

# Focus on the Future

**Annual Report 2023**

**Corporate Governance Report**

# 2023 Corporate Governance Report

The Board of Management and the Supervisory Board of Berlin Hyp firmly believe that good corporate governance is a material part of the foundation upon which the lasting success of the company, the confidence of its business partners and employees and the trust of financial markets is built. Social and environmental factors also have an effect on the Bank's success, and the Bank's activities in turn impact people and the environment. The Supervisory Board and the Board of Management are aware of this and take these aspects, as well as the best interests of the company, into account in their management and monitoring activities. This is why information relating to the general principles of good corporate governance is disclosed in each reporting year.

Berlin Hyp's corporate governance is based on the suggestions and recommendations of the German Corporate Governance Code (DCGK). This sets out the main statutory regulations for the management and supervision of German listed companies and contains internationally and nationally recognised standards of good and responsible corporate governance.

Berlin Hyp focuses in particular on certain regulations that address the structure of corporate bodies, their tasks and their interactions, the transparency of the company and sustainability in daily operations. In these areas, the Berlin Hyp largely complies with the recommendations and suggestions of the Code.

## **Board of Management**

Berlin Hyp's Board of Management leads the Bank at its own responsibility with the objective of sustainable value creation and in the best interests of the company. It is committed to the principles of good, responsible and efficient business management and control. It manages the Bank in compliance with statutory provisions, the Articles of Association, the Rules of Procedure and the internal company guidelines. The Board of Management develops the strategic orientation of the Bank, agrees on it in consultation with the Supervisory Board and ensures its implementation.

The Board of Management continued to comprise three members in the 2023 financial year – Sascha Klaus, Maria Teresa Dreo-Tempsch and Alexander Stuwe. Regardless of the overall responsibility of the Board of Management, the individual members lead the divisions assigned to them by the business organisation plan at their own responsibility. The members consistently act for the benefit of the company as a whole. The members of the Board of Management inform each other about all material developments in their divisions and coordinate all measures affecting multiple spheres of responsibility.

The varied expertise of the individual Board of Management members ensures that the Board of Management remains sufficiently diversified. The Supervisory Board set a target quota of 33.33 per cent for women on the Board of Management (one woman), initially until 30 June 2027. This quota has been filled with the inclusion of Ms Maria Teresa Dreo-Tempsch on the Board of Management.

## **Supervisory Board**

The Supervisory Board of Berlin Hyp has nine members. In accordance with the regulations of the German One-Third Participation Act, the Supervisory Board is currently made up of three employee representatives and six shareholder representatives elected by the Annual General Meeting.

The Supervisory Board of Berlin Hyp advises and monitors the Board of Management with regard to issues relating to the management of the Bank. It also cooperates with the Board of Management to ensure long-term succession planning and seeks to attain a degree of diversity in the composition of both the Board of Management and the Supervisory Board that is appropriate to the Bank's business activities. With the resolved successor guideline, the Board sets specific goals for the composition of the Supervisory Board and a competence profile for the entire Board. Candidate proposals from the Supervisory Board to the Annual General Meeting also take the aforementioned goals into account. As at the reporting date, all objectives set by the Supervisory Board

with regard to its composition had been implemented in accordance with the successor guideline.

The diversity of the Board is established so that the qualifications and personalities of the individual members guarantee optimal supervision of the company. This requires that all Supervisory Board members have knowledge, in particular, of Berlin Hyp's relevant market environment and its banking business.

The Supervisory Board has recorded the detailed requirements in writing in a selection and diversity strategy. It describes details of the knowledge, skills and experience required for effective monitoring of the Board of Management. These include, in particular, knowledge and experience in the fields of real estate, capital markets, financing/lending business, sustainability/ESG in the banking business, securities and accounting. Independence rules are also defined. Furthermore, Supervisory Board members should be able to devote sufficient time to the performance of their duties.

The members of the Supervisory Board are generally not subject to any conflicts of interest, particularly any that could result from an advisory function or board membership on behalf of customers, suppliers, lenders or other business partners of the company. The Supervisory Board has adopted regulations – in particular the guidelines for dealing with conflicts of interest within the Supervisory Board and the Board of Management – to prevent conflicts of interest. Committee members do not participate in the discussion and passing of resolutions if conflicts of interest or the impression of a conflict of interest exist in individual cases, and are not given any meeting documents. There were no conflicts of interest in the 2023 financial year.

In accordance with the equality law provisions of the General Act on Equal Treatment relevant for Berlin Hyp, the Supervisory Board set a target for itself to achieve 13 per cent (two women) by 30 June 2027. At present, three women are members of the Supervisory Board, which means that the target has been met.

Attention is not only given to potential conflicts of interest, but also compliance with the age limit of 70 years as stipulated in the Rules of Procedure. The age diversity at the end of the short financial year was between 43 and 64 years.

The Supervisory Board submits itself to efficiency and suitability reviews each year. The most recent review was conducted at the Supervisory Board meeting on 14 September 2023 and was based on a questionnaire, as in the past, which addressed relevant topics according to Section 25d (11) Nos. 3 and 4 of the German Banking Act (KWG). Ultimately, Supervisory Board activity was deemed to be efficient. The Supervisory Board members have the required knowledge, abilities and experience for the activities of the Supervisory Board and its committees.

The members of the Supervisory Board were responsible for obtaining the necessary training and continuing education for their duties at their own responsibility and were adequately supported in this process by the company. On 21 March 2023, the Supervisory Board completed a training session on the topic of "ESG Regulatory Requirements and Regulatory Programmes".

#### **Close Cooperation Between the Board of Management and the Supervisory Board**

Berlin Hyp's Board of Management and Supervisory Board work together closely based on mutual trust. As a rule, a minimum of four Supervisory Board meetings take place in a calendar year, i.e. one per quarter. In 2023, four regular meetings took place. The Board of Management informs the Supervisory Board extensively and promptly on all issues relevant to the company relating to strategy, planning, business development, the risk situation, risk management and compliance of the Bank.

The Board of Management coordinates the company strategy and its implementation with the Supervisory Board. It explores deviations in business performance from plans and goals and states the reasons for these. Supervisory Board meetings regularly begin with a look at the Bank's environment and current projects,

such as the large-scale projects, e.g. the construction of the Bank's new corporate headquarters at Budapest Strasse 1 ("B-One"), the digitalisation of the Bank or the ongoing development of sustainability management.

The approach to risks in connection with the Bank's business activity is material to the Board of Management and the Supervisory Board. The risks and opportunities associated with social and environmental factors, as well as the ecological and social impact of the Bank's business activities, are systematically identified and assessed. Both bodies require regular reports about risks and their development. Berlin Hyp's risk management system is continually developed further by the Bank and is examined by the auditors. The Board of Management passes on information that is material with regard to the risk aspects to the Chair of the Supervisory Board without undue delay.

For strategic issues and discussions on strategic orientation, the Board of Management involves the Supervisory Board as appropriate.

The composition of the Board of Management and the Supervisory Board, as well as the spheres of responsibility of the individual members of the Board of Management, is presented on pages 2 and 3 of the Annual Report.

#### **Improvement of Efficiency by Committees**

The Supervisory Board is assisted by four formed committees in accordance with regulatory requirements and with the aim of increasing efficiency. The Loans Committee is also active as the Risk Committee pursuant to the German Banking Act (KWG). The Chair of the Supervisory Board does not hold the chair of the Audit Committee and the Chair of the Loans Committee (also the Risk Committee) does not hold an additional chair of the governing bodies. For details regarding the responsibilities of the various committees and the areas they focused on in the 2023 financial year, see the Supervisory Board Report included in this Annual Report.

#### **Transparency**

Open communication and transparency are extremely important at Berlin Hyp. The Bank's website provides information about all material developments and events related to the Bank. For example, the planned publication dates for financial reporting are found in the financial calendar. All annual reports and interim reports

are also archived and available on the website. In addition, the website contains important capital market information such as the current composition of the cover funds. Almost all information published by the Bank online is also published in English.

#### **Risk Culture**

Berlin Hyp's business philosophy has always been based on a triad of stable earnings, efficient structures and low risks. The Bank therefore fosters a risk culture that is designed to ensure the long-term success of its business and its corporate value. It defines risk awareness, risk appetite and risk management at the Bank. The conservative risk culture at Berlin Hyp is reflected in its business processes, guidelines, financing principles and Code of Conduct and is evident in the decisions made by management and employees in their daily work.

#### **Compliance**

Berlin Hyp has a proven compliance management system that monitors the development of legal and regulatory frameworks and initiates implementation measures as necessary. It serves to protect the Bank and its customers and therefore reinforces the trust of customers in Berlin Hyp. The Bank has a central compliance function to ensure compliance with legal and regulatory requirements and to assist other specialist departments in performing their duties with regard to compliance issues. In addition, the compliance function regularly carries out preventive measures and adequacy and efficiency surveys in the specialist areas and performs risk analyses.

In addition to the existing contact channels, Berlin Hyp has implemented a whistleblower system that can be used by employees, customers, business partners and other stakeholders. This includes the function of an external ombudsman, whom whistleblowers can contact in confidence if they come across suspected criminal activities or illegal business transactions.



