                      | -98,724                |
| <b>Total</b>   | <b>59,931</b>                | <b>68,506</b>                | <b>-8,575</b>          |

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 2,045 thousand (based on their net value; previous year: EUR 1,159 thousand).

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

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Assets</b>                                      |                              |                              |                        |
| Investment fund units                              | 5,245                        | 1,426                        | 3,819                  |
| Investments in subsidiaries and equity investments | 1,613                        | 346                          | 1,267                  |
| Property, plant and equipment                      | 8                            | 11                           | -3                     |
| Intangible assets                                  | 23,947                       | 4,004                        | 19,943                 |
| Other assets                                       | 147                          | 589                          | -442                   |
| Right of use assets                                | 95,690                       | 32,520                       | 63,170                 |
| <b>Equity and liabilities</b>                      |                              |                              |                        |
| Liability derivatives                              | 29                           | –                            | 29                     |
| Provisions for employee benefits                   | 53,267                       | 41,355                       | 11,912                 |
| Other provisions                                   | 61                           | 90                           | -29                    |
| Other liabilities                                  | 31                           | 72                           | -41                    |
| <b>Total</b>                                       | <b>180,038</b>               | <b>80,413</b>                | <b>99,625</b>          |

**[54] Other liabilities**

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Other financial liabilities</b>   | <b>13,025</b>                | <b>18,391</b>                | <b>-5,366</b>          |
| Liabilities from capitalised rental software   | 5,851                        | 5,780                        | 71                     |
| Trade payables   | 4,753                        | 576                          | 4,177                  |
| Miscellaneous other liabilities  | 2,421                        | 12,035                       | -9,614                 |
| <b>Financial liabilities from contingent consideration through business combinations</b> | <b>–</b>                     | <b>5,000</b>                 | <b>-5,000</b>          |
| <b>Other tax liabilities</b>   | <b>46,696</b>                | <b>51,159</b>                | <b>-4,463</b>          |
| <b>Deferred liabilities</b>  | <b>805,850</b>               | <b>780,460</b>               | <b>25,390</b>          |
| of which for sales commission  | 630,522                      | 596,377                      | 34,145                 |
| <b>Miscellaneous other liabilities</b>   | <b>76</b>                    | <b>148</b>                   | <b>-72</b>             |
| <b>Deferred income</b>   | <b>48</b>                    | <b>25</b>                    | <b>23</b>              |
| <b>Total</b>   | <b>865,695</b>               | <b>855,183</b>               | <b>10,512</b>          |

**[55] Lease liabilities**

|                                       | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|---------------------------------------|------------------------------|------------------------------|------------------------|
| <b>Land and buildings</b>             | <b>297,065</b>               | <b>98,174</b>                | <b>198,891</b>         |
| <b>Operating and office equipment</b> | <b>5,356</b>                 | <b>5,966</b>                 | <b>-610</b>            |
| <b>Total</b>                          | <b>302,421</b>               | <b>104,140</b>               | <b>198,281</b>         |

**[56] Equity**

|                                     | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|-------------------------------------|------------------------------|------------------------------|------------------------|
| <b>Issued capital</b>               | <b>87,130</b>                | <b>87,130</b>                | <b>–</b>               |
| <b>Capital reserves</b>             | <b>18,617</b>                | <b>18,617</b>                | <b>–</b>               |
| <b>Retained earnings</b>            | <b>1,171,839</b>             | <b>919,363</b>               | <b>252,476</b>         |
| <b>Fair value OCI reserve</b>       | <b>20,362</b>                | <b>20,496</b>                | <b>-134</b>            |
| <b>Currency translation reserve</b> | <b>8,203</b>                 | <b>12,811</b>                | <b>-4,608</b>          |
| <b>Consolidated net profit</b>      | <b>450,752</b>               | <b>472,330</b>               | <b>-21,578</b>         |
| <b>Non-controlling interests</b>    | <b>31,256</b>                | <b>23,779</b>                | <b>7,477</b>           |
| <b>Total</b>                        | <b>1,788,159</b>             | <b>1,554,526</b>             | <b>233,633</b>         |

**Issued capital**

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

A dividend of EUR 6.89 per share (previous year: EUR 8.47 per share) was distributed to shareholders in the reporting year in accordance with the resolution adopted by the Annual General Meeting on 15 May 2020. This equates to a total dividend payment of EUR 200,109 thousand (previous year: EUR 245,998 thousand).

The payment of a dividend of EUR 7.96 per share will be proposed at the Annual General Meeting on 17 May 2021. This equates to a total dividend payment of EUR 231,186 thousand. The Supervisory Board of UMH AG approved the proposed appropriation of profit at its meeting held on 26 February 2021.

**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.

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

|   | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|---|----------------------|----------------------|------------------------|
| Actuarial gains and losses on defined benefit plans | -17,168              | -4,997               | -12,171                |
| <b>Total</b>  | <b>-17,168</b>       | <b>-4,997</b>        | <b>-12,171</b>         |

### Fair value OCI reserve

The fair value OCI reserve comprises the effects from the remeasurement of the fair value of financial instruments "at fair value through profit or loss" (net of the associated deferred taxes) before these effects can be recognised in profit or loss. These instruments are not recognised through profit or loss.

Breakdown of changes in fair value OCI reserve by component of other comprehensive income:

|  | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|--|----------------------|----------------------|------------------------|
| Gains and losses from equity instruments for which the fair value OCI option was exercised | -134                 | 1,801                | -1,935                 |
| <b>Total</b>   | <b>-134</b>          | <b>1,801</b>         | <b>-1,935</b>          |

### 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:

|  | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|--|----------------------|----------------------|------------------------|
| Share of other comprehensive income of joint ventures and associates accounted for using the equity method | -4,608               | 1,663                | -6,271                 |
| <b>Total</b>   | <b>-4,608</b>        | <b>1,663</b>         | <b>-6,271</b>          |

### Reserve from assets held for sale

In the previous year, these items included components of equity of a subsidiary held for sale that did not represent a component of an entity.

Change in reserve from assets held for sale:

|  | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|--|----------------------|----------------------|------------------------|
| Exchange differences on currency translation of foreign subsidiaries | -                    | -8                   | 8                      |
| <b>Total</b>   | <b>-</b>             | <b>-8</b>            | <b>8</b>               |

### 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:

|  | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|--|----------------------|----------------------|------------------------|
| Gains and losses from equity instruments for which the fair value OCI option was exercised | -57                  | 61                   | -118                   |
| Actuarial gains and losses on defined benefit plans  | -211                 | -378                 | 167                    |
| <b>Total</b>   | <b>-268</b>          | <b>-317</b>          | <b>49</b>              |

## Financial instruments disclosures

### [57] Categories of financial instruments

|   | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|---|------------------------------|------------------------------|------------------------|
| <b>Financial assets measured at amortised cost</b>                                | <b>845,010</b>               | <b>818,432</b>               | <b>26,578</b>          |
| Loans and advances to banks   | 584,132                      | 538,462                      | 45,670                 |
| Loans and advances to customers   | 80,211                       | 109,442                      | -29,231                |
| Other financial receivables   | 180,667                      | 170,528                      | 10,139                 |
| <b>Financial liabilities measured at amortised cost</b>                           | <b>44,651</b>                | <b>40,663</b>                | <b>3,988</b>           |
| Liabilities to banks  | 30,101                       | 26,884                       | 3,217                  |
| Liabilities to customers  | 1,525                        | 1,167                        | 358                    |
| Other financial obligations   | 13,025                       | 12,612                       | 413                    |
| <b>Lease liabilities</b>  | <b>302,421</b>               | <b>104,140</b>               | <b>198,281</b>         |
| <b>Financial assets mandatorily measured at fair value through profit or loss</b> | <b>1,726,054</b>             | <b>1,539,905</b>             | <b>186,149</b>         |
| Loans and advances to banks   | 7,894                        | 3,033                        | 4,861                  |
| Investment securities   | 1,678,942                    | 1,470,996                    | 207,946                |
| Asset derivatives   | –                            | 28,136                       | -28,136                |
| Assets held for sale  | 39,218                       | 37,740                       | 1,478                  |
| <b>Financial assets measured at fair value through other comprehensive income</b> | <b>64,108</b>                | <b>32,477</b>                | <b>31,631</b>          |
| Investment securities   |                              |                              |                        |
| Equities and other variable-yield securities (including other shareholdings)      | 7,304                        | 6,116                        | 1,188                  |
| Investments in subsidiaries   | 56,804                       | 26,361                       | 30,443                 |
| <b>Financial liabilities at fair value through profit or loss</b>                 | <b>179,852</b>               | <b>101,641</b>               | <b>78,211</b>          |
| Liability derivatives   | 179,852                      | 96,641                       | 83,211                 |
| Financial liabilities from contingent consideration through business combinations | –                            | 5,000                        | -5,000                 |

In the UMH Group, the fair value OCI option is currently exercised for all equity investments and unconsolidated subsidiaries. The UMH Group considers this classification of strategic financial investments as more meaningful. For each new investment, it is decided on a case-by-case basis how this investment should be classified. Dividends of EUR 1,406 thousand were recognised from these financial instruments in the financial year (previous year: EUR 1,607 thousand). Due to the disposal of two (previous year: one) equity investments and one (previous year: none) liquidation, the accrued fair value OCI reserve of EUR 0 thousand (previous year: EUR 6 thousand) was reclassified to retained earnings. No dividend (previous year: EUR 0.2 thousand) was attributable to these equity investments.

The fair value OCI option is exercised for all investments in equity instruments.

| Assets recognised at fair value through profit or loss (recognised initially in other comprehensive income) | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|---|------------------------------|------------------------------|------------------------|
| <b>Equities</b>   | <b>31</b>                    | <b>31</b>                    | <b>–</b>               |
| <b>Other shareholdings</b>  | <b>7,273</b>                 | <b>6,086</b>                 | <b>1,187</b>           |
| <b>Interests in unconsolidated subsidiaries</b>   | <b>56,804</b>                | <b>26,361</b>                | <b>30,443</b>          |
| <b>Total</b>  | <b>64,108</b>                | <b>32,478</b>                | <b>31,630</b>          |

In the current period, there were no reclassifications of financial assets between the measurement categories.

## [58] Exposure to credit risk

|  | Investment grade |                 |                 | NR – not rated or no rating required |                 |                 | 31 Dec. 2020   |
|--|------------------|-----------------|-----------------|--------------------------------------|-----------------|-----------------|----------------|
|  | Stage 1          | Stage 2         | Stage 3         | Stage 1                              | Stage 2         | Stage 3         |                |
|  | EUR<br>thousand  | EUR<br>thousand | EUR<br>thousand | EUR<br>thousand                      | EUR<br>thousand | EUR<br>thousand |                |
| <b>Loans and advances to banks</b>       | <b>578,304</b>   | –               | –               | –                                    | <b>5,829</b>    | –               | <b>584,133</b> |
| of which current account                 | 578,304          | –               | –               | –                                    | –               | –               | 578,304        |
| of which in Germany                      | 558,087          | –               | –               | –                                    | –               | –               | 558,087        |
| of which in other EU countries           | 20,016           | –               | –               | –                                    | –               | –               | 20,016         |
| of which other                           | 201              | –               | –               | –                                    | –               | –               | 201            |
| of which trade receivables               | –                | –               | –               | –                                    | 5,829           | –               | 5,829          |
| of which in Germany                      | –                | –               | –               | –                                    | 2,817           | –               | 2,817          |
| of which in other EU countries           | –                | –               | –               | –                                    | 2,387           | –               | 2,387          |
| of which other                           | –                | –               | –               | –                                    | 625             | –               | 625            |
| <b>Loans and advances to customers</b>   | <b>251</b>       | –               | –               | –                                    | <b>79,858</b>   | <b>102</b>      | <b>80,211</b>  |
| of which retail clients                  | –                | –               | –               | –                                    | 6,921           | 101             | 7,022          |
| of which in Germany                      | –                | –               | –               | –                                    | 6,921           | 101             | 7,022          |
| of which in other EU countries           | –                | –               | –               | –                                    | –               | –               | –              |
| of which other                           | –                | –               | –               | –                                    | –               | –               | –              |
| of which to other financial institutions | 251              | –               | –               | –                                    | 69,938          | –               | 70,189         |
| of which in Germany                      | 251              | –               | –               | –                                    | 32,117          | –               | 32,368         |
| of which in other EU countries           | –                | –               | –               | –                                    | 35,707          | –               | 35,707         |
| of which other                           | –                | –               | –               | –                                    | 2,114           | –               | 2,114          |
| of which to others                       | –                | –               | –               | –                                    | 2,999           | 1               | 3,000          |
| of which in Germany                      | –                | –               | –               | –                                    | 2,276           | 1               | 2,277          |
| of which in other EU countries           | –                | –               | –               | –                                    | 540             | –               | 540            |
| of which other                           | –                | –               | –               | –                                    | 183             | –               | 183            |

|                                    | Investment grade |                 |                 | NR – not rated or no rating required |                 |                 | 31 Dec. 2020   |
|------------------------------------|------------------|-----------------|-----------------|--------------------------------------|-----------------|-----------------|----------------|
|                                    | Stage 1          | Stage 2         | Stage 3         | Stage 1                              | Stage 2         | Stage 3         |                |
|                                    | EUR<br>thousand  | EUR<br>thousand | EUR<br>thousand | EUR<br>thousand                      | EUR<br>thousand | EUR<br>thousand |                |
| <b>Other financial receivables</b> | –                | –               | –               | –                                    | <b>180,667</b>  | –               | <b>180,667</b> |
| of which to investment funds       | –                | –               | –               | –                                    | 176,967         | –               | 176,967        |
| of which in Germany                | –                | –               | –               | –                                    | 133,187         | –               | 133,187        |
| of which in other EU countries     | –                | –               | –               | –                                    | 43,780          | –               | 43,780         |
| of which other                     | –                | –               | –               | –                                    | –               | –               | –              |
| of which to others                 | –                | –               | –               | –                                    | 3,700           | –               | 3,700          |
| of which in Germany                | –                | –               | –               | –                                    | 2,965           | –               | 2,965          |
| of which in other EU countries     | –                | –               | –               | –                                    | 570             | –               | 570            |
| of which other                     | –                | –               | –               | –                                    | 165             | –               | 165            |
| <b>Total</b>                       | <b>578,555</b>   | –               | –               | –                                    | <b>266,354</b>  | <b>102</b>      | <b>845,011</b> |

|  | Investment grade |              |              | NR – not rated or no rating required |                |              | 31 Dec. 2019   |
|--|------------------|--------------|--------------|--------------------------------------|----------------|--------------|----------------|
|  | Stage 1          | Stage 2      | Stage 3      | Stage 1                              | Stage 2        | Stage 3      |                |
|  | EUR thousand     | EUR thousand | EUR thousand | EUR thousand                         | EUR thousand   | EUR thousand |                |
| <b>Loans and advances to banks</b>       | <b>533,992</b>   | –            | –            | –                                    | <b>4,470</b>   | –            | <b>538,462</b> |
| of which current account                 | 533,992          | –            | –            | –                                    | –              | –            | 533,992        |
| of which in Germany                      | 509,188          | –            | –            | –                                    | –              | –            | 509,188        |
| of which in other EU countries           | 24,501           | –            | –            | –                                    | –              | –            | 24,501         |
| of which other                           | 303              | –            | –            | –                                    | –              | –            | 303            |
| of which trade receivables               | –                | –            | –            | –                                    | 4,470          | –            | 4,470          |
| of which in Germany                      | –                | –            | –            | –                                    | 1,379          | –            | 1,379          |
| of which in other EU countries           | –                | –            | –            | –                                    | 2,045          | –            | 2,045          |
| of which other                           | –                | –            | –            | –                                    | 1,046          | –            | 1,046          |
| <b>Loans and advances to customers</b>   | –                | –            | –            | –                                    | <b>109,442</b> | –            | <b>109,442</b> |
| of which retail clients                  | –                | –            | –            | –                                    | 7,912          | –            | 7,912          |
| of which in Germany                      | –                | –            | –            | –                                    | 7,912          | –            | 7,912          |
| of which in other EU countries           | –                | –            | –            | –                                    | –              | –            | –              |
| of which other                           | –                | –            | –            | –                                    | –              | –            | –              |
| of which to other financial institutions | –                | –            | –            | –                                    | 98,346         | –            | 98,346         |
| of which in Germany                      | –                | –            | –            | –                                    | 57,042         | –            | 57,042         |
| of which in other EU countries           | –                | –            | –            | –                                    | 37,596         | –            | 37,596         |
| of which other                           | –                | –            | –            | –                                    | 3,708          | –            | 3,708          |
| of which to others                       | –                | –            | –            | –                                    | 3,184          | –            | 3,184          |
| of which in Germany                      | –                | –            | –            | –                                    | 1,825          | –            | 1,825          |
| of which in other EU countries           | –                | –            | –            | –                                    | 919            | –            | 919            |
| of which other                           | –                | –            | –            | –                                    | 441            | –            | 441            |

|                                    | Investment grade |              |              | NR – not rated or no rating required |                |              | 31 Dec. 2019   |
|------------------------------------|------------------|--------------|--------------|--------------------------------------|----------------|--------------|----------------|
|                                    | Stage 1          | Stage 2      | Stage 3      | Stage 1                              | Stage 2        | Stage 3      |                |
|                                    | EUR thousand     | EUR thousand | EUR thousand | EUR thousand                         | EUR thousand   | EUR thousand |                |
| <b>Other financial receivables</b> | –                | –            | –            | –                                    | <b>170,528</b> | –            | <b>170,528</b> |
| of which to investment funds       | –                | –            | –            | –                                    | 166,508        | –            | 166,508        |
| of which in Germany                | –                | –            | –            | –                                    | 129,506        | –            | 129,506        |
| of which in other EU countries     | –                | –            | –            | –                                    | 37,002         | –            | 37,002         |
| of which other                     | –                | –            | –            | –                                    | –              | –            | –              |
| of which to others                 | –                | –            | –            | –                                    | 4,020          | –            | 4,020          |
| of which in Germany                | –                | –            | –            | –                                    | 3,206          | –            | 3,206          |
| of which in other EU countries     | –                | –            | –            | –                                    | 667            | –            | 667            |
| of which other                     | –                | –            | –            | –                                    | 146            | –            | 146            |
| <b>Total</b>                       | <b>533,992</b>   | –            | –            | –                                    | <b>284,439</b> | –            | <b>818,431</b> |

There were no receivables with a non-investment grade rating in the financial year or in the previous year.

The carrying amount is the maximum credit risk for the financial instruments measured at fair value. Please see note [73] for the maximum credit risk of the financial guarantees issued.

**[59] Gross carrying amounts and allowances for losses**

Financial assets measured at amortised cost.

| Loans and advances to banks   | Stage 1        | Stage 2      | Stage 3      | Total          |
|---|----------------|--------------|--------------|----------------|
|   | EUR thousand   | EUR thousand | EUR thousand | EUR thousand   |
| <b>Opening balance as at 1 Jan. 2019</b>                                | <b>507,222</b> | <b>5,074</b> | <b>–</b>     | <b>512,296</b> |
| Addition of new financial assets  | 13,285,001     | 43,358       | –            | 13,328,359     |
| Transfer in accordance with assets held for sale                        | –              | –            | –            | –              |
| Transfer from stage 1   | –              | –            | –            | –              |
| Transfer from stage 2   | –              | –            | –            | –              |
| Transfer from stage 3   | –              | –            | –            | –              |
| Transfer to stage 1   | –              | –            | –            | –              |
| Transfer to stage 2   | –              | –            | –            | –              |
| Transfer to stage 3   | –              | –            | –            | –              |
| Directly recognised impairment losses                                   | –              | –            | –            | –              |
| Disposals and repayment of financial assets                             | -13,258,266    | -43,962      | –            | -13,302,228    |
| Increase in carrying amount due to modification                         | –              | –            | –            | –              |
| Decrease in carrying amount due to modification                         | –              | –            | –            | –              |
| Net of amortisation, market value changes and other measurement changes | –              | –            | –            | –              |
| Differences on currency translation                                     | 36             | 1            | –            | 37             |
| <b>Closing balance as at 31 Dec. 2019</b>                               | <b>533,992</b> | <b>4,470</b> | <b>–</b>     | <b>538,462</b> |

| Loans and advances to banks   | Stage 1        | Stage 2      | Stage 3      | Total          |
|---|----------------|--------------|--------------|----------------|
|   | EUR thousand   | EUR thousand | EUR thousand | EUR thousand   |
| <b>Opening balance as at 1 Jan. 2020</b>                                | <b>533,992</b> | <b>4,470</b> | <b>–</b>     | <b>538,462</b> |
| Change in the consolidated group – additions                            | 36,546         | –            | –            | 36,546         |
| Addition of new financial assets  | 13,640,365     | 52,836       | –            | 13,693,201     |
| Transfer in accordance with assets held for sale                        | –              | –            | –            | –              |
| Transfer from stage 1   | –              | –            | –            | –              |
| Transfer from stage 2   | –              | –            | –            | –              |
| Transfer from stage 3   | –              | –            | –            | –              |
| Transfer to stage 1   | –              | –            | –            | –              |
| Transfer to stage 2   | –              | –            | –            | –              |
| Transfer to stage 3   | –              | –            | –            | –              |
| Directly recognised impairment losses                                   | –              | –            | –            | –              |
| Disposals and repayment of financial assets                             | -13,632,534    | -51,481      | –            | -13,684,015    |
| Increase in carrying amount due to modification                         | –              | –            | –            | –              |
| Decrease in carrying amount due to modification                         | –              | –            | –            | –              |
| Net of amortisation, market value changes and other measurement changes | –              | –            | –            | –              |
| Differences on currency translation                                     | -65            | 4            | –            | -61            |
| <b>Closing balance as at 31 Dec. 2020</b>                               | <b>578,304</b> | <b>5,829</b> | <b>–</b>     | <b>584,133</b> |

| Loans and advances to customers   | Stage 1      | Stage 2        | Stage 3      | Total          |
|---|--------------|----------------|--------------|----------------|
|   | EUR thousand | EUR thousand   | EUR thousand | EUR thousand   |
| <b>Opening balance as at 1 Jan. 2019</b>                                | <b>16</b>    | <b>83,545</b>  | <b>-</b>     | <b>83,561</b>  |
| Addition of new financial assets  | -            | 450,248        | -            | 450,248        |
| Transfer in accordance with assets held for sale                        | -            | -              | -            | -              |
| Transfer from stage 1   | -            | -              | -            | -              |
| Transfer from stage 2   | -            | -              | -            | -              |
| Transfer from stage 3   | -            | -              | -            | -              |
| Transfer to stage 1   | -            | -              | -            | -              |
| Transfer to stage 2   | -            | -              | -            | -              |
| Transfer to stage 3   | -            | -              | -            | -              |
| Directly recognised impairment losses                                   | -            | -55            | -            | -55            |
| Disposals and repayment of financial assets                             | -16          | -424,302       | -            | -424,318       |
| Increase in carrying amount due to modification                         | -            | -              | -            | -              |
| Decrease in carrying amount due to modification                         | -            | -              | -            | -              |
| Net of amortisation, market value changes and other measurement changes | -            | -              | -            | -              |
| Differences on currency translation                                     | -            | 6              | -            | 6              |
| <b>Closing balance as at 31 Dec. 2019</b>                               | <b>-</b>     | <b>109,442</b> | <b>-</b>     | <b>109,442</b> |

| Loans and advances to customers   | Stage 1      | Stage 2        | Stage 3      | Total          |
|---|--------------|----------------|--------------|----------------|
|   | EUR thousand | EUR thousand   | EUR thousand | EUR thousand   |
| <b>Opening balance as at 1 Jan. 2020</b>                                | <b>-</b>     | <b>109,442</b> | <b>-</b>     | <b>109,442</b> |
| Change in the consolidated group – additions                            | 955          | 1,534          | -            | 2,489          |
| Addition of new financial assets  | -            | 420,119        | -            | 420,119        |
| Transfer in accordance with assets held for sale                        | -            | -              | -            | -              |
| Transfer from stage 1   | -            | -              | -            | -              |
| Transfer from stage 2   | -            | -              | 111          | 111            |
| Transfer from stage 3   | -            | -              | -            | -              |
| Transfer to stage 1   | -            | -              | -            | -              |
| Transfer to stage 2   | -            | -              | -            | -              |
| Transfer to stage 3   | -            | -111           | -            | -111           |
| Directly recognised impairment losses                                   | -            | -12            | -6           | -18            |
| Disposals and repayment of financial assets                             | -704         | -451,120       | -3           | -451,827       |
| Increase in carrying amount due to modification                         | -            | -              | -            | -              |
| Decrease in carrying amount due to modification                         | -            | -              | -            | -              |
| Net of amortisation, market value changes and other measurement changes | -            | -              | -            | -              |
| Differences on currency translation                                     | -            | 6              | -            | 6              |
| <b>Closing balance as at 31 Dec. 2020</b>                               | <b>251</b>   | <b>79,858</b>  | <b>102</b>   | <b>80,211</b>  |

| Other financial receivables   | Stage 1      | Stage 2        | Stage 3      | Total          |
|---|--------------|----------------|--------------|----------------|
|   | EUR thousand | EUR thousand   | EUR thousand | EUR thousand   |
| <b>Opening balance as at 1 Jan. 2019</b>                                | –            | <b>141,666</b> | –            | <b>141,666</b> |
| Addition of new financial assets  | –            | 2,279,637      | –            | 2,279,637      |
| Transfer in accordance with assets held for sale                        | –            | –              | –            | –              |
| Transfer from stage 1   | –            | –              | –            | –              |
| Transfer from stage 2   | –            | –              | –            | –              |
| Transfer from stage 3   | –            | –              | –            | –              |
| Transfer to stage 1   | –            | –              | –            | –              |
| Transfer to stage 2   | –            | –              | –            | –              |
| Transfer to stage 3   | –            | –              | –            | –              |
| Directly recognised impairment losses                                   | –            | –              | –            | –              |
| Disposals and repayment of financial assets                             | –            | -2,250,789     | –            | -2,250,789     |
| Increase in carrying amount due to modification                         | –            | –              | –            | –              |
| Decrease in carrying amount due to modification                         | –            | –              | –            | –              |
| Net of amortisation, market value changes and other measurement changes | –            | –              | –            | –              |
| Differences on currency translation                                     | –            | 14             | –            | 14             |
| <b>Closing balance as at 31 Dec. 2019</b>                               | –            | <b>170,528</b> | –            | <b>170,528</b> |

| Other financial receivables   | Stage 1      | Stage 2        | Stage 3      | Total          |
|---|--------------|----------------|--------------|----------------|
|   | EUR thousand | EUR thousand   | EUR thousand | EUR thousand   |
| <b>Opening balance as at 1 Jan. 2020</b>                                | –            | <b>170,528</b> | –            | <b>170,528</b> |
| Change in the consolidated group – additions                            | –            | 1,394          | –            | 1,394          |
| Addition of new financial assets  | –            | 2,377,515      | –            | 2,377,515      |
| Transfer in accordance with assets held for sale                        | –            | –              | –            | –              |
| Transfer from stage 1   | –            | –              | –            | –              |
| Transfer from stage 2   | –            | –              | –            | –              |
| Transfer from stage 3   | –            | –              | –            | –              |
| Transfer to stage 1   | –            | –              | –            | –              |
| Transfer to stage 2   | –            | –              | –            | –              |
| Transfer to stage 3   | –            | –              | –            | –              |
| Directly recognised impairment losses                                   | –            | –              | –            | –              |
| Disposals and repayment of financial assets                             | –            | -2,368,759     | –            | -2,368,759     |
| Increase in carrying amount due to modification                         | –            | –              | –            | –              |
| Decrease in carrying amount due to modification                         | –            | –              | –            | –              |
| Net of amortisation, market value changes and other measurement changes | –            | –              | –            | –              |
| Differences on currency translation                                     | –            | -11            | –            | -11            |
| <b>Closing balance as at 31 Dec. 2020</b>                               | –            | <b>180,667</b> | –            | <b>180,667</b> |

In the past financial year and in the year prior, no allowances for losses on loans and receivables were recognised in accordance with IFRS 9.5.5, as the calculated amount was not material. There are no credit losses on purchased or originated credit-impaired assets (POCI).

The gross carrying amounts shown in the tables under stage 2 derive entirely from the assets held under the simplified approach.

**[60] Items of income, expense, gains and losses****Net gains and losses**

The breakdown of net gains and losses on financial instruments by IFRS 9 category for financial assets and financial liabilities is as follows:

|   | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|---|----------------------|----------------------|------------------------|
| <b>Financial instruments at fair value through profit or loss</b>             | <b>-81,081</b>       | <b>-33,073</b>       | <b>-48,008</b>         |
| Financial assets mandatorily measured at fair value through profit or loss    | -81,081              | -33,073              | -48,008                |
| <b>Financial instruments at fair value through other comprehensive income</b> | <b>1,398</b>         | <b>1,607</b>         | <b>-209</b>            |
| Financial assets measured at fair value through other comprehensive income    | 1,398                | 1,607                | -209                   |
| <b>Measured at amortised cost</b>   | <b>-1,573</b>        | <b>-2,047</b>        | <b>474</b>             |
| Assets measured at amortised cost   | -1,491               | -970                 | -521                   |
| Liabilities measured at amortised cost  | -82                  | -1,077               | 995                    |

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:

|  | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|--|----------------------|----------------------|------------------------|
| <b>Interest income</b>   | <b>48</b>            | <b>116</b>           | <b>-68</b>             |
| <b>Interest expenses and negative interest on financial assets</b> | <b>-1,605</b>        | <b>-2,109</b>        | <b>504</b>             |

**[61] 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.

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 negative market value from derivative financial instruments essentially comprised EUR 168,078 thousand (previous year: EUR 77,000 thousand) from capital preservation commitments for the UniProfiRente retirement pension product and EUR 11,774 thousand (previous year: EUR 10,165 thousand) from 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.

| <b>Assets</b>                                     | <b>31 Dec. 2020</b><br>EUR thousand | <b>31 Dec. 2019</b><br>EUR thousand | <b>Change</b><br>EUR thousand |
|---|-------------------------------------|-------------------------------------|-------------------------------|
| Loans and advances to banks (fair value)          | 592,026                             | 541,495                             | 50,531                        |
| Loans and advances to banks (carrying amount)     | 592,026                             | 541,495                             | 50,531                        |
| Loans and advances to customers (fair value)      | 80,211                              | 109,442                             | -29,231                       |
| Loans and advances to customers (carrying amount) | 80,211                              | 109,442                             | -29,231                       |
| Asset derivatives (fair value)                    | –                                   | 28,136                              | -28,136                       |
| Asset derivatives (carrying amount)               | –                                   | 28,136                              | -28,136                       |
| Investment securities (fair value)                | 1,743,050                           | 1,503,473                           | 239,577                       |
| Investment securities (carrying amount)           | 1,743,050                           | 1,503,473                           | 239,577                       |
| Other financial receivables (fair value)          | 180,667                             | 170,528                             | 10,139                        |
| Other financial receivables (carrying amount)     | 180,667                             | 170,528                             | 10,139                        |
| Assets held for sale (fair value)                 | 39,218                              | 37,740                              | 1,478                         |
| Assets held for sale (carrying amount)            | 39,218                              | 37,740                              | 1,478                         |

| <b>Equity and liabilities</b>   | <b>31 Dec. 2020</b><br>EUR thousand | <b>31 Dec. 2019</b><br>EUR thousand | <b>Change</b><br>EUR thousand |
|---|-------------------------------------|-------------------------------------|-------------------------------|
| Liabilities to banks (fair value)   | 30,101                              | 26,884                              | 3,217                         |
| Liabilities to banks (carrying amount)  | 30,101                              | 26,884                              | 3,217                         |
| Liabilities to customers (fair value)   | 1,525                               | 1,167                               | 358                           |
| Liabilities to customers (carrying amount)  | 1,525                               | 1,167                               | 358                           |
| Liability derivatives (fair value)  | 179,852                             | 96,641                              | 83,211                        |
| Liability derivatives (carrying amount)   | 179,852                             | 96,641                              | 83,211                        |
| Other financial liabilities (fair value)  | 13,025                              | 18,391                              | -5,366                        |
| Other financial liabilities (carrying amount)   | 13,025                              | 18,391                              | -5,366                        |
| Financial liabilities from contingent consideration through business combinations (fair value)      | –                                   | 5,000                               | -5,000                        |
| Financial liabilities from contingent consideration through business combinations (carrying amount) | –                                   | 5,000                               | -5,000                        |

**[62] 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. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|------------------------------------|------------------------------|------------------------------|------------------------|
| <b>Loans and advances to banks</b> | <b>7,894</b>                 | <b>3,033</b>                 | <b>4,861</b>           |
| of which level 1                   | –                            | –                            | –                      |
| of which level 2                   | 7,894                        | 3,033                        | 4,861                  |
| of which level 3                   | –                            | –                            | –                      |
| <b>Asset derivatives</b>           | <b>–</b>                     | <b>28,136</b>                | <b>-28,136</b>         |
| of which level 1                   | –                            | –                            | –                      |
| of which level 2                   | –                            | –                            | –                      |
| of which level 3                   | –                            | 28,136                       | -28,136                |
| <b>Investment securities</b>       | <b>1,743,050</b>             | <b>1,503,473</b>             | <b>239,577</b>         |
| of which level 1                   | –                            | –                            | –                      |
| of which level 2                   | 1,674,495                    | 1,462,924                    | 211,571                |
| of which level 3                   | 68,555                       | 40,550                       | 28,005                 |
| <b>Assets held for sale</b>        | <b>39,218</b>                | <b>37,740</b>                | <b>1,478</b>           |
| of which level 1                   | –                            | –                            | –                      |
| of which level 2                   | 39,218                       | 37,740                       | 1,478                  |
| of which level 3                   | –                            | –                            | –                      |
| <b>Total</b>                       | <b>1,790,162</b>             | <b>1,572,382</b>             | <b>217,780</b>         |

| Equity and liabilities   | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Liability derivatives</b>   | <b>179,852</b>               | <b>96,641</b>                | <b>83,211</b>          |
| of which level 1   | –                            | –                            | –                      |
| of which level 2   | 179,852                      | 87,165                       | 92,687                 |
| of which level 3   | –                            | 9,475                        | -9,475                 |
| <b>Financial liabilities from contingent consideration through business combinations</b> | <b>–</b>                     | <b>5,000</b>                 | <b>-5,000</b>          |
| of which level 1   | –                            | –                            | –                      |
| of which level 2   | –                            | –                            | –                      |
| of which level 3   | –                            | 5,000                        | -5,000                 |
| <b>Total</b>   | <b>179,852</b>               | <b>101,641</b>               | <b>78,211</b>          |

**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 liabilities in the financial year:

| Asset derivatives                                | 2020<br>EUR thousand         | 2019<br>EUR thousand         | Change<br>EUR thousand         |
|--|------------------------------|------------------------------|--------------------------------|
| <b>Opening balance as at 1 Jan.</b>              | <b>28,136</b>                | <b>48,924</b>                | <b>-20,788</b>                 |
| Changes resulting from measurement at fair value | 1,615                        | -20,787                      | 22,402                         |
| of which through profit or loss                  | 1,615                        | -20,787                      | 22,402                         |
| Disposals (sales)                                | -29,751                      | –                            | -29,751                        |
| <b>Closing balance as at 31 Dec.</b>             | <b>–</b>                     | <b>28,136</b>                | <b>-28,136</b>                 |
| <b>Investment securities</b>                     | <b>2020<br/>EUR thousand</b> | <b>2019<br/>EUR thousand</b> | <b>Change<br/>EUR thousand</b> |
| <b>Opening balance as at 1 Jan.</b>              | <b>40,550</b>                | <b>35,366</b>                | <b>5,184</b>                   |
| Additions (purchases)                            | 1,455                        | 4,051                        | -2,596                         |
| Addition of subsidiaries (acquisition)           | 31,747                       | –                            | 31,747                         |
| Changes resulting from measurement at fair value | -3,803                       | 2,133                        | -5,936                         |
| of which through profit or loss                  | -3,687                       | 251                          | -3,938                         |
| of which in equity                               | -116                         | 1,882                        | -1,998                         |
| Disposals (sales)                                | -1,394                       | -1,000                       | -394                           |
| <b>Closing balance as at 31 Dec.</b>             | <b>68,555</b>                | <b>40,550</b>                | <b>28,005</b>                  |

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

| Liability derivatives  | 2020<br>EUR thousand         | 2019<br>EUR thousand         | Change<br>EUR thousand         |
|--|------------------------------|------------------------------|--------------------------------|
| <b>Opening balance as at 1 Jan.</b>  | <b>9,475</b>                 | <b>7,838</b>                 | <b>1,637</b>                   |
| Changes resulting from measurement at fair value   | 4,415                        | 1,638                        | 2,777                          |
| of which through profit or loss  | 4,415                        | 1,638                        | 2,777                          |
| Disposals (sales)  | -13,891                      | –                            | -13,891                        |
| <b>Closing balance as at 31 Dec.</b>   | <b>–</b>                     | <b>9,475</b>                 | <b>-9,475</b>                  |
| <b>Financial liabilities from contingent consideration through business combinations</b> | <b>2020<br/>EUR thousand</b> | <b>2019<br/>EUR thousand</b> | <b>Change<br/>EUR thousand</b> |
| <b>Opening balance as at 1 Jan.</b>  | <b>5,000</b>                 | <b>5,000</b>                 | <b>–</b>                       |
| Disposals (sales)  | -5,000                       | –                            | -5,000                         |
| <b>Closing balance as at 31 Dec.</b>   | <b>–</b>                     | <b>5,000</b>                 | <b>-5,000</b>                  |

As part of the processes for fair value measurement, the UMH Group reviews whether the measurement methods used are still 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 call and put options to shares of ZBI Partnerschafts-Holding GmbH were measured as follows for the last time at the date of the business combination. The calculation of enterprise value was based on a risk-adjusted interest rate of 10.4% (previous year: 10.4%); a 360-day volatility of 48.0% and risk-free interest rates of zero were used in the Black-Scholes model (previous year: 360-day volatility of 26.6% and risk-free interest rates of zero). The loss of EUR -2,800 thousand (previous year: EUR -22,425 thousand) in the reporting year is reported in profit or loss under other net remeasurement income on financial instruments.

The loss from assets reported under financial assets of EUR -3,687 thousand (previous year: EUR 251 thousand) in the reporting year is reported in profit or loss under other net remeasurement income on financial instruments. The loss recognised in equity of EUR -116 thousand (previous year: EUR 1,882 thousand) is reported in the statement of comprehensive income under gains and losses on equity instruments.

The fair value of level 3 investments in subsidiaries is determined on the basis of discounted cash flow methods using the unobservable inputs future cash flows and risk-adjusted interest rates. The risk-adjusted interest rates ranged between 8.7% and 11.3% (previous year: between 8.9% and 10.5%). For an investment in a start-up, a pre-money valuation was implemented on the basis of the measurement for the last round of financing. The 'Investment securities' item contains units in investment funds (units in private equity funds). The fair value is the redemption price published by the asset management companies in line with national investment law provisions (net asset value). The calculation of the redemption price is essentially based on the discounted cash flow values sent by third-party managers of the funds in question.

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

### Assets and liabilities not measured at fair value

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

| Assets                                 | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Loans and advances to banks</b>     | <b>584,132</b>               | <b>538,462</b>               | <b>45,670</b>          |
| of which level 1                       | –                            | –                            | –                      |
| of which level 2                       | 584,132                      | 538,462                      | 45,670                 |
| of which level 3                       | –                            | –                            | –                      |
| <b>Loans and advances to customers</b> | <b>80,211</b>                | <b>109,442</b>               | <b>-29,231</b>         |
| of which level 1                       | –                            | –                            | –                      |
| of which level 2                       | 80,211                       | 109,442                      | -29,231                |
| of which level 3                       | –                            | –                            | –                      |
| <b>Other financial receivables</b>     | <b>180,667</b>               | <b>170,528</b>               | <b>10,139</b>          |
| of which level 1                       | –                            | –                            | –                      |
| of which level 2                       | 180,667                      | 170,528                      | 10,139                 |
| of which level 3                       | –                            | –                            | –                      |
| <b>Total</b>                           | <b>845,010</b>               | <b>818,432</b>               | <b>26,578</b>          |

| Equity and liabilities             | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|------------------------------------|------------------------------|------------------------------|------------------------|
| <b>Liabilities to banks</b>        | <b>30,101</b>                | <b>26,884</b>                | <b>3,217</b>           |
| of which level 1                   | –                            | –                            | –                      |
| of which level 2                   | 30,101                       | 26,884                       | 3,217                  |
| of which level 3                   | –                            | –                            | –                      |
| <b>Liabilities to customers</b>    | <b>1,525</b>                 | <b>1,167</b>                 | <b>358</b>             |
| of which level 1                   | –                            | –                            | –                      |
| of which level 2                   | 1,525                        | 1,167                        | 358                    |
| of which level 3                   | –                            | –                            | –                      |
| <b>Other financial liabilities</b> | <b>13,025</b>                | <b>18,391</b>                | <b>-5,366</b>          |
| of which level 1                   | –                            | –                            | –                      |
| of which level 2                   | 7,174                        | 12,612                       | -5,438                 |
| of which level 3                   | 5,851                        | 5,780                        | 71                     |
| <b>Total</b>                       | <b>44,651</b>                | <b>46,443</b>                | <b>-1,792</b>          |

In other financial liabilities, the liabilities from rental software are assigned to fair value level 3. As these are predominantly current liabilities, the carrying amount recognised is equal to the fair value. Uncertainties during measurement result from exercising renewal and termination options in future.

### [63] Contractual maturity analysis

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

| Assets                                 | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Loans and advances to banks</b>     | <b>592,026</b>               | <b>541,495</b>               | <b>50,531</b>          |
| Up to one month                        | 591,927                      | 541,487                      | 50,440                 |
| One month to three months              | 99                           | 8                            | 91                     |
| Three months to one year               | –                            | –                            | –                      |
| One year to five years                 | –                            | –                            | –                      |
| More than five years                   | –                            | –                            | –                      |
| Indefinite                             | –                            | –                            | –                      |
| <b>Loans and advances to customers</b> | <b>80,536</b>                | <b>109,841</b>               | <b>-29,305</b>         |
| Up to one month                        | 70,417                       | 96,465                       | -26,048                |
| One month to three months              | 2,564                        | 3,887                        | -1,323                 |
| Three months to one year               | 277                          | 2,573                        | -2,296                 |
| One year to five years                 | 3,949                        | 3,642                        | 307                    |
| More than five years                   | 3,199                        | 3,236                        | -37                    |
| Indefinite                             | 130                          | 38                           | 92                     |
| <b>Asset derivatives</b>               | <b>–</b>                     | <b>28,136</b>                | <b>-28,136</b>         |
| Up to one month                        | –                            | –                            | –                      |
| One month to three months              | –                            | –                            | –                      |
| Three months to one year               | –                            | –                            | –                      |
| One year to five years                 | –                            | 28,136                       | -28,136                |
| More than five years                   | –                            | –                            | –                      |
| Indefinite                             | –                            | –                            | –                      |
| <b>Investment securities</b>           | <b>1,743,050</b>             | <b>1,503,473</b>             | <b>239,577</b>         |
| Up to one month                        | –                            | –                            | –                      |
| One month to three months              | –                            | –                            | –                      |
| Three months to one year               | –                            | –                            | –                      |
| One year to five years                 | –                            | –                            | –                      |
| More than five years                   | –                            | –                            | –                      |
| Indefinite                             | 1,743,050                    | 1,503,473                    | 239,577                |

| <b>Assets</b>                      | <b>31 Dec. 2020</b> | <b>31 Dec. 2019</b> | <b>Change</b> |
|------------------------------------|---------------------|---------------------|---------------|
|                                    | EUR thousand        | EUR thousand        | EUR thousand  |
| <b>Other financial receivables</b> | <b>180,667</b>      | <b>170,528</b>      | <b>10,139</b> |
| Up to one month                    | 171,443             | 167,897             | 3,546         |
| One month to three months          | 2,531               | 427                 | 2,104         |
| Three months to one year           | 6,402               | 1,874               | 4,528         |
| One year to five years             | 10                  | 60                  | -50           |
| More than five years               | 278                 | 264                 | 14            |
| Indefinite                         | 3                   | 6                   | -3            |
| <b>Assets held for sale</b>        | <b>39,218</b>       | <b>37,740</b>       | <b>1,478</b>  |
| Up to one month                    | –                   | –                   | –             |
| One month to three months          | –                   | –                   | –             |
| Three months to one year           | –                   | –                   | –             |
| One year to five years             | –                   | –                   | –             |
| More than five years               | –                   | –                   | –             |
| Indefinite                         | 39,218              | 37,740              | 1,478         |

| <b>Equity and liabilities</b>      | <b>31 Dec. 2020</b> | <b>31 Dec. 2019</b> | <b>Change</b>  |
|------------------------------------|---------------------|---------------------|----------------|
|                                    | EUR thousand        | EUR thousand        | EUR thousand   |
| <b>Liabilities to banks</b>        | <b>30,101</b>       | <b>26,884</b>       | <b>3,217</b>   |
| Up to one month                    | 30,101              | 26,884              | 3,217          |
| One month to three months          | –                   | –                   | –              |
| Three months to one year           | –                   | –                   | –              |
| One year to five years             | –                   | –                   | –              |
| More than five years               | –                   | –                   | –              |
| Indefinite                         | –                   | –                   | –              |
| <b>Liabilities to customers</b>    | <b>1,525</b>        | <b>1,167</b>        | <b>358</b>     |
| Up to one month                    | 1,525               | 1,167               | 358            |
| One month to three months          | –                   | –                   | –              |
| Three months to one year           | –                   | –                   | –              |
| One year to five years             | –                   | –                   | –              |
| More than five years               | –                   | –                   | –              |
| Indefinite                         | –                   | –                   | –              |
| <b>Liability derivatives</b>       | <b>57,065</b>       | <b>101,131</b>      | <b>-44,066</b> |
| Up to one month                    | 1,492               | 1,075               | 417            |
| One month to three months          | 200                 | 170                 | 30             |
| Three months to one year           | 1,875               | 3,843               | -1,968         |
| One year to five years             | 10,288              | 14,974              | -4,686         |
| More than five years               | 43,210              | 81,069              | -37,859        |
| Indefinite                         | –                   | –                   | –              |
| <b>Other financial liabilities</b> | <b>13,026</b>       | <b>18,390</b>       | <b>-5,364</b>  |
| Up to one month                    | 7,236               | 5,109               | 2,127          |
| One month to three months          | 178                 | 6                   | 172            |
| Three months to one year           | 1,386               | 2,316               | -930           |
| One year to five years             | 2,973               | 2,325               | 648            |
| More than five years               | 11                  | 8,634               | -8,623         |
| Indefinite                         | 1,242               | –                   | 1,242          |

| <b>Equity and liabilities</b>  | <b>31 Dec. 2020</b> | <b>31 Dec. 2019</b> | <b>Change</b>  |
|--|---------------------|---------------------|----------------|
|  | EUR thousand        | EUR thousand        | EUR thousand   |
| <b>Financial liabilities from contingent consideration through business combinations</b> | –                   | <b>5,000</b>        | –              |
| Up to one month  | –                   | –                   | –              |
| One month to three months  | –                   | –                   | –              |
| Three months to one year   | –                   | –                   | –              |
| One year to five years   | –                   | 5,000               | –              |
| More than five years   | –                   | –                   | –              |
| Indefinite   | –                   | –                   | –              |
| <b>Lease liabilities</b>   | <b>305,765</b>      | <b>107,832</b>      | <b>197,933</b> |
| Up to one month  | 2,891               | 2,309               | 582            |
| One month to three months  | 6,568               | 4,433               | 2,135          |
| Three months to one year   | 27,928              | 19,487              | 8,441          |
| One year to five years   | 127,902             | 62,103              | 65,799         |
| More than five years   | 140,476             | 19,500              | 120,976        |
| Indefinite   | –                   | –                   | –              |

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

In the previous year, the liability derivatives included the exercise prices of the put options for shares in ZBI Partnerschafts-Holding GmbH, Erlangen, written by UMH.

| <b>Other disclosures</b>    | <b>31 Dec. 2020</b> | <b>31 Dec. 2019</b> | <b>Change</b> |
|-----------------------------|---------------------|---------------------|---------------|
|                             | EUR thousand        | EUR thousand        | EUR thousand  |
| <b>Financial guarantees</b> | <b>50,827</b>       | <b>55,749</b>       | <b>-4,922</b> |
| Up to one month             | –                   | –                   | –             |
| One month to three months   | –                   | –                   | –             |
| Three months to one year    | –                   | –                   | –             |
| One year to five years      | –                   | –                   | –             |
| More than five years        | –                   | –                   | –             |
| Indefinite                  | 50,827              | 55,749              | -4,922        |

Nominal amounts are shown for financial guarantees, which do not reflect their expected outflows.

**[64] Foreign currency volumes**

| <b>Assets</b>                          | <b>31 Dec. 2020</b> | <b>31 Dec. 2019</b> | <b>Change</b> |
|--|---------------------|---------------------|---------------|
|  | EUR thousand        | EUR thousand        | EUR thousand  |
| <b>Loans and advances to banks</b>     | <b>406</b>          | <b>1,401</b>        | <b>-995</b>   |
| US dollar (USD)                        | 210                 | 692                 | -482          |
| Swiss franc (CHF)                      | –                   | –                   | –             |
| Japanese yen (JPY)                     | –                   | –                   | –             |
| Pound sterling (GBP)                   | 161                 | 669                 | -508          |
| Polish zloty (PLN)                     | –                   | –                   | –             |
| Hong Kong dollar (HKD)                 | –                   | –                   | –             |
| Other foreign currencies               | 35                  | 40                  | -5            |
| <b>Loans and advances to customers</b> | <b>1,416</b>        | <b>2,882</b>        | <b>-1,466</b> |
| US dollar (USD)                        | 596                 | 2,020               | -1,424        |
| Swiss franc (CHF)                      | 340                 | 345                 | -5            |
| Japanese yen (JPY)                     | –                   | –                   | –             |
| Pound sterling (GBP)                   | 443                 | 476                 | -33           |
| Polish zloty (PLN)                     | –                   | –                   | –             |
| Hong Kong dollar (HKD)                 | –                   | –                   | –             |
| Other foreign currencies               | 37                  | 41                  | -4            |
| <b>Investment securities</b>           | <b>1,702</b>        | <b>1,120</b>        | <b>582</b>    |
| US dollar (USD)                        | 21                  | 22                  | -1            |
| Swiss franc (CHF)                      | 1,555               | 960                 | 595           |
| Japanese yen (JPY)                     | –                   | –                   | –             |
| Pound sterling (GBP)                   | 11                  | 13                  | -2            |
| Polish zloty (PLN)                     | –                   | –                   | –             |
| Hong Kong dollar (HKD)                 | –                   | –                   | –             |
| Other foreign currencies               | 115                 | 125                 | -10           |

| <b>Assets</b>                      | <b>31 Dec. 2020</b> | <b>31 Dec. 2019</b> | <b>Change</b> |
|------------------------------------|---------------------|---------------------|---------------|
|                                    | EUR thousand        | EUR thousand        | EUR thousand  |
| <b>Other financial receivables</b> | <b>196</b>          | <b>248</b>          | <b>-52</b>    |
| US dollar (USD)                    | 75                  | 86                  | -11           |
| Swiss franc (CHF)                  | 39                  | 40                  | -1            |
| Japanese yen (JPY)                 | –                   | –                   | –             |
| Pound sterling (GBP)               | 82                  | 122                 | -40           |
| Polish zloty (PLN)                 | –                   | –                   | –             |
| Hong Kong dollar (HKD)             | –                   | –                   | –             |
| Other foreign currencies           | –                   | –                   | –             |
| <b>Total</b>                       | <b>3,720</b>        | <b>5,651</b>        | <b>-1,931</b> |

| Equity and liabilities             | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|------------------------------------|------------------------------|------------------------------|------------------------|
| <b>Other financial liabilities</b> | <b>4,067</b>                 | <b>4,550</b>                 | <b>-483</b>            |
| US dollar (USD)                    | 4,043                        | 4,546                        | -503                   |
| Swiss franc (CHF)                  | 4                            | 4                            | -                      |
| Japanese yen (JPY)                 | -                            | -                            | -                      |
| Pound sterling (GBP)               | -                            | -                            | -                      |
| Polish zloty (PLN)                 | 20                           | -                            | 20                     |
| Hong Kong dollar (HKD)             | -                            | -                            | -                      |
| Other foreign currencies           | -                            | -                            | -                      |
| <b>Lease liabilities</b>           | <b>1,466</b>                 | <b>2,268</b>                 | <b>-802</b>            |
| US dollar (USD)                    | 1,466                        | 1,814                        | -348                   |
| Swiss franc (CHF)                  | -                            | -                            | -                      |
| Japanese yen (JPY)                 | -                            | -                            | -                      |
| Pound sterling (GBP)               | -                            | 454                          | -454                   |
| Polish zloty (PLN)                 | -                            | -                            | -                      |
| Hong Kong dollar (HKD)             | -                            | -                            | -                      |
| Other foreign currencies           | -                            | -                            | -                      |
| <b>Total</b>                       | <b>5,533</b>                 | <b>6,818</b>                 | <b>-1,285</b>          |

| Other disclosures           | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|-----------------------------|------------------------------|------------------------------|------------------------|
| <b>Financial guarantees</b> | <b>50,827</b>                | <b>55,749</b>                | <b>-4,922</b>          |
| US dollar (USD)             | 50,827                       | 55,749                       | -4,922                 |
| Swiss franc (CHF)           | -                            | -                            | -                      |
| Japanese yen (JPY)          | -                            | -                            | -                      |
| Pound sterling (GBP)        | -                            | -                            | -                      |
| Polish zloty (PLN)          | -                            | -                            | -                      |
| Hong Kong dollar (HKD)      | -                            | -                            | -                      |
| Other foreign currencies    | -                            | -                            | -                      |
| <b>Total</b>                | <b>50,827</b>                | <b>55,749</b>                | <b>-4,922</b>          |

The nominal amount is reported for financial guarantees.

## Other disclosures

### [65] 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 asset management companies by Section 25 of Germany's Investment Code (KAGB) and for Union Investment Service Bank AG, Quoniam Asset Management GmbH and VisualVest GmbH by European Regulation No. 575/2013 (CRR) in conjunction with Section 10 KWG. The Board of Managing Directors of UMH AG also uses the corporate guidelines on integrated risk and capital management as the basis for ensuring appropriate capital adequacy in the Union Investment Group. The aggregate risk is compared against the available aggregate risk cover for a given analysis period in order to make sure that, with a specified confidence level, the potential losses do not exceed the aggregate risk cover. Aggregate risk cover comprises the equity reported in the statement of financial position and quasi-equity components, and also takes into account hidden reserves and liabilities that would arise in the event of a loss. Please refer to the statement of changes in equity for further information on the composition of and changes in equity. Additional details on risk management can also be found in the risk report in the group management report.

### [66] Disclosures of revenue from contracts with customers

#### Allocation of revenue from contracts with customers

|   | 2020             | 2019             | Change         |
|---|------------------|------------------|----------------|
|   | EUR thousand     | EUR thousand     | EUR thousand   |
| <b>Revenue elements</b>                 |                  |                  |                |
| Fee and commission income               | 2,780,044        | 2,629,086        | 150,958        |
| from sales commission                   | 377,843          | 391,705          | -13,862        |
| from management fees                    | 2,228,892        | 2,070,272        | 158,620        |
| from securities custody accounts        | 53,902           | 53,616           | 286            |
| Other                                   | 119,407          | 113,493          | 5,914          |
| Other operating income                  | 8,180            | 5,373            | 2,807          |
| <b>Total revenue elements</b>           | <b>2,788,224</b> | <b>2,634,459</b> | <b>153,765</b> |
| <b>Geographical key markets</b>         |                  |                  |                |
| Germany                                 | 2,147,713        | 2,053,096        | 94,617         |
| Other EU countries                      | 640,511          | 581,363          | 59,148         |
| Rest of the world                       | –                | –                | –              |
| <b>Total geographical key markets</b>   | <b>2,788,224</b> | <b>2,634,459</b> | <b>153,765</b> |
| <b>Type of sales recognised</b>         |                  |                  |                |
| At a point in time                      | 448,874          | 429,405          | 19,469         |
| Over a period of time                   | 2,339,350        | 2,205,054        | 134,296        |
| <b>Total amount of sales recognised</b> | <b>2,788,224</b> | <b>2,634,459</b> | <b>153,765</b> |

The asset management services provided typically do not give rise to any contractual assets due to the periodic settlements. As no advance considerations are paid by customers, no contract liabilities arise.

Contracts with customers for which the proceeds contain significant financing components have not been identified. The practical expedient granted in IFRS 15.63 was applied here, under which transaction prices may not be adjusted in relation to the effects of a significant financing component if the customer expects to pay at the latest within one year after the transfer of the assets or services promised.

The contracts with customers concluded by the UMH Group always grant a claim to a consideration to be paid by the customer in an amount that corresponds directly to the value of the services already provided by the company for these customers. Thus, the practical expedient granted in IFRS 15.121(b) is used and sales are recognised in the amount that the entity may charge. This eliminates the obligation to disclose the total amount of transaction prices that are allocated to the performance obligations for the contract portfolio that have not yet been fulfilled as at the balance sheet date. Quantitative disclosures on the performance obligations that have not yet been fulfilled are not possible with the contract arrangements typical for asset management due to the requirements of IFRS 15 to limit the recognition of variable consideration.

#### Disclosures of contracts with customers

Part of the receivables recognised in the statement of financial position is accounted for using the regulations of IFRS 15.

|                                   | Loans and advances to banks | Loans and advances to customers | Other receivables | Total          |
|-----------------------------------|-----------------------------|---------------------------------|-------------------|----------------|
|                                   | EUR thousand                | EUR thousand                    | EUR thousand      | EUR thousand   |
| <b>As at 1 Jan. 2019</b>          | <b>5,063</b>                | <b>83,485</b>                   | <b>137,579</b>    | <b>226,127</b> |
| Additions                         | 41,840                      | 436,126                         | 2,251,938         | 2,729,904      |
| Disposals                         | -42,442                     | -410,157                        | -2,223,020        | -2,675,619     |
| Impairment/reversal of impairment | –                           | -55                             | –                 | -55            |
| Other                             | 1                           | 6                               | 11                | 18             |
| <b>As at 31 Dec. 2019</b>         | <b>4,462</b>                | <b>109,405</b>                  | <b>166,508</b>    | <b>280,375</b> |
| <b>As at 1 Jan. 2020</b>          | <b>4,462</b>                | <b>109,405</b>                  | <b>166,508</b>    | <b>280,375</b> |
| Additions                         | 47,608                      | 399,016                         | 2,358,694         | 2,805,318      |
| Disposals                         | -46,252                     | -430,077                        | -2,349,187        | -2,825,516     |
| Impairment/reversal of impairment | –                           | -18                             | –                 | -18            |
| Other                             | 4                           | 1,540                           | 952               | 2,496          |
| <b>As at 31 Dec. 2020</b>         | <b>5,822</b>                | <b>79,866</b>                   | <b>176,967</b>    | <b>262,655</b> |

#### [67] Disclosure of interests in other entities

##### Significant judgements and assumptions

##### Control of other companies

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

In order to determine whether an entity must be consolidated, the UMH Group checks a series of factors, such as

- the purpose and form of the entity,
- the relevant activities and how these are determined,
- whether the group's rights result in the ability to direct the relevant activities,
- whether the group has exposure or rights to variable returns and whether the group has the ability to use its power to affect the amount of its returns.

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

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

In relation to the funds managed by the asset management companies of the group, after assessing their role in line with the national provisions of investment law, the UMH Group assumes that

- it has power of control within the meaning of IFRS 10.7(a),
- it has exposure, and rights, to variable returns from its involvement in these entities (IFRS 10.7(b)) and
- it has the ability to use its power over these entities to influence the amount of its returns (IFRS 10.7(c)).

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

As such, the UMH Group always plays the role of an agent for these funds if

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

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

#### Associates, joint control and significant influence

Associates are entities over which the UMH Group directly or indirectly has significant influence. Significant influence is generally presumed when the group holds between 2% and 5% of the voting rights.

The UMH Group holds 4% 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 UMH 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 UMH consolidated financial statements using the equity method since its acquisition.

#### Investments in subsidiaries

##### Deviating reporting periods

In the financial year, as in the previous 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), ZBI Partnerschafts-Holding GmbH, Erlangen (ZBI PH), Union Investment Institutional Property GmbH, Hamburg (UII), Quoniam Asset Management GmbH, Frankfurt am Main (QAM), and Union Investment Real Estate Austria AG, Vienna (URA):

| Non-controlling interests (incl. profit share) | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| Union Investment Real Estate GmbH              | 20,181                       | 18,287                       | 1,894                  |
| ZBI Partnerschafts-Holding GmbH                | 5,013                        | –                            | 5,013                  |
| Union Investment Institutional Property GmbH   | 3,009                        | 2,316                        | 693                    |
| Quoniam Asset Management GmbH                  | 2,041                        | 2,567                        | -526                   |
| Union Investment Real Estate Austria AG        | 642                          | 602                          | 40                     |
| Miscellaneous                                  | 371                          | 7                            | 364                    |
| <b>Total</b>                                   | <b>31,257</b>                | <b>23,779</b>                | <b>7,478</b>           |

| Non-controlling interests in consolidated net income | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| Union Investment Real Estate GmbH                    | 6,959                        | 5,885                        | 1,074                  |
| ZBI Partnerschafts-Holding GmbH                      | -375                         | –                            | -375                   |
| Union Investment Institutional Property GmbH         | 1,283                        | 653                          | 630                    |
| Quoniam Asset Management GmbH                        | 1,090                        | 1,556                        | -466                   |
| Union Investment Real Estate Austria AG              | 118                          | 88                           | 30                     |
| Miscellaneous  | 364                          | 0                            | 364                    |
| <b>Total</b>   | <b>9,439</b>                 | <b>8,182</b>                 | <b>1,257</b>           |

### Union Investment Real Estate GmbH, Hamburg

UIR is a leading property manager in Europe. It has more than 50 years' expertise in asset management for properties and provides bespoke real estate solutions for private and institutional asset allocation. With its internationally diversified property portfolio, now distributed across 20 national markets, it leverages the opportunities of global market cycles for investors. Extensive market knowledge and an investment strategy based on the presence of its own teams and strong cooperation partners in target markets contribute to a high return on investment. UIR operates on commercial property markets as an investor and seller, builder and developer, lessor and service provider for all aspects of real estate. UIR currently manages property funds with net assets of EUR 35.8 billion (previous year: EUR 34.1 billion). UMH AG directly holds 90.0% of shares in UIR (previous year: 90.0%). Its share in the voting rights is equal to its shareholding. There are non-controlling interests of 5.5% (previous year: 5.5%) (UIR Beteiligungs Holding GmbH & Co KG) and of 4.5% (previous year: 4.5%) (DZ BANK).

UMH AG concluded an indefinite control agreement with UIR in January 2014, which can be cancelled with notice of six months to the end of a financial year. For the duration of the agreement, this guarantees the non-controlling interest UIR Beteiligungs GmbH & Co KG a share of profits (cash dividend) for each full financial year of EUR 1,961 thousand for 5.5% of shares in the company and, for DZ BANK, EUR 1,605 thousand for 4.5% of shares. The non-controlling interests did not claim the guaranteed dividend, which does not affect the entitlement to the distributed dividend according to UIR's resolution on the appropriation of profit. In the financial year, the non-controlling interests in UIR received dividend distributions (cash dividends) of EUR 4,889 thousand (previous year: EUR 4,111 thousand).

### Summarised financial information on UIR:

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Assets</b>                            | <b>404,645</b>               | <b>352,739</b>               | <b>51,906</b>          |
| <b>Liabilities</b>                       | <b>202,837</b>               | <b>169,876</b>               | <b>32,961</b>          |
|  |                              |                              |                        |
|  | 2020<br>EUR thousand         | 2019<br>EUR thousand         | Change<br>EUR thousand |
| <b>Interest and commission income</b>    | <b>446,863</b>               | <b>393,101</b>               | <b>53,762</b>          |
| <b>Net income through profit or loss</b> | <b>69,589</b>                | <b>58,861</b>                | <b>10,728</b>          |
| <b>Other comprehensive income</b>        | <b>-1,755</b>                | <b>-2,332</b>                | <b>577</b>             |
| <b>Total comprehensive income</b>        | <b>67,834</b>                | <b>56,529</b>                | <b>11,305</b>          |
| <b>Cash flow</b>                         | <b>1</b>                     | <b>-4</b>                    | <b>5</b>               |

### ZBI Partnerschafts-Holding GmbH, Erlangen

ZBI PH, which is based in Erlangen, was founded in 2017 as part of a strategic partnership between the ZBI Group and Union Investment. UMH acquired additional shares in ZBI PH in the current financial year and has since been in control of the company.

The ZBI Group is one of the leading specialists for investments in German residential properties. The issuer has successfully designed residential property funds for private and institutional investors since 2002 and, with 19 funds issued to date, has a consistently positive track record.

UMH AG directly holds 94.9% of shares in ZBI PH (previous year: 49.9%). Its share in the voting rights is equal to its shareholding. The non-controlling interests of 5.1% (previous year: 50.1%) are attributable to CI Central Immobilien Holding AG, Erlangen.

On the basis of a shareholder agreement and possibly deviating from the distribution proportionate to the capital share, CI Central Immobilien Holding AG is owed an annual guarantee dividend of at least EUR 300 thousand.

At the end of the reporting period, the company had assets of EUR 127,914 thousand and liabilities of EUR 29,619 thousand. Interest and commission income of EUR 86 million was generated. Net income through profit or loss amounted to EUR -7,345 thousand. Other comprehensive income came to EUR 0 thousand. Total comprehensive income therefore amounted to EUR -7,345 thousand, with cash flow of EUR 0 thousand.

Please refer to the section on business acquisitions (note [71]).

### 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. 30 years ago, UII already focused on the needs of institutional investors. 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 9.7 billion in its institutional business (previous year: EUR 7.7 billion).

UMH AG directly holds 90.0% of shares in UII (previous year: 90.0%). Its share in the voting rights is equal to its shareholding. At 10.0% (previous year: 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 1% of the notional value of the company of EUR 620 thousand, i.e. EUR 74 thousand. In the financial year, the non-controlling interest in UII received dividend distributions (cash dividends) of EUR 557 thousand (previous year: EUR 556 thousand).

Summarised financial information on UII:

|                    | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--------------------|------------------------------|------------------------------|------------------------|
| <b>Assets</b>      | <b>44,155</b>                | <b>36,694</b>                | <b>7,461</b>           |
| <b>Liabilities</b> | <b>14,067</b>                | <b>13,530</b>                | <b>537</b>             |

|  | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|--|----------------------|----------------------|------------------------|
| <b>Interest and commission income</b>    | <b>69,312</b>        | <b>44,874</b>        | <b>24,438</b>          |
| <b>Net income through profit or loss</b> | <b>12,829</b>        | <b>6,534</b>         | <b>6,295</b>           |
| <b>Other comprehensive income</b>        | <b>-335</b>          | <b>-490</b>          | <b>155</b>             |
| <b>Total comprehensive income</b>        | <b>12,494</b>        | <b>6,044</b>         | <b>6,450</b>           |
| <b>Cash flow</b>                         | <b>-</b>             | <b>-</b>             | <b>-</b>               |

### Quoniam Asset Management GmbH, Frankfurt am Main

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

UMH AG directly holds 93.7% of the capital (previous year: 93.1%) and all voting rights in QAM. Non-controlling interests account for 6.3% of capital shares (previous year: 6.9%). These non-voting shares are held by the management of QAM.

In the financial year, (cash) dividends of EUR 1,459 thousand (previous year: EUR 2,694 thousand) were paid to the non-controlling interests of QAM.

Summarised financial information on QAM:

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Assets</b>                            | <b>76,536</b>                | <b>84,644</b>                | <b>-8,108</b>          |
| <b>Liabilities</b>                       | <b>44,218</b>                | <b>47,621</b>                | <b>-3,403</b>          |
|  |                              |                              |                        |
|  | 2020<br>EUR thousand         | 2019<br>EUR thousand         | Change<br>EUR thousand |
| <b>Interest and commission income</b>    | <b>65,269</b>                | <b>75,243</b>                | <b>-9,974</b>          |
| <b>Net income through profit or loss</b> | <b>17,256</b>                | <b>22,433</b>                | <b>-5,177</b>          |
| <b>Other comprehensive income</b>        | <b>-913</b>                  | <b>-497</b>                  | <b>-416</b>            |
| <b>Total comprehensive income</b>        | <b>16,343</b>                | <b>21,936</b>                | <b>-5,593</b>          |
| <b>Cash flow</b>                         | <b>0</b>                     | <b>-5</b>                    | <b>5</b>               |

### Union Investment Real Estate Austria AG, Vienna

URA, which is based in Vienna, is an asset management company for real estate in accordance with the Austrian Real Estate Investment Fund Act. The company was founded in 2003 and manages real estate in Austria and Germany. URA currently manages property funds with a volume of EUR 1.1 billion (previous year: EUR 1.1 billion).

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

In the financial year, (cash) dividends of EUR 77 thousand (previous year: EUR 39 thousand) were paid to the non-controlling interests of URA.

Summarised financial information on URA:

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Assets</b>                            | <b>17,676</b>                | <b>17,778</b>                | <b>-102</b>            |
| <b>Liabilities</b>                       | <b>6,007</b>                 | <b>6,839</b>                 | <b>-832</b>            |
|  |                              |                              |                        |
|  | 2020<br>EUR thousand         | 2019<br>EUR thousand         | Change<br>EUR thousand |
| <b>Interest and commission income</b>    | <b>16,814</b>                | <b>16,849</b>                | <b>-35</b>             |
| <b>Net income through profit or loss</b> | <b>2,146</b>                 | <b>1,595</b>                 | <b>551</b>             |
| <b>Other comprehensive income</b>        | <b>-16</b>                   | <b>-10</b>                   | <b>-6</b>              |
| <b>Total comprehensive income</b>        | <b>2,130</b>                 | <b>1,585</b>                 | <b>545</b>             |
| <b>Cash flow</b>                         | <b>-</b>                     | <b>-</b>                     | <b>-</b>               |

### 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 1,210.5 million as at the end of the reporting period (previous year: EUR 951.7 million). This is a fund of funds that was issued as a vehicle to bundle the strategic own-account investment positions of the UMH Group and its investment universe, and concentrates on funds managed by the Union Investment Group. All unit certificates of this fund managed by Union Investment Luxembourg S.A. are owned by companies of the UMH Group. Only the companies of the UMH Group can acquire these unit certificates. The maximum downside risk is limited to the consolidated net assets of this structured entity.

### Interests in joint arrangements and associates

#### Deviating reporting periods

In the reporting year, there were no companies in the UMH Group with a reporting period deviating from that of the UMH Group. The fully consolidated investment fund UI Vario: 2, which has a financial year ending 31 May, is included with interim financial statements as at 31 December 2020.

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

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

#### BEA Union Investment Management Limited, Hong Kong

BEA Union Investment Management Limited (BU) is a joint venture of UMH AG and The Bank of East Asia Limited, Hong Kong (BEA). The asset management company provides portfolio management services for mutual funds and mandatory provident fund (MPF) schemes – regulated pension products – and asset management and advisory services for institutional clients. Sales activities run through BEA and, increasingly, third parties, and mainly focus on Hong Kong and China. At the end of 2020, the company had HKD 79.0 billion in assets under management (previous year: HKD 70.7 billion) in 97 products (previous year: 93 products).

UMH AG's shareholding at the end of the reporting period was 4% (previous year: 4%). The remaining 5% of shares (previous year: 5%) 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 53.0 million or EUR 6,313 thousand to UMH AG (previous year: HKD 51.7 million or EUR 5,893 thousand).

Summarised financial information on BU:

|                                | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--------------------------------|------------------------------|------------------------------|------------------------|
| <b>Assets</b>                  | <b>66,992</b>                | <b>75,747</b>                | <b>-8,755</b>          |
| of which cash reserve          | –                            | –                            | –                      |
| <b>Liabilities</b>             | <b>-9,019</b>                | <b>-12,266</b>               | <b>3,247</b>           |
| of which financial liabilities | -8,495                       | -8,290                       | -205                   |

|   | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|---|----------------------|----------------------|------------------------|
| <b>Interest income</b>  | <b>568</b>           | <b>1,353</b>         | <b>-785</b>            |
| <b>Interest expenses</b>                                      | <b>-28</b>           | <b>-50</b>           | <b>22</b>              |
| <b>Fee and commission income</b>                              | <b>36,993</b>        | <b>36,798</b>        | <b>195</b>             |
| <b>Fee and commission expenses</b>                            | <b>-7,597</b>        | <b>-7,356</b>        | <b>-241</b>            |
| <b>Administrative expenses, depreciation and amortisation</b> | <b>-15,928</b>       | <b>-14,662</b>       | <b>-1,266</b>          |
| <b>Income taxes</b>   | <b>-2,160</b>        | <b>-2,428</b>        | <b>268</b>             |
| <b>Net income from continuing operations</b>                  | <b>11,978</b>        | <b>13,424</b>        | <b>-1,446</b>          |
| <b>Other comprehensive income</b>                             | <b>–</b>             | <b>–</b>             | <b>–</b>               |
| <b>Total comprehensive income</b>                             | <b>11,978</b>        | <b>13,424</b>        | <b>-1,446</b>          |

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

|  | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Recognised net assets</b>   | <b>57,973</b>                | <b>63,480</b>                | <b>-5,507</b>          |
| <b>Multiplication by shareholding</b>  | <b>28,407</b>                | <b>31,105</b>                | <b>-2,698</b>          |
| Goodwill   | 25,601                       | 27,955                       | -2,354                 |
| <b>Carrying amount from remeasurement<br/>in line with the equity method</b> | <b>54,008</b>                | <b>59,060</b>                | <b>-5,052</b>          |

## 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 7.7 million as at the end of the reporting period (previous year: EUR 7.0 million).

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

|   | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|---|----------------------|----------------------|------------------------|
| <b>Pro rata net income from continuing operations</b>   | <b>3,699</b>         | <b>2,278</b>         | <b>1,421</b>           |
| <b>Pro rata net income from discontinued operations</b> | <b>-</b>             | <b>-</b>             | <b>-</b>               |
| <b>Pro rata other comprehensive income</b>              | <b>-</b>             | <b>-</b>             | <b>-</b>               |
| <b>Pro rata total comprehensive income</b>              | <b>3,699</b>         | <b>2,278</b>         | <b>1,421</b>           |

### Nature and extent of material restrictions

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

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

### Risks associated with interests in joint ventures and associates

#### Obligations in relation to joint ventures

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

The UMH Group had recognised provisions for commission for BU of EUR 695 thousand as at the end of the reporting period (previous year: EUR 753 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 UMH Group. The entities covered by this note are not consolidated as the UMG 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 UMH 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 UMH Group.

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

- Business activity 1: Management of and own-account investment in funds set up by companies of the Union Investment Group.
- Business activity 2: Management of portfolios of funds set up by third-party companies.

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

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

The UMH Group generates income from ongoing management fees for its fund-based investment management services, supplemented in part by performance fees. In addition, the UMH 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 at fair value through profit or loss, hence the recognised gains and losses are included in net income from investment securities and unrecognised gains and losses from 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 789,858 thousand (net asset value) (previous year: EUR 1,702,590 thousand) and a minimum payment commitment (nominal amount) of EUR 756,666 thousand (previous year: EUR 1,583,750 thousand). The put options embedded in the guarantee funds were measured at EUR 11,774 thousand as at the end of the reporting period (previous year: EUR 10,165 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<br>(unit certificates) |                        |
|--------------------------|------------------------------|------------------------------|-------------------------------|------------------------|
|                          | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | 31 Dec. 2020<br>Number        | 31 Dec. 2019<br>Number |
| <b>Mutual funds</b>      | <b>198,731,859</b>           | <b>184,703,333</b>           | <b>341</b>                    | <b>334</b>             |
| of which guarantee funds | 789,858                      | 1,702,590                    | 14                            | 25                     |
| <b>Special fund</b>      | <b>125,070,213</b>           | <b>116,299,113</b>           | <b>426</b>                    | <b>418</b>             |
| of which guarantee funds | –                            | –                            | –                             | –                      |
| <b>Total</b>             | <b>323,802,072</b>           | <b>301,002,446</b>           | <b>767</b>                    | <b>752</b>             |
| of which guarantee funds | 789,858                      | 1,702,590                    | 14                            | 25                     |

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.

| 2020 financial year  | Mutual funds     |  | Special fund  |  | Total<br>EUR thousand |
|--|------------------|--|---------------|--|-----------------------|
|  | EUR thousand     | of which guarantee funds<br>EUR thousand | EUR thousand  | of which guarantee funds<br>EUR thousand |                       |
| <b>Assets</b>  | <b>1,941,168</b> | <b>27</b>                                | <b>33,183</b> | <b>–</b>                                 | <b>1,974,351</b>      |
| Loans and advances to customers  | 3,312            | –  | 4,664         | –  | 7,976                 |
| Investment fund units  | 1,672,944        | –  | 5,950         | –  | 1,678,894             |
| Investments in subsidiaries  | –                | –  | –             | –  | –                     |
| Other receivables  | 154,397          | 27                                       | 22,570        | –  | 176,967               |
| Assets held for sale   | 39,218           | –  | –             | –  | 39,218                |
| Right of use assets  | 71,295           | –  | –             | –  | 71,295                |
| <b>Liabilities</b>   | <b>83,687</b>    | <b>11,788</b>                            | <b>3</b>      | <b>–</b>                                 | <b>83,690</b>         |
| Liability derivatives  | 11,774           | 11,774                                   | –             | –  | 11,774                |
| Other liabilities  | 128              | 14                                       | 3             | –  | 131                   |
| Lease liabilities  | 71,785           | –  | –             | –  | 71,785                |
| <b>Net reported exposure (assets less liabilities)</b>   | <b>1,857,481</b> | <b>-11,761</b>                           | <b>33,180</b> | <b>–</b>                                 | <b>1,890,661</b>      |
| <b>Contingent liabilities</b>  | <b>–</b>         | <b>–</b>                                 | <b>–</b>      | <b>–</b>                                 | <b>–</b>              |
| <b>Financial guarantees, credit commitments and other commitments</b>  | <b>744,892</b>   | <b>744,892</b>                           | <b>–</b>      | <b>–</b>                                 | <b>744,892</b>        |
| Financial guarantees   | –                | –  | –             | –  | –                     |
| Credit commitments   | –                | –  | –             | –  | –                     |
| Other commitments  | 744,892          | 744,892                                  | –             | –  | 744,892               |
| <b>Net reported exposure + contingent liabilities + financial guarantees, credit commitments and other commitments</b> | <b>2,602,373</b> | <b>733,131</b>                           | <b>33,180</b> | <b>–</b>                                 | <b>2,635,553</b>      |
| <b>Actual maximum exposure</b>   | <b>2,602,373</b> | <b>733,131</b>                           | <b>33,180</b> | <b>–</b>                                 | <b>2,635,553</b>      |

| 2019 financial year  | Mutual funds             |                  | Special fund            |              | Total            |
|--|--------------------------|------------------|-------------------------|--------------|------------------|
|  | of which guarantee funds |                  | of which guarantee fund |              |                  |
|  | EUR thousand             | EUR thousand     | EUR thousand            | EUR thousand |                  |
| <b>Assets</b>  | <b>1,701,823</b>         | <b>69</b>        | <b>31,944</b>           | <b>-</b>     | <b>1,733,767</b> |
| Loans and advances to customers  | 4,721                    | -                | 7,410                   | -            | 12,131           |
| Investment fund units  | 1,464,467                | -                | 6,481                   | -            | 1,470,948        |
| Investments in subsidiaries  | -                        | -                | -                       | -            | -                |
| Other receivables  | 148,455                  | 69               | 18,053                  | -            | 166,508          |
| Assets held for sale   | 37,739                   | -                | 1                       | -            | 37,740           |
| Right of use assets  | 46,441                   | -                | -                       | -            | 46,441           |
| <b>Liabilities</b>   | <b>56,917</b>            | <b>10,165</b>    | <b>5</b>                | <b>-</b>     | <b>56,922</b>    |
| Liability derivatives  | 10,165                   | 10,165           | -                       | -            | 10,165           |
| Other liabilities  | 56                       | -                | 5                       | -            | 61               |
| Lease liabilities  | 46,695                   | -                | -                       | -            | 46,695           |
| <b>Net reported exposure (assets less liabilities)</b>   | <b>1,644,906</b>         | <b>-10,096</b>   | <b>31,939</b>           | <b>-</b>     | <b>1,676,845</b> |
| <b>Contingent liabilities</b>  | <b>-</b>                 | <b>-</b>         | <b>-</b>                | <b>-</b>     | <b>-</b>         |
| <b>Financial guarantees, credit commitments and other commitments</b>  | <b>1,573,585</b>         | <b>1,573,585</b> | <b>-</b>                | <b>-</b>     | <b>1,573,585</b> |
| Financial guarantees   | -                        | -                | -                       | -            | -                |
| Credit commitments   | -                        | -                | -                       | -            | -                |
| Other commitments  | 1,573,585                | 1,573,585        | -                       | -            | 1,573,585        |
| <b>Net reported exposure + contingent liabilities + financial guarantees, credit commitments and other commitments</b> | <b>3,218,491</b>         | <b>1,563,489</b> | <b>31,939</b>           | <b>-</b>     | <b>3,250,430</b> |
| <b>Actual maximum exposure</b>   | <b>3,218,491</b>         | <b>1,563,489</b> | <b>31,939</b>           | <b>-</b>     | <b>3,250,430</b> |

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 756,666 thousand; previous year: EUR 1,583,750 thousand), less the liability amounts recognised for the put options embedded in these products (EUR 11,774 thousand; previous year: EUR 10,165 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 789,858 thousand; previous year: EUR 1,702,590 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:

| 2020 financial year      | Front-end fees, 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   |
| <b>Mutual funds</b>      | <b>2,309,258</b>  | <b>7,114</b>              | <b>10,694</b>  | <b>2,327,066</b>                          | <b>-</b>   |
| of which guarantee funds | 6,654   | -                         | -  | 6,654                                     | -  |
| <b>Special fund</b>      | <b>198,349</b>  | <b>183</b>                | <b>-1,936</b>  | <b>196,596</b>                            | <b>-</b>   |
| of which guarantee funds | -   | -                         | -  | -   | -  |
| <b>Total</b>             | <b>2,507,607</b>  | <b>7,297</b>              | <b>8,758</b>   | <b>2,523,662</b>                          | <b>-</b>   |
| of which guarantee funds | 6,654   | -                         | -  | 6,654                                     | -  |

| 2019 financial year      | Front-end fees, 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   |
| <b>Mutual funds</b>      | <b>2,189,806</b>  | <b>7,973</b>              | <b>17,985</b>  | <b>2,215,764</b>                          | –  |
| of which guarantee funds | 15,651  | –                         | –  | 15,651                                    | –  |
| <b>Special fund</b>      | <b>172,884</b>  | <b>207</b>                | <b>-640</b>  | <b>172,451</b>                            | –  |
| of which guarantee funds | –   | –                         | –  | –   | –  |
| <b>Total</b>             | <b>2,362,690</b>  | <b>8,180</b>              | <b>17,345</b>  | <b>2,388,215</b>                          | –  |
| of which guarantee funds | 15,651  | –                         | –  | 15,651                                    | –  |

The UMH Group incurred losses of EUR -15,199 thousand from business activity 1 in the financial year (previous year: EUR -6,614 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               |                      |
|-----------------------------|----------------------------|----------------------------|----------------------|----------------------|
|                             | 31.12.2020<br>EUR thousand | 31.12.2019<br>EUR thousand | 31.12.2020<br>Number | 31.12.2019<br>Number |
| <b>Outsourcing mandates</b> | <b>39,835,585</b>          | <b>40,256,028</b>          | <b>211</b>           | <b>220</b>           |

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 16,924 thousand (previous year: EUR 20,963 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 16,924 thousand (previous year: EUR 20,963 thousand).

In the financial year, the UMH Group generated only fee and commission income of EUR 78,290 thousand from business activity 2 (previous year: EUR 82,750 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.

Until control over ZBI PH was obtained on 29 October 2020, the UMH Group acted as sponsor for the "Unilmmo: Wohnen ZBI" fund and "ZBI Union Wohnen Plus" fund. At present, the UMH Group does not act as sponsor for any other funds.

**[68] 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 |
|---|-----------------------|-------------------------|
| <b>Asset management companies</b>                                   |                       |                         |
| Union Investment Institutional GmbH, Frankfurt am Main <sup>1</sup> | 100.0%                | –                       |
| Union Investment Institutional Property GmbH, Hamburg <sup>1</sup>  | 90.0%                 | –                       |
| Union Investment Luxembourg S.A., Luxembourg                        | 100.0%                | –                       |
| Union Investment Privatfonds GmbH, Frankfurt am Main <sup>1</sup>   | 100.0%                | –                       |
| Union Investment Real Estate GmbH, Hamburg <sup>1</sup>             | 90.0%                 | –                       |
| Union Investment Real Estate Austria AG, Vienna                     | –                     | 94.5%                   |
| ZBI Fondsmanagement AG, Erlangen                                    | –                     | 94.9%                   |
| <b>Financial service institutions</b>                               |                       |                         |
| Quoniam Asset Management GmbH, Frankfurt am Main <sup>2</sup>       | 93.7%                 | –                       |
| Union Investment Austria GmbH, Vienna                               | 100.0%                | –                       |
| VisualVest GmbH, Frankfurt am Main <sup>1</sup>                     | 100.0%                | –                       |
| <b>Banks</b>  |                       |                         |
| Union Investment Service Bank AG, Frankfurt am Main <sup>1</sup>    | 100.0%                | –                       |
| <b>Securities trading companies</b>                                 |                       |                         |
| attrax S.A., Luxembourg   | 100.0%                | –                       |
| Union Investment Financial Services S.A., Luxembourg                | –                     | 100.0%                  |
| <b>Finance companies</b>  |                       |                         |
| ZBI Partnerschafts-Holding GmbH, Erlangen                           | 94.9%                 | –                       |
| <b>Service companies</b>  |                       |                         |
| UIR Verwaltungsgesellschaft mbH, Hamburg                            | –                     | 90.0%                   |
| Union IT-Services GmbH, Frankfurt am Main <sup>1</sup>              | 100.0%                | –                       |
| Union Service-Gesellschaft mbH, Frankfurt am Main <sup>1</sup>      | 100.0%                | –                       |
| ZBI Immobilien AG, Erlangen   | –                     | 94.9%                   |
| ZBVV Zentral Boden Vermietung und Verwaltung GmbH, Erlangen         | –                     | 94.9%                   |
| <b>Other subsidiaries</b>   |                       |                         |
| Union Investment Real Estate Digital GmbH, Hamburg                  | 100.0%                | –                       |

<sup>1</sup> 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 2020 in accordance with Section 325 HGB

<sup>2</sup> The share of voting rights for this company is 10%.

## 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 %                | –                       |

## Investment funds held for sale

| Name, registered office                                | Shareholding – direct | Shareholding – indirect |
|--|-----------------------|-------------------------|
| UniMultiAsset Chance I Nachhaltig, Frankfurt am Main   | –                     | 67.8 %                  |
| UniMultiAsset Chance II Nachhaltig, Frankfurt am Main  | –                     | 64.6 %                  |
| UniMultiAsset Chance III Nachhaltig, Frankfurt am Main | –                     | 80.9 %                  |
| UniMultiAsset Exklusiv Nachhaltig, Frankfurt am Main   | –                     | 77.0 %                  |

## Unconsolidated subsidiaries

| Name, registered office  | Shareholding – direct | Shareholding – indirect |
|--|-----------------------|-------------------------|
| BGP Asset Management GmbH i.L., Berlin                         | –                     | 94.9 %                  |
| HMV GmbH, Erlangen   | –                     | 94.9 %                  |
| UI Infrastruktur Management SARL, Luxembourg                   | –                     | 100.0 %                 |
| UI Management S.a.r.l., Luxembourg                             | –                     | 100.0 %                 |
| UII Issy 3 Moulins SARL, Paris                                 | –                     | 90.0 %                  |
| UII PSD KN ImmoInvest GP GmbH, Hamburg                         | –                     | 90.0 %                  |
| UII SCE Management GP GmbH, Hamburg                            | –                     | 90.0 %                  |
| UII Verwaltungsgesellschaft mbH, Hamburg                       | –                     | 90.0 %                  |
| UIR FRANCE 1 S.a.r.l., Paris                                   | –                     | 90.0 %                  |
| UIR FRANCE 2 S.a.r.l., Paris                                   | –                     | 90.0 %                  |
| UIW Austria Verwaltungs GmbH, Erlangen                         | –                     | 94.9 %                  |
| UNION INVESTMENT REAL ESTATE ASIA PACIFIC PTE. LTD., Singapore | –                     | 90.0 %                  |
| Union Investment Real Estate France SAS, Paris                 | –                     | 90.0 %                  |
| URA Verwaltung GmbH, Vienna                                    | –                     | 94.5 %                  |
| VR Consultingpartner GmbH, Frankfurt am Main                   | 100.0 %               | –                       |
| ZBI Beteiligungs GmbH, Erlangen                                | –                     | 94.9 %                  |
| ZBI Fondsverwaltungs GmbH, Erlangen                            | –                     | 94.9 %                  |
| ZBI Projektentwicklungs GmbH, Erlangen                         | –                     | 94.9 %                  |
| ZBI Vertriebskoordinations GmbH, Erlangen                      | –                     | 94.9 %                  |
| ZBI Wohnen Plus Verwaltungs GmbH, Erlangen                     | –                     | 94.9 %                  |
| ZBI WohnWert Verwaltungs GmbH, Erlangen                        | –                     | 94.9 %                  |

**[69] Contingent liabilities**

There are contingent liabilities of PLN 200 thousand (previous year: PLN 200 thousand) in connection with the disposal of the company Union Investment Towarzystwo Funduszy Inwestycyjnych S.A., Warsaw, and of EUR 44 thousand (previous year: EUR 47 thousand) due to disputed receivables from the State Treasury.

**[70] 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 16,113,312 thousand (previous year: EUR 15,012,905 thousand). These commitments are the total amount of the contributions paid by investors into the individual variants of the UniProfiRente and UniProfiRente Select products of Union Investment Privatfonds GmbH, which, in accordance with statutory provisions, must be made available as a minimum amount at the start of the pay-out phase, plus the pay-out amounts guaranteed by Union Investment Privatfonds GmbH for contracts already in the investment account pay-out phase.

In connection with actual guarantee funds launched by fund management companies in the UMH Group, there are minimum payment commitments of EUR 756,666 thousand (previous year: EUR 1,583,750 thousand).

The fair value of the shortfall in cover for these guarantee commitments is reported in the statement of financial position under 'Liability derivatives' (note [51]).

As at the year-end, there were underwriting obligations for three (previous year: two) funds totalling EUR 10,392 thousand (previous year: EUR 7,600 thousand).

**[71] Business combinations**

In the reporting year, there was a business combination between UMH AG and the ZBI Group, a leading company in the German residential property market. By way of a purchase agreement with the previous majority owner concluded on 24 September 2020, further shares (4%) in ZBI Partnerschafts-Holding GmbH, Erlangen, in addition to the 49.9% already held were acquired in exchange for cash as at 29 October 2020 ("closing"). The acquisition gave UMH AG the majority of voting rights and therefore control over the ZBI Group. 94.9% of the capital and voting rights shares in the company were held at the end of the reporting period.

The ZBI Group, as an issuer, has successfully designed residential property funds for private and institutional investors since 2002 and, with 19 funds issued to date, has a consistently positive track record. The product portfolio includes open- and closed-ended mutual funds for private investors as well as open-ended special funds and individual funds for institutional investors. All funds invest exclusively in German residential properties. At the same time, the ZBI Group covers the entire value chain. The business combination sees the UMH Group successfully enter the residential property market.

The foundation for the business combination was laid back in 2017 with the strategic partnership and 49.9% equity investment. At this time, the possibility of a later acquisition of additional shares and an associated transfer of control to UMH AG was arranged via the agreement of call and put options. The business combination was implemented as at 29 October 2020. The fair values of the options were included in the consideration transferred in the course of the acquisition.

From 2017, the ZBI Group was included in the UMH consolidated financial statements as an associate using the equity method. A transitional consolidation was performed at the date control was passed, which led to a fair value step-up of the existing shares to EUR 98.2 million though profit or loss. The resulting effect on net income of EUR 48.5 million was recognised in net income from investment securities (note [29]). The cost of EUR 199.0 million determined for the purposes of initial consolidation comprises the remeasured shares already held, the cash purchase price of EUR 85.0 million and the carrying amount of the options.

ZBI Partnerschafts-Holding GmbH and the three subsidiaries controlled directly or indirectly by the company – ZBI Fondsmanagement AG, ZBI Immobilien AG and ZBVV-Zentral Boden Vermietung und Verwaltung GmbH – are included in the UMH consolidated financial statements by way of full consolidation. As part of initial consolidation, the costs of the equity investments were netted with the share in the assets and liabilities of the consolidated companies attributable to UMH at the acquisition date. This necessitated a purchase price allocation and an associated remeasurement of the net assets, whereby hidden reserves and the attributable deferred taxes were disclosed. 31 October 2020 was chosen as the reference date. The existing customer relationships, the "ZBI" brand and the shares in the unconsolidated subsidiaries were identified as material assets with hidden reserves.

The remeasured net assets as at the acquisition date amounted to EUR 105.6 million, of which EUR 100.3 million was attributable to UMH and EUR 5.3 million to non-controlling interests. The value of the non-controlling interests equals the share in the remeasured net assets.

The remeasured net assets comprise the following items:

|   | <b>31 Oct. 2020</b><br>EUR thousand |
|---|-------------------------------------|
| <b>Total assets acquired</b>                        | <b>166,217</b>                      |
| Cash reserve  | 9                                   |
| Loans and advances to banks                         | 36,546                              |
| Loans and advances to customers                     | 2,489                               |
| Investment securities                               | 31,747                              |
| Property, plant and equipment and intangible assets | 68,061                              |
| Other assets  | 27,365                              |
| <b>Total liabilities assumed</b>                    | <b>60,577</b>                       |
| Provisions  | 2,439                               |
| Income tax liabilities                              | 20,634                              |
| Other liabilities                                   | 18,972                              |
| Lease liabilities                                   | 18,532                              |
| <b>Net assets acquired</b>                          | <b>105,640</b>                      |

The fair value of the acquired receivables is EUR 40.4 million, of which EUR 36.5 million primarily comprises loans and advances to banks. The amounts equal the respective gross receivables, as no impairment losses were recognised. There were no uncollectible receivables as at the acquisition date.

Due to the netting of the cost of the equity investment with the remeasured equity, the transaction resulted in goodwill of EUR 98.8 million. The goodwill particularly reflects the expected growth of the ZBI Group, expected synergies from the business combination and the ZBI Group's workforce, which is not eligible for recognition. Because the transaction was conducted as a share deal, the goodwill is not tax-deductible.

In accordance with IAS 36, the goodwill is to be allocated to one or more cash-generating units (CGU) for the purposes of subsequent measured and tested for impairment at this level once a year and when there are indications of impairment. Because the transaction was closed at the end of October, very close to the end of the financial year, it was not possible to allocate the goodwill in the reporting year. In compliance with IAS 36.84, the allocation will be completed in the following reporting year. In this context, please note that there were indications of impairment on the goodwill.

The statement of comprehensive income in the UMH consolidated financial statements includes the income and expenses of the companies consolidated for the first time pro rata for the period from the acquisition date to the reporting date. The companies' recognised commission income

for the two-month consolidation period amounted to EUR 13.7 million, and net income through profit or loss came to EUR -0.2 million. This net income includes amortisation of the intangible assets recognised as part of the purchase price allocation of EUR 0.5 million and income from the reversal of the deferred tax liabilities associated with these assets of EUR 0.2 million.

Because the business combination occurred very close in time to the end of the reporting period and there are no IFRS values for the ZBI companies, it is not possible to disclose the commission income and profit of the combined entity as if the acquisition date had been at the beginning of the annual reporting period.

## [72] Leases

### UMH Group as lessee

As part of its business operations, the UMH Group has entered into leases for buildings and operating and office equipment (vehicles and hardware). The leases for buildings and operating and office equipment have terms of two to 20 years and two to six years respectively.

Leases have been concluded with renewal and termination options and with variable lease payments.

The UMH Group has short-term leases with a term of less than 12 months and leases for low-value assets. UMH utilises the exemptions provided by IFRS 16 for short-term leases and leases for low-value assets.

The maturity analysis for the lease liabilities can be found in note [63].

The following income and expenses were recorded in the consolidated income statement in the financial year:

|   | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|---|----------------------|----------------------|------------------------|
| Depreciation of right of use assets                           | -28,737              | -25,294              | -3,443                 |
| Interest expenses on lease liabilities                        | -886                 | -994                 | 108                    |
| Expenses for short-term leases                                | -4,171               | -4,939               | 768                    |
| Expenses for leases for low-value assets                      | -6,286               | -5,510               | -776                   |
| Expenses not included in the measurement of lease liabilities | -4,632               | -4,360               | -272                   |
| Income from subleasing right of use assets                    | 18                   | 34                   | -16                    |
| <b>Total</b>  | <b>-44,694</b>       | <b>-41,063</b>       | <b>-3,631</b>          |

In the previous year, there were obligations of EUR 1,354 thousand from short-term leases posted in accordance with IFRS 16.6. The portfolio of these leases is dissimilar to the portfolio of short-term leases based on the expenses for short-term leases presented in the table above.

Total outflows in the financial year came to EUR 43,664 thousand (previous year: EUR 40,616 thousand).

The following table shows future outflows that are not taken into account when calculating the lease liabilities:

|   | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|---|------------------------------|------------------------------|------------------------|
| From variable lease payments  | 43,159                       | 16,302                       | 26,857                 |
| From renewal and termination options                                    | 318,645                      | 295,420                      | 23,225                 |
| From residual value guarantees  | –                            | –                            | –                      |
| From leases that have already been concluded but have not yet commenced | 59,744                       | 173,220                      | -113,476               |
| <b>Total</b>  | <b>421,547</b>               | <b>484,942</b>               | <b>-63,395</b>         |

There are no restrictions or commitments in connection with leases.

There were no sale and leaseback transactions in the financial year.

### UMH Group as lessor

|   | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|---|------------------------------|------------------------------|------------------------|
| <b>Future minimum lease payments under non-cancellable operating leases</b> | <b>23</b>                    | <b>83</b>                    | <b>-60</b>             |
| of which up to one year   | 23                           | 48                           | -25                    |
| of which one to two years   | –                            | 35                           | -35                    |
| of which two to three years   | –                            | –                            | –                      |
| of which three to four years  | –                            | –                            | –                      |
| of which four to five years   | –                            | –                            | –                      |
| of which more than five years   | –                            | –                            | –                      |
| <b>Future minimum lease payments are attributable to:</b>                   | <b>23</b>                    | <b>83</b>                    | <b>-60</b>             |
| Land and buildings leases   | 23                           | 83                           | -60                    |
| Vehicle leases  | –                            | –                            | –                      |
| IT leases   | –                            | –                            | –                      |

Income from operating leases reported in the financial year amounted to EUR 18 thousand (previous year: EUR 34 thousand). In addition, EUR 8 thousand (previous year: EUR 8 thousand) was reported in variable lease payments not linked to an index or interest rate.

Rental income results from subleasing food and catering space in the MainTorPorta building. This does not involve any material risks.

### [73] Financial guarantees

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

As at 31 December 2020, the nominal amount of these guarantees was USD 62.4 million (previous year: USD 62.4 million) or EUR 50.8 million (previous year: EUR 55.7 million).

**[74] 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:

|                              | 2020<br>Number | 2019<br>Number | Change<br>Number |
|------------------------------|----------------|----------------|------------------|
| <b>Female employees</b>      | <b>1,525</b>   | <b>1,392</b>   | <b>133</b>       |
| of which full-time employees | 889            | 800            | 89               |
| of which part-time employees | 636            | 592            | 44               |
| <b>Male employees</b>        | <b>1,905</b>   | <b>1,780</b>   | <b>125</b>       |
| of which full-time employees | 1,770          | 1,650          | 120              |
| of which part-time employees | 135            | 130            | 5                |
| <b>Total employees</b>       | <b>3,430</b>   | <b>3,172</b>   | <b>258</b>       |
| <b>For information only:</b> |                |                |                  |
| Female trainees              | 49             | 56             | -7               |
| Male trainees                | 90             | 89             | 1                |
| <b>Total trainees</b>        | <b>139</b>     | <b>145</b>     | <b>-6</b>        |

**[75] Auditor fees**

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

|                                | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|--------------------------------|----------------------|----------------------|------------------------|
| Audits of financial statements | 752                  | 695                  | 57                     |
| Other assurance services       | 90                   | 113                  | -23                    |
| Tax consultancy services       | 422                  | 51                   | 371                    |
| Other services                 | 61                   | 1,319                | -1,258                 |
| <b>Total</b>                   | <b>1,325</b>         | <b>2,178</b>         | <b>-853</b>            |

Auditor fees comprise expenses relating to the audit of the consolidated financial statements and group management report of UMH AG, the statutory audit of the annual financial statements and management report of UMH AG, and the audit of the separate financial statements, management reports and consolidation packages of subsidiaries included in the consolidated financial statements for which an audit is required. This category also includes the fees for the auditor's review of the condensed interim consolidated financial statements packages during the year. The fees charged for other assurance services essentially included fees for the audit performed in accordance with Section 89 of the German Securities Trading Act (WpHG) and other assurance and audit-related services. The fees for other services mainly resulted from the auditing of funds. The year-on-year decline in the fees reported here is due to the change of auditor for the investment funds, the financial year of which ends after 31 December 2020 but begins before 31 December 2020. Therefore, no more additions were to be made to provisions for audit services from our current auditor with regard to these funds.

**[76] Events after the end of the reporting period**

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

**[77] Related party disclosures**

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

The list of shareholdings (note [68]) 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**

| <b>Assets</b>                                | <b>31 Dec. 2020</b><br>EUR thousand | <b>31 Dec. 2019</b><br>EUR thousand | <b>Change</b><br>EUR thousand |
|--|-------------------------------------|-------------------------------------|-------------------------------|
| <b>Loans and advances to banks</b>           | <b>483,514</b>                      | <b>508,408</b>                      | <b>-24,894</b>                |
| of which DZ BANK                             | 467,107                             | 489,218                             | -22,111                       |
| of which entities also controlled by DZ BANK | 16,360                              | 19,143                              | -2,783                        |
| of which joint ventures of DZ BANK           | 47                                  | 47                                  | –                             |
| <b>Loans and advances to customers</b>       | <b>669</b>                          | <b>16,641</b>                       | <b>-15,972</b>                |
| of which entities also controlled by DZ BANK | 456                                 | 411                                 | 45                            |
| of which unconsolidated subsidiaries         | 99                                  | 5                                   | 94                            |
| of which associates of UMH AG                | –                                   | 16,115                              | -16,115                       |
| of which joint ventures of UMH AG            | 114                                 | 110                                 | 4                             |
| <b>Other assets</b>                          | <b>13,717</b>                       | <b>13,440</b>                       | <b>277</b>                    |
| of which DZ BANK                             | –                                   | 90                                  | -90                           |
| of which entities also controlled by DZ BANK | 1,214                               | 2,281                               | -1,067                        |
| of which unconsolidated subsidiaries         | 219                                 | 58                                  | 161                           |
| of which pension plans for employees         | 12,284                              | 11,011                              | 1,273                         |
| <b>Right of use assets</b>                   | <b>580</b>                          | <b>76</b>                           | <b>504</b>                    |
| of which DZ BANK                             | 57                                  | 76                                  | -19                           |
| of which unconsolidated subsidiaries         | 523                                 | –                                   | 523                           |

| Equity and liabilities                       | 31 Dec. 2020<br>EUR thousand | 31 Dec. 2019<br>EUR thousand | Change<br>EUR thousand |
|--|------------------------------|------------------------------|------------------------|
| <b>Liabilities to banks</b>                  | <b>46</b>                    | 44                           | 2                      |
| of which DZ BANK                             | 5                            | –                            | 5                      |
| of which entities also controlled by DZ BANK | 41                           | 44                           | -3                     |
| <b>Liabilities to customers</b>              | <b>23</b>                    | <b>26</b>                    | <b>-3</b>              |
| of which entities also controlled by DZ BANK | 20                           | 24                           | -4                     |
| of which associates of UMH AG                | 3                            | 2                            | 1                      |
| <b>Other liabilities</b>                     | <b>147,359</b>               | <b>131,485</b>               | <b>15,874</b>          |
| of which DZ BANK                             | 90,996                       | 87,754                       | 3,242                  |
| of which entities also controlled by DZ BANK | 51,627                       | 40,688                       | 10,939                 |
| of which joint ventures of DZ BANK           | 1,716                        | 2,042                        | -326                   |
| of which unconsolidated subsidiaries         | 2,071                        | –                            | 2,071                  |
| of which associates of UMH AG                | 235                          | 248                          | -13                    |
| of which joint ventures of UMH AG            | 695                          | 753                          | -58                    |
| of which pension plans for employees         | 19                           | –                            | 19                     |
| <b>Lease liabilities</b>                     | <b>577</b>                   | <b>76</b>                    | <b>501</b>             |
| of which DZ BANK                             | 54                           | 76                           | -22                    |
| of which unconsolidated subsidiaries         | 523                          | –                            | 523                    |

| Consolidated income statement                | 2020<br>EUR thousand | 2019<br>EUR thousand | Change<br>EUR thousand |
|--|----------------------|----------------------|------------------------|
| <b>Interest income and current</b>           | <b>-1,392</b>        | <b>-933</b>          | <b>-459</b>            |
| of which DZ BANK                             | -1,198               | -808                 | -390                   |
| of which entities also controlled by DZ BANK | -194                 | -125                 | -69                    |
| <b>Interest expenses</b>                     | <b>-76</b>           | <b>-1,044</b>        | <b>968</b>             |
| of which DZ BANK                             | -1                   | -993                 | 992                    |
| of which entities also controlled by DZ BANK | -75                  | -51                  | -24                    |
| of which unconsolidated subsidiaries         | 0                    | –                    | 0                      |
| <b>Fee and commission income</b>             | <b>-79,506</b>       | <b>-53,171</b>       | <b>-26,335</b>         |
| of which DZ BANK                             | -72,516              | -70,525              | -1,991                 |
| of which entities also controlled by DZ BANK | -6,775               | -7,727               | 952                    |
| of which joint ventures of DZ BANK           | -762                 | -876                 | 114                    |
| of which unconsolidated subsidiaries         | 86                   | -42                  | 128                    |
| of which associates of UMH AG                | –                    | 25,591               | -25,591                |
| of which joint ventures of UMH AG            | 461                  | 408                  | 53                     |
| <b>Fee and commission expenses</b>           | <b>-91,866</b>       | <b>-95,255</b>       | <b>3,389</b>           |
| of which DZ BANK                             | -47,491              | -48,295              | 804                    |
| of which entities also controlled by DZ BANK | -40,854              | -43,194              | 2,340                  |
| of which associates of UMH AG                | -995                 | -951                 | -44                    |
| of which joint ventures of UMH AG            | -2,526               | -2,815               | 289                    |
| <b>Administrative expenses</b>               | <b>-6,158</b>        | <b>-7,633</b>        | <b>1,475</b>           |
| of which DZ BANK                             | -2,321               | -3,334               | 1,013                  |
| of which entities also controlled by DZ BANK | -2,419               | -2,616               | 197                    |
| of which joint ventures of DZ BANK           | -58                  | -119                 | 61                     |
| of which unconsolidated subsidiaries         | -1,251               | -1,419               | 168                    |
| of which associates of UMH AG                | -109                 | -135                 | 26                     |
| of which joint ventures of UMH AG            | –                    | -10                  | 10                     |

| Consolidated income statement                | 2020                | 2019                | Change        |
|--|---------------------|---------------------|---------------|
|  | EUR thousand        | EUR thousand        | EUR thousand  |
| <b>Other operating result</b>                | <b>2,626</b>        | <b>2,853</b>        | <b>-227</b>   |
| of which DZ BANK                             | 373                 | 261                 | 112           |
| of which entities also controlled by DZ BANK | 1,643               | 950                 | 693           |
| of which joint ventures of DZ BANK           | 12                  | -47                 | 59            |
| of which unconsolidated subsidiaries         | 598                 | 522                 | 76            |
| of which associates of UMH AG                | -                   | 1,167               | -1,167        |
| <b>Other disclosures</b>                     | <b>31 Dec. 2020</b> | <b>31 Dec. 2019</b> | <b>Change</b> |
|  | EUR thousand        | EUR thousand        | EUR thousand  |
| <b>Financial guarantees</b>                  | <b>50,827</b>       | <b>55,749</b>       | <b>-4,922</b> |
| of which DZ BANK                             | 50,827              | 55,749              | -4,922        |

Please see the information in note [73] regarding financial guarantees.

The fair value of the plan assets managed by the associate R+V Pensionsfonds Aktiengesellschaft, Wiesbaden, was EUR 24,493 thousand as at the end of the reporting period (previous year: EUR 24,507 thousand). Funding of EUR 286 thousand was provided in the financial year (previous year: EUR 261 thousand).

The "Other assets" item includes pension plans for the benefit of employees with a value of EUR 12,280 thousand (previous year: EUR 11,011 thousand). This includes the fair value of reimbursement claims against R+V Lebensversicherung AG, Wiesbaden, a company also controlled by DZ BANK, amounting to EUR 9,075 thousand (previous year: EUR 7,730 thousand). Funding of EUR 1,488 thousand was provided in the financial year (previous year: EUR 1,047 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.

|  | 2020          | 2019          | Change       |
|--|---------------|---------------|--------------|
|  | EUR thousand  | EUR thousand  | EUR thousand |
| Short-term remuneration                        | 11,774        | 9,927         | 1,847        |
| Long-term remuneration                         | 3,085         | 2,379         | 706          |
| Contributions to defined contribution plans    | 45            | 45            | -            |
| Current service cost for defined benefit plans | 2,579         | 2,242         | 337          |
| <b>Total</b>                                   | <b>17,483</b> | <b>14,593</b> | <b>2,890</b> |

The remuneration paid to the members of the Supervisory Board of UMH AG for the performance of their duties amounted to EUR 377 thousand in the financial year (previous year: EUR 374 thousand). The remuneration paid to the members of the Board of Managing Directors of UMH AG in the financial year amounted to EUR 5,467 thousand (previous year: EUR 3,791 thousand).

### [78] Board of Managing Directors of Union Asset Management Holding AG

| Name                                  | Professional capacity                     |
|---------------------------------------|---|
| <a href="#">Hans Joachim Reinke</a>   | Chief Executive Officer                   |
| <a href="#">Alexander Lichtenberg</a> | Member of the Board of Managing Directors |
| <a href="#">Alexander Schindler</a>   | Member of the Board of Managing Directors |
| <a href="#">Jens Wilhelm</a>          | Member of the Board of Managing Directors |

**[79] Supervisory Board of Union Asset Management Holding AG**

| Name and title  | Professional capacity   |
|---|---|
| <a href="#">Dr. Cornelius Riese</a><br>Chief Executive Officer <sup>1</sup> | Co-Chief Executive Officer,<br>DZ BANK AG Deutsche Zentral-Genossenschaftsbank,<br>Frankfurt am Main                |
| <a href="#">Rainer Schaidnager</a><br>Deputy Chairman <sup>1</sup>          | Chief Executive Officer,<br>Raiffeisenbank Kempten-Oberallgäu eG, Kempten   |
| <a href="#">Thorsten Bartsch</a><br>Employee representative                 | Group manager, editorial and training management,<br>Union Investment Privatfonds GmbH, Frankfurt am Main           |
| <a href="#">Ulrike Brouzi</a><br>Member <sup>1</sup>                        | Member of the Board of Managing Directors,<br>DZ BANK AG Deutsche Zentral-Genossenschaftsbank,<br>Frankfurt am Main |
| <a href="#">Dr. Matthias Hildner</a><br>Member                              | Chief Executive Officer,<br>Wiesbadener Volksbank eG, Wiesbaden   |
| <a href="#">Marija Kolak</a><br>Member                                      | President,<br>Bundesverband der Deutschen Volksbanken<br>und Raiffeisenbanken e.V. (BVR), Berlin                    |
| <a href="#">David Milleker</a><br>Employee representative <sup>1</sup>      | Works Council,<br>Union Asset Management Holding AG, Frankfurt am Main  |
| <a href="#">Prof. Dr. Wolfgang Müller</a><br>Member                         | Chief Executive Officer,<br>BBBank eG, Karlsruhe  |
| <a href="#">Wolfgang Nett</a><br>Employee representative                    | Sales director,<br>Union Investment Privatfonds GmbH, Frankfurt am Main   |
| <a href="#">Jörn Nordenholz</a><br>Member                                   | Chief Executive Officer,<br>Volksbank eG, Sulingen  |
| <a href="#">Heike Orth</a><br>Employee representative                       | Senior Manager Sales Support (since 1 September 2020)<br>Union Investment Institutional GmbH, Frankfurt am Main     |
| <a href="#">Dr. Norbert Rollinger</a><br>Member                             | Chief Executive Officer,<br>R+V Versicherung AG, Wiesbaden  |
| <a href="#">Stefan Schindler</a><br>Member                                  | Chief Executive Officer,<br>Sparda-Bank Nürnberg eG, Nuremberg  |
| <a href="#">Andreas Theis</a><br>Member                                     | Member of the Board of Managing Directors,<br>Volksbank Eifel eG, Bitburg   |
| <a href="#">Claudia Vives Carrasco</a><br>Employee representative           | Real estate manager,<br>Union Investment Real Estate GmbH, Hamburg  |

<sup>1</sup> Also a member of the Executive Committee of the Supervisory Board.**[80] Supervisory mandates held by members of the Board of Managing Directors and employees**

As at 31 December 2020, 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                                  | Position(s)   |
|---------------------------------------|---|
| <a href="#">Hans Joachim Reinke</a>   | Union Investment Institutional GmbH, Frankfurt am Main (*)<br>Deputy Chairman of the Supervisory Board<br>Union Investment Luxembourg S.A., Luxembourg (*)<br>Chairman of the Board of Directors (until 29 February 2020)<br>Union Investment Privatfonds GmbH, Frankfurt am Main (*)<br>Chairman of the Supervisory Board<br>Union Investment Real Estate GmbH, Hamburg (*)<br>Deputy Chairman of the Supervisory Board<br>Union Investment Service Bank AG, Frankfurt am Main (*)<br>Chairman of the Supervisory Board (until 11 February 2020) |
| <a href="#">Alexander Lichtenberg</a> | Union Investment Service Bank AG, Frankfurt am Main (*)<br>Chairman of the Supervisory Board (since 12 February 2020)   |
| <a href="#">Alexander Schindler</a>   | Union Investment Institutional GmbH, Frankfurt am Main (*)<br>Chairman of the Supervisory Board<br>Union Investment Institutional Property GmbH, Hamburg (*)<br>Deputy Chairman of the Supervisory Board (since 2 April 2020)<br>Member of the Supervisory Board (since 1 January 2020)<br>Quoniam Asset Management GmbH, Frankfurt am Main (*)<br>Chairman of the Supervisory Board  |
| <a href="#">Jens Wilhelm</a>          | Union Investment Institutional Property GmbH, Hamburg (*)<br>Chairman of the Supervisory Board<br>Union Investment Privatfonds GmbH, Frankfurt am Main (*)<br>Deputy Chairman of the Supervisory Board<br>Union Investment Real Estate GmbH, Hamburg (*)<br>Chairman of the Supervisory Board<br>Union Investment Service Bank AG, Frankfurt am Main (*)<br>Deputy Chairman of the Supervisory Board  |

## Mandates held by employees of Union Asset Management Holding AG:

| Name                | Position(s)  |
|---------------------|--|
| Sonja Albers        | Union Investment Service Bank AG, Frankfurt am Main (*)<br>Member of the Supervisory Board                 |
| Dr. Carsten Fischer | Union Investment Luxembourg S.A., Luxembourg (*)<br>Member of the Supervisory Board (since 1 April 2020)   |
| Dr. Gunter Hauelsen | Union Investment Luxembourg S.A., Luxembourg (*)<br>Chairman of the Supervisory Board (since 1 April 2020) |

## Mandates held by members of management boards/senior management and employees:

| Name   | Position(s)  |
|--|--|
| Dr. Michael Bütter<br>Chief Executive Officer<br>(Union Investment Real Estate GmbH,<br>since 1 October 2020)  | ADLER Group S.A., Luxembourg<br>(formerly ADO Properties S.A., Luxembourg)<br>Member of the Board of Directors   |
| Dr. Joachim von Cornberg<br>Member of the Board of<br>Managing Directors<br>(Union Investment Luxembourg S.A.,<br>from 1 March 2020 to 30 June 2020)<br>Executive member of the<br>Board of Directors<br>(Union Investment Luxembourg S.A.,<br>until 29 February 2020) | Union Financial Services S.A., Luxembourg (*)<br>Deputy Chairman of the Board of Directors (until 30 June 2020)  |
| Dr. Frank Engels<br>Member of management<br>(Union Investment Privatfonds GmbH)  | Union Investment Luxembourg S.A., Luxembourg (*)<br>Member of the Board of Directors (until 29 February 2020)  |
| Giovanni Gay<br>Member of management<br>(Union Investment Privatfonds GmbH)  | attrax S.A., Luxembourg (*)<br>Chairman of the Board of Directors<br>Union Investment Luxembourg S.A., Luxembourg (*)<br>Member of the Supervisory Board<br>(from 1 March 2020 to 31 March 2020)<br>Deputy Chairman of the Board of Directors (until 29 February 2020)                       |
| André Haagmann<br>Member of management<br>(Union Investment Institutional<br>GmbH)   | Union Investment Luxembourg S.A., Luxembourg (*)<br>Member of the Supervisory Board<br>(from 1 March 2020 to 31 March 2020)<br>Member of the Board of Directors (until 29 February 2020)<br>Quoniam Asset Management GmbH, Frankfurt am Main (*)<br>Deputy Chairman of the Supervisory Board |

|  |  |
|--|--|
| Rainer Kobusch<br>Member of the Board of<br>Managing Directors<br>(Union Investment Service Bank AG)   | attrax S.A., Luxembourg (*)<br>Deputy Chairman of the Board of Directors<br>Union Financial Services S.A., Luxembourg (*)<br>Chairman of the Board of Directors  |
| Jörg Kotzenbauer<br>Chief Executive Officer<br>(ZBI Partnerschafts-Holding GmbH)   | ZBI Fondsmanagement AG, Erlangen (*)<br>Chairman of the Supervisory Board  |
| Irene Lehrbach-Appenheimer<br>Member of management<br>(Union IT-Services GmbH,<br>Frankfurt am Main)   | Union Financial Services S.A., Luxembourg (*)<br>Member of the Board of Directors (since 1 July 2020)  |
| Klaus Riester<br>Member of management<br>(Union Investment Privatfonds GmbH)   | attrax S.A., Luxembourg (*)<br>Member of the Board of Directors  |
| Jörn Stobbe<br>Member of management<br>(Union Investment Institutional<br>Property GmbH)<br>Member of management<br>(Union Investment Real Estate GmbH,<br>since 1 October 2020)<br>Chief Executive Officer<br>(Union Investment Real Estate GmbH,<br>from 1 January 2020 to<br>30 September 2020) | 1. FC Köln GmbH & Co. KGaA, Cologne<br>Chairman of the Supervisory Board<br>ADLER Group S.A., Luxembourg<br>(formerly ADO Properties S.A., Luxembourg)<br>Member of the Board of Directors (until 30 September 2020) |
| Dr. Bernd Ital<br>Member of management<br>(ZBI Partnerschafts-Holding GmbH)  | ZBI Fondsmanagement AG, Erlangen (*)<br>Member of the Supervisory Board  |

**[81] Miscellaneous other disclosures**

The Board of Managing Directors signed these consolidated financial statements on 10 March 2021 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, 10 March 2021

**Union Asset Management Holding AG**

Hans Joachim Reinke  
Chief Executive Officer



Alexander Lichtenberg  
Member of the Board of  
Managing Directors



Alexander Schindler  
Member of the Board of  
Managing Directors



Jens Wilhelm  
Member of the Board of  
Managing Directors

## Independent auditor's report

### To Union Asset Management Holding AG

#### Audit opinions

We have audited the consolidated financial statements of Union Asset Management Holding AG, Frankfurt am Main, and its subsidiaries (the group), comprising the consolidated income statement for the financial year from 1 January 2020 to 31 December 2020, the statement of comprehensive income for the financial year from 1 January 2020 to 31 December 2020, the consolidated statement of financial position as at 31 December 2020, the statement of changes in equity and the statement of cash flows for the financial year from 1 January 2020 to 31 December 2020, and the notes, including a summary of significant accounting policies. In addition, we audited Union Asset Management Holding AG's group management report for the financial year from 1 January 2020 to 31 December 2020. In line with the requirements of German law, we did not audit the content of the corporate governance declaration according to Section 289f (4) of the German Commercial Code (HGB) (disclosures on the proportion of women) included in section C of the management report or of the non-financial statement included in section E of the management report.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the group's net assets and financial position as at 31 December 2020, and of its results of operations for the financial year from 1 January 2020 to 31 December 2020, and
- the attached group management report as a whole presents an accurate view of the group's position. The group management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. Our audit opinion regarding the management report does not extend to the contents of the corporate governance declaration in section C of the management report or to the non-financial statement in section E of the management report.

Pursuant to Section 322 (3) Sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the group management report.

#### Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility according to these regulations and standards is described in further detail in the "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" section of our auditor's report. We are independent of the consolidated companies in compliance with the provisions of German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the group management report.

#### Other information

The legal representatives are responsible for the other information. Other information includes the content of the corporate governance declaration according to Section 289f (4) of the German Commercial Code (HGB) relating to the proportion of women in section C of the management report and the non-financial statement included in section E of the management report.

Our audit opinions regarding the consolidated financial statements and the group management report do not extend to the other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit, we have a responsibility to read the other information and to evaluate whether it

- exhibits material discrepancies with the consolidated financial statements, the group management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

If, on the basis of our work, we conclude that this other information is significantly incorrect, we are obliged to report this fact. We have nothing to report in this regard.

### Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the group or discontinue its business operations, or there is no realistic alternative.

Moreover, the legal representatives are responsible for preparing the group management report, which as a whole provides an accurate view of the group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a group management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the group management report.

The Supervisory Board is responsible for monitoring the group's accounting process for the preparation of the consolidated financial statements and the group management report.

### Responsibility of the auditor for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an accurate view of the group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the IDW will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and group management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the group management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls;
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the group management report in order to plan audit procedures that are appropriate given the circumstances but not with the aim of providing an audit opinion regarding the effectiveness of these systems;
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures;
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the group management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the group is no longer a going concern;

- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315a (1) HGB;
- we obtain sufficient appropriate audit evidence for the company's accounting information or business activities within the group in order to provide audit opinions regarding the consolidated financial statements and the group management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;
- we evaluate the consistency of the group management report with the consolidated financial statements, its legality and the view it gives of the position of the group;
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the group management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

Eschborn/Frankfurt am Main, 10 March 2021

**Ernst & Young GmbH**  
**Wirtschaftsprüfungsgesellschaft**



Heist  
Public auditor



Kruskop  
Public auditor

## Shareholders and executive bodies of Union Asset Management Holding AG

### Shareholders

|   |         |
|---|---------|
| DZ BANK AG<br>Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main   | 72.32 % |
| VR GbR<br>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 Finanz-Gruppe and other entities | 3.43 %  |

As at: 10 March 2021.

### Board of Managing Directors of Union Asset Management Holding AG

| Name                  | Professional capacity                     |
|-----------------------|---|
| Hans Joachim Reinke   | Chief Executive Officer                   |
| Alexander Lichtenberg | Member of the Board of Managing Directors |
| Alexander Schindler   | Member of the Board of Managing Directors |
| Jens Wilhelm          | Member of the Board of Managing Directors |

### Supervisory Board of Union Asset Management Holding AG

| Name and title  | Professional capacity   |
|---|---|
| Dr. Cornelius Riese<br>Chief Executive Officer <sup>1</sup> | Co-Chief Executive Officer,<br>DZ BANK AG Deutsche Zentral-Genossenschaftsbank,<br>Frankfurt am Main                                      |
| Rainer Schaidnager<br>Deputy Chairman <sup>1</sup>          | Chief Executive Officer,<br>Raiffeisenbank Kempten-Oberallgäu eG, Kempten   |
| Thorsten Bartsch<br>Employee representative                 | Group manager, editorial and training management,<br>Union Investment Privatfonds GmbH, Frankfurt am Main                                 |
| Ulrike Brouzi<br>Member <sup>1</sup>                        | Member of the Board of Managing Directors,<br>DZ BANK AG Deutsche Zentral-Genossenschaftsbank,<br>Frankfurt am Main                       |
| Dr. Matthias Hildner<br>Member                              | Chief Executive Officer,<br>Wiesbadener Volksbank eG, Wiesbaden   |
| Marija Kolak<br>Member                                      | President,<br>Bundesverband der Deutschen Volksbanken<br>und Raiffeisenbanken e.V. (BVR), Berlin  |
| David Milleker<br>Employee representative <sup>1</sup>      | Works Council,<br>Union Asset Management Holding AG, Frankfurt am Main  |
| Prof. Dr. Wolfgang Müller<br>Member                         | Chief Executive Officer,<br>BBBank eG, Karlsruhe  |
| Wolfgang Nett<br>Employee representative                    | Sales director,<br>Union Investment Privatfonds GmbH, Frankfurt am Main   |
| Jörn Nordenholz<br>Member                                   | Chief Executive Officer,<br>Volksbank eG, Sulingen  |
| Heike Orth<br>Employee representative                       | Senior Manager, Admin Service Institutional Clients<br>(since 1 September 2020)<br>Union Investment Institutional GmbH, Frankfurt am Main |
| Dr. Norbert Rollinger<br>Member                             | Chief Executive Officer,<br>R+V Versicherung AG, Wiesbaden  |
| Stefan Schindler<br>Member                                  | Chief Executive Officer,<br>Sparda-Bank Nürnberg eG, Nuremberg  |
| Andreas Theis<br>Member                                     | Member of the Board of Managing Directors,<br>Volksbank Eifel eG, Bitburg   |
| Claudia Vives Carrasco<br>Employee representative           | Real estate manager,<br>Union Investment Real Estate GmbH, Hamburg  |

<sup>1</sup> Also a member of the Executive Committee of the Supervisory Board.

## Advisory Board

|                     |   |                      |   |
|---------------------|---|----------------------|---|
| Matthias Battefeld  | Chairman of the Board of Managing Directors<br>Hannoversche Volksbank eG                            | Sascha Monschauer    | Member of the Board of Managing Directors<br>Volksbank Rhein-Ahr-Eifel eG                               |
| Ralph Blankenberg   | Chairman of the Board of Managing Directors<br>Volksbank Ulm-Biberach eG                            | Jürgen Neutgens      | Member of the Board of Managing Directors<br>Volksbank Köln Bonn  |
| Frank Bonin         | Member of the Board of Managing Directors<br>Volksbank Südheide                                     | Martina Palte        | Member of the Board of Managing Directors<br>Berliner Volksbank eG                                      |
| Günter Brück        | Deputy Speaker of the Board of Managing Directors<br>Volksbank Alzey-Worms eG                       | Reiner Richter       | Member of the Board of Managing Directors<br>Volksbank Lahr eG  |
| Andreas Fella       | Member of the Board of Managing Directors<br>Raiffeisenbank Main-Spessart eG                        | Martin Schadewald    | Member of the Board of Managing Directors<br>Volksbank Jever eG   |
| Bernd Finkbeiner    | Member of the Board of Managing Directors<br>VR-Bank Ellwangen eG                                   | Roland Schäfer       | Chairman of the Board of Managing Directors<br>Volksbank Bruchsal-Bretten eG                            |
| Gerald Fleischmann  | Chairman of the Board of Managing Directors<br>VOLKSBANK WIEN AG                                    | Georg Schneider      | Member of the Board of Managing Directors<br>VR-Bank Handels- und Gewerbebank eG                        |
| Josef Frauenlob     | Chairman of the Board of Managing Directors<br>Volksbank Raiffeisenbank Oberbayern Südost eG        | Dr. Klaus Schraudner | Chairman of the Board of Managing Directors<br>Pax Bank eG  |
| Mirko Gruber        | Deputy Speaker of the Board of Managing Directors<br>Volksbank Raiffeisenbank Rosenheim-Chiemsee eG | Uwe Schulze-Vorwick  | Member of the Board of Managing Directors<br>Volksbank Bochum Witten eG                                 |
| Joachim Hausner     | Deputy Chairman of the Board of Managing Directors<br>Volksbank Forchheim eG                        | Stefan Sendlinger    | Member of the Board of Managing Directors<br>VR-Bank Rottal-Inn eG                                      |
| Peter Herbst        | Member of the Board of Managing Directors<br>Nordthüringer Volksbank eG                             | Ulrich Scheppan      | Member of the Board of Managing Directors<br>VB Bielefeld-Gütersloh                                     |
| Markus Hörmann      | Member of the Board of Managing Directors<br>Volksbank Tirol AG                                     | Thomas Taubenberger  | Member of the Board of Managing Directors<br>VR Bank Tübingen eG  |
| Thomas Jakoby       | Member of the Board of Managing Directors<br>VVB Münster  | André Thaller        | Chairman of the Board of Managing Directors<br>PSD Bank Nord eG   |
| Thorsten Jensen     | Member of the Board of Managing Directors<br>VR Bank Nord eG  | Roland Trageser      | Deputy Chairman of the Board of Managing Directors<br>Volks- und Raiffeisenbank Main-Kinzig-Büdingen eG |
| Jochen Kerschbaumer | Member of the Board of Managing Directors<br>Wiesbadener Volksbank eG                               | Wolfgang Völkl       | Speaker of the Board of Managing Directors<br>Volksbank Raiffeisenbank Regensburg-Schwandorf eG         |
| Martin Ließem       | Member of the Board of Managing Directors<br>VR-Bank Bonn eG  | Michael Weidmann     | Deputy Chairman of the Board of Managing Directors<br>Sparda-Bank Hessen eG                             |
| Jörg Lindemann      | Member of the Board of Managing Directors<br>Volksbank Darmstadt-Südhessen eG                       | Lars Witteck         | Member of the Board of Managing Directors<br>Volksbank Mittelhessen eG                                  |
| Jan Mackenberg      | Member of the Board of Managing Directors<br>Volksbank eG, Osterholz-Scharmbeck                     | Matthias Zander      | Chairman of the Board of Managing Directors<br>Volksbank Kraichgau eG                                   |

As at: 10 March 2021.

## 2020 corporate social responsibility report

### Key performance indicators

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## Sustainability in the Union Investment Group

The 2020 annual report and CSR report of the Union Investment Group provide an overview of the key economic, environmental and social developments and progress of the Union Investment Group in the 2020 financial year.

# 1 Significance of sustainability

The significance of sustainability continued to steadily increase in 2020, driven mainly by the EU Action Plan set out in more detail by the European Commission. Interest among retail clients also picked up considerably – long before it becomes compulsory for financial advisors to ascertain sustainability preferences. Explicitly sustainable investment products accounted for around 50% of new business in the retail client segment in 2020. In total, AuM in sustainable funds amounted to EUR 61 billion at the end of 2020, up nearly 15% on the previous year.

In addition to this financial significance of sustainability, the issue is also of fundamental importance for Union Investment as a company of the Genossenschaftliche FinanzGruppe. Over 170 years ago, Friedrich Wilhelm Raiffeisen coined a maxim for the cooperative movement:

“People working together can achieve what one person cannot manage alone.” This is particularly true with regard to sustainability, which we can only improve by working together in order to preserve a liveable environment for future generations. Accordingly, sustainability is firmly rooted in all material processes at Union Investment. The integrated development of all relevant sustainability aspects throughout the company is guaranteed by a newly formed steering committee.

For Union Investment, sustainability means acting responsibly and with an eye on the long term to conserve natural resources for future generations – as a business and an investor.

## 2 About Union Investment

### The company

102-2 With more than 65 years of expertise in the area of funds and assets under management in excess of EUR 380 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.

102-6 Once again in 2020, product policy in the retail clients business primarily focused on the clients' security needs. Business development continued to focus on investing and optimising assets, old-age provision and savings. Services in the retail business 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 primary 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 inside and outside Germany, for example with pension funds and insurance companies.

102-6 In addition to its activities in Germany, the Union Investment Group offers selected funds in Austria, Italy, Switzerland, the UK, the Netherlands, Luxembourg, Belgium and the Scandinavian markets. The joint venture between Union Investment and the Bank of East Asia (BEA Union Investment Management Ltd.) looks to Asia as a future market. This report focuses on the Union Investment Group.

102-4 Group companies, equity investments and their principal places of operation are located in Germany, Luxembourg, Austria, France, Singapore with branches in London, New York and Madrid.

### Ownership structure and governance of the Union Investment Group

At the top of the Union Investment Group is Union Asset Management Holding AG, an unlisted stock corporation. The shareholders are:

- DZ Bank: 72.3 %
- VR GbR: 24.3 %
- Local cooperative banks including holding companies of the cooperative banks and trade associations of the German cooperative financial services network and other entities: 3.4 %

The Chief Executive Officer of Union Asset Management Holding AG is 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 Dr. Cornelius Riese (Co-CEO of DZ BANK AG).

The Supervisory Board of Union Asset Management Holding AG comprises 15 members, ten of whom are shareholder representatives and five of whom are employee representatives. All the members of the Supervisory Board are bound by the requirements, rights and obligations inherent to the activities of the supervisory board of a public limited company as prescribed in Germany's Stock Corporation Act (AktG).

The tenure of the incumbent UMH Supervisory Board, which currently comprises four women and eleven men, is scheduled to last until the Annual General Meeting of UMH in 2022.

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. Selection is subject to various criteria, including expertise and experience in the area of financial correlations. In principle, only persons who are members of the governance body of a cooperative company may be appointed as the Supervisory Board member for shareholders. 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. In particular, the supervisory boards of the three group companies Union Investment Privatfonds GmbH, Union Investment Institutional GmbH and Union Investment Real Estate 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.

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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).

The Supervisory Board of Union Asset Management Holding AG additionally passed a resolution setting a target of 20% for the proportion of women on the UMH Supervisory Board, to be met by 31 December 2021 (proportion as at 31 December 2020: 26.7%). The proportion of women on the Board of Managing Directors in the reporting period was 0%. The Supervisory Board has determined not to set a binding, higher target until 31 December 2021. 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 31 December 2021.

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.

102-25 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.

### 3 Sustainable corporate strategy

102-29 Union Investment has a sustainability strategy which was adopted by the full Board of Managing Directors 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. The sustainability strategy was put into operation in 2020 via the Sustainability Steering Committee ("SSC", the company-wide steering committee for sustainability). To this end, measures were developed in the action areas of positioning, services and expertise, marketing, products and operations to guarantee that Union Investment can live up to its claim to be a sustainability leader in Germany. The measures defined here are synchronised with the sustainability programme, where this is possible and expedient. Thanks to the sustainability programme, the individual organisational units pursue specific sustainability goals and agree measures for further development on an annual basis. The relevance of this development programme is underscored by the fact that it was presented to the Board of Managing Directors for approval and is published in the sustainability report.

102-11 The management approaches described are examined internally at regular intervals and enhanced as required. Operational goals and measures regarding the respective aspects are set out in the sustainability programme (2020 annual report and CSR report pages 133). The sustainability code, which is available online, stipulates how Union Investment meets its responsibilities in its business activities and acts in all its relationships with investors, employees, suppliers, the environment and society. In line with this, Union Investment takes a precautionary approach within the company by actively managing and improving its use of resources. 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.

102-14 Union Investment has a sustainability strategy which was adopted by the full Board of Managing Directors 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 recognised the UN Principles for Responsible Investment (UNPRI) 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, e.g. in the context of discussions on the long-term focus of the financial markets, and to implement these changes vigorously in the interests of the company and our investors.

As a custodian for over 4 million private investors in German-speaking countries and numerous local and international institutional investors, we also actively uphold owners' interests in terms of sustainability development.

#### Sustainability is part of our business model

102-15 Sustainability is part of our business model. We therefore take material sustainability aspects into account both in the core business and at operating level. In doing so, we aim to integrate the two areas, where this is possible and expedient.

In the core business, for example, the social challenge of demographic change is closely linked with pension products for the broad population, climate change is particularly important in the development and management of our real estate assets and also in the assessment of listed companies. And securing good and responsible corporate management is part of our CSR approach in portfolio management. In the company dialogue, when selecting our investment properties and when buying and developing real estate properties, we incorporate sustainability aspects in the decision-making processes and work towards improvements regarding environmental and social questions as well as corporate management aspects. We do this both individually and in the context of joint activities with other international asset managers to make our activities more effective. Since 2012, we have also been offering this form of "CSR" to investors who have not invested in Union Investment products in order to extend the reach of our sustainability initiatives even further.

We are also continuously examining how to improve our sustainability performance at operating level. For example, Union Investment has implemented an environmental management system certified according to ISO 14001. Also in purchasing, we take account of sustainability aspects in the selection of purchased products and resources as well as in the supplier relationship and make these a subject of ongoing discussion in the dialogue with suppliers.

## Sustainability is part of our mission statement

102-16 Union Investment developed a new mission statement in 2010, which was realigned to the end of 2017. It states that the company's mission is geared towards the interests of our investors and enshrines transparency, partnership and professionalism as key elements of the corporate culture alongside our cooperative identity. Since July 2019, the focus on sustainability has also been enshrined therein.

The sustainability code, which was adopted in 2015, contains a comprehensive description of our understanding of good corporate governance and the various areas of activity of sustainability. A revision of the code is planned for 2021. There are separate guidelines on responsible investment for our core business process of asset management; they were updated in 2020. 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.

### Our values

**Cooperative self-image** means that we belong to the Genossenschaftliche FinanzGruppe and share its convictions. It is our owner and employer and it gives us meaning, so we feel a sense of obligation towards it.

**Partnership** means working together on an equal footing with a focus on results. Success requires understanding the other's viewpoint.

**Professionalism** stands for setting the highest standards for our own performance.

**Transparency** means that our actions are clear and easily understood.

**Sustainability** means acting responsibly and with an eye on the long term to conserve natural resources for future generations – as a business and an investor.

## 4 Sustainable corporate governance and communication

### 4.1 Sustainable corporate governance

#### Sustainability is a matter for the Board of Managing Directors

**102-18** The Board of Managing Directors of Union Asset Management Holding AG is the Union Investment Group's top decision-making body. 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.

**102-27** The Board of Managing Directors of Union Asset Management Holding AG addresses sustainability issues in its regular reporting and as part of its responsibility. In the first quarter of 2020, **102-31** for example, the Board of Managing Directors resolved to reduce the threshold for investments in companies that mine coal from 30% to 5% of the revenue from coal mining. In response, **102-32** the independent non-governmental organisation "Urgewald" said that Union Investment's approach to coal investments was exemplary for Germany.

**102-33** 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's Board of Managing Directors. **102-34** If necessary, especially critical issues are subject to separate audits and, upon being audited, are resubmitted to be passed by a resolution.

**102-28** 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. The UMH Supervisory Board receives a quarterly sustainability report.

**102-30** The UIG's business and risk strategy is presented to the UHM's Supervisory Board once a year **102-31** for approval. The written quarterly report submitted to the UMH's Supervisory Board likewise always includes information regarding the risk situation and the Group's sustainability performance. ESG risks are part of the risk management system with their own risk indicators, the risk strategy and the risk inventory.

#### Sustainability is firmly embedded in our structures

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. **102-18** Coordination of the sustainability strategy and measures is the responsibility of UMH's Sustainability Management department. **102-19** Sustainability Management coordinates the Union Investment Group's sustainability strategy. The head of Sustainability Management reports to the head of the Group Management department. This optimally secures the interlinking of the sustainability and the corporate strategy. **102-20**

At the behest of the UMH Board of Managing Directors, sustainability governance pursues cross-company sustainability goals, including the steering and communication of strategy development and the effective integration of central measures at market or product level with activities at company level. Sustainability governance comprises several committees and stakeholders, who cooperate to work on cross-company sustainability issues and effect decisions. The aim of the cooperation is to view and to treat sustainability issues as an integrated whole. In order to support operations effectively, the standards expected and offered on the market must also be implemented at company level.

The Sustainability Steering Committee (SSC) is the central committee in the sustainability governance structure. The SSC aims to process and coordinate cross-company sustainability issues, to take relevant decisions, and to escalate strategic issues when required. The SSC collates the sustainability requirements and ideas of higher bodies (e.g. Board of Managing Directors), from the internal segments and business areas and from the market environment and then bases its decisions on qualified assessment and coordinated processing.

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. **102-26** With regard to the company's sustainability focus, continuation of its CSR strategy for the next few years was secured by resolution in July 2019.

#### We have defined guiding CSR topics

As a financial service provider, Union Investment relies particularly on the trust of its investors. Complying with social standards and meeting expectations of us is an important aspect of our business activities and responsible action. We have defined "corporate governance and communication", "environment", "employees", "society" and "products and services" as guiding CSR topics. For our CSR action areas and stakeholder groups, we develop guidelines for responsible action that we follow.

102-46 The key issues for Union Investment were determined on the basis of their impact on Union  
 102-47 Investment’s current and future business activities. At the same time, we must be in a position  
 103-1 to influence the respective issue, either directly or indirectly. The identified key issues were  
 assigned to the corresponding areas of activity:

| Union Investment’s areas of activity | Identified key issues   |
|--------------------------------------|---|
| Corporate governance/communication   | • Corporate governance/communication  |
| Products and services                | • Sustainable products<br>• Engagement<br>• Sustainability in real estate               |
| Employees                            | • Employees   |
| Environment                          | • Environmental management system<br>• Climate protection<br>• Consumption of resources |
| Society                              | • Advocacy, association and committee work<br>• Supply chain responsibility             |

103-2 Overall, we adhere to best-practice standards in Germany, and regard this process as a continuous improvement process for the company. For instance, we recognised the Principles for Responsible Investment as a key standard for the implementation of sustainability in our core line of business back in 2010 and have continued to systematically develop our services ever since. The guidelines on responsible investment were revised in 2020 and adjusted in light of the developments in recent years. In the real estate business, we additionally comply with the leading German Property Federation code for sustainable real estate business and report accordingly in our annual sustainability report (see section 5.6). We therefore ensure that we evolve at the same pace as the foreseeable increase in requirements.

**The sustainability programme manages goals and measures**

With the sustainability programme, Union Investment manages goals and measures relating to all aspects of sustainability. Both the programme and the measures are specified for a period lasting several years, are reviewed and updated each year and are adopted by the Union Asset Management Holding AG Board of Managing Directors. The performance indicators are measured on the basis of recognised external standards. A six-monthly review of the set goals by the Head of Sustainability Management and corresponding reporting to the Board of Managing Directors of Union Asset Management Holding AG ensure a regular planning and controlling process. Data quality is ensured by application of an established electronic CSR management system. At the turn of 2019/2020, new measures were not defined in the usual annual cycle. This was aimed at more closely interlinking the derivation of segment- and area-specific sustainability measures with the development of the company’s strategy in general and the sustainability strategy in particular. Both are finalised in the second quarter of each year, so the development of measures aimed at promoting these strategies can be begun thereafter. Since 2020, the sustainability programme has been

revised and updated midway through the year, with the changes being reported in the CSR report of the following year.

In the context of the annual company-wide planning process, all business units of the group are required to come up with the environment trends and development requirements for their own service provision. This also includes relevant ESG aspects for the respective business processes including potential sustainability risks. This ensures that their own performance capability and competitiveness are analysed and potential for improvement is identified on a regular basis for all stages of the value chain. In addition, specific continuation of the CSR strategy and key measures for the defined action areas results in separate goals being set and subsequently integrated in the business strategy. Consequently, specific ESG developments are interlinked with corporate planning at various levels.

**4.2 Stakeholder engagement**

The stakeholder groups relevant to Union Investment were identified by way of an internal survey using a structured questionnaire. The stakeholders surveyed should demonstrate a fundamental understanding of sustainability in investment. In a materiality analysis conducted in 2017, 167 people from the various stakeholder groups were asked about relevant aspects from the five CSR areas of activity that are relevant to Union Investment by way of an online survey using a structured questionnaire. The relevant areas of activity for the company are derived from the sustainability strategy adopted by the Board of Managing Directors and from surveys of relevant stakeholder groups. For example, the areas of activity cited in section 4.1 were identified as material: “corporate governance and communication”, “environment”, “employees”, “society” and “products and services”. The materiality analysis is scheduled to be updated in 2021.

Dialogue and engagement with the stakeholder groups is target-group-specific and assumes different forms and intensities: the Union Investment shareholders are involved via the established supervisory bodies, and for the local cooperative banks there are annual regional series of events in which all the aspects of partnership with Union Investment are discussed in detail. The employees are kept informed about the state of the company by means of regular events and via internal media. Interests and concerns can also be shared. There is ongoing dialogue with regulatory bodies and politicians, supervisory bodies and authorities which takes place in relation to topics. 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. Via the account managers, there is regular and in-depth customer service for institutional clients, while the retail clients are looked after by the respective cooperative banks and by our Customer Service department. In addition, we are represented at numerous industry meetings, with or without explicit reference to sustainability. Both these customer groups are surveyed regularly to gauge their satisfaction with the business relations.

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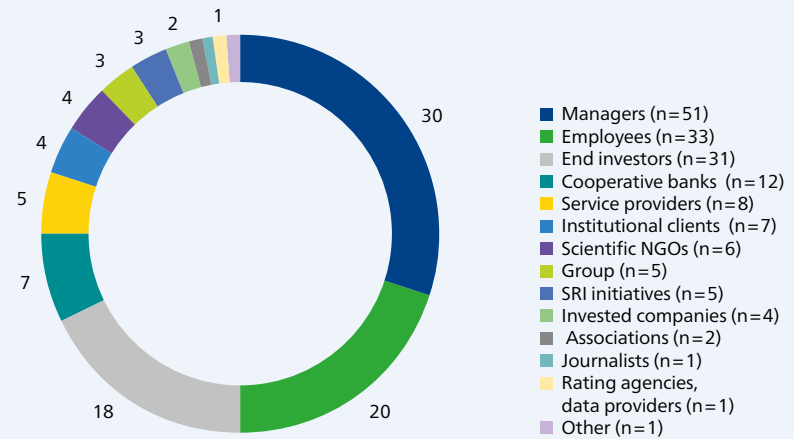
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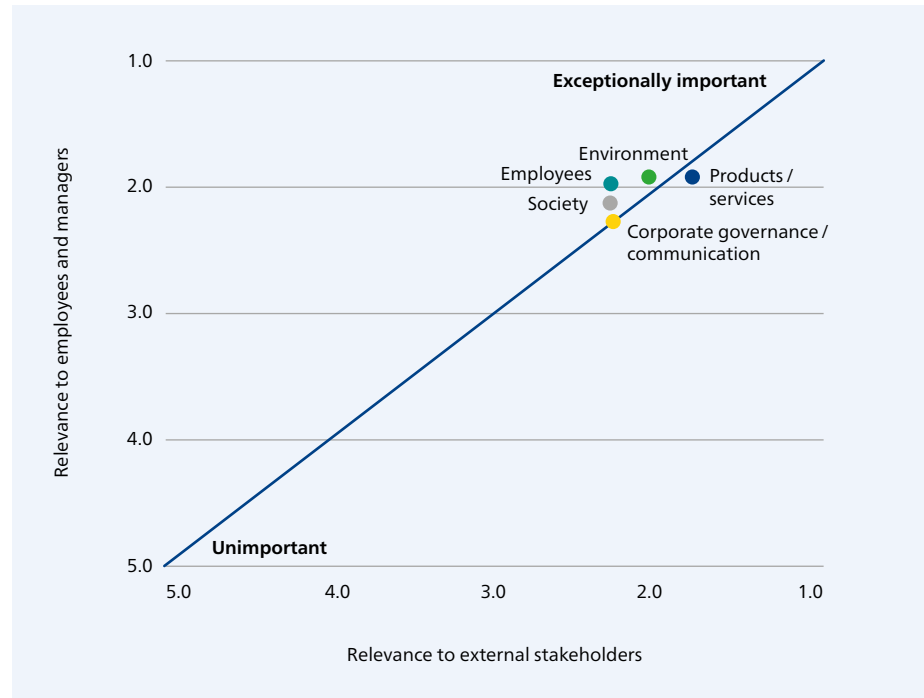
In 2020, external stakeholder communication with investors and sales partners again focused on how to deal with low interest rates and, accordingly, how to safeguard jeopardised prosperity. Due to the development of the capital markets in recent years, the issue of risk management is of great relevance to institutional clients in particular, and we work on this and discuss it actively with our clients. Furthermore, sustainability is also becoming an increasing focus in the retail clients business.

A key finding of Union Investment’s annual sustainability study, in which 166 major investors with a capital volume in the trillions took part in 2020, is that only a few major investors are still refraining from ESG investment strategies. The percentage of major investors making sustainable investments has risen to a record figure of 80%. Demand from private investors also increased significantly in 2020. Union Investment supported the topic suggestions by sharpening the focus of its portfolio and communication policies. Regular engagement with stakeholders has demonstrated that, in the financial services sector, input that results in action primarily comes from highly informed stakeholder groups, while broad surveys rarely generate expedient input due to the abstractness of the products. We therefore make a distinction between general surveys of satisfaction on the one hand and very specific topic-based engagement of directly impacted stakeholders on the other.

**Key stakeholders and percentage of stakeholder groups in the materiality analysis:**  
(figures in %)



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 is derived accordingly.



### 4.3 Advocacy, association and committee work

As the materiality analysis shows, it matters to our stakeholders that Union Investment represents the interests of its investors and partners in relation to regulators and policymakers as one of Germany’s biggest asset managers.

Consequently, we work actively to achieve a regulatory environment that is designed to favour investors and encourage sustainable development. Key issues are transparency obligations, accountability and regulations that ensure stability of the financial markets in the interests of our investors and sustainable development. In 2020, we were particularly involved in the

discussion process regarding the European Commission’s “renewed sustainable finance strategy”, for example with our response as part of the associated consultation. With regard to the design of the taxonomy, the ESG disclosure obligations and the ascertainment of sustainability preferences, too, we brought our many years of experience in the field of sustainable investment to bear at EU level in order to contribute to regulatory measures that are ambitious and practical in equal measure. Transparency in terms of political advocacy is essential to us here. This is why we provide information on the fundamental positions we have taken in our national and international advocacy (in associations and in our comments on draft legislation). This content will be published on Union Investment’s digital public affairs page, “FinanzAgenda”, where our positions on the European Commission’s action plan on financing sustainable growth can also be found. In addition, the Union Investment Group supports the political work of parties by means of non-cash and monetary benefits (for instance in the form of sponsorship actions). These amounts are likewise published on the website.

415-1

Union Investment supports the transparency initiative of the European institutions and is listed in their transparency register. Major initiatives with a connection to sustainability are rooted and published as measures in the sustainability programme.

We strive to comply with strict nationally or internationally recognised standards in everything we do in the area of sustainability. Numerous company representatives of Union Investment are actively involved in industry associations, committees and initiatives of the finance and asset management industries. We pledged to comply with the UN Principles for Responsible Investment, signed the declaration of conformity with the German Sustainability Code in December 2013 and renewed this declaration in December 2018. In our real estate activities, we signed up to the German Property Federation’s sustainability code for the real estate industry. We are represented in the sustainability committees of our industry associations (EFAMA, BVI, VfU). Since July 2013, Union Investment has been represented on the board of the Sustainable Investments Forum (FNG) and the German Association for Environmental Management and Sustainability by its head of Sustainability Management. Furthermore, we are also active in the National Association of German Cooperative Banks (BVR), the German Equities Institute (DAI), the European Fund and Asset Management Association (EFAMA), the European Parliamentary Financial Services Forum (EPFSF), the Sustainable Investments Forum (FNG), and the Royal Institution of Chartered Surveyors (RICS).

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## 5 Products and services

### 5.1 Management approach to the product range

Investing is a matter of trust – as a custodian for more than four million investors, responsible handling of the invested money and a requirement-oriented range of products and services for our end investors (retail clients of the local cooperative banks) and institutional clients are therefore essential for us.

Responsibility for looking after our investors' money involves the challenge of responding to current and significant economic, environmental and social trends and incorporating them in the product range geared towards investors' requirements. For instance, the social challenge of demographic change is closely linked with the structuring of retirement pension products for the general public. Climate change is particularly important when it comes to developing and managing our real estate and securities assets, and ensuring sound and responsible corporate governance is an important element of our multidimensional CSR approach in Portfolio Management.

417-1  
G4-F515

**Union Investment is committed to abiding by the code of conduct of the German Investment Funds Association. Accordingly, we comply with the standards of the code in disclosing fund performance as well as responsible and sustainable investments. Our product range is geared towards our investors' needs**

Consultants of local cooperative banks find out directly from private investors what end clients need in terms of products. Our investors' needs are constantly ascertained through discussion between consultants and the Union Investment's Customer Service department, at events and via field sales and passed on to the relevant people at Union Investment. This results in impetus for marketing and products tailored to investors' requirements. We are in direct dialogue with institutional investors, so we find out what they want from our products at first hand. Internal dialogue between account managers and Portfolio Management thus leads to ideal solutions for professional investors.

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#### **We follow national and international industry standards**

We align our product range with internationally recognised standards and implement them wherever this appears to be prudent: for instance, in 2010, we signed the Principles for Responsible Investment as a key standard for implementing stability in our core business. In the real estate business, we comply with the German Property Federation code for sustainable real estate business.

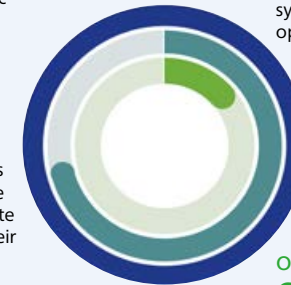
### 5.2 Sustainable products

As at 31 December 2020, the Union Investment Group managed EUR 61 billion of investors' money in 1,359 sustainable investment funds and mandates as well as a further 38 funds in our subsidiary Quoniam. Investors' funds under management rose by EUR 7.2 billion year-on-year.

**385.9 billion euros**  
total assets

In principle, the following **exclusions** apply:

- participations in the production of outlawed weapons and nuclear weapons.
- companies that generate more than five per cent of their turnover from coal production
- coal-fired power generators that do not have a credible climate strategy and generate more than 25 per cent of their energy from thermal coal.
- derivatives on agricultural commodities
- emitters involved in unacceptable violations of the UN Global Compact



of which  
**278.1 billion euros**  
ESG-integrated

analysis of relevant **ESG factors** and systematic consideration of ESG risks and opportunities in the **investment process**

of which  
**60.9 billion euros**  
sustainable investments

funds and mandates managed according to comprehensive and **explicit sustainability criteria** in investment decisions

For the sustainable institutional public funds managed according to ESG criteria, our clients receive monthly sustainability reports. In the reports, the exclusion rates of the fund assets and the ESG scores of the funds are compared with the respective peer group and the ESG scores of the largest investments are set out.

Investors in special funds can incorporate ESG information in their individual client reports if they wish.

**G203-1** A contribution to reducing CO<sub>2</sub> emissions is made by investing in wind farms and solar farms in the UniInstitutional Infrastruktur SICAV-SIF Erneuerbare Energien fund. The portfolio data is published quarterly. The fund's CO<sub>2</sub> savings totalled 229 thousand tonnes in 2020.

### 5.3 Engagement

**G4-F55** As a responsible investor and active asset manager, Union Investment practises active share ownership (CSR) in the form of a multidimensional CSR approach. The primary aim is to actively influence companies, thus helping to increase enterprise value. As well as business aspects, social, environmental and corporate governance issues are also addressed in a targeted way here.

In dialogues with companies and at annual general meetings, Union Investment's Portfolio Management segment regularly influences the corporate governance and business policy of public limited companies in the interests of investors and ultimately to the benefit of the fund concerned. Our principle is that Union Investment supports all measures that increase enterprise value on a long-term basis, and votes against those that are incompatible with this aim.

A binding voting policy is essential to transparent and consistent exercising of the voting rights entrusted to us. Therefore, Union Investment has put in place extensive voting guidelines geared towards the recommendations of the German Corporate Governance Code and the guidelines of the German Investment Funds Association. The guidelines are set out in the Union Investment Proxy Voting policy.

Union Investment performed its fiduciary duty and represented investors' interests by exercising voting rights at 1,938 annual general meetings in 28 countries in the reporting year.

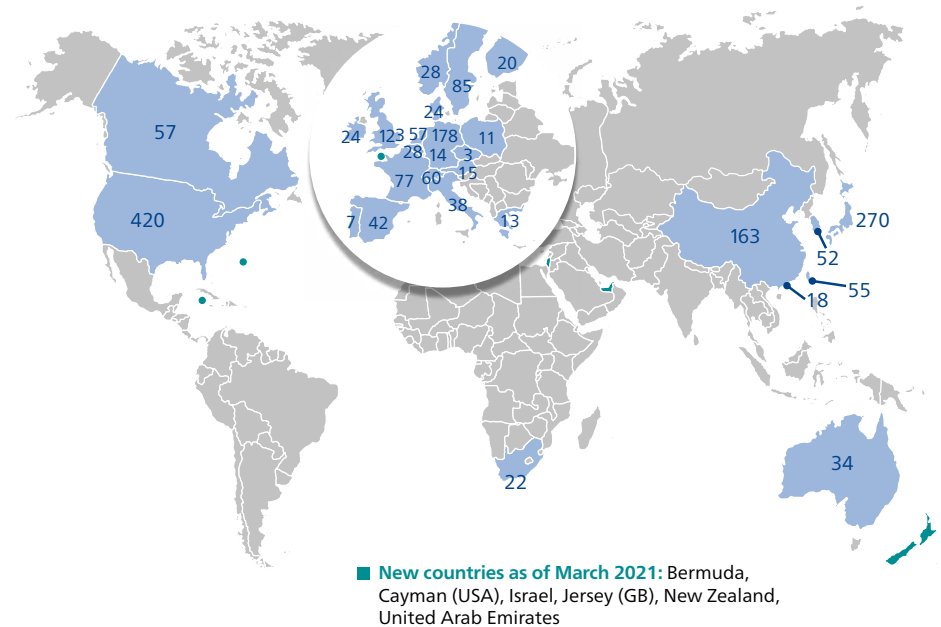
Alongside the voting behaviour, "UnionVoice", the constructive company dialogue, is the second important pillar of Union CSR. The main objective of UnionVoice is talking to companies to improve sustainability and thus shareholder value in the interests of our investors.

Union Investment has many years' experience as an active shareholder, which it is applying more and more. In the past reporting year, a total of 681 UnionVoice activities were implemented, with environmental and social issues being discussed in the company dialogues. This is an increase in the number of UnionVoice activities of nearly 20% compared with the previous year. The corporate contacts cover 40 countries. Most dialogues were conducted with companies from the industrials, utilities, and materials sectors.

G4-F510

### UnionVote – Votes by country 2020

2020: 1,938 votes



## 5.4 ESG integration in Portfolio Management

We firmly believe that integrating ESG criteria into the investment process goes hand in hand with positive effects on the risk management and performance of our funds. Therefore, our ESG department is integrated into Portfolio Management as an interdisciplinary authority and is thus interlinked with all major asset classes.

Our proprietary Sustainable Investment Research Information System (SIRIS), which we have been continuously developing since 2013, is used to generate qualitative and quantitative sustainability research and implement our sustainability requirements. SIRIS is our research platform, which makes sustainability in Portfolio Management transparent, measurable and controllable. Since 2017, it has been used across Portfolio Management at Union Investment and is available to every portfolio manager. The sustainability expertise is strengthened with regular training.

The ESG Committee, as the most senior ESG body in Union Investment's Portfolio Management, is responsible for setting a binding sustainable investment strategy. The ESG Committee ensures that ESG findings are integrated into the fundamental research process on an ongoing basis. It deals with all sectors and asset classes that due to specific events and/or structural trends are particularly relevant for risk, income and valuation considerations with regard to sustainability aspects.

## 5.5 Conferences and studies

**G4-FS11** To raise awareness of the importance of sustainability in investment decisions, Union Investment holds an annual sustainability conference on different topics each time. In 2020, the digital conference was devoted to the following question: "How has coronavirus changed the world, what will remain the same, and above all how should an active asset manager respond to this change?"

Each year, Union Investment examines the attitude of German major investors to sustainable investment and summarises the results in a sentiment index. In addition, we regularly have current sustainability issues scientifically assessed by various academics and internally within Portfolio Management.

## 5.6 Sustainability in real estate investments

In the following section, Union Investment reports to its employees, clients, business partners and interested members of the public on its activities in the field of sustainable real estate management. This includes not just a presentation of the various processes and instruments, but also in particular the consumption data gathered and extrapolated for investment funds 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.

### 5.6.1 Understanding sustainability as future viability

Climate Protection Plan 2050 of the Germany federal government, "Action Plan on Sustainable Finance" from the European Commission, UN Climate Change Conference 2018 in Katowice – many landmark political decisions have been resolved or are being brought forward. With very high consumption of resources and potential for emissions, the real estate industry is one of those in the spotlight and is included in the ambitious target of achieving extensive "climate neutrality" by 2050. Sustainability has thus no longer become a choice. It is an essential element of every long-term strategy.

As a forward-looking asset manager, Union Investment has been working on the sustainable alignment of its activities relating to buildings in its portfolio for nearly 15 years. After all, the future viability of its property portfolio is the foundation stone for the most important aim of managing and increasing investor assets in a responsible manner. To do this Union Investment has implemented a sustainability strategy which it pursues on an ongoing basis. For implementation Union Investment has developed its own instruments, which are applied not only at building but also at portfolio level. By measuring consumption data and by implementing various sustainability criteria, an important basis was established for further improving the properties. With the assistance of advancing digitalisation, this database is becoming increasingly precise and the optimisation measures implemented more and more effective. Further measures such as integrating tenants and staff, but also commitment across the industry, are being leveraged to find new solutions for more sustainability.

### 5.6.2 Sustainability management processes

#### 5.6.2.1 Comprehensive understanding of sustainability

Union Investment is committed to responsible action and has vowed to play its own part in maintaining an intact environment. This includes integrating sustainability comprehensively and systematically into its business processes. For the real estate sector, this means reducing the environmental impact of properties on an ongoing basis while maintaining long-term financial success and thereby gradually improving the property portfolio.

<sup>1</sup> Each less the number of residential buildings and properties under construction or restructuring; see also 3.2 Portfolio under review

In 2011, Union Investment introduced a comprehensive environmental management system (EMS) and was successfully certified according to the international standard DIN EN ISO 14001. In addition to operational ecology, i.e. the environmental impact of operations, this system looks at product ecology, i.e. the environmental impact of the “real estate funds” product. As part of the environmental management system, the quality of the processes is secured and their progress is monitored. Each year audits are implemented to check progress. In addition, recertification takes place every three years, the last time in 2019 when the auditor determined no deviations.

Union Investment has established the responsibilities of its business units by enshrining the issue of sustainability in its guidelines and programmes at company level. Union Investment’s voluntary commitment to structuring its business processes in accordance with the requirements of the German Property Federation code (sustainability code of the German Property Federation) has therefore been satisfied.

Union Investment’s sustainability instruments are applied throughout the entire life cycle of the respective properties. Objectives are pursued in the acquisition, letting and management and in the renovation and revitalisation of buildings that contribute to maintaining the value of the properties and their future viability and supporting business performance in the long term. External service providers are integrated into the sustainability 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 CO<sub>2</sub> 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 166 of the report.

#### 5.6.2.2 Analysis and evaluation instruments

The Real Estate segment manages and reports sustainability data for internal purposes such as fund and property reports as well as for external purposes such as the annual ratings by Scope and GRESB. The successful introduction of ImmoSustain this year means that there is now a central platform for the consumption data and sustainability management of the real estate. This provided active and above all effective support for the goal of a climate-neutral building stock.

One of the big advantages of the system is that the recording of consumption is automated. Each month, the utilities upload their bills to ImmoSustain. These are then read automatically using artificial intelligence. Even better, the system undergoes a learning process. On the basis of the data supplied, as time goes on it recognises when the information for a property is complete and whether there are still gaps.

The software uses the submitted data to automatically generate ideas to improve the properties. These sustainability measures can be tracked in the system and serve as a basis for discussions with tenants, users or property managers, for example. At the same time, ImmoSustain offers a high level of user convenience, as the respective user groups can determine and evaluate the data and analyses relevant to them.

#### Key performance indicators (KPIs)

The key performance indicators comprise all the consumption data specific to real estate, such as electricity, heating and water consumption, the volume of waste produced and CO<sub>2</sub> emissions. Recording and evaluating consumption figures allows property optimisation potential to be identified and savings targets to be defined, both at property and portfolio levels. Measures for more efficient use of resources and for reducing operating costs can then be introduced and the targets monitored. The sustainability tool ImmoSustain therefore forms the foundation of the long-term orientation of Union Investment’s international real estate portfolio. Consumption data is recorded automatically and without manual effort.

#### Sustainable Investment-Check (SI Check)

With the sustainable investment check developed specifically by Union Investment, buildings are assessed in terms of their sustainable quality as early as the purchasing process. Optimisation potential can be identified and measures to improve the properties can be planned at an early stage. The SI check is also applied to buildings already within the portfolio, with criteria in the building automation, building shell and technology, resources, economy, user comfort, measures in operation and location being examined and analysed. This instrument not only determines the current condition of a building but also checks its specific development potential. The SI check was developed on the basis of common certification systems and is continuously expanded and adapted to the latest market developments.

The combination of the SI check for qualitative assessment and the recording of KPIs for quantitative analysis guarantee 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 successively 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 German Property Federation recommendations "Sustainability Benchmarking – What and How Should Comparisons be Made". 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 property and portfolio levels.

#### Energy monitoring

Energy monitoring can be used to record and analyse consumption data, e.g. for electricity, heating, cooling or water, in short time intervals and to derive energy optimisations. In 2020, Union Investment extended the pilot project launched in 2019 to 27 properties. In addition to the German office properties from 2019, properties of other use types and properties in Europe were now also included. The standardised monitoring is to create a basis for calculating specific energy saving potential and using this potential in cooperation with property managers and tenants.

#### 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 whether such certification makes sense for individual properties. For new construction projects and extensive renovations, certification is an important sign of quality in 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

| 2018                 |                       | 2019                 |                       | 2020                 |                       |
|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| Number of properties | according to SV-value | Number of properties | according to SV-value | Number of properties | according to SV-value |
| 148                  | 63 %                  | 155                  | 66 %                  | 216                  | 70 %                  |

Source: Union Investment, correct as at 31 December of the respective year. The statistics include the following funds: Unilmmo: Deutschland, Unilmmo: Europa, Unilmmo: Global, Unilmmot Institutional German Real Estate, UII Hotel Nr. 1, UII Shopping Nr. 1, DEFO-Immobilienfonds 1, DIFA-Fonds Nr. 3, Unilmmot Institutional European Real Estate, Urban Campus Nr. 1, UII German<sup>®</sup>, immofonds 1, Urban Living Nr. 1, UII European<sup>®</sup>

#### 5.6.2.3 Rating

##### Scope regards Union Investment as a leader in implementation of sustainability strategy

Union Investment takes part in the Scope rating. Scope has included sustainability criteria in its assessment of open-ended real estate funds since 2013, and the criteria are occasionally updated. In 2018, the Unilmmo: Deutschland, Unilmmo: Europa, Unilmmo: Global, Unilmmot Institutional European Real Estate and Uni-Institutional German Real Estate funds were predominantly rated as among the best in the industry in sustainability matters. Overall, Scope confirmed once again that Union Investment is a leader in organisational and administrative implementation of sustainability strategy.

#### 5.6.2.4 Raising stakeholder awareness

Fully sustainable real estate management thrives on continuous and open exchange with relevant interest groups. Union Investment therefore informs and raises awareness among its employees and also market participants, investors, clients and tenants regarding the opportunities and necessities of sustainability using a variety of media and events.

The new sustainability magazine atmosphere was published for the first time in 2019. This magazine gives investors, clients, tenants and interested parties insights into sustainable real estate management at Union Investment. The next issue will be released in digital format in 2021.

Another opportunity for dialogue is the knowledge portal run by Union Investment at [www.nachhaltige-immobilien-investments.de](http://www.nachhaltige-immobilien-investments.de). Specialist articles by various market players on sustainability aspects and their practical implementation set out different perspectives and also encourage discussion with tenants, clients and business partners. This is complemented by current information and news.

### Social engagement: a win-win-win situation

With over 200 different activities in recent years, social engagement is a fixed part of Union Investment's real estate portfolio. Some examples: In Madrid, pink sheets of paper were distributed to tenants for them to stick in their windows, forming a gigantic ribbon across the building. This raised awareness of the risk and mindful treatment of breast cancer. In Warsaw, Union Investment invited the Red Cross to give tenants the opportunity to donate blood on site. In San Francisco, tenants were shown ways to hold back climate change on "Earth Day". In Manchester, Union Investment supported a tenant initiative to help the homeless.

In 2020, Union Investment strategically evaluated social engagement at the real estate locations for the first time, compiling a catalogue of the most promising activities that can be undertaken at most locations. This catalogue contains recommendations for the initiation, performance and evaluation of each activity. Although most activities are virtually cost-neutral to implement, we determined that nearly all activities represented a win-win-win situation.

#### First win: tenant satisfaction

In most activities, we have observed the truth of the scientific discovery that social engagement has a positive impact on those engaged in it. The voluntary engagement brought great joy to a large number of our tenants, which could be seen both in the high rate of participation and in the participants' smiling faces.

#### Second win: social value

The activities allow the properties to put down roots in their respective communities and create a general beneficial effect beyond the traditional economic value of a property. This makes the properties more important for the neighbourhood, people and environment, which benefit from the activities. In the case of activities such as food donations for the needy in Paris or cutting down food waste in Vienna, the social value is obvious. However, activities such as bicycle repairs in Hamburg also help both tenants and the environment in the long term.

#### Third win: economic value

The tenants' satisfaction from the first win has a direct impact on their economic decisions and positively supports letting activities. Apart from the key economic data, general satisfaction also plays a significant role in a decision to sign or renew a tenancy agreement. Traditionally, this decision is based on location, with nearby infrastructure and conveniences such as the availability of restaurants, doctors, gyms and shops, and on the design, technical specifications and flexibility of the rental space. Social engagement gives potential tenants another argument for or against a lease.

In the years to come, Union Investment expects a steady increase in social activities and corresponding growth in the available data. The impact of engagement will continue to be measured on this basis in the future, so we are confident that we will soon be able to express the subjective perception of the triple win in concrete figures. Union Investment already has in-house experts for certain social activities, whose experience is very useful when it comes to planning new activities.

#### 5.6.2.5 Obligations placed on property users

The operating phase is the longest part of a property's lifecycle, and therefore constitutes a significant lever for sustainability in and at the property. Partnership-based cooperation between tenants and lessors is essential if the property's potential is to be fully utilised. Through green leases, users and owners undertake to use and manage the property sustainably in order to ensure that it maintains its value in the long term and, not least, that operating costs remain reasonable. This includes, for example, the provision of information on and regular 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 2018, the German Property Federation published a "Green Leases for Germany" guideline. Here it should be emphasised that a precise definition of a Green Lease was determined for the first time. Union Investment expanded its standard lease agreements for offices, logistics buildings and hotels in Germany with the "Green Provisions" in line with the German Property Federation definition and is also deploying them, primarily for new leases.

#### 5.6.2.6 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, contracts for tender and the selection of business partners. In real estate asset management, this has been a factor in the contract design of property and facility managers since 2014. 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.

#### 5.6.2.7 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.

Union Investment has been a member of the German Property Federation since June 2008 and has been heavily involved in the development of the industry-wide sustainability code. Union Investment contributes its knowledge and experience to many work groups and committees of the German Property Federation and thus actively advances the issue of sustainability within the industry.

As a member of the German Investment Funds Association, Union Investment played an active part in drawing up the guidelines for sustainable real estate portfolio management published in 2016. The guidelines aim to identify performance indicators at the fund and portfolio levels in order to ensure sustainability and hence long-term returns for investors.

#### ECORE: an industry standard for measuring sustainability performance

Since the start of 2020, Union Investment has collaborated in the "ESG Circle of Real Estate" (ECORE) initiative on the development of an industry standard for measuring the sustainability performance of properties and portfolios. The new scoring model is based on the sustainability label "atmosphere" introduced by Union Investment in 2019. On a scale from zero to 100, tenants and investors can see the percentage to which a property or a portfolio meets environmental, social and governance (ESG) criteria. This already takes into account the taxonomy criteria of the EU's Action Plan on Sustainable Finance and the targets of the Paris Agreement on climate change.

The scoring model is a comprehensive set of criteria comprising three clusters, namely "Governance", "Consumption and Emissions" and "Asset Check". "Cluster I - Governance" examines sustainability and management in the portfolio, communication and external quality assurance (e.g. certifications, ratings). Subjects of analysis include whether tenant exclusion criteria are applied or green tenancy agreements have been concluded. The central issues in "Cluster II - Consumption and Emissions" are energy consumption, CO<sub>2</sub> emissions, water consumption, the volume of waste and the "Paris-ready" assessment, i.e. the comparison with the target data of the climate change agreement for 2030). "Cluster III - Asset Check" comprises eight qualitative issues: building automation, shell and technology, resources, user comfort, economy, location, measures in operation and future viability.

The resulting score shows where the respective property or real estate portfolio is in terms of ESG on the one hand and on the other hand identifies potential and measures to achieve the relevant targets. The open source model provides a specific plan of action for measures to achieve the respective ESG targets. The ECORE scoring model therefore has a tangible benefit for every investor and user. In addition, it means that sustainability performance can also be compared within the respective peer group – all without too much effort.

### 5.6.3 Property-specific portfolio consumption data

With its sustainability tool ImmoSustain, 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.

#### 5.6.3.1 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.

Since the introduction of the new “ImmoSustain” tool, the recording of consumption has been automated. Each month, the property managers upload their utility bills to ImmoSustain. These are then read automatically using artificial intelligence. Often, however, the figures for heating and water are available only in the form of annual statements, and the properties’ differing billing cycles make it even more difficult to record the data. 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 2019. Consequently, the data for 2020 cannot be included in the current analysis. The analysis encompasses final energy consumption, CO<sub>2</sub> emissions, water consumption and the volume of waste produced.

The figures in this report are shown as absolute values as well as specific values per square metre and year. In light of the international orientation and heterogeneous nature of the portfolio, specific consumption data was adjusted for aspects that are specific to countries, properties and uses and that influence a property’s environmental performance. These include building characteristics such as 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 continuously changing nature of the portfolio means that comparability between years is limited, particularly with regard to the absolute figures. To improve the comparability of the current years, the following analysis also discusses the consumption data for a like-for-like portfolio. The updated data recording and methodology will lead to optimised results in the future, thereby providing better comparability over the long term.

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#### 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.

**Like-for-like portfolio** contains only buildings which have been part of the Union Investment portfolio for two consecutive calendar years and for which there are quality-assured consumption figures.

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#### 5.6.3.2 Portfolio under review

Union Investment’s real estate portfolio is subject to constant change. Properties are continuously purchased and sold during the course of the year as part of active portfolio management. Selected portfolio properties are also subject to restructuring and renovation processes.

This dynamic development means that the portfolio cannot be examined exhaustively. Accordingly, Union Investment aims to record data for a large, representative subportfolio consisting of at least 75 % of its total portfolio (in terms of floor area). The consumption data for the properties examined is then extrapolated for the portfolio as a whole.

The portfolio as a whole contains actively managed properties in the office, retail, hotel and logistics usage types. As at 31 December 2020, the portfolio consisted of 379 properties. Properties under construction or conversion and residential properties are not included in this analysis.

In 2020, the ambitious goal was achieved again. For 287 properties, i.e. 77 % of the portfolio floor area, consumption data was recorded and subjected to quality assurance.

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 2017    | Number of properties | Floor area in m <sup>2</sup> | Floor area in % |
|---------------------|----------------------|------------------------------|-----------------|
| Office buildings    | 174                  | 3,152,417                    | 51              |
| Retail buildings    | 52                   | 1,715,929                    | 28              |
| Hotel buildings     | 45                   | 706,889                      | 12              |
| Logistics buildings | 10                   | 555,477                      | 9               |
| <b>Total</b>        | <b>281</b>           | <b>6,130,713</b>             | <b>100</b>      |

| Type of use 2018    | Number of properties | Floor area in m <sup>2</sup> | Floor area in % |
|---------------------|----------------------|------------------------------|-----------------|
| Office buildings    | 139                  | 3,123,593                    | 50              |
| Retail buildings    | 47                   | 1,954,585                    | 31              |
| Hotel buildings     | 35                   | 617,201                      | 10              |
| Logistics buildings | 9                    | 525,450                      | 9               |
| <b>Total</b>        | <b>230</b>           | <b>6,220,830</b>             | <b>100</b>      |

| Type of use 2018    | Number of properties | Floor area in m <sup>2</sup> | Floor area in % |
|---------------------|----------------------|------------------------------|-----------------|
| Office buildings    | 168                  | 3,560,068                    | 48              |
| Retail buildings    | 64                   | 2,499,206                    | 34              |
| Hotel buildings     | 44                   | 775,398                      | 11              |
| Logistics buildings | 11                   | 547,956                      | 7               |
| <b>Total</b>        | <b>287</b>           | <b>7,382,628</b>             | <b>100</b>      |

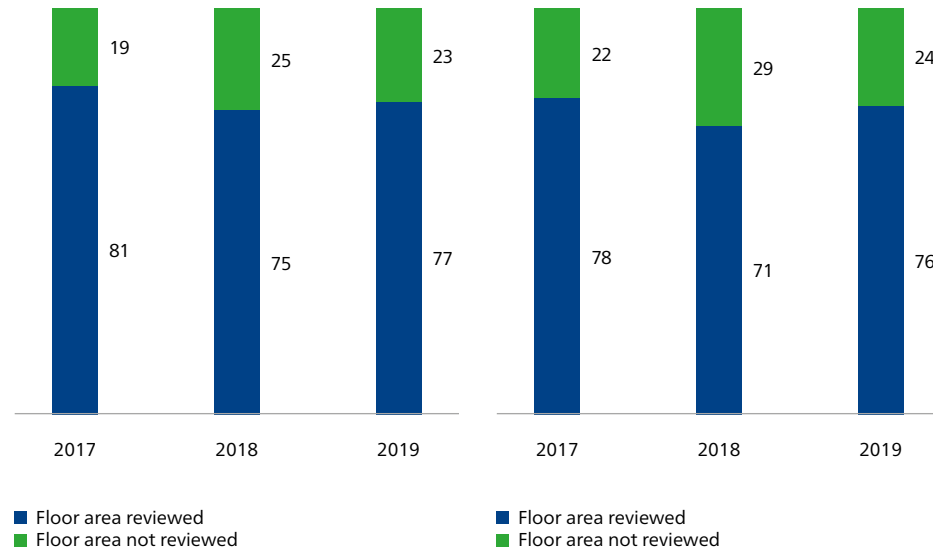
#### Extrapolated portfolio

| Type of use 2017    | Number of properties | Floor area in m <sup>2</sup> | Floor area in % |
|---------------------|----------------------|------------------------------|-----------------|
| Office buildings    | 207                  | 3,627,950                    | 48              |
| Retail buildings    | 79                   | 2,081,011                    | 28              |
| Hotel buildings     | 56                   | 977,629                      | 13              |
| Logistics buildings | 16                   | 866,934                      | 11              |
| <b>Total</b>        | <b>358</b>           | <b>7,553,524</b>             | <b>100</b>      |

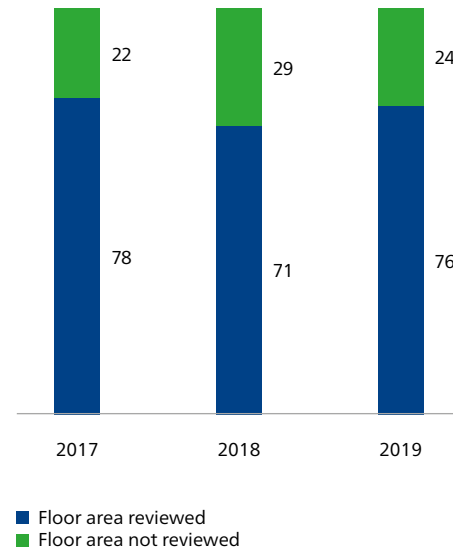
| Type of use 2018    | Number of properties | Floor area in m <sup>2</sup> | Floor area in % |
|---------------------|----------------------|------------------------------|-----------------|
| Office buildings    | 181                  | 3,776,778                    | 46              |
| Retail buildings    | 71                   | 2,626,875                    | 32              |
| Hotel buildings     | 57                   | 945,513                      | 11              |
| Logistics buildings | 17                   | 929,085                      | 11              |
| <b>Total</b>        | <b>326</b>           | <b>8,278,251</b>             | <b>100</b>      |

| Type of use 2018    | Number of properties | Floor area in m <sup>2</sup> | Floor area in % |
|---------------------|----------------------|------------------------------|-----------------|
| Office buildings    | 200                  | 4,090,542                    | 42              |
| Retail buildings    | 83                   | 2,904,489                    | 30              |
| Hotel buildings     | 65                   | 1,166,849                    | 12              |
| Logistics buildings | 31                   | 1,485,780                    | 16              |
| <b>Total</b>        | <b>379</b>           | <b>9,647,660</b>             | <b>100</b>      |

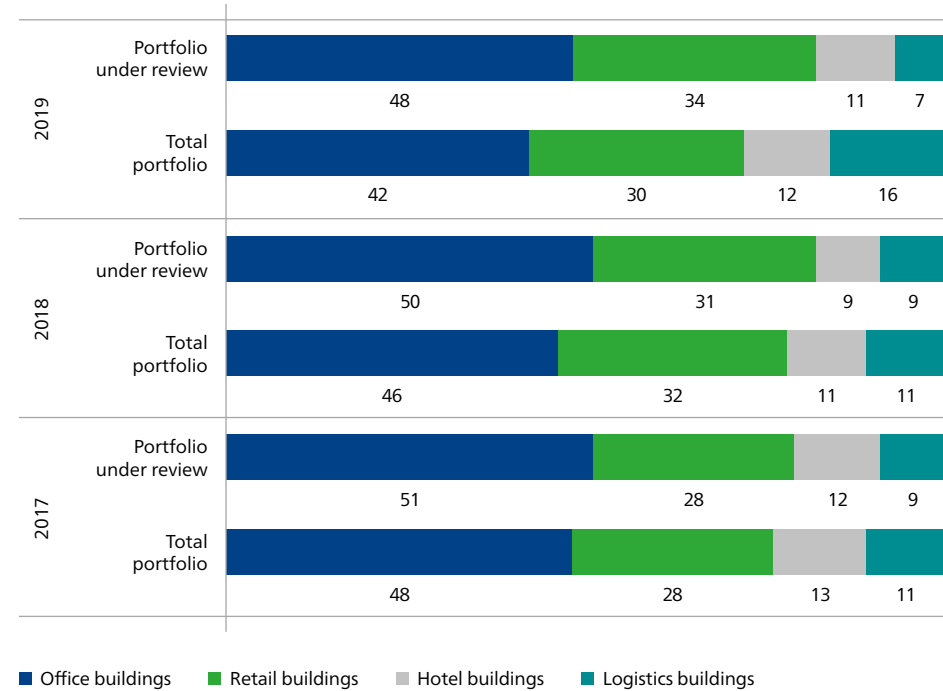
Floor area in total portfolio reviewed (in %)



Number of buildings in total portfolio reviewed (in %)



Comparison of reviewed portfolio floor area and total portfolio floor area by building use (in %)



■ Office buildings ■ Retail buildings ■ Hotel buildings ■ Logistics buildings

### 5.6.3.3 Main findings

In summary, there was only a minor change in the specific values for all consumption types in the overall portfolio from 2017 to 2019. Specific water consumption in particular remained very stable over the years. In the like-for-like analysis of the portfolio, i.e. the analysis of properties that were in the portfolio in both 2018 and 2019, there were slight reductions in final energy consumption and CO<sub>2</sub> emissions. Due to considerable portfolio turnover, the composition of the portfolio's real estate changed significantly, resulting in identifiable fluctuations in individual consumption values, especially in the subdivision by type of use.

305-3  
303-1  
G4-CRE1  
G4-CRE2  
G4-CRE3  
G4-CRE8

#### 5.6.3.4 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) |  | 2017<br>(358<br>properties) | 2018<br>(326<br>properties) | 2019<br>(379<br>properties) |
|---|--|-----------------------------|-----------------------------|-----------------------------|
| <b>Final energy consumption</b>   | <b>[GWh/a]</b>                               | <b>1,620</b>                | <b>1,614</b>                | <b>1,633</b>                |
| Direct final energy consumption   | [GWh/a]                                      | 139                         | 164                         | 180                         |
| Indirect final energy consumption                                       | [GWh/a]                                      | 1,481                       | 1,450                       | 1,453                       |
| <b>CO<sub>2</sub> emissions, GRI 305-3</b>                              | <b>[t CO<sub>2</sub>/a]</b>                  | <b>434,918</b>              | <b>434,744</b>              | <b>450,307</b>              |
| Direct CO <sub>2</sub> emissions  | [t CO <sub>2</sub> /a]                       | 33,246                      | 26,085                      | 40,528                      |
| Indirect CO <sub>2</sub> emissions                                      | [t CO <sub>2</sub> /a]                       | 401,672                     | 408,659                     | 409,779                     |
| <b>Water consumption GRI 303-1</b>                                      | <b>[m<sup>3</sup>/a]</b>                     | <b>4,518,574</b>            | <b>4,506,013</b>            | <b>4,403,141</b>            |
| <b>Volume of waste</b>  | <b>[t/a]</b>                                 | <b>52,380</b>               | <b>52,365</b>               | <b>54,186</b>               |
| <b>Specific values, portfolio under review</b>                          |  | <b>2017</b>                 | <b>2018</b>                 | <b>2019</b>                 |
| <b>Final energy consumption value, G4-CRE1</b>                          | <b>[kWh/(m<sup>2</sup>/a)]</b>               | <b>226</b>                  | <b>227</b>                  | <b>231</b>                  |
| Energy consumption value, heating                                       | [kWh/(m <sup>2</sup> /a)]                    | 84                          | 81                          | 81                          |
| Energy consumption value, electricity                                   | [kWh/(m <sup>2</sup> /a)]                    | 142                         | 146                         | 149                         |
| <b>CO<sub>2</sub> emissions, G4-CRE3</b>                                | <b>[kg CO<sub>2</sub>/(m<sup>2</sup>/a)]</b> | <b>56</b>                   | <b>58</b>                   | <b>63</b>                   |
| Specific CO <sub>2</sub> emissions, heating                             | [kg CO <sub>2</sub> /(m <sup>2</sup> /a)]    | 15                          | 15                          | 14                          |
| Specific CO <sub>2</sub> emissions, electricity                         | [kg CO <sub>2</sub> /(m <sup>2</sup> /a)]    | 41                          | 43                          | 48                          |
| <b>Water consumption, G4-CRE2</b>                                       | <b>[m<sup>3</sup>/(m<sup>2</sup>/a)]</b>     | <b>0.57</b>                 | <b>0.57</b>                 | <b>0.56</b>                 |
| <b>Volume of waste</b>  | <b>[kg/(m<sup>2</sup>/a)]</b>                | <b>6.6</b>                  | <b>6.5</b>                  | <b>7.0</b>                  |

| Unadjusted values for 2019 portfolio under review  |   | Portfolio under review | Office buildings | Retail buildings | Hotel buildings | Logistics buildings |
|--|---|------------------------|------------------|------------------|-----------------|---------------------|
| <b>Specific final energy consumption, G4-CRE1</b>  | <b>[kWh/(m<sup>2</sup>/a)]</b>            | <b>223</b>             | <b>231</b>       | <b>217</b>       | <b>262</b>      | <b>63</b>           |
| CO <sub>2</sub> specific carbon emissions, G4-CRE3 | [kg CO <sub>2</sub> /(m <sup>2</sup> /a)] | 57                     | 51               | 63               | 74              | 21                  |
| Specific water consumption, G4-CRE2                | [m <sup>3</sup> /(m <sup>2</sup> /a)]     | 0.69                   | 0.63             | 0.68             | 1.47            | 0.05                |

#### Note on data quality:

**Quality assurance** – Independent parties manually and objectively reviewed the recorded data for each property to check that it was complete and plausible.

**Completeness of data** – In cases where some of the consumption data was unavailable, it was added on the basis of reference values. The mechanism developed for this purpose incorporated use-related averages from different sources and historical portfolio data.

**Extrapolation** – If it was not possible to determine some of the data in full (such as tenant data), data was extrapolated on the basis of usage and with a floor area weighting on the basis of reference values within the software used.

**Adjustment** – Specific data was adjusted to ensure that the properties in the international portfolio were comparable. Final energy consumption data was adjusted for climate, vacancy rates and special users. The climate adjustment was applied using location-related weather periods for the last few years compared to the long-term average per climate zone. The specific consumption values for water and waste were adjusted for special users. Greenhouse gas emissions (shown as CO<sub>2</sub> equivalents or CO<sub>2</sub>), which are calculated on the basis of country-specific emissions factors, are not adjusted. Absolute values are not adjusted.

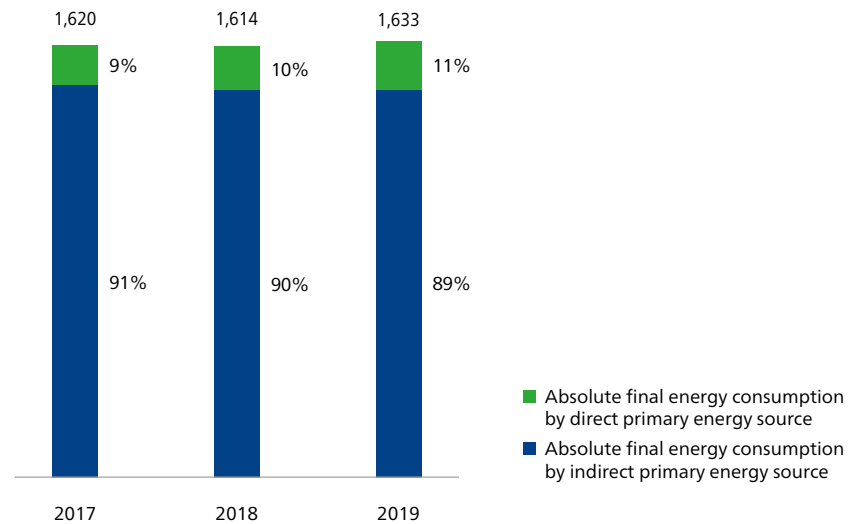
**Energy reference area** – The total floor area in a building that is heated or temperature-controlled.

**Note:** Energy consumption and CO<sub>2</sub> 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.

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

#### Absolute final energy consumption broken down by direct and indirect primary energy sources (GWh/year)

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



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).

The absolute energy consumption figures increased slightly compared with the previous year. This is due to the larger portfolio, while the ratio of direct and indirect energy sources remained at roughly the same level.

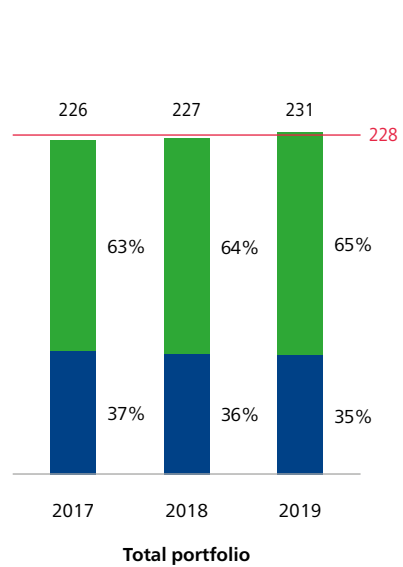
### Absolute final energy consumption (GWh/year, extrapolated portfolio)



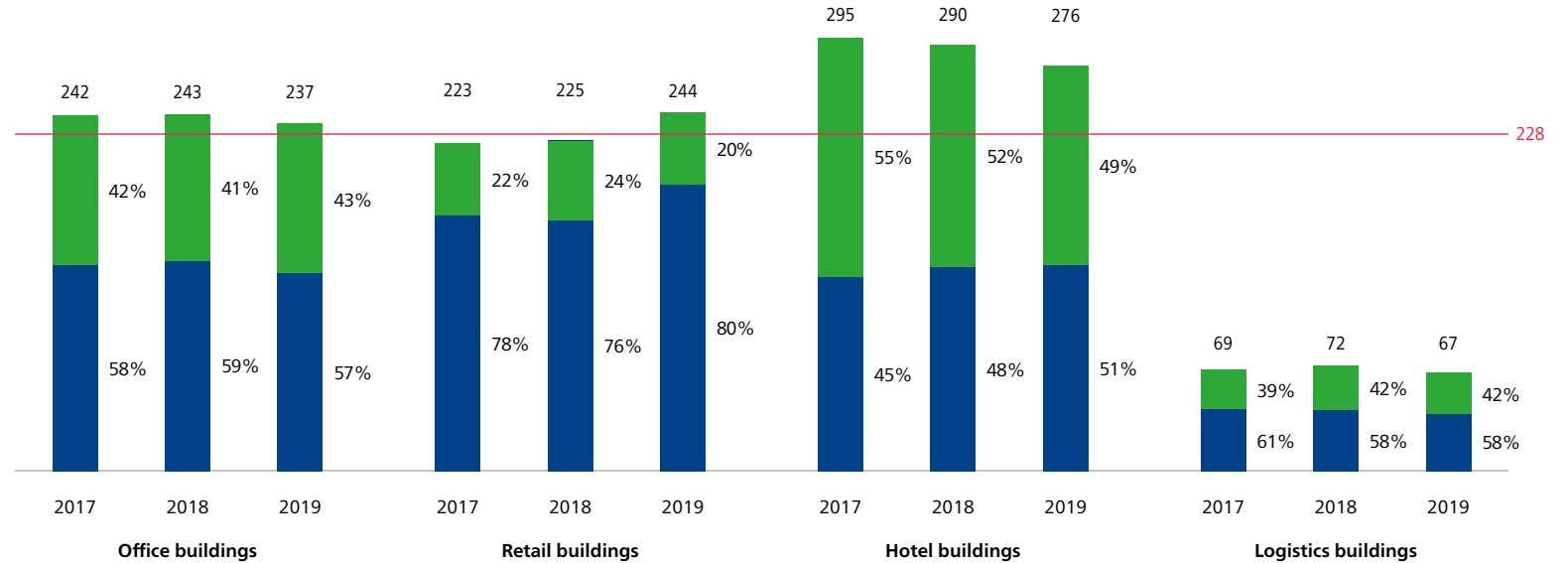
Between 2017 and 2019, there was constant development in absolute energy consumption. The slight percentage increase in energy consumption in the respective types of use is roughly in line with the percentage growth in floor area.

G4-CRE1 Specific final energy consumption [kWh/(m<sup>2</sup>/year)]

Average consumption of portfolio per year, by type of consumption



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



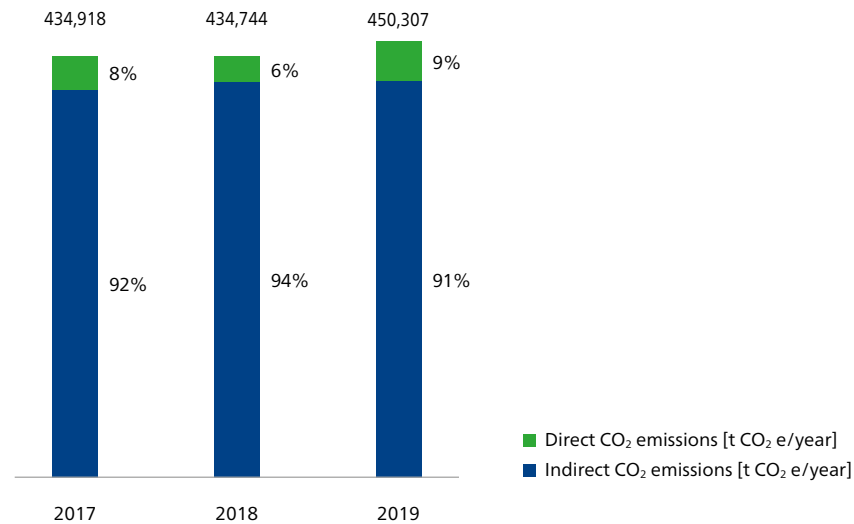
■ Energy consumption value, electricity [kWh/m<sup>2</sup>] ■ Energy consumption value, heating [kWh/m<sup>2</sup>] - Portfolio average over three years [kWh/m<sup>2</sup>]

Among the specific energy key indicators in the overall portfolio from 2017 to 2019, a slight increase can be seen in the retail portfolio. The increase in the portfolio results in the specific key energy indicators increasing. Properties with deviating figures have already been identified and will be subjected to a detailed examination shortly. Apart from the retail portfolio, final energy consumption declined slightly in the other types of use despite the increase in their share of the floor area by a double-digit percentage. Measures taken impact the portfolio.

**305-3** Absolute CO<sub>2</sub> emissions broken down by direct and indirect primary energy sources  
(t CO<sub>2</sub>e/year, extrapolated portfolio)

In the following, the term “CO<sub>2</sub>” is used as a simplification and abbreviation for “CO<sub>2</sub> 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.

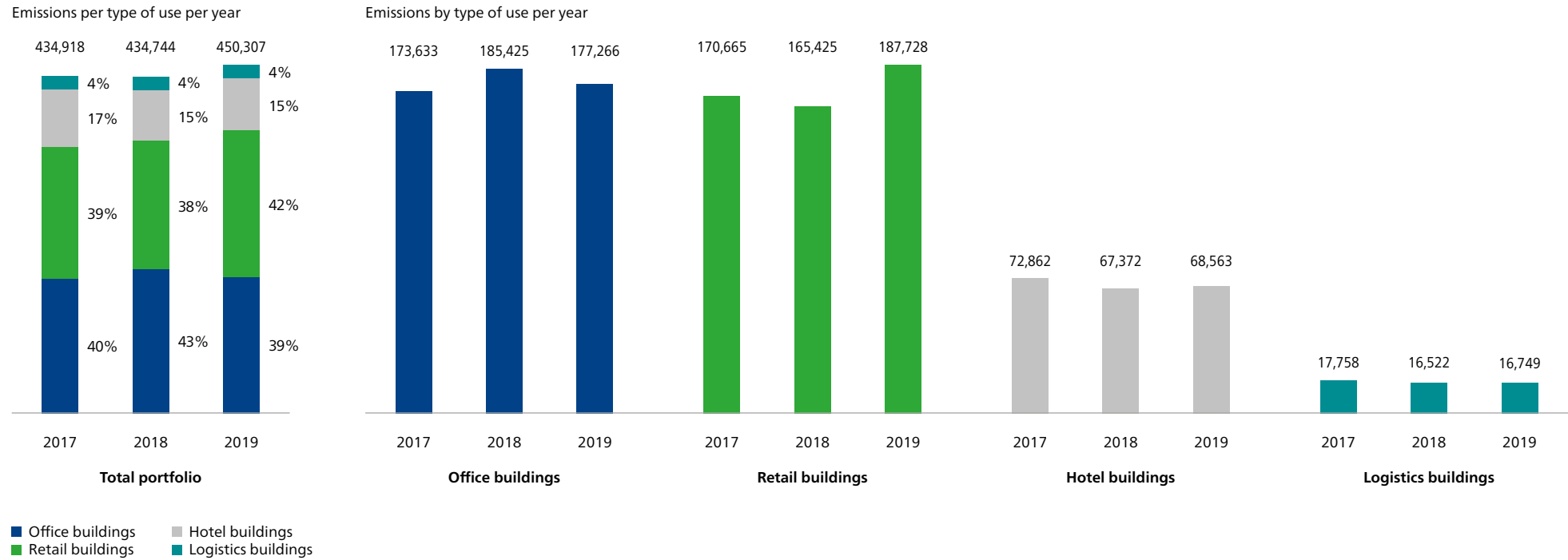
Share of emissions portfolio by primary energy source per year



The absolute CO<sub>2</sub> emissions, which are otherwise known as the CO<sub>2</sub> footprint or carbon footprint, are based on the consumption of heating and electricity. In 2019, the CO<sub>2</sub> footprint of the overall portfolio was around 450,300 tonnes. Emissions increased somewhat compared with the previous year. Compared with the development of absolute energy consumption, CO<sub>2</sub> emissions changed at an approximately similar rate. Here, too, the increase is due to the net growth of the real estate portfolio.

**305-3**

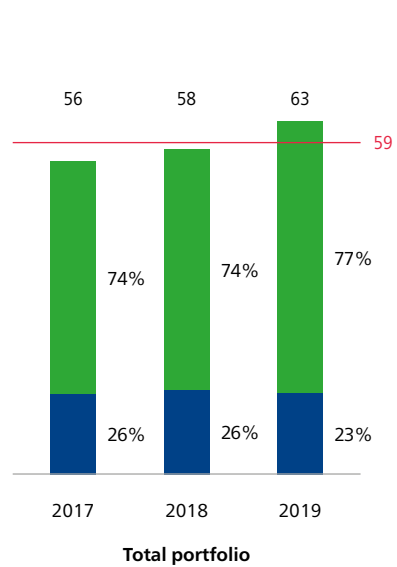
Absolute CO<sub>2</sub> emissions (t CO<sub>2</sub> e/year, extrapolated portfolio)



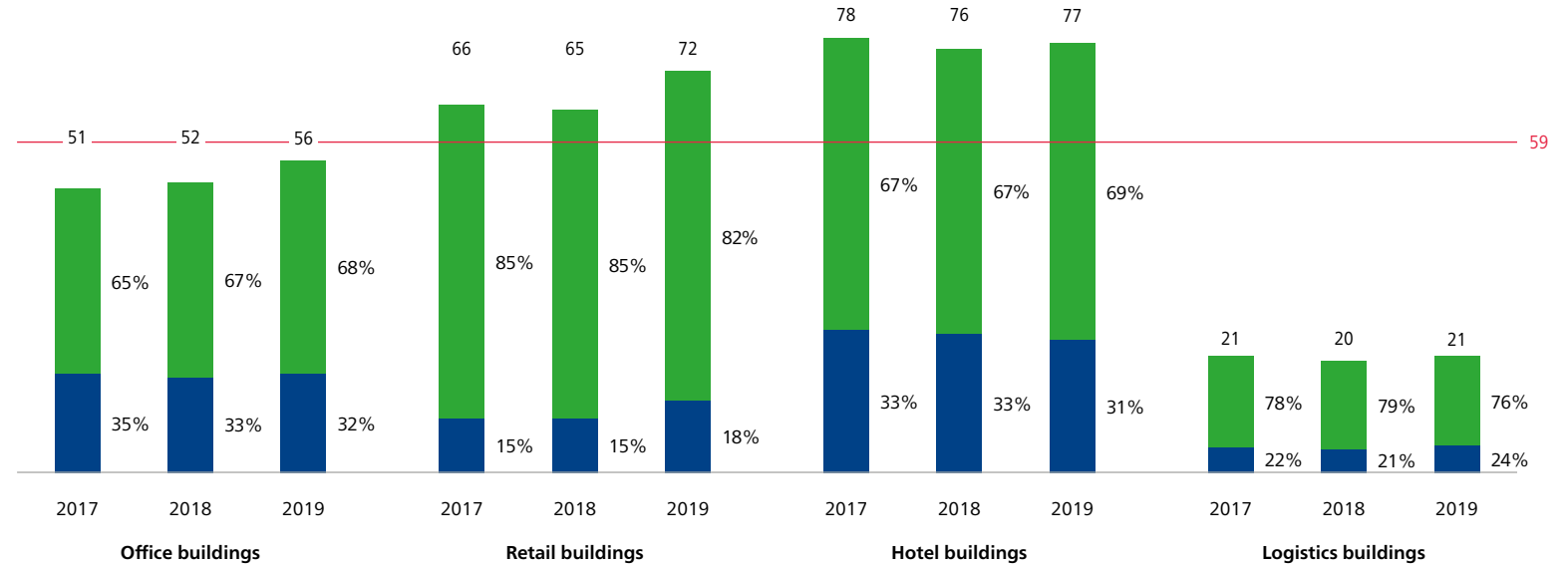
An analysis of the share of CO<sub>2</sub> emissions broken down by type of use shows that emissions from retail and hotel buildings increased slightly. In both cases, this is attributable to newly purchased properties. Fluctuations in CO<sub>2</sub> emissions are also influenced by the various energy sources used in the properties to produce electricity, heat and cooling.

**G4-CRE3** Specific CO<sub>2</sub> emissions [kg CO<sub>2</sub>/(m<sup>2</sup>/year)]

Average emissions per year, by type of consumption



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



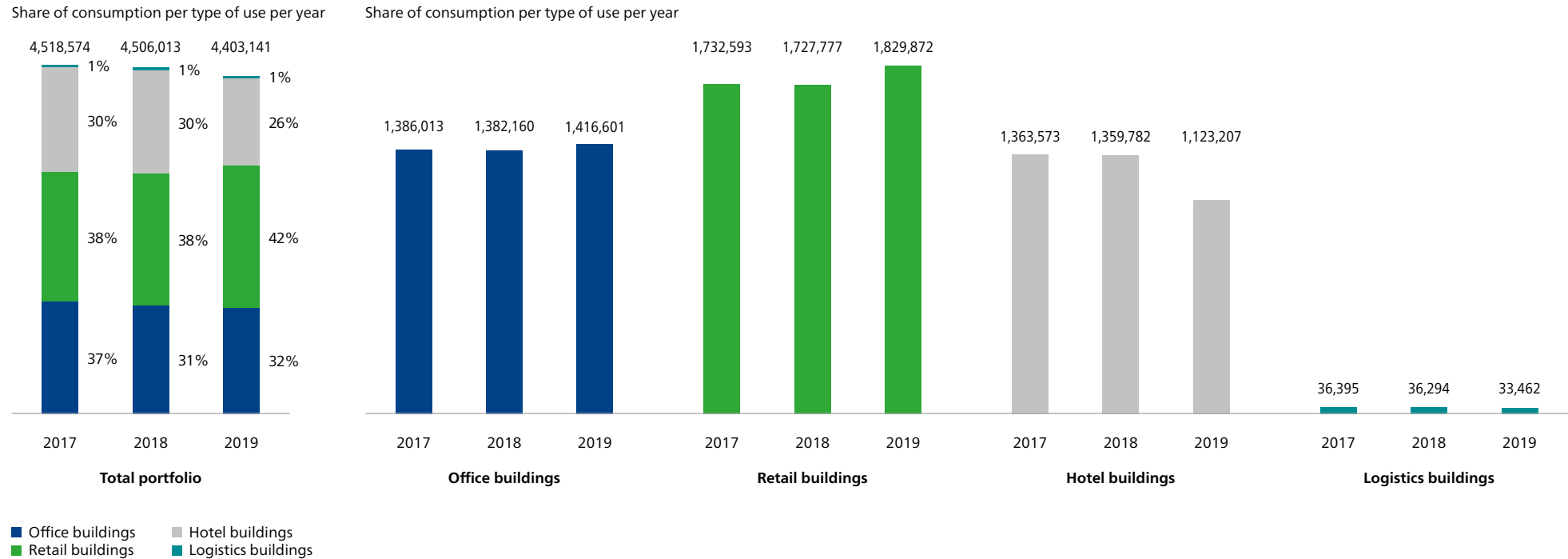
■ CO<sub>2</sub> emissions, electricity [kgCO<sub>2</sub>e/(m<sup>2</sup>/year)]

■ CO<sub>2</sub> emissions, heating [kgCO<sub>2</sub>e/(m<sup>2</sup>/year)]

— Portfolio average over three years [kgCO<sub>2</sub>e/(m<sup>2</sup>/year)]

In 2019, specific CO<sub>2</sub> emissions were somewhat higher than the three-year average and at 63 kg CO<sub>2</sub> per m<sup>2</sup>/year were increased by around 9% (compared with the figures from 2018). The increase was due to newly purchased or sold properties as well as the energy sources used.

303-1 Absolute water consumption (m<sup>3</sup>/year, extrapolated portfolio)

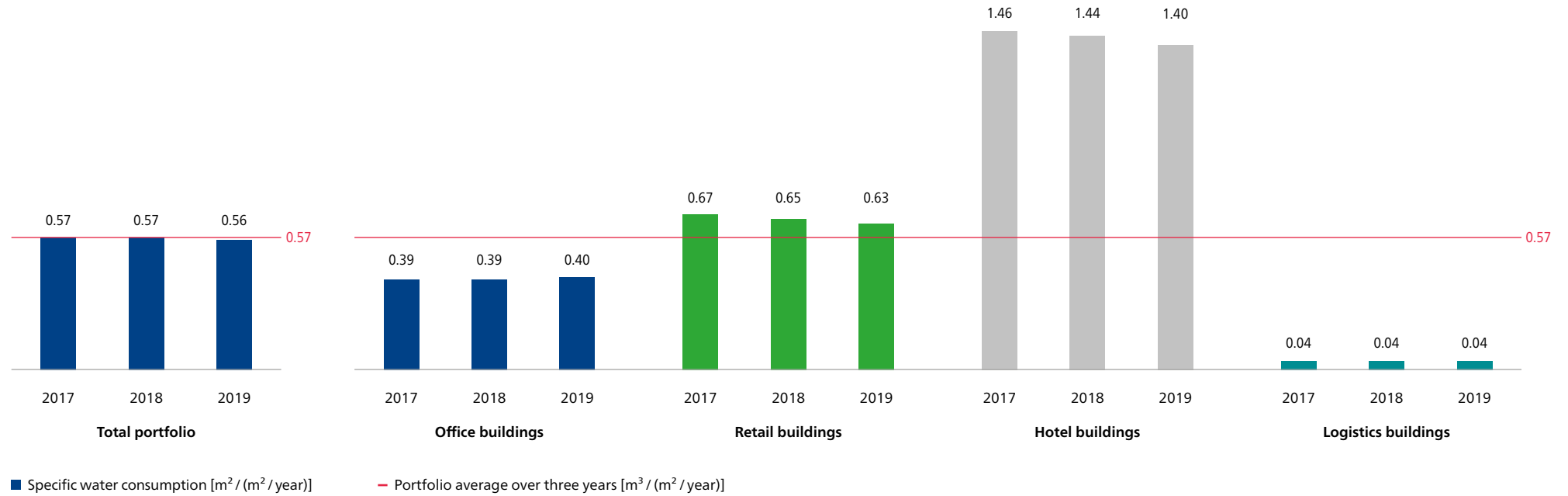


Absolute water consumption comprises the total volume of water consumed. The sources of supply included are drinking water, rain, groundwater and surface water. Compared with 2017, the water footprint for the overall portfolio decreased by around 2.5% to a figure of roughly 4.4 million m<sup>3</sup> in 2019. An analysis of the individual types of use shows a significant decline of nearly 18% in the case of hotel buildings in particular, whereas other types of use moved only slightly up or down.

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

Average consumption per year

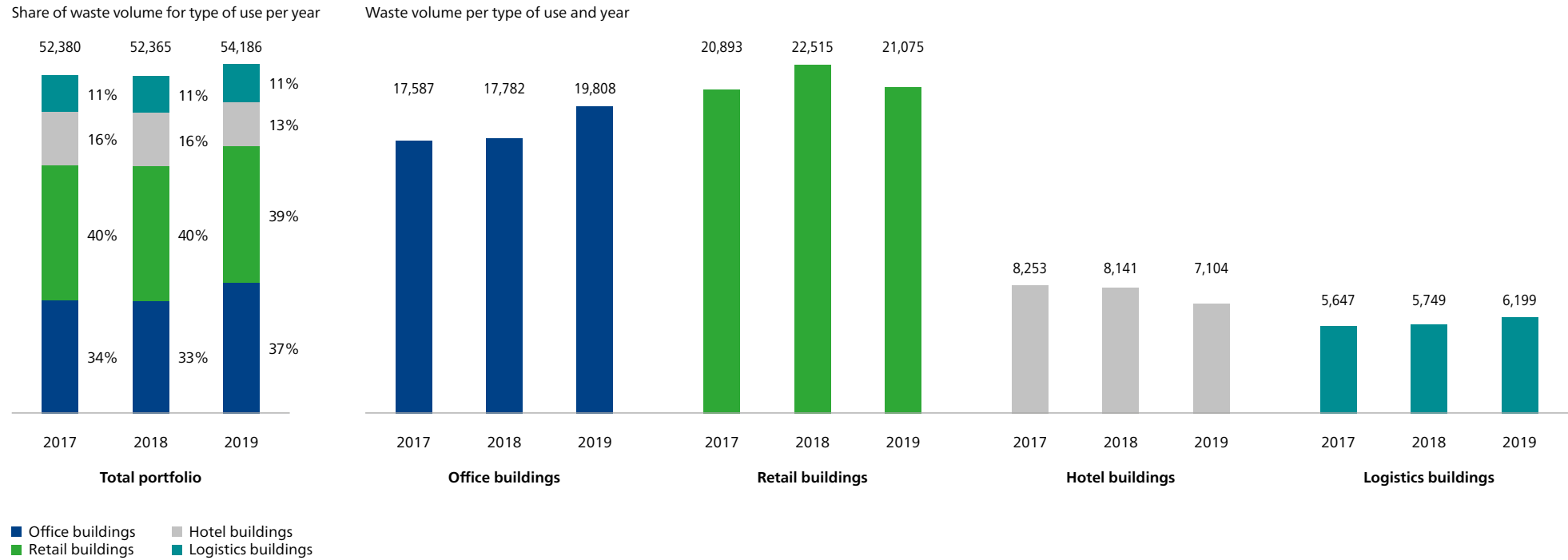
Average consumption per type of use and year



Specific water consumption is the absolute value adjusted for special users. At  $0.56 m^3/m^2$  in 2019, the average water consumption of the overall portfolio remained virtually unchanged at the three-year portfolio average.

An analysis of the different types of use clearly shows that there were only minor fluctuations here, too, which are standard for the portfolio. Due to the type of use, consumption is highest in hotels and lowest in logistics buildings.

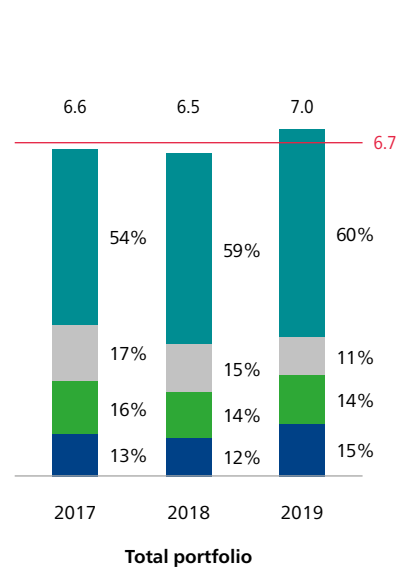
Absolute volume of waste – (t/year, extrapolated portfolio)



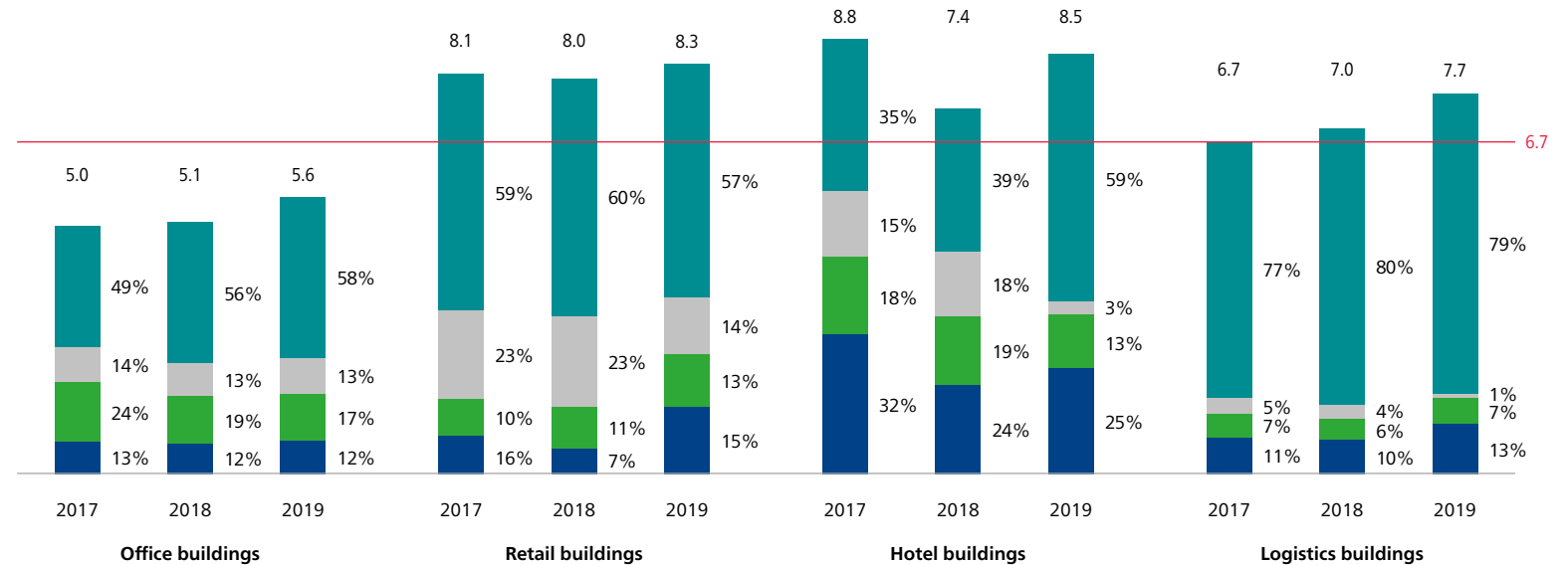
The absolute volume of waste is the total quantity of waste produced in the categories of recycled waste, landfill waste and incinerated waste. In 2019, the absolute volume of waste for the total portfolio was 54,186 tonnes, up around 3.4% on the previous year. This increase is due to purchases of office and logistics properties in 2019.

Specific volume of waste [kg/(m<sup>2</sup>/year)]

Average waste volume



Average waste volume per type of use and year



■ Waste, unspecified [kg/m<sup>2</sup>]    
 ■ Waste, landfill [kg/m<sup>2</sup>]    
 ■ Waste, incinerated [kg/m<sup>2</sup>]    
 ■ Waste, recycled [kg/m<sup>2</sup>]    
 — Portfolio average over three years [kg/m<sup>2</sup>]

The specific volume of waste is adjusted for special uses. Compared with 2017, the specific volume of waste for the total portfolio increased by 0.4 % in 2019 and was therefore just above with the three-year portfolio average.

### 5.6.3.6 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 2018 and 2019 and for which there is quality-assured consumption data for both of these years. The adjusted analysis allows specific statements to be made on the changes in consumption values within the real estate portfolio. Measures that have contributed to the reduction in the respective types of consumption can thus be tracked and monitored. A disadvantage of this method is that statements only apply to a portion of the portfolio, rather than to the portfolio as a whole. The like-for-like portfolio covers 263 properties or approx. 69% of the total portfolio.

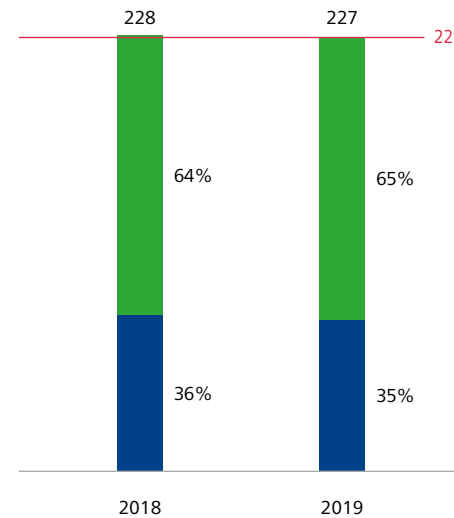
#### Like-for-like Portfolio

| Type of use         | 2018/2019            |                              |                 |
|---------------------|----------------------|------------------------------|-----------------|
|                     | Number of properties | Floor area in m <sup>2</sup> | Floor area in % |
| Office buildings    | 158                  | 3,462,863                    | 51              |
| Retail buildings    | 59                   | 2,342,344                    | 34              |
| Hotel buildings     | 40                   | 714,599                      | 10              |
| Logistics buildings | 6                    | 332,812                      | 5               |
| <b>Total</b>        | <b>263</b>           | <b>6.852,618</b>             | <b>100</b>      |

The development of the like-for-like consumption data from 2018 to 2019 shows a decrease in final energy of 0.5%. CO<sub>2</sub> emissions were reduced by approximately 2%. Water consumption remained the same year-on-year, but is still just below the portfolio average of the last three years. The specific volume of waste increased slightly.

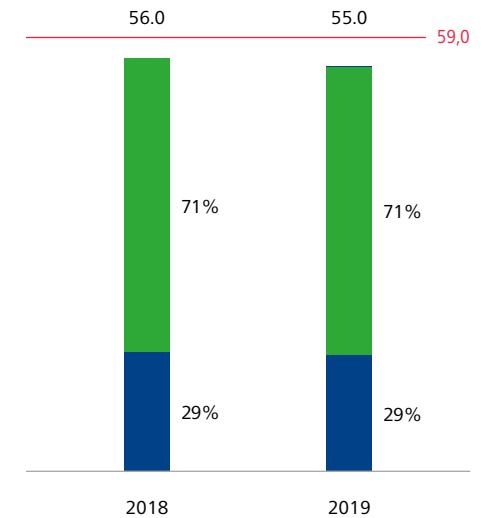
#### Specific final energy consumption like-for-like [kWh/(m<sup>2</sup>/year)]

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



#### Specific CO<sub>2</sub> emissions like-for-like [kg CO<sub>2</sub>e/(m<sup>2</sup>/year)]

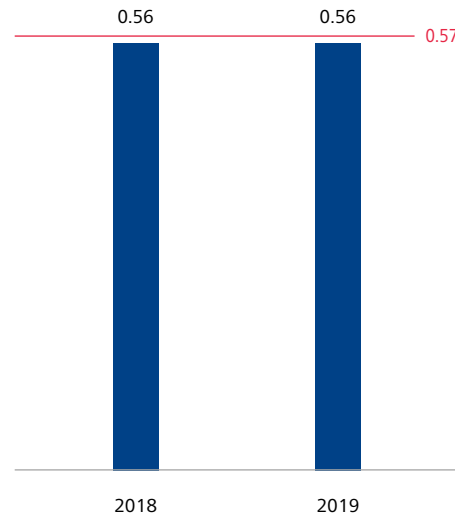
Average emissions per year, by type of consumption



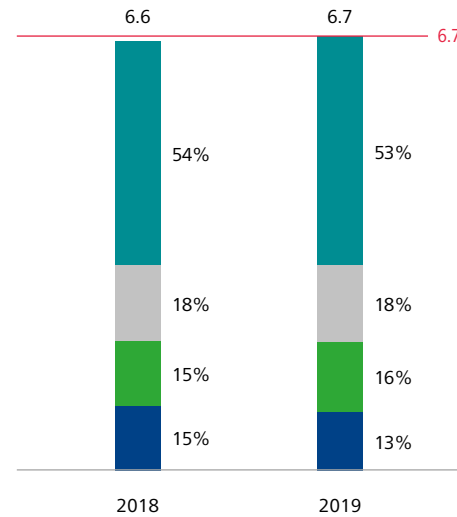
■ Energy consumption value, electricity [kWh/m<sup>2</sup>]  
■ Energy consumption value, heating [kWh/m<sup>2</sup>]  
— Portfolio average over three years [kWh/m<sup>2</sup>]

■ CO<sub>2</sub> emissions, electricity [kgCO<sub>2</sub>e / (m<sup>2</sup>/year)]  
■ CO<sub>2</sub> emissions, heating [kgCO<sub>2</sub>e / (m<sup>2</sup>/year)]  
— Portfolio average over three years [kg CO<sub>2</sub>e/(m<sup>2</sup>/year)]

Specific water consumption like-for-like [ $m^3/(m^2/year)$ ]  
Average consumption per year



Specific volume of waste like-for-like [ $kg/(m^2/year)$ ]  
Average waste volume



■ Specific water consumption [ $m^3/(m^2/year)$ ]  
— Portfolio average over three years [ $m^3/(m^2/year)$ ]

■ Waste, unspecified [ $kg/m^2$ ]  
■ Waste, landfill [ $kg/m^2$ ]  
■ Waste, incinerated [ $kg/m^2$ ]  
■ Waste, recycled [ $kg/m^2$ ]  
— Portfolio average over three years [ $kg/m^2$ ]

### 5.6.4 German Property Federation- and German Investment Funds Association-compliant sustainability reporting

In this report, Union Investment follows the sustainability code of the German Investment Funds Association. The German Property Federation code encompasses an industry code together with stipulations covering industry reporting, sustainability measurement, corporate governance/responsibility and corporate social responsibility.

For internal benchmarking, Union Investment also uses the German Property Federation guideline "Sustainability Benchmarking – What and How Should Comparisons be Made".

In respect to sustainability reporting, Union Investment also complies with the "Guidelines for Sustainable Real Estate Portfolio Management" published by the German Investment Funds Association.

## 6 Employees

### 6.1 HR strategy

404-3

As a responsible company, we offer our employees individual and extensive opportunities for development with our HR policy aimed at long-term stability and our modern HR strategy. Because we know that our employees are the basis for our success, we create a respectful working environment in which they can be both professionals and people.

Our corporate culture is characterised by our cooperative values such as transparency, partnership and professionalism.

The satisfaction and commitment of our employees is gauged every two years via a structured and anonymous online survey of all employees, the Union Investment climate barometer. The objective is to identify what employees think of the climate at Union Investment in a way that pinpoints their satisfaction with various aspects of their work and makes their identification with the company's values and goals transparent. The Organisational Commitment Index (OCI), which demonstrates the commitment of our employees to the organisation, has been stable at a very high level for a number of years.

Every other year, alternating with the climate barometer, there is the manager feedback process. Its purpose is to review and implement the standards defined in the management guidelines. These standards were jointly devised by the Board of Managing Directors and managers and describe how good management is to be lived out at Union Investment. Measures are systematically derived from the climate barometer and management feedback formats and implemented.

### 6.2 Employee structure

|              | Permanent    | Temporary  | Total        |
|--------------|--------------|------------|--------------|
| Male         | 1,796        | 145        | 1,941        |
| Female       | 1,362        | 125        | 1,487        |
| <b>Total</b> | <b>3,158</b> | <b>270</b> | <b>3,428</b> |

102-8

|              | Full-time    | Part-time  | Total        |
|--------------|--------------|------------|--------------|
| Male         | 1,729        | 212        | 1,941        |
| Female       | 822          | 665        | 1,487        |
| <b>Total</b> | <b>2,551</b> | <b>877</b> | <b>3,428</b> |

#### New hires by age group and gender

401-1

|              | < 30      | 30–50      | > 50      | Total      |
|--------------|-----------|------------|-----------|------------|
| Male         | 43        | 67         | 20        | 130        |
| Female       | 30        | 40         | 8         | 78         |
| <b>Total</b> | <b>73</b> | <b>107</b> | <b>28</b> | <b>208</b> |

#### Number of resignations by age group and gender

401-1

|              | < 30      | 30–50     | > 50      | Total     |
|--------------|-----------|-----------|-----------|-----------|
| Male         | 6         | 35        | 10        | 51        |
| Female       | 10        | 23        | 2         | 35        |
| <b>Total</b> | <b>16</b> | <b>58</b> | <b>12</b> | <b>86</b> |

#### Total turnover rate by age group and gender

401-1

|              | < 30          | 30–50         | > 50          | Total         |
|--------------|---------------|---------------|---------------|---------------|
| Male         | 2.80 %        | 3.04 %        | 1.74 %        | 2.63 %        |
| Female       | 4.98 %        | 2.51 %        | 0.54 %        | 2.35 %        |
| <b>Total</b> | <b>3.86 %</b> | <b>2.80 %</b> | <b>1.27 %</b> | <b>2.51 %</b> |

### 6.3 Occupational safety, health management and work-life balance

We enhance and 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 employee-oriented and sustainable HR strategy. We aim to achieve an optimum balance between career and private life, as well as between the interests of the employees and the company's objectives. To this end, we offer our employees a plethora of support forms.

Increasing professional and private stress and longer life working time require particular attention in respect to the health of our employees. With our strategic health management we want to retain performance levels and motivation of our employees, by promoting and supporting independent activity.

403-2 In the reporting year, the sickness rate was 3.2 % among men and 5.4 % among women. As a  
403-3 financial service provider, accidents are usually limited to minor injuries in day-to-day office work and accidents while commuting. Accordingly, there are no occupations with a particularly high disease or health risk within the company.

### 6.4 Training and education

We are very keen to give our employees targeted help with their professional, personal and methodological development, prepare them for future challenges and secure their employability and thus the future viability of the organisation. To this end, we provide a wide range of education and training opportunities. Our HR development is geared towards three central principles here. In the context of requirements orientation, we assist employees with regard to their current tasks. By contrast, in the context of potential orientation, we highlight future opportunities. In addition, we promote internal employability, i.e. the versatility of our employees within the organisation.

HR development is based on a multidimensional approach at Union Investment:

1. Needs-driven development (adjusting or upgrading for direct workplace requirements)
2. Potential development (qualification for future requirements or taking on further functions)
3. Promoting internal employability (grasp of processes and connections with regard to diverse employability)

404-2

Various target group-specific programmes and instruments are used. Knowledge management systems are also used in various organisational units. No transitional aid programmes to facilitate further employability or to handle a career exit due to retirement or termination of employment are offered.

To face up to demographic change, we have been increasingly investing in our junior staff (apprentices, trainees and graduates) for years. We provide rigorous training (with integrated studies) in two different careers and a management trainee programme for university graduates in various disciplines. The topic of "succession planning" is a core part of our talent management approach.

#### Average hours of training per year per employee

404-1

| Training and education          | Hours/year |
|---------------------------------|------------|
| Training of heads of division   | 22.4       |
| Training of heads of department | 17.9       |
| Training of group managers      | 17.4       |
| Training of employees           | 16.6       |

In the reporting year, time spent on training and education was significantly curtailed by the coronavirus pandemic, as the ability to hold face-to-face sessions was restricted.

## 6.5 Diversity

Union Investment looks for diverse teams, regardless of cultural background, nationality, ethnicity, gender, sexual orientation, physical ability, religion or age. We want to acquire, promote and retain the most suitable employees. This creates opportunities for innovation, creativity and growth.

We provide an open-minded working environment of cooperation, in which people can develop to their full potential. Diversity and appreciation of differences foster relationships with our customers and partners and strengthen the society in which we operate. With our diversity management concept, we ensure that diversity is permanently enshrined in our corporate culture. We also made a public commitment to the principle of equal opportunity by signing the Diversity Charter in 2011. Because we believe that mixed teams are more successful, it is our explicit goal to continuously increase the proportion of female managers and experts. The continuous participation in the "Top4Women" certification since 2016 offers Union Investment a good opportunity to have current and planned measures for the promotion of women's careers evaluated by an independent assessor.

### 405-1 Employee diversity

|              | < 30       | 30–50        | > 50       | Total        | Percentage     |
|--------------|------------|--------------|------------|--------------|----------------|
| Male         | 214        | 1,152        | 575        | 1,941        | 56.6 %         |
| Female       | 201        | 916          | 370        | 1,487        | 43.4 %         |
| <b>Total</b> | <b>415</b> | <b>2,068</b> | <b>945</b> | <b>3,428</b> | <b>100.0 %</b> |

### 405-1 Management diversity

|            | < 30 | 30–50 | > 50 | Male | Female |
|------------|------|-------|------|------|--------|
| Percentage | 0 %  | 64 %  | 36 % | 84 % | 16 %   |

## 6.6 Remuneration policy

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 in the collectively negotiated wage sector in Germany is based on the wage agreements for the private banking industry and for public banks. In Luxembourg, it is based on the collective bargaining system applicable there. No distinction is made between full-time and part-time employees when it comes to benefits.

The agreed salaries comprise the monthly salaries and bonus payments. 30.8 % of our employees are paid collectively negotiated wages.

The remuneration structure for employees not in the collectively negotiated wage sector comprises a function-based monthly basic salary and a short-term performance-based component. The performance-based component comprises not only quantitative targets – qualitative and sustainable targets can also be agreed individually. A results-oriented bonus and a growth-oriented long-term incentive plan (LTIP) may be offered as voluntary special benefits. An LTIP offers an incentive for sustainable business success and for long-term staff retention, and also reflects the company's risk position.

The remuneration structure for employees whose activities have a significant influence on the risk profile of the asset management company or the managed investment fund (risk functions) and for employees with a control function comprises basic remuneration and variable risk remuneration 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.

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.

In addition to basic remuneration, the board members of Union Asset Management Holding AG are paid on the basis of a target bonus system. The bonus components are broken down into group, company and individual targets. 40 % of these are paid in the form of a deferred bonus as a sustainable component.

The remuneration of the members of the Supervisory Board of Union Asset Management Holding AG as determined by the Annual General Meeting is fixed remuneration which is intentionally granted independently of the organisation's performance.

102-35

401-2

102-41

405-2

- 102-36** 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 examined and analysed annually by an independent, internal remuneration committee. Resolution recommendations are usually addressed to the Supervisory Board via the Board of Managing Directors. Nonetheless, shareholders and employees may, at any time, address recommendations or instructions not only to the Board of Managing Directors but also directly to the Supervisory Board. No specific mechanism has been put in place for this.
- 102-21**
- 201-3** Union Investment provides several company pension schemes that differ in terms of contributions and implementation method. The resultant liabilities are mostly funded via plan assets. No separate fund has been created specifically for our pension obligations. See p. 74 of the annual report for the amount of Union Investment's company pension liabilities.

All permanent employees are in at least one pension scheme.

## 7 Environmental responsibility

### 7.1 Management approach to climate protection

As an asset manager, our climate-relevant impacts at company level are limited compared with companies in the manufacturing sector. The materiality analysis confirms that the “environment” area of activity within the company is important to both Union Investment and our stakeholders, but other areas of activity are more relevant. The publicly discussed topic of “climate protection” is a key aspect for our stakeholders in the “environment” area of activity.

With the ‘2° sind machbar’ (Two degrees are achievable) climate strategy adopted at the end of 2015, we show it is a serious matter for us as a company to make our contribution to the climate target adopted at the UN Climate Change Conference at the end of 2015. Our current climate strategy is aimed at reducing our company’s greenhouse gas emissions in line with current benchmarks by 40 % by 2030 and 85 % by 2050, compared with 2009 in each case. This target, which was in line with policy when it was set, is currently being reviewed in the light of new developments. In view of the current regulatory changes the management mechanisms for climate risks in line with the Task Force on Climate-related Financial Disclosures requirements are being examined and it is planned to implement them in operating processes in the near future.

### 7.2 Climate strategy

201-2

The issues of climate change and global warming are connected to key risks for society and business.

In line with this high level of importance, Union Investment adopted its own climate strategy back in 2015. The objective of the ‘2° sind machbar’ climate strategy is to continuously reduce Union Investment’s CO<sub>2</sub> emissions along a defined path, achieving an 85 % reduction against the base year of 2009 by 2050. The CO<sub>2</sub> savings achieved in recent years have proved to be much larger than expected. In the reporting period, the coronavirus pandemic resulted in very significant additional savings in CO<sub>2</sub> emissions, due in particular to working from home and the sharp decline in business trips. Emissions were thus reduced by nearly 50 % year-on-year.

### 7.3 Environmental management system

As the materiality analysis shows, it is important to Union Investment’s stakeholders that the impacts of our business operations on the environment are systematically recorded and optimised. That is why the environmental management system is a key aspect in the “environment” area of activity.

We publish the key figures on our company’s environmental impacts recorded via the environmental management system in our annual report and CSR report each year. The data is gathered on a decentralised basis by specialist departments and consolidated in Environmental Management. The environmental management officer and his deputy manage the environmental management system, certified in accordance with ISO 14001, and ensure its continuous enhancement. For the real estate portfolios in our investment funds that are particularly affected by environmental issues, there is special environment-oriented building management, geared towards international standards. The environmental data is published in line with the Germany’s leading code for the real estate industry, the German Property Federation code.

Union Investment’s environmental targets and measures are managed via the sustainability programme and reported directly to the Board of Managing Directors of Union Asset Management Holding AG as part of an annual management review.

#### Our environmental management thrives on the involvement of all employees

Union Investment’s employees undergo skills-based training on operational environmental protection on joining the company. In addition, occasional seminars are held on sustainability issues. They can be used as a training measure on a voluntary basis. With a knowledge database available in the intranet, information on relevant guidelines is available to employees at any time.

## 7.4 Consumption of resources

301-1  
301-2

| Paper consumption in kg                   | 2019           | 2020           | 2020 share in % |
|---|----------------|----------------|-----------------|
| Recycled paper                            | 143,576        | 66,607         | 13.1            |
| FSC-certified paper                       | 654,426        | 443,036        | 86.9            |
| PEFC-certified paper                      | 0              |                | 0.0             |
| Non-certified paper                       | 0              |                | 0.0             |
| <b>Total paper consumption</b>            | <b>798,002</b> | <b>509,643</b> | <b>100.0</b>    |
| <b>Paper consumption per customer [g]</b> | <b>173.1</b>   | <b>106.6</b>   |                 |

Paper consumption includes the following types of consumption: customer mail, photocopying paper, customer information (magazines, flyers, product brochures), reports, office supplies (stationery, business cards, letterheads) and hygienic tissue paper. All print jobs and paper orders are recorded in the company's procurement portal. This forms the basis for calculating paper quantities. Reports from the cleaning service provider are applied for hygienic tissue paper consumption.

302-1  
302-3

| Type of energy   | 2018              |   | 2020              |                                       |   |
|------------------|-------------------|---|-------------------|---------------------------------------|---|
|                  | Consumption in MJ | Consumption per employee [MJ/FTE <sup>1</sup> ] | Consumption in MJ | Reduction versus reference year in MJ | Consumption per employee [MJ/FTE <sup>1</sup> ] |
| Petrol           | 186,709           | 64  | 358,724           | -172,014                              | 114.57  |
| Diesel           | 21,343,447        | 7,332   | 18,063,715        | 3,279,732                             | 5,769.31  |
| Natural gas      | 13,338,587        | 4,582   | 14,383,066        | -1,044,479                            | 4,593.76  |
| District heating | 11,208,983        | 3,851   | 10,609,772        | 599,211                               | 3,388.62  |
| Electricity      | 35,520,015        | 12,202  | 31,520,221        | 3,999,794                             | 10,067.14                                       |
| <b>Total</b>     | <b>81,597,741</b> | <b>28,030</b>                                   | <b>74,935,498</b> | <b>6,662,243</b>                      | <b>23,933.41</b>                                |

<sup>1</sup> FTE = full-time equivalent.

The KPIs are calculated on the basis of the utility bills and the report on the vehicle fleet. Missing data for individual locations is extrapolated on the basis of employee development. Direct energy consumption relates to non-renewable sources. Apart from a small proportion of shared electricity, only green electricity is purchased. Emissions for natural gas are compensated by the energy supplier via a Gold Standard-certified climate-protection project. The energy intensity ratio is based on energy consumption within the organisation. The reference year 2018 was selected on account of the target agreement in the sustainability programme; see p. 172.

Aspects of environmental performance such as reduction of energy consumption, volumes of waste or CO<sub>2</sub> emissions are continuously improved through regular employee training, internal audits and supplier development meetings.

302-4

By reviewing and enhancing the building strategy, taking account of future space requirements in light of mobile working and desk sharing, and implementing the workplace concept at further locations, the requirement for new office space and thus additional energy consumption is to be reduced as far as possible.

The management and monitoring of CO<sub>2</sub> emissions in relation to mobility is to be improved by establishing a CO<sub>2</sub> calculator.

The KPIs are documented and calculated annually in the sustainability platform Sofi on the basis of consumption, bills and reports from suppliers. If no KPIs are available, they are extrapolated on the basis of previous years or levels at other locations.

For some KPIs (e.g. commuter emissions or event emissions), it is necessary to make assumptions that are usually derived from current recommendations (e.g. from the Environment Ministry, NGOs, VfU) or determined in internal workshops on the basis of experience. The assumptions are also documented in the recording tool.

### Total water withdrawal and water discharge by source (m<sup>3</sup>)

|                               | 2019   | 2020   |
|-------------------------------|--------|--------|
| Water withdrawal              | 34,621 | 34,029 |
| Water discharge               | 34,621 | 34,029 |
| Water withdrawal per employee | 11.3   | 10.9   |

306-1  
303-1

Union Investment uses drinking water exclusively from the communal water supply in its buildings and hence discharges waste water into the communal drainage systems. Water and waste water volumes are based on the utility bills. If these are not available for the current reporting year, they are extrapolated on the basis of employee development. Union Investment discharges waste water into the communal drainage systems.

Total direct, indirect and other greenhouse gas emissions (GHG emissions) by weight (t CO<sub>2</sub> equivalents)<sup>1</sup>, reduction compared with reference year 2009 and GHG emissions intensity

305-1  
305-2  
305-3  
305-4  
305-5

| Source of GHG emissions                                     | 2009                      |                           | 2020           |                                 | Reduction versus reference year |               |
|---|---------------------------|---------------------------|----------------|---------------------------------|---------------------------------|---------------|
|   | CO <sub>2</sub> in tonnes | CO <sub>2</sub> in tonnes | Percentage [%] | Emissions per employee [kg/FTE] | CO <sub>2</sub> in tonnes       | Reduction [%] |
| Vehicle fleet (fuel consumption)                            | 2,992.2                   | 2,059.9                   | 27.9           | 657.9                           | 932.3                           | 31.16         |
| Natural gas   | 1,605.2                   | 324.2                     | 4.4            | 103.5                           | 1,281.0                         | 79.80         |
| Coolant losses  | 0.0                       | 58.4                      | 0.8            | 18.7                            | -58.4                           | -             |
| District heating  | 148.6                     | 480.2                     | 6.5            | 153.4                           | -331.6                          | -223.17       |
| Electricity consumption                                     | 6,929.8                   | 462.7                     | 6.3            | 147.8                           | 6,467.1                         | 93.32         |
| Paper consumption   | 1,385.1                   | 557.4                     | 7.6            | 178.0                           | 827.7                           | 59.76         |
| Business travel (rail, rental cars, aircraft, private cars) | 3,621.3                   | 829.7                     | 11.2           | 265.0                           | 2,791.6                         | 77.09         |
| Water supply  | 19.4                      | 22.6                      | 0.3            | 7.2                             | -3.2                            | -16.31        |
| Hotel accommodation   | 68.4                      | 145.4                     | 2.0            | 46.4                            | -77.0                           | -112.54       |
| Commuter traffic  | 2,138.9                   | 749.5                     | 10.2           | 239.4                           | 1,389.4                         | 64.96         |
| Working from home   | 0                         | 128.0                     | 1.7            | 40.9                            | -128.0                          | -             |
| Letters   | 621.7                     | 2.8                       | 0.0            | 0.9                             | 618.9                           | 99.56         |
| Parcels   | 116.4                     | 0.0                       | 0.0            | 0.0                             | 116.4                           | 100.00        |
| Waste   | 115.6                     | 131.1                     | 1.8            | 41.9                            | -15.5                           | -13.39        |
| Events  | 3,567.1                   | 1,415.4                   | 19.2           | 452.1                           | 2,151.7                         | 60.32         |
| Toner consumption   | 50.7                      | 12.0                      | 0.2            | 3.8                             | 38.7                            | 76.24         |
| <b>Total</b>  | <b>23,380.6</b>           | <b>7,379.3</b>            | <b>100.0</b>   | <b>2,356.9</b>                  | <b>16,001.3</b>                 | <b>68.44</b>  |

<sup>1</sup> For all GHG emission sources, the carbon footprint also contains the upstream and downstream Scope 3 emissions (CDP standard; GHG market-based method). 2009 was applied as the reference year because this was the year in which the environmental management system was introduced, meaning it provides the best possible transparency with regard to the measures already implemented. The carbon footprint is calculated on the basis of utility bills and reports from service providers. Manufacturer information was applied for the emission factors where possible. Where this information was not available, the factors published by the VfU were applied. We take the RFI factor 2.7 into account when determining business-travel emissions for aircraft.

Comparative value: Scope 2 emissions based on the energy mix in Germany<sup>2</sup>

305-5

| Source of GHG emissions  | 2009                      |                           | 2020           |                                 | Reduction versus reference year |               |
|--------------------------|---------------------------|---------------------------|----------------|---------------------------------|---------------------------------|---------------|
|                          | CO <sub>2</sub> in tonnes | CO <sub>2</sub> in tonnes | Percentage [%] | Emissions per employee [kg/FTE] | CO <sub>2</sub> in tonnes       | Reduction [%] |
| Electricity consumption  | 6,929.85                  | 4,535.41                  |                | 1,448.55                        | 2,394.44                        | 34.55         |
| <b>Total<sup>2</sup></b> | <b>23,380.60</b>          | <b>11,452.00</b>          |                | <b>3,657.62</b>                 | <b>11,928.60</b>                | <b>51.02</b>  |

<sup>2</sup> Shows the emissions from electricity consumption (GHG location-based method) where this was not purchased as renewable energy.

Unfortunately, our suppliers are not currently able to report on their product-related or service-related energy consumption or CO<sub>2</sub> footprint. We continuously improve their environmental performance through supplier development meetings.

302-2

Total weight of waste by type and disposal method<sup>1</sup>

306-2

| Type of waste         | 2019     | 2020     |
|-----------------------|----------|----------|
| Paper waste (t)       | 409.5    | 122.9    |
| Mixed packaging (t)   | 13.1     | 6.2      |
| Biological waste (t)  | 15.7     | 5.1      |
| Glass waste (t)       | 2.6      | 2.8      |
| Residual waste (t)    | 152.8    | 87.7     |
| <b>Other</b>          |          |          |
| Lighting (kg)         | 55.0     | 249.0    |
| Old batteries (kg)    | 40.0     | 44.0     |
| Commercial waste (t)  | 17,928.0 | 18,042.0 |
| Data carriers (kg)    | 1,326.0  | 4,300.0  |
| Electrical waste (kg) | 805.0    | 4,664    |
| Toner waste (kg)      | 1,073.0  | 402.9    |

<sup>1</sup> 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.

## Environmental impacts of transport – business trips and logistics

| Means of transport [km] <sup>1</sup> | 2019              | 2020             |
|--------------------------------------|-------------------|------------------|
| Flight                               | 10,367,201        | 2,151,090        |
| Cars                                 | 1,224,621         | 447,442          |
| Rail                                 | 5,199,039         | 1,448,478        |
| <b>Total distance</b>                | <b>16,790,861</b> | <b>4,047,010</b> |
| <b>Distance per employee</b>         | <b>5,500</b>      | <b>1293</b>      |

| Deliveries <sup>2</sup>                     | 2019       | 2020       |
|---|------------|------------|
| Letters sent within Germany (quantity)      | 29,929,387 | 27,328,803 |
| Letters sent within Europe/world (quantity) | 184,045    | 202,450    |
| Parcels sent (quantity)                     | 54,518     | 33,976     |

<sup>1</sup> The KPIs are calculated on the basis of the travel expense report and reports from service providers. The figures do not include the distances travelled using company cars as these are also used privately and already considered extensively in 301-2.

<sup>2</sup> The delivery quantities are taken from reports from service providers. Delivery is made if the service provider offers it as a climate-neutral service.

## 8 Social responsibility

### 8.1 Human rights

Human rights-related impacts and risks are coming into sharper focus: The expectations of legislators as well as civil society, investors and consumers are growing.

With the EU Taxonomy Regulation and the political debates over human rights due diligence (e.g. supply chain law), companies will increasingly have to disclose their performance with regard to human rights. Although important regulatory requirements have not been fully developed yet, this will gradually follow in the years to come. The Principles for Responsible Investment (PRI) initiative has put forward a proposal for how asset managers should carry out human rights due diligence in the future and reserves the right to impose corresponding requirements on PRI signatories such as Union Investment within the next five years. In addition, quantitative indicators, targets and implementation strategies with regard to human rights could become increasingly relevant.

Against this backdrop, we carried out an internal human rights analysis at Union Investment in summer 2020. This pilot study showed where human rights-related impacts exist, which due diligence obligations have already been met and where we can improve. For this evaluation, we conducted interviews with the relevant experts from Real Estate, Portfolio Management, Compliance, Group HR, the Works Council, Corporate Communications, Investment Analysis and Controlling, and Purchasing.

With regard to the results, we have to draw a distinction between evaluating human rights-related risks as an asset manager or as an employer. As an employer, interview partners prioritised human rights-related risks with regard to workers' rights, discrimination and corruption. In the Asset Management division, the issues of workers' rights, occupational safety, corruption, money laundering, life and health, and traditional lifestyles were cited.

The analysis also showed that many areas of Union Investment are already implementing a large number of risk analyses, guidelines and due diligence processes that entail human rights aspects. As decided by the Sustainability Steering Committee, the target for 2021 to pool existing approaches in a meaningful manner and to enhance them where necessary. To this end, we have adopted a package of measures that we will work on together with relevant segments and areas over the course of the year.

### 8.2 Anti-corruption and compliance

The Union Investment Group has established various rules, procedures and principles in order to prevent violations of the law and conflicts of interest and to limit resulting risks as far as possible. In our view, the current preventive measures offer a reasonable degree of prevention before action needs to be taken.

All our operations are assessed with regard to corruption risks. All employees and managers are informed of and trained in strategies and measures to combat corruption. These are internal guidelines and processes, which are not communicated externally.

205-1

205-2

Various guidelines and processes are established for internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity. There are whistle-blowing systems that track the relevant specific matters, which in particular guarantee the whistle-blower's anonymity. If necessary, external bodies/advisors are also involved in order to handle/draft the relevant situation.

102-17

The money laundering officer was not made aware of any incidences of corruption in the 2020 reporting period which would have resulted in judicial sentencing or an employee dismissal. This equally applies to any contracts with business partners founded on such a matter. The money laundering officer is likewise not aware of any public lawsuits levelled at the group in connection with incidences of corruption. In the reporting year, there were also no legal actions for anti-competitive behaviour, anti-trust and monopoly practices.

205-3

206-1

Union Investment's fundamental aim is to avoid potential conflicts of interest and, if this is not possible, to ascertain, resolve and monitor these conflicts of interest with appropriate measures that keep the negative impact on customers at a minimum or resolve it fairly while protecting customers' interest and create the necessary transparency for customers.

In 2020, an employee of Union Investment was accused of having conducted prohibited insider trading in private accounts outside the company's system and thus making a considerable amount of money unlawfully (front running). To support the investigations, Union Investment was in constant dialogue with the investigating public prosecutor and the financial supervisory authority BaFin. The case showed that the supervisory security systems, with the four sides of custodian banks, BaFin, investigating authorities and investment companies, function very well.

According to the findings of an internal and a specially commissioned review by an external audit firm, neither customers nor investment funds of Union Investment suffered damage.

In order to counter such risks better in the future, our employees' awareness of rules regarding personal trading and the prohibition of insider trading was raised in a targeted manner in addition to the regular training measures, and the relevant training, compliance controls and monitoring mechanisms were intensified.

In external business relationships, it is likewise the aim to prevent the emergence of conflicts of interest to customers' disadvantage. To this end, we have developed an internal conflict of interest policy that provides for a wide range of organisation and administrative measures. There were no conflict of interest situations in 2020.

## 9 Supply chain responsibility

The sustainability requirements for suppliers of the DZ BANK Group apply to all suppliers of the Union Investment Group. The requirements are formulated on the basis of the principles of the UN Global Compact. Additional, specific supplier standards are also agreed in contracts where required depending on the performance relationship or scope of supply. The sustainability requirements cover the three areas of economic responsibility, environmental responsibility and social responsibility. Compliance with the law is expected as a minimum requirement.

**308-1** As a responsible company, Union Investment has integrated responsible procurement into its business processes. As part of the ordering processes, suppliers promise to comply with our standards by signing our sustainability requirements. Compliance with the sustainability requirements is supported by self-disclosure and if necessary by due diligence in the form of a supplier development meeting. In the reporting year, all new suppliers signed our sustainability promise. Around 500 suppliers were assessed in terms of environmental and social impact in the reporting period.

**414-1**

**102-9** Union Investment is keen to continuously improve the social and environmental performance of the selected suppliers. In the context of a relevance check, we select the business partners we have in mind for supplier meetings. This selection is based on the suppliers' impact on the environment and society. Measures to improve social and environmental performance are jointly defined and implemented in regular supplier meetings. Operational measures and checks of their efficiency are documented and tracked by Union Investment's Supplier Management employees. Regular internal audits assure the quality of procurement and supplier management processes and procedures.

### Environmental responsibility in the supply chain

Environmental responsibility obliges suppliers to comply with legal standards regarding environmental protection, to minimise their negative environmental impact and to operate or establish a systematic environmental management system embedded in their organisation.

**308-2** In the reporting period, 40 of our suppliers were identified as having a potentially negative environmental impact. No violations were found, however, so no business relationships were terminated or corrective actions agreed. Ecological environmental impacts measured on the basis of CO2 footprint arise in the following product groups: Outsourcing: electricity consumption of data-centre service providers; facility management: waste, water supply, district heating, natural gas, electricity consumption; marketing: paper consumption, events (conferences/events/trade fairs); logistics: packages, mail deliveries; travel management: business trips, hotel stays; operating and office equipment: toner consumption; vehicle fleet: fuel consumption. Consequently, we maintain close dialogue with our suppliers and have devised a development pathway with them.

### Social responsibility in the supply chain

The standards of social responsibility include recognition of and compliance with human rights on the basis of the United Nations General Assembly's Universal Declaration of Human Rights (UDHR) and the European Convention on Human Rights (ECHR), no child or forced labour pursuant to International Labour Organization (ILO) Convention 138 (the minimum age shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years), the guarantee of fair pay and fair working conditions pursuant to ILO's core labour standards, freedom of association and right to collective bargaining, occupational health and safety as minimum standards pursuant to ILO's core labour standards, non-discrimination, and non-corruption.

The specific characteristics of our industry combined with the focus of the purchased goods and services means that, apart from catering, cleaning and security services, we do not use any services/suppliers with material connections to the low-wage sector or with a connection to ethically or socially controversial goods or practices. In the reporting period, 40 of our suppliers were identified as having a potentially negative social impact. No violations were found, however, so no business relationships were terminated or corrective actions agreed.

### Structure of the supply chain

For the operation, management and further development of internal processes, Union Investment purchases goods and services in the following product groups: consulting, outsourcing services (mainly IT outsourcing), facility management, marketing, information technology, market data, events, (conferences/events/trade fairs, logistics, travel management, operating and office equipment, and vehicle fleet. In addition to price and quality, Purchasing takes the following objectives into account in its decision-making:

- a) Risk minimisation (e.g. with regard to security of supply, data protection, performance, efficiency, compliance, reputation, etc.)
- b) Sustainability impact of purchase of the service

For the services relevant to the business processes in particular (especially outsourcing of IT services), the supply chains (i.e. including upstream suppliers) are examined on the basis of regulatory requirements and monitored in terms of the stipulations set out above. Our supplier portfolio with approx. 1,600 active suppliers and service providers in the reporting year primarily consists of consultants, developers, agencies, service providers, production companies (media), trainers and others. Our suppliers are mostly located in Germany (approx. 85 %) and the EU (approx. 97 %). Approx. 3 % of suppliers are based outside the EU. This mainly relates to market data and software products with foreign headquarters of the manufacturers. There were no material changes in the supply chain in the reporting year.

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102-10

## 10 Sustainability programme

With its sustainability programme, Union Investment manages and monitors its internal sustainability activities and objectives across all areas of CSR involvement and thus the company-wide and integrated development of the sustainability issue. Each year, together with Sustainability Management at the Union Investment Group, the responsible departments check the implementation level of the measures and objectives of the sustainability programme. In consultation with Sustainability Management, new measures may be added 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. At the turn of 2019/2020, new measures were not agreed with the individual company units as usual. The sustainability programme and the development and implementation of the sustainability strategy are to be more closely interlinked in the future. From 2020, therefore, new sustainability measures are to be agreed following the development and adoption of the strategy midway through the year and then published in the subsequent CSR report.

### Strategy / organisation

| Objectives and activities  | Timetable | Status   |
|--|-----------|----------|
| <b>Integrate new sustainability topics into company management (CSR)</b>   | 2022      |          |
| 1. Integrate ESG data into the data warehouse  | 2021      | Extended |
| 2. Develop methods for relative and absolute measurement of the performance contribution of sustainable investment | 2021      | Extended |
| 3. Establish a CSR training platform   | 2021      | Extended |
| 4. Design & implement a sustainability cockpit   | 2022      | New      |
| <b>Continue to develop sustainability management</b>   | 2022      |          |
| 1. Continue to develop stake holder analysis   | 2022      | New      |
| 2. Implement measures for human rights due diligence   | 2022      | New      |
| 3. Revise the sustainability code  | 2022      | New      |

### Communication

| Objectives and activities  | Timetable | Status |
|--|-----------|--------|
| <b>Expand systematic sustainability communication to relevant stakeholders</b>                   | 2022      |        |
| 1. Place sustainability as a focus topic on the homepage of the holding company's website        | 2021      | New    |
| 2. Draft a communication plan for the topic of sustainable transformation                        | 2021      | New    |
| 3. Enhance and bundle communication activities on the topic of sustainable transformation        | 2022      | New    |
| 4. Establish sustainability as a material component of Board of Managing Directors communication | 2022      | New    |
| <b>Standardise and strengthen UIG's visibility with regard to sustainability</b>                 | 2022      | New    |

**Environment**

| Objectives and activities   | Timetable | Status      |
|---|-----------|-------------|
| <b>Reduce per employee energy consumption of electricity, gas and district heating by 5 % by 2022 (reference year 2018)</b>                   | 2022      |             |
| 1. Implement the workplace concept at the Hamburg site in order to avoid the need for new office space and thus additional energy consumption | 2022      | New         |
| 2. Review and enhance the building strategy, taking account of future space requirements in light of mobile working and desk sharing          | 2021      | New         |
| 3. Implement the new workplace concept at the MainTor Porta site  | 2022      | New         |
| <b>Reduce the CO<sub>2</sub> emissions by 40 % to 2030 (reference year 2009)</b>  | 2022      |             |
| 1. Align the vehicle fleet policy to changed general conditions   | 2020      | Completed   |
| 2. Implement the Luxembourg site strategy   | 2021      | On schedule |
| 3. Reduce business trips by 20 % by digital means   | 2025      | New         |
| 4. Increase the proportion of hybrid vehicles in the vehicle fleet to 10 %  | 2025      | New         |
| 5. Establish a CO <sub>2</sub> calculator to manage and monitor of CO <sub>2</sub> emissions in relation to mobility                          | 2021      | New         |
| <b>Reduce resources consumption and use on an ongoing basis</b>   | 2022      |             |
| 1. Reduce residual waste volumes by 25 % (reference year 2018)  | 2022      | On schedule |
| 2. Optimise baskets for office suppliers and promotional articles in line with social/environmental aspects                                   | 2022      | On schedule |
| 3. Increase recycling share for printing by 10 % (reference year 2018)  | 2022      | On schedule |

**Employees**

| Objectives and activities  | Timetable | Status      |
|--|-----------|-------------|
| <b>Retain and expand work satisfaction and ability to work</b>   | 2022      |             |
| 1. Enhance sustainability training as part of the master plan  | 2022      | New         |
| 2. Continue and expand the offer of human resources development measures on resilience, healthy management mindfulness, etc. | 2021      | New         |
| <b>Retaining employees</b>   | 2022      |             |
| 1. Positioning as attractive, sustainable employee on the career pages of Union Investment                                   | 2020      | Completed   |
| 2. Implement a leadership curriculum for all managers  | 2023      | New         |
| <b>Promote the balance between career and family</b>   | 2022      |             |
| 1. Implement the measures from the re-audit / consolidation "audit career & family 2017"                                     | 2020      | Completed   |
| 2. "Diversity&Union" measures to promote women in specialist and management functions  | 2022      | On schedule |
| 3. Implement a diversity council   | 2021      | New         |

**Society**

| Objectives and activities  | Timetable | Status      |
|--|-----------|-------------|
| <b>Further develop the social commitment of Union Investment</b>   | 2022      |             |
| 1. Recycle promotional materials in cooperation with a workshop for disabled persons   | 2020      | Completed   |
| 2. Consolidated expansion of the support for training and qualification programmes to promote equality of opportunity on the labour market | 2020      | Extended    |
| 3. Develop and expand the initiatives for financial education  | 2020      | Extended    |
| <b>Promote sustainable and investor-oriented interests in the financial industry and regulation</b>  | 2022      |             |
| 1. Be involved in the introduction of a standardised European product for private pensions   | 2021      | On schedule |
| 2. Accompany regulatory processes for implementing the EU Sustainability Action Plan   | 2021      | On schedule |
| 3. Accompany regulatory processes in connection with the EU's renewed sustainable finance strategy   | 2021      | New         |
| <b>Further development of the general social commitment for sustainability</b>   | 2022      |             |
| 1. Increase ISO 14001 certification level of the top suppliers   | 2021      | On schedule |
| 2. BME certification in purchasing   | 2022      | New         |
| 3. Deepen governance in supplier management  | 2022      | New         |
| 4. Human rights in the supply chain  | 2022      | New         |

**Institutional clients**

| Objectives and activities  | Timetable | Status      |
|--|-----------|-------------|
| <b>Increase sustainable assets under management by 100 % from 2019 to 2020</b>                               | 2022      |             |
| 1. Apply external quality standards for sustainable institutional funds                                      | 2020      | Completed   |
| 2. Expand number of customers with mandates on active share ownership by 25 % as against reference year 2014 | 2021      | On schedule |
| 3. Review the conversion of all institutional mutual funds to sustainability                                 | 2022      | New         |
| <b>Expand communication on sustainability topics and SRI in institutional business</b>                       | 2022      |             |
| 1. Survey institutional investors on trends in sustainable investment  | 2020      | Completed   |
| 2. Add new participants to the CSR expert group  | 2020      | Completed   |
| 3. Create a sustainability report for selected property funds  | 2020      | Completed   |
| 4. Implement "Sustainability Conference" for customers   | 2020      | Completed   |
| 5. Expand sustainability reporting for all IC funds  | 2021      | On schedule |

**Retail clients**

| Objectives and activities   | Timetable | Status      |
|---|-----------|-------------|
| <b>Increase sustainable AuM by 36 % from 2018 to 2022</b>   | 2022      |             |
| 1. Implement a sustainable Riester solution   | 2020      | Completed   |
| 2. Examine expansion of the range of sustainable products via new launches and product conversion | 2021      | On schedule |
| 3. Further develop the sustainability criteria of our sustainable funds                           | 2022      | On schedule |
| 4. Check consequences of EU regulations, especially in respect to investment advice and taxonomy  | 2022      | On schedule |
| <b>Increase sustainable AuM in the Retail Clients segment by 254 % from 2021 to 2025</b>          | 2025      | New         |
| <b>Expand communication on sustainable investment</b>   | 2022      |             |
| 1. Support and actively discuss sustainable investment with distribution partners                 | 2021      | On schedule |
| 2. Continue to develop the information material for retail investors and distribution partners    | 2022      | On schedule |
| 3. Develop a sustainability strategy for the Retail Clients segment                               | 2020      | Completed   |
| 4. Design and carry out sustainability training for Retail Clients employees                      | 2020      | Completed   |
| 5. Enhance the "sustainability in investment" training program for advisors                       | 2021      | New         |
| 6. Expand the information on sustainable investment funds on the website                          | 2021      | New         |

**Portfolio management**

| Objectives and activities   | Timetable | Status      |
|---|-----------|-------------|
| <b>Expand and refine investment processes</b>   | 2022      |             |
| 1. Continue to develop SIRIS expertise: digital platform for sustainability and CSR, single-value and portfolio analysis, Reporting 2.0 | 2020      | Completed   |
| 2. Pilot the TCFD areas of action identified in 2019  | 2021      | On schedule |
| 3. Expand and focus the ESG team in portfolio management  | 2020      | Completed   |
| 4. Expand SIRIS reporting (sustainability reporting)  | 2020      | Completed   |
| 5. Roll out transformation rating   | 2021      | New         |
| 6. Develop a climate change strategy  | 2021      | New         |
| <b>Expand active share ownership</b>  | 2022      |             |
| 1. Expand active share ownership through greater coverage of AGM votes  | 2020      | Completed   |
| 2. Integrate climate risks into the CSR process   | 2020      | Completed   |

**Real estate**

| Objectives and activities  | Timetable | Status      |
|--|-----------|-------------|
| <b>Expand and refine investment processes for real estate funds</b>  | 2022      |             |
| 1. Further develop the Sustainable Investment Check with additional criteria for acquisitions  | 2020      | Completed   |
| 2. Article 8 product pursuant to EU Disclosure Regulation  | 2021      | New         |
| 3. Sustainability risk score   | 2021      | New         |
| <b>Increase energy efficiency and improve the environmental impact of portfolio properties</b>   | 2022      |             |
| 1. Define specific improvement targets for energy, CO2, water and waste for portfolio properties (for a subportfolio)  | 2025      | On schedule |
| 2. Increase the recording of energy, CO2, water and waste data from the relevant parts of the real estate portfolio to approximately 75 % of the total portfolio   | 2025      | On schedule |
| 3. Implement the optimisation action plans that have been developed  | 2020      | Completed   |
| 4. Measure the level of target attainment for the optimisation action plans that have been developed: analyse the energy, CO2, water and waste data for the real estate portfolio  | 2020      | Completed   |
| 5. Expand energy monitoring system: 75 % installation in real estate portfolio by 2025   | 2025      | On schedule |
| <b>Develop and increase commitment to sustainability across the real estate sector</b>   | 2022      |             |
| 1. Collaborate with the German Property Federation 'Sustainability, energy and environment' (NEU) working group and contribute to the work of the DGNB's real estate advisory committee on developing the determination of key figures for the real estate sector in Germany | 2020      | Completed   |
| 2. Design and collaborate in studies, initiatives and ratings, for example relating to the Environmental Sustainability Index (ESI), Sustainable Investment in Real Estate (s-i-r-e), the Global Real Estate Sustainability Benchmark (GRESB) and Scope                      | 2020      | Completed   |
| 3. Studies, initiatives and ratings  | 2021      | New         |

**Fund services**

| Objectives and activities   | Timetable | Status |
|---|-----------|--------|
| <b>Enhance employees' sustainability expertise in the Fund Services segment</b>               |           | New    |
| 1. Introduce a sustainability initiative in the Fund Services segment                         | 2021      | New    |
| 2. Digital work and environmental protection training in Germany in the Fund Services segment | 2021      | New    |

## 11 About this report

**102-45** The report covers all material companies of the Union Investment Group that are integrated into the segment organisation. Unless explicitly stated otherwise, the following companies are not included: Quoniam Asset Management GmbH (Quoniam), BEA Union Investment Management Limited (Hong Kong), VR-Consultingpartner GmbH, Union Investment Real Estate France SAS (UIR France) and the ZBI Group, a majority stake in which was acquired in 2020. The companies included are the same as in the previous year.

**102-50** The employee key figures also include UIR France. The key figures for the real estate portfolio of the Union Investment Group are shown for the 2017, 2018 and 2019 financial years and cover parts of the global real estate portfolio held by Union Investment (not including portfolios of the ZBI Group). The report is prepared once a year.

**102-54** This report was prepared in accordance with the GRI (Global Reporting Initiative) standards: core option. Union Investment also takes into account sector-specific requirements that are documented in the Financial Service Sector Supplement and the Construction and Real Estate Sector Supplement. Furthermore, the supplements were prepared in compliance with the GRI G4 standard. The report is based on the principles of materiality, stakeholder inclusiveness and sustainability context. The report is not audited externally.

In addition to following the GRI guidelines, the report complies with the requirements of the German Property Federation for sustainability reporting in the real estate sector. Union Investment is a signatory to the German Property Federation sustainability code and undertakes to comply with the ten principles of the German Property Federation sustainability code when conducting its business activities. In accordance with the code, the Union Investment Group publishes its objectives, action plans, activities and progress each year, including disclosures relating to the clusters relevant to the group ('2: Operating and leasing' and '3: Investing').

At company level, there were no material changes in the period under review relating to the 'employees', 'society' or 'products and services' areas of activity, hence the data is directly comparable with previous publications.

In the 'environment' area of activity, some of the key environmental figures at the company level for the reporting year are extrapolated on the basis of prior consumption and emissions. This results in current performance indicators. As soon as the actual figures are available for the extrapolated figures, these will be applied in future reports, meaning that there may temporarily be discrepancies between the environmental performance indicators 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 CO2 data records. Some of the reported values can therefore differ from those reported in the previous year.

English and German versions of the annual report and CSR report are available to download from our website. An overview of the Union Investment Group and relevant contacts is available online at <https://unternehmen.union-investment.de/>.

## 12 GRI Index

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|  | <b>102-3</b>  | <b>Location of headquarters</b> Weissfrauenstrasse 7, 60311 Frankfurt am Main, Germany |
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|  | <b>102-5</b>  | <b>Ownership and legal form</b> See page 129.  |
|  | <b>102-6</b>  | <b>Markets served</b> See page 129.  |
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|  | <b>102-48</b>      | Restatements of information                                | None  |
|  | <b>102-49</b>      | Changes in reporting                                       | None  |
|  | <b>102-50</b>      | Reporting period   | See page 176.   |
|  | <b>102-51</b>      | Date of most recent report                                 | May 2020  |
|  | <b>102-52</b>      | Reporting cycle  | Annually  |
|  | <b>102-53</b>      | Contact point for questions regarding the report           | The relevant contacts are stated on the Union Investment Group web presence at <a href="http://www.union-investment.de">www.union-investment.de</a> |
|  | <b>102-54</b>      | Claims of reporting in accordance with the GRI standards   | See page 176.   |
|  | <b>102-55</b>      | GRI content index  | Starts on page 177 (start of the index)   |
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|   | <b>103-3</b> | Evaluation of the management approach   | See page 134.   |
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| GRI 305: Emissions 2016                         | 305-1      | Direct (Scope 1) GHG emissions                                       | See table on page 166. |
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|  | 417-2        | Incidents of non-compliance concerning product and service information and labelling<br>None                                       |
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| <b>Industry-related disclosures (G4-FS and G4-CRE)</b> |              |  |
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|  | G4-DMA (FS2) | Procedures for assessing and screening environmental and social risks in business lines<br>See page 137.                           |
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| Product and service labelling | G4-DMA (FS15) | Policies for the fair design and sale of financial products and services.<br>See page 137.   |
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| Product and service labelling | G4-CRE8       | Type and number of sustainability certifications, rating and labelling schemes for new construction, management, occupation and redevelopment<br>See table on page 147.                |

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