

Welcome to your CDP Climate Change Questionnaire 2022

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

Aareal Bank Group finances commercial property. For us as a mortgage lender, it is of central importance that buildings are and remain attractive and fit for the future, in order to guarantee a steady cash flow on the one hand and refinancing opportunities after the loan commitments expire on the other. Ensuring the sustainable value of the properties we finance is therefore in our own best interests as a company. We may use covenants (contractually binding assurances by the borrower during the term of the loan, e.g. with regard to energy efficiency upgrades, fixtures and fittings, etc.) to exert a positive influence on the sustainability of the property itself.

And, Aareal is committed to fostering the transition in the Real Estate sector to a more sustainable, digitized and connected future. As financial service provider and partner for the property industry, we are active in two sectors that will be highly significant for supporting the transformation of the economy.

With its three strategic business segments – Structured Property Financing, Banking & Digital Solutions and Aareon, Aareal Bank Group goes beyond the traditional banking business. Our goal is to provide clients with forward-looking solutions that offer them competitive advantages and facilitate their longterm business success.

Aareal Bank Group's Structured Property Financing segment finances commercial property, and in particular office buildings, hotels and shopping centres, plus logistics facilities, residential properties and student housing. The focus is on complex, large-volume medium- to long-term finance for completed buildings (average term of roughly 4 years). Consequently, the ability of properties to retain their value for the long term and the careful selection of its business partners are very much in the Company's own interests.

In the Banking & Digital Solutions (BDS) business segment, we are a digitalisation partner for businesses from the housing, property and energy industries, combining extensive advisory services and product solutions with traditional corporate banking services and deposit-taking. One key element of what we do is to integrate the housing and property industries with related

sectors. In addition, we offer end-to-end solutions for tenancy bond management, plus payment systems that allow our clients to design their business processes efficiently.

Aareon – our subsidiary and a leading supplier of ERP software and digital solutions for the European property industry and its partners – represents our third business segment. Aareon offers innovative, secure solutions in the fields of consulting, software and services to optimise IT-based business processes, and to extend clients’ business models. Its international research and development and cross-border knowledge transfer mean that clients benefit from the entire Aareal Bank Group’s expertise. The Aareon Smart World portfolio connects property companies and their employees with clients, business partners and technical devices in homes and buildings. At the heart of this digital ecosystem are Aareon’s ERP systems, which can be combined seamlessly with additional digital solutions to meet individual companies’ needs.

Group enterprises are managed at Group level, i.e. the descriptions of the management approaches for the five aspects apply both to the parent company and to subsidiaries. Where specific sustainability management issues exist, we draw attention to these in the relevant places. We again used our ESG@Aareal initiative, which was launched in 2020, in the reporting period for ESG integration – i. e. to ramp up the inclusion of ESG aspects in our decision-making and management processes. The divisions were largely responsible for driving forward the Group’s ESG activities under this initiative during the reporting period. Examples include supporting regulatory measures relating to ESG topics by participating in the official consultations held by the EU, the development and resolution of quantitative ESG targets for the Group, the inclusion of green product offerings in Aareal Bank AG’s lending and funding business, and the expansion of digital products designed to solve the problems facing society. We will look at these in more detail in our discussion of the individual matters and present the results in the appropriate places. Awareness of ESG issues has risen substantially throughout the entire Group thanks to our in-depth examination of regulatory requirements and our identification of associated opportunities and risks, something that can make a significant contribution to Aareal Bank Group’s future viability.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years
Reporting year	January 1, 2021	December 31, 2021	No

C0.3

(C0.3) Select the countries/areas in which you operate.

- Finland
- France
- Germany
- Ireland
- Italy

Netherlands
 Norway
 Poland
 Russian Federation
 Singapore
 Spain
 Sweden
 Turkey
 United Kingdom of Great Britain and Northern Ireland
 United States of America

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

EUR

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Financial control

C-FS0.7

(C-FS0.7) Which activities does your organization undertake, and which industry sectors does your organization lend to, invest in, and/or insure?

	Does your organization undertake this activity?	Industry sectors your organization lends to, invests in, and/or insures
Banking (Bank)	Yes	None of the above
Investing (Asset manager)	No	
Investing (Asset owner)	No	
Insurance underwriting (Insurance company)	No	

C0.8

(C0.8) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, an ISIN code	DE0005408116

Yes, another unique identifier, please specify WKN	540811
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C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Chief Executive Officer (CEO)	At an organizational level, Aareal Bank Group has assigned responsibility for climate-related issues and sustainability management to Investor Relations – with a direct reporting line of the Group Sustainability Officer to the CEO. This underlines the strategic importance of climate-related issues and sustainability for our corporate philosophy and allows steering its practical implementation at the highest level and ensuring that material ESG information is incorporated in the communication with our stakeholders. Required decisions were made by the whole Executive Board.
Chief Risk Officer (CRO)	Our Chief Risk Officer is the Board member responsible for identifying, analysing and mitigating internal and external events that could threaten the successful continuation of the Company. The Chief Risk Officer ensures that the Company complies with government regulations, and reviews factors that could negatively affect investments or our Company's business units. This involves the responsibility for ESG risks, including climate-related issues.
Other, please specify Chief Market Officer (CMO)	Our Chief Market Officer is the Board member responsible for loan structuring and syndication, funding, management of Credit, green financing, property and market risk as well as the design of internal control system for the lending process.
Other, please specify Head of ESG Risk	<p>The Head of ESG Risk is organizationally located in the Non-Financial Risk unit and assumes a coordination function for ESG risks as the person responsible for the cluster. As the central point of contact for ESG risk issues, the function ensures that ESG risks are appropriately considered and integrated into the workflows of the bank's risk management function.</p> <p>The Head of ESG Risk is integrated into the existing committee structure as part of ESG governance and acts as a multiplier, in particular for the Non-Financial Risk</p>

	<p>and Risk Controlling units, by addressing information and implementing topics in a coordinated manner.</p> <p>Derived directly from the risk management cycle, the following areas of responsibility arise for the Head of ESG Risk:</p> <ul style="list-style-type: none"> - Coordinating the formulation of the central Risk Appetite Framework specifications as the central anchor for the risk management of ESG aspects. - Ensure consistency with the overarching OpRisk risk appetite and OpRisk strategy as part of an ESG strategy - Coordinate ESG risk inventory annually in the context of the overall risk inventory and analyze results - Update taxonomy and further develop/review overarching ESG risk methodology as appropriate. - Develop and be responsible for appropriate overarching ESG measure tracking. - Develop and be responsible for overarching ESG risk reporting to Board and committees.
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C1.1b

(C1.1b) Provide further details on the board’s oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our banking activities The impact of our own operations on the climate The impact of our banking activities on the climate	Risk management is a core priority at Aareal Bank Group - as a strong risk culture is an integral part of our responsible corporate management. The following governance mechanisms have been implemented: <ul style="list-style-type: none"> - The Executive Board defines the business strategy (risk diversification, active portfolio management, etc.) based on our successful business model and develops the risk strategy. Climate-related issues are integrated in our overall risk management, defined as risk factors affecting our existing financial and non-financial risk-categories. For this reason, they are fully considered within all relevant risk-categories.

	<p>Overseeing major capital expenditures, acquisitions and divestitures</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p> <p>Other, please specify</p> <p>Monitoring of the development of government regulation and other relevant developments in the field of sustainable finance</p>	<p>- The Executive Board monitors the risk situation on the basis of quarterly / annually risk model valuations and corresponding reports (e.g. impact and probability of risks are assessed within inventory based on expert scenarios, etc.). Independently of these regular valuations / reports, the Executive Board has implemented an ad-hoc reporting process, in case of a significant incident or new or changed major risks. The reports are sent to the responsible heads of division, Executive Board, Supervisory Board and Banking Supervisory Authorities (ECB).</p> <p>- Specific climate risks are taken into consideration within the loan approval process during the risk analysis of the property. If the risk is too high (not acceptable) – e.g. depending on the location of an object (near the waterside, potential storm warnings etc.) and on its equipment (emergency power supply, fire protection, etc.), it is an exclusion criterion for the corresponding deal.</p> <p>The Executive Board also monitors the impact of ESG aspects through the regular stress test report, which includes two ESG-specific scenarios.</p> <p>The Executive Board is responsible for the deliveries of the ECB Stress Test, especially the Climate Stress Test 2022. The Executive Board reviews the results of the Aareal Bank.</p> <p>- The Bank's risk appetite framework (approved by the Executive Board) includes ESG-risks (considering the outside-in and inside-out perspectives) and constitutes an end-to-end</p>
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			approach comprising guidelines, processes, controls and Systems for all employees.
Sporadic - as important matters arise	Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our banking activities	Independently of the regular valuations / reports, the Executive Board has implemented an ad-hoc reporting process, in case of a significant incident or new or changed major risks. The reports are sent to the responsible heads of division, Executive Board, Supervisory Board and Banking Supervisory Authorities (ECB).

C1.1d

(C1.1d) Does your organization have at least one board member with competence on climate-related issues?

	Board member(s) have competence on climate-related issues	Criteria used to assess competence of board member(s) on climate-related issues
Row 1	Yes	The entire Management Board as well as the Supervisory Board is continuously trained with ESG issues.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Other, please specify ESG Risk Manager	Other, please specify As the central point of contact for ESG risk issues, the function ensures that ESG risks are adequately taken	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our banking	More frequently than quarterly

	into account and integrated into the workflows of the bank's risk management function.		Risks and opportunities related to our investing activities Risks and opportunities related to our own operations	
Risk committee	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our banking Risks and opportunities related to our own operations	More frequently than quarterly
Sustainability committee	Corporate Sustainability/CSR reporting line	Other, please specify analyses trends, assesses resulting ESG opportunities and risks for Aareal Bank Group and further develops the sustainability program. It functions as a discussion and advisory board for the CSO, who reports to the Executive Board.	Risks and opportunities related to our banking Risks and opportunities related to our own operations	Quarterly
Chief Sustainability Officer (CSO)	CEO reporting line	Other, please specify Group-wide responsibility for ESG strategy and management, advisory role towards Executive Board, management reporting to Executive Board and Supervisory Board as well as ESG integration in investor communication.	Risks and opportunities related to our own operations	More frequently than quarterly
Chief Credit Officer (CCO)	Reports to the board directly	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our banking	As important matters arise

<p>Audit committee</p>	<p>Other, please specify The Audit Committee is primarily responsible for financial reporting issues, monitors the effectiveness of the Internal Control System. It assesses the financial statements and internal risk reports and the annual report / the nonfinancial Report.</p>	<p>Other, please specify Supervision of assessment and management of climate-related risk and opportunities by the Management Board.</p>	<p>Risks and opportunities related to our banking Risks and opportunities related to our own operations</p>	<p>Annually</p>
<p>Other, please specify Supervisory Board</p>	<p>Other, please specify The Supervisory Board ensures that Management Board remuneration is geared towards the Company's sustainable development (cf. section 87 of the AktG),, meaning that remuneration is aligned with the long-term interests of Aareal Bank's stakeholders.</p>	<p>Other, please specify Supervision of assessment and management of climate-related risk and opportunities by the Management Board.</p>	<p>Risks and opportunities related to our banking Risks and opportunities related to our own operations</p>	<p>Annually</p>
<p>Other, please specify Green Finance committee</p>	<p>CEO reporting line</p>	<p>Other, please specify Green Finance committee is responsible to further develop green finance frameworks regarding ambition and market practise of environmental and climate criteria (energy efficiency thresholds).</p>	<p>Risks and opportunities related to our banking</p>	<p>Quarterly</p>
<p>Other, please specify Steering committee for regulatory changes</p>	<p>Risk - CRO reporting line</p>	<p>Other, please specify Identifies regulatory requirements also regarding ESG-climate aspect to ensure implementation of legal/regulatory requirements in due time for Aareal Bank Group.</p>	<p>Risks and opportunities related to our banking</p>	<p>Half-yearly</p>

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Board/Executive board	Monetary reward	Behavior change related indicator Environmental criteria included in purchases Company performance against a climate-related sustainability index	ESG targets are part of the Group's strategy and hence also of the remuneration system: - Establishment of an ESG opportunity & risk management system (coordinated by Group Sustainability Officer) is a defined target - As is enhanced environmental disclosure (e.g. definition and disclosure of a green building label), among other things. The ESG targets are reflected in the individual target component (15% of variable remuneration).
Management group	Monetary reward	Emissions reduction project Behavior change related indicator Environmental criteria included in purchases	All entitled staff members who decide not to use a company car receive a monthly gross salary supplement of €1,500 up to €2,300. This surcharge is taxed at the individual tax rate. Depending on the user category, Aareal Bank only contributes to the costs of the company car up to a certain extent. Beyond this, eligible employees have the option of making additional payments, although these are capped by maximum amounts. Depending on the user group, there are restrictions with regard to the choice of manufacturers/models as well as the permissible CO2 emissions. In this respect, there is greater flexibility in the choice of an electric vehicle to the extent that the selection of additional

			manufacturers is possible. With regard to electric vehicles, there is also no cap on co-payment.
Buyers/purchasers	Non-monetary reward	Supply chain engagement	<p>The Code of Conduct for Suppliers (https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Code_of_Conduct_Lieferanten_E.pdf) defines environmental protection and safety requirements.</p> <p>It defines the principles adopted and requirements set out by the principal and companies affiliated with it in accordance with section 15 of the German Stock Corporation Act (Aktengesetz – AktG) (“Aareal Bank Group”) that providers of products and services must meet with respect to their responsibility for people and the environment. Aareal Bank Group expects its suppliers to comply with the following values and principles themselves and to ensure that their pre-suppliers also do so. Taking responsibility for the environment is a matter of course for Aareal Bank Group companies’ suppliers. This means not only that they observe environmental protection legislation, but that they also make an effort to protect natural resources and to identify and give preference to environmentally friendly solutions.</p> <p>Additionally, the supplier shall accept its health and safety responsibility with respect to employees, shall ensure compliance with the statutory maximum working times, and shall take all necessary precautionary measures to prevent accidents and occupational diseases.</p>
All employees	Non-monetary reward	Company performance against a climate-related sustainability index	<p>Aareal Bank has formulated guidelines for the responsible use of the environment. This „Environmental Guideline“ shall be seen as a benchmark for our actions and it is thus binding for all employees of the corporation. The guidelines refer to diverse aspects that are relevant for the environment e.g. considerate handling of resources and shall - at the same time - contribute to a generally enhanced consciousness of the environment. The „Environmental Guideline“ forms the basis of our detailed environmental goals and measures that can be found in our sustainability programme. These written principles are an important component of an applied environmental management and are rated by</p>

			sustainability rating agencies.
Chief Sustainability Officer (CSO)	Monetary reward	Company performance against a climate-related sustainability index Portfolio/fund alignment to climate-related objectives	<p>In addition to the fixed remuneration, the Bank grants a variable remuneration component to foster achievement of the targets derived from the business strategy and plans and to reward those concerned in line with performance and market conditions. The total variable remuneration is calculated by adding three measurement components: Group component, organisational unit component and individual component. Environmental targets are a part of Group components and individual targets.</p> <p>Each individual component of the variable remuneration develops in line with the calculated target achievement. The total of individual components of the target variable remuneration is multiplied by a factor and is thus capped. The Management Board may reduce this factor at its reasonable discretion. This shall apply in particular when the Group component has already been waived.</p> <p>In the event of negative performance contributions on the corporate level, on the level of the organisational unit in which the employee works and on the individual employee level, they lead to a reduction and possibly the complete loss of variable remuneration, including deferred variable remuneration.</p>
All employees	Non-monetary reward	Emissions reduction project	<p>Aareal Bank has formulated guidelines for traveling. Efficiency, cost consciousness and sustainability are three main principles in planning and executing a business trip.</p> <p>Prior to the start of the trip employees are asked to consider the need of a business trip under aspects of the cost-benefit ratio, under consideration of alternative communication options and sustainability aspects. Regarding the choice of transport mode public transportation is preferred.</p>
Management group	Monetary reward	Behavior change related indicator Company performance against a	ESG targets (including climate related issues) are formally included in the individual targets on management level. ESG Targets of Board members are translated into sub-targets for direct Reports.

		climate-related sustainability index	
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C-FS1.4

(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG criteria, including climate change?

Employment-based retirement scheme that incorporates ESG criteria, including climate change	
Row 1	No, due to a compulsory national scheme

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	1	Short-term for Aareal Bank Group means a twelve-month horizon, incl. developments / impacts that will have an effect rather in the near than in the distant future.
Medium-term	1	5	Aareal Bank finances commercial property, and in particular office buildings, hotels and shopping centres, as well as logistics facilities and residential properties. We focus on complex, large-volume financing for completed buildings with an average term of five years. Therefore, our medium-term horizon is up to 5 years. Furthermore, Aareal Bank Group's strategic orientation as regards the business strategy and planning is integrated in a defined Strategy Process. In this context, the approved three-year plan is strictly adhered to as a stable benchmark during each financial year until the next three-year plan is passed.

Long-term	5	20	Long-term time-horizon: longer than 5 years with a reference of 20 years. This period is particularly relevant for analysing long-term developments in the context of stress tests or scenario analyses.
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C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

CEO in collaboration with the Management Board/ Group Sustainability Officer /

Sustainability Committee define ESG strategy and assess impact of business activities .

The concrete measures implemented to achieve the Group's ESG goals are derived from this. New measures to be taken as part of the existing business strategy are identified in the course of the **strategy process** conducted at the start of each year and discussed in depth with the Management Board and the Supervisory Board in the course of the latter's strategy meeting in the summer. External and internal factors are taken into account (e.g. Market development (e.g. as a result of interest rate trends or geopolitical changes, Regulatory requirements, Liquidity, Financial Performance, etc). Assumptions are made as to how these parameters will develop and are reviewed both regularly and on an ad hoc basis. Care is taken right from the start when developing these measures to ensure that they comply with the risk management principles set out in the Risk Appetite Framework by involving Risk Controlling (RCO) at an early stage. The end product of the Strategy Process, which puts the new and existing measures together in context, is taken into account in the **Flight Plan** for the financial year following the Strategy Process. The measures set out in the Flight Plan are then included in **Group planning**: This consists in the first instance of **top-down planning**, which is drawn up in the second half of the year. The strategic measures proposed are fleshed out with more concrete planning data in this document. In addition, the strategic measures are evaluated in light of the threshold defined in the Risk Appetite Framework and reviewed on an ongoing basis for compliance with the ICAAP/ILAAP. In addition, an evaluation is performed as to whether initiatives lead to new product processes (NPP) and whether existing processes and systems are aligned with the initiatives. After being agreed with the relevant divisions and bodies, the strategy documents are submitted to the Management Board. The full Management Board discusses the strategies with the Supervisory Board and adopts them, taking the Supervisory Board's suggestions and remarks into account. After this, they are communicated to the Group units so that these can implement them. In January and February of each year, the top-down planning as of the 31 December reporting date is updated to provide the **bottom-up planning**. The bottom-up planning and business strategy are then used to review the risk limits (i.e. the **risk appetite** specified by the Management Board), the **risk strategies (for the individual areas)**, the **remuneration strategy** and the **remuneration objectives**, and aligned with the other documents. Updates are made in connection with the meetings of the Audit Committee and with the full Supervisory Board meeting in March. The strategy development, Group planning and project planning processes, a core condition of which is compliance with the Risk Appetite Framework, thus interact with each other. In other words, the process is not sequential but iterative. Aareal Bank **Group is managed** using both qualitative and quantitative criteria. These are defined along the topics and initiatives contained in the Flight Plan and have been assigned clear Management Board responsibilities. For example, the Flight Plan is linked to the divisional and personal targets set for the Management Board members, as well as to the

targets set for executives below Management Board level and, in the subsequent cascading process, the targets for all relevant employees. Management is performed at the overarching Group level as well as at the level of the individual segment, and takes risk-bearing capacity into account. An extensive (management) reporting system regularly provides the information required for management and monitoring purposes. The question of whether targets have been reached is examined, among other things, as part of the **remuneration process**. The target values for the KPIs are specified as part of the annual bottom-up planning (drawn up as at 31 December) and resolved by the relevant bodies. Strategy and Group planning processes are thus closely interlinked and synchronised. The risks associated with specialising in the property sector are countered by strict application of the Bank's established risk management system. The principles governing how to manage the risks associated with its business are set out in the individual risk strategy papers and other Bank documents, such as the Risk Manual.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Direct operations

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

Annually

Time horizon(s) covered

Short-term

Medium-term

Long-term

Description of process

The risk inventory is the main process for identifying all types of risks, including climate-related risks on a regular, annual basis.

All risks in the inventory are evaluated by experts in the dimensions probability and severity. Risks that exceed a defined risk threshold are significant and included in the ICAAP.

The assessment of ESG factors is an integral part of the risk inventory. These are not limited to climate issues, as other ecological and social developments may also pose serious risks for Aareal Bank. For this reason, factors concerning the three aspects of environmental, social and governance are taken into account as part of the ESG risk inventory.

Using a clearly formulated questionnaire, 4 E-factors, 2 S-factors, 4 G-factors and one

overarching factor are to be evaluated.

To determine the short, medium and long-term effects of the ESG factors on Aareal Bank, the individual questions are always evaluated for different time periods (short-term, medium-term, long-term).

After evaluating the individual ESG factors regarding the associated financial/non-financial disadvantages/risks, the direct effects on the individual risk types are classified in the risk assessment. The expected effects of the individual ESG factors on the ESG-relevant risk types are qualitatively evaluated.

Value chain stage(s) covered

Direct operations

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

Annually

Time horizon(s) covered

Medium-term

Long-term

Description of process

The ESG-related stress test calculations include a scenario on climate change and are supplemented by a scenario from the environment of social change.

Aareal Bank's climate stress test is based on publicly available and recognized climate scenarios from the NGFS. For the initial implementation of the ESG stress test, the NGFS scenario "Disorderly – Delayed Transition" is calculated.

The scenario of social change focuses on changing social norms and perspectives and the associated impact on economic activities. Important aspects in this scenario are digitization and its effects on the world of work (keyword home office), changes in travel and consumer behavior, or changes in consumer shopping behavior (e.g. increased use of online trade).

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Changes in the political, legal or regulatory framework with regard to the transition to a lower-carbon and more sustainable economy and the resulting material financial and/or non-financial risks are taken into account. This includes, for example, the introduction of a CO2 tax, specifications for reducing greenhouse gas emissions, increasing the

		price of emissions trading or specifications for improving the energy efficiency of buildings and systems.
Emerging regulation	Relevant, always included	Changes in the political, legal or regulatory framework with regard to the transition to a lower-carbon and more sustainable economy and the resulting material financial and/or non-financial risks are taken into account. This includes, for example, the introduction of a CO2 tax, specifications for reducing greenhouse gas emissions, increasing the price of emissions trading or specifications for improving the energy efficiency of buildings and systems.
Technology	Relevant, always included	Technological developments related to the transition to a lower-carbon and more sustainable economy and the resulting significant financial and/or non-financial risks are taken into account. This includes, for example, the accelerated transition to renewable energies, restrictions on the use of certain technologies (e.g. oil heating) or the need to invest in new technologies and energy-efficient production processes
Legal	Relevant, always included	<p>Changes in the political, legal or regulatory framework with regard to the transition to a lower-carbon and more sustainable economy and the resulting material financial and/or non-financial risks are taken into account. This includes, for example, the introduction of a CO2 tax, specifications for reducing greenhouse gas emissions, increasing the price of emissions trading or specifications for improving the energy efficiency of buildings and systems.</p> <p>In addition, the potential violation of labor law standards and the resulting material financial and/or non-financial risks are considered. This includes, for example, child labor, forced labor or a lack of freedom of union and assembly.</p> <p>Furthermore, the risk of socially negatively perceived and/or fraudulent actions is considered. This includes the topics of legal tax optimisation, illegal tax evasion, corruption, bribery, money laundering, gambling and prostitution.</p> <p>The significant financial and/or non-financial disadvantages resulting from non-compliance with data protection regulations are also taken into account. They include, for example, data breaches, loss of customer data and cybercrime.</p>
Market	Relevant, always included	<p>Changes in investor behavior associated with the transition to a lower-carbon and more sustainable economy and the resulting material financial and/or non-financial risks are taken into account.</p> <p>The fundamental change in customer and consumer behavior regarding ESG factors is also considered. This includes, for example, changes in consumer demand, greater consideration of energy consumption when making consumer decisions, or increased expectations for home office options, which result in lower demand for office space.</p>

<p>Reputation</p>	<p>Relevant, always included</p>	<p>Reputational risks can arise in connection with high-profile campaigns (e.g. shareholder activism) or press reports (e.g. about the withdrawal of an investor due to Aareal Bank's lack of commitment to sustainability). In addition, the investment criteria of (institutional) investors may become stricter as a result of the transition to a lower-carbon and more sustainable economy (e.g. exclusion of certain investments, best-in-class approach, positive lists). These criteria, as well as Aareal Bank's possibly inadequate ESG rating, can be associated with direct disadvantages and materialize as a result of a change in investor behavior.</p> <p>Reputational risks can arise in connection with negative press reports about the lack of consideration of sustainability management at Management Board level and materialize in a negative impact on the brand value "Aareal" and a corresponding damage to the reputation of Aareal Bank as well as a loss of trust among customers and the public. ESG management that is perceived as inadequate can have a lasting negative impact on the behavior of customers and consumers.</p> <p>Reputational risks can arise in connection with negative press reports about the termination of business relationships due to Aareal Bank's lack of commitment to sustainability. In addition, reputational risks can have a negative impact on the "Aareal" brand value and lead to a loss of trust among customers and the public.</p>
<p>Acute physical</p>	<p>Relevant, always included</p>	<p>Physical climate risks (acute and chronic) include direct impacts of climate change (triggered by more frequent occurrences of extreme weather events, gradual climate change and environmental degradation). These risks of climate change arise directly from the consequences of climate change, e.g. increase in global average temperature, more frequent natural disasters and extreme weather events such as floods, heat/drought periods, storms and hail. Physical climate risks can also have indirect consequences (examples: collapse of supply chains, abandonment of water-intensive business activities, climate-related migration and armed conflicts).</p>
<p>Chronic physical</p>	<p>Relevant, always included</p>	<p>Physical climate risks (acute and chronic) include direct impacts of climate change (triggered by more frequent occurrences of extreme weather events, gradual climate change and environmental degradation). These risks of climate change arise directly from the consequences of climate change, e.g. increase in global average temperature, more frequent natural disasters and extreme weather events such as floods, heat/drought periods, storms and hail. Physical climate risks can also have indirect consequences (examples: collapse of supply chains, abandonment of water-intensive business activities, climate-related migration and armed conflicts).</p>

C-FS2.2b

(C-FS2.2b) Do you assess your portfolio’s exposure to climate-related risks and opportunities?

	We assess the portfolio's exposure
Banking (Bank)	Yes

C-FS2.2c

(C-FS2.2c) Describe how you assess your portfolio’s exposure to climate-related risks and opportunities.

	Type of risk management process	Proportion of portfolio covered by risk management process	Type of assessment	Time horizon(s) covered	Tools and methods used	Provide the rationale for implementing this process to assess your portfolio's exposure to climate-related risks and opportunities
Banking (Bank)	Integrated into multi-disciplinary company-wide risk management process	100	Qualitative and quantitative	Medium-term Long-term	Risk models Scenario analysis	In 2019, the system-side prerequisites were continuously created in order to store data on energy efficiency, green building certificates and energy retrofits in the systems. Data collection, recording and validation for our global portfolio continues to make progress. Data gathering, data capture and data validation for our global portfolio is continuing to progress. This is allowing us to specifically evaluate relevant KPIs in our

					<p>lending business. We finance properties of lasting value that live up to our strict quality requirements. When performing property valuations, we not only focus on the buildings' fair values but also determine the mortgage lending value and use a lifecycle analysis that includes environmental aspects such as the buildings' technical, functional and environmental quality as standard components. We also always take marketability and third-party usability into account when looking at sustainable property use.</p> <p>Quality defects such as inadequate energy efficiency negatively impact property valuations. Depending on how severe they are and how relevant for the overall rating (which comprises a comprehensive market, property and risk analysis), they may impact loan structuring or lead to requests for finance</p>
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						<p>being rejected. Financial services providers and property sector players alike are facing the challenge of having to calculate and disclose the carbon emissions they have financed or caused. Since there is currently no uniform methodology for calculating and ensuring the comparability of such carbon data, we decided to help develop and implement a uniform standard for commercial properties. This is why we signed a PCAF Commitment Letter in the reporting period, and by doing so have undertaken to report the carbon footprint for our property finance portfolio in line with the PCAF standard by 2024. Our goal is to amass the relevant knowledge and influence the future design of the calculation methodology for property finance in line with our requirements. We will serve as co-lead</p>
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						in the “Commercial Property and Mortgages” subgroup of the PCAF working group for Germany, Austria and Switzerland.
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C-FS2.2d

(C-FS2.2d) Does your organization consider climate-related information about your clients/investees as part of your due diligence and/or risk assessment process?

	We consider climate-related information	Explain why you do not consider climate-related information and your plans to address this in the future
Banking (Bank)	No, but we plan to do so in the next two years	

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Banking portfolio

Risk type & Primary climate-related risk driver

Current regulation
Carbon pricing mechanisms

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Object specific market value declines because of a simulated conservative carbon price introduction (estimation as part of a stress scenario)

Time horizon

Long-term

Likelihood

Unlikely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

31,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Object specific market value declines because of a simulated conservative carbon price introduction (estimation as part of a stress scenario)

Cost of response to risk

Description of response and explanation of cost calculation

Comment

All currencies in Euro €.

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Banking portfolio

Risk type & Primary climate-related risk driver

Market

Other, please specify
capital expenditures

Primary potential financial impact

Increased capital expenditures

Climate risk type mapped to traditional financial services industry risk classification

Liquidity risk

Company-specific description

ESG factors in connection with liquidity risk are evaluated and measured on an expert basis by developing individual ESG-related scenarios for possible liquidity risk events. Based on these, the adequacy of the liquidity buffer with regard to ESG is regularly checked.

Time horizon

Long-term

Likelihood

Unlikely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The Aareal Bank estimates that the loss of business could be around 10% per year due to the missing offer of sustainable products and services. That could result in a loss of 10% of the planned annual income (around EUR 240-260 million per year, planning 2019-21).

Cost of response to risk

Description of response and explanation of cost calculation

In connection with Aareal Bank's liquidity risk, the results of the regular expert-based review of the appropriateness of the liquidity buffer with regard to ESG are used. These results are included in the management of the liquidity risk and, if necessary, adequate measures are taken with regard to the adjustment of the funding and the liquidity buffer.

Comment

The assumptions within the liquidity risk model are very conservative. The Aareal Bank analysed the impacts of ESG factors on the liquidity risk. The effects resulting from the ESG factors are below the effects of the conservative assumptions.

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Reputation

Increased stakeholder concern or negative stakeholder feedback

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Reputational risk

Company-specific description

Reputational risks can arise in connection with high-profile campaigns (e.g. shareholder activism) or press reports (e.g. about the exit of an investor due to Aareal Bank's lack of commitment to sustainability). In addition, the investment criteria of (institutional) investors may become stricter as a result of the transition to a lower-carbon and more sustainable economy (e.g. exclusion of certain investments, best-in-class approach, positive lists). These criteria, as well as Aareal Bank's possibly inadequate ESG rating, can be associated with direct disadvantages and materialize because of a change in investor behavior.

Time horizon

Long-term

Likelihood

Unlikely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

3,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Costs for communication measures to strengthen reputation

Cost of response to risk

Description of response and explanation of cost calculation

The calculation considers additional communication measures to strengthen the reputation after Aareal Bank's sustainability strategy was perceived or presented negatively in public.

Comment

All currencies in Euro €.

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Chronic physical

Changing temperature (air, freshwater, marine water)

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

ICT risks, in particular ICT availability and continuity risks, can result from the reduced performance and limited availability of ICT systems and data (e.g. failure or malfunction of our own data center and central server) due to extreme weather events. Such ICT system failures can be expected to affect Aareal Bank's asset, earnings or liquidity situation.

Due to the increasing number of extreme weather events (storms, floods, heat waves, etc.), employees could be injured and temporarily or permanently absent.

Chronic physical risks resulting from a changing global climate can materialize in the form of ecological changes such as rising temperatures, rising sea levels, water stress, biodiversity loss and resource scarcity.

Personnel risks can result from an additional shortage of skilled workers, higher

fluctuation in the workforce and, in particular, reduced productivity and performance of the employees, e.g. a drop in performance during heat waves.

Time horizon

Long-term

Likelihood

Unlikely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

14,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Expenses and costs to compensate for the increased number of long-term sick employees result from internal expenses, costs for recruiting measures and costs for personnel consultants (“headhunters”) for the targeted search for experts/specialists. In addition, an increase in costs for IT outsourcing above the price development for electricity supplied to industry is assumed.

Additional consideration of costs incurred for project work due to increased regulatory requirements.

Cost of response to risk

Description of response and explanation of cost calculation

Costs that are difficult to quantify cover the cost of regular reviews of non-financial risks, compliance compatibility, etc.

The methods we use do not generate additional costs, as they are part of the operating costs.

Comment

All currencies in Euro €.

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Use of public-sector incentives

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

Business opportunities in the growth market of sustainable products and Services. Attracting new customers/investors/servicing customer needs (e.g. through the targeted provision of financing for environmentally friendly generation of electricity/heat, energy-related renovation and new construction, infrastructure measures to promote environmentally friendly mobility). We are a reliable partner for our customers, offering financing for energy-efficient buildings and energy-efficient modernization of old buildings. We see this development as an opportunity, as the demand for our financing services will increase.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

There might be an increased demand for those assets (energy-efficient buildings and their financing) but at the same time competition for the financing of these assets will rise accordingly.

Cost to realize opportunity

700,000

Strategy to realize opportunity and explanation of cost calculation

The likelihood of this opportunity is positively influenced by the following measures taken by management: monitoring the latest developments in regulations and standards (see the following example), research and exchange with industry experts and continuous training of our employees.

With regard to the lending process, we request climate-relevant information at the owner level. Aareal Bank has enhanced its SAP system with information on energy efficiency, existing certifications and the year of the last energy efficiency improvement for each property. The costs incurred were used for a technical concept, programming of the new fields and documentation. This enables the Bank to assess the ecological quality and development of its real estate financing portfolio. For example, the share of green building certificates, energy efficiency and, based on this, the emissions caused can be determined.

Furthermore, Aareal Bank can determine the green portion of its property financing portfolio or calculate its compatibility with the 2°C target.

To a limited extent, statements can also be made, for example on social aspects. This is because the various green building certificates not only assess environmental criteria - such as energy and water consumption, recyclability of building materials or use of resources - but also, for example, the quality of the location or the health and well-being of the people in the building.

Comment

The implementation of the programming of the new SAP fields in the credit system has been completed, but we are keeping an eye on all current developments and are already planning further possible useful additions to the SAP system for greater portfolio transparency.

Green Lending:

The system for assessing suitability for green lending should be based on the right premises: Globally applicable; consideration of the data situation; flexible and adaptable to future technological developments and regulatory requirements; it should be possible to provide indications of suitability for green lending at an early stage. The framework for green lending, including the criteria for green lending, is externally verified (good practice) by SPO. See

https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Aareal_Bank_Green_Finance_Framework-

Lending_Second_Party_Opinion_Sustainalytics.pdf

Identifier

Opp2

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Other, please specify

Early anticipation and implementation of regulatory developments

Primary potential financial impact

Reduced direct costs

Company-specific description

Creation of competitive advantages (higher reputation of the "front runner", lower capital requirements, decreasing capital surcharges, etc.) through early consideration of regulatory changes in the ESG area as part of planning and business and risk strategy
Early anticipation and implementation of regulatory developments through involvement in association work and supervisory communication to avoid/reduce cliff effects during implementation.

Voluntary agreements on climate change (e.g. climate efficiency network) on both national and international level might become more important in the future. Buildings remain a great contributor to GHG emissions and therefore might be targeted within voluntary agreements on the reduction of GHG. We see this development as an opportunity as there will be an increased demand for our financing services.

Time horizon

Medium-term

Likelihood

More likely than not

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

0

Potential financial impact figure – maximum (currency)

500,000

Explanation of financial impact figure

Regulatory requirements can always have an impact on Aareal Bank Group's operation as the financial industry is highly regulated. Voluntary agreements on climate change might become more important in the future. Aareal Bank Group assumes that their impact will remain low. If the requirements of the Energy Services Act (EDL-G), implementing the EU Efficiency Directive, are not met, affected companies are threatened with fines of up to 50,000 €. Additional financial impact due to reputational issues (€ 400,000 -€ 500,000).

Cost to realize opportunity

100,000

Strategy to realize opportunity and explanation of cost calculation

The likelihood of this opportunity is positively influenced by the following management actions: monitoring of latest developments in regulations and standards, research and exchange with industry experts and constant training of our staff.

Comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Enhanced financial performance of investee companies as a result of being able to access new markets and develop new products to meet green consumer demand

Primary potential financial impact

Reduced direct costs

Company-specific description

Stakeholder awareness of climate change issues and how a company deals with them has increased. Aareal Bank Group's image as a responsible corporate citizen is positively perceived by its stakeholders by strengthening our reputation & acceptance in the sustainability environment and anchoring it in the entire value chain: (product, refinancing, employer, investors ...).

Therefore the demand for green investments will increase. We see this as an opportunity to offer new business / new investment opportunities.
Groupwide project to adress ESG opportunities (ESG product development started in September 2020 til March 2022, Project Budget € 850,000).
Transparent, proactive reporting to make Aareal Bank Group's ESG performance more visible, ESG opportunity and risk management, addressing changing stakeholder requirements.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

75,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The demand for those investments is likely to increase. Medium-term competitive disadvantage can affect approximately 10% of new business (initial lending), which we lose to a competitor if we cannot offer a green financing product. This year we already placed 1,600,000 € of ESG Offerings.

Cost to realize opportunity

200,000

Strategy to realize opportunity and explanation of cost calculation

Development of ESG products: Launched of green lending and green Bonds in 2021. In addition we have started multiple initiatives in order to reduce our carbon emissions. Additionally, we are in constant exchange with our stakeholders and their demands.

Comment

Costs are hard to report, as they are integrated into other management costs or are covered by the client margin.

Identifier

Opp4

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Development of new products or services through R&D and innovation

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

Our digital solutions also offer tangible benefits for the environment: Using tenant portals to visualize real time consumption data such as electricity, heating and water consumption (smart metering) creates transparency and often motivates tenants to modify their behaviour as to conserve more resources. We see this development as an opportunity as we expect an increasing demand for smart metering solutions.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

60,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

In the further course, we will screen and further develop our portfolio according to social and governance aspects, and also include further solutions from the environmental sector, depending on the possibility.

In May, all start-up ideas in our incubator program Ampolon will be screened again for ESG aspects; last year, the Decarbonize Real Estate Challenge was carried out.

The existing partnerships between Aareon and third-party companies are to be reviewed

for ESG criteria, and we want to integrate ESG aspects into the selection process for new partnerships.

Maintaining Green Consulting at a high level after the pandemic: >50% Green

Consulting as a realistic target, introduction of KPIs to prove the level per country.

Cost to realize opportunity

30,000

Strategy to realize opportunity and explanation of cost calculation

The likelihood of this opportunity is positively influenced by external factors (the climate debate / EU regulation) as well as the following management actions: highest investment program of Aareon in IT solutions / digitization in order to develop products and services.

Comment

International agreements on climate change are becoming more important in the future. Buildings remain a great contributor to GHG emissions and tenants might want / have to (for cost reasons) reduce their energy consumption. We see this development as an opportunity as there will be an increased demand for smart metering products. Costs are included in Aareon's R&D budget

Identifier

Opp5

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Primary potential financial impact

Increased access to capital

Company-specific description

We have established ourselves as an active issuer of Pfandbriefe, which account for a major share of our long-term funding, as well as of high quality senior unsecured bonds. The AAA rating awarded to these Pfandbriefe by Moody's confirms the quality of Aareal Bank's mortgage cover assets pool and our Pfandbriefe and senior unsecured bonds are also recommended as investments by imug/Vigeo Eiris from a sustainability perspective. For us, this is a good starting position and an opportunity for issuing further, e.g. green / SRI, products.

Aareal Bank successfully entered the Green Debt Market and broadened its investor base with two Senior Preferred Green benchmark transactions in January & June 2022.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

If major institutions (ECB) decide to prefer green products, non green products will have a disadvantage. This can lead to higher funding costs for Aareal.

The assigned (P)A3 senior unsecured ratings reflect Aareal's baa3 Baseline Credit Assessment (BCA) and Adjusted BCA, and the application of Moody's Advanced Loss Given Failure (LGF) analysis to its liabilities, which indicates an extremely low loss given failure and results in three notches of rating uplift.

(https://www.moody.com/research/Moodys-assigns-PA3-senior-unsecured-ratings-to-Aareal-Banks-debt--PR_467564)

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation

The likelihood of this opportunity is positively influenced by external factors (the climate debate / EU regulation) as well as the following management actions: Currently, we closely monitor the market development and initiated the necessary steps in order to further increase transparency at the portfolio level in terms of sustainability and ESG.

Comment

As of today and triggered by the EU Action Plan "Financing sustainable Growth", Sustainable Finance is one of the key topics in the financial industry. The issuance of bonds that incorporate ESG criteria will therefore become relevant for us in the future as soon as the requirements, in particular with regard to a uniform taxonomy, are met. We expect standardization, especially since regulators are also intensively involved in the combination of ESG and the capital market. We see this development as an opportunity as there will be an increased demand for green/SRI bonds.

Identifier

Opp6

Where in the value chain does the opportunity occur?

Opportunity type

Markets

Primary climate-related opportunity driver

Improved ratings by sustainability/ESG indexes

Primary potential financial impact

Reduced direct costs

Company-specific description

Above-average ESG ratings to attract (or retain!) customers & investors.

Time horizon

Long-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Above-average ratings attract new investors, maintain a good investor and client base, and strengthen confidence in Aareal Bank as a good business partner.

Cost to realize opportunity

10,000

Strategy to realize opportunity and explanation of cost calculation

Costs for participation in certain relevant ratings as well as for filling in the questionnaire-bound capacities.

Comment

All currencies in Euro €.

C3. Business Strategy

C3.1

(C3.1) Does your organization's strategy include a transition plan that aligns with a 1.5°C world?

Row 1

Transition plan

No, but our strategy has been influenced by climate-related risks and opportunities, and we are developing a transition plan within two years

Explain why your organization does not have a transition plan that aligns with a 1.5°C world and any plans to develop one in the future

Aareal Bank Group has been accompanying and supporting the sustainable transformation of the economy and society for years by adopting a systematic approach to sustainability. To the extent that we can influence things, we want to help meet the international climate protection goals set out in the Paris Agreement on Climate Change (1.5 degrees/2 degrees) and the United Nations' Sustainable Development Goals (SDGs). This is because, as a financial services provider and partner to the property industry, we are active in two sectors that are instrumental as the economy transforms. As is the case with most financial institutions, the environmental impacts of our financing activities are largely indirect. However, we are convinced that we need to systematically align our activities and our work with sustainability requirements in order to live up to our responsibilities in this area of business and to ensure that our business model remains viable in the future. This is why we consider the inclusion of environmental risks as absolutely vital to ensuring our long-term business success. ESG criteria play an increasingly important role in lending decisions, especially when it comes to assessing the sustainable value of the properties in question. The property sector accounts for a significant proportion of global energy consumption and resulting greenhouse gas emissions), and substantial potential savings can be still made in this area. Creating transparency in property valuations provides additional support for international climate protection efforts. In addition, our funding activities and securities business can have an active impact on the market. In the Banking & Digital Solutions segment and at Aareon, our products and services enable our clients to use digital, mobile solutions to actively and tangibly cut carbon emissions and hence reduce negative environmental impacts. Conserving resources is environmental protection and part of our corporate philosophy. Continuously cutting energy usage and avoiding carbon emissions play an important role in our internal planning and optimisation measures. We therefore set ourselves the goal in the reporting period to ensure carbon-neutral operations by 2023 in line with the "avoid, reduce, offset" principle. Not only do we want to ourselves make a contribution to global climate protection, but we also want to be a role model for competitors and clients.

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

Use of climate-related scenario analysis to inform strategy	
Row 1	Yes, qualitative and quantitative

C3.2a

(C3.2a) Provide details of your organization’s use of climate-related scenario analysis.

Climate-related scenario	Scenario analysis coverage	Temperature alignment of scenario	Parameters, assumptions, analytical choices
Transition scenarios NGFS scenarios Framework	Company-wide		<p>The ESG-related stress test calculations include a scenario on climate change and are supplemented by a scenario from the environment of social change.</p> <p>Aareal Bank's climate stress test is based on publicly available and recognized climate scenarios from the NGFS. For the initial implementation of the ESG stress test, the NGFS scenario “Disorderly – Delayed Transition” is calculated.</p> <p>The scenario of social change focuses on changing social norms and perspectives and the associated impact on economic activities. Important aspects in this scenario are digitization and its effects on the world of work (keyword home office), changes in travel and consumer behavior, or changes in consumer shopping behavior (e.g. increased use of online trade).</p>
Transition scenarios NGFS scenarios Framework	Company-wide		<p>"Aareal Bank AG was included in the ECB's Climate Risk Stress Test 2022. Aareal Bank received the second-highest rating overall (Medium-advanced), while the peer group average was one notch lower (Medium). The published aggregate results demonstrate the challenges still facing banks in the coming years. A bank-specific publication of results is not envisaged by the regulator.</p>
Transition scenarios Customized publicly	Company-wide	1.5°C	<p>Our newly acquired business portfolio was respectively analysed by MSCI to assess physical climate risks (e.g. extreme weather events such as coastal flooding, tropical cyclones, extreme</p>

available transition scenario			heat/cold) as well as transition risks (e.g. increasing regulation or CO2-price) and calculate the “Climate Value at Risk”, warming potential and the overall 1.5 or 2 degree compatibility as well as the carbon intensity.
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C3.2b

(C3.2b) Provide details of the focal questions your organization seeks to address by using climate-related scenario analysis, and summarize the results with respect to these questions.

Row 1

Focal questions

The growing importance of ESG topics for the financial services sector and the property industry holds manifold opportunities, yet also involves risks. New laws, regulations and administrative requirements, along with market and technology trends, have contributed to a significant rise in the demands made on banks’ risk management operations in recent years. In line with this, banks have to take a holistic approach to ESG risks and to integrate these with their risk management. We define ESG risks in this context as drivers that can trigger or intensify existing risks in our business. In view of this, we have continued to expand our powerful ESG risk management activities and are systematically integrating ESG aspects with our risk strategy and with our risk processes, methods and tools.

Results of the climate-related scenario analysis with respect to the focal questions

In the reporting period, we expanded our risk management framework to include an ESG risk manual and also developed corresponding ESG risk governance practices. This overarching text provides an end-to-end overview of the process for identifying, assessing and managing ESG risks. It explicitly includes regulatory requirements such as the ECB Guide on climate-related and environmental risks, the BaFin Guidance Notice on Dealing with Sustainability Risks and the EBA Guidelines on loan origination and monitoring. In addition, the ESG@Aareal initiative set its own level of ambition for managing ESG risks already in 2020. ESG risks falling within this level of ambition are integrated with Aareal Bank Group’s risk management operations throughout the management cycle. The objective is to systematically incorporate sustainability aspects into both the various (sub-)risk strategies and the ICAAP and ILAAP frame-works. In addition, ESG risk governance that is appropriate from both a workflow and organisational perspective permits an integrated, strategic approach to sustainability. We identified the relevant ESG risk factors as climate risks, changes in stakeholder requirements, competitive and market pressure, business ethics and compliance, and uncertainty regarding ESG regulations relating to Aareal Bank Group. These primarily impact our credit risk and operational risk. We pushed ahead with the development of

ESG stress test scenarios in the reporting period as part of our ESG@Aareal initiative. The initial calculation, which is based on the data for the 2021 financial year, is designed to show both the impacts of climate change and the influence of social developments on our risk profile. As a result of this analysis, we have set-up a group-wide project in order to develop and implement an ESG Opportunity- and Management-System.

C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	Strategic focus on ESG products included in Aareal Bank's flight plan (our key strategic steering and controlling instrument); Targeted product and service development, e.g. through assessment/evaluation/analysis of green lending; complaints; - customer enquiries; - idea box (internal improvement system); - customer and employee surveys; - customer demand; - product regulation and labelling - joint product development (Aareon) - stakeholder interview
Supply chain and/or value chain	Yes	Set-up of internal processes: - Syndication and Securitisation process; - Software support process for our customers (Aareon and Housing Industry); - Pooling of our purchase activities (central purchasing of IT products by Aareon for the whole Group); - Group-wide supplier management incl. s supplier assessments (resp. sanctions) with regard to Code of Conduct for Suppliers; - Self-assessments in line with Operational Risks etc.
Investment in R&D	Yes	Significant / increased investments in - Innovative project Portfolio, e.g. digitization solutions of Aareon; - Digitalisation initiatives in all divisions; - New formats for joint product development with clients (e.g. design lab, proptech booster); - Set-up of start-up team and activities (e.g. sponsoring of TechQuartier, plug & play programme, Aareon start-up incubator) and - Innovative cooperation and collaboration tools - Agile software development; - Self-assessments in line with Operational Risks etc
Operations	Yes	Strong risk culture, embracing: - Holistic definition of risk - one that goes beyond purely economic issues to include social,

		ethical and ecological aspects - Self-assessments in line with Operational Risks etc - Mandatory rules and values defined in our Code of Ethics Sophisticated internal control system; - Customised training offering
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C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Direct costs	<p>ESG@Aareal initiative:</p> <ul style="list-style-type: none"> - Stronger strategic anchoring of sustainability in the Group - Seizing business opportunities in the growth market of sustainable products - Management of environmental, social and governance (ESG) risks including risk reporting - Compliance with relevant regulatory ESG requirements by the bank - €850 tsd. investment Budget and 1,900 man-day over duration of 15 months <p>Aareal Bank has launched a second risk assessment focusing on environmental, social and governance risks within the scope of the ESG@Aareal initiative. The aim of this initiative was to obtain a more precise picture of ESG risks and opportunities.</p> <p>Climate risks were identified using a bottom-up and top-down approach (based on Bafin / ECB requirements). For all identified climate risks, experts determined a probability, severity, manageability and time horizon. The result of the initiative is an ESG risk profile for Aareal Bank.</p>

C-FS3.6

(C-FS3.6) Does the policy framework for your portfolio activities include climate-related requirements for clients/investees, and/or exclusion policies?

Yes, our policies include climate-related requirements that clients/investees need to meet

C-FS3.6a

(C-FS3.6a) Provide details of the policies which include climate-related requirements that clients/investees need to meet.

Portfolio

Banking (Bank)

Type of policy

Credit/lending policy

Risk policy

Portfolio coverage of policy

100

Policy availability

Publicly available

Attach documents relevant to your policy

Green Finance Framework - Lending - SPO



Aareal_Bank_Green_Finance_Framework-Lending_Second_Party_Opinion_Sustainalytics.pdf



Green_Finance_Lending_Framework_en.pdf

Criteria required of clients/investees

Disclosure of product-related emissions

Set an emissions reduction target

Be on track to achieving a science-based emissions reduction target

Develop a climate transition plan

Other, please specify

EU Taxonomie; Green Building Certificate

Value chain stages of client/investee covered by criteria

Direct operations only

Timeframe for compliance with policy criteria

Complying with criteria is a pre-requisite for business

Industry sectors covered by the policy

Real Estate

Exceptions to policy based on

Explain how criteria coverage and/or exceptions have been determined

The Valuation & Research Unit (VAR) assesses the eligibility of assets and/or activities based on alignment with the Framework's eligibility criteria as part of the established credit-process. The Credit Transaction Management Unit documents the eligibility of assets and/or activities using the Security Check Form before disbursement. The Green Finance Committee (GFC), a subcommittee of Aareal Bank's Sustainability Committee. Based on these elements, Sustainalytics considers this process to be in line with market practice. Aareal Bank's process for management of proceeds is overseen by the Credit Transaction Management (CTM) team as part of the established credit process. The Bank will track loans originated as part of the Green Financing Framework using established internal systems. Aareal Bank intends to report on the total amount of green

loans originated as part of the Green Finance Framework on its website on an annual basis. In addition, the Bank intends to report on relevant impact indicators according to selected ICMA's Harmonized Framework for Impact Reporting, subject to the availability of suitable information and data.

Portfolio

Banking (Bank)

Type of policy

Risk policy
Policy related to other products and services

Portfolio coverage of policy

100

Policy availability

Publicly available

Attach documents relevant to your policy

Aareal Bank Green Finance Framework Liabilities

 Aareal_Green_Finance_Framework_Liabilities.pdf

 Aareal_Green_Finance_Framework_Liabilities_second_party_opinion.pdf

Criteria required of clients/investees

Disclosure of product-related emissions
Set an emissions reduction target
Other, please specify
EU Taxonomie; Green Building Certificate

Value chain stages of client/investee covered by criteria

Direct operations only

Timeframe for compliance with policy criteria

Complying with criteria is a pre-requisite for business

Industry sectors covered by the policy

Energy
Capital Goods
Real Estate

Exceptions to policy based on

Explain how criteria coverage and/or exceptions have been determined

The Valuation & Research Unit and Credit Transaction Management Unit at Aareal Bank (the "Bank") will assess and document respectively, the eligibility of assets and activities based on the Framework's eligibility criteria. The Green Finance Committee

provides guidance and is responsible for the management of the overall Framework. The Bank has a dedicated environmental and social risk assessment and mitigation process that is applicable to all allocation decisions made under the Framework. The Bank's process for management of proceeds is overseen by Aareal Bank's treasury and Green Finance Committee. The net proceeds of the green financing instruments will be placed in the Company's general funding account and earmarked in a separately established IT systems used to monitor eligible green assets. Pending allocation, unallocated proceeds will be held in cash, cash equivalent or other similar instruments. The Bank intends to reach full allocation within 24 months of issuance. Aareal Bank intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the amount of outstanding green financing instruments, share of financing vs refinancing, the size of eligible portfolio, amount of covered bonds, and examples of assets financed where feasible. In addition, the Bank is committed to reporting on relevant impact metrics.

Portfolio

Banking (Bank)

Type of policy

Engagement policy

Portfolio coverage of policy

100

Policy availability

Not publicly available

Attach documents relevant to your policy

Environmental Policy

 Enviromental guideline_E_Blue_Book_2020-07-30.pdf

Criteria required of clients/investees

No criteria required

Value chain stages of client/investee covered by criteria

Direct operations only

Timeframe for compliance with policy criteria

Complying with criteria is a pre-requisite for business

Industry sectors covered by the policy

Real Estate

Other, please specify
all suppliers

Exceptions to policy based on

Explain how criteria coverage and/or exceptions have been determined

The environmental guidelines set out the framework for our responsible, careful approach to dealing with the environment and natural resources. They serve as binding standards for our activities and also address responsibility for implementation. Making sparing use of resources and increasing energy efficiency are aspects that play an important role in our internal planning and optimisation measures. Continuously reducing our energy and water consumption and the volume of waste produced is just as important to us as cutting carbon emissions. We have integrated environmental protection with our business processes. Internal Services ensures that the most environmentally friendly technology is always selected. We also regularly check whether emissions that cannot be completely avoided due to our business activities can be offset by supporting a variety of climate protection projects. When it comes to being environmentally friendly, Aareal Bank Group also expects its suppliers to comply at a minimum with statutory guidelines.

This is why a binding general Code of Conduct for Suppliers was introduced in 2016. By signing it, suppliers undertake to comply with the legal requirements and with ethically correct standards of behaviour. A responsible approach to the environment plays a particularly important role here. Suppliers are required at all times to conserve natural resources and to identify and prioritise environmentally friendly solutions as far as possible.

The criteria that have to be met are evaluated by Internal Services during its regular supplier assessments.

Portfolio

Banking (Bank)

Type of policy

Other, please specify

Code of Conduct for employees and governing bodies of Aareal Bank Group

Portfolio coverage of policy

100

Policy availability

Not publicly available

Attach documents relevant to your policy

Code of Conduct

 Code_of_Conduct_en.pdf

Criteria required of clients/investees

No criteria required

Value chain stages of client/investee covered by criteria

Direct operations only

Timeframe for compliance with policy criteria

Complying with criteria is a pre-requisite for business

Industry sectors covered by the policy

Other, please specify

The principles summarised in the Code of Conduct ensure a high degree of integrity and professionalism in all of our actions and set the standards that all employees should be guided by.

Exceptions to policy based on

Explain how criteria coverage and/or exceptions have been determined

The objective is to create an open, predictable environment, in which all Aareal Bank Group employees not only refrain from actions prohibited by law or supervisory law but are also made aware of the need to question and assess business and business practices with regard to ethical, moral and environmental aspects. The values and principles explained below reflect the basic attitude of Aareal Bank Group. Within the group, these values and principles are set in writing for all employees and are therefore regulated in a binding manner. We act in accordance with our sustainability model by considering the economic, social and environmental effects of our actions in our decisions.

Portfolio

Banking (Bank)

Type of policy

Policy related to other products and services
Engagement policy

Portfolio coverage of policy

100

Policy availability

Publicly available

Attach documents relevant to your policy

code of conduct for suppliers

Criteria required of clients/investees

Value chain stages of client/investee covered by criteria

Direct operations only

Timeframe for compliance with policy criteria

Complying with criteria is a pre-requisite for business

Industry sectors covered by the policy

Other, please specify
for all suppliers

Exceptions to policy based on

Explain how criteria coverage and/or exceptions have been determined

It defines the principles adopted and requirements set out by the Principal and companies affiliated with it in accordance with section 15 of the German Stock Corporation Act (Aktiengesetz – AktG) (“Aareal Bank Group”) that providers of products and services must meet with respect to their responsibility for people and the environment.

Portfolio

Banking (Bank)

Type of policy

Engagement policy
Other, please specify
travel policy for all employers

Portfolio coverage of policy

100

Policy availability

Not publicly available

Attach documents relevant to your policy

travel policy

 2021_10_04_travel police_englisch_V2.0_nach_VoSi_clean.docx

Criteria required of clients/investees

Other, please specify

Value chain stages of client/investee covered by criteria

Direct operations only

Timeframe for compliance with policy criteria

Complying with criteria is a pre-requisite for business

Industry sectors covered by the policy

Transportation
Other, please specify
guidelines for travel

Exceptions to policy based on

Explain how criteria coverage and/or exceptions have been determined

Both the planning and the taking of business trips must be based on efficiency, cost-consciousness and sustainability considerations. The relevant staff member is responsible for both the contribution to results (of the business trip) and the amount of travel expenses incurred. It is therefore necessary to examine the need for any such trip from a cost/benefit perspective, also taking any possible alternative means of communication (e.g. video conferences) and the relevant sustainability aspects into consideration, prior to undertaking any travel. The Bank expects its staff to think like entrepreneurs and to incur only those costs that are absolutely necessary. For instance, in addition to the duration of any business trip, the means of transport and the type of accommodation must also be taken into account. All business trips must be authorised by the competent manager prior to their commencement. No first-class flights are permitted.

Portfolio

Banking (Bank)

Type of policy

Other, please specify
ESG Risk Manual.

Portfolio coverage of policy

100

Policy availability

Not publicly available

Attach documents relevant to your policy

Criteria required of clients/investees

Value chain stages of client/investee covered by criteria

Timeframe for compliance with policy criteria

Complying with criteria is a pre-requisite for business

Industry sectors covered by the policy

Real Estate

Exceptions to policy based on

Explain how criteria coverage and/or exceptions have been determined

The ESG Risk Manual serves as an overarching document for the steering of ESG risks at Aareal Bank. It is intended to provide an overall view of how ESG risks are identified,

assessed and managed. It defines roles, responsibilities and processes. In addition, the ESG Risk Manual establishes a link between the individual elements and documentation of Aareal Bank Group's risk management system (navigation function) and provides guidance on how to deal with the issue of sustainability risks in risk management - for all employees involved in the affected business activities.

C-FS3.6c

(C-FS3.6c) Why does the policy framework for your portfolio activities not include climate-related requirements for clients/investees, and/or exclusion policies?

This is an open text question with a limit of 5,000 characters. Please note that when copying from another document into the ORS formatting is not retained.

C-FS3.8

(C-FS3.8) Does your organization include covenants in financing agreements to reflect and enforce your climate-related policies?

Climate-related covenants in financing agreements	
Row 1	Yes

C-FS3.8a

(C-FS3.8a) Provide details of the covenants included in your organization's financing agreements to reflect and enforce your climate-related policies.

Types of covenants used	Asset class/product types	Please explain
Margin or pricing depends on sustainability criteria Minimum level of green assets mandated Covenants related to compliance with your policies	Retail loans Retail mortgages	Please see our Green Finance Frameworks for Lending and Liabilities. https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Green_Finance_Lending_Framework_en.pdf and https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Aareal_Green_Finance_Framework_Liabilities.pdf

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

- Absolute target
- Intensity target
- Portfolio target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2021

Target coverage

Company-wide

Scope(s)

- Scope 1
- Scope 2
- Scope 3

Scope 2 accounting method

Market-based

Scope 3 category(ies)

Category 6: Business travel

Base year

2021

Base year Scope 1 emissions covered by target (metric tons CO₂e)

1,751

Base year Scope 2 emissions covered by target (metric tons CO₂e)

657

Base year Scope 3 emissions covered by target (metric tons CO₂e)

327

Total base year emissions covered by target in all selected Scopes (metric tons CO₂e)

2,735

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1

100

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2

100

Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)

100

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

100

Target year

2023

Targeted reduction from base year (%)

100

Total emissions in target year covered by target in all selected Scopes (metric tons CO₂e) [auto-calculated]

0

Scope 1 emissions in reporting year covered by target (metric tons CO₂e)

1,751

Scope 2 emissions in reporting year covered by target (metric tons CO₂e)

657

Scope 3 emissions in reporting year covered by target (metric tons CO₂e)

327

Total emissions in reporting year covered by target in all selected scopes (metric tons CO₂e)

2,735

% of target achieved relative to base year [auto-calculated]

0

Target status in reporting year

New

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Target ambition

Please explain target coverage and identify any exclusions

In our annual press conference in Q1/2021 we presented our new ESG Strategy and specific ESG targets.

We set the ambitious goal to achieve group-wide carbon neutrality by 2023 of our own business operations worldwide.

Plan for achieving target, and progress made to the end of the reporting year

In general we follow the principle: avoid, reduce and compensate carbon emissions.

Relevant measures are especially:

- increasing energy efficiency in our office buildings and sites, optimization of the technical building equipment (e.g. LED lightning, modernization of heating and cold water pumps, renewal of refrigeration machines)
- operation of renewable energy plants (e.g. Photovoltaic)
- Purchasing of certified green electricity at our international sites

We plan to neutralize non-avoiding emissions by compensation. Selecting and supporting of certified projects with a measurable impact is mandatory (e.g. gold standard).

List the emissions reduction initiatives which contributed most to achieving this target

Target reference number

Abs 2

Year target was set

2013

Target coverage

Company-wide

Scope(s)

Scope 2

Scope 2 accounting method

Market-based

Scope 3 category(ies)

Base year

2015

Base year Scope 1 emissions covered by target (metric tons CO2e)

Base year Scope 2 emissions covered by target (metric tons CO2e)

2,022

Base year Scope 3 emissions covered by target (metric tons CO2e)

Total base year emissions covered by target in all selected Scopes (metric tons CO2e)

3,249

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2

88

Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

88

Target year

2021

Targeted reduction from base year (%)

100

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]

0

Scope 1 emissions in reporting year covered by target (metric tons CO2e)

Scope 2 emissions in reporting year covered by target (metric tons CO2e)

0

Scope 3 emissions in reporting year covered by target (metric tons CO2e)

Total emissions in reporting year covered by target in all selected scopes (metric tons CO₂e)

0

% of target achieved relative to base year [auto-calculated]

100

Target status in reporting year

Achieved

Is this a science-based target?

No, and we do not anticipate setting one in the next 2 years

Target ambition

Please explain target coverage and identify any exclusions

In 2015, we set ourselves the target of saving 100 percent of the CO₂ emissions resulting from the consumption of conventional electricity by 2020. For this reason, in addition to our main locations in Wiesbaden and Mainz, we source environmentally friendly green electricity from hydropower at almost all German locations. The reference amount of 3,249 t CO₂e is based on the scope of the Group-wide environmental indicators used in 2013 and includes all electricity consumptions in Germany. In order to ensure comparability of the values, the emission values last calculated for 2019 according to the identical location structure for 2015 were calculated. Other than planned, we have already reached the target in 2021 instead of 2022.

Plan for achieving target, and progress made to the end of the reporting year

List the emissions reduction initiatives which contributed most to achieving this target

- purchasing green electricity instead of "brown electricity" (changing in existing and new contracts)

Target reference number

Abs 3

Year target was set

2022

Target coverage

Business division

Scope(s)

Scope 1

Scope 2 accounting method

Scope 3 category(ies)

Base year

2021

Base year Scope 1 emissions covered by target (metric tons CO2e)

805.31

Base year Scope 2 emissions covered by target (metric tons CO2e)

Base year Scope 3 emissions covered by target (metric tons CO2e)

Total base year emissions covered by target in all selected Scopes (metric tons CO2e)

805.31

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1

0

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2

Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

0

Target year

2028

Targeted reduction from base year (%)

100

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]

0

Scope 1 emissions in reporting year covered by target (metric tons CO2e)

805.31

Scope 2 emissions in reporting year covered by target (metric tons CO2e)

Scope 3 emissions in reporting year covered by target (metric tons CO2e)

Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)

805.31

% of target achieved relative to base year [auto-calculated]

0

Target status in reporting year

New

Is this a science-based target?

No, and we do not anticipate setting one in the next 2 years

Target ambition

Please explain target coverage and identify any exclusions

Our subsidiary Aareon all sites in Germany are expecting to operate an all-electric company car fleet by 2028.

Plan for achieving target, and progress made to the end of the reporting year

Aareon Germany's entire fleet is to be converted to electric cars by 2028, making it emission-free. All current contracts are to be converted to electric cars.

List the emissions reduction initiatives which contributed most to achieving this target

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number

Int 1

Year target was set

2021

Target coverage

Company-wide

Scope(s)

Scope 1

Scope 2

Scope 3

Scope 2 accounting method

Market-based

Scope 3 category(ies)

Category 6: Business travel

Intensity metric

Metric tons CO₂e per unit FTE employee

Base year

2021

Intensity figure in base year for Scope 1 (metric tons CO₂e per unit of activity)

0.5524

Intensity figure in base year for Scope 2 (metric tons CO₂e per unit of activity)

0.2074

Intensity figure in base year for Scope 3 (metric tons CO₂e per unit of activity)

0.1032

Intensity figure in base year for all selected Scopes (metric tons CO₂e per unit of activity)

0.863

% of total base year emissions in Scope 1 covered by this Scope 1 intensity figure

100

% of total base year emissions in Scope 2 covered by this Scope 2 intensity figure

100

% of total base year emissions in Scope 3 (in all Scope 3 categories) covered by this Scope 3 intensity figure

100

% of total base year emissions in all selected Scopes covered by this intensity figure

100

Target year

2023

Targeted reduction from base year (%)

100

Intensity figure in target year for all selected Scopes (metric tons CO₂e per unit of activity) [auto-calculated]

0

% change anticipated in absolute Scope 1+2 emissions

100

% change anticipated in absolute Scope 3 emissions

100

Intensity figure in reporting year for Scope 1 (metric tons CO₂e per unit of activity)

0.5524

Intensity figure in reporting year for Scope 2 (metric tons CO₂e per unit of activity)

0.2074

Intensity figure in reporting year for Scope 3 (metric tons CO₂e per unit of activity)

0.1032

Intensity figure in reporting year for all selected Scopes (metric tons CO₂e per unit of activity)

0.863

% of target achieved relative to base year [auto-calculated]

0

Target status in reporting year

New

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Target ambition

Please explain target coverage and identify any exclusions

In our annual press conference in Q1/2021 we presented our new ESG Strategy and specific ESG targets.

We set the ambitious goal to achieve group-wide carbon neutrality by 2023 of our own business operations worldwide.

Plan for achieving target, and progress made to the end of the reporting year

In general we follow the principle: avoid, reduce and compensate carbon emissions.

Relevant measures are especially:

- increasing energy efficiency in our office buildings and sites, optimization of the technical building equipment (e.g. LED lightning, modernization of heating and cold water pumps, renewal of refrigeration machines)
- operation of renewable energy plants (e.g. Photovoltaic)
- Purchasing of certified green electricity at our international sites

We plan to neutralize non-avoiding emissions by compensation. Selecting and supporting of certified projects with a measurable impact is mandatory (e.g. gold standard).

List the emissions reduction initiatives which contributed most to achieving this target

C-FS4.1d

(C-FS4.1d) Provide details of the climate-related targets for your portfolio.

Target reference number

Por2

Year target was set

2,021

Portfolio

Banking (Bank)

Product type/Asset class/Line of business

Retail loans

Sectors covered by the target

Real estate

Portfolio coverage of target

100

Target type

Portfolio coverage

Target type: Absolute or intensity

Scopes included in temperature alignment

Metric (or target numerator if intensity)

Other, please specify

Transparency of the Energy Performance and Carbon Footprint of our Commercial Real Estate Financing Portfolio (CREF, object specific and total portfolio)

Target denominator

Base year

2,021

Figure in base year

40

Percentage of portfolio emissions covered by the target

100

Interim target year

Figure in interim target year

Target year

2,024

Figure in target year

100

Figure in reporting year

40

% of target achieved relative to base year [auto-calculated]

0

Aggregation weighting used

Other, please specify

Calculation based on transparency on availability of EPCs (including Carbon Footprint) of financed objects

Proportion of portfolio emissions calculated in the reporting year based on asset level data

Proportion of the temperature score calculated in the reporting year based on company targets

Target status in reporting year

New

Is this a science-based target?

No, and we do not anticipate setting one in the next 2 years

Target ambition

Please explain target coverage and identify any exclusions

Our target is to improve transparency in Scope 3 continuously by extending our data base. We implemented internal processes to evaluate the share of financed green buildings of the overall financing volume to assess Scope 3 emissions of our property loan portfolio. In 2021, we made further progress in increasing portfolio transparency. Through an ongoing dialogue with our clients and research in external databases we have been able to gather verified data of 18 % our CREF Portfolio. This percentage is based on objects with evidence and availability of EPCs.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

Other climate-related target(s)

C4.2b

(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.

Target reference number

Oth 1

Year target was set

2017

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Green finance

Other, please specify

Transparency of our Commercial Real Estate Financing Portfolio

Target denominator (intensity targets only)

Base year

2015

Figure or percentage in base year

0

Target year

2022

Figure or percentage in target year

100

Figure or percentage in reporting year

92

% of target achieved relative to base year [auto-calculated]

92

Target status in reporting year

Underway

Is this target part of an emissions target?

We are currently working on creating the basis for setting an emissions target by increasing transparency in our CREF Portfolio. Once we know the ecological footprint of our CREF Portfolio we will be able to derive a subsequent emission target. That is why we participate in the XDC 2 degree pilot project initiated by right.based on science.

Is this target part of an overarching initiative?

Other, please specify

PCAF Commitment to report financed emissions by 2024

Please explain target coverage and identify any exclusions

Our target is to improve transparency in Scope 3 continuously by extending our data base. For 2018 and 2019 we evaluated the share of financed green buildings of the overall financing volume of new business as a first step to assess Scope 3 emissions of our property loan portfolio in the future. In 2021, we made great progress in increasing portfolio transparency. Through an ongoing dialogue with our clients and research in external databases we have been able to gather preliminary data on about 92% of our CREF portfolio.

Plan for achieving target, and progress made to the end of the reporting year

We are continuously working with our customers to further increase portfolio transparency. In addition to the availability of reliable information, we focus in particular on obtaining relevant evidence such as EPCs, sustainability certificates, and comparable evidence. In addition, key ESG data are an integral part of the instruction letter for the appraisers involved in the property valuation and are requested in a standardized manner.

List the actions which contributed most to achieving this target

Target reference number

Oth 2

Year target was set

2020

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Green finance

Green finance raised and facilitated (denominated in currency)

Target denominator (intensity targets only)

Base year

2020

Figure or percentage in base year

0

Target year

2021

Figure or percentage in target year

220,000,000

Figure or percentage in reporting year

430,000,000

% of target achieved relative to base year [auto-calculated]

195.4545454545

Target status in reporting year

Achieved

Is this target part of an emissions target?

Yes, by financing green properties (in form of green loans) we reduce our Scope 3 CO₂-Emissions in our CREF portfolio.

Is this target part of an overarching initiative?

Other, please specify

WWF/PwC Pathway to Paris Project

Please explain target coverage and identify any exclusions

Foster Green Lending activities is part of our groupwide ESG ambition in order to contribute to low carbon economy (according to measures defined in Pathway2Paris Project and the targets of the paris climate agreement). Group-wide, we exceeded the target.

Plan for achieving target, and progress made to the end of the reporting year

List the actions which contributed most to achieving this target

Target reference number

Oth 3

Year target was set

2020

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Green finance

Green finance raised and facilitated (denominated in currency)

Target denominator (intensity targets only)

Base year

2020

Figure or percentage in base year

0

Target year

2021

Figure or percentage in target year

350,000,000

Figure or percentage in reporting year

472,000,000

% of target achieved relative to base year [auto-calculated]

134.8571428571

Target status in reporting year

Achieved

Is this target part of an emissions target?

Yes, by issuing green bonds within the CP program, we contribute to reduce emissions by allocating financial means in green properties. Thereby our customers reduce their own Scope 3 CO2emissions.

Is this target part of an overarching initiative?

Other, please specify
WWF/PwC Pathway to Paris Project

Please explain target coverage and identify any exclusions

Foster Green draws within the CP program activities is part of our groupwide ESG ambition in order to contribute to low carbon economy (according to measures defined in Pathway2Paris Project and the targets of the paris climate agreement). Group-wide, we exceeded the target.

Plan for achieving target, and progress made to the end of the reporting year

List the actions which contributed most to achieving this target

Target reference number

Oth 4

Year target was set

2022

Target coverage

Business division

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Green finance
Other, please specify
Total amount of additional green loan volume

Target denominator (intensity targets only)

Base year

2021

Figure or percentage in base year

0

Target year

2024

Figure or percentage in target year

2,000,000,000

Figure or percentage in reporting year

400,000,000

% of target achieved relative to base year [auto-calculated]

20

Target status in reporting year

New

Is this target part of an emissions target?

The target is part of our corporate sustainability strategy and was published within the annual press conference in Q1/2022. Sustainability strategy is aimed to reach a significant reduction of CO₂-Emissions in our business activities. We work on increasing transparency of carbon impact, which will be the basis for quantitative goals.

Is this target part of an overarching initiative?

Other, please specify

Pathways to Paris (reaching goals), PCAF

Please explain target coverage and identify any exclusions

Target value relates to newly committed green loan volume in the target period.

Plan for achieving target, and progress made to the end of the reporting year

The first step on reaching the goal will be an additional amount about €600,000,000 by the end of 2022.

List the actions which contributed most to achieving this target

Target reference number

Oth 5

Year target was set

2022

Target coverage

Business division

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

- Green finance
- Other, please specify
 - New allocation of green funding

Target denominator (intensity targets only)

Base year

2021

Figure or percentage in base year

0

Target year

2022

Figure or percentage in target year

1,000,000,000

Figure or percentage in reporting year

0

% of target achieved relative to base year [auto-calculated]

0

Target status in reporting year

New

Is this target part of an emissions target?

Is this target part of an overarching initiative?

- Other, please specify
 - Pathways to Paris

Please explain target coverage and identify any exclusions

Plan for achieving target, and progress made to the end of the reporting year

List the actions which contributed most to achieving this target

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	2	
To be implemented*	4	
Implementation commenced*	1	119
Implemented*	2	1,950
Not to be implemented		

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Energy efficiency in buildings
Heating, Ventilation and Air Conditioning (HVAC)

Estimated annual CO2e savings (metric tonnes CO2e)

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 1
Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

Investment required (unit currency – as specified in C0.4)

Payback period

1-3 years

Estimated lifetime of the initiative

11-15 years

Comment

Heating and cooling systems: Modernization of heating and cooling systems - pumps to high-efficiency FU pumps (FU = frequency converter). Successive replacement of heat and cold water pumps with high-energy-efficiency heat and cold water pumps (ongoing) as well as adjustment of the control of heat generation and distribution (continuous).

Initiative category & Initiative type

Other, please specify

Other, please specify

Carbon intensity in kitchens and nutrition

Estimated annual CO2e savings (metric tonnes CO2e)

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 1

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

Investment required (unit currency – as specified in C0.4)

Payback period

<1 year

Estimated lifetime of the initiative

3-5 years

Comment

Aareal Bank participated in the project "CO2OK - Climate-friendly canteen kitchen", which is funded by the Hessian Ministry for the Environment, Climate Protection, Agriculture and Consumer Protection (HMUKLV). The aim of the project was, among other things, to reduce the greenhouse gas emissions in the operation and selection of dishes with tailored measures. Therefore, possible reduction measures with regard to nutrition and kitchen operation were initiated in this project. the kitchen operation. Important questions were: Where are CO2 emissions caused in kitchens and what can be done to reduce them? What are the most important

connections between nutrition and climate protection? The project is a measure of the Integrated Climate Protection Plan Hessen 2025.

Initiative category & Initiative type

Other, please specify
Other, please specify
Increased digital collaboration

Estimated annual CO₂e savings (metric tonnes CO₂e)

1,300

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 1
Scope 2 (location-based)
Scope 3 category 15: Investments

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

Investment required (unit currency – as specified in C0.4)

Payback period

<1 year

Estimated lifetime of the initiative

Ongoing

Comment

Even before the pandemic, we prepared our IT infrastructure for future-proof digital collaboration. This enabled us to respond agilely to the dynamic conditions and further expand digital collaboration in the pandemic year. In addition to protecting our employees, the use of video conferencing and digital collaboration options significantly reduced commuting distances and energy consumption in our offices. Estimated annual CO₂ savings were derived by the reduction of change caused in physical operating conditions (excluding Scope 3 emissions out of employee commuting).

Initiative category & Initiative type

Transportation
Teleworking

Estimated annual CO₂e savings (metric tonnes CO₂e)

650

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 1

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

Investment required (unit currency – as specified in C0.4)

Payback period

1-3 years

Estimated lifetime of the initiative

Ongoing

Comment

We estimate that the share of mobile working will increase permanently, also for a time after Covid 19. For calculating the the CO2e savings we estimate, that 50 % of the energy savings which were caused by the pandemic situation can be preserved permanently. Optional new workplace concept - "Aareal@Work" Expected project start in 2023.

Initiative category & Initiative type

Energy efficiency in buildings

Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

Investment required (unit currency – as specified in C0.4)

Payback period

4-10 years

Estimated lifetime of the initiative

16-20 years

Comment

Successive conversion of lighting to LED technology planned in different parts of the office buildings. Estimated lifetime and payback period is oriented to general information about led technology.

Initiative category & Initiative type

Energy efficiency in buildings
Heating, Ventilation and Air Conditioning (HVAC)

Estimated annual CO2e savings (metric tonnes CO2e)

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 1
Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

Investment required (unit currency – as specified in C0.4)

Payback period

Estimated lifetime of the initiative

Comment

New optimised software for the building management system with energy monitoring of the temperatures. Currently we are in the planning stage and can not quantify the measure in terms of its savings potential as well as its costs. Continuous monitoring and optimization of the settings of energy systems via the building control system (e.g. electricity, water, heating, cooling)

Initiative category & Initiative type

Energy efficiency in buildings
Heating, Ventilation and Air Conditioning (HVAC)

Estimated annual CO2e savings (metric tonnes CO2e)

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 1

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

Investment required (unit currency – as specified in C0.4)

Payback period

Estimated lifetime of the initiative

Comment

Cooling supply via free cooling - use of external cooling e.g. for the supply of data rooms or other system-relevant rooms. Currently we are in the planning stage and can not quantify the measure in terms of its savings potential as well as its costs.

Initiative category & Initiative type

Energy efficiency in buildings

Heating, Ventilation and Air Conditioning (HVAC)

Estimated annual CO2e savings (metric tonnes CO2e)

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 1

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

Investment required (unit currency – as specified in C0.4)

Payback period

Estimated lifetime of the initiative

Comment

Replacement of the existing old chillers with new energy-efficient chillers due to reaching the technical service life. Currently we are in the planning stage and can not quantify the measure in terms of its savings potential as well as its costs.

Initiative category & Initiative type

Transportation
Company fleet vehicle replacement

Estimated annual CO2e savings (metric tonnes CO2e)

119

Scope(s) or Scope 3 category(ies) where emissions savings occur

Scope 1

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

Investment required (unit currency – as specified in C0.4)

Payback period

1-3 years

Estimated lifetime of the initiative

3-5 years

Comment

We plant to increase the share of electrical cars in our company car fleet. We will replace fossil and Hybrid vehicles by electrical vehicles successively.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Compliance with regulatory requirements/standards	The responsible use of our natural resources and the protection of the environment are part of the corporate responsibility. Environmental and climate protection are therefore among the corporate goals of Aareal Bank.

	<p>Compliance with legal requirements is a matter of course for us. Furthermore, we commit our business partners to confirm our code of conduct for suppliers which includes environmental matters as well.</p>
Dedicated budget for energy efficiency	<p>We want to gradually develop ideas for putting environmental management into practice and implement them in line with the requirements of an environmentally-oriented banking operation. In doing so, we would like to identify starting points for improvement, to develop and implement concrete individual measures, and thus to minimise our environmental impact as much as possible.</p>
Employee engagement	<p>We regularly inform our employees about the environmental impact and motivate them to act in an environmentally conscious manner. Our managers are role models and aim to raise the employees' awareness for this matter.</p> <p>The project managers have to identify starting points for improvement and to initiate concrete measures. Our staff can contribute to the continuous improvement of our environmental management through ideas and contributions. We expect our employees to handle resources responsibly in their daily work.</p>
Employee engagement	<p>Aareal Bank: All entitled staff members who decide not to use a company car receive a monthly gross salary supplement of €1,500 up to €2,300. This surcharge is taxed at the individual tax rate.</p> <p>Depending on the user category, Aareal Bank only contributes to the costs of the company car up to a certain extent. Beyond this, eligible employees have the option of making additional payments, although these are capped by maximum amounts. Depending on the user group, there are restrictions with regard to the choice of manufacturers/models as well as the permissible CO2 emissions. In this respect, there is greater flexibility in the choice of an electric vehicle to the extent that the selection of additional manufacturers is possible. With regard to electric vehicles, there is also no cap on co-payment.</p> <p>Aareon: If the vehicle manufacturer's information results in a higher fuel consumption according to WLTP (combined per litre/100KM) than specified for the respective entitlement group, a monthly employee's own contribution of € 3.46 per 0.1 litre overrun is charged, irrespective of the actual leasing rate. (Authorization group A: up to 7.5 l, Authorization group B ff: up to 7.0 l). In another subsidiary of Aareon (Nordics) the electricity driven company car fleet was expanded.</p>
Other Engagement for / Publicly promotion of ESG-supportive regulation	<p>Engagement takes place through regular updates on our goals and activities during our regular quarterly press calls and related financial reporting. (see here: https://www.aareal-bank.com/en/media-portal/newsroom/press-information/archive/2022 and https://www.aareal-bank.com/en/media-portal/newsroom/presentations-and-speeches/archiv/2022) Aareal</p>

	<p>supports an ESG-supportive regulation of refurbishments, see different press statement e.g. (Börsenzeitung, 19. Juni 2020 "I believe that fundamental renovations aimed at improving the life cycle assessment of a building should be supported by the regulatory authorities and not penalized. Of course, one can subsume renovations under "risky" property development and then attach correspondingly high capital requirements to them. On the other hand, if you don't completely renovate a building you will hardly be able to immediately meet the next climate standard. ...I am not talking about reducing capital adequacy requirements at all. But we would have gained a lot if refurbishment didn't necessarily trigger an increase. (e.g. Börsenzeitung, 11. June 2022, " Today, real estate financiers with a strong book of their own must have a strong interest in reviewing their existing loan portfolios as well as new exposures for compliance with Co2 targets. Properties that do not meet the minimum energy efficiency requirements for buildings can turn out to be stranded assets in the medium to long term.")</p>
<p>Compliance with regulatory requirements/standards</p>	<p>Due to standardised transparency (Taxonomie/TCFD Reporting) we allow for informed investment decisions, also regarding emission reduction activities.</p>
<p>Dedicated budget for low-carbon product R&D</p>	<p>As part of the ESG@Aareal project, we have allocated budget for increasing product transparency and developing ESG-relevant digital solutions. In the past, we have also developed projects such as the development of intelligent payment systems for the billing of charging processes at e-charging stations.</p>
<p>Dedicated budget for other emissions reduction activities</p>	<p>ESG has been included as overarching topic in yearly n managed strategy process: The Strategy Process carried out in each business segment is designed to systematically identify, examine and, as far as possible, exploit opportunities in order that the Group can position itself well for the future.</p> <p>This is a structured process that takes place annually. The purpose of this process is to ensure that the Group is equipped to meet current challenges and opportunities in the short, medium and long term, which have become even more intense as a result of the new normal. The process starts with an analysis of current trends (including ESG, e.g.: "Longterm trends in Commercial Real Estate in the context of climate change") and their impact on business in the individual segments. Taking these trends as a starting point, group-wide working groups develop a creative catalogue of new ideas offering growth and/or business potential for Aareal.</p>

C-FS4.5

(C-FS4.5) Do any of your existing products and services enable clients to mitigate and/or adapt to the effects of climate change?

Yes

C-FS4.5a

(C-FS4.5a) Provide details of your existing products and services that enable clients to mitigate and/or adapt to climate change, including any taxonomy used to classify the products(s).

Product type/Asset class/Line of business

Banking

Other, please specify

Products

Taxonomy or methodology used to classify product

Description of product

Housing companies can use smart metering to improve their energy efficiency by installing tools to monitor and measure electricity, heat and water consumption. Aareon is offering an interface into its ERP systems for utilities and metering service providers. Visualising user data on portals makes individual behaviour transparent for the users concerned, allowing them to modify it if necessary, and to achieve savings.

Aareon's optimised billing processes offer savings potential for heat metering services and supply and disposal companies. In addition, the portfolio is supplemented by fully supported vacancy/switchover management. This leads to efficient processes for all aspects of tenant changeover. The housing industry, energy suppliers and heat metering service providers all benefit: they all receive the information relevant to them. This also supports automation, reduces the number of cases to be clarified and creates a high level of transparency. A further plus: supply data is recorded to the day. Aareon's optimised billing processes offer savings potential for heat metering services and supply and disposal companies. In addition, the portfolio is supplemented by fully supported vacancy/switchover management. This leads to efficient processes for all aspects of tenant changeover. The housing industry, energy suppliers and heat metering service providers all benefit: they all receive the information relevant to them. This also supports automation, reduces the number of cases to be clarified and creates a high level of transparency. A further plus: supply data is recorded to the day

Every year, approximately 7% of all residential units are affected by a change of tenant. Each transaction involves an average administrative expense of over 1,000 €. The Aareon Smart World module Aareon Changeover Management saves a large part of

these costs by simplifying this process. All players - including utilities and heating service providers - are connected to the system and the individual coordination steps are automated. Only the meter readings still have to be read and stored in the ERP system. This not only considerably reduces the workload of the processing staff involved, but also reduces the number of cases requiring clarification.

Product enables clients to mitigate and/or adapt to climate change

Mitigation

Portfolio value (unit currency – as specified in C0.4)

% of total portfolio value

Type of activity financed/insured or provided

Other, please specify

Avoid emissions

C5. Emissions methodology

C5.1

(C5.1) Is this your first year of reporting emissions data to CDP?

No

C5.1a

(C5.1a) Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?

Row 1

Has there been a structural change?

No

C5.1b

(C5.1b) Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?

Change(s) in methodology, boundary, and/or reporting year definition?	
Row 1	No

C5.2

(C5.2) Provide your base year and base year emissions.

Scope 1

Base year start

January 1, 2015

Base year end

December 31, 2015

Base year emissions (metric tons CO₂e)

4,257

Comment

We evaluate Group wide environmental data which cover our international sites and all our subsidiaries annually. Our environmental data were verified by our external auditor PwC for the first time in 2015 (limited assurance). In addition to our Group-wide Carbon Footprint (Scope 1,2 and 3), we report on Group-wide energy consumption (heating energy, electricity, fuels), as well as paper consumption, waste generation and water consumption. Business travel is included in our scope 3 calculation.

Scope 2 (location-based)

Base year start

January 1, 2015

Base year end

December 31, 2015

Base year emissions (metric tons CO₂e)

6,243

Comment

In order to meet the enhanced GHG Protocol requirements, the proportion of emissions accounted for in the reporting period by electricity consumption was determined separately for the first time using the location-based and the marked based-method. We evaluate Group wide environmental data which cover our international sites and all our subsidiaries annually. Our environmental data were checked by our external auditor PwC for the first time in 2015 (limited assurance). In addition to our Group-wide Carbon Footprint (Scope 1,2 and 3), we report on Group-wide energy consumption (heating energy, electricity, fuels), as well as paper consumption, waste generation and water consumption. Business travel is included in our scope 3 calculation.

Scope 2 (market-based)

Base year start

January 1, 2015

Base year end

December 31, 2015

Base year emissions (metric tons CO₂e)

3,166

Comment

In order to meet the enhanced GHG Protocol requirements, the proportion of emissions accounted for in the reporting period by electricity consumption was determined separately for the first time using the location-based and the marked based-method. We evaluate Group wide environmental data which cover our international sites and all our subsidiaries annually. Our environmental data were checked by our external auditor PwC for the first time in 2015 (limited assurance). In addition to our Group-wide Carbon Footprint (Scope 1,2 and 3), we report on Group-wide energy consumption (heating energy, electricity, fuels), as well as paper consumption, waste generation and water consumption. Business travel is included in our scope 3 calculation.

Scope 3 category 1: Purchased goods and services

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 2: Capital goods

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 3: Fuel-and-energy-related activities (not included in Scope 1 or 2)

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 4: Upstream transportation and distribution

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 5: Waste generated in operations

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 6: Business travel

Base year start

January 1, 2015

Base year end

December 31, 2015

Base year emissions (metric tons CO₂e)

1,865

Comment

Business travel is an important impact factor for our operational Scope 3 CO₂ emissions. For this reason, we systematically track all distances traveled by air (short-haul, medium-haul and long-haul), rail, rental cars and other means of transport.

Scope 3 category 7: Employee commuting

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 8: Upstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 9: Downstream transportation and distribution

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 10: Processing of sold products

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 11: Use of sold products

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 12: End of life treatment of sold products

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 13: Downstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 14: Franchises

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

Scope 3 category 15: Investments

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3: Other (upstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3: Other (downstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

C5.3

(C5.3) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

The Greenhouse Gas Protocol: Scope 2 Guidance
VfU (Verein für Umweltmanagement) Indicators Standard

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO₂e?

Reporting year

Gross global Scope 1 emissions (metric tons CO₂e)

1,751

Comment

Calculation based on UBA Emission factors Germany and by use of the VfU environmental data Tool. The biggest part of our gross global Scope 1 Emissions is caused by our company cars with diesel and gasoline engines (1,495 t CO₂e). Changes due to a higher efficiency, the pandemic situation and the overall lower utilization. Moreover a small part is caused by heating with heating oil and gas at some national and international sites (256 t CO₂e). At our headquarters in Wiesbaden and Mainz we are using environmental friendly district heating Systems (listed under Scope 2 emissions, Mainz has carbon neutral district heating with corresponding evidence by our supplier).

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We are reporting a Scope 2, market-based figure

Comment

Already since 2015, we have been reporting differentiated about our Scope 2 location and market-based emissions. Calculation based on UBA Emission factors Germany/ VfU Tool and for the international emissions factors are based on the International Energy Agency (IEA), the and the European Residual Mix (Re-Diss) of the AIB. Furthermore we requested certifications of our purchased green electricity by our main supplier, which contains emission data. In reporting Scope 2 (both location and market-based methodology) besides electricity we consider also district heating.

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO₂e?

Reporting year

Scope 2, location-based

3,365

Scope 2, market-based (if applicable)

657

Comment

Already since 2015, we have been reporting differentiated about our Scope 2 location and market-based emissions. Calculation based on UBA Emission factors Germany/ VfU Tool and for the international emissions factors are based on the International Energy Agency (IEA) , the and the European Residual Mix (Re-Diss) of the AIB. Furthermore we requested certifications of our purchased green electricity by our main supplier, which contents emission data. In reporting Scope 2 (both location and market-based methodology) besides electricity we consider also district heating.

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO₂e)

47

Emissions calculation methodology

Average data method

Other, please specify

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Emissions caused by paper consumptions at our national sites germany (including headquarters Wiesbaden and Mainz and client specific paper consumption):

GHG Protocol Scope 3, October 2011 / indicator 3.1:

Production of paper purchased including distribution and supply chain / Conversion factors from Eco-Invent 3.4: 1.095 kg CO2 per metric tonne for new fibre paper (ECF/TCF) / VfU Indicators Version 1.4 , 14th December 2020. 2019. Data quality: exact measurements.

As a financial institution, the purchase of goods and services has a much lower impact on our business activities than the manufacturing industry. Nevertheless, there are a number of influencing factors, such as the purchase of office inventory and supplies, canteen, etc., which have an impact on our business activities. Furthermore, scope 3 emissions are also indirectly caused by the purchase of services, which in most cases originate from the area of management consulting. Due to the rather low significance of this category, we are currently focusing on the carbon impact of our real estate financing portfolio, with which we can achieve the greatest impact in terms of CO2 savings.

Capital goods

Evaluation status

Not relevant, explanation provided

Please explain

Aareal Bank Group is a leading property specialist in the financial sector. Therefore, we do not manufacture products. Emissions of our daily business are included in our energy consumption.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Not relevant, explanation provided

Please explain

Aareal Bank Group is a leading property specialist in the financial sector. There are no further relevant fuel- and energy-related activities.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

Aareal Bank Group is a leading property specialist in the financial sector. Since we are not part of the manufacturing sector, upstream transportation and distribution does not

represent a relevant position in our carbon footprint.

Waste generated in operations

Evaluation status

Not relevant, explanation provided

Please explain

Aareal Bank Group is a leading property specialist in the financial sector. Since we are not part of the manufacturing sector, waste generated in our operations does not represent a relevant position in our carbon footprint. We generate mostly paper and organic waste that can be recycled.

Business travel

Evaluation status

Relevant, calculated

Emissions in reporting year (metric tons CO₂e)

327

Emissions calculation methodology

Distance-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners

47

Please explain

Nearly the half of the total Scope 3 emissions caused by business travelling are calculated automatically in the systems of our business partner for travel management. The second half consists of the sum of CO₂-Emissions of all sites, which are not using the platform and book business travels independent. We calculate it by using the kilometers of travel distance and the individual emission factors of every type of traffic.

Employee commuting

Evaluation status

Relevant, not yet calculated

Please explain

2018 we started an initiative to calculate the emissions caused by employee commuting of our employees in our headquarter Wiesbaden. The calculation was based on our mobility survey 2017 within we queried essential information of the mobility behaviour of our employees in Germany. Furthermore we used the UK environmental emission factors 2018 to calculate the described emissions. As a part of this process we had chosen factors, which represent the vehicle class of our staff and a mix of public transport.

Because of the specific pandemic situation the German government committed our institution to encourage our employees to work from home the most time of the reporting year. This is why we decided to move the next calculation of emissions caused by employee commuting until the pandemic situation allows us to request expressive data. Due to the enormous differences in attendance over the year, it was not possible to make a reliable survey for 2020 as well as 2021.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Aareal Bank Group is a leading property specialist in the financial sector. Since we are not part of the manufacturing sector, upstream leased assets do not represent a relevant position in our carbon footprint.

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

Aareal Bank Group is a leading property specialist in the financial sector. Since we are not part of the manufacturing sector, downstream transportation and distribution does not represent a relevant position in our carbon footprint.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Aareal Bank Group is a leading property specialist in the financial sector. Since we are not processing any manufactured products, this Scope 3 category does not represent a relevant position in our carbon footprint.

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Aareal Bank Group is a leading property specialist in the financial sector. Since we are a service company, the use of our sold products does not represent a significant position in our carbon footprint.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Aareal Bank Group is a leading property specialist in the financial sector. Since we are not part of the manufacturing sector, this Scope 3 category does not represent a relevant position in our carbon footprint.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Please explain Aareal Bank Group is a leading property specialist in the financial sector. We have no emissions caused of Downstream leased assets.

Franchises

Evaluation status

Not relevant, explanation provided

Please explain

Aareal Bank Group is a leading property specialist in the financial sector. Since we do not grant licences to other entities as a franchiser, it is not relevant to our carbon footprint.

Other (upstream)

Evaluation status

Not evaluated

Please explain

Other (downstream)

Evaluation status

Relevant, not yet calculated

Please explain

Due to the high amount of the real estate sector in global CO₂ emissions, the issuing of our loans also causes CO₂ emissions. Because a determination of our own influence due to the historically grown structures and the relatively short financing period is not readily possible, we work to improve the database.

In the past reporting year, we worked intensively on increasing portfolio transparency with regard to environmental and climate performance. The information obtained in the process forms an important basis for calculating the Scope 3 CO₂ emissions of our financing portfolio. Through an ongoing dialogue with our clients and research in

external databases we have been able to gather preliminary transparency on about 92% of our CREF portfolio (based on client information), of which 42 % are verified with documentation of proof in IT systems.

On this basis we set up a project with the objective to calculate the total carbon footprint of our Commercial Real Estate Financing Portfolio (CREF). We have strengthened this through our commitment to PCAF, after which we committed to preparing a report on our financed emissions in accordance with the PCAF standard by 2024.

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO₂e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0.0000028598

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO₂e)

2,408

Metric denominator

unit total revenue

Metric denominator: Unit total

842,000,000

Scope 2 figure used

Market-based

% change from previous year

12.66

Direction of change

Decreased

Reason for change

Calculation:

Scope 1 (1.751 t CO₂) + Scope 2-market based (657 t CO₂) = total Scope 1 and 2 emissions reporting year (2.408 t CO₂)

unit total revenue (comparative figure banking): net interest income (€ 597,000,000) + net commission income (€ 245,000,000) = € 842,000,000

The year-on-year decline of intensity figure was caused by the increase of about 13 % of our net interest and net commission income (total €842,000,000 against €746,000,000 in the previous year), with slightly lower CO₂ emissions (Scope 1 +2 market-based

2021: 2,408 t CO2 compared with 2020: 2,443 t CO2) at the same time.

C7. Emissions breakdowns

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	12.71	Decreased	0.5	In the reporting year we had another site which switched the purchase of electricity from conventional to green. Due to the fact that we used the market-based methodology to calculate our Scope 2 emissions, there is no need to consider the savings of green electricity at the sites, which already had purchased green electricity, because all of our green electricity consumption is certified and therefore counted with zero emissions.
Other emissions reduction activities	0	No change		
Divestment	0	No change		
Acquisitions	0	No change		
Mergers	0	No change		
Change in output	0	No change		

Change in methodology	7.74	Decreased	0.3	In the reporting year 2021 we had a change in emissions factors of purchased district heating of Aareons Headquarter in Mainz. A audited evidence of emissions intensity is now available on the website of our supplier "Mainzer Fernwärme" and discloses a emission intensity of 0g/kWh calculated by the german sstandard of GEG 2020, Anl. 9, Nr. 1c (calculated by FW 309-1:2020, Annex 4 GEG, DIN V 18599-1:2018-09). In the previous year we used 0,14299 kg/kWh.
Change in boundary	2.55	Decreased	0.1	In the reporting year we didn't calculate heating energy consumption (naural gas) of two closed offices of our subsidiary Baugrund.
Change in physical operating conditions	36	Decreased	1.5	We estimate further reduction of emissions due to the ongoing pandemic situation with a high share of homeoffice by our employees (through the whole reporting year 2021). In addition to electricity consumption, this has also had an impact on fuel and heating energy consumption. Due to the high flexibility of our employees the exact fluctuations are very difficult to quantify.
Unidentified	0	No change		
Other	24	Increased	1	Beyond the energy consumption responsible for our Scope 1 and 2 emissions, there were other diverse influencing factors besides those listed that led to an increase in emissions for individual energy sources at various sites. These are e.g. weather-related influences, sales activities, business developments, etc.

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Market-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	7,246	7,246
Consumption of purchased or acquired electricity		7,555	884	8,439

Consumption of purchased or acquired heat		127	4,072	4,199
Consumption of self-generated non-fuel renewable energy		130		130
Total energy consumption		7,812	12,202	20,014

C8.2g

(C8.2g) Provide a breakdown of your non-fuel energy consumption by country.

Country/area

Other, please specify
Europe

Consumption of electricity (MWh)

8,325

Consumption of heat, steam, and cooling (MWh)

4,199

Total non-fuel energy consumption (MWh) [Auto-calculated]

12,524

Country/area

Other, please specify
Asia Pacific (or JAPA)

Consumption of electricity (MWh)

16

Consumption of heat, steam, and cooling (MWh)

0

Total non-fuel energy consumption (MWh) [Auto-calculated]

16

Country/area

Other, please specify

North America

Consumption of electricity (MWh)

228

Consumption of heat, steam, and cooling (MWh)

0

Total non-fuel energy consumption (MWh) [Auto-calculated]

228

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	No third-party verification or assurance

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Non-financial_Report_2021.pdf

Page/ section reference

See p.42 - 44 of Nonfinancial Report 2021 (independent Practitioner's Report). All information in our Nonfinancial Report were aproved by our external auditor KPMG as part of our limited-assurance. This includes the carbon Footprint and Energy data of our headquarters (Wiesbaden & Mainz), p.14, which includes energy consumption and Scope 1 & 2 CO2 Emissions. Published Scope 3 CO2 Emissions were recently not part of the limited assurance as the values were - due to COVID - not representative.

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Non-financial_Report_2021.pdf

Page/ section reference

Please see p. 42-44, Limited Assurance Report of the Independent Auditor, this relates to all contents in the Nonfinancial Report including energy consumption data and carbon footprint (Scope 1 and 2) of our headquarters in Wiesbaden (Aareal Bank) and Mainz (Aareon), which cause the majority of our impact.

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Page/ section reference

Please see p.42 - 44 of our non financial report 2021 (independent Practitioner's Report). All information in our non-financial report were aproved by our external auditor KPMG as part of our limited-assurance. This includes the carbon Footprint and Energy data of our headquarters in Wiesbaden and Mainz (p.14), which includes energy consumption and our Scope 1 and 2 CO2 Emissions. Scope 3 CO2 Emissions were most recently not part of the limited assurance, but were still published.

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 2 approach

Scope 2 market-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Page/ section reference

Please see p.42 - 44 of our non financial report 2021 (independent Practitioner's Report). All information in our non-financial report were aproved by our external auditor

KPMG as part of our limited-assurance. This includes the carbon Footprint and Energy data of our headquarters in Wiesbaden and Mainz (p.14), which includes energy consumption and our Scope 1 and 2 CO2 Emissions. Scope 3 CO2 Emissions were most recently not part of the limited assurance, but were still published.

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100


C10.2



(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?




Yes

C10.2a


(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C1. Governance	Other, please specify Description of how we have positioned ourselves with respect to governance (for all matters of our non-financial report)	Limited Assurance ISAE3000	In our non-financial reporting, we describe our management approach and how we have positioned ourselves. This means also a description of how we have positioned ourselves with respect to governance and opportunity and risk management for the individual matters (5 matters of our non-financial report, e.g. environmental matters or Anti-corruption and bribery), to the extent that this is applicable and considered relevant. All contents are verified within a third party opinion (limited assurance) by our auditor KPMG (p.42-44)  1
C2. Risks and opportunities	Other, please specify Climate related risks and opportunities	Limited Assurance ISAE3000	Climate related risks and opportunities are integrated part of our non-financial report. We describe the importance of the five core topics (environmental matters, employee matters, social matters, respect

			<p>for human rights and anti-corruption and bribery matters) identified in the materiality analysis. This includes the risks and opportunities in reference to each of this matters. (p.5-9)</p> <p>All contents are verified within a third party opinion (limited assurance) by our auditor KPMG (p.42-44).</p> <p> 1</p>
C3. Business strategy	Other, please specify Our Contribution to low-carbon economy	Limited Assurance ISAE3000	<p>Our sustainability management operations focus on eight action areas that are depicted in the following GRI-referenced materiality matrix (page 6-7 of non-financial report 2021) and that are key to securing the Company's long-term success.</p> <p>Sustainable business model, successful risk management, a strict client focus, our ethical business approach and our attractiveness as an employer are critical to our business success. Another important factor is how – i. e. with what products and services – we contribute to the sustainable development of the economy and society in our three business segments, Structured Property Financing, Banking & Digital Solutions and Aareon. Examples here are green products and digital solutions to the challenges facing society. The transparency with which we disclose relevant aspects of our business activities and include them in our corporate reporting is critical here.</p> <p> 1</p>
C4. Targets and performance	Other, please specify Our Contribution to low-carbon economy	Limited Assurance ISAE3000	<p>We have taken the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD) into account and have integrated the recommended content of the four-pillar structure with the structure of this non-financial report. In line with this, we report relevant content on our strategy, governance, risk management, and</p>

			<p>indicators and target in a consistent structure for each aspect, and ensure the content is transparent and easily accessible.</p> <p>Please see our non-financial report 2021 on page: 10, 15-17,</p> <p> 1</p>
C5. Emissions performance	Year on year change in emissions (Scope 1 and 2)	Limited Assurance ISAE3000	<p>As part of our non-financial report, we provide detailed information on the Scope 1 and 2 CO2 emissions at our headquarters in Wiesbaden and Mainz and subject the data and the key statements in the text section (e.g. changes compared to the previous year) to limited assurance by the auditor. Due to the early timing in Q1 of the non-financial report, we publish the annual global CO2 emissions later on our Corporate website.</p> <p>Please see our non-financial report 2021 on page: 14-16</p> <p> 1</p>
C6. Emissions data	Other, please specify total annual CO2-Emissions by Scope 1-2	Limited Assurance ISAE3000	<p>As part of our non-financial report, we provide detailed information on the Scope 1 and 2 CO2 emissions at our headquarters in Wiesbaden and Mainz and subject the data and the key statements in the text section (e.g. changes compared to the previous year) to limited assurance by the auditor. Due to the early timing in Q1 of the non-financial report, we publish the annual global CO2 emissions later on our Corporate website.</p> <p>Please see our non-financial report 2021 on page: 14-16</p> <p> 1</p>
C8. Energy	Energy consumption	Limited Assurance ISAE3000	<p>Energy consumption data of our headquarters in Wiesbaden and Mainz is fixed part of our non-financial report. Published data and the key statements in the text section (e.g. changes compared to the previous year) are subjected to limited</p>

			<p>assurance by the auditor.</p> <p>Due to the early timing in Q1 of the non-financial report, we publish the annual global CO2 emissions later on our Corporate website.</p> <p>Please see our non-financial report 2021 on page: 14-16</p> <p> 1</p>
C14. Portfolio impact	Other, please specify Green lending and portfolio transparency	Limited Assurance ISAE3000	<p>We report to our Green lending and portfolio transparency activities, which are aimed to reduce the environmental impact (especially carbon footprint) of our Commercial Real Estate Financial Portfolio. The most important ongoing activity is our commitment to publish a environmental impact report following the international principles of the PCAF Standard (Partnership of Carbon Accounting Financials).</p> <p>Please see our non-financial report 2021 on page: 11; 15</p> <p> 1</p>
C14. Portfolio impact	Other, please specify Verification of the green eligible quote within the portfolio (EU-Taxonomy for sustainable activities)	EU-Taxonomy for sustainable activities	<p>Article 8 of Regulation (EU) 2020/8521) (the Taxonomy Regulation) requires all undertakings that are subject to an obligation to publish a non-financial statement pursuant to Directive 2013/34/EU2) (the Non-Financial-Reporting-Directive – NFRD) to disclose information on how and to what extent the undertaking’s activities are associated with economic activities that qualify as environmentally sustainable. In the case of financial years 2021 and 2022, Article 10 of Commission Delegated Regulation (EU) 2021/2178 initially obliges financial undertakings to make a limited number of disclosures that largely cover the Taxonomy eligibility of their economic activities, plus qualitative information. According to this, Aareal Bank AG has to</p>

		<p>report the proportion of its Taxonomy-eligible activities in the reporting period, plus the proportion of non-eligible activities and other ratios. The breakdown of the ratios required under the regulation and voluntary information on the assets taken into account are given on page 40-41 of the nonfinancial report 2021.</p> <p> 1</p>
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 1Non-financial_Report_2021.pdf

C11. Carbon pricing

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

No

C11.3

(C11.3) Does your organization use an internal price on carbon?

Yes

C11.3a

(C11.3a) Provide details of how your organization uses an internal price on carbon.

Objective for implementing an internal carbon price

- Navigate GHG regulations
- Stakeholder expectations
- Drive energy efficiency
- Drive low-carbon investment
- Stress test investments
- Identify and seize low-carbon opportunities

GHG Scope

- Scope 1
- Scope 2
- Scope 3

Application

We use CO2 prices for internal stress testing. We determine the effect of different CO2 prices on the market value of our assets. Data basis for these calculations are the data

from NGFS. We assume that the “Current Policies” Carbon price is already considered in the actual market values.

Actual price(s) used (Currency /metric ton)

25

Variance of price(s) used

We use the NGFS Scenario data so the carbon price differs depending on the scenario between 25\$ and 800\$.

Type of internal carbon price

Implicit price

Impact & implication

We use Carbon Pricing as a parameter which is eligible to increase asset cost, i.e. which decrease the asset value.”

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers

Yes, our customers/clients

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement

Information collection (understanding supplier behavior)

Details of engagement

Other, please specify

Included climate change in supplier selection / management mechanism Code of conduct featuring climate change KPIs Climate change is integrated into supplier evaluation processes.

% of suppliers by number

100

% total procurement spend (direct and indirect)

100

% of supplier-related Scope 3 emissions as reported in C6.5

0

Rationale for the coverage of your engagement

When it comes to being environmentally friendly, Aareal Bank Group also expects its suppliers to comply at a minimum with statutory guidelines.

This is why a binding general Code of Conduct for Suppliers was introduced in 2016. By signing it, suppliers undertake to comply with the legal requirements and with ethically correct standards of behaviour. A responsible approach to the environment plays a particularly important role here. Suppliers are required at all times to conserve natural resources and to identify and prioritise environmentally friendly solutions as far as possible. The criteria that have to be met are evaluated by Internal Services during its regular supplier assessments.

Impact of engagement, including measures of success

Code of Conduct for Suppliers mandatory for any new business partners; all suppliers are regularly evaluated.

Comment

Type of engagement

Innovation & collaboration (changing markets)

Details of engagement

Other, please specify

ESG requirements incorporated in instruction letters for external appraisers to make sure that ESG data is gathered and taken into consideration within property assessment.

% of suppliers by number

% total procurement spend (direct and indirect)

% of supplier-related Scope 3 emissions as reported in C6.5

Rationale for the coverage of your engagement

Mandatory requirements for all external expert opinions / reports to improve ESG-data availability and quality in our systems.

Impact of engagement, including measures of success

Foster robust property-related ESG-data in our systems allowing to assess ESG aspects within property valuation as well as lending decisions.

Comment

C-FS12.1b

(C-FS12.1b) Give details of your climate-related engagement strategy with your clients.

Type of clients

Customers/clients of Banks

Type of engagement

Engagement & incentivization (changing client behavior)

Details of engagement

Engage with clients on measuring exposure to climate-related risk
Encourage better climate-related disclosure practices

% client-related Scope 3 emissions as reported in C-FS14.1a

0

Portfolio coverage (total or outstanding)

100

Rationale for the coverage of your engagement

Engagement targeted at clients with increased climate-related opportunities

Impact of engagement, including measures of success

To foster transparency, we adapted our systems during the reporting period to enable us to collect data on energy efficiency, green building certificates and energy-efficient renovation projects and contacted all our clients to provide ESG-related data.

C12.3

(C12.3) Does your organization engage in activities that could either directly or indirectly influence policy, law, or regulation that may impact the climate?

Row 1

Direct or indirect engagement that could influence policy, law, or regulation that may impact the climate

Yes, we engage directly with policy makers

Yes, we engage indirectly through trade associations

Yes, we engage indirectly by funding other organizations whose activities may influence policy, law, or regulation that may significantly impact the climate

Does your organization have a public commitment or position statement to conduct your engagement activities in line with the goals of the Paris Agreement?

No, but we plan to have one in the next two years

Describe the process(es) your organization has in place to ensure that your engagement activities are consistent with your overall climate change strategy

The Board of Management has resolved to offset CO2 emissions generated at Group level from 2023 onwards in order to implement climate-neutral business operations. Concept based on the established principle of avoid before reduce before compensate. Status quo shows that in recent years we have already implemented or planned extensive measures to avoid or reduce our own ecological footprint.

C12.3a

(C12.3a) On what policy, law, or regulation that may impact the climate has your organization been engaging directly with policy makers in the reporting year?

Focus of policy, law, or regulation that may impact the climate

Adaptation and/or resilience to climate change

Specify the policy, law, or regulation on which your organization is engaging with policy makers

The German Federal Financial Supervisory Authority (BaFin) is ordering a sectoral systemic risk buffer of two percent for risk positions of loans secured by residential real estate as of April 1, 2022. The aim is to preventively strengthen the resilience of the German banking system against specific risks from the residential real estate market. This is intended to counteract any threat to financial stability. (IFS 3-QA 2103-2022/0001)

Policy, law, or regulation geographic coverage

National

Country/region the policy, law, or regulation applies to

Germany

Your organization's position on the policy, law, or regulation

Support with minor exceptions

Description of engagement with policy makers

Major renovations aimed at improving the environmental performance of a building should be supported, not penalised, by the regulatory authorities. can be subsumed under 'risky' property development and then be subject to correspondingly high capital requirements. On the other hand, if a building is not fully renovated, it is unlikely that it will be able to meet the next climate standard immediately. We are not calling for a reduction in capital requirements. We are merely advocating that renovation should not necessarily trigger an increase in the cost of equity.

Details of exceptions (if applicable) and your organization's proposed alternative approach to the policy, law or regulation

We are not calling for a reduction in capital requirements. We are merely advocating that renovation should not necessarily trigger an increase in the cost of equity.

Have you evaluated whether your organization's engagement is aligned with the goals of the Paris Agreement?

No, we have not evaluated

C12.3b

(C12.3b) Provide details of the trade associations your organization engages with which are likely to take a position on any policy, law or regulation that may impact the climate.

Trade association

Other, please specify

Bundesverband deutscher Banken (BdB) and its working group on sustainability

Is your organization's position on climate change consistent with theirs?

Consistent

Has your organization influenced, or is your organization attempting to influence their position?

We publicly promote their current position

State the trade association's position on climate change, explain where your organization's position differs, and how you are attempting to influence their position (if applicable)

Aareal Bank Group supports the proposal of the European Commission for a mandatory reporting on sustainability.

Funding figure your organization provided to this trade association in the reporting year, if applicable (currency as selected in C0.4) (optional)

Describe the aim of your organization's funding

Have you evaluated whether your organization's engagement with this trade association is aligned with the goals of the Paris Agreement?

No, we have not evaluated

Trade association

Other, please specify

Engagement via a working group of the Verband deutscher Pfandbriefbanken (VdP)

Is your organization's position on climate change consistent with theirs?

Consistent

Has your organization influenced, or is your organization attempting to influence their position?

We publicly promote their current position

State the trade association's position on climate change, explain where your organization's position differs, and how you are attempting to influence their position (if applicable)

Aareal Bank Group's Sustainability Officer actively engages in discussions on the design of green and SRI bonds.

Funding figure your organization provided to this trade association in the reporting year, if applicable (currency as selected in C0.4) (optional)

Describe the aim of your organization's funding

Have you evaluated whether your organization's engagement with this trade association is aligned with the goals of the Paris Agreement?

No, we have not evaluated

Trade association

Other, please specify

Aareal Bank Group submitted a response to the EMF (European Mortgage Federation) - ECBC (European Covered Bond Council) Survey on "Green " Mortgage Funding Instruments

Is your organization's position on climate change consistent with theirs?

Has your organization influenced, or is your organization attempting to influence their position?

We publicly promote their current position

State the trade association's position on climate change, explain where your organization's position differs, and how you are attempting to influence their position (if applicable)

Aareal Bank Group actively engages in fostering transparency and standardisations within the "green" mortgage funding market.

Funding figure your organization provided to this trade association in the reporting year, if applicable (currency as selected in C0.4) (optional)

Describe the aim of your organization's funding

Have you evaluated whether your organization's engagement with this trade association is aligned with the goals of the Paris Agreement?

No, we have not evaluated

Trade association

Other, please specify

Aareon is participating in the "foresight" project of the German Federal Ministry of Economics and Energy.

Is your organization's position on climate change consistent with theirs?

Consistent

Has your organization influenced, or is your organization attempting to influence their position?

We publicly promote their current position

State the trade association's position on climate change, explain where your organization's position differs, and how you are attempting to influence their position (if applicable)

The aim is to develop intelligent and forward-looking Smart Living Services. Aareon will take over the management of the Data Management work package, which deals with the development of concepts for the implementation of the platform's connection to building ERP systems and digital Solutions.

Funding figure your organization provided to this trade association in the reporting year, if applicable (currency as selected in C0.4) (optional)

Describe the aim of your organization's funding

Have you evaluated whether your organization's engagement with this trade association is aligned with the goals of the Paris Agreement?

No, we have not evaluated

C12.3c

(C12.3c) Provide details of the funding you provided to other organizations in the reporting year whose activities could influence policy, law, or regulation that may impact the climate.

Type of organization

Governmental institution

State the organization to which you provided funding

Association of German Banks (Bundesverband deutscher Banken - BdB)

Funding figure your organization provided to this organization in the reporting year (currency as selected in C0.4)

Describe the aim of this funding and how it could influence policy, law or regulation that may impact the climate

The BDB welcomes the European Commission's initiative to achieve the Paris climate Targets and stresses that banks are ready to play their part in making the European economy more sustainable and competitive.

Their position in detail: The EU action plan sets out clear, ambitiously scheduled milestones. The banks are already exploiting the opportunities outlined in the action plan. If the market was to continue to grow, it would, however, be important to implement the measures in the action plan in the right order. The first step should be the development of the taxonomy, followed by an empirical analysis. Only then should any necessary regulatory action be taken. Aareal Bank Group's Sustainability Officer is part of the standing sustainability committee as well as the ad-hoc working group "Sustainable Finance" and participates in debates and discussions, presenting our perspective as the leading property specialist.

Have you evaluated whether this funding is aligned with the goals of the Paris Agreement?

Yes, we have evaluated, and it is aligned

Type of organization

Governmental institution

State the organization to which you provided funding

The Association of German Public Banks Bundesverband Öffentlicher Banken Deutschlands, VÖB

Funding figure your organization provided to this organization in the reporting year (currency as selected in C0.4)

Describe the aim of this funding and how it could influence policy, law or regulation that may impact the climate

The VÖB welcomes the package of measures with regard to

- Capital Markets Union
- Green Finance
- Sustainable Finance

We support the objectives and measures associated with the European Capital Markets Union to remove barriers to cross-border capital movements. In particular, in developing common EU standards for green financial products, we welcome the Commission's approach to consult all involved market participants. Thus, existing market initiatives can be considered, the still young market can develop well and establish itself. Uniform standards and labels for green and sustainable financial products can increase transparency for investors, reduce ambiguity on the part of issuers and thus contribute to market growth. They form the basis for everything else and must be tackled first. We consider different capital requirements in the form of a "green supporting factor" to be reasonable only if they are based on measurable risk differences between "green" and "brown" assets.

The implementation of the recommendations of the EU Action plan can lead to an enormous implementation effort for banks, Thus, the benefits for achieving the climate goals should be proportionate. Against this background, additional approaches, e.g. carbon pricing, should also be evaluated.

Aareal Bank Group's Sustainability Officer represents Aareal Bank Group in the ad hoc working group "Sustainable Finance". We actively engage in discussions on the design of green and SRI bonds, the EU Action Plan, etc.

Have you evaluated whether this funding is aligned with the goals of the Paris Agreement?

No, we have not evaluated

Type of organization

Non-Governmental Organization (NGO) or charitable organization

State the organization to which you provided funding

Association for Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU))

Funding figure your organization provided to this organization in the reporting year (currency as selected in C0.4)

Describe the aim of this funding and how it could influence policy, law or regulation that may impact the climate

The Association for Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. - VfU) and its members have been working for many years to develop and implement innovative, sustainable solutions for financial services providers with the aim of increasing the contribution made by the financial industry to sustainable development. To achieve this goal, the organisation is working to identify the specific contribution to sustainability made by the banking and insurance sector and is developing joint tools and solutions to meet the challenges that come with the sustainable management of financial institutions. Moreover the VfU's German, Swiss and Austrian members of the financial sector debate several aspects of sustainability and climate change in working

Groups. Aareal Bank Group has taken part in this initiative since 2012. Since then the Group Sustainability Officer was elected as member of the VfU Executive Board and has been chair woman since October 2018.

Furthermore, Aareal Bank's Sustainability Officer contributed in 2015 by issuing a comprehensive statement on the EU Directive on Nonfinancial Disclosure.

Have you evaluated whether this funding is aligned with the goals of the Paris Agreement?

Yes, we have evaluated, and it is aligned

Type of organization

Non-Governmental Organization (NGO) or charitable organization

State the organization to which you provided funding

Econsense Forum for Sustainable Development of German Business

Funding figure your organization provided to this organization in the reporting year (currency as selected in C0.4)

Describe the aim of this funding and how it could influence policy, law or regulation that may impact the climate

Econsense is a network of internationally operating companies with a common goal: They want to actively shape the change to a more sustainable economy and society. We support our members in anchoring sustainability in operational practice, in strategy or along the supply chain. We track and analyse all relevant issues: from environmental protection to human rights - always with a focus on the business case for sustainability. In exchange with business, politics and civil society, we proactively address sustainability challenges and advocate frameworks and policies that enable business' innovation and competitiveness. This makes econsense a valued thought leader, advisor and partner in matters of sustainability.

Econsense actively engages in the Sustainable Finance debate.

Their position in detail: When investors and asset managers provide capital for environmentally and socially responsible business models, sustainably positioned companies and industries can grow. To ensure that our member companies are well positioned for this development, econsense provides them with comprehensive, up-to-date information. We raise our members' awareness of Sustainable Finance and show how the topic is relevant for companies in questions of financing or capital investment. In 2016, Aareal Bank became a member of " econsense"; the Group Sustainability Officer is a member of the steering committee and participates in debates and discussions.

Have you evaluated whether this funding is aligned with the goals of the Paris Agreement?

Yes, we have evaluated, and it is aligned

Type of organization

Publicly-listed company

State the organization to which you provided funding

Association of German Pfandbrief Banks (Verband Deutscher Pfandbriefbanken – vdp)

Funding figure your organization provided to this organization in the reporting year (currency as selected in C0.4)

Describe the aim of this funding and how it could influence policy, law or regulation that may impact the climate

The VDP is promoting sustainable finance with new standards. The vdp and its members active in the market for sustainable Pfandbriefe are currently working on standards for green Pfandbriefe. The aim is to strengthen the product and to encourage even more Pfandbrief banks to use the green Pfandbrief. So far, the focus is on green buildings. The green Pfandbrief Standard will be based on ICMA's Green Bond Principles, set limits for energy demand/CO₂-emissions, and address important aspects like transparency, third party review and impact reporting.

Aareal Bank's CFO is a member of the Executive Board.

Aareal Bank Group's Sustainability Officer is part of the working group "Green Finance" and participates in debates and discussions, presenting our perspective as the leading property specialist.

Have you evaluated whether this funding is aligned with the goals of the Paris Agreement?

No, we have not evaluated

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In mainstream reports, incorporating the TCFD recommendations

Status

Complete

Attach the document

 Non-financial_Report_2021.pdf

Page/Section reference

all

Content elements

Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics
Other, please specify
Environmental matters

Comment

In our non-financial report, we have taken the recommendation of the TCFD into account and have integrated the recommended content in the four-pillar structure with the structure of our non-financial report. Response to climate change and GHG emissions performance is essential part of our non-financial report on an annual basis.


Publication

In voluntary communications

Status

Underway – previous year attached

Attach the document

 Environmental Key indicators 2020-2018.pdf

Page/Section reference

p.1

Content elements

Other, please specify

Comment

Environmental performance indicators, (Contains all of our groupwide environmental performance indicators, e.g. energy consumption per source, energy consumption per employee or our proportion of green electricity. Moreover we publish further information to water and paper consumption as well as generation of waste.)

Update for the group wide KPIs 2021 will be published on our website shortly (August 2022).

C-FS12.5

(C-FS12.5) Indicate the collaborative frameworks, initiatives and/or commitments related to environmental issues for which you are a signatory/member.

	Environmental collaborative framework, initiative and/or commitment	Describe your organization's role within each framework, initiative and/or commitment
Row 1	Partnership for Carbon Accounting Financials (PCAF) UN Global Compact Other, please specify Project Pathway to Paris and XDC for Real Estats Stakeholder Council	<p>PCAF: We are engaged in the PCAF Group D/A/CH Region. There we take the role of CO-Lead within the subgroup "Commercial Real Estate and Mortgages" and support in the preparation of the group workshops. In the reporting year we signed the PCAF Commitment Letter, which comits us to report our financed CO2 emissions according to the PCAF standard within the upcoming 3 years by 2024.</p> <p>Pathway to Paris: Within the project funded by WWF and the German Ministry for the Environment, nature conservation and nuclear safety, we support the exchange of expertise at the interface between the real economy and the financial sector (asset owners, banks, pension funds, insurance companies). In this respect, the project is supported by PwC. The project provides valuable impetus for the translation of abstract sector requirements into the participants' own action planning. In doing so, it also takes into account existing and expected regulations. Added value is generated in particular in the following areas: -Key performance indicator system for assessing corporate transformation compatibility. -Support for SBT-FI and Paris compatible design of climate targets -Understanding to reduce reputational and climate risks of the own portfolio</p> <p>XDC4Real Estate Stakeholder Council: In addition, we are involved in the Stakeholder Council for Real Estate, initiated by right.based on Science, where we work together with other industry representatives on the practical application of the XDC to assess the climate impact of our real estate financing portfolios. The XDC is a science based KPI to assess the Carbon impact of properties and portfolios by using the warming potential in degrees . On this basis we are able to develop and assess modernization strategies with regard to their climate performance towards a net-zero target.</p>

		<p>UN Global Compact: The United Nations Global Compact is the world's largest and most important corporate responsibility initiative. Aareal Bank Group has been a signatory since 2012 and, as a result, has explicitly agreed to abide by its universally applicable Ten Principles, which cover the areas of human rights, labour, the environment and anti-corruption. Our business processes have already reflected these principles for many years and we also actively promote their implementation above and beyond the bounds of the Company.</p>
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C14. Portfolio Impact

C-FS14.0

(C-FS14.0) For each portfolio activity, state the value of your financing and insurance of carbon-related assets in the reporting year.

Lending to all carbon-related assets

Are you able to report a value for the carbon-related assets?

Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)

0

New loans advanced in reporting year (unit currency – as specified in C0.4)

0

Percentage of portfolio value comprised of carbon-related assets in reporting year

0

Lending to coal

Are you able to report a value for the carbon-related assets?

Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)

0

New loans advanced in reporting year (unit currency – as specified in C0.4)

0

Percentage of portfolio value comprised of carbon-related assets in reporting year

0

Lending to oil and gas

Are you able to report a value for the carbon-related assets?

Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)

0

New loans advanced in reporting year (unit currency – as specified in C0.4)

0

Percentage of portfolio value comprised of carbon-related assets in reporting year

0

C-FS14.1

(C-FS14.1) Does your organization measure its portfolio impact on the climate?

	We conduct analysis on our portfolio's impact on the climate	Please explain why you do not measure the impact of your portfolio on the climate
Banking (Bank)	No, but we plan to do so in the next two years	Our newly acquired business portfolio 2018 and 2019 was analysed by MSCI to assess physical climate risks (e.g. extreme weather events such as coastal flooding, tropical cyclones, extreme heat/cold) as well as transition risks (e.g. increasing regulation or CO2-price) and calculate the “Climate Value at Risk”. MSCI also calculated the CO2 intensity and climate impact (degree performance) of the financed properties in order to make an assessment on this basis with regard to compatibility with various target paths for reducing CO2 emissions. This increases transparency with regard to the current status quo and the necessary improvement to achieve the target corridor of 1.5 or 2 degrees compatibility. In 2021, our Management Board signed the PCAF Commitment Letter and by doing so, we have undertaken to report the carbon footprint for our property finance portfolio in line with the PCAF standard by 2024.

C-FS14.3

(C-FS14.3) Did your organization take any actions in the reporting year to align your portfolio with a 1.5°C world?

	Actions taken to align our portfolio with a 1.5°C world	Please explain why you have not taken any action to align your portfolio with a 1.5°C world
Banking (Bank)	No, but we plan to in the next two years	In order to define the right actions, we need to know the current footprint of our portfolio (based on the individual footprint of each building in our financing portfolio), That is why we foster portfolio transparency in order to lay the foundation to derive measures to align our portfolio to a 1,5°C world.

C15. Biodiversity

C15.1

(C15.1) Is there board-level oversight and/or executive management-level responsibility for biodiversity-related issues within your organization?

	Board-level oversight and/or executive management-level responsibility for biodiversity-related issues	Description of oversight and objectives relating to biodiversity	Scope of board-level oversight
Row 1	Yes, both board-level oversight and executive management-level responsibility	We essentially finance existing buildings. Here, biodiversity aspects are not of primary focus . However, sustainability is a essential criterion for financing. Ecological quality, e. g. as expressed by environmental liability and contamination audits, and energy efficiency is taken into account during property valuations performed in association with lending decisions. Moreover ecological impact (this can also include Biodiversity) is a potential criterion in our catalogue of possible performance targets for the ESG component in the remuneration of our Board.	Risks and opportunities to our bank lending activities

C15.2

(C15.2) Has your organization made a public commitment and/or endorsed any initiatives related to biodiversity?

	Indicate whether your organization made a public commitment or endorsed any initiatives related to biodiversity
Row 1	No, but we plan to do so within the next 2 years

C15.3

(C15.3) Does your organization assess the impact of its value chain on biodiversity?

	Does your organization assess the impact of its value chain on biodiversity?
Row 1	No, but we plan to assess biodiversity-related impacts within the next two years

C15.4

(C15.4) What actions has your organization taken in the reporting year to progress your biodiversity-related commitments?

	Have you taken any actions in the reporting period to progress your biodiversity-related commitments?
Row 1	No, we are not taking any actions to progress our biodiversity-related commitments

C15.5

(C15.5) Does your organization use biodiversity indicators to monitor performance across its activities?

	Does your organization use indicators to monitor biodiversity performance?	Indicators used to monitor biodiversity performance
Row 1	No	

C15.6

(C15.6) Have you published information about your organization’s response to biodiversity-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Report type	Content elements	Attach the document and indicate where in the document the relevant biodiversity information is located
Other, please specify on our corporate website	Details on biodiversity indicators Other, please specify	Please find further information about ecological criteria on our website: https://www.aareal-bank.com/en/responsibility/implementing-solutions/lending-business Section: our sustainability criteria in business planning and property valuation

C16. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

Please also consider our recently published 'Aareal Green Finance Framework - Lending' and the 'AarealGreen Finance Framework - Liabilities' as well as the related second party opinion of our Green Finance Framework by Sustainalytics.

Please also refer to the attached documents 'non-financial report 2021', 'Environmental Key Indicators', 'CO2 Emissions', 'Employee Key Indicators' our Code of Conduct and our Code of Conduct for Suppliers.

C16.1

(C16.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Julia Taeschner, Group Sustainability Officer	Chief Sustainability Officer (CSO)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

The European Climate Pact Submission

Please indicate your consent for CDP to showcase your disclosed environmental actions on the European Climate Pact website as pledges to the Pact.

No, we do not wish to pledge under the European Climate Pact at this stage

Please confirm below

I have read and accept the applicable Terms