

Report on compensation transparency – appendix to the management report

In line with the requirements of § 21 of the Transparency of Pay Act (EntgTranspG), the following provides information on both equality and equal pay at MLP. Within the MLP Group, only the subsidiary MLP Finanzberatung SE exceeds the legally stipulated threshold of 500 employees and only this company is therefore reportable. Despite this, reporting is still performed for the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE, as the relevant parameters are recorded on the basis of a company agreement governing these joint operations. Set against this background, reporting is only performed regarding those employees that cannot be classed as executive employees pursuant to § 5 (3) of the Works Constitution Act (BetrVG). These represent approximately 64.31% of all employees in the MLP Group.

A "pay system" works agreement has been in place at MLP since November 2015. During this process, the various positions below the level of division leader were assessed based on abstract criteria and then assigned to a total of 10 salary brackets.

While introducing the pay system at MLP, and in particular with the assignment of job types to the various salary brackets, MLP gained statistical conclusions that enable the provision of information regarding gender-equal pay at MLP.

It should be pointed out here that the salary bracket assignment criteria are based on job types and are therefore essentially gender-neutral pursuant to the Transparency of Pay Act (EntgTranspG), as is MLP's pay system. This means that any notion of gender-based discrimination is already ruled out in the pay system employed by MLP.

At the same time, there is also a mature pay structure in place at MLP. With regard to the outcome from the introduction of the new pay system, the following three areas revealing differences in pay were identified.

In connection with the lower brackets it was determined that female employees were over-represented in terms of total numbers. This means that the predominant share of all employees whose actual pay was initially still below the lower salary bracket limit recognised as critical by the assessment committee for the respective job type were female. The Executive Board reacted to this finding and raised the salaries of all employees affected by this into the relevant salary bracket in the last financial year 2017. By taking this voluntary step, the Executive Board contributed to increasing gender equality in terms of pay.

In the upper brackets, female employees at MLP are slightly under-represented in terms of the number of persons affected – at least at company HQ. This means that there were, and still are, fewer women than men among those MLP employees whose current annual pay is above the relevant salary bracket. From an employment law perspective, however, this can only partially be influenced by employers, as salary cuts are generally not permitted. Due to the provisions of the company agreement, balancing this situation by raising the salary of women above the relevant salary bracket is not permitted and also cannot be demanded in line with the purpose and intention of the Transparency of Pay Act (EntgTranspG), as this law does not postulate any "equality in injustice".

Female employees are still generally under-represented in higher-level management positions. The higher the hierarchy level, the lower the proportion of women within the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE. Unfortunately, rectification of this situation is difficult. There are limits as to what MLP can achieve here as an employer – not least since it is common for fewer women to apply for vacant management positions than would be desirable, despite the fact that there are significantly more female than male employees at MLP. In the financial year 2020, the Executive Board approved a concept for increasing the percentage of women at management levels within the company. The individual measures within the package of measures are set to be implemented by the end of 2022. The objective is to achieve a gender balance at the individual management levels in the company.

The term "pay gap" is used in the public discussion to describe the delta between the pay of men and that of women. Although a precise definition of this term and the factors to be taken into consideration has not yet been provided, the German Federal Statistical Office nevertheless states a figure of 6 percent as an "adjusted pay gap" (figure from 2018, as the calculation can only be performed every four years as per press release #484 of the German Federal Statistical Office from 8 December 2020).

According to information provided by Compensation Online, the cooperation with Germany's Federal Ministry of Family Affairs, Senior Citizens, Women and Youth expired at the end of 2019. The compensation monitor of Compensation Online, which we had used for our first report on pay transparency due to the adjusted pay gap it stated, broken down by sectors, has therefore no longer been updated since 2020. This data basis is therefore no longer available. The unadjusted pay gap between men and women, weighted according to salary bracket and number of persons, was around 2.96% at MLP at the end of 2020. To determine this percentage value, the average pay of men per salary bracket was compared with the corresponding average pay of women and the resulting individual values weighted on the basis of the number of incumbents per salary bracket. The obvious adjustment factor is age. On average, the men at MLP are approximately 1.9 years older than the women. Accordingly, they tend to have enjoyed greater general and individual salary development (at MLP, yet potentially also at their previous employer, which typically also influences the starting salary). For the purposes of adjustment, the long-term average of annual salary development was applied conservatively at 2% p.a. Adjusted in this way for this average age difference, the pay gap at MLP was therefore approximately 1.14%.

Even if a pay gap, adjusted for age differences, that disadvantages female employees were to exist at MLP, it would be significantly below the "adjusted pay gap" of the German Federal Statistical Office applied here. Since further adjustment factors also come into consideration as per the German Federal Statistical Office, there are good reasons to suggest that a pay gap at MLP, if it even exists, is not of significant magnitude.

No systematic gender-specific pay discrimination that would disadvantage female employees can be detected in the individual departments at company HQ. Generally speaking, there are job types with higher average pay for women, as well as job types in which men generally receive higher average pay in large parts of MLP Banking AG and MLP Finanzberatung SE. However, no valid blanket statements can be made about this for the branch office staff which is spread out across Germany. The individual branch offices are too small, and the positions are predominantly filled by women, meaning that a statistically sound salary comparison between men and women cannot be produced.

Most employees at company HQ are assigned to salary brackets 5 and 6 with their job types, whereby significantly more women than men are remunerated in these two salary brackets. At the end of 2020, the average salary of all male employees in salary bracket 5 was higher than the average salary determined for all women in salary bracket 5. With regard to salary bracket 6, the average salary of women is higher, although not quite as significantly. It cannot therefore be assumed that any kind of "systematic gender-based pay discrimination" is prevalent at MLP.

With the Transparency of Pay Act (EntgTranspG), employers with more than 500 employees are requested to perform their own company audit with the aim of reviewing their pay systems in terms of compliance with the equal pay principle. The legislator's intention is for auditing processes of this kind to be performed on a voluntary basis under the employer's own responsibility. The objective of the internal company auditing process is to identify individual women who are not receiving equal compensation. Any disadvantage to individual female employees that is identified should then be addressed with suitable measures on the part of the employer.

MLP performed an audit process of this kind on a voluntary basis in 2017 for the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE. Details on this are published in the annual report for the financial year 2017.

Since MLP remains committed to pursuing the objective of gender pay equality, further internal investigations may still be performed.

Alongside these purely pay-based measures, MLP offers a large number of further measures promoting a good work-life balance and thereby contribute to greater equality of pay. You can find further information on this in the management report under → ["Corporate governance report – Declaration of Corporate Governance \(§ 289f of German Commercial Code \(HGB\)\)](#).

For non-management employees in the joint operations of MLP SE, MLP Banking AG and MLP Finanzberatung SE, the following statistical information is provided as per the requirements of § 21 (2) of the Transparency of Pay Act (EntgTranspG):

2020	Number (total)	Number (full-time)	Number (part-time)	Quota (total)	Quota (full-time)	Quota (part-time)
Men	352.75	322	30.75	29.84%	91.28%	8.72%
Women	829.5	332	497.5	70.16%	40.02%	59.98%