



Corporate Governance Principles of Landesbank Saar (SaarLB)



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Preamble

Confidence in the business policy of Landesbank Saar (SaarLB) is mainly influenced by responsible, transparent corporate management and control that is focused on a sustained increase in the Bank's corporate value. That is why good corporate governance has always been very important at SaarLB.

SaarLB is a Franco-German regional bank with strong regional connections to Saarland, Rhineland-Palatinate, and neighbouring Alsace/Lorraine. As a public sector, non-public company, one of its main priorities is to use this voluntary self-imposed obligation to make its corporate governance system transparent and understandable and to keep promoting the confidence customers, employees, and the public have in SaarLB.

The present corporate governance principles include the rules for corporate management and control, which apply to SaarLB on account of binding or self-decreed requirements. The corporate governance principles are largely based on the provisions of the German Corporate Governance Code to the extent that it can be reasonably transferred to SaarLB as a non-listed, public sector company with only two owners. On some points, the Corporate Governance Principles of SaarLB also go beyond the requirements of the German Corporate Governance Code.

The Corporate Governance Principles of SaarLB are checked regularly on account of new experiences and legal requirements as well as the ongoing development of national and international standards. If need be, they are also adjusted. SaarLB reports on compliance with the Corporate Governance Principles in its annual report.

The Board of Management, Board of Administration, and Shareholders' Meeting of SaarLB as well as their committees identify with the Corporate Governance Principles of SaarLB in the fulfilment of their tasks.

The following provisions of SaarLB apply analogously to subsidiaries.

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I. General information on the management and corporate structure

SaarLB is a corporation established under public law, has a divided management and monitoring structure as required by the Saarland Savings Bank Act (Saarländische Sparkassengesetz), and the Bank's articles of association. While the Board of Management conducts the business of SaarLB, the Board of Administration is responsible for monitoring and advising it.

In addition to these boards, there is a third body that consists of the Shareholders' Meeting, which is a gathering of the owners and is granted the competency to make decisions on basic issues.

II. Board of Management, Board of Administration, and other regulatory bodies

1. Board of Management

- a) The Board of Management, whose tasks and responsibilities are governed by law and the articles of association, is independently responsible for the management of SaarLB. It is tied to the responsibilities under statutory law and the articles of association as well as to the basic rules of proper corporate management and the interests of the Bank. If a member of the Board of Management culpably violates the due diligence of a proper and conscientious managing director, they are liable for damage compensation with respect to SaarLB.
- b) The Board of Management consists of multiple people and has a chairman and a deputy chairman. The members of the Board of Management, the Chairman of the Board of Management and the Deputy Chairman of the Board of Management are appointed by the Shareholders' Meeting. The business instructions for the Board of Management are issued by the Board of Administration. These govern the collaboration between the members of the Board of Management, among other matters. The

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assignment of business responsibilities within the Board of Management is arranged amicably by the Chairman of the Board of Management and the other members of the Board of Management.

- c) In collaboration with the Board of Administration and the Shareholders' Meeting, the Board of Management is to develop the strategic orientation of the Bank and ensure its implementation.
- d) The Board of Management's responsibilities also include the implementation of suitable risk management and risk controlling. Furthermore, it is responsible for compliance with the statutory provisions at SaarLB and its subsidiaries and the Bank's internal guidelines, ensuring observance by SaarLB and its subsidiaries ("Compliance", see also Section VI.4.).

In order to learn about breaches at the Bank in good time and to be able to adequately investigate warnings, the Board of Management has established a whistleblower system and appointed a head of the whistleblower system.

- e) The Executive Committee of the Shareholders' Meeting is responsible for the design of the remuneration system for the Board of Management.

It must be aligned with the achievement of the goals set in SaarLB's strategies; in the event of changes in strategy, the design of the remuneration system must be checked and adjusted, if need be.

In determining the remuneration of individual members of the Board of Management, the Executive Committee must ensure that it is appropriate in relation to the responsibilities and performance of the Board of Management and the position of SaarLB. It shall also not exceed the ordinary remuneration without special reasons. The remuneration system is to be designed such that incentives for the Board of Management to take disproportionately high risks are avoided.

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Therefore, performance-based remuneration should have a multi-year measurement basis; for extraordinary developments, the Executive Committee should arrange the possibility of a limit.

For the performance-based remuneration, consideration should be given to the overall success of SaarLB, the department's contribution to the success and the individual contribution, if this does not require undue expenses or effort.

If the Executive Committee engages an external expert for the assessment of the appropriateness of the remuneration, it is necessary for them to be independent of the Board of Management and/or the Bank.

Total remuneration of the Board of Management is announced in the financial statements (notes).

Furthermore, SaarLB publishes the remuneration report, which also contains information about the remuneration of the Board of Management, on its website.

2. The Board of Administration

- a) The task of the Board of Administration is to monitor the management by the Board of Management and to determine the guidelines for the business policies of the Bank. The Board of Administration is to be integrated into the decisions of underlying significance for the Bank. In particular, the Board of Administration adopts resolutions on the approval of the annual financial statements and the discharge of the Board of Management. It also make a recommendation to the Shareholders' Meeting for the election of the auditor. It issues business instructions for the Board of Management and by-laws for its committees.

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- b) The Board of Administration currently consists of 12 members. Saarland is entitled to 6 members and the Saar Association of Savings Banks to 2. The other 4 members of the Board of Administration are elected by employees of SaarLB.

Members of the Board of Administration must be reliable and possess expert knowledge to handle their control functions and to assess and monitor the business that the Bank does, and dedicate sufficient time to the observance of their responsibilities. SaarLB uses appropriate staff and financial resources in order to simplify the introduction of members of the Board of Administration to their office and to allow for continuing education, which is necessary to maintain the required expertise.

It is not possible to be appointed if,

- you are a member of the Board of Management in SaarLB;
- you were a member of the Board of Management in SaarLB if two former members of the Board of Management are members of the Board of Administration;
- you are already a managing director in another company and are also a member of the board of administration or supervisory board in more than two other companies, or
- you are a member of the board of administration or the supervisory board in more than three other companies.

Multiple offices are considered as one office if the offices are held in companies

- which belong to the same group of institutions, a financial holding group or mixed financial holding group,
- which belong to the same institute-related protection system or





- in which SaarLB holds a significant equity investment (at least 10% of the voting rights or capital).

Other details, exceptions, and easement options for offsetting arise from the German Banking Act (Gesetz über das Kreditwesen).

- c) The Board of Administration elects the 4 members for the Audit Committee from its members. The Audit Committee addresses issues related to accounting, risk management, compliance, and auditing. It supports the Board of Administration particularly in the monitoring of the

- accounting process,
- effectiveness of the risk management system, particularly the internal control system and internal audit, in those areas in which the Board of Administration does not assume responsibility for these duties.
- execution of the audits of the annual financial statements, particularly with regard to the independence of the auditor and the services rendered by the auditor (scope, frequency, reporting); the Audit Committee should make proposals to the Board of Administration for the appointment of an auditor and for the amount of its remuneration and advise the Board of Administration with regard to the termination and continuation of the audit engagement; and
- the Board of Management's prompt elimination of faults discovered by the auditor through the use of suitable measures.

The Chairman of the Audit Committee must possess expertise in the areas of accounting and auditing.

- d) The Board of Administration elects 7 members for the Risk Committee from its members.

The Risk Committee decides in accordance with the guidelines of the Board of Administration after prior approval by the Board of Management

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if board loans are granted to the group of people designated in Section 15 (1) Cl. 6-11 of the German Banking Act (KWG). It also addresses all significant questions in connection with the risk strategy and the risk situation of the Bank and observes other tasks transferred to it by the Board of Administration.

The size of the Risk Committee ensures efficient work processes and allows for high meeting frequency. A major part of the Board of Administration's work can be concentrated in the Risk Committee in the interests of effective overall bank management.

e) Remuneration Control Committee

The Board of Administration elects the 6 members of the Remuneration Control Committee from its members. The committee consists of 4 representatives of the owners and 2 employee representatives.

The Remuneration Control Committee advises on the granting of variable remuneration for managers and employees and monitors the appropriate design of the remuneration system for employees, particularly the appropriate design of remuneration for managers with a risk controlling function and a compliance function as well as those employees that have a significant impact on the overall risk profile of the Bank. The committee supports the Board of Administration by monitoring the proper design of the remuneration systems for the Bank's employees. The impact of the remuneration systems on the risk, capital and liquidity management must be evaluated.

The Remuneration Control Committee helps the Board of Administration in monitoring the proper inclusion of internal controlling areas and all other significant areas in the design of the remuneration system of employees.

At least one committee member must have sufficient expertise and professional experience in the area of risk management and risk controlling, particularly in regard to the mechanisms for aligning the remuneration systems to the overall risk appetite, risk strategy and equity of the Bank.

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- f) If need be, the Board of Administration can form other committees for advising on or adopting measures. The respective committee chairmen report regularly to the Board of Administration on the work of the committees.
- g) The chairman of the Board of Administration coordinates the work in the Board of Administration, runs its meeting and observes the concerns of the Board of Administration with regard to the public.

Between meetings, the Chairman of Board of Administration stays in regular contact with the Board of Management, particularly with the Chairman of the Board of Management, and advises them on questions of strategy, planning, business development, risk position, risk management, and compliance of the Bank.

The Chairman and the Deputy Chairman of the Board of Administration have the right to check the business operations and all the legal relationships of SaarLB.

A change in the previous Chairman of the Board of Management or a member of the Board of Management to the Chair of the Board of Administration is not the rule. Such a plan must be explained separately at the Shareholders' Meeting.

- h) Remuneration for the members of the Board of Administration is set by the Shareholders' Meeting. The members of the Board of Administration receive the standard market remuneration. In the process, the chair and the deputy chair positions on the Board of Administration as well as the chair and deputy chair positions and membership in committees is taken into account. The total remuneration of the Board of Administration, which is set by the Shareholders' Meeting, is reported in the financial statements (notes).





3. Interaction between the Board of Management and Board of Administration

- a) The Board of Management and the Board of Administration of SaarLB work together closely for the benefit of SaarLB.
- b) For business of fundamental significance, the German Banking Act (Gesetz über das Kreditwesen), the articles of association or the Board of Administration specify the conditions under which the Board of Administration or the Risk Committee reserve the right of approval. These include decisions and measures that fundamentally change the net assets, financial position, or results of operations of SaarLB, as well as important credit decisions.
- c) The sufficient supplying of information to the Board of Administration is ensured by the joint responsibilities of the Board of Management and the Board of Administration.

The Board of Management reports comprehensively to the Board of Administration and/or Committees of the Board of Administration regularly, or promptly in the event of a special occasion, and usually in text form, on all significant questions of the business development, corporate planning, income and returns, as well as the risk position and risk management and compliance. It addresses deviations in the business development with regard to prepared plans and goals, with the inclusion of the reasons. The Chairman and, in cases of absence, the Deputy Chairman of the Board of Administration are immediately notified by the Chairman of the Board of Management about special events that are of particular significance for an assessment of the Bank's position and development. They then inform the Board of Administration or the Risk Committee no later than in the next meeting of the Board of Administration or Risk Committee.

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Furthermore, the Chairman and the Deputy Chairman of the Board of Administration have the right to review as described under Section II.2.g.

- d) Good corporate management assumes an open discussion between the Board of Management and the Board of Administration as well as in the Board of Management and Board of Administration. The complete observance of confidentiality is of critical significance for this.

All members of the Board of Management and the Board of Administration ensure that the employees involved in the tasks will observe the obligation of strict confidentiality in the same manner.

4. **Other regulatory bodies**

- a) SaarLB is a corporation established under public law and is subject to state supervision by Saarland. The regulatory body is the ministry of economics or a ministry designated differently, but which is responsible for this area. The regulatory body is authorised to take part in the meetings of the Shareholders' Meeting, the Board of Administration and the Risk Committee. The authorisation of the regulatory bodies is governed by the Saarland Savings Bank Act (Saarländische Sparkassengesetz).
- b) Besides supervision by Saarland, SaarLB, like all German banks, is subject to general supervision by the Federal Financial Supervisory Authority (BaFin). Within the scope of its activities in France, SaarLB France also reports to the Banque de France (Bank of France).





III. The Shareholders' Meeting

1. The Shareholders' Meeting is granted the competency to decide on basic issues. This basic responsibility includes, in particular, a decision on changes in the articles of association, the appropriation of profits, the election of the auditor, and the discharge of the Board of Administration.

Furthermore, the Shareholders' Meeting and/or the Executive Committee of the Shareholders' Meeting adopt resolutions on the appointment, recall and hiring of employees for the Board of Management, whereby attention should be paid to diversity in the composition of the Board of Management. Together with the Board of Management, it decides on a long-term succession plan. The Executive Committee of the Shareholders' Meeting observes the tasks of a Nominating Committee for the overall Bank and, with respect to the Board of Management, the tasks of a Remuneration Control Committee. The Shareholders' Meeting and the Board of Management of SaarLB work together closely for the benefit of SaarLB.

2. The Shareholders' Meeting consists of 9 representatives of the owners. Of these, Saarland appoints 6 representatives and the Saar Association of Savings Banks 3. The votes of each owner can only be cast unanimously and are determined by respective proportion of the share capital of SaarLB that each holds.
3. The Shareholders' Meeting forms an Executive Committee that consists of members who decide on the hiring conditions for the members of the Board of Management. Furthermore, the Executive Committee is responsible for the annual evaluation of the Board of Management and the Board of Administration. In order to assess the efficiency and performance of the committees, an assessment is made by the members of the Board of Administration, which covers their own work in the body, the body as a whole and the activities of the Board of Management. The

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Shareholders' Meeting may transfer other tasks to it. The Executive Committee consists of 4 representatives of Saarland and 2 representatives of the Association of Saving Banks.

IV. Rules for conflicts of interest and employee transactions

1. Members of the Board of Management are subject to a complete prohibition of competition in their work for SaarLB.
2. In connection with their activity, board members and employees may neither request that third parties make contributions or provide other benefits for themselves or for other people, nor may they accept these from third parties nor grant third parties unjustified advantages. The Bank specifies the criteria for exceptions (minor offences) with respect to its own employees by providing internal guidelines.

The statutory prohibition to engage in self-dealing applies to board members and to all employees unless they have been expressly exempted from it. As office holders, they are also liable in terms of criminal law.

3. The board members are obligated to act in the interests of the Bank. In their activity, no member of the Board of Management, the Board of Administration or the Shareholders' Meeting may pursue conflicting private interests or take advantage of business opportunities that SaarLB is entitled to.
4. Each member of the Board of Management should disclose conflicts of interest to the Board of Administration immediately and notify the other members of the Board of Management in this regard. Each member of the Board of Administration should immediately disclose to the Board of Administration any conflicts of interest, particularly those that may arise on account of consulting or a board position at another company. Significant and not only temporary conflicts of interest in the person of a

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member of the Board of Administration should lead to the termination of the office.

5. No member of the Board of Management, Board of Administration, or Shareholders' Meeting may have an impact on the adoption of a resolution on the business that can cause themselves, people close to them, or people representing them an immediate advantage or disadvantage.
6. Part-time work by members of the Board of Management requires approval by the Executive Committee.
7. Credit to members of the Board of Management and the Board of Administration as well as to spouses, partners, and underage children may be granted fundamentally only after the adoption of a unanimous resolution by the Board of Management and only during appropriate market conditions (with the exception of cases involving employee programmes) and only after unanimous approval by the Board of Administration.

Consulting and other service and work contracts between a member of the Board of Administration and SaarLB are concluded only after approval by the Board of Administration.

8. In the rendering of security services and security secondary services in accordance with the statutory requirements and the regulatory requirements, SaarLB is subject to particular, extensive organisational and control obligations through which conflicts of interest should be avoided. The Board of Management ensures the observance of these obligations through compliance rules. The compliance officer is directly below the Board of Management, reports to the Board of Management and the Board of Administration at least once a year as to whether the procedures and measures for meeting the statutory and regulatory requirements are suitable and effective.

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V. Transparency and accounting

1. Transparency

- a) The Board of Management shall immediately disclose insider information which directly affects SaarLB unless it is released from the disclosure obligation in an individual case.
- b) The deadlines for significant, recurring disclosures (among others, the annual report and interim report) and press events are published in due time within the scope of the ongoing publicity work.
- c) Information about SaarLB is also available at www.saarlb.de. Publications can also be viewed in English and French.

2. Accounting

- a) SaarLB is subject to extensive information and disclosure obligations on its financial situation, its results, shareholders, and supervisory boards in accordance with the legal requirements for banks. These include, in particular, that shareholders and third parties are informed through the annual financial statements and the management report. Furthermore, SaarLB reports on its economic development in the middle of the year by publishing an interim report.
- b) The financial statements and the management report are prepared by the Board of Management and audited by the auditor and the Board of Administration. Interim reports are discussed by the Board of Administration or the Audit Committee before publication with the Board of Management. In addition, the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung) and/or the BaFin are to check the conformity of the financial statements with the relevant accounting requirements (enforcement). The Board of Administration adopts the annual financial statements.

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The individual financial statements are to be publicly available within 4 months after the end of the financial year; the interim report must be publicly available within 2 months after the end of the reporting period.

- c) Annually, SaarLB releases a public list of companies in which it holds an equity investment of material significance for the Bank. Securities held for trading where no voting rights are exercised remain unaffected hereby. The following is disclosed: Name and registered offices of the company, percentage of the company held, amount of equity and earnings in the last available financial statements.
- d) Explanations on the relationships to shareholders are provided in the financial statements, if they qualify as related parties in terms of the applicable accounting requirements.

VI. Audit of financial statements and risk management

1. On the basis of the election proposal, the Board of Management requests that the planned auditor prepare a declaration on the business, financial, personal, or other relationships between the auditor and its boards and heads of audit, on the one hand, and the bank and its board members, on the other hand, in terms of whether the relationships could give rise to doubts about the auditor's independence, and, if so, which relationships. The declaration must also extend to the scope of the other services that were rendered in the past financial year for the Bank, particularly the advisory sector, and have been or are contractually agreed for the following year.
2. The Board of Management issues the audit engagement to the auditor 2. appointed by the Board of Administration and reaches an agreement with them on the fee. Within the scope of the audit engagement, an agreement is reached with the auditor such that the Chairman of the Audit

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Committee is notified immediately of the possible reasons for exclusion or bias that occur during the audit, if these are not eliminated immediately. Furthermore, an agreement is to be reached that the auditor shall report immediately on all findings and events that are significant for the tasks of the Audit Committee and result from conducting the audit.

3. The auditor accepts the advice of the Audit Committee and the Board of Administration with regard to the financial statements and reports on the most important findings obtained in the audit.
4. The Board of Management has taken suitable measures to promptly identify developments that endanger SaarLB. For this reason, it has set up a risk management system, the effectiveness of which is checked continuously and explained separately in the financial statements and in the interim report.

SaarLB also has an internal audit that is directly subordinate to the Board of Management and, in terms of discipline, to the Chairman of the Board of Management. It conducts regular audits and special audits as an independent body. The general requirements of the Federal Financial Supervisory Authority (BaFin) apply to the audit.

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