

# Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB) / Corporate Governance Report

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## Declaration of Compliance in accordance with Section 161 of the AktG

The Management Board and Supervisory Board of Aareal Bank AG declare, in accordance with section 161 of the AktG, that:

Aareal Bank AG has complied with the recommendations of the Government Commission “German Corporate Governance Code” (as amended and published in the German Federal Gazette on 20 March 2020) – except for the restrictions set out below – since the last Declaration of Compliance was issued in June 2021:

1. According to recommendation B. 3, the first-time appointment of Management Board members shall be for a period of not more than three years. The Supervisory Board of Aareal Bank AG generally considers this provision to reflect good corporate governance. However, when appointing the new Chairman of the Management Board, Jochen Klösches, the Bank’s Supervisory Board deviated from this recommendation as an exception. Mr Klösches was appointed Chairman of the Management Board for a period of five years, by way of a Supervisory Board resolution dated 15 June 2021. Owing to Mr Klösches’ considerable professional experience, both in the property financing business and in banking operations, shortening the first term of office was deemed unnecessary. By appointing him for five years, Aareal Bank ensures continuity and stability with respect to this position.
2. Pursuant to recommendation G. 10 sentence 2, Management Board members shall have access to granted long-term variable remuneration components only after a period of four years. In contrast to the draft version dated 22 May 2019, the Government Commission refrained from defining the term “long-term variable remuneration” in its final version.

According to the definition in the version dated 22 May 2019, typical performance indicators for long-term variable remuneration were, inter alia, “long-term financial success (profitability and growth with multiple-year measurement basis), non-financial success as prerequisite for subsequent financial success [...], implementation of the corporate strategy [etc.]”

Within Aareal Bank’s remuneration system, all targets are derived from the strategy and measured over a period of three years. In line with the definition provided in the draft version dated 22 May 2019, Aareal Bank’s entire variable remuneration would classify as long-term. The three-year target determination yields an imputed amount of which only 20% is paid out directly, whereas the remaining 80% is paid out in several tranches and over a total period of six years.

This means that most of the long-term variable remuneration is accessible at the earliest after four years and at the latest after nine years, thus complying with the Code’s draft version. However, in the absence of the definition having been adopted – and the associated imprecise recommendation – it is not clear whether Aareal Bank’s remuneration structure meets the Code expectations. As a result, and as a precautionary measure, we declare a deviation from recommendation G. 10 sentence 2.

3. According to recommendation D. 4 sentence 2, the Chairman of the Supervisory Board shall not chair the Audit Committee. On 23 November 2021, Prof. Dr Hermann Wagner, who had headed the Audit Committee since his appointment to the Supervisory Board in 2015, was elected as Chairman of the Supervisory Board by Aareal Bank's Supervisory Board, after the previous Chairman of the Supervisory Board, Marija Korsch, had resigned from her office with immediate effect. On account of his many years as an auditor and tax advisor, as well as his extensive experience as Chairman of the Audit Committee, Prof. Dr Wagner will continue to exercise this position. Therefore, Aareal Bank deviates from this recommendation.

Wiesbaden, December 2021

The Management Board



Jochen Klösges



Marc Hess



Christiane Kunisch-Wolff



Christof Winkelmann

For the Supervisory Board



Prof. Dr Hermann Wagner (Chairman)

## Corporate Governance at Aareal Bank Group

Aareal Bank Group is managed by the parent company Aareal Bank AG. Aareal Bank is a listed bank, which by virtue of being classified as “significant”, is supervised directly by the European Central Bank. Although the Management Board and the Supervisory Board of Aareal Bank AG are required to observe a large number of specific corporate governance rules, their common understanding does not end at compliance with these rules. They also discuss, on a regular basis, the application of voluntary standards that are recommended by the German Corporate Governance Code, the banking supervisory authorities, Aareal Bank shareholders or due to international best practice, or those that arise in the Supervisory Board’s and the Management Board’s day-to-day work.

It is the Management Board’s and the Supervisory Board’s top priority to act in the interests of the Company and hence to meet their responsibility vis-à-vis employees, clients, shareholders and the public alike.

## Disclosures regarding Corporate Governance standards

Senior management aligns corporate governance with legal and regulatory rules, as well as a comprehensive set of internal rules and regulations, which provide concrete guidance on the conduct and processing of the Bank’s business, in line with our ethical responsibility. These rules and regulations comprise the Memorandum and Articles of Association, the Rules of Procedure for the Supervisory Board and the Management Board, the strategies, the Risk Appetite Framework, the Internal Governance Policy, the Code of Conduct, and the Conflicts of Interest Policy; all members of staff have access to the documents, via common internal communication channels such as the Bank’s intranet. Memorandum and Articles of Association, Code of Conduct, Conflicts of Interest Policy, and Rules of Procedure for the Supervisory Board are also accessible via Aareal Bank’s website.

## Aligning with the German Corporate Governance Code's guiding principle

The Management Board and the Supervisory Board follow their own value structure and that of Aareal Bank, as well as the “reputable businessperson” concept and the German Corporate Governance Code’s principles of good corporate governance. The Declaration of Compliance pursuant to section 161 of the AktG lays out annually to what extent the Code’s recommendations were complied with, or shall be complied with.

According to Code recommendation F. 4, companies shall specify, in the Corporate Governance Statement, which Code recommendations were not applicable due to overriding legal stipulations.

- This applies to Code recommendation D. 5, according to which the Nomination Committee shall be composed exclusively of shareholder representatives. The Nomination Committee of a credit institution is regulated separately in the German Banking Act (Kreditwesengesetz – “KWG”). Pursuant to section 25d (11) of the KWG, the Supervisory Board’s Nomination Committee is required to assume additional tasks which are not supposed to be prepared by shareholder representatives on the Supervisory Board alone. Hence, the Executive and Nomination Committee of Aareal Bank AG also includes employee representatives. However, the Committee will ensure that the nomination of candidates for election by the Annual General Meeting will be determined exclusively by shareholder representatives on the Committee.

## Sustainability approach

Contributing to sustainable economic development is a priority for Aareal Bank Group. As a partner to the property industry, Aareal Bank Group is thus pursuing a business strategy appropriate to the requirements of the sector and the stakeholders. The Group is aware of the responsibility associated with its sustainability mission statement and the need to focus on the needs of society, and aims

to preserve the foundations on which future generations can base and shape their lives.

The sustainability mission statement, which is supported by an integrated sustainability management system, is an essential part of the corporate strategy, providing a summary of Aareal Bank Group's corporate responsibility principles that are aligned with our objective of doing business sustainably:

- We think in an integrated and future-oriented manner, taking ethical, social and ecological topics into account.
- We analyse trends holistically, evaluate the resulting opportunities and risks, and align our forward-looking sustainability performance accordingly.
- We focus on all relevant stakeholder groups, seek to engage in active dialogue with them in a variety of ways and show how we make use of the insights we have gained.
- We make sure that business decisions take account of environmental, social and governance factors, and communicate our progress – and the challenges we face – transparently and credibly.
- We set priorities and implement our decisions, thereby reinforcing corporate sustainability values such as reliability, innovative ability, integrity, transparency and risk management, our appeal as an employer, and building and maintaining high-trust client relationships.

In doing so, we are guided by national and international frameworks, are committed to initiatives, or have joined organisations that represent generally accepted ethical standards and whose values we share. Relevant organisations include:

- United Nations Global Compact,
- International Labour Organization,
- German Corporate Governance Code,
- Diversity Charter,
- Work-Care Balance Charter.

Established already in 2012, the Sustainability Committee supports the Management Board in developing the Group's sustainability performance and reporting activities. At the same time, it serves as discussion and advisory body to the Group Sustainability Officer, who communicates relevant topics to the Management Board. The Committee includes representatives from all key divisions.

For further details please refer to the latest Sustainability Report: [www.aareal-bank.com/en/investors-portal/finance-information/sustainability-reports/archive](http://www.aareal-bank.com/en/investors-portal/finance-information/sustainability-reports/archive)

## Code of Conduct

We believe that the principles of integrity and responsible conduct must be observed by members of the Management Board and the Supervisory Board, and by all our employees across the Company, regardless of their functions and duties. Our internal Code of Conduct therefore contains binding rules governing the legal and ethical conduct of employees vis-à-vis clients, business partners, and colleagues. Aareal Bank Group's efforts in this context are also motivated by the desire to affirm and strengthen the confidence which stakeholders – our clients, business partners, investors, and staff – place in us ([www.aareal-bank.com/en/footermenu/code-of-conduct](http://www.aareal-bank.com/en/footermenu/code-of-conduct)).

## Conflict of Interest Policy

Aareal Bank's processes are – and will be – set up in a manner to prevent conflicts of interest from occurring in the first place. Where they occur nonetheless, dealing with them in the right way is decisive. A Group-wide policy is in place that sets out the correct way of handling conflicts of interest, to prevent any adverse consequences for clients, the Bank and its employees, as well as any doubts regarding the integrity of Aareal Bank Group. These rules provide orientation as to how conflicts of interest are identified, documented, and appropriately resolved. All employees are required to establish transparency regarding any conflicts of

interest arising within their area of work, and to ensure that such conflicts are dealt with in accordance with the Policy.

### Principles of diversity

The Management Board and the Supervisory Board are openly committed to diversity across the entire Aareal Bank Group.

Aareal Bank defines diversity as:

- The appreciation that every individual is unique, and the respect for this uniqueness
- Equal opportunities at all levels
- The prevention of discrimination of any kind
- The belief that diversity enriches corporate culture and also represents a success factor in reaching strategic goals.

The Bank thus aims to promote Aareal Bank Group's image as a modern employer, to strengthen employee commitment and increase employee motivation, to ensure skills and competencies are fostered individually in a way that promotes employee performance, to react to demographic change and an ageing workforce, and to take into account individual circumstances and stages of life.

In order to highlight the significance of diversity, and to document the fact that the concept of diversity is very important to Aareal Bank Group, the Bank signed the Charter of Diversity (an initiative launched by German industry in 2006) in 2013. Aareal Bank AG introduced a Diversity Policy in December 2021.

Aareal Bank employs people from 40 different countries. At Aareal Bank's foreign locations, we take care to ensure that positions are primarily filled by local staff if possible. Aareal Bank Group attaches great importance to the equal treatment of women and men, whether in the context of filling vacant positions, with regard to continuous professional development, or in terms of remuneration. Specifically, any vacancies below senior

executive level are generally published throughout the Company, in the form of job advertisements that all members of staff – male or female – may apply for. When setting the remuneration of employees, we do not differentiate by gender but rely exclusively on aspects such as qualification, professional experience or training.

In accordance with the German Act on Equal Participation of Men and Women in Executive Positions in the Private and Public Sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst), the Management Board sets specific targets – including concrete implementation deadlines – for the share of women holding executive positions on the first two management levels below the Management Board of Aareal Bank AG. On the first management level below the Management Board, by 30 June 2022 at least 13.5 % of executive positions are to be held by women; on 31 December 2021, the share of female managers on this level was 18.2 % (2020: 14.7 %). On the second management level below the Management Board, by 30 June 2022 at least 21.1 % of executive positions are to be held by women; on 31 December 2021, the share of female managers on this level was 21.2 % (2020: 23.1 %).

Across Aareal Bank Group, the share of women in executive positions stood at 24.3 % (2020: 24.6 %); at Aareal Bank AG, it was 21.4 % (2020: 21.6 %), and at Aareon, it was 25.5 % (2020: 25.5 %), with women accounting for 36.6 % of Aareal Bank Group's entire workforce as at 31 December 2021 (2020: 37.6 %); Aareal Bank AG: 41.4 % (2020: 42.5 %); Aareon: 33.9 % (2020: 34.4 %).

In Germany, Aareal Bank and Aareon apply the German General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz – "AGG"), with specially-appointed Anti-Discrimination Officers overseeing compliance. In addition, all employees attend AGG training. In the US, the employee manual contains rules designed to avoid harassment at the workplace ("Anti-Harassment Rules").

## Inclusion

Severely disabled persons made up 4.4 % of Aareal Bank's staff base in 2021 (2020: 5 %). This employee group is represented in the Group's German entities by a disability representative.

## Working practices of the Management Board and the Supervisory Board

The Management Board is responsible for managing the Company and for its strategic orientation, material transactions and proper organisation. This also includes the implementation of effective monitoring systems. It focuses its business activities upon the Company's long-term and sustainable development. Its decisions incorporate the long-term consequences of its actions and are guided by the ethical principles of Aareal Bank Group (see relevant corporate governance principles).

### Supervisory Board

The Supervisory Board exercises its control using different instruments. On the one hand, it sets out the reporting requirements of the Management Board in its internal Rules of Procedure, to ensure comprehensive and prompt reporting. These reports include the financial reports prior to publication, the reports of Internal Audit, Risk Controlling and Compliance, as well as the external auditors' reports. Said Internal Rules of Procedure also determine the transactions of the Management Board for which Supervisory Board approval is required.

Furthermore, the Supervisory Board contributes to Aareal Bank Group's sustainable success – in the interest of investors, clients, business partners, staff, and the general public – by selecting suitable Management Board members (as set out in the Guidelines for the selection of members of the Management Board and the Supervisory Board), a Management Board remuneration system which is aligned with the Company's long-term and sustainable interests, and by the effective supervision of said remuneration system.

The Supervisory Board has established five committees in order to perform its supervisory duties in an efficient manner: the Executive and Nomination Committee, the Remuneration Control Committee, the Risk Committee, the Audit Committee, and the Technology and Innovation Committee. An overview of the respective committee members can be found in the Notes to the Annual Report 2021: [www.aareal-bank.com/en/investors-portal/finance-information/financial-reports/archiv/2021](http://www.aareal-bank.com/en/investors-portal/finance-information/financial-reports/archiv/2021).

### Executive and Nomination Committee

The Executive and Nomination Committee prepares resolutions to be taken by the Supervisory Board concerning fundamental issues, personnel matters and capital measures. In particular, it supports the Supervisory Board in advising and monitoring the strategy via a regular strategy dialogue. The Committee's area of responsibility also includes assessing the internal condition of Aareal Bank, corporate governance, issues concerning personnel planning for the Management Board as well as regarding the contracts with individual Management Board members. The Executive and Nomination Committee compiles profiles defining the requirements for members of the Management Board and the Supervisory Board and supports the Supervisory Board in selecting suitable candidates, considering personal and professional requirements as well as its targets for the composition of both bodies, including the diversity concept. Based on an at least annual evaluation, it determines the extent to which the members of the Management Board or Supervisory Board have a need for further training, or whether other adjustments are required. Furthermore, the Executive and Nomination Committee monitors, and resolves if necessary, decision proposals regarding loans to senior managers and other related party transactions. The Executive and Nomination Committee is also responsible for the assessment and handling of conflicts of interest arising within the sphere of influence of the Management Board or the Supervisory Board, in line with the Management Board's and Supervisory Board's Conflicts of Interest Policy.

The Executive and Nomination Committee, excluding the employee representatives, discusses the nomination of shareholder representatives for election by the Annual General Meeting.

#### **Remuneration Control Committee**

The Remuneration Control Committee monitors whether the structure of the remuneration systems for Management Board members and employees is appropriate, taking into account the impact of remuneration systems on Aareal Bank's overall risk profile. The Remuneration Control Committee prepares corresponding proposals concerning remuneration (including for members of the Management Board) for the plenary meeting of the Supervisory Board. The Remuneration Control Committee receives the information provided by Aareal Bank's Remuneration Officer, as well as the information on the remuneration system intended for disclosure.

#### **Risk Committee**

The Risk Committee deals with all material types of risk Aareal Bank is exposed to in its business activities. Along with the Supervisory Board in its entirety, it is also the recipient of the risk reports (please refer to the Risk Report). The material risk types comprise financial and non-financial types of risk alike, including IT-related risks. The Committee is also responsible for reviewing the contents of the risk strategies in accordance with the MaRisk, for checking conformity with the business strategy, and preparing the corresponding resolutions of the Supervisory Board. It furthermore advises the Management Board on how to design an appropriate and effective risk management system, making sure that the Bank's risk-bearing capacity is adequate. To achieve this, the Committee monitors the Management Board, especially as regards determining risk appetite and the corresponding limits.

#### **Audit Committee**

The Audit Committee is concerned with all accounting issues, as well as regarding the audit of Aareal Bank AG and Aareal Bank Group. The

Committee is responsible for the preparation and conduct of the audit of the financial statements and the consolidated financial statements; it prepares the decisions to be taken by the Supervisory Board on the basis of the Committee's analysis of the external auditors' reports. For this purpose, the Committee reports to the plenary meeting of the Supervisory Board on the results of its analysis and the assessments derived. Preparing the audit of the financial statements also comprises the preparations for instructing the external auditors (by virtue of the corresponding resolution passed by the Annual General Meeting), verifying the independence of the external auditors, including the approval of permissible non-audit services, negotiating the auditors' fees, determining focal points of the audit, and regularly selecting new external auditors. The Audit Committee also discusses quarterly and half-yearly financial reports with the Management Board, and obtains the external auditors' report on their review of the half-yearly report. Furthermore, the Audit Committee is responsible for examining the projections submitted by the Management Board. In addition, Compliance and Internal Audit address their reports to the Committee. Last but not least the Committee is responsible for monitoring the effectiveness of the internal control and monitoring system.

The Audit Committee comprises at least two financial experts, one of whom must have expertise in accounting and financial reporting, and another one of whom must have expertise in the audit of financial statements.

#### **Technology and Innovation Committee**

The Committee deals with issues concerning information technology used within the Company, and with issues related to IT products created and distributed by Aareal Bank Group entities. This comprises the Bank's as well as Aareon's products. As part of these duties, the Committee monitors the implementation of Aareal Bank Group's digitalisation strategy which calls not only for a technical transformation, but also for modern and agile working practices and project methods.

## Working relationship between the Management Board and Supervisory Board

The working relationship between Management Board and Supervisory Board is characterised by trust and a constructive, yet critical dialogue – during Supervisory Board meetings and outside of them. Discussions during meetings are held in an adequate and target-oriented working atmosphere. The members of the Management Board do not attend meetings or agenda items during which personnel matters, Management Board remuneration, evaluation results, and individual business-related or strategic aspects are the main topics of discussion.

Outside meetings, it is mainly the Chairman of the Supervisory Board and committee chairmen that communicate with the competent Management Board members. The Chairman of the Supervisory Board regularly discusses questions regarding the strategy, business development, risk situation, risk management, compliance, as well as personnel- and remuneration-related matters with the Chairman of the Management Board. The Chairman of the Risk Committee goes into detail – especially with the Chief Risk Officer – on topics such as the risk situation, risk management, and risk strategies. The Chairman of the Audit Committee also regularly exchanges views with the Chief Risk Officer, but with the Chief Financial Officer and the external auditors, too; finally, the Chairman of the Technology and Innovation Committee keeps in touch with the Chairman of the Management Board outside meetings. The chairmen inform the other Supervisory Board members about the key points of these discussions at the next ordinary committee meeting.

## Communications

Aareal Bank assigns great importance to comprehensive communication with its stakeholders and has accordingly set itself the objective of maintaining active, transparent and open communication with all stakeholders, taking into account

their interests equally. Likewise, Aareal Bank is committed to providing sound professional expertise as a contribution to political decision-making processes. The Bank has therefore registered as a legal entity in the newly-established Lobby Register covering political lobbying vis-à-vis the German parliament (the Bundestag) and the German government.

All press releases, ad-hoc disclosures, corporate presentations, as well as annual, sustainability and quarterly reports published by Aareal Bank are available on the Bank's website to any interested person, and may be downloaded from there. In addition, the financial calendar is updated regularly, and provides information about upcoming events.

Aareal Bank publishes details on its financial position and performance four times a year. On these occasions, the Management Board gives a personal account of results, within the scope of press and analysts' conferences, and issues press releases.

All information can be found on Aareal Bank's website: [www.aareal-bank.com/en/investors-portal/](http://www.aareal-bank.com/en/investors-portal/).

## Relationship with shareholders

To facilitate direct communication, Aareal Bank has set up a separate Investor Relations division within its organisation, which serves as a first point of contact for shareholders, other investors and analysts. The contact persons in Investor Relations can be found on the Aareal Bank website [www.aareal-bank.com/en/investors-portal/equity-investors/contact/](http://www.aareal-bank.com/en/investors-portal/equity-investors/contact/).

Aareal Bank addresses shareholders and other stakeholders in a targeted manner via roadshow activities, actively seeking their opinions. The Chairman of the Supervisory Board is also available for talks with shareholders and other stakeholders, using his own roadshow activities to gather external opinions on the Bank's governance.

The Bank also holds an ordinary Annual General Meeting once a year. Shareholders are thus given



the opportunity to actively participate in the development of Aareal Bank. The Act on Measures Affecting the Law on Corporations, Cooperatives, Associations, Foundations and Residential Property to Combat the Effects of the Covid-19 pandemic (Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der Covid-19-Pandemie – “Covid-19 Act”) dated 27 March 2020 provides for the opportunity of general meetings to be held in virtual form; the Act also permits to exclude the physical presence of shareholders or their representatives, and to restrict certain shareholder rights.

At the Annual General Meeting, the shareholders decide, in particular, on the formal approval of the Supervisory Board and Management Board members for the financial year under review, on the appropriation of any net retained profit, amendments to the Memorandum and Articles of Association, and authorisations on capital adjustments. The Annual General Meeting elects the external auditors for the Company, decides who joins the Supervisory Board as shareholder representatives, and adopts other resolutions submitted to the Annual General Meeting.

At Annual General Meetings with personal attendance, the Company’s shareholders may submit statements or proposals in writing, by fax or e-mail, to the Company. They may also request to speak at the Annual General Meeting. The shareholders may also submit counter or supplemental motions to the agenda items at the Annual General Meeting, so that they participate in structuring and influencing the meeting.

### **Guidelines regarding the Selection of Members of the Management Board and the Supervisory Board**

The Supervisory Board of Aareal Bank AG is satisfied that the Management Board and the Supervisory Board are adequately staffed, if all members are in a position to perform their duties (professional qualification), commit the time necessary to

perform these and possess the integrity to be guided by the ethical principles of Aareal Bank when performing their duties (with respect to personal reliability, including conflicts of interest and independence aspects). The composition of the Supervisory Board and the Management Board, respectively, shall facilitate, in its entirety, cooperation and the widest possible diversity of opinions and knowledge (the concept of diversity).

The Supervisory Board has defined concrete requirements and processes to incorporate these criteria when evaluating Management Board and Supervisory Board members, as well as when selecting candidates for appointment to the Management Board, or shareholder representatives to the Supervisory Board. When establishing these processes, it took into account the requirements of the German Public Limited Companies Act (Aktengesetz – “AktG”) and the German Banking Act (Kreditwesengesetz – “KWG”), as well as the recommendations of the German Corporate Governance Code. In addition, the regulatory guidelines of the European Central Bank and the European Banking Authority on adequacy and internal governance are also incorporated, as are corporate governance guidelines of consultants on share voting rights and major shareholders that are relevant to Aareal Bank. Besides the Supervisory Board, the European Central Bank also reviews the suitability of the respective candidates before they take up their duties, using the so-called ‘fit & proper’ approach.

### **Personal reliability**

The principles of personal reliability apply equally for all members of the Management Board and the Supervisory Board. All members of the Management Board and the Supervisory Board should demonstrate honesty, integrity and independence of mind. They should live by the ethical principles of Aareal Bank, as set out in the Code of Conduct, and commit sufficient time to perform their duties. The Supervisory Board calculates the time commitment of every member of the Management Board and the Supervisory Board, and reviews on an

annual basis whether they are also dedicating sufficient time to exercising the mandate. In this connection, the Supervisory Board takes care to ensure compliance with the requirements for the maximum number of additional offices, pursuant to sections 25c (2) and 25d (3) of the KWG.

### Conflicts of interest and independence of Supervisory Board members

Special rules apply to the Supervisory Board, over and above the Group-wide Conflict of Interest Policy. Acting in the interests of the Company means making judgements unbiased by extraneous influences. The Supervisory Board therefore attaches particular importance to the handling and disclosure of actual, potential, temporary or permanent conflicts of interest that could, for example, call into question the independence of the Supervisory Board.

In the Management Board's and Supervisory Board's Conflicts of Interest Policy, which has been specifically designed for these two corporate bodies, the Supervisory Board has laid down procedures on how to handle conflicts of interest affecting members of the Management Board or the Supervisory Board. In accordance with this Policy, individual Management Board and Supervisory Board members must establish transparency in the event of any potential conflicts of interest. The members of the Supervisory Board and the Management Board have declared in writing that no conflicts of interest pursuant to recommendation E. 1 of the German Corporate Governance Code arose during the financial year under review. Any individual whose circumstances may give rise to a material conflict of interest that cannot be mitigated will be ineligible as a candidate.

The Supervisory Board also determines when the independence of one of its members is not ensured and carries out an annual review of whether the independence of individual members is no longer ensured, or may be compromised. In the event of the following circumstances, the Supervisory Board generally assumes that independence is not ensured:

- At the commencement of the fourth term of office as a member of the Supervisory Board of Aareal Bank AG ("general limitation to a member's maximum term of office"). The term of office begins with the election by the Annual General Meeting, excluding any judicial appointments.
- The period between membership in Aareal Bank AG's Management Board and membership in the Supervisory Board is less than five years.
- The period between being a senior manager at the first management level below the Management Board and membership in the Supervisory Board of Aareal Bank AG is less than three years.
- The period between working as or on behalf of a material consultant, external auditor, or other service provider or client of Aareal Bank and membership in the Supervisory Board of Aareal Bank AG is less than three years.
- A Supervisory Board member is simultaneously associated with a major competitor; this not only includes activity as a staff member, member of the Management or Supervisory Board, but may also be the case if said member acts as a consultant to a major competitor.

Furthermore, all Supervisory Board members are subject to the statutory limitations laid out in section 100 (2) nos. 2 to 4 of the AktG. Unlike the criteria listed above, the statutory limitations are mandatory, which means that they prevent the nomination of a potential candidate, or require the resignation of the affected board member.

Effective 31 December 2021, the Supervisory Board believes, taking the above criteria into account, that all shareholder representatives (Prof. Dr Hermann Wagner, Jana Brendel, Richard Peters, Sylvia Seignette and Elisabeth Stheeman) are independent.

## Professional qualification

Every member of an executive body must possess the knowledge, ability and experience to properly perform their duties. This means that they must at least be able to understand and assess the Company's material business activities and the associated material risks, the control and monitoring system established in this regard, as well as the corresponding accounting and financial reporting systems. This also requires being familiar with the underlying material legal requirements. Each member of the Supervisory Board must be in a position to perform the duties incumbent on the Supervisory Board in its entirety.

When chairing a committee, Supervisory Board members should possess extensive expertise in the topics covered by that committee. The Chairman of the Audit Committee, for example, must be an expert on financial reporting issues and internal control and risk management systems, while the Chairman of the Risk Committee must be an expert in assessing the efficacy of risk management systems in credit institutions.

Overall, with regard to its collective composition, the Supervisory Board further decided that the following additional expertise be adequately represented:

- Experience in sectors and financial markets which are material to Aareal Bank Group,
- Digitalisation and transformation,
- Strategic planning,
- Design and assessment of risk management systems, internal control systems and corporate governance frameworks,
- Accounting and audit matters.

The curricula vitae of the members of the Management Board: [www.aareal-bank.com/en/about-us/company-profile/the-management-board/](http://www.aareal-bank.com/en/about-us/company-profile/the-management-board/) and the members of the Supervisory Board: [www.aareal-bank.com/en/about-us/company-profile/supervisory-board/](http://www.aareal-bank.com/en/about-us/company-profile/supervisory-board/) can be found on the Bank's website.

## Concept of diversity

In principle, the Management Board and the Supervisory Board pursue the objective in their bodies of ensuring maximum variety with regard to gender, age, internationality and professional diversity. Where there are several equally suitable candidates, further selection takes these aspects into account, to avoid "herd mentality" and to draw together the broadest possible spectrum of different perceptions to make the best possible decision for Aareal Bank. The Management Board ensures that these aspects of diversity are also taken into consideration at the management levels it controls, to facilitate succession oriented around this concept of diversity. The Supervisory Board has set individual objectives for the aforementioned diversity aspects, for both itself and the Management Board, the implementation of which it presents annually. It understands these objectives as being minimum objectives; there is no reason why they cannot be exceeded.

### Gender diversity

In accordance with the German Act on Equal Participation of Men and Women in Executive Positions in the Private and Public Sector, the Supervisory Board sets specific targets – including concrete implementation deadlines – for the share of female members on the Supervisory Board and the Management Board. Likewise, the Management Board defines such targets for the first two management levels below the Management Board. On the Supervisory Board, by 30 June 2022 at least 25 % of positions are to be held by women. The status quo is 44.4 % (2020: 41.7 %). On the Management Board, by 30 June 2022 at least 20 % of positions are to be held by women. The status quo is 25 % (2020: 33.3 %). Therefore, the minimum objectives set by the Supervisory Board have been achieved.

### Age diversity

The Supervisory Board has set out targets for the age structure of the Management Board and the Supervisory Board, in order to safeguard the con-

tinuous development of both executive bodies. At the time of (re)election to the Supervisory Board, candidates should be less than 70 years old. Furthermore, the Supervisory Board should not consist exclusively of members who are older than 60 years. Members of the Management Board should not exceed the upper age limit of 65 years while serving on the Management Board. These objectives are currently met.

### International profile

In addition, given Aareal Bank's international business activities, the Supervisory Board has set itself and the Management Board the goal of having the broadest possible international experience, which can be proven by foreign nationality or considerable professional experience gained in another country. For the Management Board, the figure is currently at 25 % (2020: 33.3 %), for the Supervisory Board it is at 22.2 % (2020: 33.3 %).

### Diversity of professional skills

The Supervisory Board pursues the objective of maximum professional diversity when selecting the members of the Management Board and the Supervisory Board. However, the demanding professional requirements for members of the management board and the supervisory board of so-called "significant credit institutions" limit the opportunities for achieving this objective: for instance, regulatory rules require in principle that members of the Management Board have extensive experience in the lending business and in risk management. In accordance with section 100 (5) of the AktG, the Management Board members in their entirety shall be familiar with the sector in which the Company operates. The Supervisory Board's aim of ensuring that not all members have gained most of their professional experience at a credit institution is currently met.

### Election periods and dates ("staggered board")

To avoid a simultaneous outflow of considerable know-how, the Supervisory Board has set different

election dates at which decisions are made about three groups of Supervisory Board members. The terms of office of Mr Peters and Ms Seignette run until the ordinary Annual General Meeting in 2023, the terms of office of all other shareholder representatives who held office at the end of the year do not expire before the ordinary Annual General Meeting in 2024. Shareholder representatives' terms of office are generally four years, as a result of which a new resolution concerning some of the shareholder representatives must be taken at the latest every three years, bringing with it a possibility of renewing the Supervisory Board. The staggered-board concept will be taken into consideration as regards further changes to the Supervisory Board.

The terms of office for employee representatives continue to run for five years: the current representatives are therefore in office until the ordinary Annual General Meeting in 2025.

### Regular evaluation of suitability and performance

The Executive and Nomination Committee evaluates the Management Board and Supervisory Board at least once a year. The evaluation consists of two components: the suitability test and the efficiency test. The evaluation is supported by external partners.

Within the scope of the evaluation, the Committee checks whether the Management Board and Supervisory Board members possess the necessary personal and professional requirements on the one hand, and the requirements for the collective composition, including collective competence profile and diversity concept, on the other.

Furthermore, the Executive and Nomination Committee takes the structure, size, composition, and performance of both bodies into consideration, including the results of a benchmark comparison conducted precisely for this reason. The assessment of structure, size, and composition is not restricted to the bodies as such, but also includes

the Supervisory Board committees; it comprises an efficiency and effectiveness review of the cooperation within the Supervisory Board, between the committees and the full Supervisory Board, as well as between the committees, the Supervisory Board and the Management Board.

In addition to the regular annual evaluation, event-driven assessments may be conducted should, for example, suspicions arise regarding insufficient individual or collective suitability, or should the adequate composition of the Management Board and/or the Supervisory Board need to be reviewed due to a change in strategy.

### Succession planning

The Executive and Nomination Committee is responsible for the succession planning of the Management Board and the shareholder representatives on the Supervisory Board. On an annual basis, the Committee reviews the established competence profile, and whether it is compatible with Aareal Bank's business and risk strategies, proposing any necessary adjustments. Furthermore, the Committee reviews, as part of the annual evaluation, whether the current members of the Management Board and the Supervisory Board fulfil the presently applicable criteria, taking the latest amendments into account. If this is not the case, the Committee suggests measures to the Supervisory Board to ensure that all criteria are fulfilled going forward. Such measures may include continuing education courses for individual or multiple Management Board or Supervisory Board members, as well as changes in the composition of the Management Board or the Supervisory Board.

Furthermore, the Executive and Nomination Committee discusses upcoming personnel decisions, on an ongoing basis and in good time in advance, such as projected retirements, potential re-appointments, etc. Therefore, if the re-appointment of a Management Board or Supervisory Board member is not an option, the Executive and Nomination Committee already concerns itself with a suitable successor more than one year in advance.

In the event that changes in the composition of the Management Board or Supervisory Board have to be made, the Executive and Nomination Committee aims to find a successor who fulfils the personal criteria, while at the same time promoting the fulfilment of the goals established in terms of board composition (collective competence profile and diversity). Succession planning for the Management Board is made in close cooperation with the Chairman of the Management Board. The Executive and Nomination Committee considers both internal and external candidates.

Aareal Bank has taken various measures to be able to respond to short-term personnel fluctuations on the Management Board (for example, due to resignation for personal reasons), and to identify suitable internal successors. For instance, the Bank can provide tailor-made development measures to senior managers in order to ensure they have the fundamental skills and abilities to become a member of the Management Board. This includes, in particular, business development, risk management and accounting know-how as well as leadership skills.

As a general rule, every competence required for the activities of Aareal Bank's Supervisory Board and its committees is represented by at least two Supervisory Board members. In addition, in order to make sure there is a quorum even in the event of short-term changes in the composition of the respective committee, every committee comprises more than three members.

### Composition of the Management Board and Supervisory Board

The members of the Supervisory Board and its committees, the respective chairmen and members of the Management Board and their relevant areas of responsibility, are presented below (cf. "Executive Bodies of Aareal Bank AG.") The Board of Management is currently comprised of four members. The Supervisory Board appoints one of the members as Chairman of the Management Board. In accordance with Aareal Bank AG's Memorandum

and Articles of Association, the Supervisory Board consists of twelve members. Once elected by the Annual General Meeting, the members of the Supervisory Board elect a Chairman and at least one Deputy Chairman from amongst them, for the duration of their term of office. Eight members are elected by shareholders at the Annual General Meeting; four members are elected by employees, through the Group Works Council.

The committees comprise at least four members, while the Audit Committee and the Risk Committee comprise six members. The Chairman of the Supervisory Board is a member of every statutory committee. According to recommendation D. 4 of the German Corporate Governance Code as well as Aareal Bank's Guidelines for the selection of members of the Management Board and the Supervisory Board, the Audit Committee and the Risk Committee are chaired by independent experts. Additionally, care is also taken to avoid any interlinking of the committee members' positions, to ensure mutual exchange of information.

### **Purchase or sale of the Company's shares**

In 2021, members of the Company's executive bodies did not carry out any transactions involving the Company's shares which would have required publication in accordance with the requirements of Article 19 of the EU Market Abuse Regulation (596/2014/EU), in conjunction with section 26 of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG").

Please refer to Aareal Bank's website under [www.aareal-bank.com/en/about-us/corporate-governance/managers-transactions/](http://www.aareal-bank.com/en/about-us/corporate-governance/managers-transactions/) for the notifications.

### **Accounting policies**

Aareal Bank AG prepares the Group's accounts in line with the International Financial Reporting Standards (IFRSs) as applicable in the European

Union. The single-entity financial statements of Aareal Bank AG are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – "HGB"). The Management Board prepares the financial statements and management reports of Aareal Bank AG and Aareal Bank Group. The external auditors submit their report on the audit of the financial statements and the consolidated financial statements to the Supervisory Board, which also monitors their independence. The fees paid to the external auditors are shown in Note (38) to the financial statements. Permissible non-audit services provided by the external auditors must be approved beforehand by the Audit Committee of the Supervisory Board.

KPMG AG Wirtschaftsprüfungsgesellschaft, the auditors of the 2021 financial statements – as elected for the first time by the Annual General Meeting 2021 and instructed accordingly by the Supervisory Board – have exercised their audit activities under the management of Messrs Gero Wiechens, Markus Winner and Franz Haider.