# Non-Financial Report 2022

Deutsche Pfandbriefbank Group

# Contents

# Non-financial Report

Pursuant to sections 315b-c in connection with section 289b-e of the German Commercial Code (HGB), Deutsche Pfandbriefbank AG (pbb) has published this separate, combined non-financial report, prepared in line with the German Sustainability Code (DNK) and in accordance with the requirements of the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz).

The disclosure pursuant to Regulation (EU) 2020/852 (Taxonomy Regulation) complies with the requirements under Art. 8 (1) and (3) of the EU Taxonomy Regulation and the related specifications pursuant to Art. 4 and 10 (2) of the relevant Delegated Regulation (EU) 2021/2178

# Sustainability Strategy

For pbb Group, sustainability means making a substantial contribution to securing a long-term future through it's actions – and taking into account the consequences of those actions for all stakeholders. It is the Group's goal to combine long-term economic success with aspects of sustainability in the best possible way, thereby creating lasting benefits for society and the environment while protecting natural resources. In view of its role as a bank, pbb Group, as part of the financial industry, has a key role to play in the transformation of the economy and society towards greater sustainability. pbb Group sees it as its duty to increasingly channel investment capital into sustainable forms of use.

Integrity, responsible corporate governance and adherence to high ethical principles are, from the perspective of pbb Group, necessary prerequisites for long-term business success. pbb Group takes into account not only the statutory, regulatory and supervisory requirements, but also the needs of its clients and the expectations of investors, the general public and its employees. A regular, open and two-way dialogue is essential to ensure that pbb Group identifies the needs of all stakeholder groups at an early stage and afford them sufficient consideration in decision-making processes.

pbb Group is working to permanently embed the three pillars of ESG: climate and environment (E), social (S) and the legal and factual aspects of corporate governance (G) at the core of its business. Integration of ESG into the Group's processes, product range and corporate culture continues to progress. Following the initial project to design the ESG programme, the relevant content and processes are now being successively integrated into the individual divisions of the Bank. The central control of topics and processes via the ESG programme and a newly established ESG Office will remain in place.

pbb Group is fully committed to respecting, upholding and strengthening human rights and to preventing abuses thereof. This commitment applies not only to its own business activities, but extends along the entire pbb Group supply and value chain. The Human Rights Guidelines and a Code of Conduct serve as a framework in this regard.

**OBJECTIVES**

pbb Group has expressly undertaken to adhere to the Paris Climate Agreement, which targets a limitation of global warming to 1.5 degrees compared the pre-industrial age. Accordingly, the Bank is working to align its credit portfolios and its operations with the 1.5-degree target. With the goal of achieving this by 2050, pbb Group has set itself a fundamental long-term climate target that underlies strategic management.

Five overarching strategic ESG objectives have been identified:

- transformation of the business model and positioning of pbb as a transformation financier,
- sustainable funding/financing and compatibility with the Paris climate targets,
- meeting regulatory requirements,
- sustainable business ecology, and
- transparency, disclosure and communication to bolster financial solidity, expand the business and remain an attractive investment

In 2022, pbb Group undertook to uphold the ten principles of the UN Global Compact (UNGC).

Moreover, pbb Group is committed to the Sustainable Development Goals (SDGs) of the United Nations. The SDGs serve to generally preserve sustainable development at an economic, social and environmental level and have been incorporated into pbb Group's sustainability strategy. The following goals have been identified as particularly relevant for the Bank:

- ensuring affordable and clean energy through funding to increase the energy efficiency of buildings (derived from SDG 9),
- providing funding for new housing (derived from SDG 9),
- actively contributing to the decarbonisation of the real estate sector and reducing pbb's own environmental footprint (derived from SDG 11),
- promoting gender equality and decent work (derived from SDGs 5 and 8),
- economic growth (derived from SDG 8)

These goals actively feed into the strategic ESG objectives defined above.

**PRODUCTS AND PORTFOLIO**

Given that the real estate sector accounts for roughly 38% of all $CO_2$ emissions, there is an urgent need for transformation in it.[1] pbb Group aims to be a transformation partner for its clients, and to continuously expand and strengthen this position. In the (re-)financing, pbb Group is very well established in the market for the issuance of green bonds and intends to further expand this position.

The sustainability strategy is focused on providing support for financing the acquisition of green properties, green developments and transformation projects (manage to green) such as energy-efficient refurbishment to improve the energy efficiency of existing buildings. Since the fourth quarter of 2021, pbb Group has been offering green loans, and the pbb Green Loan Framework has been developed to assess which properties and financing projects are "green". It is geared toward two elements: pbb's own scoring model or the EU Taxonomy.

[1] United Nations Environment Programme (2020). 2020 Global Status Report for Buildings and Construction: Towards a Zero-emission, Efficient and Resilient Buildings and Construction Sector

The pbb scoring model assesses properties/projects based on the three pillars of energy efficiency, green building certification and further sustainability factors, such as distance to public transportation and local amenities, use of sustainable energy or inclusion of biological diversity aspects. A property is classified as green – and is thus eligible for green loan financing – when it reaches a score of 60 points or more. Alternatively, a loan is eligible for green loan financing if it complies with the EU Taxonomy.

pbb Group has defined specific indicators and targets for the active and strategic management of its assets. By 2024/25, assets eligible for green loan financing are planned to account for 30% of the commercial real estate finance portfolio. The Bank also considers the volume of new business in green loans and the volume of new business in green CapEx/green developments to be relevant management indicators. The latter are geared towards leveraging the potential of financing the transformation of non-green to green assets in new and existing business. The targets and related management approach are currently under development, but new business planning already includes specific green loan targets that serve toward achievement of the 2024/25 objective.

On the liabilities side, pbb Group may – under certain conditions – refinance green assets via green bonds, which generate funding for activities (in this case, financing new or existing properties) that explicitly help to prevent or mitigate environmental or climate damage. This interactive combination of pbb's asset and liability products promotes the allocation of funding resources to environmentally-friendly investments and ultimately the achievement of socially and politically sought climate targets.

The pbb Green Bond Framework on which the issued green bonds are based was published in 2020 and follows the ICMA Green Bond Principles. Under this framework, to be classified as green and considered eligible for green bond funding, an asset must comply with at least one of the two criteria: green building certification or energy efficiency performance. Within the scope of its audit, the dedicated Green Bond Committee also refers to an exclusion list which focuses primarily on building utilisation. Decisions made within the audit must be unanimous. pbb Group can issue green bonds both as Pfandbriefe and as senior unsecured (preferred and non-preferred) bonds.

As at 31 December 2022, the total volume of pbb Group's outstanding green bonds amounted to €2.86 billion. The outstanding green bond volume will serve as a management indicator going forward, helping to make the Bank's funding portfolio consistently more sustainable.

Aside from ESG financing products (green loans, green CapEx/developments, green bonds), continuous analysis of the existing portfolio is vital for pbb Group to ensure comprehensive transparency and possibilities to manage the sustainability of pbb's portfolios. This is particularly important for reaching pbb's long-term climate/carbon emissions target. To this end, pbb Group has made a concerted effort in 2022 to collect data on the loan portfolio and will continue to develop the necessary infrastructure for this purpose in the course of its ongoing business operations.

With a focus on transparency (within the climate dimension), pbb Group has defined another key management indicators: a transparency rate for the E score, energy consumption and energy performance certificates (EPCs) within the REF portfolio. Going forward, pbb also intends to use active climate management to align the portfolio to climate target-compatible transition paths. At the same time, pbb Group aims to actively manage the Green Asset Ratio (GAR) and Banking Book Taxonomy Alignment Ratio (BTAR), which are relevant for the EU Taxonomy. For these indicators, too, specific targets and a management approach are being defined.

Actively managing transitory and physical risks associated with climate change is an important focus, as highlighted by the Bank's risk strategy and lending practices. It goes without saying that compliance with ever-changing regulatory requirements is key, which is why pbb Group actively tracks regulatory shifts under the strategic objective of meeting regulatory requirements. Additionally, pbb Group has developed risk analysis tools for the identification of ESG risks at Bank and individual exposure level and has purchased analysis data from third party providers. All of this requires us to develop and implement a suitably holistic ESG data model as part of the Bank's overall data model.

In order to ensure sustainable management of the environmental (E) dimension, pbb Group has laid the foundations by carrying out a systematic retrospective collection of client data relevant for climate management and anchoring the future collection of this data within its standard processes. Based on the client data collected, pbb has assigned an E score to material portfolio segments, as well as examining the decarbonisation path of the properties and reporting on this internally.

Aside from actively managing the existing portfolio, pbb Group also considers the clients' perspective. In an initial structured dialogue with clients, it was analysed how they perceive the topic of sustainability in general and the associated transformation pressures as well as the resulting business opportunities and credit product needs in particular. As part of these discussions, pbb Group also presented its ESG competencies and products. In the long term, based on these exchanges, a systematic client dialogue with appropriate platforms for discussion is to be established in order to shape the transformation together.

### ORGANISATION AND CULTURE

pbb Group has been systematically integrating ESG into its governance structures. For instance, an ESG programme (ESG@pbb) was launched in 2021 and continued intensively in 2022, addressing all three ESG dimensions. In five projects and three overarching working groups, this programme addresses ESG topics of particular relevance for pbb (strategy, environment, social aspects and good governance, as well as ESG risk, data management, communication and reporting). pbb Group's full Management Board established the ESG Committee in July 2021 as a specialist committee to monitor the progress of the programme. The committee is primarily responsible for developing an ESG business and risk strategy, and for monitoring the corresponding implementation. In July 2021, the Management Board also set up an ESG Programme Management team, whose task is to bundle and manage Bank-wide ESG topics, support the ESG Committee and prepare the decisions to be passed by it. Progress in the programme is reported to the Supervisory Board twice a year.

To ensure that ESG topics within pbb Group are advanced in the long term, independent of specific projects, the Bank is concentrating on ESG operationalisation. It is shifting from a project approach to decentralising ESG topics across divisions and core processes in order to ensure that they are deeply embedded throughout pbb Group. To achieve this, a holistic ESG training concept was drawn up in 2022 under which employees from different divisions are trained according to their specific needs. It ranges from basic training with self-study modules (so-called Learning Nuggets, available on the intranet) to external education offers for the professional development of ESG experts for some of pbb's divisions. This model focuses on synergies which emerge when working on ESG topics, the smooth integration of ESG-related tasks into standard processes and the acquisition of specific ESG know-how in the various departments. In this context, a long-term ESG governance target has been developed, which pbb Group aims to achieve.

As part of the ESG operationalisation process, pbb has passed on already developed ESG topics for integration into the relevant divisions and standard processes. This frees up programme staffing resources to deal with newly arising ESG topics. In addition, pbb has established an ESG Office, which is now responsible for the management of cross-divisional ESG tasks and the coordination of divisional tasks. Its responsibilities also include long-term monitoring of ESG topics and setting up new project structures to address newly arising ESG topics. The ESG Office will also further advance the operationalisation of programme management.

pbb has established two indicators to track and promote progress in the areas of organisation & culture: one indicator for the management of professional development measures and one for the number of female employees in the various management levels. Further indicators are planned (for talent development, employee support, health & safety, gender pay gap, manager-to-worker pay ratio). ESG is also an integral component of pbb Group's remuneration strategy, forming one of the Bank's corporate strategic priorities.

**ESG ENGAGEMENT/CSR**

pbb Group is continuously and sustainably reducing its own ecological footprint. Our approach to this is analytical: in accordance with the Greenhouse Gas Protocol, all company-related greenhouse gas emissions (including upstream and downstream business processes) are divided into three categories – Scopes 1, 2 and 3 – to form a precise database. Even though the focus is on avoidance and reduction, some emissions are incurred which cannot be avoided (base consumption). This base consumption has been partially offset by purchasing emission certificates.

Material reference points for reducing emissions are, in particular: energy-saving measures to be implemented in the buildings used by pbb Group, re-organising workflows, energy-efficient office equipment and more ecological mobility offers, such as the proximity of offices to public transport or the provision of electric charging points.

Moreover, aspects relating to the Bank's ecological responsibility (Scopes 1, 2 and 3, excluding pbb's loan portfolio) will also be included into pbb Group's strategic management. Some of the necessary data is already being collected, and some target values have already been defined.

In order to involve pbb's staff, a group was created under the ESG programme (sub-project stream Environment) in the second half of 2022 to develop various offers and formats in line with the three guiding principles of providing information, collecting ideas, and offering activating measures, with the goal of improving pbb's footprint both from an ecological and social perspective. First formats were planned and executed at the end of 2022; others will follow in the course of 2023.

Corporate Social Responsibility (CSR), is primarily addressed through pbb's foundations and charitable donations.

pbb Group fulfils its responsibility towards society through a variety of initiatives:

- pbb Stiftung Deutsche Pfandbriefbank supports projects to promote the arts and culture, with a particular focus on the targeted support of young talent.
- pbb Stiftung für Kunst und Wissenschaft focuses its activities in the federal state of Baden-Wuerttemberg, promoting intellectual and artistic work expertise.

pbb Group enhances its backing of primarily cultural and academic work through the financial support of charity organisations. For example, the Bank supports the St Nikolaus children's hospice based in the Allgäu region, which acts as a retreat for families with children who are terminally ill or who suffer from a life-limiting illness.

pbb Group runs a corporate volunteering programme in partnership with Dominik-Brunner-Haus der Johanniter in Munich, where the volunteers offer English lessons for the young people served by the charity that individually supports children from socially disadvantaged backgrounds. The purpose is to break the frequent cycle of poverty, social discrimination, low educational attainment, limited Integration and missing educational opportunities by supporting children in the programme.

In addition, pbb Group promotes the voluntary commitments of its staff, e.g. by donating on request to charities where pbb employees volunteer.

pbb Group strives to continuously develop its sustainability management. Potential steps involve, in particular, rasing people's awareness of existing programmes – for example, through publication on the ESG Intranet or as part of a potential pbb volunteer day/ESG information day – and developing new approaches to sustainability management for the Group.

# Materiality Analysis

To identify those aspects of sustainability that are material for pbb Group and its stakeholders, pbb Group carried out an extensive materiality analysis in 2019, which has since then been reviewed annually for validity and adjusted as necessary. Ongoing dialogue with internal and external stakeholder groups has been key in the analysis process.

In addition to the topics of employee matters and social concerns, corporate governance and environmental issues, particular emphasis was placed once more on the identification of industry-specific and pbb Group-specific aspects. Employee matters essentially relate to issues that affect the employee; social concerns include the overarching social commitment as well as the consideration of social impacts among business partners; and corporate governance includes the aspects of corporate management, compliance, data protection and data security as well as respect for human rights.

Assessment of the topics and the aspects attributed to the topics focused on both their relevance to pbb Group's business activities and the impact of the Group's business activities on sustainability aspects (inside-out and outside-in perspective), as well as their positioning along the value chain. There was little to no change in 2022 as compared to the previous years, the exception being the topic of environment as it relates to pbb Group’s lending business, subsumed under “sustainable financing solutions”. Although this aspect is still classified as material, it was a main focus in 2022, given pbb Group’s inherent commitment to the matter and in response to stakeholder expectations, with the calculation of the Bank’s own environmental footprint and the assessment of portfolio sustainability. In light of the scarcity of resources and the associated energy crisis, the aspects of resource consumption and efficiency have also become even more important in the context of the materiality analysis. In principle, this also applies to pbb Group’s own business activities, but even more so to real estate finance as pbb’s core business, especially given that improving the energy efficiency of buildings is a key element of the strategy for achieving the Paris Agreement targets. Accordingly, both upstream and downstream activities were weighted higher than in previous years.

The following topics and aspects were identified as material:

| Topics | Aspects |
|---|---|
| Industry-specific aspects | Client orientation<br>Sustainable financing solutions<br>Risk management |
| Corporate governance | Compliance<br>Human rights |
| Social matters | Considering social implications of business partner choices |
| Employee matters | Remuneration and employee benefits<br>Working environment<br>Training and continuing professional development |

Respect for human rights and anti-corruption/bribery are key issues for pbb Group. These are discussed in more detail in the Corporate Governance section of the report. Environmental issues relating to the lending business are also classified as material and are discussed in more detail in the Industry-Specific Aspects section, while environmental concerns relating to resource consumption caused by pbb Group itself continued to be classified as non-material in the materiality analysis. Nevertheless, pbb Group has opted to report on this aspect on a voluntary basis due to its importance for stakeholders as mentioned above.

Regarding the influence on pbb Group's business activities, the ability of pbb Group to influence the aspects, as well as regarding stakeholder relevance, the materiality analysis yielded the following results:

Industry-specific aspects, corporate governance aspects and employee matters have the largest impact on pbb Group's business activities, whilst the impact of environmental aspects, i.e. the resources consumed by pbb Group itself, and social concerns are comparatively smaller given the business model.

Among the most important industry-specific aspects are client orientation, sustainable financing solutions, as well as sustainable risk management. These aspects significantly impact the business activities of pbb Group. At the same time, it is precisely these topics or aspects that can also be influenced relatively effectively by pbb Group. The same applies to corporate governance aspects, compliance and human rights.

With regard to employee matters, the following aspects bear the highest relevance for the business activities of pbb Group: the working environment, training and continuing professional development, remuneration and employee benefits, and occupational safety and health promotion. pbb Group creates conditions as an employer to ensure that employee interests are adequately addressed, and exerts its positive influence in this context. In general, however, pbb Group's influence on these aspects, with the exception of the aspect of remuneration and benefits, is considered to be comparatively lower than for other topics.

Stakeholders considered the aspects of compliance and client orientation to be especially relevant, whilst the relevance of all other topics was only classified as medium.

Regarding social concerns, our analysis revealed that it is material to our stakeholders that we consider social implications of business partner choices; it is not material, however, from a business model point of view.

Moreover, within the scope of employee matters, pbb Group also reports on the aspects of diversity and occupational safety on a voluntary basis because these aspects are particularly important for our society and employee stakeholder groups.

In addition, in the context of the materiality analysis, the relevant aspects along the value chain were categorised, and the potential influence of pbb Group was assessed. pbb Group provides a large part of its services spanning the entire value chain within commercial real estate finance and public investment finance itself, primarily procuring the funds for the lending business by issuing Pfandbriefe and unsecured bonds, as well as with its retail deposit-taking business with private clients. In the lending business, pbb Group initiates business transactions, provides loan coverage along the entire loan lifecycle up until loan repayment, or, if applicable, the realisation of collateral. Therefore, pbb Group sees the largest potential influence here.

The potential influence of pbb Group on upstream and downstream activities of the value chain, on the other hand, is limited to only a few aspects. Upstream activities consist of services rendered by suppliers and service providers. Due to pbb Group's business model, these activities are, however, of only minor significance overall. pbb Group views the human rights aspect as material; in general, however, the influence of the Bank on this aspect should be considered low.

The key downstream activities include especially the use and further utilisation of real estate objects and infrastructure projects financed by pbb Group. In this case, pbb Group recognises a high level of potential influence by implementing sustainable financing solutions.

# Risks and Opportunities

Risks and opportunities resulting from sustainability aspects are of particular importance for pbb Group. The Group has identified climate and environmental issues (physical and transition environmental factors) as well as governance factors as being particularly relevant for pbb Group's business model.

Climate and environmental risks can arise from the real estate and infrastructure projects financed by the Group being exposed to physical risks, or transition factors, such as inadequate energy efficiency, unsustainable construction, or problematic building materials and types of use. In addition to physical and transition risk factors, there are also opportunities for pbb Group's portfolio and business activities, in particular in connection with offering sustainable financing solutions ("green loans") and issuing green bonds. Increased demand for 'transformation loans' to make real estate sustainable also presents opportunities, as do related advisory services – all of which can complement pbb Group's offering. Sustainable financing solutions reduce the probability of loan defaults, increase the value of the collateral furnished and prevent potential reputational damage.

Social factors are also of increased relevance from a risk perspective. Social risks can arise in connection with pbb Group's own business operations as well as with its product portfolio. Yet these also hold opportunities in terms of the Group's social footprint and the impact on the product portfolio. In particular, it is the qualifications and satisfaction of our employees that are the main foundation for the quality of their work, and thus for the Company's potential. Along the value chain, potential social risks are mainly related to the Group's own business activities, whilst social risks from the upstream activities of suppliers and service providers are currently deemed to be low.

Risks also arise from the insufficient consideration of governance factors, which could result in potential financial damage due to compliance incidents, or in reputational damage. At the same time, this is also an area that holds tremendous opportunities for pbb Group. Proactive client orientation and consistent internal governance represent pbb Group's foundation for securing the financing portfolio and a way to come out ahead of its peers in a direct comparison.

pbb Group's sustainability strategy is an integral part of its business strategy; it is designed to constantly reinforce ESG as a core brand element, minimise sustainability risks to the greatest extent possible and seize any opportunities that arise along the way.

In the following, we will illustrate the material sustainability topics and aspects.

# Industry-specific Aspects

## CLIENT ORIENTATION

The focus of pbb Group's business activities is on meeting client needs and we continuously strive to align them with our own interests. Client orientation is a key success factor for pbb Group in making new commitments and extending loan terms to build a loan portfolio that matches the Group’s risk and return profile. For pbb Group, client orientation is not simply a matter of process or structures; it is the top priority in the day-to-day work of every employee, and a way of life. Fostering client proximity with regular, focused dialogue and a mutually trusting relationship are core dimensions of this lived philosophy.

### Client proximity

pbb Group maintains a regular and intensive exchange of ideas with its clients in order to identify their needs, be it in one-on-one talks in long-standing business relationships, or at events; the Group champions direct communication. For instance, pbb regularly attends the real estate trade fairs MIPIM in Cannes and Expo Real in Munich. What's more, pbb organises regular events for clients in commercial real estate finance and public investment finance. For the first time since 2020, the Group was able to increase direct client contact in 2022 after the COVID-19 pandemic subsided.

pbb Group sees itself as a solid and reliable partner for its clients that supports them by providing sound expertise. pbb Group leverages its profound market and product knowledge to engage in a highly specialised dialogue with its clients, aiming to deliver them with financial solutions tailored to their needs. In 2022, pbb Group engaged in many open-ended discussions with its professional real estate clients, both those with a domestic or international orientation, to explore sustainability, $CO_2$ implementation targets under the EU Taxonomy, and feasibility. These talks were in service of the goal of providing clients with the best possible support in transitioning their portfolios, not only as a financing partner, but as a sustainability advisor.

pbb Group's property-related advisory concept centres around clients' specific ESG strategies, taking the varying degrees of maturity of these strategies are into account. To do so, an interdisciplinary team of ESG experts and sales staff surveyed clients with a specially formulated questionnaire to illuminate the following areas:

- ESG strategy & status quo
- ESG product needs
- ESG data and pbb scoring system
- ESG service needs

The results of the client survey and the initiatives developed by the team in response are currently being evaluated.

A network of sales offices in Germany and other key locations in Europe, as well as a representative office in New York, ensure that pbb Group has a detailed understanding of the individual market conditions and developments on each sub-market. As a result, the Group can better understand its clients' needs and enter into a meaningful dialogue with its clients. Overall, pbb Group maintains ten sales offices.

Besides a strong local presence, pbb also features expert teams for selected real estate financing aspects: in particular, property development, logistics, retail, residential, hotels, as well as real estate for social purposes, real estate asset management and micro-apartments. The expert teams are interdisciplinary and international. Among their regular members are employees from Real Estate Finance, Credit Risk Management, Property Analysis & Valuation and the Legal department. This enables pbb to bundle and expand its existing expertise so that it can be applied as needed to support clients or projects. As part of the new deal process, decision-making committees, especially the New Deal Committee (NDC) or Credit Committee (CC), can decide whether to engage an expert team to support an entire project or to consult on a specific issue, such as providing an opinion on a technical matter. The Developments and Hotels expert teams get involved at an early stage, immediately after the NDC approves the respective deal, for example.

The pbb Client Portal is the Group's digital interface for its clients and it is available to its European clients for all the Group's financing products. It enhances how the Group interacts with its clients and fosters transparency in the lending process by simplifying document management in new and existing business. The pbb Client Portal was created in close consultation with pbb Group's clients, who contributed their experience, requests, and suggestions during the development process. The portal allows clients to access an overview of their loan agreements and covenant compliance at any time. The document management system meets high data protection standards. The pbb Client Portal was improved throughout 2022. By personally reaching out to clients and other user groups, pbb Group gathered feedback and suggestions about using the portal. A particular focus was on optimising and personalising the way funds are disbursed and how loans are managed throughout their terms. Acceptance of the pbb Client Portal is reflected in the growing number of users. There are plans to use the pbb Client Portal to create a structured way to exchange ESG data.

**Client confidence and principles of conduct**

Client confidence plays another crucial role in pbb's business activities. pbb Group is committed to ensuring that its clients' personal data and all business data are kept confidential (please refer to the Data Protection section).

Since it was founded, pbb Group has used a Code of Conduct to set out the non-negotiable requirements that pbb expects from all its employees when dealing with clients and other stakeholders. It is a binding part of each employee's employment contract, forming the basis for all other framework regulations within pbb Group.

The Code of Conduct is also implicitly applied to all clients, prospective clients or other business partners (e.g. suppliers). Should an employee become aware of any indication that a client, prospective client or other business partner (e.g. a supplier) may be involved in illegal activities, or activities that could damage our reputation, they must inform the competent Member of the Management Board as well as the Compliance department. The competent Member of the Management Board will initiate a review of every single case in cooperation with Compliance and any other divisions as required.

Successful collaboration is characterised by trust and respect. This means that pbb Group does its utmost to support its clients even if they are facing financial difficulties, and helps them however possible to overcome these difficulties. For these cases, pbb Group has established a process with various measures aimed at enabling borrowers to repay their loans in the long term. Forbearance measures are formulated individually and approved.

**Complaints management**

Fair treatment is a crucial factor when it comes to client confidence. pbb Group is committed to openness, professionalism and excellence when providing services to clients. This also includes a high performance standard as well as properly managing complaints to ensure they are handled swiftly and efficiently. pbb Group sees complaints not only as a chance to fix mistakes and restore client satisfaction – they also provide important clues about organisational weaknesses.

That is why pbb Group takes every complaint seriously, handles them carefully, and documents them irrespective of their background or whether they were justified. To do so, pbb Group has adopted a dedicated process laid out in an internal guideline that is binding for all employees. For information on how to submit a complaint, the timeline of the complaints procedure, and the different alternative dispute resolution procedures available, clients and anyone interested can access the pbb Group's websites (www.pfandbriefbank.com, www.pbbdirekt.com and www.capveriant.com). The dedicated central complaint management team at pbb Group receives and assesses all complaints. The Management Board and the Supervisory Board's Audit and Digitalisation Committee receive a quarterly complaint management report. In 2022, the number of complaints in the first half of the year was low but increased from October onwards for the deposit-taking business for retail customers operated under the “pbb direkt” brand. The reason was the unexpectedly high level of demand for deposits in response to rising interest rates, which caused a backlog in account openings to build up with an external service provider. The required resources have since been brought on board to speed up processing. Apart from these complaints in connection with pbb direkt, three complaints were received in 2022.

**Suppliers**

pbb Group’s harmonised purchasing policy stipulates that purchasing needs must generally be fulfilled through the IT-based purchasing and contracts management system that also serves as the contracts database (including deadline management). The purchasing policy defines the multi-layer approval process based on an authority matrix and the involvement of the sourcing unit.

By regularly rating suppliers, pbb Group ranks and compares them to monitor their performance and identify any weak spots. To do so, the Group has implemented the “Compliance Caution Framework”, or CCF Scout for short. This IT-based search engine is also used to check business partners, counterparties, buyers, or suppliers before the Bank enters into a new business relationship, and to monitor existing relationships. All entries have been collected by a respected external service provider, which draws upon worldwide sanctions lists collated from publicly available sources, such as the European Union, the Office of Foreign Assets Control, or the German Bundesbank. Furthermore, CCF Scout comprises relevant information from press releases and media content.

In 2022, pbb Group also expanded how it rates its suppliers and service providers to include their ESG performance and is planning to develop the process still further over the medium term.

In addition, pbb Group's Code of Conduct for Suppliers requires not only that they comply with existing laws, but also that they act in an economically, socially, and environmentally responsible manner.

## SUSTAINABLE FINANCING SOLUTIONS

### pbb initiatives

As a specialist bank, pbb Group finances commercial real estate projects as well as infrastructure projects of the public sector. pbb Group sets high standards when granting loans – also in terms of sustainability. As a general rule, pbb Group's actions are naturally always within the boundaries set by legal, and – in particular – applicable prudential requirements.

In addition, pbb Group has laid out additional ethical and moral standards in its Code of Conduct. pbb Group does not support business practices that could harm our reputation or give rise to the suspicion that the client is acting unlawfully, or which violate our ethical and moral standards. Illegal activities or activities that could otherwise damage the Group's reputation include:

- Money laundering
- Financing terrorism
- Drug trafficking
- Illegal weapons trade
- Violation of human rights
- Human trafficking
- Smuggling of goods
- Bribery of government officials or other officials
- Granting and/or accepting undue benefits
- Tax offences
- Illegal or unauthorised use of property, including land ownership
- Market abuse, such as market manipulation or insider trading
- All forms of organised crime
- Environmental pollution, including excessive emissions, illegal waste disposal as well as any type of falsification of documents associated therewith
- Illegal use of labour, including forced labour and child labour

The above list is not exhaustive, yet representative of pbb Group's commitment to distance itself from any illegal practices or any other activities that may damage its reputation. Complying with our ethical principles and guidelines is more important than pbb Group's interest in generating returns from a transaction.

When it comes to financing commercial construction projects or existing properties, ecological aspects also play a key role alongside commercial aspects. If pbb Group were to ignore the principle of sustainability in this context, this would give rise to substantial potential risks for pbb Group itself with regard to interest and principal payments, or the repayment of loans granted. Significant financial risks would also arise for clients and real estate investors, because the equity they invested would be at risk in the event of project failure or insolvency. This means that the interests of pbb Group, the clients' corporate interests and the interests of sustainability are all aligned.

By integrating a clearly defined and carefully designed due diligence process into credit approval procedures that involve the Management Board, pbb Group has baked in the principle of economic sustainability. pbb Group's dedicated process structure and internal guidelines requiring close cooperation between Sales, Risk Management, and Property Analysis & Valuation at an early stage of the credit process ensure sustainability in financing. The Group employs in-house real estate analysts for the due diligence process and also works with external real estate experts.

To ensure the sustainability of properties yet to be financed, the in-house real estate analysts provide an assessment of the property regarding its economic, structural and environmental risks. Where contamination is suspected, pbb carries out additional research and usually obtains specialised expert opinions. The assessment result – including any conspicuous or unusual features

– is summarised in a property report and is one of the things taken into consideration when making the credit decision. Furthermore, in the corresponding valuation opinion, the long-term stability of the property value is explicitly considered through the lending value concept. In addition, the basis and time intervals for credit decision reviews have been clearly laid down. The same applies to the inspection of properties – our guidelines provide unambiguous instructions as to when (and by whom) these inspections shall be conducted. pbb applies particularly rigorous monitoring and supervisory processes for new buildings as part of so-called development financings, and for construction measures within existing properties as part of what are known as investment financings. Our monitoring processes also comprise working conditions as well as human rights. Given the close cooperation of all pbb divisions, in particular the involvement of Property Analysis & Valuation at an early stage, pbb Group carefully chooses its new business exposure, which is essential for the long-term success of the Group and its clients. Furthermore, this approach allows us to avoid negative repercussions for the environment and society as a whole.

Ensuring long-term income streams is largely based on how relevant factors are assessed, including economic, demographic, and sociographic aspects as well as specific real estate and financing considerations, and physical and transitional environmental factors. The real estate valuation and risk analysis process looks not only at economic and structural sustainability aspects, but also explicitly considers environmental aspects, such as a building's energy efficiency, contaminated building components and potential contaminated sites, but also the physical and transition risks associated with climate change.

Against the backdrop of the Paris Climate Agreement of 2015, climate protection, the mitigation of climate change and adaptation to its consequences have also become more of a focus for the financial services sector. In view of these considerations and its business model, pbb Group has defined sustainable finance as a central pillar of its holistic ESG strategy, allowing it to promote sustainability in the financial system, and in its core lending business and in its funding activities.

Within this context, pbb Group is further expanding its activities to collect and record data on various sustainability criteria for the properties it finances. In addition to energy certifications, it also records certifications based on the various green building standards, as well as other sustainability data, such as soil surface sealing, type of heating, material recycling, proximity to public transport or biodiversity. The data is recorded for all new loan commitments and as part of the regular credit reviews. In 2022, the Group began expanding how it records and scores sustainability criteria to include its existing portfolio.

pbb Group's Green Bond Framework follows the ICMA's Green Bond Principles and focuses on real estate with comparatively low energy consumption or a very good building certification. The properties identified as per these criteria serve as a reference portfolio for the issuance of green bonds by pbb Group. The properties are selected based on a unanimous resolution passed by the Green Bond Committee. In accordance with pbb Group's Green Bond Framework, green bonds can be issued as Pfandbriefe and senior unsecured (preferred and non-preferred) bonds. To ensure that the Green Bond Framework reflects changing market standards, it must be updated regularly. The next update is planned for the first half of 2023.

As at 31 December 2022, the outstanding total volume of green bonds was €2.86 billion. The green benchmark bonds were issued as unsecured senior preferred green bonds. By issuing green bonds, pbb Group enables investors to make targeted investments in sustainable capital market products.

pbb Group has been offering “green” loans as a credit product since 2021. As no established market standard for green loans has emerged to date, pbb Group has developed a Green Loan Framework geared towards two elements: a standalone scoring model or the EU Taxonomy. The pbb scoring model allows for the assessment of real estate using specific criteria; from a defined score upwards, real estate qualifies for green lending. pbb Group uses a scoring system that employs narrower sustainability criteria compared to the market, with a combination of consumption, sustainability certifications and other sustainability aspects that are strongly aligned with the EU taxonomy. pbb Group is aiming for green (i.e. green loan eligible) assets to account for around 30% of its entire commercial real estate finance portfolio by 2024/25. As at 31 December 2022, roughly 45% of the real estate portfolio had been fully rated and scored according to ESG criteria. On this basis, the share of green assets of the entire commercial real estate finance portfolio was 11%. The share of sustainable properties in the evaluated REF portfolio was already 24%. To stabilise, secure and expand this share in keeping with the Group's targeted portfolio share, it is continuing its analysis of the portfolio as well as the data collection and plans to reach a considerable share of green loans in new business by 2025. pbb Group is also actively dialoguing with its clients while pursuing a structured portfolio transformation and risk minimisation plan.

pbb Group's scoring model takes three dimensions into account: the energy efficiency of a building, building certifications, and other sustainability factors. The latter include factors such as soil surface sealing or the availability of, and distance to, the public transportation network, as well as the use of recycled materials in construction, the type of heating, and the use of green electricity. A maximum score of 100 points can be achieved. A building has to obtain a score of at least 60 points to be classified as green. To qualify as a green loan, clients also have to sign relevant contractual documentation under the LMA Green Loan Principles with reporting requirements. In 2022, over €1.2 billion was extended in green loans with this sort of contractual documentation. Loans for sustainable buildings without this contractual documentation totalled €1.63 billion, although not all new deals were fully scored. The share of new business this accounts for will be increased using expanded scoring and documentation processes and active management.

In Public Investment Finance, pbb Group contributes to society by financing investments for the provision and improvement of public infrastructure. Financing public infrastructure not only fosters broader social participation but also creates affordable housing, broad access to education and culture, as well as a state-of-the-art healthcare system based on the principle of solidarity. In addition, pbb Group's financing supports the public sector in the provision of basic public services and utilities such as energy, water, public transport and the internet, as well as in investing in the environmentally sound disposal of wastewater and waste, expanding the circular economy with recycling, and moving to protect the population against environmental risks from changing weather and climatic conditions.

Public-sector financing helps transform public infrastructure to create more energy-efficient buildings and facilities that consume fewer resources. Here, pbb Group provides financing for projects like modernising and extending healthcare facilities such as public regional and university hospitals, and constructing new multi-purpose buildings together with swimming pools and spas for public leisure facilities and school sports. It has also helped finance investments to meet the latest environmental standards, in particular modernising a waste incineration plant and building a new sorting/recycling hub and a special medical waste treatment facility. This underscores pbb Group's commitment in its business model to the principle of sustainability with a positive social and environmental impact as a financing partner for the public sector, i.e. federal states, local authorities and municipal enterprises.

pbb Group has made a commitment to making an active contribution to further developing and promoting sustainability standards, including beyond the Bank. For this reason, the Group is active in numerous working groups: in the real estate (financing) business, pbb Group takes part in working groups of the Association of German Pfandbrief Banks (vdp), as well as in the initiative launched by the European Mortgage Federation (EMF) and the European Covered Bond Council (ECBC) to determine energy efficiency of buildings in Europe. pbb Group is also supporting the ESG Circle of Real Estate (ECORE), which is in the process of developing a scoring standard to make sustainability in real estate portfolios transparent, measurable and comparable. Through its participation in working groups as well as in various association bodies, the Group succeeded in further advancing sustainability standards.

**Disclosures based on the EU Taxonomy Regulation**

The EU Taxonomy Regulation (Regulation (EU) 2020/852) entered into force in June 2020. It is one of the central measures of the European Commission's action plan on financing sustainable growth, which has the aim of reducing $CO_2$ emissions and promoting decarbonisation across Europe. It was expanded by Delegated Regulation (EU) 2021/2139 (Del. Reg. 2021/2139) which sets out standardised classification criteria for environmentally sustainable economic activities to establish how sustainable different companies are and to make it possible to compare them to each other. "Taxonomy-aligned" activities are considered to be environmentally sustainable. "Taxonomy-eligible" economic activities, however, are included in the EU Taxonomy, but this does not necessarily mean that they are sustainable. To be taxonomy-aligned, an economic activity must be taxonomy-eligible.

The economic activity must also:

> make a substantial contribution to achieving one or more environmental objective(s),
> not cause harm to any other environmental objective(s), and
> be conducted in accordance with minimum safeguards.

Key performance indicators (KPIs) show the degree of sustainability. One of the most relevant KPIs for the banking sector is the "green asset ratio". Delegated Regulation (EU) 2021/2178 requires that this ratio must be disclosed from the reporting date 31 December 2023 onwards. Mandatory first-time reports are staggered. For the reporting dates 31 December 2021 and 31 December 2022, banks must disclose seven selected KPIs, including in relation to taxonomy eligibility, as well as qualitative disclosures, which pbb Group has done below. Stating taxonomy eligibility only indicates whether an asset could in principle be environmentally sustainable as defined by the EU Taxonomy Regulation. There is no need to state whether an asset is taxonomy-aligned, i.e. environmentally sustainable. Some statutory requirements about the KPIs to be disclosed are ambiguous, meaning that they require interpretation. The assumptions pbb Group has made in this regard are described below.

The disclosed KPIs relate to pbb Group's scope of prudential consolidation. There are no differences between the scope of prudential consolidation and the accounting scope of consolidation for pbb's consolidated financial statements (IFRS) as at the reporting date. In accordance with IFRS 9, the gross carrying amount corresponds to the amortised cost before adjusting for any loss allowance.

In pbb Group's interpretation, the denominator of the KPIs to be disclosed includes the "total GAR assets", which also includes the denominator of the green asset ratio that will have to be disclosed in future. This involves the total assets of pbb Group calculated on the basis of gross carrying amounts less exposures to central governments, central banks, and supranational issuers.

pbb Group also calculates modified KPIs in relation to the applied denominator. The modified KPIs show the proportion of assets to be disclosed in the total assets calculated on the basis of gross carrying amounts. Unlike KPI 1, the denominator used in modified KPI 1 includes exposures to central governments, central banks, and supranational issuers.

For KPIs 3 and 6, only the modified KPIs are calculated because the denominators of KPIs 3 and 6 include assets that are excluded from the "total GAR assets".

pbb Group has generated the relevant assets and corresponding gross carrying amounts used to calculate the seven ratios from its central cross-divisional data pool. This data pool includes the assets at a granular level with numerous attributes. Exposures were allocated, among other things, on the basis of the regulatory Financial Reporting (FinRep), a reporting format standardised by the Committee of Banking Supervisors and the European Banking Authority (EBA) for financial reporting by financial and credit institutions to the supervisory authority.

The KPIs for 31 December 2022 and 31 December 2021 are disclosed below:

## KPI 1: Proportion of taxonomy-eligible assets

| KPI | KPI description | Absolute value as at 31/12/2022 | Proportion as at 31/12/2022 | Proportion as at 31/12/2021 |
|---|---|---|---|---|
| KPI 1: | Taxonomy-eligible assets | €1,332 mn | = 3.0% | 0.3% |
| | Total GAR assets | €44,307 mn | | |
| Modified KPI 1 | Taxonomy-eligible assets | €1,332 mn | = 2.5% | 0.2% |
| | Total assets | €53,394 mn | | |

The assessment of taxonomy eligibility is based on the type of debtor. A distinction is made between financial companies, non-financial companies, public-sector entities, and private households. Exposures to companies can generally only be taxonomy-eligible if the immediate borrower or issuer themselves is obliged to make non-financial disclosures under Art. 19a or 29a of Directive 2013/34/EU (Non Financial Reporting Directive / NFRD-obliged) and thus required to make disclosures under the EU Taxonomy Regulation. This does not apply, in particular, to small and medium-sized enterprises with fewer than 500 employees, to clients based outside of the EU or to companies that are not capital market-orientated.

Most of pbb Group's borrowers do not meet the criteria for mandatory disclosures under Art. 19a or 29a of Directive 2013/34/EU (especially because of their size). As a result, large parts of pbb Group's financial assets are currently not taxonomy-eligible; this could change from 2025 onwards after a further review of the EU Taxonomy Regulation by the EU. According to the EU Taxonomy Regulation, the purpose of the financing, e.g., whether the property being financed meets sustainability requirements, is irrelevant. This means that, from pbb Group's perspective, the information on taxonomy eligibility and, in future, taxonomy alignment to be reported in the green asset ratios is of no informational value with regard to the actual proportion of assets associated with environmentally sustainable economic activities. pbb Group assumes that taxonomy eligibility would be considerably higher if entities not covered by the reporting requirements set out in Article 19a or 29a of Directive 2013/34/EU were to be included. If this were the case, pbb Group estimates that the vast majority of its commercial real estate financing exposures, with a gross carrying amount of €29 billion, would be taxonomy-eligible.

When it comes to assessing the taxonomy eligibility of financial assets vis-à-vis non-financial companies subject to the reporting requirements set out in Article 19a or 29a of Directive 2013/34/EU, the purpose of the financing is relevant. If the financing is not for a specific purpose, or if the borrower or issuer is a financial company, the proportion of taxonomy-eligible economic activities stated in the borrower's non-financial reporting is relevant.

To ensure consistency with the methodology for taxonomy-aligned assets to be disclosed for the reporting date 31 December 2023 and onwards, pbb Group calculates KPI 1 on the basis of both the taxonomy-eligible proportion of turnover published by non-financial companies and the published taxonomy-eligible proportion of capital expenditure. In both cases, KPI 1 and modified KPI are 3.0% and 2.5% respectively.

### KPI 2: Proportion of taxonomy-non-eligible assets

| KPI | KPI description | Absolute value as at 31/12/2022 | Proportion as at 31/12/2022 | Proportion as at 31/12/2021 |
|---|---|---|---|---|
| KPI 2: | Taxonomy-non-eligible assets | €8,686 mn | = 19.6% | 14.3% |
| | Total GAR assets | €44,307 mn | | |
| Modified KPI 2: | Taxonomy-non-eligible assets | €8,686 mn | = 16.3% | 10.4% |
| | Total assets | €53,394 mn | | |

The numerator of KPI 2 includes assets associated with taxonomy-non-eligible economic activities. Unlike the year prior, the numerator also includes exposures to regional governments; the EU Taxonomy Regulation is silent as to the treatment of these assets. As at 31 December 2022, the Group has treated exposures to regional governments like exposures to local governments. In the year prior, these were not included in the numerator of any KPI.

To ensure consistency with the methodology for taxonomy-aligned assets to be disclosed for the reporting date 31 December 2023 and onwards, pbb Group calculates KPI 2 on the basis of both the taxonomy-eligible proportion of turnover published by non-financial companies and the published taxonomy-eligible proportion of capital expenditure. In both cases, KPI 2 and modified KPI 2 are 19.6% and 16.3% respectively.

### KPI 3: Exposures to governments, central banks, and supranational issuers

| KPI | KPI description | Absolute value as at 31/12/2022 | Proportion as at 31/12/2022 | Proportion as at 31/12/2021 |
|---|---|---|---|---|
| Modified KPI 3: | Exposures to central governments, central banks, and supranational issuers (assets pursuant to Art. 7 (1) Del. Reg. 2021/2178) | €9,087 mn | = 20.5% | 27.2% |
| | Total assets | €53,394 mn | | |

Exposures to central governments, central banks, and supranational issuers are to be included in the numerator of KPI 3. These assets are not to be included in the green asset ratio to be reported in the future, either in the numerator or in the denominator. Central governments are defined in accordance with the European Systems of Accounts (ESA) 2010.

### KPI 4: Derivatives

| KPI | KPI description | Absolute value as at 31/12/2022 | Proportion as at 31/12/2022 | Proportion as at 31/12/2021 |
|---|---|---|---|---|
| KPI 4: | Derivatives (assets pursuant to Art. 7 (2) Del. Reg. 2021/2178) | €824 mn | = 1.9% | 3.6% |
| | Total GAR assets | €44,307 mn | | |
| Modified KPI 4: | Derivate (Vermögenswerte gemäß Art. 7 (2) DelVO 2021/2178) | €824 mn | = 1.5% | 2.6% |
| | Total assets | €53,394 mn | | |

Derivatives are to be included in the numerator of KPI 4. As pbb Group does not have any trading portfolio, the numerator used in this ratio includes stand-alone derivatives and hedging derivatives. pbb Group's stand-alone derivatives are not included in hedge accounting in accordance with IAS 39, but they nevertheless form a hedging relationship. Derivatives are only to be included in the denominator of the green asset ratio to be disclosed in the future, meaning that they will have a negative impact on the green asset ratio.

### KPI 5: Exposures to companies not obliged to report non-financial information

| KPI | KPI description | Absolute value as at 31/12/2022 | Proportion as at 31/12/2022 | Proportion as at 31/12/2021 |
|---|---|---|---|---|
| KPI 5: | Exposures to companies not obliged to report non-financial information (assets pursuant to Art. 7 (3) Del. Reg. 2021/2178) | €32,290 mn | = 72.9% | 70.2% |
| | Total GAR assets | €44,307 mn | | |
| Modified KPI 5: | Exposures to companies not obliged to report non-financial information (assets pursuant to Art. 7 (3) Del. Reg. 2021/2178) | €32,290 mn | = 60.5% | 51.1% |
| | Total assets | €53,394 mn | | |

The KPI 5 numerator should include exposures to companies that are not required to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU. According to Del. Reg. 2021/2178 as it currently stands, these assets are taxonomy-non-eligible. In pbb Group, this applies to the majority of exposures to non-financial companies, especially in real estate finance.

### KPI 6: Trading portfolio

| KPI | KPI description | Absolute value as at 31/12/2022 | Proportion as at 31/12/2022 | Proportion as at 31/12/2021 |
|---|---|---|---|---|
| Modified KPI 6: | Trading portfolio | €0 mn | = 0% | 0% |
| | Total assets | €53,394 mn | | |

pbb Group does not maintain a trading book for securities or derivatives portfolios held to realise short-term gains.

### KPI 7: On demand interbank loans

| KPI | KPI description | Absolute value as at 31/12/2022 | Proportion as at 31/12/2022 | Proportion as at 31/12/2021 |
|---|---|---|---|---|
| KPI 7: | On-demand interbank loans | €976 mn | = 2.2% | 2.5% |
| | Total GAR assets | €44,307 mn | | |
| Modified KPI 7: | On-demand interank loans | €976 mn | = 1.8% | 1.8% |
| | Total assets | €53,394 mn | | |

Short-term interbank loans are loans and advances to banks repayable on demand or with an unspecified term. The numerator of KPI 7 corresponds to the item “Other demand deposits” in the regulatory Financial Reporting (FinRep). The exposures are only to be included in the denominator of the green asset ratio to be reported in the future, meaning that they will have a negative impact on the green asset ratio.

pbb Group also takes into account the requirements contained in Delegated Regulation (EU) 2022/1214 (Del. Reg. 2022/1214 amending Del. Reg. 2021/2139 and Del. Reg. 2021/2178) relating to economic activities in nuclear energy and fossil gas. As at the 31 December 2022 reporting date, there were three assets for pbb Group that were associated with relevant economic activities pursuant to Del. Reg. 2022/1214. pbb Group holds assets with a gross carrying amount of €36 million in connection with economic activities in fossil gas and nuclear energy, of which economic activity 4.29, “electricity generation from fossil gaseous fuels”, accounts for €29 million

(80%) and economic activity 4.30, “high-efficiency co-generation of heat/cool and power from fossil gaseous fuels”, accounts for €7 million (20%). Because the relevant clients are not NFRD-obliged, these assets are not taxonomy-eligible and should be included in the numerator of KPI 5.

At the beginning of 2022, pbb Group announced that it was aiming for green assets to account for roughly 30% of its entire commercial real estate portfolio by 2024/25. This represents an initial interim milestone towards achieving the ultimate 1.5-degree target in 2050. The definition of green assets is based on pbb’s own Green Loan Framework, which in turn is based on the Loan Market Association's Green Loan Principles. In addition to all the transactions aligned with the sustainability criteria in pbb’s Green Loan Framework, all financial assets for this goal are classified as green if they meet the overarching alignment criteria of the EU Taxonomy Regulation, regardless of their taxonomy-eligibility classification. This is an abstraction from the taxonomy eligibility criterion, which excludes exposures to SMEs, companies located outside the EU and companies that are not capital market-orientated through reference to the NFRD requirement. The reason is that most of pbb Group’s clients do not meet the taxonomy eligibility criteria, and these criteria are not actually an indicator of how sustainable a financing and/or financed property is.

As such, pbb Group labels all financings as green if they meet the criteria of pbb’s Green Loan Framework and/or the technical screening criteria for qualifying as taxonomy-aligned. The criteria for assessing taxonomy alignment include contributing substantially to achieving one or more of the stated environmental objective(s), causing no harm to one or more of the other environmental objective(s) and compliance with the minimum safeguards. This abstraction from the taxonomy eligibility criteria is based on the Banking Book Taxonomy Alignment Ratio (BTAR) KPI defined by the EBA for so-called pillar III ESG disclosure, which is required from 31 December 2024 onwards pursuant to Art. 449a CRR.

pbb Group intends to increase the proportion of green assets defined this way as new deals are made or existing financings are extended in keeping with the pbb Green Loan Framework or the EU Taxonomy (excluding reference to taxonomy eligibility). Relevant goals have been incorporated into the new business pipeline for 2023. EU taxonomy alignment requirements have been baked directly into the strategy, goals, management and product development process of pbb Group. The sustainability of a property increasingly also correlates with its credit risk. As such, a low degree of sustainability makes financing more expensive and impacts risk-induced new business selection.

### RISK MANAGEMENT

pbb Group defines ESG risks as the risks of a negative financial impact on the institution resulting from current or anticipated effects of ESG factors[2)] on its counterparties or invested assets[3)]. ESG risk also encompasses negative financial, economic, and social impacts that could arise from the activities of the institution itself. The environmental, social, and governance components included in ESG risk are overarching and firmly established in both the business and risk strategy of pbb Group.

[2] ESG factors are environmental, social, or governance aspects that could have a positive or negative impact on the financial performance or solvency of a company, sovereign, or individual.

[3] ESG risks are defined in accordance with EBA/REP/2021/18 and the ECB guide on climate-related and environmental risks.

**Identification and consideration**
In order to ensure that ESG risks are given adequate consideration in the Bank's risk management processes, an identification and assessment process for ESG risk drivers has been established as a firm component of the annual risk inventory – the ESG materiality analysis. Identifying and describing the possible transmission channels of potential ESG risk factors reveals the extent to which a company's economic and financial activities are affected (financial materiality / outside-in) or how a company's activities impact ESG factors (environmental and social materiality / inside-out) and in what time frame. Suitable data for the portfolio is used to assess the materiality of each risk factor. An explicit materiality definition has already been drawn up for some risk drivers. This determines that portfolio results for specific risk factors and portfolio segments are examined for pre-defined thresholds and subsequently undergo a final assessment by way of expert judgement. Risk factors for which no data is available are evaluated exclusively using expert knowledge. The impact of ESG risk drivers recognised as material on the individual risk types is examined and assessed. The results of the risk inventory relating to ESG materiality are recorded in an in-house ESG assessment register. All climate threats per the EU Taxonomy feed into the identification and assessment process. Assessment results for the Real Estate Finance (REF) and Public Sector & Corporate Finance (PS&C) segments are determined and documented separately. All of the relevant experts are involved in the individual steps in the assessment process, in particular those with lending and property valuation expertise, experts from HR, Legal and Compliance, as well as from Risk Management & Control. The results of the ESG materiality process serve as a springboard for developing the management strategy, including formulating the ESG risk appetite within the risk strategy. This includes defining suitable risk indicators for risk monitoring and quantifying risk using scenario analyses and stress tests. The assessment register is also applied using the three lines of defence (3LoD) principle to map the categorised ESG risk factors to the individual divisions and, where relevant, the individual key controls as well.

As part of the comprehensive, systematic materiality analysis, specific risk factors with regard to physical climate and environmental risk, transition risk, and governance risk were classified as material. In the area of social risk, none of the risk factors considered were identified as material.

**Climate threats**
Properties within the REF segment are being used as collateral in current loan agreements. To determine how vulnerable they are to acute and chronic climate threats, external location-specific risk data supplied by the insurance industry and from public hazard maps are queried and analysed. Using the portfolio results in relation to this data, a quantitative materiality definition has been formulated for each risk factor, for example at what point should a factor be considered material in an anticipated gross (loan) loss or portfolio exposure in high risk classes. The result of each quantitative assessment is then confirmed or refuted by expert judgement. To ensure the materiality assessment follows the principle of prudence, any insurance held is disregarded. To check insurance coverage, pbb Group has established an annual monitoring process.

For exposures in the PS&C segment, a valuation concept was developed to define the materiality of physical risks, regional data and maps from public sources were analysed as to environmental risks and geographical conditions for the portfolio, and finally, using expert knowledge, the exposures were classified as to their materiality. Within the scope of this process, the region relevant for each borrower/guarantor was taken into account, the environmental risk was weighted – using appropriate factors depending on the development structure (urban area / industrial zone, rural area, nature) – and the risk sensitivity related to the borrower's credit quality was assessed. This concept shall be applied both to existing business and to opportunistic new business.

With regard to immediate climate threats, flooding, heavy precipitation, storm (including cyclones, hurricanes, and typhoons), and tornado risk drivers are classified as material for the entire portfolio. In addition, forest fires, drought, and heat waves are considered material for the PS&C segment. With the exception of heavy precipitation, which will generally only be relevant in the longer term, the aforementioned factors can have an impact in the near and medium term, i.e. within five years. Persistent climate threats, such as rising sea levels, are currently not considered material for of pbb Group's portfolio.

**Biodiversity and environmental risks**

To assess biodiversity and environmental risks, we conducted a quantitative evaluation of public environmental and biodiversity scores that are suitable for the entire portfolio for pbb Group's clients' underlying economic sectors. For the Real Estate Finance segment, satellite data on the type of land coverage at the locations of the properties financed in Europe were used to evaluate a potential contribution to the loss of biodiversity through changes in the use of land. All analyses were then assessed by experts. Overall, biodiversity risks were not classified as material, both inside-out and outside-in. Pollution and contamination are included among the near- and medium-term material environmental risk factors for the REF segment. Factors such as a loss of biodiversity, change in the use of land, exploitation of organisms, invasive non-native species, habitat destruction, production of hazardous waste, recyclability and the water consumption intensity of buildings/financings were identified as non-material for the entire portfolio. In addition, location-specific data from the insurance sector for REF and data from public hazard maps for PS&C were again used to assess earthquake and volcanic eruptions as longer-term material environmental risks, with the latter only being relevant for the PS&C segment.

**Transition risks**

The transition environmental risk factors identified as material include property energy efficiency, carbon footprint (Scope 1, 2, 3 emissions), new sustainability and environmental regulations/carbon pricing and market sentiment, whereby the last two factors are relevant exclusively for the REF segment. The materiality of the aforementioned transition risk factors for the REF segment was determined qualitatively, by way of expert judgement. In addition, possible effects of transition risk factors on counterparty credit risk in various (climate) scenarios were quantified with the help of suitable assumptions within the framework of the macroeconomic stress test (please refer to the paragraph on risk management tools). To assess the materiality for the PS&C Segment, relevant transition risk factors were evaluated with regard to their potential influence on credit risk on the basis of an expert assessment.

**Governance and social factors**
All governance and social factors were subject to expert assessment. All near and medium-term material governance risk factors include unfair communication, insufficient client data security and data protection, integrity shortcomings (money laundering, terrorist financing, etc.), external counterparty ESG risks (ESG risks that pbb Group's counterparties are exposed to), insufficient incorporation of external (ES)G risks in the business strategy/processes, insufficient incorporation of external (ES)G risks in internal governance, insufficient incorporation of external (ES)G risks in the risk management framework, insufficient compliance with disclosure of information rules and practices, and insufficient internal corporate governance regarding the Company's own ESG/compliance risks. The social factors (human/employment rights, business partner / client relationships, the human rights of employees, social commitment, accessibility, customer orientation, diversity and equality) assessed were not deemed to be material.

All risk factors identified as material were classified as "financially material". Some risk factors – pollution and contamination, property energy efficiency, $CO_2$ footprint, market sentiment, unfair communication, insufficient client data security and data protection, insufficient integrity (money laundering, terrorist financing, etc.) – were also recognised as being environmentally and socially material.

**Effect on risk types**
Physical and transition risks assessed as material and the "external ESG risks of counterparties" governance factor affect counterparty credit risk. Some acute physical risks (heavy precipitation, storms, and tornadoes) can damage property or disrupt pbb Group's business continuity at low probabilities and to a limited extent, which makes them relevant to operational risk alongside pollution/contamination and some governance factors. Moreover, transition and governance factors may impact reputational, legal and liability, and business and strategic risk. There are currently no indications of any direct sustainability risks to pbb Group's market risk, and its liquidity and funding risk.

To determine the effects of ESG risk factors on counterparty credit risk, operational risk and reputational risk, stress tests and scenario analyses were carried out. In particular, the effects of relevant climate threats and transition factors on counterparty credit risk was determined using a macroeconomic stress test. To determine the influence of ESG factors on operational and reputational risk, various scenario analyses were conducted, including in relation to damage to the Group's physical assets and infrastructure by extreme weather events, potential accusations of greenwashing and unfavourable public perception of the Bank relating to sustainability issues. Furthermore, pbb Group considered ESG risk factors in its monitoring and reporting. The Group has begun formulating initial plans to incorporate ESG factors in the Internal Capital Adequacy Assessment Process (ICAAP) quantification, i.e. inclusion in relevant models, which will be finalised in 2024.

**Risk management tools**
Besides client focus, risk management constitutes an essential element of how pbb Group ensures it conducts business sustainably. Risk management involves the standardised and systematic identification, measurement, limitation, and monitoring of risks within pbb Group.

Given its key importance for pbb Group, the risk management function is anchored as an integral component of the Group, both in terms of organisation and concerning processes. Please also refer to the Risk and Opportunity Report in the 2022 Annual Report for more detailed information on risks and opportunities identified for the various types of risk as part of the risk management and risk control system implemented. pbb Group is steadfastly pursuing the goal of taking sustainability factors into account in all of its business dealings with clients and investors, as well as in how it handles public and employee expectations whilst striving to minimise negative consequences from ESG risks.

From a risk perspective, the focus is clearly on the options for exerting influence at all stages in the commercial real estate financing value chain, starting with fundraising and ranging from deal onboarding, loan extension, and the entire loan coverage process to repayment or the realisation of collateral. Within pbb Group, the principle of environmental sustainability of the properties to be financed is based on close links between sales, credit and risk management, as well as the real estate experts, and is an integral part of the lending decision process.

The taxonomy alignment analysis covering defined E-criteria according to the pbb Green Scoring Model with three pillars – energy efficiency, "green building" certification and other sustainability criteria (e.g. distance to public transportation, use of green electricity) – is now part of every new deal. In addition, pbb Group uses a proprietary decarbonisation tool based on the Carbon Risk Real Estate Monitor (CRREM) tool in its risk and opportunity analysis, with a special focus on opportunities as to how to make property sustainable. At the same time, systematic and extensive data collection on sustainability aspects was conducted in 2022 for both new business and for clients with existing financings, requesting data on sustainability aspects for transactions with a volume of €26.4 billion via a comprehensive survey of existing clients. The response rate by year-end 2022 was 53%; further data will be retrieved in 2023. pbb Group is thus increasingly gaining a better overview of the sustainability of its credit portfolio and the associated risks, which can then be used to manage ESG risks over the long term. The data collected are being gradually and continuously integrated into pbb's own IT landscape.

Based on the insights gained from the materiality analysis and risk inventory, the impact of climate risks for pbb Group was analysed using various scenarios.

- In order to systematically examine the potential vulnerability of pbb's portfolio and capital position with regard to medium-term transition climate risks, a corresponding transition scenario was defined, fully calculated and analysed within the normative and economic ICAAP perspectives, and then firmly integrated into the stress test programme.
- To expand the focus to include potential events that could occur over a longer horizon, a long-term transition scenario was introduced that looks at the period up to 2050 under different climate transition paths.
- The impact of acute physical risks was analysed in a dedicated scenario.

The medium-term transition climate scenario is part of the ICAAP steering approaches and the internal definition of adequate capitalisation. Both other scenarios were analysed and discussed by the Management Board.

ESG factors are integrated in ILAAP and are regularly examined and evaluated there. In addition to a qualitative assessment, potential effects of the pbb Group's liquidity position are quantified as part of the transition climate risk scenario.

**Monitoring ESG risks**

The monitoring and management of environmental risk (outside-in perspective) is currently focusing on the aspects of avoidance of, and adaptation to, climate change associated with the properties pbb Group finances. Monitoring activities for REF exposures potentially affected by physical and transition risks were launched within internal risk reporting. Additional transparency in internal reporting is provided by information on market risk sensitivities related to environmental risk factors, and on ESG-related losses with regard to operational risk exposure in the REF portfolio. Internal reporting is continuously expanded in line with available data. The quarterly KRI Report contains portfolio details on taxonomy eligibility and the share of "green" loans as per the sustainability criteria for green loans.

The Bank has also initiated monitoring activities regarding all properties subject to pbb green scoring and regarding the score values reached, the division into asset classes and countries, and the identification of potential risks clusters; these monitoring activities are continuously developed.

In the interest of minimising risks and contributing to achieving general environmental objectives, lending standards were adopted in the Risk Strategy and recommendations for actions in the Real Estate Credit Risk Policy, in response to some elevated risks in properties classified as conventional. In addition, pbb Group wants to support its clients in transforming conventional properties into green properties and so offers "green capex" financing with the goal of classifying a property as "green loan eligible" under pbb's Green Scoring Model.

The monitoring and management of social and governance risks focusses primarily on governance indicators, such as the prevention of money laundering and terrorist financing, compliance with financial sanctions and embargoes, and the prevention of fraud, other criminal acts, and corruption. pbb Group has put appropriate safeguards in place in this respect and, in addition to a Compliance Policy, the Code of Conduct, and a Human Rights Policy, has issued various other internal guidelines and instructions as part of its compliance management system. Compliance is responsible for ensuring due and proper adherence to these requirements. As an investment service provider, pbb Group also observes a whole range of regulations and requirements, in particular to ensure appropriate client/investor protection and, consequently, also to safeguard its own reputation.

Specific risk indicators have been defined and assigned to the individual components for monitoring the various aspects of the Group's own ESG risk. Based on a traffic light system, amber and red thresholds have been defined for these risk indicators and form the basis for compliance with the Bank's own targets. As such, an eye is kept on employees' use of resources (e.g. electricity, paper, company cars) and on business travel (e.g. train and air travel) to monitor the environmental footprint, whilst indicators on diversity, operational safety, and personnel development have been established to monitor the social risk. "Governance risk" is monitored using compliance-relevant cases.

Both the ESG risk indicators and the internal targets for the various aspects of ESG risk are reviewed, revised, and honed on an ongoing basis.

The Key Risk Indicator (KRI) report for non-financial risks is used to report risk indicators in the Risk Committee, to the Management Board and to the division heads on a quarterly basis. In addition, existing sustainability benchmarks in the form of external sustainability ratings are likewise an integral part of regular internal reporting to the Bank's management.

# Corporate Governance

For pbb Group, internal corporate governance is a fundamental success factor and an opportunity to positively set itself apart from its peers in a direct comparison.

With the Compliance Management System, pbb Group aims to ensure that it complies with nationally and internationally recognised laws, rules and regulations, and that the Group's reputation is strengthened by a culture of ethical and legal conduct.

**CODE OF CONDUCT AND ETHICAL PRINCIPLES**

Transparent, fair, responsible and honest conduct – with the required degree of expertise, professionalism and integrity in dealings with one another, clients and business partners, competitors and the public – is deeply rooted in pbb Group, and requires that the relevant legal, supervisory and internal obligations as well as other relevant laws and regulations are implemented and adhered to.

Since pbb Group’s inception, the Code of Conduct has provided this ethical-legal framework internally and defines the non-negotiable standards the Group expects its employees to live by. The Code of Conduct provides more than just guidance – it is a binding part of each employee’s employment contract and forms the basis for all other framework regulations within pbb Group. Amongst other things, the Code of Conduct offers very clear guidance on questions regarding relationships with clients, suppliers, shareholders, investors and competitors – as well as how to respond to conflicts of interest, bribery, the granting of benefits, or how to prevent money laundering and market abuse. Moreover, in the Code of Conduct, pbb Group documents its commitment to sustainable and environmentally sound business practices, and to identifying environmental risks that may arise in its business activities. In addition to economic criteria, pbb Group also takes social and environmental factors into account when making lending and investment decisions. pbb Group is aware that natural resources are limited and must be used responsibly, which is why the Bank is as efficient as possible in its energy and raw material consumption. The Code of Conduct is supplemented by pbb Group’s separate Human Rights Guidelines.

pbb Group commits not to support business practices that could harm its reputation or give rise to any suspicion that a client or even a supplier might thereby violate pbb Group's ethical standards or act in contravention of the law. Consequently, the Code of Conduct also implicitly applies to clients, potential clients and other business partners, as it requires that the responsible member of the Management Board and Compliance be informed if any activities by clients or business partners come to light that may damage the Bank's reputation or be unlawful. In 2021, pbb Group also introduced a Code of Conduct for suppliers, by which business partners commit to comply with the law and act in an economically, socially and ecologically responsible manner.

The applicable law, as well as all the regulatory provisions in force in the various jurisdictions where pbb Group does business, form the basis for the entire corporate decision-making process and day-to-day operations. They are complemented by internal regulations and detailed instructions. As a listed company, pbb falls under the German Corporate Governance Code under application of the “comply or explain” principle. This Code describes the legal requirements posed for managing and supervising German listed companies. It reflects current national and international developments, alongside standards of good and responsible corporate management.

## COMPLIANCE

Compliance is an integral part of pbb Group's corporate culture. Compliance means building an organisation and implementing other necessary measures to ensure adherence to legal and regulatory requirements as well as other requirements. The Compliance division aims to identify compliance risks before they materialise and to manage them effectively if they do emerge. In this way, Compliance serves to avert damage to trust, corporate penalties, fines, claims for damages or other negative legal consequences.

The Group takes any fraudulent act seriously, both for commercial reasons and because of its legal obligation to prevent such acts. Each such case is examined and documented individually, and other organisational units in the Group (e.g. Internal Audit, Legal) can be involved in addition to Compliance. Furthermore – if expedient – appropriate measures are defined and implemented in order to prevent a recurrence of the same scenario. pbb and its Group entities have devoted themselves to very high standards of honesty, openness and responsibility, applied both within the organisation and during all external business activities. Reliability and client trust are hugely important, which is why pbb Group's employees play an important role in this context.

The focus of compliance activities is on the detection and prevention of money laundering, terrorist financing, fraud, corruption and other criminal activity. Moreover, legal requirements concerning the performance of securities services are to be observed, compliance with which serves the goal of client/investor protection and consequently the protection of pbb's reputation. At the core of the norms pbb must adhere to lie the German Banking Act (Kreditwesengesetz – "KWG"), the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG"), the German Money Laundering Act (Geldwäschegesetz – "GwG"), the EU Market Abuse Regulation and the regulations and guidelines based on these legislative acts.

In addition to the overarching framework Code of Conduct and the Human Rights Guidelines, pbb employees are bound by numerous other internal rules and regulations such as the Prevention of Money Laundering (Prevention of Money Laundering and Terrorist Financing) and Economic Sanctions Policy, the Guidelines on Combating Other Criminal Acts, the Principles for Handling Conflicts of Interest, the Information Security Policy, and the Internal Guideline on Competition Law.

All employees are required to attend compliance training for awareness and education upon joining the company and on a regular basis (annually or biennially) thereafter. These training sessions cover a variety of topics, including the prevention of money laundering and terrorist financing (annual), competition law (annual), combating other criminal acts (biennial) as well as general compliance issues (biennial). Successful participation in these sessions is only certified following a test. pbb Group also conducts training sessions, seminars and workshops as needed to ensure that employees receive training that addresses their needs and aligns with pbb's business model.

Banks are bound by a plethora of legal, regulatory and administrative provisions that have been established to provide clients and business partners with a high degree of security. pbb Group, in turn, has installed various processes to ensure compliance with these provisions.

To efficiently design an appropriate, continuous legal monitoring, pbb uses a workflow system that allows for comprehensive and early identification of new versions of (or amendments to) relevant regulatory requirements and provisions. In addition, it provides assistance for the definition of appropriate measures as regards compliance with relevant rules and regulations, their implementation and corresponding monitoring of implementation. In the reporting year 2022, a separate disclosure with regard to ESG standards was introduced in the workflow system.

Further prevention systems include the implementation of controls to assess the appropriateness and effectiveness of relevant processes, support and advice for the divisions by Compliance with regard to new products and process developments, numerous committees with Compliance involvement, a pre-approval requirement for employee transactions in financial instruments of pbb Group, reliability checks (for employees in accordance with the provisions of the German Money Laundering Act and with regard to compliance with the provisions of the Code of Conduct and competition law) and due diligence approvals for business partners/service providers (mandatory participation in risk analyses for outsourcing). The Compliance division of pbb Group also has extensive rights to issue instructions as well as information and investigative powers in order to enforce its requirements throughout the Group.

All compliance processes and regulations are continuously reviewed, allowing continuous adjustment to align with pbb Group's risk situation and permanent optimisation of the monitoring and control measures. The Management Board and the Supervisory Board's Audit and Digitalisation Committee receive detailed reports on all Compliance-relevant topics on a quarterly basis.

**PREVENTING MONEY LAUNDERING AND TERRORISM FINANCING**

pbb Group has made a commitment to very high standards in the prevention of money laundering and terrorist financing. Examples here include the mandatory involvement", enforced by technical means, of Compliance as a second line of defence in the KYC check for all cases defined as "high risk, the application by pbb Group of a narrower 25% approach to beneficial ownership instead of the prescribed 50% approach in case of indirect ownership, and the shorter definition internally of the legally prescribed regular KYC monitoring periods.

pbb Group has implemented comprehensive regulations and processes, and requires all employees to follow them. Examples of the Group's commitment include thorough Know Your Customer (KYC) processes, a continuous review of international lists regarding, inter alia, sanctions, suspicion of money laundering or terrorist financing, as well as risk analysis and ongoing reporting. The primary legal basis is the Money Laundering Act (GwG), compliance with which is monitored and audited within pbb Group via internal controls in the sales-related units as well as by Compliance and Internal Audit as the three lines of defence. Since January 2020, the new Client Lifecycle Management Team has supported the sales-related units with the KYC process, including compliance with legal requirements and internal regulations. This process has been assisted by the automated workflow tool PEGA since January 2022. Measures to prevent money laundering and terrorist financing are constantly updated and reviewed by Internal Audit on an annual basis. They are also covered during the annual audit of the financial statements.

### FRAUD PREVENTION AND COMBAT OF OTHER CRIMINAL ACTS, INCLUDING FRAUD, CORRUPTION AND BRIBERY

The definition of “other criminal acts” is oriented on the regulatory purpose of section 25h KWG and is thus interpreted very broadly. It encompasses any (even if only conditionally) intentional action characterised, for example, by deception, concealment, cover-up, or abuse of trust with the potential to jeopardise or damage the assets or reputation of pbb Group, e.g. also by using pbb Group to damage a third party’s assets.

pbb Group does not tolerate any other criminal acts and considers every other criminal act as a serious matter. The Bank promptly investigates reports of other criminal acts and takes appropriate measures to prevent their recurrence. One anonymous report of suspicion of such act was received in the year under review, which was immediately processed and closed.

pbb Group takes the prevention of other criminal acts very seriously. As such, the Group has put in place various safeguards to protect itself against damage, in particular due to potential fraudulent and/or other criminal acts, including corruption and bribery. In addition to the regular training on this topic as mentioned above, binding policies for all employees are defined in the Code of Conduct, in the Principles for Handling Conflicts of Interest and, in particular, in the Guidelines on Combating Other Criminal Acts. Among their aims is to ensure proper and professional conduct of employees. Said rules comprise clear provisions to avoid conflicts of interest, provisions for accepting and granting benefits and gifts in general, and interactions with government representatives and public agencies. In particular, cash payments, gifts and other benefits or perquisites to officials that could in any way be interpreted as undue influence, bribery or corruption are prohibited. There is also an obligation to report knowledge of any other criminal acts or knowledge of facts that give rise to the suspicion of such acts. Furthermore, controls for the detection and prevention of fraud have been defined and a whistleblowing system implemented.

### COMPETITION AND ANTITRUST LEGISLATION

In its Code of Conduct and in internal instructions on the topic of competition and antitrust law, pbb Group has established detailed and case-specific rules for compliance with respective competition and antitrust requirements, especially as regards discussions with competitors and maintaining information barriers. Furthermore, staff members attend training on competition and antitrust legislation once a year.

As a further measure to raise awareness and ensure compliance with the requirements, Compliance has implemented a regular confirmation process, within which the heads of all business divisions are regularly requested to confirm acknowledgement of – and adherence to – the competition and antitrust stipulations for their division.

### WHISTLEBLOWING SYSTEM

At the end of the day, specific indications are important, as they can help detect statutory violations. pbb Group has established a system that allows our internal staff – as well as external third parties – to blow the whistle on statutory violations and undesirable conduct. This whistleblowing system allows for anonymous reporting in the event of a concrete suspicion concerning fraudulent or other illegal activities. All reports are handled with utmost confidentiality. pbb Group takes the concerns of its whistleblowers with regard to their security and career seriously, and its confidentiality regulations ensure that whistleblowers’ identity is not revealed without their explicit consent. Any attempt to discriminate against a whistleblower, or discourage an employee from whistleblowing, that comes to light can result in disciplinary action up to and including dismissal. No report was received via the whistleblowing system in the reporting year.

## RESPECT FOR HUMAN RIGHTS

As a global company, pbb Group is fully committed to its responsibility to respect and uphold human rights and to strengthen them and prevent human rights violations in our own operations and fundamentally along our entire supply and value chain. To this end, pbb Group adheres to international human rights standards and guidelines, including the International Bill of Human Rights of the United Nations and the European Convention on Human Rights.

The framework for this is provided by pbb Group's Human Rights Guidelines, which supplement the Code of Conduct and set out the Group's indispensable principles as well as the requirements that the Group expects both itself and its stakeholders to meet when it comes to respecting and safeguarding human rights.

Above and beyond legal requirements, such as those set by the German General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz – "AGG") and the German Act to Promote Transparency of Pay Structures (Entgelttransparenzgesetz – "EntgTranspG"), pbb Group has incorporated the stipulation to respect and honour human rights as a central theme in its Code of Conduct, the document which defines the vital ethical-legal framework governing conduct within pbb Group together with its dealings concerning clients, business partners, competitors and the general public. pbb Group expressly distances itself from any violation of human rights, whether committed by a member of staff or outside entities. Transparency, honesty, fairness, as well as dignity and respect are among our central maxims. pbb Group respects all people, irrespective of age, ability, gender, sexual identity, ethnic and social background, skills, sexual orientation, personal beliefs or religion, and is committed to fostering diversity amongst its staff. A culturally diverse workforce is an important success factor, which is why the Group is devoted to preventing or eliminating discrimination against its employees.

To underscore the importance of equal treatment, pbb Group has signed the German Diversity Charter. To ensure equal working conditions and opportunities for all employees alike, pbb Group also engages in regular dialogue with its employee representatives on a variety of relevant topics, ranging from equal pay to striking a balance between work and family commitments as well as the prevention of discrimination and bullying. pbb Group has made the necessary arrangements to safeguard everyone's right to work in a secure and healthy environment in line with the applicable occupational safety and health legislation (cf. "Working environment"). In addition to the whistleblowing system outlined above, pbb Group has set up a Complaints Office for pbb employees to report potential discrimination pursuant to the German General Act on Equal Treatment (AGG).

The duties of pbb Group employees regarding human rights also extend to human rights abuses at the hands of third parties: should a staff member become aware of any indications that a prospective client, supplier or other business partner may be involved in activities that violate human rights, they must inform the responsible member of the Management Board and Compliance, who will review every case individually. Such issues are also pre-empted during the Know Your Customer (KYC) process that clients and business partners are subject to, as well as during country analyses used to identify target markets.

In in the year 2022, pbb Group prepared another statement of compliance with the UK Modern Slavery Act, in which suppliers and service providers were identified and the processes that have been set up to ensure conformity with this Act, whose applicability is (currently) limited to the United Kingdom, were laid out.

For further information on the topic of human rights, please refer to the already mentioned, publicly available Human Rights Guidelines of pbb Group; the chapters on individual sustainability topics also provide some information.

pbb Group is not aware of any human rights violations that occurred within pbb Group in financial year 2022.

## DATA PROTECTION AND INFORMATION SECURITY

Data protection and information security, and the related protection objectives, are key management topics within pbb Group.

Upholding banking and business secrecy, protecting the rights of data subjects and ensuring reliable service provision are the primary objectives of the Data Protection and Information Security department. Accordingly, the department focuses on the following activities:

> Acting as a point of contact for information security and data protection issues (e.g. in-house advice in day-to-day business or in the context of projects)
> Ensuring that pbb Group has an information security framework in place that complies with relevant laws and regulatory requirements and observes industry best practice
> Ensuring adequate robustness against attacks on pbb Group and further development of the information security management system (ISMS) and the data protection management system (DPMS)
> Advice and guidance on the protection of critical data (especially involving the use of new technologies)
> Monitoring compliance with measures to protect personal data and other information from unauthorised access and processing
> Monitoring measures to ensure the confidentiality, integrity, availability and reliability of information and IT systems in order to be able to meet the requirements of business operations
> Regular employee training (at least annual) on information security and data protection issues

The Management Board receives a comprehensive report on data protection and information security every quarter. This report is also included in the reporting to the Supervisory Board's Audit Committee. The Management Board also receives information on key topics (e.g. new regulatory requirements and their implementation or reviews of data protection or security incidents) on an ad hoc basis. If necessary, the Data Protection Officer and the Chief Information Security Officer have a direct reporting line to the Management Board.

There were no major information security or data protection incidents during the reporting period.

**Data protection**
Handling confidential data with great care is a top priority within pbb Group. The regulations on data protection can be found in a variety of sources, including the General Data Protection Regulation, the German Federal Data Protection Act (Bundesdatenschutzgesetz – "BDSG"), national/international statutory and supervisory law regulations, as well as in the contractual non-disclosure agreements.

Several measures have been taken to ensure data protection within pbb Group, which are reviewed at regular intervals and adjusted as necessary. In particular, they include:

- Appointing a Data Protection Officer to act, among other things, as a port of call for internal and external enquiries and to monitor compliance with data protection regulations within the Group
- Establishing a comprehensive internal instruction system relating to the various topics of data protection law
- Continuously developing the data protection management system
- Subjecting employees to data secrecy obligations
- Checking the level of data protection in line with a risk-based audit plan that includes regular controls, such as audits of processors of personal data
- Integrating data protection in project implementation
- Safeguarding the rights of data subjects, e.g. by complying with the principles of “privacy by design” and “privacy by default”
- Keeping a register of processing operations
- Publishing data protection notices on the homepage for external natural persons and on the intranet for employees

The issue of data protection is also covered in every employment contract. Any breach of the data protection rules and regulations can have disciplinary consequences.

Additionally, contracts with external service providers stipulate compliance with data protection regulations and the implementation of state-of-the-art technical and organisational measures for the protection of personal data in processing.

**Information security**

Today, information security is exposed to a much greater risk than it was in the past. As the information processed within a bank is very valuable, it needs to be adequately protected and this protection enhanced on an ongoing basis. Sources of risk include the dense networks between and within companies and organisations as well as the mounting threat associated with all kinds of cyber risks in the broadest sense of the term.

pbb Group has an information security management system in place that is based on the international standard ISO/IEC 27001 and the basic IT protection regulations (IT Grundschutz) set out by the Federal Office for Information Security (Bundesamt für Sicherheit in der Informationstechnik – “BSI”) with the protection objectives defined therein for the information generated and processed within the Bank.

These protection objectives within ISO/IEC 27001 are:

- Availability: information can be accessed by authorised persons/entities, and information can be used whenever needed.
- Confidentiality: information is only made available to authorised persons, entities or processes.
- Integrity: accuracy and completeness of information is protected against unauthorised or unintended changes.
- Authenticity is understood as the extent to which objects, for example data/information, are genuine and credible.

Various processes, guidelines, procedures and techniques are used within pbb Group to ensure the information security objectives. pbb Group uses policies that map the various information security topics to establish the above objectives, including all necessary activities, on a sustainable basis.

Due to the considerable importance of the topic of cybersecurity within the Bank, pbb Group has implemented countermeasures, including:

- Regular measures to raise awareness and information security training sessions
- Regular and ad hoc security needs assessment, analysis and measures derived from ISO 27001
- Management of information security and data protection risks and integration into the Bank-wide risk management system
- Vulnerability management, including regular security patching
- Specifications to make systems and infrastructure components more resilient based on international standards, including corresponding compliance scans to check implementation
- Use of the latest technologies to protect data and information according to defined protection levels (e.g. zoning, firewall, IDS&IPS, DDoS protection)
- Regular, risk-based penetration tests on critical systems and ad hoc in the context of projects
- Security incident handling processes / business continuity management (BCM)
- Comprehensive anti-malware protection, including phishing and SPAM protection
- Need-to-know and least-privilege principle, implemented via role-based access
- SIEM (security information and event management)
- 24/7 SOC (Security Operating Centre) with early warning components and forensic capacities
- Network security measures, e.g. proxies, encryption, alerts, SDN
- Mobile device management with encrypted data storage and remote deletion
- Multi-factor authentication for remote access

pbb Group uses its organisational structure, guidelines and technical implementation to ensure a level of information security that is commensurate with its business strategy.

# Employee Matters

### PBB GROUP AS AN EMPLOYER

An increased need for specialisation, demographic change and the associated shortfall of qualified staff, as well as an environment marked by regulatory requirements, bring distinct challenges to pbb Group’s HR activities. This work is based on a far-sighted HR strategy anchored in the Group’s business model and aligned with its business and risk strategy.

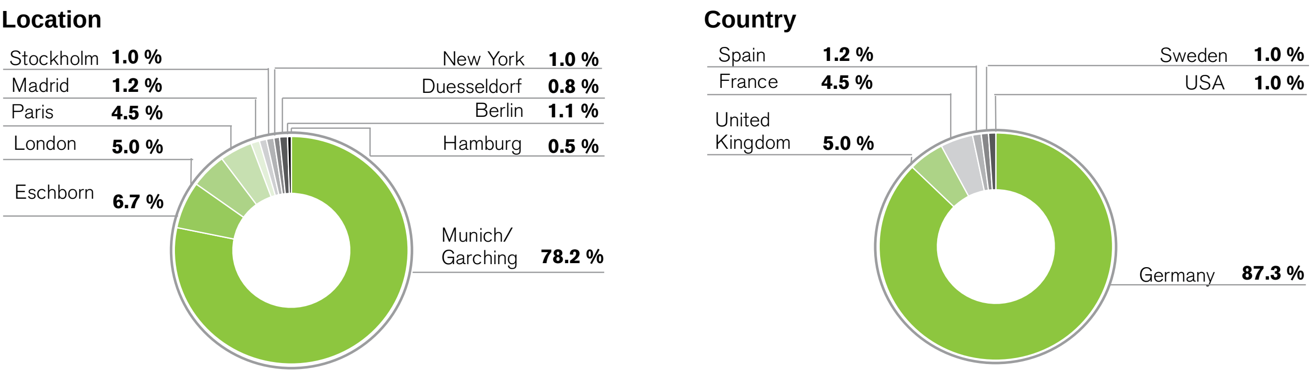
pbb Group’s business model requires highly qualified employees with expert knowledge in a vast range of subject areas. A key objective of the HR strategy is to attract, retain, and develop employees over the long term, recruiting both junior staff and experts.

Implementation of the HR strategy is based on differentiated, strategic personnel planning, where medium- and long-term changes in the workforce and staffing needs are systematically assessed and managed from a forward-looking point of view as part of pbb Group's multi-year planning.

Successfully recruiting specialists and junior staff, and securing their loyalty to the Bank over the long term are core elements of the HR strategy. Flexible and modern working conditions, a vast range of potential qualifications, and development opportunities make it possible to discover individual solutions in a dynamic working environment, together with pbb Group's clients, thinking and acting in a client-oriented entrepreneurial way. This makes a key contribution to pbb Group's appeal as an employer and ensures that it will remain competitive in the future, since it naturally competes with other banks, and continuously vies for the best talent in the market.

Key areas of HR's work in 2022 included recruiting junior staff and developing talent, with a special emphasis on women and diversity, and HR plans to continue focusing on these areas in 2023. Retaining employees and managing age-related structural changes will also have a high degree of priority.

**Regional distribution of employees (pbb Group)**
**As of 31 December 2022**




As in the previous year, pbb Group's workforce remained stable during 2022. pbb Group employed a total of 836[1)] people at the end of 2022 (2021: 828). The adjusted[2)] fluctuation was 6.79% in 2022 (2021: 5.11%). The ratio of voluntary redundancies was 5.82% (2021: 4.02%).

1) Headcount pursuant to the German Commercial Code (excluding Members of the Management Board, interns and student employees). pbb AG employs 815 people, CAPVERIANT GmbH 21 people. Figures provided below relating to employees refer to the Group.

2) Adjusted fluctuation comprises any fluctuation initiated by the employer or employee, as well as discharges due to fixed-term employment contracts running out. Adjusted fluctuation was calculated based on an average headcount of employees of 825 (pursuant to the German Commercial Code).

### REMUNERATION AND EMPLOYEE BENEFITS

The remuneration system and the remuneration strategy of pbb Group are integral components of the business and risk strategy of pbb Group. With its remuneration strategy, pbb Group aims to guarantee fair, performance-oriented remuneration in line with the market – one that is geared to achieving the target of increasing the Group's profitability over the long term enshrined in the business and risk strategy. In particular, the variable remuneration system includes appropriate incentives for individual performance, but also promotes and improves cooperation between business divisions, departments, and teams by making the success of pbb Group a core element of the variable remuneration system. Variable remuneration components provide employees with the opportunity to participate directly in pbb Group's success.

Another key element in the remuneration strategy of pbb Group and its remuneration system is the fulfilment of regulatory requirements that deal with the remuneration systems of banks. On the one hand, this means that the implementation of the statutory principle of appropriateness of individual remuneration components regarding total amounts and structures is accounted for, with the ultimate objective being the avoidance of disproportionately high risks. Total remuneration amounts, and individual remuneration components of employees and Members of the Management Board, are subject to regular revision in order to establish an appropriate relationship regarding function and individual performance, as well as pbb Group's overall performance. In 2022, the system, structures and amounts of remuneration were once again reviewed for appropriateness. On the other hand, the remuneration system of pbb Group implements all other regulatory requirements regarding remuneration, in particular those regarding the variable remuneration component. Of particular importance for pbb Group are the regulatory requirements regarding remuneration systems pursuant to the the Capital Requirements Directive (CRD), the German Banking Act (Kreditwesengesetz – "KWG"), the German Ordinance on Remuneration in Financial Institutions (Institutsvergütungsverordnung – "IVV"); especially requirements on the variable remuneration of risk takers and senior managers), as well as – for the Management Board – those resulting from the German Stock Corporation Act (Aktiengesetz – "AktG") and the German Corporate Governance Code (Deutscher Corporate Governance Kodex – "DCGK").

The remuneration system for managers and employees consists of fixed remuneration and variable remuneration, as well as fringe benefits, such as an occupational pension provided via the BVV, that are standard practice in the industry. The amount of variable remuneration is determined on three levels: the institution's performance, the performance of the relevant department and individual performance. Maximum target achievement is set at 150%. Regarding the disbursement structure, pbb distinguishes between employees who have a material influence on pbb Group's overall risk profile (so-called risk takers), and other employees (so-called non-risk takers). The variable remuneration for non-risk takers is usually granted in cash at the end of the first half of the year subsequent to the financial year for which the variable remuneration is granted.

The disbursement structure for the variable remuneration for risk-takers provides for the variable remuneration to be divided into a disbursement portion and a deferral portion once the performance has been measured. The disbursement portion for second-level senior staff amounts to 40% of the variable remuneration allocated to them, with the deferral portion amounting to 60%. The disbursement portion for employees amounts to 60% of the variable remuneration allocated to them, with the deferral portion amounting to 40%. 50% of the disbursement amount is paid out in cash when the conditions for disbursement have been met. The remaining 50% is disbursed after one year, with the amount being linked, in line with the applicable sustainability component, to share price performance and, as a result, to pbb Group's financial development, which may result in the amount being adjusted. Deferral portions granted to senior staff at the second hierarchy level are subject to a retention period of five years, whilst the deferral period for employees is three years, or four years pursuant to the amended InstVergV of 24 September 2021, where in force. A malus test is performed during this deferral period, which can lead to the deferral portion due for payment in each case being reduced. Following this malus test, 50% of the relevant deferral portion is subject to an additional one-year retention; it is linked during this period to pbb Group's sustainable development, in line with the applicable sustainability component. This provision will not apply where the EPR value determined for a given financial year is lower than a threshold defined by law (or by the BaFin or another competent supervisory authority), below which such disbursement structure for risk takers is waived for reasons of proportionality (currently up to, and including, €50,000 p.a. per person, provided that the individual variable remuneration does not amount to one third of that person's total remuneration or more).

**Fair and gender-neutral remuneration**
Equal pay for women and men is a top priority for pbb Group.

The remuneration of members of staff at pbb Group whose conditions of employment are governed by collective wage agreements, so-called tariff employees, is ruled by the collective agreement for private and public-sector banks.

pbb Group 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 an industry-wide minimum remuneration standard is maintained based on an employee's qualifications, role and responsibilities, professional experience.

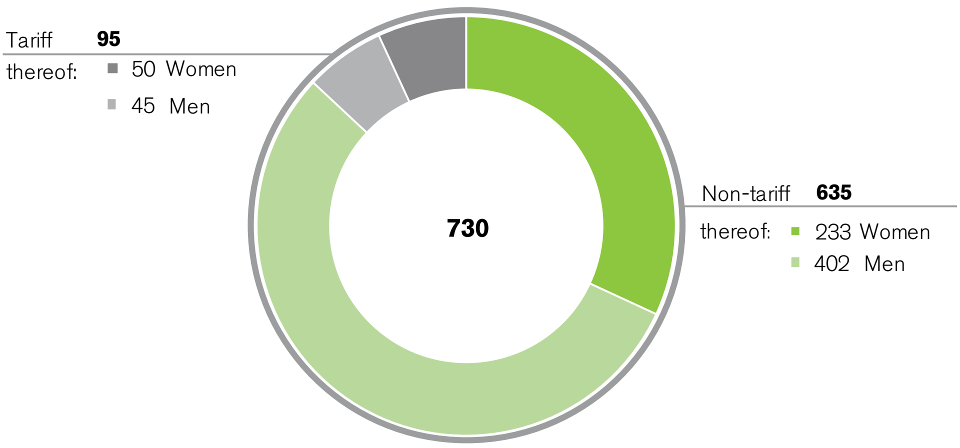
To provide for adequacy and fairness in the remuneration of non-tariff employees, remuneration is regularly – usually biennially – reviewed as to whether it is in line with prevailing market terms, using external benchmarks and a functional classification system. The benchmarking is based on a standard classification scheme for job or function levelling (the Towers Watson Career Map), with three so-called career paths ("M" = Management; "P" = Professional, and "T/U" = Services/Administration) and different career levels within these career paths. This classification lays the groundwork for the verification of remuneration in terms of market levels (the so-called market matching). The earnings progression of the non-tariff employees depends on the the employee's qualifications, role and responsibilities, performance, and professional experience.

Variable remuneration, which applies throughout pbb and all other Group entities in as uniform and viable a manner as possible, is determined using a formalised and transparent process, harmonised across the Group. 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 are derived from the corporate targets and business planning for the respective financial year. The establishment of targets commences with the setting of overall corporate strategic priorities by the Management Board, in order to facilitate the management of divisional targets. As a rule, the Management Board also establishes corporate strategic priorities related to environmental, social, and governance (ESG) aspects. This particularly serves to promote practices related to pbb's climate and environmental risk approach. A 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 based on the Corporate Strategic Priorities are approved by the 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. The measurement of every target is based on indicators, allowing transparent performance assessments at the end of every financial year. pbb Group conducts annual employee reviews within the scope of an annual process; holding these discussions is part of managers' responsibility. 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 Company's performance, and ensure fair 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.

Company pensions are an important pillar of the additional benefits pbb Group has to offer. For its employees in Germany, pbb Group has established defined-contribution and defined-benefit plans. In the defined-contribution plans, pbb makes payments for commitments by industry-wide organisations such as BVV, the German pension provider for the financial industry; BVV has been an important company pension option for employees joining since 1 April 2004. In all of the Group's non-German entities to which no legal or tariff provisions apply, a company pension scheme – in a locally common form – is in place.

**Proportion of tariff employees/non-tariff employees (pbb Group)**
**As of 31 December 2022**




### Employee benefits

pbb Group provides members of its staff with a comprehensive employee benefits package, including – depending on the employee's location – capital-building payment schemes, sickness benefit and grants to the statutory sick pay, anniversary pay, lunch allowance, special leave in case of special events and a group accident insurance policy.

In the Garching and Eschborn locations, voluntary preventive healthcare measures such as free influenza vaccinations, health checks and computer glasses are available (cf. “Fair working conditions”). pbb Group also has a workplace integration management system in place, which all employees may make use of.

During 2022, pbb Group employees in Germany were once again able to lease high-quality communication devices of the newest generation such as PCs, notebooks, tablets or smartphones, through pbb Group at attractive terms and for their private use. The monthly lease instalments are directly offset against gross salary, allowing pbb employees to benefit from tax benefits for private use of communication technology available in Germany, in line with their own marginal tax rate.

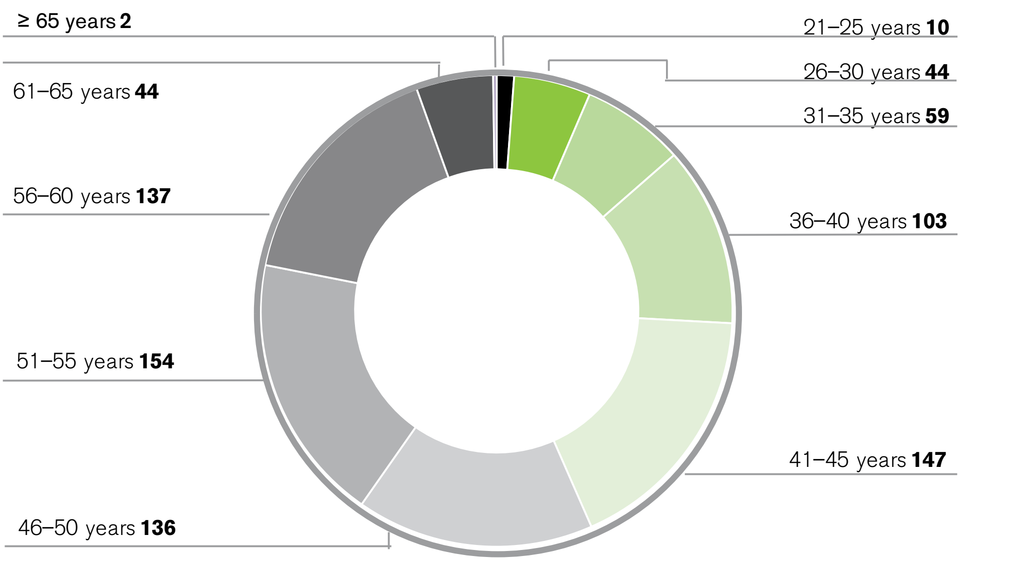
**WORKING ENVIRONMENT**

pbb Group employs 836 women and men from 35 different countries 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 Group respects human dignity, human rights, and an employee's right to privacy. Fairness, dignity, and respect are pbb Group’s guiding principles. pbb Group has zero tolerance with regard to unfair or discriminatory behaviour towards its staff. It is committed to the principles of equal treatment in the selection and further development of staff, without discriminating against any employee (or potential employee) due to race, ethnicity, gender, religion or personal beliefs, disability, age, or sexual orientation.

Employees are assessed on their performance alone. Honouring the legal and contractual rights of employees is an essential part of the Compliance guidelines which employees must adhere to as per Works Council agreement and/or their employment contract, as well as to pbb’s Code of Conduct. This forms the foundation for our managers’ and employees’ work. The work and conduct of managers and employees alike – and therefore that of our Bank – is based on mutual respect, openness, honesty, and a shared understanding of trusting collaboration. pbb Group focuses in particular on the issue of gender balance. This focus is supported by increased awareness for the issue across all levels and the establishment of a corresponding management and corporate culture, as well as the internal obligation to specifically consider women when filling vacant positions, while taking in account ability and qualifications. Further information on this topic can be found in the pbb Group’s Corporate Governance Report.

pbb Group has an internal office that employees may turn to when they feel that discrimination pursuant to the German General Act on Equal Treatment has occurred. pbb Group has published a leaflet on the intranet to inform staff about preventing discrimination.

**Age structure of employees (pbb Group)**
**As of 31 December 2022**




**Fair working conditions**

Since 2010, pbb Group has been a signatory of 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. The Diversity Charter binds its signatories to creating a working environment that is free of prejudice and exclusion, and to establishing an open corporate culture based upon mutual respect and the involvement of stakeholders. This vision is something we actively live. pbb Group takes heed of an even-keeled structure of our workforce in the demographic sense, and employs people from a vast variety of education and sector backgrounds.

Every employee must be able to address workplace problems without fearing repercussions. pbb Group fosters an open corporate culture that provides for the inclusion of employees in the decision-making process, while at the same time maintaining discretion. It further ensures that procedures exist within the Group in order to resolve any workplace problems confidentially and as quickly as possible, including a Complaints Office for complaints under the German General Act on Equal Treatment, a dedicated contact at Human Resources and a whistleblowing system.

Efficient and committed employees are central to the success of every company, which is why pbb Group invests in the health of its employees. The Health and Safety Committee (Arbeitsschutzausschuss – "ASA") that was implemented at locations in Germany and includes a company doctor, the occupational safety specialist, as well as representatives of the Works Council and the safety officers (Human Resources and Corporate Services representatives), meets on a regular basis to consult on the status of occupational safety and health protection at pbb Group's German offices, and to decide upon measures to improve occupational safety and health, and the prevention of accidents. Company doctors hold consultation hours for employees at the Garching and Eschborn locations. Furthermore, pbb Group voluntarily offers its employees various health measures, for which it assumes the costs. In 2022, we conducted 28 preventive check-ups on working with display screen equipment, 17 extensive consultations on individual topics, 19 consultations on hygiene measures and measures to reduce SARS-CoV-2 infection risk, and 227 vaccination advice sessions/vaccinations. Our offer to visit a company doctor was taken up by a total of 272 employees.

pbb Group's managers received training on occupational safety issues from the occupational safety specialist in 2022, in compliance with the German Act on the Implementation of Measures of Occupational Safety and Health (Arbeitsschutzgesetz – "ArbSchG"). pbb Group offers first aid courses and further training for first-aiders every year, which also deal with the handling of automated external defibrillators. Similarly, fire prevention training is given annually, with refresher courses held every two years.

During 2022, demand among employees in Germany for pbb Group's subsidies for preventive healthcare was strong once again. pbb Group's sponsorship of health-promoting measures is not limited to Germany. At both its German and international locations, the Group supports membership in sports clubs or gyms, eyesight tests, health checkups, and workplace evaluations.

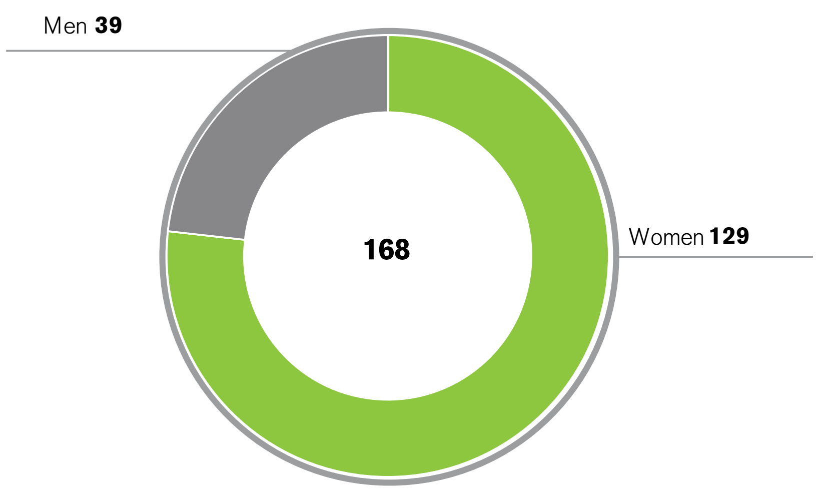
**Work-life balance**
Helping employees reconcile their responsibilities at home and at work has increased in importance – both in line with the goal of promoting women and in pbb Group's endeavours to recruit new employees and become a more attractive employer.

By providing work organisational conditions, such as flexible working models or the possibility of working at home, pbb Group offers attractive arrangements that make it easier to balance work and family for all employees. The expansion of mobile work introduced in 2021 under the auspices of new work is one part of this. 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 Group 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. In addition, in case of childcare problems, pbb Group offers flexible opportunities to work from home, or permits bringing children to the office. Employees who care for a family member can rely not only on the legal provisions, but may also take unpaid leave or temporarily reduce their working hours.

The pme "Familienservice" for all employees based in Germany also provides a range of agency and selective advisory services. This offering has been taken up by employees in particular for childminding, homecare and care for the elderly. Virtual childcare was also offered in 2022 due to the increased need for employees to work from home. 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. In 2022, a total of 80 employees made use of this childcare allowance for 92 children.

20.1% of employees work part time (part-time share for female employees: 39.8%, for male employees: 7.6%), testimony to the flexible working opportunities and the support given to work-life balance.

**Part-time distribution (pbb Group)**
**As of 31 December 2022**




**Involvement and co-determination**
At pbb Group, relevant industry-specific collective agreements apply to employees in Germany, France and Spain.

In Germany, there are also two local Works Councils (in Garching and Eschborn) as well as a representation body for severely disabled employees. In addition to these bodies, there is a Central Works Council, which has formed an economic committee. No Group works council exists. An employee representation body was active in our French offices in 2022, but no other such bodies exist at the remaining international offices. The working relationship between pbb Group and employee representation bodies is based on trust and regular exchanges, and pbb Group respects their rights.

Employees are kept in the loop about corporate matters by both their representatives and pbb Group via the intranet or e-mail, as well as in personal meetings. All members of staff have the opportunity and the right to organise in trade unions, as well as the right to assembly.

In Germany, regular works meetings ensure that employees are comprehensively informed, and the time employees spend at these meetings counts as working time.

**Responsible approach to restructuring**
pbb Group has instituted a framework that governs all changes to the organisation and provides for mutually agreed and socially responsible solutions where employment relationships come to an end. Examples include provisions governing severance payments and special assistance for affected employees re-entering the labour market, such as outplacements and professional development initiatives.

**Training and continuing professional development**
The business model pbb Group pursues, and the ever more challenging and complex environment that it is active in, calls for highly qualified employees with expert knowledge. This makes training and continuing professional development (CPD) an important ingredient of the Group's HR strategy and a core element in achieving the Bank's goals. CPD is also essential to employer attractiveness, both in terms of recruiting and retaining employees.

In terms of personnel development, pbb Group follows a holistic approach that looks at each individual member of staff, provides them with guidance and, where necessary, support in their professional and personal qualifications and development. This requires that the qualification measures of the individual employee be identified and planned, to meet the needs the employee has in terms of knowledge and competence. Together with the principle of "leading, challenging, encouraging" and the employee review, individual qualification is a cornerstone of pbb Group's personnel development. The annual employee review forms the basis for establishing qualification needs. If qualification measures are earmarked during the review, manager and employee mainly – but not exclusively – select and plan the contents of these measures in the context of the target agreement. Measures may be on-the-job, near-the-job, as well as off-the-job, and may be offered in-house or externally. Where qualification needs arise in the course of the year, further seminars or trainings above and beyond what was agreed during the review may be requested.

pbb Group offers a variety of in-house training and qualification measures, in particular in the realm of technical qualification, management and social skills to make line managers and project heads better leaders and to foster understanding for working in teams.

The seminar offering comprises topics specific to pbb, but also methodological and social skills. In the course of the latter, trainings aim at team-building measures, a better understanding of intercultural diversity as well as at general presentation, moderation, negotiation, time management or language skills. Our internal training catalogue is completed by dedicated measures for women, which also help improve the reconciliation of family and working life at pbb Group.

For managers, pbb Group offers a series of seminars on leadership. In our well-established Leadership Academy, we lay the groundwork that is later built upon in our Leadership Excellence trainings. These trainings encourage experienced managers to reflect on and improve their management and social skills in an ever more challenging and complex working environment. The Leadership Journey also places particular focus on the leadership challenges associated with a hybrid working world. Above and beyond these offerings, the Bank also enables executives with significant management responsibility to participate in individual coaching sessions.

For young talents that have just completed their university studies, a tailor-made trainee programme that offers both technical and interdisciplinary qualification makes for a successful start with pbb Group. A mentoring programme rounds off the range of development and support measures.

The continued systematic development of an HR development structure that is aligned with the individual requirements of divisions and employees will continue to challenge pbb Group, while also serving as a gold standard for successful HR work. Against this background, pbb Group strives to continuously evolve its qualification programme – and to continue to do so, going forward. With new initiatives adding to the broad range of existing measures, we will therefore continue to provide important impetus in 2023 and beyond, to systematically support our staff in their professional and personal growth with a modern approach. Expanding the measures currently available that are aimed at leadership skills, agile project management, and training on the topic of remote working are on the agenda for 2023.

In addition to the internal on-the-job and near-the-job measures – organised centrally as well as decentralised – pbb Group employees can resort to a wide range of external training measures. As a rule, the employee and his or her manager decide on the – in this case mostly professional – training measures within the scope of the employee review. The selected measures depend on the employee's needs. pbb Group paves the way for suitable employees to complete, inter alia, the international Real Estate Manager training (EBS), tailored to the needs of pbb Group.

Expenses for internal and external staff qualification measures totalled €0.9 million (2021: €0.8 million) during 2022. This was equivalent to 3.5 training days on average for each employee (based on an average headcount pursuant to the HGB of 826), or 6.3 days on average for the 451 staff members who took part in the qualification measures.

**Knowledge management**
In order to make transition into their job at pbb Group easier for new employees, the Bank is directing a lot of attention to onboarding efforts. Introduction plans and sponsorships – in which an employee with relevant experience is at the disposal of new employees for any questions they might have – are systematically included and individually created by the business divisions for new employees. pbb Group organises a “Welcome Day” several times a year, providing information on the organisation, the business model and pbb Group’s primary process, as well as on interesting facts from other divisions. The event aims to improve the integration of new employees and to help them become familiar with the business and key (as well as cross-divisional) processes at the Group as fast as possible. Furthermore, new employees receive a welcome brochure with information on pbb Group’s locations; it is also available on the intranet. A series of internal qualification courses complements and deepens employees’ knowledge, with pbb Group’s business divisions providing insights into their areas of responsibility and key workflows.

Within the scope of an approximately 18-month trainee programme called “Programme for Young Professionals”, young professionals are employed in various areas, thus receiving comprehensive training. In 2022, the trainee programme was expanded to additional areas and a centrally organised trainee pool was created. A total of 13 new trainees and 2 dual students were recruited in 2022.

**Securing new talent and employer attractiveness**
pbb Group is facing increasing competition for experts from other employers. To meet the its need for experts in the different divisions, pbb Group has implemented various initiatives to attract young talent and strengthen their skills. In this context, pbb Group continues to place emphasis upon intensive cooperation with universities that the Group has identified as critical. In the event that pbb Group has to cover short-term needs, it uses external resources as well as various recruitment strategies for hiring employees. Active searches via networks, especially social media, such as LinkedIn or Xing, are our main focus. Passive searches are mainly performed via job portals, but also via social media. In addition, we engage agencies if required. Our attractive working conditions are one of our key success factors in attracting experts.

Fostering young junior recruits was a focal point for HR in 2022. Employees were selected for special assignments, such as pbb Group’s strategic projects, and were invited as guests to the New Deal Committee meetings. This took place in tandem with dedicated training initiatives, strategy dialogues with Management Board members, and team building and networking measures.

Social media recruiting was also expanded in 2022. pbb Group took part in nine in-person or virtual recruitment fairs. In addition, a case study conducted in partnership with EBS Universität für Recht und Wirtschaft gave interested students the opportunity to get to know pbb Group better as a potential employer while still completing their studies. pbb Group employees delivered guest lectures on different subjects at universities.

Furthermore, pbb Group provides student employees with the opportunity for extra-curricular activities in many areas, and, where suitable, in combination with a bachelor's or master's thesis with a practical orientation. In 2018, pbb Group joined the Fair Company Initiative, the largest employer initiative for fair internships, and obtained the Fair Company label.

The project launched in 2020 to develop an employer brand showcasing what sets pbb Group apart as an employer was expanded in 2022, including the production and rollout of an employer branding film.

The fact that 98.5% of the positions in the Group are permanent, and a very high share of vacancies are filled internally, demonstrates that pbb Group is an attractive employer with great staff loyalty. It is also evident in the low adjusted fluctuation rate[1)] of 6.79% in 2022.

[1)] Adjusted fluctuation was calculated based on an average headcount of employees of 825 (pursuant to the HGB).

# Environment

With its target of a 1.5 degree climate alignment by 2050, pbb Group has set itself a fundamental long-term climate target and thus strives to constantly and permanently reduce its ecological footprint and avoid harming the environment – by aligning its lending business with sustainability criteria, funding itself via green financial products, and by handling natural resources responsibly. The first two aspects have already been addressed within the scope of sustainable financing solutions. The information below sets out what resources pbb Group itself uses, although that consumption is lower compared to the credit portfolio.

In the Code of Conduct, pbb Group has committed itself to conducting its business in a sustainable and environmentally friendly way, and to identifying environmental risks that may arise in its business activities. Material reference points for this are especially the buildings used by pbb Group, how workflows are organised, the use of data centres, and employee mobility. The member of the Management Board responsible for Information Technology is briefed about the development of different topics, such as energy and paper consumption, but also vehicle fleet and travel volume, on a quarterly basis.

## RESOURCE MANAGEMENT

Business Campus Garching, where pbb's headquarters have been rented, was designed to ensure the responsible use of its resources and built in accordance with cutting-edge energy-efficiency standards.

An energy centre was established early on in the development of the Business Campus, as was a campus-wide building management system, to make it possible to optimise energy consumption by connecting to renewable energy sources which pbb can then make good use of.

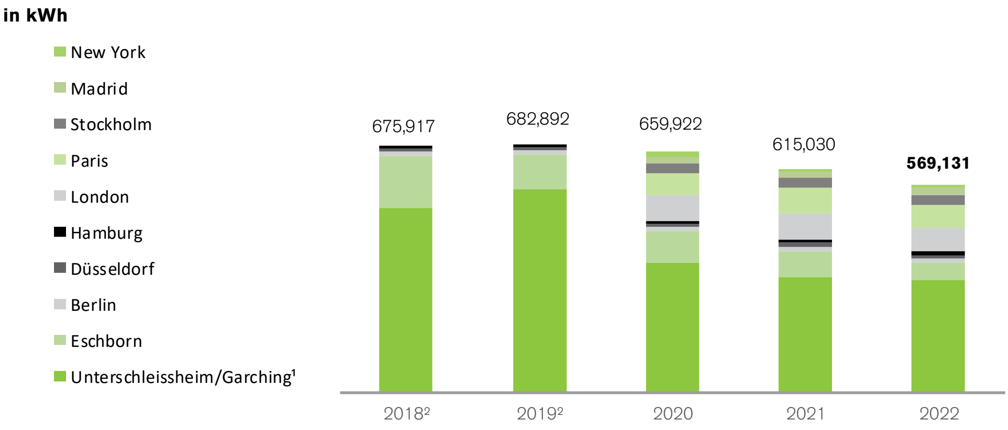
Rain water is collected in tanks on campus from roads and building roofs, cleaned by way of sedimentation, and channelled into the central lake. A seepage area serves to catch the overflow which then seeps into the groundwater; the entire outdoor area is irrigated with the campus groundwater well. Visitor parking is not sealed. During the winter months, a geothermal hot water system operated by municipal utility EWG Garching keeps the Business Campus warm; in the summer, an absorption chiller cools the hot water down to keep the office spaces cool.

The Business Campus operates photovoltaic systems, with a large proportion of the electricity generated being fed into the Business Campus power grid. 100% of the remaining electricity consumed at the Business Campus is generated in hydro-electric and wind power plants.

Since as early as 2011, 100% of power demand at pbb's headquarters has been met using renewable electricity. All of the other German offices have been powered exclusively by green electricity since 2015 as well. pbb's international locations also obtain most of their electricity from renewable energy sources with the exception of the offices in Madrid and Stockholm, which are only partially supplied with green electricity.

Larger corporate events, such as the 2022 Annual General Meeting, the Financial Statements Press Conference, and Analyst Conferences, as well as some internal events, were offset by buying emission certificates. The plan is to continue this in 2023.

## Power consumption
## As of 31 December 2022




[1)] Unterschleissheim (January 2019 – August 2019), Garching (July 2019 – December 2019).
[2)] German locations only.

Energy-efficient office equipment, as well as the strict, needs-oriented management of electronic devices helps pbb to save electricity in the long term. All offices are outfitted with energy-saving equipment; printers are “Blue Angel” certified, laptops have an ENERGY STAR 7.1 specification.

Another key factor is the operation of pbb’s data centres. In addition to data protection and the reliability of the Bank’s data centres, power usage effectiveness (PUE) is another key value. It expresses a data centre’s energy efficiency The PUE of 1.6 contractually agreed with the Frankfurt-based data centre has been met since 2020.

Working processes are generally designed to be as paper-saving as possible. Hence, a variety of electronic devices are used in order to replace paper-based processes; including, for example, electronic employee services (recording time worked, payroll, travel expense accounting, etc.), an electronic invoice and contract management, digital loan files and datarooms to exchange documents. The client portal, which serves as a digital interface between pbb Group and its clients, was launched in 2021 and offers further potential energy savings. It is used to exchange information and documentation.

The paper we use is certified as eco-friendly. $CO_2$ emitted when brochures or corporate reports are printed are offset by purchasing emission certificates. Annual reports are generally only published digitally now. We further support recycling by re-using the cartons received as transport packaging.

## MOBILITY

pbb Group's Travel Policy serves as a uniform Group-wide standard for all employees' business travel. It aims to simplify effective management and control of travel expenses within pbb Group, and provide an active contribution to environmental protection by asking employees before they make a trip whether it is really necessary or if it can be replaced with a video conference instead. Because business travel accounts for a significant portion of the Group's own ecological footprint, the Travel Policy is currently being revised to reduce emissions still further.

Both employees and their direct superiors are responsible for complying with the Travel Policy, which they confirm with their electronic signature when recording and approving travel expense reports in an online tool. Deviations from the Travel Policy are generally to be avoided. If exceptions to the rule have to be made for time or cost efficiency reasons, the direct supervisor's express agreement must be obtained.

Due to the COVID-19 pandemic, travel was down significantly in 2020 and 2021. It started increasing again in 2022 for the first time, with Group-wide greenhouse gas emissions resulting from hotel stays, flights and train travel amounting to 315 tonnes of carbon dioxide (2021: 63.3 tonnes).[4] By supporting a climate project, we offset our travel-related $CO_2$ emissions.

In 2022, pbb Group ended the company car policy that had applied within Germany. A transitional provision will now apply until current leases expire, and the existing fleet will be gradually phased out. The current malus system is aligned with the guideline values of the WLTP (Worldwide harmonized Light vehicles Test Procedure). The New European Driving Cycle (NEDC) applies to vehicles leased before February 2020, the WLTP to vehicles leased thereafter. Compared with the previous year, the number of company cars fell slightly, from 92 vehicles in 2021 to 90 in 2020. Based on the NEDC, the average carbon dioxide emissions per vehicle amounted to 53g/km (2021: 122g/km for four vehicles), whilst the WLTP average for 89 vehicles was 144.8g/km (2021: 146.6g/km for 88 vehicles). Thus, both figures were below the previous year's level. Overall, company cars incurred 374 tonnes of carbon dioxide (2021: 383 tonnes). These emissions have also been offset by purchasing an emission certificate. The emissions values stated related to contractually agreed performance figures and do not necessarily represent a vehicle's actual performance.

pbb's headquarters, as well as its other locations, are well connected to the local public transportation network. A high-frequency and reliable metro connection makes the use of public transport attractive for our employees in Garching.

Individual charging stations help promote e-mobility use. In addition, the new location provides car-sharing and carpooling offers.

In addition to a vehicle charging structure provided by the landlord, the site also features an e-bike charging station in our bike storage facility.

[4] $CO_2$ emissions from business travel calculated by a service provider (Egencia)

## ECOLOGICAL FOOTPRINT

pbb Group is committed to the global climate target of limiting global warming to 1.5 degrees Celsius above pre-industrial levels. To reach this target, pbb Group aims to constantly and permanently reduce its ecological footprint. Even though the focus is on avoiding and reducing emissions in the first place, some emissions will be unavoidable and they will be partially offset by purchasing emission certificates.

pbb Group makes a distinction between the following three categories when reporting on its ecological footprint: Scope 1 for direct carbon emissions, Scope 2 for indirect carbon emissions and Scope 3 for carbon emissions from upstream and downstream stages of the value chain.

The ecological footprint for key indicators is composed as follows:

| Scope | | 2022 in t $CO_2$ | 2021 in t $CO_2$ | |
|---|---|---|---|---|
| Scope 1 | Company cars[1] | 374 | 383 | Climate-neutral via emission certificates |
| Scope 2 | Indirect emissions from purchased electricity | 6 | 7 | partly from renewable energy sources/ partly compensated by emission certificates |
| Scope 3 | Office consumer goods[2] | 3 | 6 | Climate-neutral via emission certificates |
| | Business travel[3] | 315 | 63 | Climate-neutral via emission certificates |
| | Events (Annual Press Briefing, Analyst Conference, virtual AGM | 7 | 9 | Climate-neutral via emission certificates |
| | | 705 | 468 | |

[1] Calculation based on the contractually agreed upon annual mileage.
[2] Only paper; calculation in accordance with https://www.papiernetz.de/informationen/nachhaltigkeitsrechner/, locations in Germany.
[3] $CO_2$ emissions from business travel calculated by a service provider (Egencia).

# Independent Auditor's Report

## LIMITED ASSURANCE REPORT OF THE INDEPENDENT PRACTITIONER REGARDING THE NON-FINANCIAL REPORT

To Deutsche Pfandbriefbank AG, Munich/Germany

**Our Engagement**
We have performed a limited assurance engagement on the separate consolidated non-financial report of Deutsche Pfandbriefbank AG, Munich/Germany (hereafter referred to as "the Company"), which has been combined with the non-financial report of the Company, for the financial year from 1 January to 31 December 2022 (hereafter referred to as "non-financial report").

Our assurance engagement does not cover the following external sources of documentation or expert opinions stated in the non-financial report:

- United Nations Environment Programme (2020): 2020 Global Status Report for Buildings and Construction:
- Towards a Zero-emission, Efficient and Resilient Buildings and Construction Sector
- Websites of Deutsche Pfandbriefbank AG, pbbdirekt and capveriant incl. subpages
- Green Bond Framework of Deutsche Pfandbriefbank AG
- Annual Report 2022 of Deutsche Pfandbriefbank AG
- Calculation by Egencia for $CO_2$ emissions through business travel
- Calculation of electricity suppliers for $CO_2$ emissions through electricity consumption
- Calculation by papiernetz.de for $CO_2$ emissions through paper use

**Responsibilities of the Executive Directors**
The executive directors of the Company are responsible for the preparation of the non-financial report in accordance with Sections 289c to 289e German Commercial Code (HGB), Section 315c in conjunction with Sections 289c to 289e HGB and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the delegated acts adopted thereon, as well as with their own interpretation of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as is presented in section "Disclosures based on the EU Taxonomy Regulation" of the non-financial report.

These responsibilities of the executive directors of the Company include the selection and application of appropriate methods regarding the non-financial report and the use of assumptions and estimates for individual nonfinancial disclosures of the Group which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud (fraudulent non-financial reporting) or error.

Some of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon are still subject to considerable interpretation uncertainty and have not yet been officially clarified. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in section "Disclosures based on the EU Taxonomy Regulation" of the non-financial report. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty.

The preciseness and completeness of the environmental data in the non-financial report is subject to inherent restrictions resulting from the manner in which the data was collected and calculated as well as from assumptions made.

**Independence and Quality Assurance of the Audit Firm**
We have complied with the German professional requirements on independence and other professional rules of conduct.

Our firm applies the national statutory rules and professional announcements – particularly of the "Professional Charter for German Public Auditors and German Sworn Auditors" (BS WP/vBP) and of the IDW Standard on Quality Management "Requirements for Quality Management in the Audit Firm" (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW) and does therefore maintain a comprehensive quality assurance system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

**Responsibilities of the Independent Practitioner**
Our responsibility is to express a conclusion on the non-financial report based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", adopted by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the nonfinancial report of the Company, with the exception of the external sources of documentation or expert opinions stated therein, has not been prepared, in all material respects, in accordance with Sections 289c to 289e HGB, Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the executive directors' interpretation presented in section "Disclosures based on the EU Taxonomy Regulation" of the non-financial report.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner's professional judgement.

Within the scope of our limited assurance engagement, which we performed between December 2022 and March 2023, we selected and performed, among others, the following procedures and other work:

- Obtaining an understanding of the structure of the sustainability organisation and of the stakeholder engagement,
- Inquiries of the executive directors and relevant employees involved in the process of preparation of the nonfinancial report, about the preparation process, including the arrangements and measures in place for the
- preparation of the non-financial report as well as about the disclosures contained in the non-financial report,
- Identification of risks of material misstatements in the non-financial report,
- Analytical evaluation of the disclosures contained in the non-financial report,
- Comparison of the disclosures with the corresponding data in the annual and consolidated financial statements as well as in the combined management report,
- Evaluation of the presentation of the non-financial report,
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the non-financial report.

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation, and hence our related examination, is prone to uncertainty.

**Audit Opinion**
Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate combined non-financial report of the Company for the financial year from 1 January to 31 December 2022 does not comply, in all material respects, with Sections 289c to 289e HGB, Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the executive directors' interpretation presented in section "Disclosures based on the EU Taxonomy Regulation" of the non-financial report.

We do not express a conclusion on the external sources of documentation or expert opinions stated in the nonfinancial report and listed in the section "Our Engagement" of this report.

**Restriction of Use**
We issue this report as stipulated in the engagement letter agreed with the Company (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" as of 1 January 2017 promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and the report is solely designed for informing the Company about the findings of the assurance engagement. Therefore, it may not be suitable for another than the aforementioned purpose. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are liable solely to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Munich/Germany, 8 March 2023

**Deloitte GmbH**
Wirtschaftsprüfungsgesellschaft

Signed:
Martin Kopatschek
(German Public Auditor)

Signed:
pp. Andrea Flunker

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The German version of this Annual Report is the authoritative version and only the German version of the Combined Management Report and the Consolidated Financial Statements were audited by the auditors.