

A large teal circle containing the title text in white. The background of the entire page is light blue with various geometric shapes like L-shaped bars and circles in shades of teal and red.

**Hypoport AG
non-financial report
for 2019**

Berlin, 31 December 2019

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Information about the report's content and framework

The CSR Directive Implementation Act (CSR-RUG) has come into force, resulting in new reporting requirements for Hypoport. In 2017, we were required for the first time to supplement our financial reporting with details of key non-financial aspects of our business activities in the following areas: treatment of employees, environmental matters, combating corruption, social responsibility and human rights.

The separate combined non-financial report ('non-financial report') of the Hypoport Group for 2019 is published in accordance with section 289b et seq. and section 315b et seq. of the German Commercial Code (HGB). The statements made in this non-financial declaration for the Group relate only to the subsidiaries included in Hypoport AG's consolidated financial statements, over which Hypoport AG is able to directly or indirectly exercise control. Because the individual entity Hypoport AG did not have more than 500 employees on average in 2019, it is not required to produce its own non-financial report.

According to the CSR-RUG, Hypoport must report on material risks linked to the Hypoport Group's own business activities. Material risks are risks that have a very high probability of occurrence and have, or will have, a severe negative impact on the non-financial aspects of our business activities. According to the Management Board of Hypoport AG, such risks do not exist in the Hypoport Group.

Within the scope of its business activities, the Hypoport Group takes its responsibility towards society seriously. Taking a structured approach, Hypoport therefore continually monitors developments in the German technology and financial services markets and analyses how these developments will affect the business activities of the Hypoport Group. Against this backdrop, Hypoport identified its material CSR topics. The priority was to select topics that are directly connected to the business success and financial performance of the Hypoport Group. This materiality assessment revealed that the treatment of employees, environmental matters and the prevention of corruption have a connection with the business activities of the Hypoport Group. This non-financial report therefore focuses on these three topics.

Ronald Slabke (CEO) is the member of the Management Board of Hypoport AG with responsibility for the treatment of employees, environmental matters and the prevention of corruption. Social responsibility and human rights are the responsibility of the Management Board as a whole. The key performance indicators for the non-financial aspects of managing the Company are reviewed at practical intervals and evaluated by the Management Board of Hypoport AG. This enables any variances to be identified at an early stage so that appropriate corrective action can be taken.

National and international guidelines for sustainability reporting correspond only in certain respects with the reporting requirements under the CSR-RUG. The terminology used in these guidelines is also different to that used in the CSR-RUG, making the reporting less transparent. Hypoport has therefore decided to produce a non-financial report without reference to any guidelines.

Business model

Hypoport AG is the parent company of the companies in the Hypoport Group (together referred to as 'Hypoport Group'). Hypoport's subsidiaries are divided into four business units: Credit Platform, Private Clients, Real Estate Platform and Insurance Platform.

The Hypoport Group is engaged in the development and marketing of technology platforms for the financial services, property and insurance industries (fintech, proptech, insurtech). Its core business consists of the brokerage of financial products, the provision of related advice for clients and the development of the software solutions needed for these activities.

Particularly through its business models for private mortgage finance and the housing industry, the Hypoport Group makes an important contribution to society. Thanks to the market transparency provided by these business models, we play our part in reducing one of Germany's most pressing problems: the lack of affordable homes.

A detailed description of the business models of the Hypoport Group can be found in the 'Business and economic conditions' section of the annual report of Hypoport AG.

The value chain of a provider of services for the financial, property and insurance industries has significantly fewer links than the value chain of an industrial company. The services offered by the companies in the Hypoport Group are almost entirely produced using inhouse resources. Hypoport mainly works with suppliers in the areas of facility management and office services. Nearly all the service providers engaged are legal, IT or business consultancies. To date, no sustainability criteria have been defined for the engagement of these suppliers and service providers.

Treatment of employees

The employees are a crucial competitive factor for the business models of the Hypoport Group. The lasting success and ongoing evolution of our group of companies are essentially guaranteed by a suitably qualified and highly motivated workforce. The skills, dedication, creativity and motivation of these employees determine our ability to compete and adapt for the future. Our organisational and professional development work is therefore always geared to finding, recruiting, retaining and developing talented people and making them want to work for Hypoport.

The concept for the treatment of employees is therefore designed so that employees identify particularly strongly with, and develop an enduring passion for, their work, their particular Group company and the Group as a whole.

An employee survey is conducted annually to review the effectiveness of initiatives. One of the key areas covered by the survey is the degree of identification with the Hypoport Group. In the employee survey conducted in 2019, around 97 per cent of the participants answered 'satisfied', 'very satisfied' or 'extremely satisfied' in response to the question 'How satisfied are you with your company as an employer?' This strong approval rating shows that our organisational and professional development initiatives are effective. The initiatives relating to the treatment of employees are aimed at ensuring this figure does not fall below 90 per cent.

Professional development: The Hypoport Group takes steps to develop the individual employees and provide them with further training. Staff appraisal interviews – known as development and performance dialogues – are held at least twice a year and provide a setting in which managers and their staff can hold a structured discussion about aspirations, development opportunities and performance incentives. The People&Organisation (PnO) department then suggests suitable professional development activities.

Organisational development: The Hypoport Group has been taking steps to increase the autonomy of its subsidiaries since 2015. This is because we believe that decisions made with the greatest degree of proximity to the market and to clients make our subsidiaries more successful, which ultimately benefits the whole Hypoport Group. We therefore structure our organisation in line with our value chains and products. This enables us to quickly identify any changes in customer requirements and allows us to respond to them promptly. The Hypoport Principles were drawn up in order to define the direction of organisational development. They cover the areas of leadership, cooperation, learning/further development and organisation. The embedding of the Hypoport Principles within the Hypoport Group will be driven by the PnO department, which supports managers and employees by offering coaching and facilitation on methods and procedures for establishing the principles.

General parameters: The Hypoport Group takes various steps aimed at ensuring employees are able to structure their working hours usefully and plan their free time. These include various part-time models (also available to managers), flexible working hours and the option of working from home. Long-serving employees also have the possibility of taking a longer-term unpaid sabbatical. An attractive working environment is a crucial criterion when it comes to recruiting and retaining talent. Consequently, Hypoport continually updates the systems and equipment in its workplaces. Hypoport also fosters its employees' sense of identification with the Company by offering appealing sporting activities and a wealth of corporate benefits, such as kindergarten places and offices where employees can take their children to work, health days, bonus shares, company pension scheme, restaurant vouchers and company events.

In the context of the treatment of employees, there are no risks that have a very high probability of occurrence and have, or will have, a negative impact on the aspects of our business that are subject to reporting requirements.

Environmental matters

As the companies in our Group operate on the services side of the financial technology sector, the Hypoport Group is naturally less able to make a difference in respect of environmental impact than, for example, manufacturing companies. All of the larger sites occupied by Hypoport Group companies are leased. We therefore have only a limited influence on the heating and cooling systems, lighting and ventilation. However, moves to new offices and rentals of new builds tend to provide scope for energy savings per workplace, as new concepts for saving energy can be more easily applied.

Because of the narrow scope for action available to us in this area, we do not have an overarching concept or action plan. However, we do look into individual measures when we lease new buildings, such as whether premium filtered drinking water can be introduced in place of bottled water. And when choosing a new location, good public transport connections are high on our list of priorities.

Despite the limited scope for action described above, we do of course play our part in protecting the environment. We always seize any opportunities to find low-energy solutions or reduce energy consumption and emissions. A number of decisions made so far are provided for illustrative purposes below.

Energy use: The Hypoport Group has a very compact server infrastructure incorporating modern blade servers that are particularly energy-efficient. Because they need less space and less cooling, they consume less energy. Moreover, most employees only use laptops, which require significantly less electricity than traditional desktop PCs. Energy efficiency is a consideration in any new purchase.

Emissions: To avoid unnecessary emissions generated by business travel between the Hypoport Group's two main sites, Berlin and Lübeck, we have invested in cutting-edge video-conferencing technology. Only modern diesels are used as company cars. Hypoport offers its employees various services that help to reduce emissions, such as the Company's own underground bicycle store, free rental bikes and pool cars that, for example, enable employees to travel together to company events.

In 2019, all of Hypoport's sites underwent an energy audit under the German Energy Services Act (EDL-G) in accordance with the DIN EN 16247-1 standard. The energy audit confirmed that Hypoport's ability to influence energy consumption is limited because of the leasing situation. However, it intends to act swiftly on energy-saving potential flagged up in the report, such as the replacement of old light sources with modern LED lighting and raising employees' awareness of environmental matters. Waste is separated and paper collected for recycling at the Hypoport Group sites.

In the context of environmental matters, there are no risks that have a very high probability of occurrence and have, or will have, a negative impact on the aspects of our business that are subject to reporting requirements.

Combating corruption

The Hypoport Group is committed to the principles of fair competition and the free market economy. We therefore take a firm stance against corruption. We do business solely on the basis of merit and in accordance with the principle of free, unhindered competition.

The Hypoport Group does not tolerate any form of corruption or other criminal activity such as extortion, fraud, the giving or acceptance of bribes and the granting or acceptance of advantages. The concept and measures that we use to combat corruption are aimed at preventing any active or passive corruption whatsoever. The key performance indicator used here is the number of violations of the rules.

We expect every employee to act in accordance with the law and our internal policies and guidelines to prevent even the mere appearance of corrupt behaviour. To enforce this, the Management Board of Hypoport AG has implemented a compliance management system (CMS) made up of the following components: risk assessment, compliance organisation, compliance programme, information & communication and monitoring & improvement. The Benefits & Gifts Policy forms part of the compliance programme. It lays down binding rules for our conduct towards our customers, partners and other third parties with regard to gifts and hospitality. In terms of monitoring and improvement, ongoing internal audit activities are another control mechanism and are also used to evaluate and optimise processes for combating corruption. The CMS is the responsibility of the Management Board as a whole; the CEO, Ronald Slabke, is in charge of its operational implementation.

As no passive or active cases of corruption have ever had to be investigated at Hypoport, we assume that the steps we have taken are effective. Our aim for the future is to continue to prevent any breaches of the rules. We will review this annually.

In the context of combating corruption, there are no risks that have a very high probability of occurrence and have, or will have, a negative impact on the aspects of our business that are subject to reporting requirements.

Social responsibility

Doing business brings with it responsibility as a corporate citizen. Through the business activities of the individual subsidiaries, the Hypoport Group makes a significant contribution to the local community by employing people, providing training and engaging suppliers.

Hypoport AG has been making donations to support the non-profit organisation DESWOS e.V. ('DESWOS') for many years. The mission and work of DESWOS is aimed at the ideal and practical enforcement of the human right to a standard of living that is adequate for health and well-being, as enshrined in article 25 (1) of the UN's Universal Declaration of Human Rights. To achieve this aim, DESWOS helps with the preparation and implementation of housing and settlement projects for groups of people in need in developing countries.

We do not have an overarching concept for this topic and have not planned any measures. Our materiality assessment found that this topic is only relevant to our business model in the way that it is described here.

No key figures on social responsibility are measured. In the context of social responsibility, there are no risks that have a very high probability of occurrence and have, or will have, a negative impact on the aspects of our business that are subject to reporting requirements.

Human rights

Hypoport AG is of course committed to the observation of human rights and the prevention of forced and child labour. It does not tolerate any violations of the UN's Universal Declaration of Human Rights.

The Hypoport Group's core business is not directly affected by the classic supply chain risks faced by manufacturing companies. Nearly all the suppliers and service providers engaged by companies in the Hypoport Group are based in Germany or other countries in the European Union. These companies are bound by strict laws on human rights. We therefore do not believe it is necessary to have a specific system or specific measures in place for this topic.

Hypoport AG is not aware of any infringements of human rights by suppliers or service providers.

In the context of human rights, there are no risks that have a very high probability of occurrence and have, or will have, a negative impact on the aspects of our business that are subject to reporting requirements.

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