



# Conflicts of Interest Policy

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**Aareal**  
YOUR COMPETITIVE ADVANTAGE.

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## 1. Purpose and objective of this policy

This policy governs the principles for detecting and dealing with conflicts of interest within Aareal Bank. Conflicts of interest may arise at any time. They do not constitute a violation of the law; however, the correct conduct of those involved in the event of a conflict is decisive.

Aareal Bank's processes are designed to prevent conflicts of interest from arising in the first place. If a conflict does materialise, correct handling is crucial. If conflicts of interest are not recognised or appropriately dealt with, this may have disadvantageous consequences for clients, the Bank and its employees, leading, for example, to disruptions in the client relationship or even to legal disputes. Disregarding conflicts of interest may well prove to have negative consequences for the reputation of Aareal Bank Group and create the impression that the integrity of Aareal Bank or its affiliated companies has been compromised.

The provisions below are designed to provide guidance for the correct handling of conflicts of interest within Aareal Bank. To help detect conflicts of interest more easily, examples of conflicts of interest and their treatment within Aareal Bank will be presented in section 5 below.

## 2. Scope of application

This document applies to members of Aareal Bank's Board of Directors and Supervisory Board, to its employees and executives.

## 3. What are conflicts of interest?

Conflicts of interest arise in situations where the conflicting interests of persons or companies compete with each other and have the potential to hinder the objective and factual assessment of the business transaction. They may concern the interests of various groups of people and companies. Moreover, a distinction can be made between actual and potential, temporary and permanent conflicts of interest. Conflicts of interest can emerge at all hierarchy levels and affect employees as well as managers and executives. A conflict of interest may occur, for example, if the personal / private interests of an Aareal Bank member or their mandate overlap with client interests. The same applies for activities by employees, managers and executives in the interest and on behalf of a third party. What these cases have in common is that the person in question finds it difficult to perform their official duties objectively in the given situation, which may result in disadvantages and damage to the detriment of Aareal Bank Group or third parties affiliated with it.

## 4. How to approach the management of conflicts of interest

The primary objective of Aareal Bank is to avoid conflicts of interest emerging in the context of its business activities at all levels. To this end, Aareal Bank has introduced provisions which are described, among other things, in the Bank's set of compliance rules. Organisational arrangements may include, for example, the creation of separate confidentiality areas, provisions for the passing-on and appropriate use of confidential information (need-to-know principle), the strict separation of trading and handling of trading business, of Sales units / Credit Management (segregation of duties), the monitoring of employee transactions and stipulations relating to the treatment of legal relationships with related persons/companies. In addition, the Bank has put in place a whistleblower process – anonymous if requested – as a suitable channel for the reporting of conflicts of interest within the Bank which have not been treated appropriately. The Bank also seeks to ensure the appropriate handling of conflicts of interest to avoid these conflicts having a detrimental impact on the concerns of clients, the Bank and its employees, its shareholders or other interest groups. If a conflict of interest should prove unavoidable, the following principles apply:

- Create transparency: All employees are required to disclose potential or actual conflicts of interest to their supervisor;
- Do not participate in the decision-making: If an employee, manager or member of a management or governing body is personally affected by a conflict of interest, they should not participate in decisions which may be affected by this conflict;
- Remain objective: Where the situation requires it, neutral persons should be involved in the assessment and decision-making process;
- Escalation of the decision to a more senior / different body or management level if the type of conflict makes this necessary and it proves impossible to bring about an appropriate decision at employee level;
- Documentation of the matter: Presentation of the initial situation, the conflict, the measures taken and reasons for the decision. The presentation should be documented and be readily understandable for third parties.

In the event of permanent conflicts, e.g. of elected officials, resignation from the position or office will be considered. If a conflict with a client cannot be appropriately resolved, the Bank will decide against the business in cases of doubt.

## 5. Rules governing the treatment of conflicts of interest

Employees, executives and Management Board and Supervisory Board members must take account of the principles and regulations set out below when performing their tasks.

### 5.1 Members of corporate / governance bodies

The members of the Management Board and Supervisory Board of Aareal Bank AG are committed to serve the corporate interest. In the course of their activities no members of the Management Board or Supervisory Board must pursue their own interests that run counter to corporate interest or take advantage of business opportunities to which Aareal Bank AG has a claim. The same applies to the corporate / governance bodies of subsidiaries. In the course of their activities for Aareal Bank, Management Board members are subject to a comprehensive non-compete obligation. Sideline activities by Management Board members must be approved by the Supervisory Board before they are taken up. Sideline activities at competitors are not allowed. Members of the Management Board must disclose conflicts of interest to the Supervisory Board without delay and must inform the other Management Board members thereof. Members of the supervisory body shall disclose conflicts of interest, especially those which may result due to a role held at a third party, to the Supervisory Board without delay.

## 5.1 Members of corporate / governance bodies

Material conflicts of interest which are not merely temporary and are attributable to the person of the Supervisory Board member result in resignation from the role.

If a member moves from the Management Board to the Supervisory Board of their own company, the Management Board member shall be subject to a cooling-off period of two years due to statutory provisions. A majority of 25% of voting rights in the company may decide on a deviation from this rule. Fixed primary and secondary responsibilities exist for members of the Management Board. If they are unable to attend, individual Management Board members can be represented by first-level managers. When designing the substitution arrangements, the Bank shall take care to ensure that they do not conflict with statutory provisions or the representative's original activities.

Moreover, it is the duty of members of Aareal Bank's management bodies to promote an appropriate culture for the proper handling of conflicts of interest and for raising awareness among staff, to identify such conflicts and deal with them in accordance with applicable standards. When creating remuneration systems the management bodies shall take care to ensure that no incentives are created for employees or managers to act in violation of their duties and responsibilities. The heads of Group companies are called on to identify conflicts of interest resulting from their position on the Management Board or Supervisory Board of the Group company and to disclose them in accordance with internal bank stipulations.

## 5.2 Managers

Managers lead by example with their behaviour in the workplace and the Company. Aareal Bank managers proactively ensure that policies and internal Bank provisions relating to the detection, escalation, handling and documentation of conflicts of interest are observed. They are the point of contact for employees who point out conflicts of interest and are obliged to follow them up.

## 5.3 All Aareal Bank members

All Aareal Bank members (corporate/governance bodies, employees, managers) must observe the following principles:

### 5.3.1 Clients

For the Bank, the interests of its clients take priority. This applies both in the lending business and with regard to trading business. The lending process has a clear structure. Every lending decision requires an independent vote by the Sales units / Credit Management. The segregation of duties is observed right through to the top management level. With regard to the people involved in lending decisions, care is taken to ensure that they are not in a personal relationship with the borrower and that no personal economic or political interests influence the decision.

According to statutory provisions and supervisory requirements, the Bank is subject to particular and comprehensive organisation, information and control obligations in the provision of (ancillary) securities services, which are designed to protect clients and avoid conflicts of interest, in particular.

### 5.3.1 Clients

The Management Board ensures that these obligations are observed by enacting the corresponding compliance provisions. The Compliance Officer, who answers directly to the Management Board, reports to the Management Board and Supervisory Board at least annually to ensure that the procedures and measures put in place to meet statutory and supervisory law requirements are appropriate and effective.

### 5.3.2 Ban on self-dealing, exercise of Group functions

Members of corporate / governance bodies and all employees are subject to the statutory ban on self-dealing unless an exemption is granted in the given case.

Where Aareal Bank AG employees take on roles in companies of Aareal Bank Group they are obliged to act always in the interests of Aareal Bank Group company in which they exercise this role and to refrain from any actions that may be detrimental to the Group company. The simultaneous holding of roles in both the senior management and supervisory body is not permitted. However, the Bank's Management Board decides on taking on a mandate in a Group company.

### 5.3.3 Related party transactions and loans

The business relationships between the parent and subsidiaries or companies in which Aareal Bank holds a stake of at least 10% may lead to various potential conflicts of interest. The same applies to transactions with related parties which are natural persons, for example with relatives of a member of a corporate/governance body.

As a general rule, such transactions and loans may only be concluded at arm's length. Usual market conditions apply when the company would have concluded the transaction with an independent third party subject to the same terms and conditions, with these terms and conditions being characterised by performance and consideration being of equivalent value and/or the agreement of market prices. Employees are required to document such transactions and their terms and conditions, detailing in particular how the agreed prices were arrived at and whether related persons exerted an influence on the pricing. In addition, transactions of this kind which exceed the de minimis threshold require a decision by the general manager and Supervisory Board approval.

Related party transactions must be disclosed in accordance with commercial law provisions. The same principles apply to related party transactions involving natural persons.

### 5.3.4 Ban on acceptance and granting of benefits

According to the provisions of the Bank's Code of Conduct, no Aareal Bank member may demand or accept unjustified benefits in connection with their activities or grant unjustified benefits to third parties (e.g. cash, loan, tangible or intangible goods, or opportunities to avoid a loss or costs). The same applies to cash payments or other benefits to public authorities. Bribery and corruptibility, even in a private setting, are not tolerated under any circumstances.

### **5.3.5 Gifts, invitations and donations**

Accepting tangible or intangible benefits (in particular, gifts, business dinners or invitations to events) may, as a general rule, establish a potential conflict of interest. Every employee must observe the provisions established within the Bank in this respect and involve Compliance in the case of doubt.

Gifts may be accepted if they are reasonable and adequate and serve honest and commonplace business purposes. Compliance must be notified when accepting gifts which exceed a certain value. In general, gifts and invitations must not be accepted if there is a danger or if the impression is created that they serve as a vehicle to influence business decisions.

The acceptance of invitations to events of clients or other business partners, at which the business component is clearly predominant, is permitted in line with normal market standards. Invitations may be accepted if they have a business background and offer an opportunity for technical discussions. The principles to be observed are set out in Aareal Bank's Gifts Policy.

The granting of cash gifts, presents or other gratifications to office holders must be refrained from. They could be perceived as an inadmissible exertion of influence. Donations to political institutions are not desirable as a matter of principle and must not impair business matters.

### **5.3.6 Supplier relationships**

Aareal Bank Group cultivates long-term relationships with its suppliers. It takes care to ensure that a professional and business-like distance is maintained. We value appropriate and prompt remuneration. In particular, we wish to avoid situations where the commissioning of individual services creates an expectation of follow-on commissioning or that any favourable conditions that may be granted are offset through follow-on orders. Nor should any favouritism be demanded or accepted in relations with suppliers. In addition, suppliers must observe the Bank's Code of Conduct and commit themselves to observing the principles of the UK Bribery Act.

### **5.3.7 Auditors' services**

In relation to auditors, the provisions governing gifts, invitations and respect for the impartiality of advisors apply. In accordance with an internal policy, commissioning the appointed auditors with non-audit services is subject to a separate checking and approval process and additional checks by the Audit Committee of the Supervisory Board. In this way, account is taken of the requirement that auditors should remain independent and the risk of undue influence being exerted is mitigated.

### **5.3.8 Granting of loans to employees or parties they are related to**

Aareal Bank grants loans to institutional investors. Loans previously granted to employees merely expire. No new loans will be granted to employees, managers, Management Board or Supervisory Board members or their relatives.

### **5.3.9 Side activities for third parties**

Employees, Management Board and Supervisory Board members of Aareal Bank AG must not, as a matter of principle, be active for a rival company. Through sideline activities by employees, third parties have the opportunity to create personal relations with employees and use the same for other purposes, for example to influence decisions in their favour. Sideline activities in a professional or personal interest require the agreement of Human Resources. The same applies to unpaid activities provided that they have the potential to adversely impact the interests of Aareal Bank Group. Aareal Bank may prohibit the sideline activities or impose conditions if the sideline activities might impair the performance of the employees' duties under their employment contract or legitimate interests of Aareal Bank. Provisions to that effect are included in the employment and service contracts of employees. The taking on of roles in companies of Aareal Bank Group is exempt from this provision. Care must be taken in personal contacts with clients to ensure that the relationship remains professional. Private contacts and friendships must not impair the Bank's business interests.

When moving from an employment relationship with a client, contracting party or auditor to Aareal Bank, the former employee should not personally participate in decisions on concluding a contract with their former employer for a period of two years. The employee must raise the matter with their manager in order to establish transparency about the conflict. By way of exception, the manager may permit the employee to take part in the decision-making process if the risk of a conflict of interest is considered to be low.

### **5.3.10 Provision of services to Aareal Bank**

If employees or members of corporate / governance bodies provide other services to the Bank in addition to their regular activities, this harbours potential conflicts of interest. The provision of such services can therefore only take place on a contract basis and can only be remunerated if the service to be provided exceeds the existing duties related to their work or activity on the corporate / governance body. The relevant agreements must be reached by the next level of management or the Supervisory Board after prior consultation with Compliance.

### **5.3.11 Holdings in / activities for Aareal Bank clients**

Where Aareal Bank Group members or their family members hold a stake in companies of Aareal Bank's clients or hold a role on their corporate/governance body or other role, they must not participate in the deliberations or in decisions relating to the business relationship.

An exception merely applies to listed companies. Where they are traded on a regulated market, a conflict of interest only applies if the stake is 10% or more.

### **5.3.12 Capital interests**

Capital interests of employees which are not mere financial interests may not be used to the Bank's detriment. They must therefore be notified in writing in an orderly process. That duty to notify does not exist in the event of an acquisition of marketable securities or pure investments to an immaterial extent. In every case, the provisions of the Bank's compliance rules governing personal transactions must be observed.



### 5.3.13 Avoiding conflicts of interest for control functions

Control functions (e.g. Group Audit, Risk Controlling, Compliance) must always exercise their activities independently, that is to say, free from conflicts of interest. First of all, the Bank through its organisational structure ensures that these functions are separate in organisational terms from the divisions they monitor. Delimitation on a department level is only required in the cases provided by the regulator. To maintain the requisite independence, the owners / heads of control functions must have a direct reporting line to the Management Board member who is responsible for them. The checking / monitoring activities are performed independently, without any undue influence being exerted. Compliance has the right to issue instructions to employees. Where a conflict of interest exists (e.g. if an own activity is checked following a change of role), the person affected must not perform the specific control activity themselves.

## 6. Reporting

Every division must notify Compliance of any emerging conflicts of interest in a timely manner. Compliance will, in turn, report annually to the Management Board. In addition, the Supervisory Board will report on conflicts of interest that have arisen in its sphere of activity.

