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# Declaration of Compliance in Accordance with Section 161 of the German Public Limited Companies Act (Aktiengesetz - "AktG")

**As at June 2021**

**The Management Board and Supervisory Board of Aareal Bank AG declare, in accordance with section 161 of the AktG, that:**

In December 2020, Aareal Bank issued its 2020 Declaration of Compliance with the German Corporate Governance Code (the "Code"), as amended and published in the German Federal Gazette on 24 April 2017 and on 20 March 2020. Due to a deviation from recommendation B. 3 of the Code, as amended and published in the German Federal Gazette on 20 March 2020, the Bank's Declaration of Compliance is supplemented as follows:

*According to recommendation B. 3, the first-time appointment of Management Board members shall be for a period of not more than three years. The Supervisory Board of Aareal Bank AG generally considers this provision to reflect good corporate governance. When appointing the new Chairman of the Management Board, Mr Jochen Klösges, the Bank's Supervisory Board has deviated from this recommendation as an exception. Mr Klösges was appointed Chairman of the Management Board for a period of five years, by way of a Supervisory Board resolution dated 14 June 2021. Owing to Mr Klösges' considerable professional experience, both in the property financing business and in banking operations, a shortening of the term of office was deemed unnecessary. By appointing him for five years, Aareal Bank ensures continuity and stability with respect to this position.*

The deviation from recommendation G. 10 sentence 2 of the German Corporate Governance Code, as amended and published in the German Federal Gazette on 20 March 2020, as set out in the 2020 Declaration of Compliance remains unchanged:

*Pursuant to recommendation G. 10 sentence 2, Management Board members shall have access to granted long-term variable remuneration components only after a period of four years. In contrast to the draft version dated 22 May 2019, the Government Commission refrained from defining the term 'long-term variable remuneration' in its final version.*

*financial success [...], implementation of the corporate strategy [etc]."*

*Within Aareal Bank's remuneration system, all targets are derived from the strategy and measured over a period of three years. In line with the definition provided in the draft version dated 22 May 2019, Aareal Bank's entire variable remuneration would classify as long-term. The three-year target determination yields an imputed amount of which only 20% is paid out directly, whereas the remaining 80% is paid out in several tranches and over a period of six years.*

*This means that most of the long-term variable remuneration is accessible at the earliest after four years and at the latest after nine years, thus complying with the Code's draft version. However, in the absence of the definition having been adopted and the associated imprecise recommendation it is not clear whether Aareal Bank's remuneration structure meets the Code expectations. As a result, and as a precautionary measure, we declare a deviation from recommendation G. 10 sentence 2.*

**Wiesbaden, June 2021**

**The Management Board**

**Hermann J. Merkens  
Knopek**

**Marc Heß**

**Dagmar**

**Christiane Kunisch-Wolff  
Winkelmann**

**Thomas Ortmanns**

**Christof**

**For the Supervisory Board**

**Marija Korsch  
(Chairman)**