



**DEUTSCHE
PFANDBRIEFBANK**

Report on Remuneration Transparency 2022

Deutsche Pfandbriefbank Group

Report on Remuneration Transparency

This report contains the disclosures by Deutsche Pfandbriefbank AG ("pbb") as required pursuant to section 21 of the EntgTranspG.

The first section of the report explains measures taken by pbb to promote the equal treatment of women and men, and the impact of such measures. Statistical disclosures required under section 21 (2) of the EntgTranspG are also provided in this context. The second section of the report outlines measures designed to ensure equal pay for women and men.

Measures to promote the equal treatment of women and men, and the impact of such measures

pbb employs women and men from many different nationalities with different skills and different backgrounds. This workforce forms the basis for sustainable corporate success. Promoting diversity and the personal growth of our employees, with fair working conditions, is at the heart of pbb Group's HR work.

pbb respects all human beings and fosters diversity amongst its staff. Since 2010, pbb has been a signatory to the Diversity Charter, thus demonstrating its fundamental commitment to the economic benefits of diversity, tolerance and fairness among a company's employees as well as among its customers and business partners. It is committed to creating a working environment that is free of prejudice and exclusion, and which aims to establish an open corporate culture based on mutual respect and the involvement of stakeholders. This vision is something we actively live. All staff members are treated with fairness, dignity and respect. pbb Group has zero tolerance with regard to unfair or discriminatory behaviour towards its staff. pbb is committed to the principles of equal treatment in the selection of staff. Employees are assessed on their performance alone.

pbb places particular emphasis on the topics of gender balance and the promotion of women. In particular, the Bank is promoting the appointment and development of women in a targeted way. To this end, pbb has launched various talent and career-advancing programmes and also targets women when recruiting new employees. 41% of employees recruited from outside in 2022 were women. Overall, the share of female employees at pbb was 38% in 2022.

pbb also offers all its employees excellent working conditions to better balance family and working life:

- > It has implemented family-friendly flex-time models specific to the Bank, which harmonise employees' personal lives with pbb's operational requirements. Specifically, pbb's work-time organisation takes employees' family responsibilities into consideration: this includes the open handling of everyday family situations. Subject to coordination within their team, employees are thus able to respond to unexpected situations at short notice – for example, picking up their children from childcare in case of urgent need, or to bring them to the office for a limited time.

In 2021, pbb undertook a fundamental revamp of the overall regulations for making work more flexible. Employees are entitled to make use of options for remote working. This entitlement can be used on two fixed days a week for employees who do not take part in the electronic time recording system, and on one fixed day a week for employees who do take part in the electronic time recording system. Every employee has the right to switch from electronic time recording.

- > The promotion of female pbb staff has been incorporated into the respective target-agreement process for divisional targets since 2016, therefore including this aspect in determining variable remuneration for employees.
- > Through its cooperation with pme Familienservice, pbb offers all its employees a range of agency and selective advisory services, which provide advice especially on topics such as childminding and care for the elderly.
- > Parental leave is granted in line with statutory provisions; when employees return from parental leave, their working hours are organised with a high degree of flexibility. Furthermore, pbb is subject to the collective wage agreement for the German private banking sector and public-sector banks; in certain conditions, this provides for extended parental leave.
- > Similar to the situation in France and in the UK, childminding costs for children that have not yet reached school age is subsidised in Germany as well. The maximum subsidy in Germany amounts to €100 per month and child.

pbb also participated in the FKI Women's Career Index study in 2022/2023 with the objective developing further measures to promote women.

Details on employee relationships in accordance with section 21 (2) of the EntgTranspG*

| Year | Men | | Women | | Total |
|------|-----------|-----------|-----------|-----------|-------|
| | Part time | Full time | Part time | Full time | |
| 2016 | 12.7 | 479.3 | 101.6 | 208.3 | 801.9 |
| 2017 | 13.7 | 462.3 | 100.2 | 202.4 | 778.6 |
| 2018 | 16.0 | 456.3 | 108.6 | 203.8 | 784.7 |
| 2019 | 22.4 | 457.7 | 111.1 | 198.3 | 789.4 |
| 2020 | 22.0 | 471.3 | 116.4 | 193.8 | 803.6 |
| 2021 | 46.5 | 461.3 | 133.1 | 182.7 | 823.6 |
| 2022 | 38.3 | 472.3 | 122.4 | 193.9 | 826.9 |

*Average FTE (excluding interns, working students and external staff) of the respective years; there may be deviations from standard information as at the reporting date.

Measures to ensure equal pay for women and men

The system and structure of remuneration at pbb ensures a high degree of equal pay for women and men.

a) Tariff employees

Remuneration for tariff employees is governed by the collective wage agreement for the German private banking sector and public-sector banks. pbb is a member of the employers' association for the private banking sector (AGV Banken). Tariff employees are assigned to a grade along the scale agreed in collective agreement, based on the work they do. This ensures that remuneration is in line with sector standards, and solely based on the respective employee's qualification, tasks, function and professional experience – and is provided without regard to race, ethnic origin, gender, religion or belief, disability, age or sexual orientation. Tariff employees and their remuneration participate in the development of collective wage negotiation rounds.

b) Non-tariff employees

To ensure that remuneration for non-tariff employees is both appropriate and fair, each function performed by pbb staff has been assigned to an overarching group of functions, using an established industry framework for classification and allocation of functions (the Towers Watson Career Map Model). Within this framework, functions are in turn allocated to one of three so-called career paths (M = Management; P = Professional and T = Services/Administration), and to different career levels within these career paths. With this functional classification system, pbb has established a framework which allows for different activities within the Bank to be allocated – based on qualifications, duties and functions, performance and professional experience.

The functional classification system deployed by pbb forms the basis for setting and developing the remuneration of non-tariff employees. For this purpose, pbb applies remuneration bands itself, with reference to job families and career levels; these remuneration bands are regularly reviewed and adjusted (if necessary) using external benchmarks, based on the functional classification system, as to whether they are in line with prevailing market conditions. The salary for each employee is determined, within the applicable remuneration band, when he or she joins pbb. Going forward, remuneration within the applicable band will develop in line with the degree of his or her target achievement regarding the respective function performed. The degree of target achievement is determined on the basis of the knowledge, experience, soft skills and personal aptitude that are recognisably contributed by the employee. An analogous process is applied for executive staff.

Their individual functional classification, as well as their position within the remuneration band, are transparently disclosed to employees: pbb informs each employee about the fixed salary band applicable for his or her function when joining the Bank, and in the event of any change.

Hence, both the setting and the further development of salaries paid by pbb are based on a fair, transparent, performance-based and recognised system which is in line with prevailing market conditions – without regard to race, ethnic origin, gender, religion or belief, disability, age, or sexual orientation.

pbb will also be carrying out an econometric analysis in 2023, to determine any potential gender pay gap and derive corresponding measures from it.

c) Requirements applicable to all employees

Variable remuneration, which applies for all employees in as uniform and viable a manner as possible, is determined in pbb using a transparent and formalised process. Allocation of variable remuneration is based on the achievement of qualitative and quantitative targets at both divisional and individual levels – to the extent possible, reference will be made to pbb Group's business and risk strategy; target achievement will be determined for every division and every employee at pbb Group.

The qualitative and quantitative divisional targets are established on an annual basis and derived from the corporate targets and the business plans made for the respective financial year. A calculatory reference value representing 100 % target achievement is defined, in advance, for each target, to facilitate measuring the level of target achievement and hence, determining variable remuneration. The divisional targets are approved by pbb's full Management Board. The respective divisional targets are communicated to all employees at the start of the year.

At the individual level, every employee is provided with an annual target agreement comprising quantitative and qualitative targets for the current financial year. In this context, extra care is taken to ensure that targets are non-discriminatory and without gender reference. The measurement of every target is based on indicators, allowing transparent performance assessments at the end of every financial year. pbb conducts annual employee reviews. The structured employee review takes place between each employee and his or her manager, for the purpose of assessing the employee's performance during the year under review, and for agreeing upon targets for the following financial year. Accordingly, the employee review is a key instrument for establishing a common understanding of performance standards, as well as on concrete targets and expected results. For this purpose, the discussion focuses on priority issues for the respective financial year, which need to be aligned with (or are derived from) the business and risk strategy. Employee review and performance appraisal are key management tools which ascertain that staff activities and priorities are aligned with target achievement and the Bank's performance, and ensure fair and non-discriminatory remuneration. Human Resources supports and monitors the regular conduct of employee reviews. A guideline for managers and employees containing important information on target agreements and employee review discussions is available on pbb's intranet.

Seven individual claims for information in accordance with section 10 et seqq. German Act to Promote Transparency of Pay Structures (*Entgelttransparenzgesetz* – "EntgTranspG") have been made since 2016.

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