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Conflicts of Interest Policy

Aareal Bank Group

Purpose and objective of the guidelines

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

Aareal Bank Group's processes are – and will be – set up in a manner to prevent conflicts of interest from occurring in the first place. Where they occur nonetheless, dealing with them in the right way is decisive. If conflicts of interest are not recognised or appropriately dealt with, this may have disadvantageous consequences for clients, the Group and its employees, leading, for example, to disruptions in the client relationship or even to legal disputes. Disregarding conflicts of interest may well prove to have negative consequences for the reputation of Aareal Bank Group and create the impression that the integrity of Aareal Bank or its affiliated subsidiaries has been compromised.

The provisions below are designed to provide guidance for the correct handling of conflicts of interest within Aareal Bank Group.

Scope of application

This document generally applies to employees, executives, the Management Board and the Supervisory Board, as well as the managements of Aareal Bank Group companies.

Definition of concepts

A "conflict of interests" is a situation in which one or more natural persons have conflicting interests and pursuing the interests of one of them could mean damaging the interests of another. Conflicts of interest occur especially in the following situations:

- A company and/or an employee of Aareal Brand Group does not meet legal or – where avoidable – prudential obligations;
- Personal interests of an employee or an employee's discharge of a mandate for an Aareal Bank Group company eclipse the interests of a client and lead to a breach of duty towards the client;
- The professional judgement or objectivity of an employee is impaired by conflicting interests or duties and/or hampers the orderly discharge of his obligations, e.g. if there are personal relationships involved with the counterparty (client, borrower, supplier or competitor), who is affected by the decision;
- Exploitation of confidential information for one's own advantage;
- An employee violates obligations, by infringing the Code of Conduct, because of a feared disadvantage or advantage (also in favour of the employer);
- An employee causes his company a disadvantage through inappropriate action and hence damage to reputation;
- Performance of external mandates at clients/borrowers, competitors or suppliers.

A conflict of interests can consist both of an actual conflict of interest (i.e. an already existing one) or a potential conflict of interest (i.e. a conflict of interests which could occur if certain constellations of facts and circumstances could foreseeably arise)

Certain conflicts of interest exist permanently and have to be handled on an ongoing basis, whereas others can occur in connection with a single event (e.g. a transaction) and can usually be addressed using one-off measures.

For the purposes of the present Framework Directive, a "material conflict of interest" is understood as one which can potentially lead to high reputational or sanction risks or directly to material legal risk for Aareal Bank Group. Such material conflicts of interest require the involvement of the Group Compliance function and hence particular disclosure and corresponding reporting requirements.

How to approach the conflict-of-interest management

The primary objective of Aareal Bank is to avoid conflicts of interest emerging in the context of its business activities at all levels. To that end, every company in Aareal Bank Group has introduced comprehensive organisational provisions tailored to their specific business.

Organisational arrangements may include, for example, the creation of separate confidentiality areas, provisions for the passing-on and appropriate use of confidential information (need-to-know principle), the strict separation of trading and handling of trading business, of Sales units/Credit Management (segregation of duties), the monitoring of employee transactions and stipulations relating to the treatment of legal relationships with related persons/companies. In addition, the Bank has put in place a whistleblower process – anonymous if requested – as a suitable channel for the reporting of conflicts of interest within the Bank that have not been addressed in an adequate manner.

The managements of Aareal Bank Group companies also seek to ensure the appropriate handling of conflicts of interest to avoid these conflicts having a detrimental impact on the concerns of clients, subsidiaries, the Bank and its employees, its shareholders or other interest groups. If a conflict of interest should prove unavoidable, or has occurred in spite of the precautions already taken, the following principles apply:

- **Create transparency:** All employees and managers are required to disclose potential or actual conflicts of interest to their supervisor;
- **Do not participate in the decision-making:** If an employee or manager is personally affected by a conflict of interest, he should not participate in decisions which may be affected by this conflict;
- **Remain objective:** Where the situation requires it, neutral persons should be involved in the assessment and decision-making process;

- **Escalation of the decision** to a more senior / different body or management level if the type of conflict makes this necessary and it proves impossible to bring about an appropriate decision at employee level;
- **Documentation of the matter:** Presentation of the initial situation, the conflict, the measures taken and reasons for the decision. The presentation should be documented and be readily understandable for third parties.

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

Individual responsibilities

Employees

First, it is up to each employee to continuously reflect on his or her actions, to question whether there might be a conflict of interest and to act appropriately if one is detected. In particular, they have to:

- familiarise themselves with and comply with this policy, applicable regulations and other applicable guidelines and directives on the identification, documentation, escalation and management of conflicts of interest,
- act in line with the Code of Conduct,
- to act with due independence and objectivity in the performance of their duties within Aareal Bank Group,
- do their best to avoid situations that lead to conflict of interest when a deal is closed, a decision taken or a function or task is performed and report the occurrence of such situations to their managers if (list by way of example):
 - o they have personal financial interests,
 - o there are family members or close personal relationships with whom a deal is to be done or who are affected by a decision,
 - o an earlier, current or possible future participation in undertakings or other political, religious or economic efforts prevent an objective decision or
 - o differing roles and competencies exist at the Bank or subsidiaries in which it can normally be assumed that interests do not coincide.
- If the conflicts of interest are material, employees also have to inform the Group Compliance Function or the local Compliance contact person immediately of the existence and general nature of a conflict of interest, so as to manage them adequately.
- When participating in meetings of all decision-making bodies, employees have to report any conflicts of interests without delay to the chair (or a proxy) and where so required, to withdraw from the decision-making process and not to try to influence further such decisions.
- Employees must not become the supervisor, subordinate or controller (with influence on conditions of employment) of closely-related persons including family members or persons to whom they have a close personal relationship.
- Employees must not misuse the information which they receive in the course of their work in Aareal Bank Group including trading in securities.
- Employees must handle work-related information on the basis of the need-to-know principle at the Bank and observe information barriers and secrecy obligations at all times.
- Upon commencement of their work at the Bank and at regular intervals thereafter, employees must submit all confirmations demanded by monitoring functions in respect of any conflicts of interest.
- Employees must adhere to applicable provisions under which transactions and agreements between the Bank, its subsidiaries and an associated party have to be carried out independently and as if between third parties who do not know each other.

Managers

Managers lead by example with their behaviour in the workplace and the Company. In this role they are also obliged:

- To make active efforts to recognise and appropriately manage and document conflicts of interest in their area of responsibility, also in connection with current or planned activities,

- To assess all situations reported to them as conflicts of interest so as to establish whether a conflict of interest actually exists,
- In doubtful cases and after consulting the Group Compliance Function or the local Compliance contact person and where necessary, consulting other control functions, to decide in which way the conflict of interest can best be managed, resolved or avoided. This can entail the conflict of interest being escalated to a higher management level or a given matter or activity being withdrawn from the employee concerned temporarily or for the duration,
- Managers are obliged to review all identified conflicts of interest or those assessed as potentially relevant and the steps taken to alleviate them once a year or, if necessary on a risk-oriented basis, at shorter intervals to ensure that they are being managed in accordance with all agreed decisions and
- When allotting tasks to employees, to avoid those that can lead to conflict of interest or impair the independence of the control functions of the Bank or subsidiary.

Basic obligations of the supervisory bodies of subsidiaries

Management Board or Supervisory Board members must, as a matter of policy, act in the interest of the Aareal Bank subsidiaries which they represent and ensure that procedures are available to enable settlement of transactions between the subsidiary and Aareal Bank and/or subsidiary on the basis of independence. The following applies in this context:

- Management Board and Supervisory Board members can, insofar as the facts of a given matter allow, include the identical interests of the Bank as one element in their decision-making process,
- The Management Board and Supervisory Board members can allot material importance to the interests of the Bank if they believe that this is also in the interests of the subsidiary concerned (congruence of interests), and
- The Management Board and Supervisory Board members are responsible for striking a balance between the benefits for the subsidiary and the interests of the Bank in the decision-making process.

The Management Board and Supervisory Board members have to ensure that the business decisions remain unaffected by conflicts of interest and must hence:

- Identify conflicts of interest which occur in their area of activity independently and
- Refrain from any action that could be disadvantageous for any subsidiary at which they are a member of a governing body.

While managing a business, managers are subject to a prohibition of competition. Except for cases of asset investment, Management Board or Supervisory Board members are not to be stakeholders in a company that competes with the subsidiary concerned.

A member of a governing body may represent the subsidiary in internal transactions or those with a third party only insofar as the restrictions of section 181 BGB, German Civil Code have been waived.