

Welcome to your CDP Climate Change Questionnaire 2021

C0. Introduction

C0.1

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

Aareal Bank Group is a leading international provider of smart financing, software products, digital solutions and payment transaction applications in the property sector and related industries. We manage, act and decide sustainably - out of conviction. Aareal Bank AG, whose shares are included in Deutsche Börse's SDAX index, is the Group's parent entity and is headquartered in Wiesbaden.

Our goal is to provide clients with forward-looking solutions that offer them competitive advantages and enable their long-term business success. We have grouped our portfolio of services into three business segments.

In the Structured Property Financing segment, we support our clients in making large-volume commercial property investments. The investment properties mostly comprise office buildings, hotels, shopping centres, logistics and residential property, as well as student apartments. Our clients include institutional investors, private equity firms, family offices, financial institutions, private individuals, listed property companies, pension funds, and sector-specific investors.

In the Consulting/Services Bank segment, we support businesses from the housing, property management and energy industries, as a digitalisation partner – combining extensive advisory services and product solutions with traditional corporate banking services and deposit-taking. We also ensure that these clients' business processes and payment systems are optimised and efficiently designed.

Our subsidiary Aareon – a leading consultancy and IT systems house for the European property industry and partner for the digital transformation – forms the third business segment. It offers pioneering and secure consulting, software and service solutions as well as innovative administration, management and digitalisation products for properties. The digital ecosystem Aareon Smart World links property companies with their customers, staff and business partners, as well as with technical devices in apartments and buildings.

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, 2020	December 31, 2020	No

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

- 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 organizational activities does your organization undertake?

- Bank lending (Bank)

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.

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	Climate-related risks and opportunities to our own operations	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

	<p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Setting performance objectives</p> <p>Monitoring implementation and performance of objectives</p> <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>Climate-related risks and opportunities to our bank lending activities</p> <p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p>	<p>have been implemented:</p> <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 into our overall risk management, they are normally considered within the Operational Risk and Reputational Risk Management. Climate-related issues are integrated in our overall risk management, defined as risk factors affecting our existing financial and non-financial risk-categories - 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). - 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.
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			- 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 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 bank lending 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).

C1.2

(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
Risk manager	Risk - CRO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our own operations	More frequently than quarterly
Risk committee	Reports to the board directly	Both assessing and managing climate-	Risks and opportunities related to our	More frequently

		related risks and opportunities	bank lending activities Risks and opportunities related to our own operations	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 bank lending activities 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 bank lending activities	As important matters arise
Audit committee	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.	Other, please specify Supervision of assessment and management of climate-related risk and opportunities by the Management Board.	Risks and opportunities related to our bank lending activities Risks and opportunities related to our own operations	Annually

Other, please specify Supervisory Board	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.	Other, please specify Supervision of assessment and management of climate-related risk and opportunities by the Management Board.	Risks and opportunities related to our bank lending activities Risks and opportunities related to our own operations	Annually
Other, please specify Green Finance committee	CEO reporting line	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).	Risks and opportunities related to our bank lending activities	Annually
Other, please specify Steering committee for regulatory changes	Risk - CRO reporting line	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.	Risks and opportunities related to our bank lending activities	Half-yearly

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

The ability to correctly identify, assess and manage risk is one of the most important foundations of our business model. This is why Aareal Bank Group attaches so much importance to risk transparency and appropriate risk Management. For many years, we have pursued a conservative risk policy, ensuring a clear, sustainable risk culture. In doing so, we follow the definition of the Basel Committee on Banking Supervision and regard risk culture as a set of principles, attitudes and practices relating to awareness, willingness and management of risk as well as to the controls that influence risk decisions. We are convinced that it is essential for us to have a risk culture that fits with our long-term business model, in addition to

business and market-driven aspects. This has to be a central component of our corporate culture in order for it to be able to exert influence on the decisions our management and employees make on a daily working basis. We therefore ensure that all our employees are familiar with our risk systems and risk appetite.

The central risk management function is in the responsibility of the Ressort Group Chief Risk Office (GCRO). Therefore, the CRO can draw back to the specialized 2nd Line Function from other divisions of the company. A groupwide risk identification is conducted on an annual basis by the Risk Controlling (RCO) Department and the Non-Financial Risk (NFR) department. Besides NFR Aareal Bank Group also takes Environmental, Social and Governance (ESG) Risks into account. ESG-Risks are directly or indirectly affected by the environment, social issues or governance. Identified ESG risks affects cross-functional almost all superior risks. As Aareal Bank defines the contribution to the sustainable development of the real estate-, housing- and energy sector as an important task the ESG complex is not only understood as a risk but moreover as a chance. Consequently ESG-aspects are assessed from two perspectives. Not only the potential adverse impact from ESG-related aspects on the banking business is relevant but also the potential contribution towards a sustainable development from entrepreneurial activities is considered. Sustainability is firmly embedded within the corporate strategy which emphasizes its importance. ESG risks which were deemed as relevant could later be associated with financial- and non-financial risks that have been classified as significant in die groupwide risk identification. Thus, the management is made in the context of the individual type of risk. The Executive Board is informed by the Head of Risk Controlling about the relevant reputational risks via a quarterly reporting system. Events resulting from climate change, with an impact on asset values, such as flooding and storms, are considered in the lending process (extent depends on respective country where the loan is granted). Obligatory insurances mitigate those risks, and issues such as rising energy costs are addressed by financing properties with a more efficient use of energy to reduce cost of operations (business opportunity). Further information regarding the control and implementation of sustainability-related themes are summarized within the guidelines of the sustainability management and within Aareal Banks business strategy. An annual report about the ESG-risks and -chances is integrated in the non-financial report which is published every year. Besides, the Risk Executive Committee supports the entire executive board with holistic risk management and risk controlling. For this purpose, the following tasks are assigned to the Risk Executive Committee by the Executive Board: The Risk Executive Committee deals with all types of Group-wide risk (essential and non-essential) and presents and discusses regulatory changes that affect risk management as well as current developments and changes to the ongoing Supervisory Review and Evaluation Process (SREP), based on the monthly agenda for the Risk Executive Committee in the full Executive Board. Reporting to the Executive Board takes place monthly, or on an event-driven or ad-hoc, basis according to the specifications related to the individual topics.

At an organisational level, Aareal Bank Group has assigned responsibility for sustainability management to Investor Relations – with a direct reporting line of the Group Sustainability Officer to the Chairman of the Management Board. Our sustainability management takes place in close cooperation with the individual divisions. The Sustainability Committee is composed of representatives from Group Strategy, Portfolio Management & Controlling, Sales, Credit Management, Risk Management, NFR-Management, Workout, Housing Industry, Investor Relations, Finance, Treasury, Compliance, Human Resources, Facility Management,

Purchasing and Corporate Communications, Aareon. The Sustainability Committee, which was established in 2012, serves as Aareal Bank Group's central management body for sustainable development.

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

			<p>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>
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</p>

			written principles are an important component of an applied environmental management and are rated by 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	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.

		Company performance against a 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 principles, including climate change?

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	No	

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	10	Long-term planning covers a time-horizon between 5 to 10 years as our financing usually runs for up to 10 years. After the 10-year period, Aareal Bank has special termination rights and obligations, risk analyses with a time horizon of more than a decade makes only limited sense for the industry/sector.

C2.1b

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

Aareal Bank define it as effects of extraordinary but plausible possible events or changes in certain economic conditions on the (financial) Situation. The **business strategy** document describes Aareal Bank Group's basic strategy in line with the Company's purpose as defined by the Annual General Meeting, and forms the framework for the Group's strategic development. The concrete measures implemented to achieve the Group's 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. Extern 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. This is illustrated in the following cycle diagram. 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

More than once a year

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 (actually EUR 5 Million for capital and earnings and EUR 65 million for liquidity) are significant and included in the ICAAP.

The time horizon in the risk inventory is one year. Climate risks are mapped in the inventory to "major" risk categories such as credit risk. Credit risk includes, for example, the loss of value of securities due to extreme weather events.

In addition to the regular risk inventory, 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.

Climate risks were identified using a bottom-up and top-down approach (based on the BaFin information sheet). For all identified climate risks, experts determined a probability, severity, manageability and time horizon. The result of the initiative is an ESG risk and opportunities profile for Aareal Bank. We have identified the opportunities together with the risks and these will next be analysed, reviewed and implemented in an ESG opportunity management system in the 2021 financial year. The basis for this is the ongoing "ESG@Aareal" project.

In this year's inventory, there will be an additional questionnaire on ESG factors and their mapping in the individual risk types. Regarding E, the relevance of physical risks (acute and chronic) and transitory risks (transmission channels: Political measures, technical progress and social change). The relevance of the factors is queried for the three time periods short (0-1 years), medium (1-5) and long (>5; reference value 20). In addition, it is asked on which risk type the respective factor has an impact. In addition to the E factors, 2 S factors, 4 G factors and one overarching factor are queried.

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	<p>We are closely tracking new international and national regulatory requirements such as the EU Taxonomy. Due to the fact that the Aareal Bank is supervised by the ECB (Aareal Bank has its own Joint Supervisory Team), the requirements are stricter than for other banks which are not monitored by the ECB.</p> <p>The risk that the legislators will react to the effects of social challenges with stricter requirements and laws, which may lead to additional regulatory costs, high internal expenses, organizational and procedural changes and possibly sanctions and the imposition of fines. These stricter requirements may include direct measures, e.g. investor obligations, disclosure requirements, or market-oriented measures, e.g. taxation of emissions, CO2 prices. In addition, tax advantages or</p>

		reductions in the equity backing for climate-friendly products and services (Green Supporting Factor) may also be granted.
Emerging regulation	Relevant, always included	<p>All matters relating to regulatory reporting and regulatory topics fall within the scope of the Regulatory Affairs (RA) division. Those matters are: the regulatory assessment of risks, regulatory and banking statistical reports, communication with regulatory authorities and our JST (Joint Supervisory Team), implementation of regulatory requirements, anticipation of regulatory developments, stress tests and disclosure of the Bank.</p> <p>The effect of future regulatory adjustments are already checked before they become effective. Within the Bank we have installed a steering committee "Statutory Amendments". The task of the steering committee is to analyse the effect of future regulatory and legal changes and to initiate necessary actions. Participants are at least the heads of Legal, Compliance, Risk Controlling, Regulatory Affairs, the Group Sustainability Officer and the CRO.</p>
Technology	Relevant, always included	<p>The risk of losing customers and investors because we do not offer an adequate range of sustainable software and IT solutions.</p> <p>For example, digital solutions that address societal challenges (affordable housing, aging within one's own four walls, smart metering solutions that change consumer behavior, environmentally friendly mobility) while meeting the highest security requirements. Risk identification, assessment and management processes are in place for all types of technology risks. These are taken into account in BCM (Business Continuity Management) and change management.</p>
Legal	Relevant, always included	<p>The risk that legal sanctions, financial losses or damage to the bank's reputation may arise because Aareal Bank Group fails to fulfil its corporate responsibility, and because it itself or its clients and business partners violate laws, industry-specific regulations, internal guidelines or prescribed best practices.</p> <p>In addition to conduct in compliance with the rules, this also includes, for example, the conformity of corporate business conduct with social guidelines and values, morals and ethics - including environmental protection, integration programmes, promotion of education, compliance with human rights and social standards, and the creation of appropriate working conditions.</p> <p>We do not participate in financing that is critical in ecological and social terms, e.g. coal-fired power stations, nuclear power plants, dams, etc. In general, our product portfolio and choice of markets (e.g. no Third World countries with poor or poorly controlled environmental regulations) contribute most to environmental protection.</p>

Market	Relevant, always included	<p>The risk of losing customers and investors (equity and debt investors) because we do not offer an adequate range of sustainable investments and products. E.g. green lending, green bonds, no incentives for green buildings, etc.</p> <p>We do not participate in financings that are critical in ecological and social terms, e.g. coal-fired power plants, nuclear power plants, dams, etc. In general, our product portfolio and choice of markets (e.g. no third world countries with poor or poorly controlled environmental regulations) contribute most to environmental protection.</p>
Reputation	Relevant, always included	<p>Risk identification, assessment and management processes are in place for all types of reputational risk.</p> <p>Reputational risk is the risk that significant social challenges (climate change, migration, demographic change, urbanization, etc.) will lead to a change in the demand situation among customers, investors and other stakeholders.</p> <p>For example, as people become more aware of the consequences of climate change, social environmental awareness and demand for environmentally friendly real estate, energy-efficient refurbishment, financing of environmentally friendly mobility, etc.) could continue to rise.</p> <p>Changing expectations (national and international) on the part of politicians, society, investors or regulators can also have an impact on IT strategy issues, through expectations of technically supported processes in terms of the type of IT products, process speed, BCM (e.g. immediate payment versus semi-manual sanction screening; evaluable availability of customer data versus network analyses of international group structures) with corresponding effects on ICT risks and possible business policy decisions (cost of doing business).</p> <p>The same applies to questions of structural and process organisation. For example, strategic location decisions (own or third-party) to avoid clusters in personnel risk as a result of Covid 19 or expectations regarding the equipment of workstations / mobile office Solutions.</p>
Acute physical	Relevant, always included	<p>The risk that our financing objects may suffer losses in value due to acute natural hazards (e.g. extreme weather events, floods, hurricanes, storms, etc.).</p> <p>To mitigate physical risks, we use technical due diligence reports, natural hazard maps and insurance industry tools, and we engage external specialists to review the insurance documentation provided to ensure that exposure to all hazards is adequately insured.</p> <p>In addition, our own data centre/central server may become inoperative due to natural disasters. We have a crisis management team and emergency concepts that initiate appropriate countermeasures in the event of acute physical risks.</p>

Chronic physical	Relevant, always included	<p>The risk that our financing objects suffer losses in value due to natural disasters or that our own data center/central server is no longer functional due to natural disasters.</p> <p>For example, extreme weather events with long-term climatic changes, such as higher average temperatures and increased precipitation.</p> <p>If they are not excluded by our general exclusion criteria (wrong market or wrong product etc.), the risks of all investments are reviewed. This is done through systems, expert opinions, valuation tables, etc. The scope of the review depends on the specific situation (amount, product, market, etc.). If necessary, the risks are mitigated by countermeasures such as insurance or hedge positions.</p>
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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	Please explain
Bank lending (Bank)	Yes	<p>We collect data on energy efficiency, green building certificates and energy-efficient renovation projects. In a first step, we used client information and our own research in the reporting period to gather indicative information on a number of ESG aspects for roughly 80 % of our portfolio. This exercise revealed that, based on the data currently available, more than half of the properties financed by us have been awarded a certificate, including building certificates (e. g. DGNB, BREEAM, HQE, LEED, NABERS) and energy certificates.</p> <p>The increased transparency, the use of specific quantitative and qualitative criteria and the risk minimisation and mitigation checks (including ESG) that form part of our loan approval process ensure the high quality, and hence the long-term value, of the Property Financing portfolio. Complying with targets for individual countries and property types within our portfolio leads to a high level of diversification and mitigates concentration risk at Bank level.</p> <p>In the future, we intend to use CredaRate ESG Scoring to further evaluate the exposure. A first version will be available in spring 2022. This relates to the CREF portfolio and is both quantitative and qualitative. The ESG score reflects the status quo, ratings need to be monitored regularly (at the latest when sustainability/energy certificates expire).</p> <p>We also plan to conduct a stress test, focusing on credit risk, and e-</p>

		<p>factors. Basis will be NGFS scenarios, time horizon is longer, but not yet finally decided (10 -20 years). This will be particularly relevant with regard to our CREF portfolio.</p> <p>To conduct climate stress tests, we have purchased data for the majority of our CREF portfolio to assess our physical risks from a reputable insurer. This provides exposure at the property level for various scenarios (RCP) through 2100 (2030, 2050, 2100). In addition, we have received a portfolio evaluation, but have not reported it. It is planned to use this data as a basis for the stress test.</p> <p>Transitory risks will have an impact in particular on the carbon footprint of our financing portfolio and the associated costs. The data basis for this is the creation of transparency in our real estate financing portfolio. For the stress test, available data will then be assigned fallback values to all properties.</p> <p>Further description in C-FS2.2c</p>
Other products and services, please specify	Yes	<p>From 2021 there will be an obligation to report on climate impacts at portfolio level. In preparation for the future disclosure obligations, it is necessary to achieve greater transparency at portfolio level. The objective is therefore to be able to evaluate the quality of the property financing portfolio (in terms of the volume of the CREF Portfolio [excluding retail and municipal loan business of the former Westimmo]) from a sustainability perspective and to be able to make statements on this. The systematic collection of selective ESG information is a key prerequisite for meeting these reporting requirements. In light of this, the collection of data will at first be focused on environmental and climaterelvant data. For this purpose, Aareal Bank is gathering information in SAP-System on energy efficiency, existing certifications and the year of the last energy efficiency upgrade for each property. This enables the Bank to assess the ecological quality and development of its property financing portfolio. 80% of our existing portfolio has been screened, the gathering of the relevant certificates / documents is under way.</p>

C-FS2.2c

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

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	All of the portfolio	Qualitative and quantitative	The increased transparency, the use of specific quantitative and qualitative criteria and the risk minimisation and mitigation checks (including ESG) that

		<p>form part of our loan approval process ensure the high quality, and hence the long-term value, of the Property Financing portfolio. Complying with targets for individual countries and property types within our portfolio leads to a high level of diversification and mitigates concentration risk at Bank level.</p> <p>In the future, we intend to use CredaRate ESG Scoring to evaluate the exposure. A first version will be available in spring 2022. This relates to the CREF portfolio and is both quantitative and qualitative. The ESG score reflects the status quo, ratings need to be monitored regularly (at the latest when sustainability/energy certificates expire).</p> <p>We also plan to conduct a stress test, focusing on credit risk, and e-factors. Basis will be NGFS scenarios, time horizon is longer, but not yet finally decided (10 -20 years). This will be particularly relevant with regard to our CREF portfolio.</p> <p>To conduct climate stress tests, we have purchased data for the majority of our CREF portfolio to assess our physical risks from a reputable insurer. This provides exposure at the property level for various scenarios (RCP) through 2100 (2030, 2050, 2100). In addition, we have received a portfolio evaluation, but have not reported it. It is planned to use this data as a basis for the stress test.</p> <p>Transitory risks will have an impact in particular on the carbon footprint of our financing portfolio and the associated costs. The data basis for this is the creation of transparency in our real estate financing portfolio. For the stress test, available data will then be assigned fallback values to all properties.</p> <p>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”.</p> <p>MSCI ESG Research is a data analytics company that conducts comprehensive assessments of climate change risks and opportunities embedded within investment</p>
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			<p>portfolios across the following asset classes: equities, fixed income and real estate. It has developed a fully automated and forward-looking financial climate risk metric called Climate Value-at-Risk (Climate VaR). Climate VaR Methodology for Real Estate:</p> <p>The Climate Value-at-Risk (CVaR) represents a portfolio's or an asset's risk exposure to climate change. MSCI ESG Research models the policy transition risk and physical risk in this context. The CVaR represents the combined discounted transition policy risk costs and the extreme weather event costs expressed as a percentage of the portfolio's value or an asset's gross asset value. For both policy transition risks and physical risks, detailed cost calculations are performed for the next 15 years. Subsequently, the terminal value is computed using Scenario specific assumptions. The forward-looking metric allows investors to understand climate change risk in their portfolio, identify risks today and implement adaptation and mitigation measures, allowing asset owners to manage limited resources and maximizing impacts.</p> <p>Transition Risks are assessed based on the carbon intensity of an asset. These are compared to country and sector decarbonisation pathways for different scenarios. Any lag behind the national decarbonisation pathways is summed and multiplied by a predicted carbon price to calculate the potential cost of emissions which are then discounted to their Net Present Value. This discounted cost is then converted into a Climate Value-at-Risk by expressing it as a percentage of total asset value.</p> <p>Physical Risks are assessed based on the geolocation of assets and their increased or decreased exposure to individual hazards as a consequence of climate change. These are then converted to costs using vulnerability damage functions, and discounted to their Net Present Value. This discounted cost is then converted into a Climate Value-at-Risk by expressing it as a percentage of total asset value.</p>
<p>Other products and services, please specify</p>	<p>Majority of the portfolio</p>	<p>Qualitative and quantitative</p>	<p>From 2021 there will be an obligation to report on climate impacts at portfolio level. In preparation for the future disclosure obligations, it is necessary to achieve greater transparency at portfolio level. The objective is therefore to be able to evaluate the quality of the property financing portfolio (in terms of the volume of the CREF Portfolio</p>

		<p>[excluding retail and municipal loan business of the former Westimmo]) from a sustainability perspective and to be able to make statements on this. The systematic collection of selective ESG information is a key prerequisite for meeting these reporting requirements. In light of this, the collection of data will at first be focused on environmental and climaterrelevant data. For this purpose, Aareal Bank has recently began gathering information in SAP-System on energy efficiency, existing certifications and the year of the last energy efficiency upgrade for each property. This enables the Bank to assess the ecological quality and development of its property financing portfolio. For example, it is then possible to determine the share of green building certificates, the energy efficiency and, based on this, the emissions generated. Energy efficiency is measured on the basis of the primary or final energy demand or consumption. There is still a lack of standardisation in this area. For this reason, there are fields for both final energy and primary energy, and in each case for energy consumption and energy demand. If this information is available, it must be entered on the "ESG" tab of the property in question. For documentation purposes, it is important to check whether the information entered is accurate and verifiable. It is helpful here to provide evidence of the basis on which the energy efficiency data was collected (e.g. specified by the customer or confirmed externally).</p> <p>Aareal Bank can also determine the green share of its property financing portfolio or calculate compatibility with the 2 °C target.</p> <p>It is also possible to make limited statements on social aspects, for example. 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 instance, the quality of the location or human health and well-being in the Building.</p>
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C-FS2.2d

(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Minority of the portfolio	<p>We assess water-related risks as part of the assessment of physical risks as described in C-FS2.2c. Furthermore assesment of water related risk is part of our risk assessment before closing a deal.</p> <p>The assessment of our CREF portfolio which was accomplished by MSCI ESG Research for our new acquired business and 2018 and 2019 included also the assessment of water related risks (physical risks). Plese note description in C-FS2.2c</p>
Other products and services, please specify	Not applicable		No water relateted risks could be identified for other banking and IT products.

C-FS2.2e

(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Not applicable	No forest-related risks could be identified for other banking and IT products.
Other products and services, please specify	Not applicable	No forest-related risks could be identified for other banking and IT products.

C-FS2.2f

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

	We request climate-related information	Please explain
Bank lending (Bank)	Yes	In Terms of the lending process we request climate related informations at property Level. Aareal Bank has recently began gathering information in SAP-System on energy efficiency, existing certifications and the year of the last energy efficiency upgrade for each property. This enables the Bank to assess the ecological quality and development of its property financing portfolio. For example, it is then possible to determine the share of green

		<p>building certificates, the energy efficiency and, based on this, the emissions generated. Energy efficiency is measured on the basis of the primary or final energy demand or consumption. There is still a lack of standardisation in this area. For this reason, there are fields for both final energy and primary energy, and in each case for energy consumption and energy demand. If this information is available, it must be entered on the "ESG" tab of the property in question. In addition, for documentation purposes, it is important to check whether the information entered is accurate and verifiable. It is helpful here to provide evidence of the basis on which the energy efficiency data was collected (e.g. specified by the customer or confirmed externally).</p> <p>Aareal Bank can also determine the green share of its property financing portfolio or calculate compatibility with the 2 °C target. It is also possible to make limited statements on social aspects, for example. 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 instance, the quality of the location or human health and well-being in the Building.</p> <p>Appraisers / Valuers we engage do have to gather the following information for any property (specified in our instruction letter): “Please describe if there is a Green Building Label in place and name the certificate. Please do also indicate the Level, the date of certification and the date of expiry. If there is currently no certificate, please do also indicate if it is intended to receive one (e.g. after renovation). Please do also indicate if there was an energetic upgrade of the building in recent years and its extent. Further, please indicate the current primary energy demand and consumption (KWh/sqm or KWh/sqft) and the ultimate energy demand and consumption (KWh/sqm or KWh/sqft) and the source of your information.”</p>
Other products and services, please specify	Not applicable	

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 4

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Acute physical

Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

The risk that our financing properties will suffer losses in value due to natural hazards or that our own data centre/central server will no longer be able to function due to natural hazards. Loss of security value due to extreme weather and climate effects like rise of the sea levels or hurricanes

Time horizon

Medium-term

Likelihood

About as likely as not

Magnitude of impact

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)

800,000,000

Explanation of financial impact figure

Aareal Bank Group might be indirectly exposed to risk if suppliers / business partners are targeted likewise. Being part of the service industry, the financial impact remains low.

Cost of response to risk

2,000,000

Description of response and explanation of cost calculation

2 Mio. - 20 Mio. EUR -> 100 – 800 Mio. Exposure x 2% insurance margin
Cost for insurance, 2 % margin is an expert judgement.

Comment

All currencies in Euro €.

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Market

Other, please specify

Competitive market pressure

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Strategic risk

Company-specific description

The risk that market and competitive pressures with regard to a sustainable business model and a sustainable range of products and services threaten profitability.

The economy is expected to make a measurable contribution to solving social problems, i.e. companies must offer sustainable products and services in order to remain relevant to their customers. Competitive/market pressure may result in adaption of business strategy (strategic risk).

Time horizon

Medium-term

Likelihood

More likely than not

Magnitude of impact

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)

25,000,000

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

0

Description of response and explanation of cost calculation

Assessment of risks is embedded in the overall risk management process of Aareal Bank. More specifically, assessing regulatory risks is part of the overall operational risk management procedures (e.g. the steering committee "Statutory amendments" identifies and evaluates the impact of regulatory changes for Aareal Bank Group). Analyses have shown that the Bank is not exposed to high uncertainties related to new regulatory requirements.

Comment

Costs difficult to quantify, cover efforts for regular strategic reviews, benchmarking, stakeholder dialogue, etc. The methods we are using do not cause additional costs as they are part of operating costs.

All currencies in Euro €.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Legal

Regulation and supervision of climate-related risk in the financial sector

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

The risk that legislators will react to the effects of social challenges with stricter requirements and laws, which may lead to additional regulatory costs, high internal expenses, organizational and procedural changes and possibly sanctions and fines. Aareal Bank Group will be exposed to regulatory changes due to international agreements affecting its core business. The (legislative) authorities release more and more requirements and laws to slow climate change. These requirements lead to more internal costs and are often accompanied with processual and organisational changes. Drivers include changes to auditing, financing, conclusion of a contract etc. Regulatory risk & political reactions for the climate change, especially of high carbon dioxide emissions and rising temperature. Costs to meet the regulatory requirements, fines or higher capital requirements for “brown” assets

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)

1,000,000

Potential financial impact figure – maximum (currency)

20,000,000

Explanation of financial impact figure

The financial sector is a highly regulated part of the global economy. Aareal Bank Group is and will continue to be aware of potential new regulations. All financial impact figures are expert estimates. The minimum impact are project costs for the implementation of the requirements of the EZB guideline published in May 2020. Maximum is the impact of higher capital requirements.

Cost of response to risk

1,000,000

Description of response and explanation of cost calculation

Assessment of risks is embedded in the overall risk management process of Aareal Bank. More specifically, assessing regulatory risks is part of the overall operational risk management procedures (e.g. the steering committee "Statutory amendments" identifies and evaluates the impact of regulatory changes for Aareal Bank Group). The response to the regulatory risk is basically the implementation of all regulatory requirements within a project. Project costs are basically internal personal cost as well as cost for external experts.

Comment

All figures are estimates.
All currencies in Euro €.

Identifier

Risk 5

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Legal

Regulation and supervision of climate-related risk in the financial sector

Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

Policy and legal risk

Company-specific description

The risk that legal sanctions, financial losses or damage to the bank's image may arise because Aareal Bank Group fails to fulfil its corporate responsibility, and because it itself or its clients and business partners violate laws, industry-specific regulations, internal guidelines or prescribed best practices.

In addition to conduct in compliance with the rules, this also includes, for example, the conformity of corporate business conduct with social guidelines and values, morals and ethics - including environmental protection, integration programmes, promotion of education, compliance with human rights and social standards, and the creation of appropriate working conditions.

Time horizon

Long-term

Likelihood

Unlikely

Magnitude of impact

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)

25,000,000

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The materiality threshold in the amount of EUR 25 million represents just under 1% of the risk cover amount according to ICAAP (around EUR 2.4 billion as of March 31, 2020) as well around EUR 10% of the planned annual income (around EUR 240-260 million per year, planning 2019-21). The materiality threshold does not determine the extent to which risks are taken, but rather determines the extent from which risk sub-categories are actively measured, controlled and limited.

The financial impact figure results from potential penalties, legal sanctions or event driven shortcuts in the current business Modell, if the company may not be able to cope with regulations and laws as required and expected. It is based on expert's estimation, taking into account current legal regulation and former impact within the financial industry in case of non-compliance.

Cost of response to risk

0

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 €.

Identifier

Risk 2

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 indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Strategic risk

Company-specific description

The risk that significant social challenges (climate change, migration, demographic change, urbanization, etc.) will lead to a changed demand situation among customers, investors and other Stakeholders. There is an increased awareness of stakeholders regarding climate Change (as consequence to climate change, primary climate related risk driver is global warming and extreme weather) issues and the way a company deals with those problems. Insufficient handling of climate change issues can have a negative impact on our Company's reputation and stakeholder perception. For example, it would probably have a negative impact on the confidence of our stakeholders and our reputation if we would not initiate carbon projects at a corporate level in case of rising emissions. However, we consider it rather unlikely that this risk would have an impact on our business relations as we have multiple initiatives in place to reduce our carbon emissions. The consequences would be a loss of new business, investors and of business due to wrong (brown) product Portfolio.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium

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)

13,500,000

Potential financial impact figure – maximum (currency)

37,500,000

Explanation of financial impact figure

Our reputation risk management is part of our overall risk management. A negative impact on reputation can result in the refusal of clients to do business with us. However, we consider it rather unlikely that this risk would have an impact on our business relations as we have multiple initiatives in place to reduce our carbon emissions. The consequences would be a loss of new Business. Expert estimates on the volume we might miss each year for the next five years. Figures might be increasing with political pressure.

Cost of response to risk

0

Description of response and explanation of cost calculation

Monitoring of current relevant climate change issues and consultation of research papers to identify important topics. The management decides the strategic path.

Comment

All figures are estimates. All currencies in Euro €.

Identifier

Risk 6

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Market

Changing customer behavior

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

The risk that significant societal challenges (climate change, migration, demographic change, urbanization, etc.) will lead to a changed demand situation among customers, investors, and other stakeholders.

E.g., with increasing awareness of the consequences of climate change, societal environmental awareness and demand for environmentally friendly real estate, energy-efficient refurbishment, financing of environmentally friendly mobility, etc.) may continue to rise. Changed customer behaviour may lead in short term to loss of business and in medium term to decreased property values - this enhances our credit risk.

Time horizon

Medium-term

Likelihood

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)

1,750,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Estimated loss of lending business (1.75 billion Euro per year).

Cost of response to risk

1,000,000

Description of response and explanation of cost calculation

Grupwide project ESG@Aareal with focus to develo ESG offering.

Comment

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 planned framework for green lending, including the criteria for green lending, should be externally verified (good practice)

All currencies in Euro €.

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 address ESG opportunities (ESG product development started in September 2020, Project Budget €1,000,000).

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, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

0

Potential financial impact figure – maximum (currency)

75,000,000

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.

Cost to realize opportunity

200,000

Strategy to realize opportunity and explanation of cost calculation

Development of ESG products: Launch of green lending in May 2021, green emission envisaged for 2nd halfyear 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?

Downstream

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

Financial impact was calculated based on approximately 30.000 green consulting days realized by Aareon in 2020.

Cost to realize opportunity

30,000,000

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

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 in 2019 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.

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.

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) Have climate-related risks and opportunities influenced your organization’s strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Is your organization’s low-carbon transition plan a scheduled resolution item at Annual General Meetings (AGMs)?

	Is your low-carbon transition plan a scheduled resolution item at AGMs?	Comment
Row 1	No, but we intend it to become a scheduled resolution item within the next two years	

C3.2

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

Yes, qualitative and quantitative

C3.2a

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

Climate-related scenarios and models applied	Details
<p>Other, please specify</p> <p>Own Aareal Bank scenarios</p>	<p>Assessing climate change risks is part of the overall operational risk management procedures. The Bank defines operational risk as the threat of losses caused by inappropriate internal procedures, human resources and systems (or their failure), or through external events. External events related to climate change, such as natural disasters, can, for example, cause physical damage to the data centres. For this purpose Aareal Bank has generated the following climate-related scenarios:</p> <ol style="list-style-type: none"> 1) Water damage (e.g. burst pipes, storm or similar events) 2) Power failure due to external influences (fault of the utility, construction work or storm). 3) Disruption in the IT and communication infrastructure (data centre, data and telephone lines, etc.) 4) Failure of know-how in the case of major events such as trade fairs 5) Damage due to faulty maintenance or repair during conversions.
<p>Other, please specify</p> <p>Due Diligence</p>	<p>The ability to correctly assess and specifically manage risks is one of the key foundations for our business model. This is why risk management is a core priority; we adopt a holistic definition of risk – one that goes beyond purely economic issues to include social, ethical and ecological aspects that could impact Aareal Bank Group's success directly or indirectly. E.g., we dispose of a systematic process to address and monitor the existing loan portfolio's exposure to natural disaster risk:</p> <p>Due Diligence</p> <p>Mandatory check of risk environment based on property appraisals, Technical Due Diligence reports, natural hazard maps and tools from the insurance industry</p> <p>Weighting and summarising risk value for ordinary, commercial and industrial business. The due diligence covers natural hazards like flood and earthquake, and depending on the regional area/location or the kind of property, other specific (natural) hazards. In specific situations / on request, we involve an external service provider to model scenarios, e.g. for properties in flooding areas. Defined risk levels have to be respected.</p> <p>Insurance Audit</p> <p>Standardised risk analysis including exposure to natural hazards for specific regions/locations and, if applicable, utilisation risks regarding the kind of property. We involve external specialists to check the provided insurance documentation for adequacy with a view to the exposure to all hazards. Specific risk assessment, including natural hazard risks where appropriate.</p>
<p>Other, please specify</p>	<p>Our newly acquired business portfolio 2018 and 2019 was respectively 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</p>

MSCI	(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. 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.
Other, please specify ECB / NFGFS scenarios	We are currently working on developing a climate (physical and transitorial risks) as well as a social scenario stresstest in order to better identify ESG risks in our real estate financing portfolio. Climate stresstest ist planned for 2022 (development of the model until 2021).

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; 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

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 - 1.2 million investment Budget and approx.. 1,900 man-day over duration of 2 years <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>

C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

...

C-FS3.6

(C-FS3.6) Are climate-related issues considered in the policy framework of your organization?

Yes, climate-related issues are integrated into our general policy framework that relates to our financing activities

C-FS3.6a

(C-FS3.6a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Risk policy	All of the portfolio	Climate-related issues are considered in the risk management on different frameworks. Explanations can be found here in the Risk Appetite Framework and in the risk strategy. In an internal initiative, ESG@Aareal, we are currently working intensively on identifying all climate-related risks and opportunities in our core business. This is to be formulated in a separate framework and made binding.
Other products and services, please specify	Other, please specify Business strategy of Aareal Bank Group	All of the portfolio	Climate-related aspects are also considered in various frameworks at different levels of Aareal Bank's business strategy. These are taken into account, for example, in the business strategy, environmental policy, code of conduct, code of conduct for suppliers, travel policy.

C4. Targets and performance

C4.1

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

Absolute 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

2013

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 2 (market-based)

Base year

2015

Covered emissions in base year (metric tons CO₂e)

3,249

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

88

Target year

2022

Targeted reduction from base year (%)

100

Covered emissions in target year (metric tons CO₂e) [auto-calculated]

0

Covered emissions in reporting year (metric tons CO₂e)

51.65

% of target achieved [auto-calculated]

98.4102800862

Target status in reporting year

Underway

Is this a science-based target?

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

Target ambition

Please explain (including target coverage)

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. The survey

therefore doesn't cover any international locations. These will be considered in a target which is currently under development.

Due to active M&A and increasing number of new small offices (and existing contracts with energy providers), we have decided to extend 2020 target to 2022. By the end of the reporting year, more than 98% green electricity had already been purchased at german sites, which is very close to the target of 100%. We envisage to extend green electricity purchasing to our international sites.

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

Achieve full transparency by 2022 on climate related issues of our CREF 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

80

% of target achieved [auto-calculated]

80

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?

Science Based Targets initiative

Please explain (including target coverage)

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 2020, 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 80% of our CREF portfolio. For approximately 60% of our CREF portfolio we have identified robust building certificates (i.e. DGNB, BREEAM, HQE, LEED, NABERS) or energy-performance certificates or both.

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

0

% of target achieved [auto-calculated]

0

Target status in reporting year

New

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 (including target coverage)

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). Groupwide target: Green Loan volume of €220,000,000 in financial year 2021.

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

0

% of target achieved [auto-calculated]

0

Target status in reporting year

New

Is this target part of an emissions target?

Yes, by issuing green bonds, we contribute to reduce emissions by allocating financial means in green properties. Thereby our customers reduce their own Scope 3 CO₂ emissions.

Is this target part of an overarching initiative?

Other, please specify

WWF/PwC Pathway to Paris Project

Please explain (including target coverage)

Foster Green Bonds 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). Groupwide target: Green Bond volume of €350,000,000 in financial year 2021.

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	5	650
To be implemented*		
Implementation commenced*		
Implemented*	3	1,300
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)

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

11-15 years

Comment

Heating and cooling systems: Modernization of heating and cooling systems - pumps to high-efficiency FU pumps (FU = frequency converter). The measure has been running since the beginning of 2020 and was completed in December 2020. Some of the pumps have been replaced with electronically controlled pumps for the cooling supply.

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)

Scope 1

Scope 2 (location-based)

Scope 3

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)

Scope 1

Scope 2 (location-based)

Scope 3

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

>30 years

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

Other, please specify

Other, please specify

Expanding share of mobile working

Estimated annual CO₂e savings (metric tonnes CO₂e)

650

Scope(s)

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

>30 years

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.

Initiative category & Initiative type

Energy efficiency in buildings

Lighting

Estimated annual CO₂e savings (metric tonnes CO₂e)

Scope(s)

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 for 2021. Currently we are in the planning stage and can not quantify the measure in terms of its savings potential as well as its costs. Estimated lifetime and payback period is oriented to general information about led technology.

Initiative category & Initiative type

Other, please specify

Other, please specify

new optimised software for the building management system with energy monitoring of the temperatures.

Estimated annual CO2e savings (metric tonnes CO2e)

Scope(s)

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

Measure is planned for 2021. 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)

Scope 1

Scope 2 (location-based)

Voluntary/Mandatory

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

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)

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

Optimisation of the rotary heat exchanger in House 4 is planned for 2021. Currently we are in the planning stage and can not quantify the measure in terms of its savings potential as well as its costs.

C4.3c

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

Method	Comment
Compliance with regulatory requirements/standards	<p>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> <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. 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</p>

	<p>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>Aareal supports an ESG-supportive regulation of refurbishments, see CEO press statement (Börsenzeitung, 19. Juni 2020)</p> <p>“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. ...</p> <p>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.</p>
Compliance with regulatory requirements/standards	<p>Due to standardised transparency (Taxonomie/TCFD Reporting) we allow for informed investment decisions, also regarding emission reduction activities.</p>
Dedicated budget for low-carbon product R&D	<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>

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Product

Description of product/Group of products

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.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Comment

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.

Level of aggregation

Product

Description of product/Group of products

In general: We invest in new ideas to boost the core business by enhancing existing solutions, bringing existing solutions to new countries and creating new generations of well established solutions, 2 examples:

CRM Portal / CRM app: Digital communication and offerings help property management companies to continually expand their customer service while reducing personnel and material costs. For example, tenants can use the CRM solutions to access documents such as service charges and contract data. Furthermore, they can at any time submit damage reports, check the status of tickets and check to what extent their request has already been processed.

Instead of being sent by post, the entire written exchange takes place digitally. This saves time, money and often nerves. The same applies to forms and certificates, which previously had to be requested from your employees in a time-consuming process, then generated and made available. In the app and on the portal, they are available to the tenant for direct and easy to find download. The effort for the clerk in requesting and sending is no longer necessary.

In times of Corona, a chatbot has been launched to support communication on corona. This chatbot will be developed further to help with standardized questions from tenants. Our chatbot has been specially developed for all tenant-specific topics on Corona and is already equipped with a wide range of facts and question and answer scenarios. In many cases, the Neela Corona chatbot will be able to directly address your customers' concerns without you having to invest time and resources. Especially when the use of a chatbot is limited to a specific topic, as in this case, this technique delivers very good results and real added value

Aareon's Owner Portal is the digital hub for all services related to ownership. It is the instrument to improve customer service and increase satisfaction. It relieves administrators of time-consuming routine activities and duplication of work, and thus offers the linking of all relevant processes, such as optimal interlinking and communication to improve service - e.g. repair service, complaints management, neighbourhood management, etc. Furthermore, condominium owners can be given paperless access to meeting minutes, collections of resolutions or other documents within the framework of WEG management.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Comment

Level of aggregation

Product

Description of product/Group of products

Aareon's invoicing service for an automated invoicing process between invoice issuers and housing companies.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Comment

Electronic processes can save 40-70 per cent of the time spent on operating and heating bills. Electronic invoice processing can reduce costs by as much as 60-80 per cent. Assuming that a service charge bill covers an average of two pages, the housing industry alone consumes more than 9 million sheets of paper annually. 480 grams of CO2 are needed to produce 100 sheets of paper. This means 43 tons of CO2 only for

the service charge of German housing companies. The volume of paper used at Aareal Bank was reduced by approx. 30%.

Level of aggregation

Company-wide

Description of product/Group of products

Document management systems for digital archiving. Aareon Archive Compact archives documents in an audit-proof manner, in accordance with legal requirements, paperless, and with convenient access at all times.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Comment

For example, to launch the era of the paperless office: Five paper archives with half a million documents were maintained by the Kirchheim-Plochingen district building cooperative. In order to ensure their readability on a permanent basis, to provide faster access from any location, and to save time and costs in the future, the Aareon Cooperative uses compact

Level of aggregation

Product

Description of product/Group of products

Aareon's mobile services.

These include in particular the mobile handover of rental units, mobile inventory data management and mobile orders.

Recording damage, reading meters and updating the inventory are part of the daily tasks of a facility manager, as is the documentation of these processes. Up to now, this has usually taken place twice - once on paper on site and later in the system. The transfer is time-consuming and extremely error-prone. Aareon's Mobile Services enable employees to manage these tasks on the road - and to expand their range of Services.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Comment

These include in particular the mobile handover of rental units, mobile inventory data management and mobile orders.

This is a radical change in the customer interface and the satisfaction ratings will leap as a result. However, there is also a real chance here to dramatically cut costs; by solving all the issues in just one multi-function visit, a housing provider can do more with less. If there is fewer staff involved, there is every chance that other fixed costs such as office rental costs could also be reduced.

Calculation example:

Duty to secure premises:

400 house entrances multiply with 50 inspections per year (each one sheet) = 20 000 sheets per year can be saved, enhancing sustainability

Mobile housing handover:

Within our 4000 administrative units we have a fluctuation rate of 10 per cent per year. Handover requires three operations (pre-handover, handover, handover to new tenant) in which each needs two sheets. In total we save 2400 sheets of paper per year.

Level of aggregation

Product

Description of product/Group of products

Since 2001, Aareon has stood for the networking of trades and housing companies on a virtual platform. The advantages are the automated order and invoice processing, the digital creation of repair and maintenance orders and the automatic transfer to your ERP system. The automation of mass processes reduces administrative expenses and accelerates the processes in the ongoing maintenance of properties

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Comment

significantly reduced administrative costs - up to 8 euros per year and apartment unit
faster elimination of defects - up to 70 percent shorter processing times

Level of aggregation

Product

Description of product/Group of products

In the Banking & Digital Solutions and Aareon segments, our products and services enable our clients to reduce negative environmental impacts, e.g. by using digital and mobile solutions, by networking systems and by using Aareon's green consulting services. This leads, for example, to a drop in the number of kilometres travelled and hence to lower carbon emissions, and to less paper being used.

The importance of green consulting offerings increased significantly in financial year

2020. Apart from making a valuable contribution to ensuring ongoing operations during the pandemic period, we succeeded in significantly reducing carbon emissions and project costs both at clients and at Aareon. Overall, online consulting throughout Aareon Group almost doubled year-on-year, at well over 31,000 days.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Comment

The importance of green consulting offerings increased significantly in financial year 2020. Apart from making a valuable contribution to ensuring ongoing operations during the pandemic period, we succeeded in significantly reducing carbon emissions and project costs both at clients and at Aareon. Overall, online consulting throughout Aareon Group almost doubled year-on-year, at well over 31,000 days.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

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 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 (location-based)

Base year start

January 1, 2015

Base year end

December 31, 2015

Base year emissions (metric tons CO₂e)

6,243

Comment

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.

C5.2

(C5.2) 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)

1,810

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 (1.558 t CO₂e). Changes due to the pandemic situation and the lower use of company cars. Moreover a small part is caused by heating with heating oil and gas at some national and international sites (252 t CO₂e). At our headquarters in Wiesbaden and Mainz we are using environmental friendly district heating Systems (listed under Scope 2 emissions). Changes due to relocation of the location in New York, USA. Thus no more consumption of heating oil in the new office. Change of resources.

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) and the European Residual Mix (Re-Diss) of the AIB. Furthermore we requested certifications of our purchased green electricity by our biggest supplier, which contains emission data.

C6.3

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

Reporting year

Scope 2, location-based

3,906

Scope 2, market-based (if applicable)

633

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) and the European Residual Mix (Re-Diss) of the AIB. Furthermore we requested certifications of our purchased green electricity by our biggest supplier, which contains emission data. In reporting Scope 2 (both location and market-based) 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

Metric tonnes CO₂e

83.84

Emissions calculation methodology

Paper:

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.

Water: GHG Protocol Scope 3 / Indicator 3.1:

Purchased water / treatment of drinking water before delivery, conversion factors from Eco-Invent 3.4 : 0.663 Kg / m³ / VfU Indicators 2018 Version 1.4 , 14th December 2020.

Data quality: data based on calculation of exact measurement

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

100

Please explain

The calculation includes the Scope 3 Emissions caused by used paper (70.68 t CO₂e) and water (13.16 t CO₂e). The calculation was based on the total amount of our group-wide paper and water consumption.

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

Metric tonnes CO₂e

518

Emissions calculation methodology

Our travel agency provides us with comprehensive statistics on the CO₂ emissions caused by business travel, which are based on the principles of the GHG Protocol. To calculate the Scope 3 emissions of business trips that were not booked via the travel provider, we use scientifically based conversion factors from the VfU tool. These are oriented to the Greenhouse Gas Protocol and are based on the ecoinvent 3.4 database.

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

61

Please explain

Caused of the pandemic situation in 2020, we have a significant decrease of business travels. Furthermore the percentage of travels, which were booked by our travel agency was lower than in the years before.

The scope of our Scope 3 emissions data includes all travel activities of our employees by plain, train, rental car and other means of transport. Because we transact most of the bookings (sites located in Germany) about our travel agency, we are able to use data on a detailed level like type of plain, class, distance etc. Furthermore the agency allows us to purchase exact CO₂ emissions which are calculated by using a consistent calculation method.

Employee commuting

Evaluation status

Not relevant, explanation provided

Please explain

In 2018 we started an initiative to calculate the emissions caused by employee commuting of our employees in our headquarter Wiesbaden. The calculation is 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.

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.

Investments

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 credits also indirectly 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 data on about 80% of our CREF portfolio. For approximately 60% of our CREF portfolio we have identified robust

building certificates (i.e. DGNB, BREEAM, HQE, LEED, NABERS) or energy-performance certificates or both.

Other (upstream)

Evaluation status

Please explain

Other (downstream)

Evaluation status

Please explain

C6.7

(C6.7) Are carbon dioxide emissions from biogenic carbon relevant to your organization?

No

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

0.0000032743

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

2,422.66

Metric denominator

unit total revenue

Metric denominator: Unit total

746,000,000

Scope 2 figure used

Market-based

% change from previous year

36.17

Direction of change

Decreased

Reason for change

Calculation:

Scope1 (1,809.60 tCO2) + Scope 2 (633.06 tCO2) (market-based) = total Scope 1 and 2 reporting year (2,442.66 tCO2)

unit total revenue (comparative figure banking) : net interest income (€512,000,000) + net commission income (€ 234,000,000) = €746,000,000

The year-on-year decline was caused by the reduction of CO2 emissions (2020: 2,442.66 tCO2 compared with 2019= 3,908.71 tCO2 , which was much higher than the decline in our comparative figure which was calculated from the sum of net interest income and net commission income (2020= 746.000,000 compared with 762.000,000). Due to the pandemic situation we had a high decrease especially in Scope 1, which was first of all caused by the reduced use of company cars.

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?

No

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
Europe	1,799.65
North America	0
Asia Pacific (or JAPA)	9.96

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By business division

C7.3a

(C7.3a) Break down your total gross global Scope 1 emissions by business division.

Business division	Scope 1 emissions (metric ton CO2e)
Aareal Bank	471.42
Aareon	1,338.19

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted for in Scope 2 market-based approach (MWh)
Europe D ₁	3,830.62	568.58	12,417.8	7,802.41
Asia Pacific (or JAPA) D ₂	33.13	30.47	78.51	0
North America D ₃	42.28	34.15	84.83	0

D₁In our total energy consumption we take additional 127.51 MWh into account, which were generated by our own photovoltaic plant at a our site in Emmen (Netherlands). This amount was not considered in the calculation for the purchased and consumed low-carbon electricity in Scope 2, because it was not part of our Scope 2 market-based approach (internal consumption).

D₂For Asia Pacific we take into account our sites in Singapore, Istanbul and Moscow.

D₃For North America we take into account our site in New York. We don't have any other sites in the United States.

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By business division

C7.6a

(C7.6a) Break down your total gross global Scope 2 emissions by business division.

Business division	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Aareal Bank	2,428.08	405.01
Aareon	1,477.95	228.19

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				By using the marked-based method of calculation, there is no need to consider the savings of green electricity, because all of our green electricity was counted with zero.
Other emissions reduction activities				
Divestment	4.49	Decreased		One sites was closed in the year under Review. As a result emissions could be saved.
Acquisitions				
Mergers				
Change in output				
Change in methodology	143.15	Decreased		We changed the emisison factors for calculating our scope 2 emissions caused by the consumption of district heating at our headquarter in Wiesbaden. In 2020 we had an exact factor from our supplier ESWE for the first time (0,0956 kgCO2/kWh), so we preferred to use this factor (last year (0,14299 kgCo2/m2).
Change in boundary				

Change in physical operating conditions	1,317.7	Decreased		Due to the pandemic situation, there was a sharp drop in energy consumption in the last reporting year, which is responsible for the generation of Scope 1 and 2 CO2 emissions. This was caused in particular by the reduced use of company vehicles. Another reason was the shift in the focus of our employees' activities to the home office.
Unidentified				
Other				

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	7,487	
Consumption of purchased or acquired electricity		7,802	759	
Consumption of purchased or acquired heat		0	3,892	
Consumption of self-generated non-fuel renewable energy		128		
Total energy consumption		7,930	12,138	

C8.2b

(C8.2b) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	No
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	Yes

C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Fuels (excluding feedstocks)

Natural Gas

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

22,461

MWh fuel consumed for self-generation of heat

22,461

MWh fuel consumed for self-cogeneration or self-trigeneration

0

Emission factor

0.198

Unit

kg CO2 per kWh

Emissions factor source

UBA (Umweltbundesamt) <https://www.umweltbundesamt.de/en/the-uba/about-us> / VfU Tool (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU) <https://vfu.de/>,

Based on ecoinvent 3.4 process Heat, central or small-scale, natural gas {RoW}| heat production, natural gas, at boiler condensing modulating <100kW | Cut-off, U. NOx and CO emissions derived from measurements under controlled conditions; no adjustment to real operation made due to lack of information. This dataset was already contained in the ecoinvent database version 2. It was not individually updated during the transfer to ecoinvent version 3.

Comment

We use the emission factors which are published within the VfU environmental calculation tool. These originate from scientific sources such as national ministries, government agencies, or reputable providers such as the International Energy Agency.

Fuels (excluding feedstocks)

Diesel

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

3,880.51

MWh fuel consumed for self-generation of heat

0

MWh fuel consumed for self-cogeneration or self-trigeneration

Emission factor

2.71192

Unit

kg CO2 per liter

Emissions factor source

UBA (Umweltbundesamt) <https://www.umweltbundesamt.de/en/the-uba/about-us> / VfU Tool (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU) <https://vfud.de/>,

Based on ecoinvent 3.4 process Transport, passenger car, medium size, petrol, EURO 5 {RER}| transport, passenger car, medium size, petrol, EURO 5 | Cut-off, U.Transport in a passenger car with internal combustion engine, fueled by petrol. The size is small, with engine size up to 2.0 litres and average weight of 1600 kg. Fuel consumption and emissions are for average vehicle use and not representative of a specific driving cycle. The dataset is parametrized with respect to vehicle size, fuel consumption and vehicle lifetime.

Comment

We use the emission factors which are published within the VfU environmental calculation tool. These originate from scientific sources such as national ministries, government agencies, or reputable providers such as the International Energy Agency.

Fuels (excluding feedstocks)

Petrol

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

2,358.7

MWh fuel consumed for self-generation of heat

0

MWh fuel consumed for self-cogeneration or self-trigeneration

0

Emission factor

2.39994

Unit

kg CO2 per liter

Emissions factor source

UBA (Umweltbundesamt) <https://www.umweltbundesamt.de/en/the-uba/about-us> / VfU Tool (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU) <https://vfud.de/>

Based on ecoinvent 3.4 process Transport, passenger car, medium size, petrol, EURO 5 {RER}| transport, passenger car, medium size, petrol, EURO 5 | Cut-off, U.Transport in a passenger car with internal combustion engine, fueled by petrol. The size is small, with engine size up to 2.0 litres and average weight of 1600 kg. Fuel consumption and emissions are for average vehicle use and not representative of a specific driving cycle. The dataset is parametrized with respect to vehicle size, fuel consumption and vehicle lifetime.

Comment

We use the emission factors which are published within the VfU environmental calculation tool. These originate from scientific sources such as national ministries, government agencies, or reputable providers such as the International Energy Agency.

Fuels (excluding feedstocks)

Burning Oil

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

54.79

MWh fuel consumed for self-generation of heat

0

MWh fuel consumed for self-cogeneration or self-trigeneration

0

Emission factor

0.2841

Unit

kg CO2 per KWh

Emissions factor source

UBA (Umweltbundesamt) <https://www.umweltbundesamt.de/en/the-uba/about-us> / VfU Tool (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU) <https://vfud.de/>

Based on ecoinvent 3.4 process Heat, central or small-scale, other than natural gas {CH} heat production, light fuel oil, at boiler 100kW, non-modulating | Cut-off, U. Inventory for the operation of a light fuel oil boiler. Data related to input. This dataset was already contained in the ecoinvent database version 2. It was not individually updated during the transfer to ecoinvent version 3.

Comment

We use the emission factors which are published within the VfU environmental calculation tool. These originate from scientific sources such as national ministries, government agencies, or reputable providers such as the International Energy Agency.

C8.2d

(C8.2d) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	127.51	127.51	127.51	127.51
Heat				
Steam				
Cooling				

C8.2e

(C8.2e) Provide details on the electricity, heat, steam, and/or cooling amounts that were accounted for at a zero emission factor in the market-based Scope 2 figure reported in C6.3.

Sourcing method

Green electricity products (e.g. green tariffs) from an energy supplier, supported by energy attribute certificates

Low-carbon technology type

Hydropower

Country/area of consumption of low-carbon electricity, heat, steam or cooling

Germany

MWh consumed accounted for at a zero emission factor

7,802.42

Comment

The total consumption of purchased low-carbon electricity was calculated as follow:
 Total green electricity consumption (7,929.93 MWh) - total green electricity generated (127.51 MWh) = 7,802.42

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_2020_en.pdf

Page/ section reference

Please see p.35 and 36 of our non financial report 2020 (independent Practitioner's Report). All information in our non-financial report were approved by our external auditor PwC as part of our limited-assurance. This includes the carbon Footprint and Energy data of our headquarters in Wiesbaden and Mainz (p.12-14), 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

C10.1b

(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

 non-financial Report_2020_en.pdf

Page/ section reference

Please see p.35 and 36 of our non financial report 2020 (independent Practitioner's Report). All information in our non-financial report were approved by our external auditor PwC as part of our limited-assurance. This includes the carbon Footprint and Energy data of our headquarters in Wiesbaden and Mainz (p.12-14), 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

 non-financial Report_2020_en.pdf

Page/ section reference

Please see p.35 and 36 of our non financial report 2020 (independent Practitioner's Report). All information in our non-financial report were approved by our external auditor PwC as part of our limited-assurance. This includes the carbon Footprint and Energy data of our headquarters in Wiesbaden and Mainz (p.12-14), 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?

 non-financial Report_2020_en.pdf

Disclosure module	Data verified	Verification standard	Please explain
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verification relates to			
C8. Energy	Energy consumption	Limited Assurance ISAE3000	<p>Please see p.35 and 36 of our non financial report 2020 (independent Practitioner's Report). All information in our non-financial report were aproved by our externa auditor PwC as part of our limited-assurance. This includes Energy data of our headquarters in Wiesbaden and Mainz (p.12-14), which includes the total energy consumption broken down by energy source (electricity, gas, diesel, petrol, heating oil, district heating).</p> <p> 1</p>
C5. Emissions performance	Year on year change in emissions (Scope 1 and 2)	Limited Assurance ISAE3000	<p>Please see p.35 and 36 of our non financial report 2020 (independent Practitioner's Report). All information in our non-financial report were aproved by our externa auditor PwC as part of our limited-assurance. This includes Statements to an decrease of ourScope 1 and 2 emissions in reference to the last reporting year 2019 at our headquarters in Wiesbaden and Mainz (p.12-14). Please note, that the CO2 Emissions at our headquarters were note veriflicated by an third Party in 2019.</p> <p> 1</p>
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	<p>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 opionion (limited assurance) by our auditor PwC (p.35-36).</p> <p> 1</p>

<p>C2. Risks and opportunities</p>	<p>Other, please specify Climate related risks and opportunities</p>	<p>Limited Assurance ISAE3000</p>	<p>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 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 these matters. (p.5-7) All contents are verified within a third party opinion (limited assurance) by our auditor PwC (p.35-36).</p> <p> 1</p>
<p>C4. Targets and performance</p>	<p>Other, please specify Our Contribution to low-carbon economy</p>	<p>Limited Assurance ISAE3000</p>	<p>We have taken the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD) into account for the first time 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 indicators and target in a consistent structure for each aspect, and ensure the content is transparent and easily accessible.</p> <p>Please see p. 9,13 - 15, 19, 20, 22, 25 - 27,29-30, 33-34, of our non-financial report 2020.</p> <p> 1</p>
<p>C3. Business strategy</p>	<p>Other, please specify Our Contribution to low-carbon economy</p>	<p>Limited Assurance ISAE3000</p>	<p>Our sustainability management operations focus on eight action areas that are depicted in the following GRI-referenced materiality matrix (page 6 of non-financial report 2020) 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</p>

		<p>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>
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 1non-financial Report_2020_en.pdf

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

No, and we do not anticipate being regulated in the next three years

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

- 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 are currently in the process of selecting the CO2 prices for our stress tests. We are currently planning to use the NGFS scenarios as a basis for the development of the CO2 price. Several scenarios are planned (orderly, disorderly and hot). However, we have not yet made a final decision on the selection of the concrete price paths (the NGFS has an extensive database, the price differs according to climate path, country/region and model). Scenario analysis will be especially based on our Scope 3 CO2-emissions caused by our commercial real estate finance portfolio (CREF).

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

25

Variance of price(s) used

Currently we expect to start stress testing with a CO2 price of €25 per tonne (with variations e.g. in the US). A final decision has not yet been made.

Type of internal carbon price

Implicit price

Impact & implication

We use the Carbon pricing as a parameter which is eligible to increase the costs (Risk Management)

C12. Engagement

C12.1

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

Yes, our suppliers

Yes, our customers

C12.1a

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

Type of engagement

Compliance & onboarding

Details of engagement

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 partner, 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

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement

Engagement & incentivization (changing customer behavior)

Details of engagement

Engage with customers on measuring exposure to climate-related risk

% of customers by number

100

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

0

Portfolio coverage (total or outstanding)

All of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement

Climate aspects are taken into account during the lending decision-making process; new, mandatory data collection fields were implemented in the collateral management system for this in the 2020 financial year. This enables standardised queries to be made regarding energy data, environmental certificates and renovation projects at the level of individual properties.

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) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

- Direct engagement with policy makers
- Trade associations
- Funding research organizations

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Mandatory carbon reporting	Support	Statement via Bundesverband deutscher Banken (BdB) and its working group on sustainability.	Aareal Bank Group supports the proposal of the European Commission for a mandatory reporting on sustainability.
Climate finance	Support	Engagement via a working group of the Verband deutscher Pfandbriefbanken (VdP).	Aareal Bank Group's Sustainability Officer actively engages in discussions on the design of green and SRI bonds.
Climate finance	Support	Aareal Bank Group submitted a response to the EMF (European Mortgage Federation) - ECBC (European Covered Bond Council) Survey on "Green " Mortgage Funding Instruments	Aareal Bank Group actively engages in fostering transparency and standardisations within the "green" mortgage funding market.
Energy efficiency	Support	Since the beginning of 2017, our standardised instruction letter for ordering valuation Reports includes a query for all properties on whether they have been granted a green building certificate and what level or score was reached in any Sustainability rating. In the medium term, we expect this to lead to significantly enhanced transparency regarding the certification status of the Sustainable properties we finance, as well as to provide further encouragement for the sector to create a common pool of qualified and meaningful data in order to determine	Aareal Bank Group engages with stakeholders to improve database / adopt life-cycle view.

		<p>the effect that sustainability certificates have on property values. In the meanwhile, appraisers / valuers we engage do have to gather the following information for any property (specified in our instruction letter): "Please describe if there is a Green Building Label in place and name the certificate. Please do also indicate the Level, the date of certification and the date of expiry. If there is currently no certificate, please do also indicate if it is intended to receive one (e.g. after renovation).</p> <p>Please do also indicate if there was an energetic upgrade of the building in recent years and its extent.</p> <p>Further, please indicate the current primary energy demand and consumption (KWh/sqm or KWh/sqft) and the ultimate energy demand and consumption (KWh/sqm or KWh/sqft) and the source of your information."</p>	
Climate finance	Support	<p>We engage in industry Associations (Association of German Banks; Association of German Pfandbrief Banks; Federal Association of German Public Banks) to foster the dialogue and share experiences and best practices on planned political and regulatory measures such as The EU Action Plan "Financing Sustainable Growth". The Group Sustainability Officer represents the Group on the BDB as well VÖB ad hoc working Group "Sustainable Finance".</p>	<p>We accompany the strategy and necessary steps for the financial system to contribute to the EU's sustainable development objectives by bringing in the perspective of a leading international property specialist.</p> <p>Example: BDB, VDP and VÖB intervend because Banks as well as Banking products and services were not adequately represented in the first proposal for an EU classification system for sustainability activities (taxonomy).</p>
Other, please specify	Support	<p>Major renovations aimed at improving the environmental performance of a building should be supported, not penalised, by the regulatory</p>	<p>Influence via interviews with investors and the press (e.g. interview in the</p>

Equity backing for building refurbishment		<p>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.</p> <p>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.</p>	Börsenzeitung of 19 June 2020)
Energy efficiency	Support	Aareon is participating in the "foresight" project of the German Federal Ministry of Economics and Energy.	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.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Association of German Banks (Bundesverband deutscher Banken - BdB)

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

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.

How have you influenced, or are you attempting to influence their position?

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.

Trade association

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

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

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.

How have you influenced, or are you attempting to influence their position?

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.

Trade association

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

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

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.

How have you influenced, or are you attempting to influence their position?

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.

Trade association

Econsense Forum for Sustainable Development of German Business

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

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.

How have you influenced, or are you attempting to influence their position?

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.

Trade association

European Covered Bond Council

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The EMF -ECBC launched the Energy Efficient Mortgages initiative to increase transparency and identify best practice.

How have you influenced, or are you attempting to influence their position?

Aareal Bank Group submitted a response.

Trade association

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

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

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.

How have you influenced, or are you attempting to influence their position?

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.

C12.3d

(C12.3d) Do you publicly disclose a list of all research organizations that you fund?

No

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

Different units of the Bank are involved in the preparation of our statements. Regular meetings and exchanges ensure the consistency of our overall strategy. Regular meetings with the Sustainability Committee and a dialogue between the Group Sustainability Officer and the Executive Board guarantee further consistency.

Official statements are coordinated by the head of the Board Office. Departments are contacted for thematic approval, before being handed over to the Executive Board. This ensures a "common language" for Aareal Bank.

In addition, the Steering Committee "Statutory amendments" meets at least twice a year as well as on an ad-hoc basis to identify new legal – and in particular regulatory – issues which are relevant for the Bank's operations.

Duties in detail:

- Provision of information regarding new – and in particular regulatory – issues which are relevant for Aareal Bank AG's operations in Germany
- Initial analysis of new requirements arising from regulatory and accounting law, and other higher-level requirements, with a view to their relevance for the operations of Aareal Bank AG. The topics are classified on the basis of pre-defined criteria regarding the impact categories (e.g. impact on business strategy, income statement etc.)
- Alignment of Group-wide positioning and definition of roles and responsibilities in further process.

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_2020_en.pdf

Page/Section reference

All

Content elements

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

Comment

In our non-financial report, we have taken the recommendation of the TCFD into account for the first time and have integrated the recommended content in the four-pillar structure with the structure of our non-financial report.


Publication

In voluntary communications

Status

Complete

Attach the document

 06E_NHD 2020_CO2 Emissions.pdf

Page/Section reference

All

Content elements

Emissions figures

Comment

Please see our CO2-Emissions data sheet.


Publication

In voluntary communications

Status

Complete

Attach the document

 04E_NHD 2020_Environmental Key Indicators.pdf

Page/Section reference

All

Content elements

Other, please specify
Environmental performance indicators

Comment

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.

Publication

In voluntary communications

Status

Complete

Attach the document

 06E_NHD 2020_Employee Key Indicators.pdf

Page/Section reference

All

Content elements

Other, please specify
Employee key indicatros

Comment

Employee key indicatros

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

	Industry collaboration	Comment
Reporting framework	Partnership for Carbon Accounting Financials (PCAF)	We are involved 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. Currently we are looking forward to sign the PCAF Commitment Letter, which commits us to report according to the PCAF standard within 3 years.
Industry initiative	Other, please specify Project Pathway to Paris and XDC for Real Estate Stakeholder Council	<p>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.</p> <p>Added value is generated in particular in the following areas:</p> <ul style="list-style-type: none"> -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>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.</p>
Commitment	Other, please specify 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.
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C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	Yes	Other, please specify Climate Value at Risk	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.
Other products and services, please specify	Yes	Other, please specify Green Consulting	The "Green Consulting" service offering was launched in 2017. The goal is to reduce the costs of IT projects by eliminating travel time. This benefits both customers and employees. Reducing CO2 emissions by reducing business travel is a by-product of the initiative. In addition for each online consulting day a donation of € 10 is made to DESWOS, the German Development Assistance for Social Housing and Housing e.V. With the "Green Consulting" project, Aareon consistently uses the possibilities of the new digital world of work. In this way, the respective consultant can carry out the

			necessary work remotely. The project duration is thus reduced and at the same time results facilitates the work of the individual consultants by eliminating business trips.
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C-FS14.1a

(C-FS14.1a) What are your organization’s Scope 3 portfolio emissions? (Category 15 “Investments” total emissions)

Category 15 (Investments)

Evaluation status

Relevant, not yet calculated

Please explain

As a global real estate financier, we have recognized the particular relevance of the Scope 3 emissions caused by our financing activities.

We are currently working intensively to determine the carbon footprint of our financing portfolio and have already achieved success. Through an ongoing dialogue with our clients and research in external databases we have been able to gather preliminary data (e.g. Energy Performance certificates) on about 80% of our CREF portfolio. These form the basis for us to calculate the carbon footprint. We are also involved in initiatives such as the PCAF D/A/CH group with the aim of developing a uniform methodology for calculating the CO2 emissions of the financing portfolio together with other industry representatives. In this context, we continuously contribute our progress to the working group through the participation of various experts.

In the past two years, we have already conducted an extensive study in cooperation with the data provider MSCI, in which our newly acquired business in 2018 and 2019 was examined in terms of its climate impact and risk (physical and transition). MSCI's calculation methodology was applied and was based on a mix of real values and assumptions. Therefore the accuracy of the information provided in C-FS14.b should be seen as an initial indication of future calculation based on real data obtained as part of our initiatives to increase portfolio transparency.

C-FS14.1b

(C-FS14.1b) What is your organization’s Scope 3 portfolio impact? (Category 15 “Investments” alternative carbon footprinting and/or exposure metrics)

Metric type

Exposure to carbon-related assets

Metric unit

Other, please specify
Climate Value at Risk

Scope 3 portfolio metric

3.75

Portfolio coverage

More than 20% but less than or equal to 30%

Percentage calculated using data obtained from clients/investees

Calculation methodology

The Climate Value-at-Risk (CVaR) in % represents a portfolio's or an asset's risk exposure to climate change. MSCI ESG Research models the policy transition risk and physical risk in this context. The CVaR represents the combined discounted transition policy risk costs and the extreme weather event costs expressed as a percentage of the portfolio's value or an asset's gross asset value. For both policy transition risks and physical risks, detailed cost calculations are performed for the next 15 years. Subsequently, the terminal value is computed using Scenario specific assumptions. The forward-looking metric allows investors to understand climate change risk in their portfolio, identify risks today and implement adaptation and mitigation measures, allowing asset owners to manage limited resources and maximizing impacts. Transition Risks are assessed based on the carbon intensity of an asset. These are compared to country and sector decarbonisation pathways for different scenarios. Any lag behind the national decarbonisation pathways is summed and multiplied by a predicted carbon price to calculate the potential cost of emissions which are then discounted to their Net Present Value. This discounted cost is then converted into a Climate Value-at-Risk by expressing it as a percentage of total asset value. Physical Risks are assessed based on the geolocation of assets and their increased or decreased exposure to individual hazards as a consequence of climate change. These are then converted to costs using vulnerability damage functions, and discounted to their Net Present Value. This discounted cost is then converted into a Climate Value-at-Risk by expressing it as a percentage of total asset value.

To calculate portfolio coverage, we divided the total value of newly acquired business in 2019 by our total financing portfolio as of the reporting date 12/31/20. It is assumed that the new business acquired in 2019 is still in the portfolio. The values provided are for 2019 new business. Additional consideration of 2018 new business data (also collected) would further increase coverage.

Please explain

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 ESG Research is a data analytics company that conducts comprehensive assessments of climate change risks and opportunities embedded within investment portfolios across the following asset classes: equities, fixed income and real estate. It has developed a fully automated and forward-looking financial climate risk metric called Climate Value-at-Risk (Climate VaR).

Metric type

(Portfolio) carbon footprint

Metric unit

Other, please specify
portfolio warming potential (in degree)

Scope 3 portfolio metric

3.82

Portfolio coverage

More than 20% but less than or equal to 30%

Percentage calculated using data obtained from clients/investees

Calculation methodology

MSCI calculated the portfolio warming potential(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.

To calculate portfolio coverage, we divided the total value of newly acquired business in 2019 by our total financing portfolio as of the reporting date 12/31/20. It is assumed that the new business acquired in 2019 is still in the portfolio. The values provided are for 2019 new business. Additional consideration of 2018 new business data (also collected) would further increase coverage.

The warming potential helps us to get a impression of where we stand in relation to different climate target paths (x degree). Furthermore the investigation allows us to break down the warming potential into different asset classes.

Please explain

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 ESG Research is a data analytics company that conducts comprehensive assessments of climate change risks and opportunities embedded within investment portfolios across the following asset classes: equities, fixed income and real estate. It has developed a fully automated and forward-looking financial climate risk metric called Climate Value-at-Risk (Climate VaR).

Metric type

Carbon intensity

Metric unit

Other, please specify
kg CO₂e/m²/yr

Scope 3 portfolio metric

56.9

Portfolio coverage

More than 20% but less than or equal to 30%

Percentage calculated using data obtained from clients/investees

Calculation methodology

MSCI calculated the CO₂ intensity (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.

To calculate portfolio coverage, we divided the total value of newly acquired business in 2019 by our total financing portfolio as of the reporting date 12/31/20. It is assumed that the new business acquired in 2019 is still in the portfolio. The values provided are for 2019 new business. Additional consideration of 2018 new business data (also collected) would further increase coverage.

Carbon intensity per square meter gives us an impression of where we stand in relation to different climate target paths (x degree) and how high the risks are in relation to a rising carbon price.

Please explain

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 ESG Research is a data analytics company that conducts comprehensive assessments of climate change risks and opportunities embedded within investment portfolios across the following asset classes: equities, fixed income and real estate. It has developed a fully automated and forward-looking financial climate risk metric called Climate Value-at-Risk (Climate VaR).

C-FS14.2

(C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?

	Scope 3 breakdown	Comment
Row 1	None of the above, but we plan to do this in the next 2 years	We also plan to break down the Scope 3 emissions of our financing portfolio by asset class/country/region once we have calculated them. Together with our clients we are striving to achieve maximum transparency relating to the environmental performance of our commercial real estate finance portfolio. For example, we already know for approx. 80% of our portfolio whether and which sustainability criteria are met (e.g. availability of an energy certificate, building certificate).

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	Yes	Our newly acquired 2018 and 2019 business portfolio was analyzed by MSCI to assess physical climate risks (e.g. extreme weather events such as coastal flooding, tropical cyclones, extreme heat/cold) and transitional risks (e.g. increasing regulation or CO2 price) and to calculate the "Climate Value at Risk". In addition, MSCI also assessed the warming potential, illustrating the warming potential of our portfolio extract and relating it to important target temperatures in global climate change negotiations. We have gained an initial overview of this. With various other internal initiatives we create transparency across our entire portfolio and can then derive targeted measures (e.g. green lending).

Other products and services, please specify	No	First of all, we have to create internal transparency and then approach our customers and investors with requirements.
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C-FS14.3a

(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?

	We assess alignment	Please explain
Bank lending (Bank)	No	At the moment, we are working on creating complete portfolio transparency, which forms the basis for evaluating the Paris compatibility of our portfolio. This is also a prerequisite for evaluating the assessment on our customers and investors.

C-FS14.3b

(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	No	At the moment, we are working on creating complete portfolio transparency, which forms the basis for evaluating the Paris compatibility of our portfolio and setting a science based target. This is also a prerequisite for evaluating the assessment on our customers and investors.

C15. 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 2020', 'Environmental Key Indicators', 'CO2 Emissions', 'Employee Key Indicators' our Code of Conduct and our Code of Conduct for Suppliers.

All documents are attached.

-  Code_of_Conduct_en.pdf
-  Aareal Green Finance Framework - Liabilities.pdf
-  Code_of_Conduct_Suppliers_E.pdf
-  Aareal_Bank_Green_Finance_Framework-Lending_Second_Party_Opinion_Sustainalytics.pdf
-  Green_Finance_Lending_Framework_en.pdf
-  04E_NHD 2020_Environmental Key Indicators.pdf
-  non-financial Report_2020_en.pdf
-  06E_NHD 2020_CO2 Emissions.pdf
-  06E_NHD 2020_Employee Key Indicators.pdf

C15.1

(C15.1) 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 am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

Please confirm below

I have read and accept the applicable Terms