

United Nations (UN) Global Compact

Communication on Progress (CoP)

2021

Communication on Progress (CoP)
of
GBB-Rating
Gesellschaft für Bonitätsbeurteilung mbH

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1 About GBB-Rating

GBB-Rating Gesellschaft für Bonitätsbeurteilung mbH (GBB-Rating) is a limited liability company according to German law. We are a rating agency that specializes in assessing the credit standing of financial service institutions, and are supervised by the European Securities and Markets Authority (ESMA) in Paris. We also offer a variety of other services, which includes providing methodological and technical support to our clients' risk management teams.

The sole shareholder of GBB-Rating is the Auditing Association of German Banks (Prüfungsverband deutscher Banken e. V.) in Cologne (Germany), which is a non-profit organization.

Our registered office is likewise situated in Cologne. We do not maintain any branches or other places of business in Germany or abroad.

GBB-Rating was established in 1996 with the goal of supporting the deposit guarantee scheme's efforts to detect risks early on by evaluating its institutions' credit standing. The Deposit Protection Fund of the Association of German Banks protects the deposits of customers held by the private commercial banks in Germany. The structures of the deposit guarantee scheme thus reinforce depositors' confidence in the banking industry and support financial market stability.

This goal also defines the mission statement of GBB-Rating:

"GBB rating

- is an internationally oriented European rating agency with German roots;
- makes a substantial contribution to financial market stability by developing risk-based contribution systems, supporting the collection of risk-based contributions and early risk identification in the context of deposit protection;
- provides its customers with significant additional value through relevant management impulses based on creditworthiness analyses and methodological know-how in data analysis for the further development of risk controlling and management;
- focuses on small and medium-sized institutions;
- offers good value for money;

- supports **rule-compliant, responsible and sustainable behavior**, and
- is an attractive employer with qualified and committed employees."

2 The ten principles of the UN Global Compact

<p>Human rights</p>	<p>1 Businesses should support and respect the protection of internationally proclaimed human rights.</p> <p>2 Businesses should make sure that they are not complicit in human rights abuses.</p>
<p>Labor</p>	<p>3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p> <p>4 Businesses should uphold the elimination of all forms of forced and compulsory labor.</p> <p>5 Businesses should uphold the effective abolition of child labor.</p> <p>6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p>
<p>Environment</p>	<p>7 Businesses should support a precautionary approach to environmental challenges.</p> <p>8 Businesses should undertake initiatives to promote greater environmental responsibility.</p> <p>9 Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>
<p>Anti-corruption</p>	<p>10 Businesses should work against corruption in all its forms, including extortion and bribery.</p>

3 Significance of sustainability within GBB-Rating

3.1 Organizational integration

Our business goals are aligned with economically, ecologically and socially sustainable principles. In view of this commitment to sustainability, we joined the UN Global Compact initiative in 2018.

GBB-Rating supports the ten principles of the UN Global Compact relating to human rights, labor standards, the environment, and anti-corruption. We seek to continuously make progress as envisaged by the UN Global Compact and to communicate our endeavors openly and transparently. New actions are regularly reviewed to verify their practicability and trigger implementation if appropriate.

In 2016 the management board of GBB-Rating adopted a binding sustainability policy. In order to pursue the goal of sustainability more vigorously, the function of sustainability officer was created in 2017. The management board supports and promotes GBB-Rating's alignment with sustainability goals as outlined in the ten principles of the UN Global Compact.

Reaffirming our commitment to sustainable development, GBB-Rating was among the more than 1,000 signatories of the UN Global Compact campaign "United in the Business of a Better World: A Statement from Business Leaders for Renewed Global Cooperation", which called for renewed international cooperation.

In addition, GBB-Rating participated in the SDG Ambition Accelerator Programme of the UN Global Compact Network Germany in order to build up knowledge and methodological expertise in the definition and achievement of ambitious sustainability goals in dialogue with the other participating companies.

The Management Board

Cologne, dated this December 13, 2020



Bernd Bretschneider



Oliver Mohr

3.2 Human rights

As a rating agency residing in Germany, we have to comply with the German legal conventions and statutory provisions governing human rights. It is therefore a matter of course for us to protect internationally proclaimed human rights and to ensure not to participate in any violations against those rights.

Sustainability policy of GBB-Rating:

“All executives and other employees of GBB-Rating must refrain from discrimination based on descent, sex, race, disability, language, national origin, faith, or religious or political beliefs. Treating co-workers and clients fairly and adopting a sound moral and ethical compass are explicitly desired behaviors that are to be supported.”

At the beginning of 2019 GBB-Rating employees developed the following corporate values.

As a team we are aware of our responsibility towards clients and colleagues. We act fairly, respectfully and transparently. We are stronger **TOGETHER**.

Our relationships with clients and colleagues are valuable. They are characterized by mutual trust, fairness and respect. We are aware of the responsibility that results from our actions. We learn from mistakes, operate on equal terms and act transparently.

We show our **INTEGRITY** through loyalty, reliability and discretion – both as contact person for our customers and in our daily cooperation.

To us, integrity means that our customers always find a trusting, credible and reliable partner in us. As employees of GBB-Rating we maintain our objectivity, stand by our word and cultivate a culture of openness. Integrity forms the basis of our daily actions and our business success.

Our **PERFORMANCE** as GBB-Rating is competent and solution-oriented action geared to adding value for our clients.

We are constantly developing further and thus achieve high quality standards in both external and internal cooperation. We are service providers with a clear customer orientation. As a competent contact partner for our customers, we deliver visible added value through a sensible range of services tailored to customer needs with an attractive price-performance ratio and high quality.

Through our **COMMITMENT** we promote the further development of GBB-Rating. This also includes socially responsible acting.

Our commitment to the promotion of corporate development is reflected in our identification with the tasks and objectives of GBB-Rating. In addition to commitment and motivation this includes initiative and action to shape the future of the company. The objectives of GBB-Rating also take account of social challenges. A framework is formed by voluntary commitment and corresponding action in accordance with the principles of the UN Global Compact. This also includes openness towards social initiatives.

With our commitment we make a significant contribution to the **SECURITY** of deposits as well as the stability of the financial markets and our customers. We, the employees of GBB-Rating, experience and offer a reliable environment.

The preparation of rating analyses for financial service providers offers financial market players sound management impulses. We provide our stakeholders with a meaningful insight into the economic situation and creditworthiness of the institutions participating

in the voluntary deposit protection fund. All our clients can rely on the confidentiality of data and documents being maintained. We benefit from our reputation and preserve it as a valuable asset. This framework guarantees security and stability for our clients and employees.

3.3 Labor

As a rating agency residing in Germany, we have a duty to comply with the German legal conventions and statutory provisions governing labor standards. Among other things, this entails the categorical exclusion of both compulsory and child labor.

In addition, GBB-Rating strives to be an attractive employer by offering a wide range of additional benefits that increase the job satisfaction of its employees.

No discrimination in the labor market

GBB-Rating supports the **elimination of discrimination** of all kinds.

We wish to ensure an equal proportion of men and women in the labor force, and are committed opponents of discrimination against women in the workplace.

The share of women in the labor force of GBB-Rating is 36%.

The proportion of women across all salary bands who are paid equal to or greater than the median is 27%.

The proportion of women in the upper salary quartile is 25 %.

Salary structure and fringe benefits

As highly qualified employees, the majority of people working for GBB-Rating are **exempt from collective agreed terms**, but their basic pay increments are aligned with the collective agreements for the German banking industry.

Alongside their basic salary increments, employees receive a **performance-related pay award**. All employees are assigned to a salary band according to their experience and the internal hierarchy. Within these salary bands, individual performance-related pay awards are made on the basis of an annual appraisal to supplement any basic pay rise.

As a general principle, all employees receive a **pension contribution** (in a scheme administered by the banking industry pension fund BVV) and **capital-building benefits** in addition to their salary.

Company affiliation

A high level of employee satisfaction is also reflected in the length of time they have been with the company. The majority of our employees have been working for GBB-Rating for more than 10 years. The overall overview of the length of service as of 31 December 2020 is as follows:

- up to 2 years: 3 employees (9%)
- over 2 years: 4 employees (13%)
- over 5 years: 7 employees (22%)
- over 10 years: 7 employees (22%)
- over 15 years: 6 employees (19%)
- over 20 years: 5 employees (16%)

Advanced training and further education

Employees are promoted within the framework of a company and group-wide training and further education concept through a **comprehensive** range of internal and external **training and further education courses**.

In addition, we offer interns the opportunity to gain insights into the work of a rating agency, whereby great importance is attached to a practical and qualification-oriented assignment.

Compatibility of work and family life

A home **office regulation** was created to improve the compatibility of family and work, to achieve a better balance between professional and private life as well as to increase general employee satisfaction. In addition to a standardized regulation, there are extended possibilities within the framework of parental leave and mother protection. Moreover, special arrangements can be made, for example in the event of health impairments, special living conditions or for older employees. Furthermore, we support

our employees in **starting a family** by offering them the opportunity to take parental leave or part-time work. The period before maternity leave and part-time work for parents are also accompanied by the opportunity of an extended home office period. In addition, we make it easier for our employees to return to work after the birth of a child through individual part-time work options. We currently employ a total of **7 part-time female employees**.

Other employee offers

All employees, including newcomers after the six-month probationary period, are offered **free membership** in one of two **fitness studio chains**. One of the two offered is aimed particularly at people of middle and advanced age. Additionally, GBB-Rating offers free participation in a Cologne **company run**.

GBB-Rating offers all its employees free digital **language courses** and **employee discounts** via a digital discount platform.

During working hours all GBB-Rating employees can help themselves to a **selection of mineral waters, teas and coffee free of charge**. By switching to Fair Trade coffee we have also ensured that a commodity regularly purchased by us is produced under fair working and general conditions. The supply of regional mineral waters reduces transport-related environmental pollution.

Health Management

In the context of the Corona pandemic, an extended home office regulation was put into effect early on, enabling employees to work from home. Special home office regulations apply if weather conditions could endanger our employees' health (storms, high temperatures).

All employees were again offered a free flu vaccination in 2020 and 2021, and a Covid 19 vaccination in 2021.

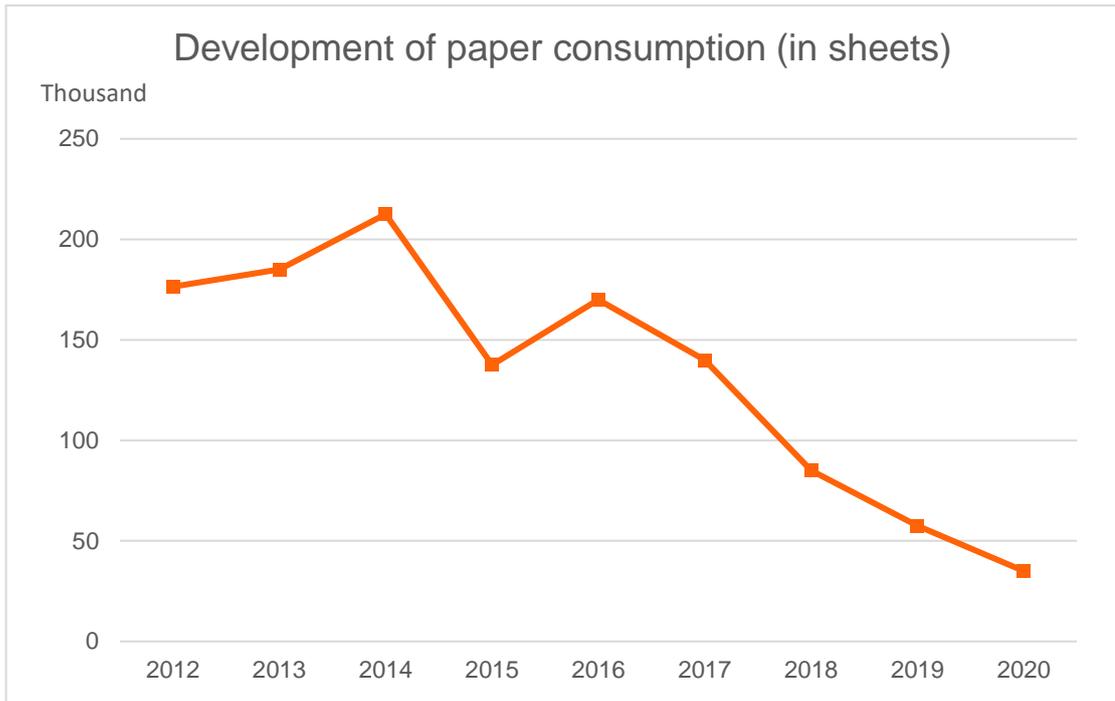
3.4 Environment

As a rating agency guided by sustainable principles, we also wish to embed ecological interests in our business activities. Within the scope of our everyday work we therefore take every opportunity to avoid environmental problems and adopt a **precautionary approach** to environmental challenges. We have therefore begun to analyze the status quo in key areas by collecting quantitative data and to set meaningful priorities for action. We are also currently examining the use of the "VfU Indicator Tool" developed by the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V. (Association for Environmental Management and Sustainability in Financial Institutions) for the accounting of operational environmental indicators. The effects of the ongoing Covid 19 pandemic are currently presenting us with particular challenges in establishing a valid and comparable database.

Within the framework of this **inventory**, we have identified energy consumption, traffic-related emissions and paper consumption as the most important fields of action for us. In our view, digitalization as a cross-cutting issue is of great importance in the development of solutions.

Paper consumption

With various measures, we have already been able to reduce internal paper consumption in recent years from 170,000 sheets of standard paper (DIN-A 4, 80 g) in 2016 to 35,000 sheets in 2020 (see illustration).



Measures that have contributed to this reduction in paper consumption include in particular the conversion of more and more work processes to purely digital work, as well as, among other things, raising the awareness of our employees for this issue, changing the standard printer settings to double-sided printing and reducing the number of available printers.

In 2019, we carried out a **group-wide digitization project**, with which we increased on the one hand efficiency in terms of data storage and use. On the other hand, this project also enabled us to further develop the sustainable corporate orientation of GBB-Rating. Within the framework of this project the transmission of the internal performance recording of all employees to the accounting department was converted to a purely electronic, paperless procedure.

In order to further promote digitization and the associated efficiency gains and reduction in the consumption of resources a digitization officer was appointed in our company in 2019 who will be involved in all **digitization projects** to ensure their successful and consistent implementation.

By switching to **FSC-certified, chlorine-free bleached paper**, we have also improved the environmental compatibility of the remaining paper consumption.

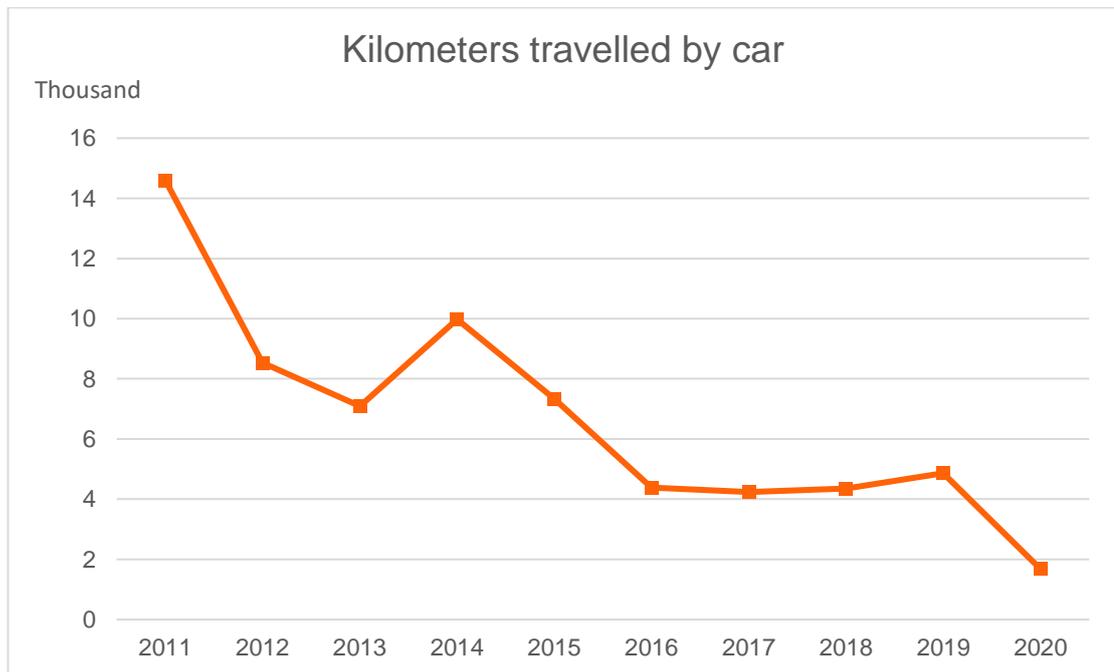
In addition, we have created the option for our customers to submit the vast majority of the **information provided to us solely electronically** and encourage our customers to take advantage of this option. To this end, the electronic document

exchange platform Connect was set up in the 2021 financial year as another secure and resource efficient way of exchanging data with our customers. Furthermore, all e-mails sent by us contain an environmental note which sensitizes against the unnecessary printing of e-mails.

Traffic

Situated in the heart of Cologne the premises of GBB-Rating are easily accessible by public transport, which is also used by a large number of employees. In order to further promote this GBB-Rating **covers the cost of monthly public transport tickets** either partly or even fully.

Business trips should be made **by rail** as far as practicable from a time point of view. For frequent travelers GBB-Rating pays for the appropriate Bahn Card which can also be used privately. In addition, we sensitize our employees to the avoidance of unnecessary CO₂ emissions. Overall, we have been able to significantly reduce the number of kilometers travelled by car (see figure) in recent years.



In 2017, we created the possibility of holding client meetings independent of their location by setting up a **video conference room**. With this measure we intend to reduce costs, time and emissions caused by the journey on the one hand, as well as to intensify contact with our clients by means of more discussions on the other hand, without burdening the environment by more frequent use of rail, air or car.

As part of the measures taken against the spread of the Corona pandemic, the use of videoconferencing was once again significantly increased and the technical possibilities for using various videoconferencing formats were expanded. Accordingly, we are currently almost completely setting aside trips to our customers. These experiences encourage us to make greater use of these possibilities in the future and thus to protect the environment.

Energy

Since January 1, 2021, GBB-Rating, together with its shareholder, the Auditing Association of German Banks (Prüfungsverband deutscher Banken e. V.), has been purchasing 100% green electricity, which comes exclusively from renewable energy sources (solar, wind and hydroelectric power) in Germany. Beyond the mere usage of green energy, we thereby support the further development of renewable energies by our energy provider.

As a **service company** with largely computer-supported work processes, energy consumption is one of our most significant sources of emissions. In addition to electricity consumption, the heating of offices and hot water supply is also relevant. The hot water supply was already reduced in 2017 to save energy. Moreover, with the start of the extended home office regulation within the Corona pandemic, the heating output in the offices was reduced, as these will not be used in the foreseeable future.

Additionally, our main focus is on reducing electricity consumption. That is why GBB-Rating decided as early as 2017 to **replace defective fluorescent tubes with LED lamps**. In the medium term all our premises are to be equipped with LED lamps as this technology is in our view the most environmentally friendly and sustainable.

Miscellaneous

In product procurement, preference is **increasingly** being given to **environmentally friendly, organic or regionally produced products**. For example, the free beverage offered for all employees and for refreshment of our customers was changed to organic and fair trade coffee and regional mineral water in returnable bottles. The newly purchased fire extinguishers are also more environmentally friendly.

Moreover, an **electronic "sustainability mailbox"** (internal company e-mail box) has been set up, which gives our employees the opportunity to submit ideas and suggestions in the spirit of sustainability and thus make their own contribution.

By dispensing with garbage bags in the office waste bins, it was possible to **save** a considerable amount of **plastic waste**. Waste bins with bin liners are only available in small numbers at central locations, which are completely sufficient for the disposal of corresponding waste (especially non-dry waste).

Confidential documents, which account for a considerable proportion of our paper waste, are professionally destroyed and afterwards **completely recycled** by a specialist service provider.

For environmental reasons the sending of **Christmas greetings** was largely switched from paper Christmas cards **to e-mails**.

At the suggestion of GBB-Rating its shareholder the Auditing Association of German Banks e. V. has also placed greater emphasis on sustainability. In 2019 a sustainability officer was appointed.

Last year, the management of GBB-Rating suggested to the European Forum of Deposit Insurers (EFDI) to create a sustainability guideline and submitted a corresponding concept. This initiative was well received by EFDI and resulted in the EFDI "Charter for sustainable Deposit Guarantee and Investor Compensation Schemes". GBB-Rating has also signed the EFDI Charter.

3.5 Anti-corruption

As an EU-certified rating agency, we advocate an **uncompromising** approach to preventing corruption. GBB-Rating has adopted the IOSCO Code of Conduct published by the International Organization of Securities Commissions (IOSCO).

Every new employee is promptly sworn in by the Federal Financial Supervisory Authority (BaFin), obliging the employee to act in accordance with the law and to deny any form of corruption.

The written internal rules and governance structure of GBB-Rating ensure that conflicts of interest are either avoided or discovered, and that independence and objectivity are maintained.



Our determination to prevent corruption within the company and our obligation to comply with regulatory provisions are reflected in our creation of the post of **compliance officer**. The compliance officer supports and shapes the compliance process and ensures that regulatory and statutory requirements are met throughout the company. With a view to raising awareness among employees, the post-holder also conducts regular compliance training courses. The compliance officer is further responsible for the internal whistleblowing process which enables employees to report illegal conduct anonymously. GBB-Rating has adopted a binding whistleblowing policy.

As part of the onboarding process for new clients, clients have been screened for inclusion in the EU sanctions list since this year. In addition, a check according to the Transparency International Corruption Perception Index was implemented.

3.6 Social commitment

As GBB-Rating we endeavor to live up to our social responsibility. Based on the experience of one of our employees that the ability to provide first aid in a case of emergency is unfortunately not a matter of course we regularly organize a **first aid course** for our employees in which they can refresh their knowledge on a voluntary basis.

However, first aid is only one important part for us, because the supply of donated blood is also vital for the survival of many people. For this reason, we also organize joint **blood donation events** for first-time and subsequent donors among our employees. Thereby, we have come to realize: Helping can sometimes be very easy, you just have to do it.

In addition, our employees can decide for years whether they would like to receive a bouquet of flowers for their birthdays or if they would prefer to forego this in favor of a donation to a charity organization. We are pleased that most of our employees have chosen to donate, so that we could give a total of EUR 930 to the Dr. Peter Deubner Foundation in 2020.

4 Closing remarks and outlook

As globalization continues to tighten its grip, sustainability is becoming an even more significant corporate goal. This is already reflected in the new requirements governing non-financial reporting (CSR Directive) and the EC initiative entitled Financing a Sustainable European Economy.

Against this background, GBB-Rating feels all the more vindicated in maintaining the sustainability ethos it has already been pursuing for several years. We take pride in our official participation, since February 16, 2018, in the United Nations Global Compact.

“We will continue to put sustainability principles into practice in order gradually, day by day, to improve our environment and make it a better place to live.”