



**DEUTSCHE  
PFANDBRIEFBANK**

# Corporate Governance Statement 2023

Deutsche Pfandbriefbank Group

# Corporate Governance Statement

The Corporate Governance Statement was not part of the audit carried out by the external auditors.

## Declaration of Compliance with the German Corporate Governance Code, pursuant to section 161 of the German Public Limited Companies Act (Aktiengesetz – “AktG”).

Since 16 July 2015, Deutsche Pfandbriefbank AG’s (“pbb”) shares have been listed on the Frankfurt Stock Exchange. Since that date, pbb has been subject to disclosure requirements pursuant to section 161 of the AktG. All Declarations of Compliance are available on the Company’s website: [www.pfandbriefbank.com/en/investors/mandatory-publications.html](http://www.pfandbriefbank.com/en/investors/mandatory-publications.html).

Pursuant to section 161 (1) sentence 1 of the AktG, the Management Board and the Supervisory Board of pbb shall declare, at least on an annual basis, that the Company has complied with, and continues to comply with, the recommendations of the Government Commission “German Corporate Governance Code” (GCGC), or which recommendations have not been (or are not being) complied with, stating reasons for any non-compliance (the concept of “comply or explain”).

The last Declaration of Compliance issued by the Management Board and the Supervisory Board is dated 24 February 2023. This was already based on the version of the “German Corporate Governance Code” presented by the Government Commission on the “German Corporate Governance Code” on 28 April 2022 and published in the Federal Gazette on 27 June 2022. In this respect, the Management Board and the Supervisory Board of pbb declare that since the issuance of the last Declaration of Compliance, all recommendations of the Government Commission on the “German Corporate Governance Code” in the valid version of 28 April 2022 have been complied with and are complied with now, with the following exceptions:

Recommendation B.3 In deviation from the three-year term of office stipulated for initial appointments in accordance with Section 11 (3) sentence 1 of the Supervisory Board’s rules of procedure and recommendation B.3 of the GCGC, the Supervisory Board decided to appoint Mr Kay Wolf as a member of the Management Board for a period of five years from 1 February 2024 on the recommendation of the Executive and Nomination Committee. Both the Executive and Nomination Committee and the Supervisory Board focused on the stable and long-term development of the company - particularly in light of the challenging real estate market development. After weighing up the corresponding opportunities and risks and on the basis of Kay Wolf’s qualifications and experience, the Supervisory Board therefore opted for an (initial) appointment with a term of five years.

Recommendation C.10 Dr Günther Bräunig, the former Chairman of the Supervisory Board and Chairman of the Remuneration Committee as well as of the Executive and Nomination Committee, was first elected to pbb's Supervisory Board in 2009 and remained a member of the Supervisory Board until his departure at the end of 25 May 2023. Due to his long-standing membership of the Supervisory Board since 2009, he was not considered independent of the Company as a precautionary measure. Since Dr Günther Bräunig left the Supervisory Board, recommendation C.10 has been complied with again.

Recommendation D.10 According to Section D.10 of the GCGC, the Audit Committee should also regularly consult with the auditor without the presence of the Management Board. In the past financial year, there was no reason for the Audit and Digitalisation Committee to meet without the Management Board. However, during the period in question, the Chairwoman of the Audit and Digitalisation Committee regularly discussed the progress of the audit with the auditor without the participation of the Management Board and reported on this to the Supervisory Board. The Supervisory Board also exchanged information with the auditor alone at the balance sheet meeting in March 2023.

Recommendation G.10 Referring to section G.10 of the GCGC, which stipulates that long-term variable remuneration components granted to Management Board members shall be accessible only after a period of four years, pbb hereby deviates from this rule. Portions of the deferred variable remuneration might be accessible before that period. However, the following consideration should be taken into account in this context:

The intention of the rules laid out in the GCGC, i.e. granting variable remuneration over a multiple-year period on a sustainable basis, is considered by applying compulsory performance measurement and disbursement regulations pursuant to the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – “InstVergV”), which ultimately go far beyond the GCGC recommendations in terms of granting remuneration on a long-term basis.

Firstly, target achievement at institutional level, which is the relevant factor for the variable remuneration of Management Board members, depends on the Company's performance over three consecutive financial years.

Secondly, pbb's disbursement structure provides for the variable remuneration to be divided into a disbursement portion and a deferral portion. The disbursement amount constitutes 40% of the variable remuneration, with the deferral portion amounting to 60%.

50% of the disbursement amount is paid out in cash when the conditions for disbursement have been met. The remaining 50% is disbursed after a retention period of one year, after the amount has been adjusted in line with the performance of the pbb share (sustainability component).

The deferral period for the deferral portion is five years. In each of the five years following determination of the variable remuneration, the Supervisory Board decides, within an ex-post variable remuneration review, whether one fifth of the deferral portion will be granted (ex-post risk adjustment). Until the end of each deferral period, there is no entitlement to the relevant remuneration components. Once the deferred remuneration components become an entitlement, half of the respective deferral portion is paid out in cash. The remaining half is retained for another year, and is adjusted again in line with the performance of the pbb share (sustainability component).

Effective 1 January 2018, the conditions to apply clawback options for variable remuneration already paid out were contractually agreed upon with all Management Board members.

Furthermore, the recommendation in section G.10 of the GCGC stipulates that the long-term variable remuneration amounts of Management Board members shall be largely invested in company shares by the respective Management Board member, or shall be granted as share-based remuneration. Given that these stipulations no longer exclusively refer to long-term variable remuneration amounts, pbb hereby deviates from the recommendation because only half of the variable remuneration is share-based (and therefore not predominantly so).

Munich, 23 February 2024

The Management Board

The Supervisory Board

# Corporate Governance Report

pbb is a leading European specialist bank for commercial real estate finance; with an outstanding issuing volume of just under €24 billion, it ranks amongst the largest issuers of Pfandbriefe. pbb has been listed in the Prime Standard segment of the Regulated Market at the Frankfurt Stock Exchange since 16 July 2015. Its shares are included in the SDAX®. pbb holds a General Meeting of shareholders at least once a year, giving all shareholders the opportunity to participate in shaping the development of their Company. As a significant institution, pbb is subject to the direct supervision of the European Central Bank and the Single Resolution Board.

The Bank has summarised the essential rules applicable to pbb Group in a framework on internal governance which is available not only to the Management Board and Supervisory Board, but also to all employees. Among other things, it states the composition and workflows of the Supervisory Board and Management Board and their committees, internal control guidelines, the Code of Conduct, and principles for handling conflicts of interest.

## RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

pbb's current as well as previous Declarations of Compliance with the German Corporate Governance Code (GCGC), pursuant to section 161 of the AktG, are permanently available on the Company's website: <https://www.pfandbriefbank.com/en/investors/mandatory-publications.html>.

## DESCRIPTION OF MANAGEMENT BOARD AND SUPERVISORY BOARD WORKFLOWS

The Management Board informs the Supervisory Board, as well as the Supervisory Board committees, regularly and in a timely manner, about pbb Group's financial situation and performance. During meetings, the Supervisory Board receives reports on the risk position, risk management, new business, the liquidity strategy, as well as on significant events which are of material importance to the assessment of the Company's position, development and management.

In addition, the Management Board members maintain continuous contact with the Chair of the Supervisory Board (and the Chairpersons of the respective committees) with regard to important developments. Regular topics of discussion during Supervisory Board meetings additionally include developments in the lending business and the overall credit policy, all lending exposures which must be reported to the Supervisory Board, risk developments, risk management, business policy, as well as market trends and developments regarding the lending business and funding.

## MANAGEMENT BOARD

The Management Board conducts pbb's business under its own responsibility, and in accordance with the law, the Articles of Association, and the Rules of Procedure for the Management Board (Geschäftsordnung). Moreover, the members of the Management Board observe the internal Code of Conduct, which applies for all members of staff and is publicly available on the Company's website.

During the year under review, the members of pbb's Management Board were responsible for the following portfolios:

- > Andreas Arndt, CEO and until 30.11.2023 CFO
- > Thomas Köntgen, Deputy CEO, Real Estate Finance and until 7.8.2023 Public Investment Finance
- > Andreas Schenk, CRO
- > Marcus Schulte, Treasurer and since 1.12.2023 CFO

Dr Pamela Hoerr was appointed as a member of the Management Board as of 17 January 2024 and Kay Wolf as of 1 February 2024. On 1 March 2024 Kay Wolf took over the role of CEO from Andreas Arndt, who retired from the Management Board at the end of 29 February 2024.

Members of the Management Board are obliged to act in the interests of pbb; they must not pursue personal interests in their decision-making. During their term of office for pbb, they are obliged to observe an extensive no-competition clause and are prohibited from exploiting opportunities available to the Company for their own benefit. Management Board members shall disclose conflicts of interest to the Chair of the Supervisory Board and to the Chair of the Management Board without undue delay, and shall inform the other members of the Management Board. No such conflicts of interest occurred during the year under review.

pbb does not grant any loans to Management Board members.

As far as pbb is aware, the members of the Management Board and their closely related parties did not hold any shares in the Company (or any financial instruments based thereon) during the year under review, to an extent that would have been reportable.

#### **COMPOSITION AND ORGANISATION OF THE SUPERVISORY BOARD**

The Supervisory Board continuously monitors the Management Board, providing it with regular advice on the management of the Company. In accordance with the Articles of Association, the Supervisory Board consists of nine members, six of which are elected by shareholders and three by employees, in accordance with the German Act to Simplify the Election of Employee Representatives to the Supervisory Board (One-Third Employee Participation Act – Drittelbeteiligungsgesetz).

The current election periods and terms of office of the shareholder representatives on the Supervisory Board end for Hanns-Peter Storr and Susanne Klöß-Braekler at the end of the Annual General Meeting in 2025, which resolves on the formal approval for the 2024 financial year, for Gertraud Dirscherl at the end of the Annual General Meeting in 2026, which resolves on the formal approval for the 2025 financial year, and for Dr Louis Hagen and Prof Dr Kerstin Hennig at the end of the Annual General Meeting in 2027, which resolves on the formal approval for the 2026 financial year. The term of office of the court-appointed shareholder representative Karim Bohn ends at the end of the Annual General Meeting in 2024. The term of office of the employee representatives on the Supervisory Board, Georg Kordick, Olaf Neumann and Heike Theißen, end at the end of the Annual General Meeting in 2026, which resolves on the formal approval for the 2025 financial year.

On 25 May 2023 the Supervisory Board elected Dr Louis Hagen as its Chairman, and Hanns-Peter Storr as his deputy.

During the financial year 2023, the Company's Supervisory Board comprised:

Name Place of residence	Principal occupation	Supervisory Board memberships and other directorships in 2023
Function in Supervisory Board Initial appointment	Functions in the Committees of the Supervisory Board	
<b>Dr Günther Bräunig</b>  Frankfurt/Main, Germany Chairman (until 25.05.2023) 14.8.2009	<b>Entrepreneur and former Chairman of the Management Board of KfW</b>  Chairman of the Executive and Nomination Committee and of the Remuneration Committee (until 25.5.2023); Member of the Audit and Digitalisation Committee and of the Risk Management and Liquidity Strategy Committee (until 25.5.2023)	<b>Deutsche Telekom AG, Bonn, Germany</b> – Member of the Supervisory Board (until 5.4.2023)
<b>Dr Louis Hagen</b>  Starnberg, Germany Chairman (since 25.5.2023) 25.5.2023	<b>Entrepreneur and former Chairman of the Management Board of Münchener Hypothekbank eG</b>  Chairman of the Executive and Nomination Committee and of the Remuneration Committee (since 25.5.2023); Member of the Audit and Digitalisation Committee and of the Risk Management and Liquidity Strategy Committee (since 25.5.2023)	<b>LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany</b> – Member of the Supervisory Board  <b>Baader Bank AG, Unterschleißheim, Germany</b> – Member of the Supervisory Board
<b>Hanns-Peter Storr</b>  Schwäbisch Gmünd, Germany Member; Deputy Chairman 12.5.2021	<b>Entrepreneur</b>  Chairman of the Risk Management and Liquidity Strategy Committee Member of the Audit and Digitalisation Committee	<b>BHW Bausparkasse AG, Hameln, Germany</b> – Member of the Supervisory Board
<b>Karim Bohn</b>  Augsburg, Germany Member (since 30.11.2023) 30.11.2023	<b>Chief Financial Officer of Canyon Bicycles GmbH</b>	
<b>Gertraud Dirscherl</b>  Landshut, Germany Member 2.2.2022	<b>Entrepreneur</b>  Chairwoman of the Audit and Digitalisation Committee; Member of the Remuneration Committee and the Risk Management and Liquidity Strategy Committee	<b>Hans DEHN SE, Neumarkt i.d. Oberpfalz, Germany</b> – Member of the Supervisory Board  <b>DEHN SE, Neumarkt i.d. Oberpfalz, Germany</b> – Member of the Supervisory Board
<b>Dr Thomas Duhnkrack</b>  Kronberg/Taunus, Germany Member (until 15.11.2023) 21.7.2015	<b>Entrepreneur</b>  Member of the Audit and Digitalisation Committee and of the Executive and Nomination Committee (until 15.11.2023)	<b>Hauck Aufhäuser Lampe Privatbank AG, Frankfurt/Main, Germany</b> – Member of the Supervisory Board (until 28.4.2023)
<b>Prof Dr Kerstin Hennig</b>  Schmittlen, Germany Member 19.07.2022	<b>University Professor EBS University (until 30.9.2023) Professor Frankfurt School of Finance &amp; Management (since 1.11.2023)</b>  Member of the Risk Management and Liquidity Strategy Committee	<b>DWS Grundbesitz GmbH, Frankfurt/Main, Germany</b> – Member of the Supervisory Board  <b>DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, Germany</b> – Member of the Supervisory Board
<b>Susanne Klöß-Braekler</b>  Munich, Germany Member 12.5.2021	<b>Independent supervisory and advisory board member, Investor, Senior Advisor</b>  Member of the Executive and Nomination Committee and of the Remuneration Committee	<b>ING-DiBa AG, Frankfurt/Main, Germany</b> – Chairwoman of the Supervisory Board  <b>Oddo BHF AG, Frankfurt/Main, Germany</b> – Member of the Supervisory Board  <b>Cembra Money Bank AG, Zürich, Switzerland</b> – Member of the Supervisory Board
<b>Georg Kordick</b>  Poing, Germany Employee Representative 22.2.1990	<b>Bank employee</b>	–
<b>Olaf Neumann</b>  Munich, Germany Employee Representative 12.5.2021	<b>Bank employee</b>	–
<b>Heike Theißing</b>  Munich, Germany Employee Representative 7.7.2011	<b>Bank employee</b>  Member of the Remuneration Committee	–

The Supervisory Board has established four committees in order to perform its supervisory duties in an efficient manner: the Executive and Nomination Committee, the Audit and Digitalisation Committee, the Risk Management and Liquidity Strategy Committee, and the Remuneration Committee.

The committees comprised the following members in the 2023 financial year:

The members of the **Executive and Nomination Committee** are:

Dr Günther Bräunig (Chairman) (until 25 May 2023), Dr Louis Hagen (Chairman) (since 25 May 2023), Susanne Klöß-Braekler and Dr Thomas Duhnkrack (until 15 November 2023)

The members of the **Audit and Digitalisation Committee** are:

Gertraud Dirscherl (Chairwoman), Dr Günther Bräunig (until 25 May 2023), Dr Thomas Duhnkrack (until 15 November 2023), Dr Louis Hagen (since 25 May 2023) and Hanns-Peter Storr

The members of the **Risk Management and Liquidity Strategy Committee** are:

Hanns-Peter Storr (Chairman), Dr Günther Bräunig (until 25 May 2023), Gertraud Dirscherl, Dr Louis Hagen (since 25 May 2023) and Prof Dr Hennig

The members of the **Remuneration Committee** are:

Dr Günther Bräunig (Chairman) (until 25 May 2023), Dr Louis Hagen (Chairman) (since 25 May 2023), Gertraud Dirscherl, Susanne Klöß-Braekler and Heike Theißing

The Executive and Nomination Committee concerns itself with strategic and current issues affecting the Group, as well as with matters concerning the Management Board, for which it prepares corresponding proposals for the plenary meeting. It also advises the Supervisory Board, both regularly and event-driven, regarding issues of Management Board personnel and succession planning, the individual specifications of Management Board contracts, and submits corresponding recommendations to the Supervisory Board. To ensure long-term succession planning for the Management Board, the Executive and Nomination Committee regularly concerns itself, in cooperation with the members of the Management Board, with the further development of the respective skills profiles, and carries out potential analyses of new candidates when required. These activities are based on the internal Suitability Policy, and on pbb's Guideline on Fostering Diversity. In addition, the committee prepares the annual evaluation of the effectiveness of the work of the Management Board, the Supervisory Board and its committees. This includes the ongoing evaluation of individual and collective suitability, which forms the basis from which to identify any need for action. Moreover, it deals with the implementation of the under-represented gender quota for pbb's Supervisory Board and Management Board, and makes proposals for the succession of Supervisory Board members to be elected by shareholder representatives.

The Audit and Digitalisation Committee is concerned with all accounting and digitalisation issues, as well as with the audit of pbb and pbb Group. It is responsible for the preparation, and monitors the audit, of the Annual Financial Statements and Consolidated Financial Statements, the interim reports, as well as the reports submitted by Internal Audit and the external auditors regarding internal and external audit findings. Moreover, the Audit and Digitalisation Committee discusses the impact of current regulatory issues with the Management Board; it concerns itself with the mandate for the external auditors and their audit plan, independence and fees. Furthermore, the Audit Committee submits proposals for the appointment of external auditors to the Supervisory Board, and prepares the Supervisory Board's proposals for the election of external auditors to the Annual General Meeting. The Audit and Digitalisation Committee is also responsible for monitoring the effectiveness of the internal control system and of key controls implemented; it receives regular reports on current litigation, Compliance issues, data protection and IT security, notable accounting issues, as well as the audit plan established by Internal Audit and its implementation. In addition, the Audit and Digitalisation Committee also addresses issues relating to digitalisation and advises the Management Board and the Supervisory Board in this regard. The Digital Advisory Board, comprising external experts, supports the committee; the bodies meet at least twice a year to discuss current developments relating to digitalisation. Via the committee chair, every



member on the Audit and Digitalisation Committee may obtain information directly from the Heads of those central units within the Company that perform the duties concerning the Audit Committee pursuant to section 107 (3) sentence 2 of the AktG.

The Risk Management and Liquidity Strategy Committee supports the Supervisory Board's supervision of risk management and liquidity management; it concerns itself with the risk strategy, reviews the Management Board's risk reporting, and is involved in the credit approval process to the extent laid down in the Rules of Procedure. The committee also regularly discusses new business developments as well as the liquidity and funding status; it looks at all types of risks associated with the banking business, such as credit, market, liquidity and operational risks, taking the Group's risk-bearing capacity into account. The committee also concerns itself with the syndication business, foreclosures and development financings, with write-downs of financial assets affected by impaired creditworthiness, the reporting of own funds in accordance with the German Solvency Regulation, country limits, asset/liability management, and the results of supervisory audits. In addition, it deals with individual loans requiring approval under the Rules of Procedure for the Management Board, with new business, regular re-submissions and approvals for change applications.

The Remuneration Committee monitors whether remuneration systems for the Management Board and for the Bank's employees are appropriate, and prepares the corresponding Supervisory Board resolutions. Furthermore, it deals with the Remuneration Report, the agreement of targets for Management Board members, as well as examining and identifying staff that have risk-taking functions.

#### **OBJECTIVES FOR THE COMPOSITION AND SKILLS PROFILE CRITERIA REQUIRED FOR A SUPERVISORY BOARD APPOINTMENT, AND THEIR IMPLEMENTATION**

In accordance with recommendation C.1 of the Code, the Supervisory Board has defined specific objectives for its composition and resolved upon a profile of skills and expertise for the entire Board in its Rules of Procedure. Details are available on the Bank's website. In addition to these documents, the Supervisory Board has introduced a catalogue of criteria for new Supervisory Board members, which takes into account Company-specific and professional requirements. Furthermore, the Supervisory Board adopted a guideline on the hiring process and suitability check for Management and Supervisory Board members as well as for key personnel (Suitability Policy). This Policy summarises and further specifies the relevant rules – for example regarding the ongoing evaluation of individual and collective suitability. A guideline on fostering diversity in the Management Board and Supervisory Board supplements the Suitability Policy.

The Supervisory Board and the Executive and Nomination Committee take into consideration the composition objectives and requirements for the selection process and nomination of candidates for the Supervisory Board stipulated in its diversity concept. When proposing candidates for election to the Annual General Meeting, the objectives, including the profile of skills and expertise criteria along with the diversity concept, were taken into account. In the Supervisory Board's opinion, it meets the specified composition objectives and fulfils the profile of skills and expertise as well as the diversity concept in its current composition. The members of the Supervisory Board possess the professional and personal qualifications deemed necessary. In addition to the requirements for each individual member, the Supervisory Board considers its members to meet the qualifications required for the Supervisory Board as a whole as follows:

	Dr Louis Hagen	Hanns-Peter Storr	Karim Bohn	Susanne Klöß-Braekler	Gertraud Dirscherl	Prof Dr Kerstin Hennig	Heike Theissing	Georg Kordick	Olaf Neumann
<b>personal suitability</b>									
initial appointment	2023	2021	2023	2021	2022	2022	2011	1990	2021
independence	x	x	x	x	x	x	x	x	x
no overboarding <sup>1</sup>	x	x	x	x	x	x	x	x	x
<b>diversity</b>									
gender	male	male	male	female	female	female	female	male	male
year of birth	1958	1959	1971	1964	1958	1964	1960	1960	1976
education	Banker, Laywer	Banker, Economist	Diploma in business administration	Diploma in business administration	Economist, Auditor	Diploma in business administration	Laywer	Banker	Laywer
<b>professional skills<sup>2</sup></b>									
business model / real estate know-how	x	x	x	x	x	x	x	x	x
international business experience, esp. Europe and USA	x	x	x	x	x	x	x		x
capital market experience	x	x	x	x	x	x	x		x
technology / digitalisation inkl. IT-security and data protection	x	x	x	x	x	x	x	x	x
accounting expert	x	x	x	x	x	x	x		x
audit <sup>3</sup>	x	x	x	x	x	x	x	x	x
risk management inkl. climate and environmental risks	x	x	x	x	x	x	x	x	x
sustainability <sup>4</sup>	x	x	x	x	x	x	x	x	x
compliance and internal audit	x	x	x	x	x	x	x	x	x
legal / Corporate Governance	x	x	x	x	x	x	x		x

As a general rule, more than half of the shareholder representatives on the Supervisory Board shall be independent, in the Supervisory Board's opinion, from the Company, its Management Board and any controlling shareholders. The Supervisory Board shall also not include more than

<sup>1</sup> according to § 25d Abs. 3 KWG

<sup>2</sup> Criteria met, according to a self-assessment of the supervisory board. The cross equals to „medium“ or „high“ for the competence on a basis of their knowledge, experience and trainings to comprehend matters and make informed decisions.

<sup>3</sup> according to § 100 Abs. 5 AktG and inkl. reporting on sustainability

<sup>4</sup> Especially environment, social responsibility and good corporate governance

two former members of the Management Board. Former Management Board members shall not chair the Supervisory Board, or one of its committees. The Supervisory Board considers all Supervisory Board members for 2023 – except Dr Günther Bräunig until his departure on 25 May 2023 – to be independent, taking into account the criteria in recommendation C.7 of the GCGC. Dr Günther Bräunig had been a member of the Supervisory Board for more than twelve years. He has therefore not been considered independent by the Supervisory Board within the meaning of recommendation C.7 of the GCGC. None of the Supervisory Board members is a former Management Board member. Regarding age and diversity requirements, we further refer to the remarks below.

## ACTIVITIES AND GOVERNANCE OF THE SUPERVISORY BOARD

In the year under review, the Supervisory Board assured itself in all cases that the management measures taken by the Management Board were lawful, appropriate, due and proper. The Management Board fulfilled its information and reporting obligations, and informed the Supervisory Board (and/or its committees) in a regular, timely and comprehensive manner, both in writing and orally, about matters and measures relevant to the Company. This also included information on any deviations between target and actual figures or developments. The members of the Supervisory Board had sufficient opportunity, at all times, to critically assess the reports and proposed resolutions submitted by the Management Board, and to make their own suggestions during Supervisory Board committee meetings and in the plenary sessions. The Supervisory Board and its committees may invite experts and persons providing information to their meetings to advise on individual items if so required. In accordance with recommendation D.6 of the GCGC, the Supervisory Board also met regularly without the participation of the Management Board.

In particular, the Supervisory Board held in-depth discussions on, and reviewed the plausibility of, all business transactions material to the Company on the basis of written and oral reports provided by the Management Board.

The members of the Supervisory Board generally take responsibility for undertaking any training or professional development measures necessary to fulfil their duties. The Company supports them to the extent required in this regard. Regular training for Supervisory Board and Management Board members is also provided ahead of the ordinary Supervisory Board meetings through presentations by external speakers. In the 2023 financial year, this annual training programme comprised a total of five training measures on various current topics (cyber risk in the German financial sector, digitalisation and digital transformation at pbb, EU taxonomy, current developments in the CRE markets and ESG).

Due to offices they hold with other parties, particularly credit institutions and real estate investors, some of the Supervisory Board members may conceivably have conflicts of interest which require disclosure to the Supervisory Board, particularly regarding conflicts of interest which may arise due to advice given to, or an office held with, clients, suppliers, lenders or other parties. To the extent that Supervisory Board members or their related parties maintain relationships with clients and/or relationships with other credit institutions, the Supervisory Board's Rules of Procedure provide regulations to avoid or mitigate conflicts of interest, such as the disclosure of imminent conflicts of interest, the waiver of voting rights, or non-participation in relevant discussions during meetings of the Supervisory Board/the committee concerned. These provisions are supplemented by a Bank-wide "Conflict of Interest Policy".

pbb does not grant any loans to Supervisory Board members.

As far as pbb is aware, the members of the Supervisory Board and their closely related parties did not hold any shares in the Company (or any financial instruments based thereon) during the year under review, to an extent that would have been reportable.

During the financial year under review, the Supervisory Board examined the efficiency of its work in line with the requirements of section 25d (11) of the KWG, drawing on external support for this purpose. This included, amongst other things, the use of questionnaires for the ongoing evaluation of individual and collective suitability of Supervisory Board members. At the Supervisory Board meeting held on 23 February 2024, the results of the Supervisory Board and Management Board evaluations for 2023 were discussed, and recommendations for action were derived. The requirements for the composition of the Supervisory Board regarding competence, age and diversity, as laid out in the profile of skills and expertise, are considered fulfilled overall.

Contrary to the recommendation of the CCGC, the then Chairman of the Supervisory Board, Dr Günther Bräunig, chaired the Remuneration Committee until 25 May 2023. Gertraud Dirscherl, Dr Thomas Duhnkrack, Hanns-Peter Storr, Dr Günther Bräunig and Dr Louis Hagen all fulfilled recommendation D.3 of the GCGC (version dated 28 April 2022). In particular, all five have expertise in the areas of accounting and auditing as well as special knowledge and experience in the application of accounting principles and internal control and risk management systems. While Gertraud Dirscherl worked for many years as an auditor and partner at KPMG, among others, Dr Günther Bräunig and Dr Louis Hagen have many years of experience, including as a member and Chairman of the Management Board of KfW and Münchener Hypothekenbank eG, respectively, as well as on the Supervisory Board of various listed companies. Hanns-Peter Storr has many years of experience from his role on the Management Board of Deutsche Bank and Postbank and Dr Thomas Duhnkrack from his many years on the Management Board of DZ Bank AG and on the Supervisory Board of various subsidiaries as well as on the Audit Committee of pbb. Accordingly, the Supervisory Board also fulfills the qualitative requirements of Section 100 (5) AktG. The court-appointed Supervisory Board member Karim Bohn also has expertise in the field of accounting due to his role as Chief Financial Officer at GAGFAH S.A., Süddeutsche Wohnen Group, Patrizia AG and currently at Canyon Bicycles GmbH, among others, and thus contributes to strengthening the qualitative requirements of Section 100 (56) AktG.

### **Succession planning and guidelines for the selection of Management Board and Supervisory Board members**

To minimise the risk of substantial loss of know-how, and to ensure that both the Management Board and the Supervisory Board are capable of acting at all times, the Supervisory Board has set different appointment and election dates for members of the Management Board and Supervisory Board alike. The Supervisory Board, and especially the Executive and Nomination Committee, also concerns itself with the continuous monitoring and refinement of the mid- to long-term succession planning. In line with the Suitability Policy, the Supervisory Board, when making proposals to the Annual General Meeting for the election of new shareholder representatives, ensures beforehand that the proposed candidates fulfil the statutory, regulatory, professional and personal requirements applicable to the respective position, and that when taking into account the knowledge of the respective candidate, specific goals for the composition of the Supervisory Board derived from the profile of skills and expertise for the entire Board are (or would be) complied with. Furthermore, the Supervisory Board makes sure that the respective candidates are able to dedicate the time required for the position.

In the reporting period, the Supervisory Board resolved at its meeting on 10 January 2023 to propose Dr Louis Hagen for election to the Supervisory Board at the Annual General Meeting, thereby taking an important step in terms of succession and continuity on the Supervisory Board. At the Annual General Meeting held on 25 May 2023, Dr Louis Hagen was elected to the Supervisory Board by the shareholders and - as intended - was subsequently appointed Chairman of the Supervisory Board by the Supervisory Board. He thus succeeded Dr Bräunig, who retired from the Supervisory Board at the end of the Annual General Meeting. Prof Dr Kerstin Hennig was also elected to the Supervisory Board by the Annual General Meeting as a shareholder representative (as successor to Oliver Puhl). In addition, at its meeting on 10 November 2023, the Supervisory Board passed a motion for the court appointment of Karim Bohn as successor to Dr

Thomas Duhnkrack. Mr. Bohn was subsequently appointed by the court as a member of the Supervisory Board with effect from 30 November 2023.

With regard to Andreas Arndt's contract, which expires in April 2024, the Supervisory Board initiated a structured selection process for the search of a suitable successor at an early stage and ultimately found an ideal candidate in Mr. Kay Wolf, previously of Deutsche Bank AG. The Supervisory Board appointed Kay Wolf as the new Chairman of the Management Board. After obtaining the necessary regulatory approvals, he joined the Executive Board on 1 February 2024 and, after a short induction period, succeeded Andreas Arndt, who retired at the end of February 2024, on 1 March 2024. In addition, Dr Pamela Hoerr joined pbb's Management Board as planned on 17 January 2024.

Further details on the work of the Supervisory Board are presented in the Report of the Supervisory Board, which is published in the Annual Report.

## OTHER DISCLOSURES REGARDING CORPORATE GOVERNANCE STANDARDS

### Transparency

Information provided by pbb on its website includes all key details regarding the Annual Financial Statements and Consolidated Financial Statements, the half-yearly report, quarterly reports or statements, the financial calendar and mandatory disclosures such as voting rights and ad-hoc disclosures. Within the framework of Investor Relations activities (such as press and analysts' conferences, as well as roadshows) and via Corporate Communications, the Group provides additional, regular information on the latest corporate developments. The Corporate Governance Statement (including the Declaration of Compliance with the German Corporate Governance Code) is permanently available on pbb's website.

### Risk Management

Risk management and risk control are key tasks within the scope of pbb's overall bank management. Through the business and risk strategy, the Management Board sets the framework for pbb's risk appetite and risk-bearing capacity in its business activities. Monthly risk reports to the Management Board provide an extensive analysis of the Bank's overall risk situation; adjustments are made where necessary. The Supervisory Board is informed about the risk situation on a regular basis, at least once a quarter. For further details on the Bank's risk management and controlling system, please refer to the Risk and Opportunity Report within the published Annual Report.

### Compliance Management System

The objective of the Compliance function at pbb is to ensure compliance with all relevant legal rules and obligations at both national and international level (legal security), Company-specific rules, guidelines and instructions (process security) and ethical and moral standards and norms, and expectations (behavioural security). pbb has set up a Group-wide compliance management system (CMS) comprising all measures, structures and processes established within the organisation, to ensure compliance with applicable rules and regulations.

At the core of the norms pbb must adhere to lie the CRR, the German Banking Act, the German Money Laundering Act, the German Securities Trading Act, the EU Market Abuse Regulation, the German Pfandbrief Act, and the regulations and guidelines based on these documents. Numerous internal guidelines and instructions, such as the comprehensive compliance guidelines, as well as guidelines on preventing money laundering (Prevention of Money Laundering and Terrorist Financing) and combating other criminal actions, are binding for all employees. By offering revolving training measures for (and advisory services to) employees, and by carrying out control

activities, the Compliance department works towards employees internalising the rules and towards ensuring compliance with statutory and other legal requirements considered material for pbb, together with the requirements of the compliance management system.

A prerequisite for the effectiveness of the compliance management system is the promotion of an effective compliance culture. Transparent, fair, responsible and honest conduct – with the required degree of expertise, professionalism and integrity in dealings with one another and in relation to clients and business partners, competitors and the public – is deeply rooted in pbb. It provides the foundation for the Bank's business success, and requires that the relevant legal, supervisory and internal provisions as well as other relevant laws and regulations are implemented and adhered to. Within pbb, the Group's Code of Conduct set out the ethical and legal framework. The Code of Conduct serves as the basis for voluntary self-regulation and includes the mandatory requirements that pbb places upon all its employees. In addition, pbb Group has implemented Human Rights Guidelines. These supplement the Code of Conduct and define the requirements that the Group expects both itself and its stakeholders to meet when it comes to respecting and safeguarding human rights. A whistleblowing system permits anonymous reporting in the event of a specific suspicion concerning a violation or any fraudulent or illegal activities.

For further details on pbb's compliance-management system, please refer to the Non-financial Report.

### Sustainability

Companies must assume responsibility for their actions in the environment in which they operate. For pbb Group, this means being aware that one's own actions make a substantial contribution to securing a long-term future – and taking into account the consequences of those actions for all stakeholders as well as for society and the environment. pbb Group is convinced that sustainable and responsible business practices based on law-abiding and honest conduct and adherence to high ethical principles, assuming social responsibility, conserving natural resources and protecting the climate are essential when it comes to securing the Company's future and increasing its value. Accordingly, pbb takes sustainability-related objectives into account in its corporate planning and in its internal control and risk management system. Capturing sustainability-related data is of particular importance in this context. The ESG Committee is a vital instrument for embedding sustainability topics in pbb Group. It is comprised of the Management Board members, the competent heads of divisions and the main members of the ESG Programme Management team. This broad-based composition is designed to take account of the sustainability requirements in pbb's core business, but also in the management of ESG risks. For further details on pbb's sustainability strategy, please refer to the separately published Non-financial Report available on pbb's website.

### Remuneration Report

The Remuneration Report in accordance with section 162 of the German Stock Corporation Act (AktG) is published alongside the Annual Report and explains the structure, form and amount of the remuneration of the Management Board and Supervisory Board in individualized form. It also provides an overview of the remuneration system for employees and describes the governance structure in the area of remuneration. The remuneration for the Supervisory Board is presented in accordance with the Articles of Association and the individual remuneration components (monetary remuneration, fringe benefits and retirement benefits) for the Management Board are presented in individualized form. It also provides an overview of the remuneration system for employees and describes the governance structure in the area of remuneration. For specific information on share option programs and similar securities-based incentive systems, please refer to the remuneration report. The Remuneration report can be viewed here: [https://www.pfandbriefbank.com/fileadmin/user\\_upload/downloads/investor\\_relations/reports/2403\\_Verguetungsbericht\\_2023\\_en.pdf](https://www.pfandbriefbank.com/fileadmin/user_upload/downloads/investor_relations/reports/2403_Verguetungsbericht_2023_en.pdf)

This remuneration report does not include quantitative information on employee remuneration in accordance with Article 450 CRR in conjunction with section 16 of the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – “IVV”). This can be found in the Disclosure Report of pbb Group:

<https://www.pfandbriefbank.com/en/investors/mandatory-publications/disclosure-report-in-accordance-with-eu-regulation-eu-n.html>

### Related Party Transactions

Please refer to the notes to the Consolidated Financial Statements for further information regarding related party transactions. In addition, the Bank has established a procedure for identifying related party transactions which, in specific cases, must be approved by the Supervisory Board and disclosed pursuant to sections 111a et seq. of the AktG.

### Accounting policies

pbb prepares its Annual Financial Statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – “HGB”); its Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted for use in the European Union. The Management Board prepares the Annual and Consolidated Financial Statements. The external auditors submit their report on the audit of the Annual Financial Statements and Consolidated Financial Statements to the Supervisory Board. The ordinary Annual General Meeting appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte) as the external auditors of the Annual and Consolidated Financial Statements for the 2023 financial year. Having ascertained the independence of the external auditors, the Supervisory Board appointed the external auditors and defined the focal points of the audit. Details regarding the fees paid to the external auditors are provided in the notes to the Consolidated Financial Statements.

Deloitte, external auditors of the Annual and Consolidated Financial Statements elected by the ordinary Annual General Meeting, audited the Annual Financial Statements and Consolidated Financial Statements as well as the Combined Management Report of pbb as at 31 December 2023, issuing an unqualified audit opinion. Deloitte has submitted a declaration of its independence to the Supervisory Board. The Bank has published the Non-financial Statement, a mandatory section of the Management Report, in a separate Non-financial Report. In the context of its audit obligation, the Supervisory Board made use of the possibility of a content-related external audit of the Non-financial Statement, carried out by Deloitte in the course of a separate appointment.

All Supervisory Board members received the financial statements documents and audit reports in good time. The Audit and Digitalisation Committee addressed the financial statements documents at its meeting on 21 March 2024. The Annual Financial Statements and Consolidated Financial Statements, the Combined Management Report as well as audit reports were discussed in detail with the Management Board and representatives of the external auditors. Following its own review, the Supervisory Board did not raise any objections to the audit results submitted by the external auditors. In the accounts review meeting held on 22 March 2024, it approved the Consolidated Financial Statements prepared by the Management Board, and the Annual Financial Statements were adopted. Details regarding the examinations carried out by the Supervisory Board, and the results of such examinations, are provided in the Report of the Supervisory Board.

### Diversity, and disclosures pursuant to section 289f (2) nos. 4 to 6 of the HGB

In its Code of Conduct (which is also published on pbb’s website), pbb has committed itself to respect all people, independent of age, sex, race, social background, skills, sexual orientation or religion. The Group explicitly welcomes and fosters diversity amongst its staff members, and management and supervisory bodies – this includes safeguarding the principle of equal opportunity, whilst rejecting discrimination of any kind. Since 2010, pbb has been a signatory to the



Diversity Charter. Signatories to the Diversity Charter undertake to create a working environment free of prejudice and exclusion, and to establish an open corporate culture based upon mutual respect and the diversity of society. Diversity with regard to age, sex, educational and professional background as well as national identities is an important requisite for pbb Group's competitiveness and sustainable business success.

The Management Board and Supervisory Board also consider the principle of diversity in the context of their long-term succession planning and in decisions on appointments to the Supervisory Board and the Management Board. pbb especially considers different, complementary profiles, professional and life experiences – also in the international area – as well as an appropriate gender representation in the executive bodies, as factors of diversity in the makeup of the Management Board and Supervisory Board. In its Rules of Procedure, and based on catalogues of criteria concerning personal aptitude and professional skills for new members of the Management Board and Supervisory Board, the Supervisory Board has adopted standards for its composition and the qualification of its members. These standards are supplemented by the profile of skills and expertise for the Supervisory Board and by guidelines concerning the suitability check for Management and Supervisory Board members as well as on fostering diversity within the Management Board and Supervisory Board.

In principle, every candidate must be reliable and sufficiently qualified; he or she must ensure sufficient availability to exercise his or her office. Besides holding the necessary professional skills with regard to management and sector experience, candidates shall be trustworthy and of high integrity. Likewise, the selection of candidates shall take their requisite independence into account. Where several candidates are being considered, the goal of achieving maximum diversity shall also be considered. Moreover, the composition of executive bodies is supposed to reflect pbb Group's international activities as well as the structure of the workforce.

Specific requirements exist with regard to the age and gender of Supervisory Board and Management Board members. For instance, the members of the Management Board should generally not be older than 60 years. All current Management Board members except Andreas Arndt satisfy this requirement. The Supervisory Board consciously accepted this exception in order to safeguard stability in the composition of the Management Board after pbb's privatisation was completed in 2015, as well as to secure Mr Arndt's long-standing experience for pbb.

As a rule, the members of the Supervisory Board should not be older than 70 years, and the term of office of a Supervisory Board member should generally end upon the close of the ordinary Annual General Meeting following their 70th birthday. As a rule, members of the Supervisory Board should not serve for more than three full terms of office (as defined by section 102 (1) of the AktG). pbb currently complies with these rules.

A key aspect of the diversity concept pursued by pbb is the issue of gender balance: in principle, when appointing executive staff, pbb endeavours to ensure that the under-represented gender is appropriately represented. The Supervisory Board accordingly set the following target levels, most recently in May 2022, which are applicable until 30 June 2027:

- > Target female quota for Supervisory Board members: 30%
- > Target female quota for Management Board members: 20%

As of 31 December 2023, the proportion of women on the Supervisory Board was 44%, the same as on the previous year's reporting date. The proportion of women on the Executive Board remained unchanged at 0%. Dr Pamela Hoerr initially joined the company on 17 April 2023 as a General Representative and - following regulatory approval granted in the meantime - was appointed as a member of the Management Board as planned on 17 January 2024. This means that the target of 20% women on the Management Board will now also be met in the current financial year. In principle, the Supervisory Board remains committed to specifically taking into



account the underrepresented gender when making appointments or expanding the Management Board, provided that they are suitable and qualified.

In April 2022 the Management Board also set target female quotas for the first and second management levels below the Management Board, increasing them by 5%, respectively. This brings the quotas targeted by 30 June 2027 to:

- > Target female quota for the first management level below the Management Board: 20%
- > Target female quota for the second management level below the Management Board: 20%

At the first management level below the Management Board, the target quota was achieved once again in 2023 with a 26,3% share of female employees. The female quota at the second management level below the Management Board amounted to 12,9%. With these target figures, pbb underlines its commitment to increasing the number of women in management positions and to specifically consider women with the appropriate skills and qualifications when filling vacant positions. A higher awareness for this topic, across all levels of hierarchy, together with a corresponding management and corporate culture, also contribute to this objective. Moreover, pbb offers employees attractive working conditions – especially flexible working hours and remote working opportunities, which help to balance family and working life. Please refer to the Non-financial Statement for further details.

## Imprint

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