

# Welcome to your CDP Climate Change Questionnaire 2020

## 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 MDAX 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	Select the number of past reporting years you will be providing emissions data for
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Reporting year	January 1, 2019	December 31, 2019	Yes	3 years
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## C0.3

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

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

## C0.4

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

EUR

## C0.5

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

Financial control

## C-FS0.7

**(C-FS0.7) Which 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 means we can underline the strategic importance of climate-related issues and sustainability for our corporate philosophy, steer its practical implementation at the highest level and ensure 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 – all meetings	<ul style="list-style-type: none"> <li>Reviewing and guiding strategy</li> <li>Reviewing and guiding major plans of action</li> <li>Reviewing and guiding risk management policies</li> <li>Reviewing and guiding annual budgets</li> <li>Reviewing and guiding business plans</li> <li>Monitoring implementation and</li> </ul>	<ul style="list-style-type: none"> <li>Climate-related risks and opportunities to our own operations</li> <li>Climate-related risks and opportunities to our bank lending activities</li> <li>The impact of our own</li> </ul>	<p>Risk management is a core priority at Aareal Bank Group - as a strong risk culture is an integral part of our responsible corporate management.</p> <p>The following governance mechanisms have been implemented:</p> <ul style="list-style-type: none"> <li>- 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</li> </ul>

	<p>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>operations on the climate</p> <p>The impact of our bank lending activities on the climate</p>	<p>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</p> <p>- The Executive Board monitors the risk situation on the basis of quarterly / annually risk model valuations and corresponding reports (e.g. impact and probability of risks are assessed within inventory based on expert scenarios, etc.). Independently of these regular valuations / reports, the Executive Board has implemented an ad-hoc reporting process, in case of a significant incident or new or changed major risks. The reports are sent to the responsible heads of division, Executive Board, Supervisory Board and Banking Supervisory Authorities (ECB).</p> <p>- Specific climate risks are taken into consideration within the loan approval process during the risk analysis of the property. If the risk is too high (not acceptable) – e.g. depending on the location of an object (near the waterside, potential storm warnings etc.) and on its equipment (emergency power supply, fire protection, etc.), it is an exclusion criterion for the corresponding deal.</p> <p>- The 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.</p>
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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).
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## 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-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

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

## 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. The Sustainability Committee, which was established back 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 Company performance against a climate-related sustainability index	The Executive Board gains recognition for its implementation of the sustainability programme. Sustainability (including climate related issues) is formally included in the individual targets of the Executive Board members; focusing on a sustainable future-oriented business model and strategy.
Management group	Monetary reward	Emissions reduction project	All entitled staff members who decide not to use a company car receive a monthly gross salary supplement of €1,500 up to €2,300. This surcharge is taxed at the individual tax rate. Depending on the user category, Aareal Bank only contributes to the costs of the company car up to a certain extent. Beyond this, eligible employees have the option of making additional payments, although these are capped by maximum amounts. Depending on the user group, there are restrictions with regard to the choice of manufacturers/models as well as the permissible CO2 emissions. In this respect, there is greater flexibility in the choice of an electric vehicle to the extent that the selection of additional manufacturers is possible. With regard to electric vehicles, there is also no cap on co-payment.
Buyers/purchasers	Non-monetary reward	Supply chain engagement	The Code of Conduct for Suppliers ( <a href="https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Code_of_Conduct_Lieferanten_E.pdf">https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Code_of_Conduct_Lieferanten_E.pdf</a> ) defines environmental protection and safety requirements.  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



			<p>meet with respect to their responsibility for people and the environment. Aareal Bank Group expects its suppliers to comply with the following values and principles themselves and to ensure that their pre-suppliers also do so. Taking responsibility for the environment is a matter of course for Aareal Bank Group companies' suppliers. This means not only that they observe environmental protection legislation, but that they also make an effort to protect natural resources and to identify and give preference to environmentally friendly solutions.</p> <p>Additionally, the supplier shall accept its health and safety responsibility with respect to employees, shall ensure compliance with the statutory maximum working times, and shall take all necessary precautionary measures to prevent accidents and occupational diseases.</p>
All employees	Non-monetary reward	Company performance against a climate-related sustainability index	<p>Aareal Bank has formulated guidelines for the responsible use of the environment. This „Environmental Guideline“ shall be seen as a benchmark for our actions and it is thus binding for all employees of the corporation. The guidelines refer to diverse aspects that are relevant for the environment e.g. considerate handling of resources and shall - at the same time - contribute to a generally enhanced consciousness of the environment. The „Environmental Guideline“ forms the basis of our detailed environmental goals and measures that can be found in our sustainability programme. These written principles are an important component of an applied environmental management and are rated by sustainability rating agencies.</p>
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</p>

			<p>target achievement. The total of individual components of the target variable remuneration is multiplied by a factor and is thus capped. The Management Board may reduce this factor at its reasonable discretion. This shall apply in particular when the Group component has already been waived.</p> <p>In the event of negative performance contributions on the corporate level, on the level of the organisational unit in which the employee works and on the individual employee level, they lead to a reduction and possibly the complete loss of variable remuneration, including deferred variable remuneration.</p>
All employees	Non-monetary reward	Emissions reduction project	<p>Aareal Bank has formulated guidelines for traveling. Efficiency, cost consciousness and sustainability are three main principles in planning and executing a business trip.</p> <p>Prior to the start of the trip employees are asked to consider the need of a business trip under aspects of the cost-benefit ratio, under consideration of alternative communication options and sustainability aspects. Regarding the choice of transport mode public transportation is preferred.</p>
Management group	Monetary reward	Behavior change related indicator Company performance against a climate-related sustainability index	<p>ESG targets (including climate related issues) are formally included in the individual targets on management level too, as ESG Targets of Board members are translated into sub-targets for Direct Reports.</p>

## 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.**

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### **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.

## 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>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. 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> <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 reductions in the equity backing for climate-friendly products and services (Green Supporting Factor) may also be granted.</p>
Emerging regulation	Relevant, always included	In line with the Business Continuity Management, emergency measurements/plans have been installed for all significant processes and systems to avoid significant risks.
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>



		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.
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>

## 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	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".
Other products and services, please specify	Yes	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 climate-relevant data. For this purpose, Aareal Bank has recently begun 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.



## 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)	Majority of the portfolio	Qualitative and quantitative	<p>MSCI ESG Research is a data analytics firm 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).</p> <p>Climate VaR Methodology for Real Estate: 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</p>

			Climate Value-at-Risk by expressing it as a percentage of total asset value.
Other products and services, please specify	Majority of the portfolio	Qualitative and quantitative	<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 climaterlevant 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>

## 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>MSCI ESG Research is a data analytics firm that conducts comprehensive assessments of climate change risks and opportunities (e.g. extreme weather events such as coastal flooding, floods, tropical cyclones) 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). Climate VaR Methodology for Real Estate 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.</p>

			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.
Other products and services, please specify	Not applicable		No water related 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 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

		<p>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>
<p>Other products and services, please specify</p>	<p>Not applicable</p>	

### 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 €.

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**Identifier**

Risk 3

**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 direct costs

**Climate risk type mapped to traditional financial services industry risk classification**

Market 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.

**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)**

25,000,000

**Potential financial impact figure – maximum (currency)**

### Explanation of financial impact figure

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

### Cost of response to risk

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 €.

## 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?**

**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**

70,000

**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 €.

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**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**

Long-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)**
**Potential financial impact figure – maximum (currency)**

50,000

**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 €.

**Cost to realize opportunity**

0

**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**

No additional costs occur as monitoring of latest changes in regulations is part of our business.

**Identifier**

Opp3

**Where in the value chain does the opportunity occur?**
**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.

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**

Likely

**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)**

**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**

0

**Strategy to realize opportunity and explanation of cost calculation**

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.

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**Identifier**

Opp4

**Where in the value chain does the opportunity occur?**

**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**

**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?**

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**

**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: 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

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**Identifier**

Opp5

**Where in the value chain does the opportunity occur?**

**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**

More likely than not

**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**

**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) Does your organization use climate-related scenario analysis to inform its strategy?**

Yes, qualitative and quantitative

#### C3.1b

**(C3.1b) Provide details of your organization’s use of climate-related scenario analysis.**

Climate-related scenarios and models applied	Details
Other, please specify	Assessing climate change risks is part of the overall operational risk management procedures. The Bank defines operational risk as the threat of

Own Aareal Bank scenarios	<p>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"> <li>1) Water damage (e.g. burst pipes, storm or similar events)</li> <li>2) Power failure due to external influences (fault of the utility, construction work or storm).</li> <li>3) Disruption in the IT and communication infrastructure (data centre, data and telephone lines, etc.)</li> <li>4) Failure of know-how in the case of major events such as trade fairs</li> <li>5) Damage due to faulty maintenance or repair during conversions.</li> </ol>
Other, please specify Due Diligence	<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><b>Due Diligence</b> Mandatory check of risk environment based on property appraisals, Technical Due Diligence reports, natural hazard maps and tools from the insurance industry 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><b>Insurance Audit</b> 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>
Other, please specify MSCI	<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 CO<sub>2</sub>-price) and calculate the "Climate Value at Risk". 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.</p>

## C3.1d

**(C3.1d) 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

### C3.1e

**(C3.1e) 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"> <li>- Stronger strategic anchoring of sustainability in the Group</li> <li>- Seizing business opportunities in the growth market of sustainable products</li> <li>- Management of environmental, social and governance (ESG) risks including risk reporting</li> <li>- Compliance with relevant regulatory ESG requirements by the bank</li> <li>- 1 million investment Budget and approx.. 1,000 man-day/2 years</li> </ul> <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>

### C3.1f

**(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).**

...

### C-FS3.2

**(C-FS3.2) 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-FS3.2a

**(C-FS3.2a) In which policies are climate-related issues integrated?**

	Type of policy	Portfolio coverage of policy	Description
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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, Aareal@ ESG, 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 CO<sub>2</sub>e)**

3,249

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

88

**Target year**

2020

**Targeted reduction from base year (%)**

100

**Covered emissions in target year (metric tons CO<sub>2</sub>e) [auto-calculated]**

0

**Covered emissions in reporting year (metric tons CO<sub>2</sub>e)**

92

**% of target achieved [auto-calculated]**

97.1683594952

**Target status in reporting year**

Underway

**Is this a science-based target?**

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

**Please explain (including target coverage)**

In 2015, we set ourselves the target of saving 100 percent of the CO<sub>2</sub> 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 3249 t CO<sub>2</sub>e 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 foreign locations. These will be considered in a target which is currently under development.

We can only set targets once we have transparency at our property financing portfolio level.

## 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)**

Other, please specify

Other, please specify

**Target denominator (intensity targets only)**

**Base year**

2015

**Figure or percentage in base year**

0

**Target year**

2023

**Figure or percentage in target year**

80

**Figure or percentage in reporting year**

**% of target achieved [auto-calculated]**

**Target status in reporting year**

Underway

**Is this target part of an emissions target?**

yes

**Is this target part of an overarching initiative?**

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

At the moment we evaluate our Scope 3 emissions caused by business travel and started to calculate the emissions of employee commuting in the reporting year. 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.

### 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 CO<sub>2</sub>e savings.**

	Number of initiatives	Total estimated annual CO <sub>2</sub> e savings in metric tonnes CO <sub>2</sub> e (only for rows marked *)
Under investigation	3	
To be implemented*	1	
Implementation commenced*	1	
Implemented*	2	
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 CO<sub>2</sub>e savings (metric tonnes CO<sub>2</sub>e)

#### Scope(s)

Scope 1

#### Voluntary/Mandatory

Voluntary

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

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

**Payback period**

**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 will be completed in December 2020. Some of the pumps have already been replaced.

---

**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

**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**

11-15 years

**Comment**

Modernisation of the ventilation systems in Building 5 and Building 12 Conference area.

---

**Initiative category & Initiative type**

Energy efficiency in buildings  
Combined heat and power (cogeneration)

**Estimated annual CO2e savings (metric tonnes CO2e)**

**Scope(s)**

Scope 1

**Voluntary/Mandatory**

Voluntary

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

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

**Payback period**

<1 year

**Estimated lifetime of the initiative**

Ongoing

**Comment**

For the location in Mainz the waste heat of the computer center and geothermal energy is used for heating.

## C4.3c

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

Method	Comment
Compliance with regulatory requirements/standards	The responsible use of our natural resources and the protection of the environment are part of the corporate responsibility. Environmental and climate protection are therefore among the corporate goals of Aareal Bank. 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.
Dedicated budget for energy efficiency	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.
Employee engagement	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. The project managers have to identify starting points for improvement and to initiate concrete measures. Our staff can

	<p>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 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>

## 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 CO<sub>2</sub> are needed to produce 100 sheets of paper. This means 43 tons of CO<sub>2</sub> 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, Mareon 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

## **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 CO<sub>2</sub>e)**

4,257

**Comment**

Our environmental data were checked by PwC for the first time in 2015 (limited assurance). Furthermore we evaluate Group wide environmental data which cover our international sites and all our subsidiaries.

**Scope 2 (location-based)**

---

**Base year start**

January 1, 2015

**Base year end**

December 31, 2015

**Base year emissions (metric tons CO<sub>2</sub>e)**

6,243

**Comment**

Our environmental data were checked by PwC for the first time in 2015 (limited assurance). Furthermore we evaluate Group wide environmental data which cover our international sites and all our subsidiaries.

**Scope 2 (market-based)**

---

**Base year start**

January 1, 2015

**Base year end**

December 31, 2015

**Base year emissions (metric tons CO<sub>2</sub>e)**

3,166

**Comment**

Our environmental data were checked by PwC for the first time in 2015 (limited assurance). Furthermore we evaluate Group wide environmental data which cover our international sites and all our subsidiaries. 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 market-based method.

## 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)

## C6. Emissions data

### C6.1

**(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO<sub>2</sub>e?**

#### Reporting year

---

**Gross global Scope 1 emissions (metric tons CO<sub>2</sub>e)**

3,159

**Start date**

January 1, 2019

**End date**

December 31, 2019

**Comment**

Calculation based on 2019 UBA Emission factors Germany/ VfU Tool. The biggest part of our gross global Scope 1 Emissions is caused by our company cars with diesel and gasoline engines (2,885 t CO<sub>2</sub>e). Changes due to fewer company cars and fuel changes. Moreover a small part is caused by heating with heating oil and gas at some national and international sites (275 t CO<sub>2</sub>e). 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.

#### Past year 1

---

**Gross global Scope 1 emissions (metric tons CO<sub>2</sub>e)**

3,760

**Start date**

January 1, 2018

**End date**

December 31, 2018

**Comment**

Calculation based on 2018 UBA Emission factors Germany/ VfU Tool The biggest part of our gross global Scope 1 Emissions is caused by our company cars with diesel and gasoline engines (3435 t CO<sub>2</sub>e). Moreover a small part is caused by heating with heating oil and gas at some national and international sites (325 t CO<sub>2</sub>e). At our headquarters in Wiesbaden and Mainz we are using environmental friendly district

heating Systems (listed under Scope 2 emissions).

### Past year 2

---

#### Gross global Scope 1 emissions (metric tons CO<sub>2</sub>e)

3,386

#### Start date

January 1, 2017

#### End date

December 31, 2017

#### Comment

Calculation based on 2016 DEFRA Emission factors. The biggest part of our gross global Scope 1 Emissions is caused by our company cars with diesel and gasoline engines (3111 t CO<sub>2</sub>e). Moreover a small part is caused by heating with heating oil and gas at some national and international sites (276 t CO<sub>2</sub>e). At our headquarters in Wiesbaden and Mainz we are using environmental friendly district heating Systems (listed under Scope 2 emissions)

### Past year 3

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#### Gross global Scope 1 emissions (metric tons CO<sub>2</sub>e)

3,962

#### Start date

January 1, 2016

#### End date

December 31, 2016

#### Comment

Calculation based on 2014 DEFRA Emission factors.

## 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). Furthermore we requested certifications of our purchased green electricity by our biggest supplier, which contents emission data.

## C6.3

### (C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO<sub>2</sub>e?

#### Reporting year

---

##### Scope 2, location-based

4,942

##### Scope 2, market-based (if applicable)

749

##### Start date

January 1, 2019

##### End date

December 31, 2019

##### 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). Furthermore we requested certifications of our purchased green electricity by our biggest supplier, which contents emission data.

Why less metric tons Co<sub>2</sub> in 2019?: Some more international locations that have switched to green electricity (Singapore, France, Turkey).

Various site closures and site openings. We were able to reduce our district heating consumption by about 3,5 % (532 tonnes).

#### Past year 1

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##### Scope 2, location-based

5,593

##### Scope 2, market-based (if applicable)

953

##### Start date

January 1, 2018

##### End date

December 31, 2018

##### Comment

Calculation based on 2018 UBA Emission factors Germany/ VfU Tool The trend since 2015 shows that a continuous reduction was achieved. Reasons were the purchase of green electricity at our headquarters in Wiesbaden and Mainz and at the most sites in Germany and have extended the green electricity contracts until 2021 last year . Furthermore we now also purchase green electricity also at sites in the Netherlands, Sweden, Poland, Shanghai and Italy an Aareon got some new Locations worldwide. The high proportion of district heating in our total heating energy is responsible for a part of our total scope 2 emissions as well (551 tonnes).

## Past year 2

---

### Scope 2, location-based

6,821

### Scope 2, market-based (if applicable)

2,728

### Start date

January 1, 2017

### End date

December 31, 2017

### 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). Furthermore we requested certifications of our purchased green electricity by our biggest supplier, which contains emission data.

## Past year 3

---

### Scope 2, location-based

5,950

### Scope 2, market-based (if applicable)

2,955

### Start date

January 1, 2016

### End date

December 31, 2016

### Comment

Calculation based on 2015 DEFRA Emission factors.

## 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 CO<sub>2</sub>e**

118.43

**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 CO<sub>2</sub> per metric tonne for new fibre paper (ECF/TCF) / VfU Indicators 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 / m<sup>3</sup> / VfU Indicators 2019. Data quality: data based on calculation; 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 water (18.36 t CO<sub>2</sub>e) and paper (100.06 t CO<sub>2</sub>e).

### 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)

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**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 CO<sub>2</sub>e**

1,652

**Emissions calculation methodology**

15 % are not handled directly by our travelagency (foreign Locations). For Business travels at our international sites we calculate the emissions by using the emisison factors of the GHG Protocol.

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

75

**Please explain**

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 (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 CO<sub>2</sub> emissions which are calculated by using a consistent calculation method.

## Employee commuting

---

### Evaluation status

Relevant, calculated

### Metric tonnes CO<sub>2</sub>e

### Emissions calculation methodology

We started with the routes to and from work 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 by in 2018. As a part of this process we had chosen factors, which represent the vehicle class of our staff and a mix of public transport.

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

0

### Please explain

Due to privacy law in Germany, Aareal Bank Group cannot require its employees to provide information on their commuting patterns. In 2018, we carried out a comprehensive survey on the mobility behavior of our employees at our Headquarter in Wiesbaden. This provides important Information, which were used to calculate the Scope 3 CO<sub>2</sub> emissions caused by Employee commuting.

## 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**

Relevant, not yet calculated

**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**

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 a first step, we will assess the proportion of buildings with sustainability certifications and, within the framework of our memberships in associations such as the VfU, we work closely with other industry representatives.

### Other (upstream)

---

**Evaluation status**

Not evaluated

**Please explain**

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

### Other (downstream)

---

**Evaluation status**

Not evaluated

**Please explain**

Aareal Bank Group is a leading property specialist in the financial sector. We have no emissions caused of others (downstream).

## 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**

0.00000513

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

3,908.71

**Metric denominator**

unit total revenue

**Metric denominator: Unit total**

762,000,000

**Scope 2 figure used**

Market-based

**% change from previous year**

18.36

**Direction of change**

Decreased

**Reason for change**

Calculation= Scope1+2 reporting year (3,908.71 tCo2)/ net interest income+ net commission income (762 Mio.)

The year-on-year decline is due to the reduction in CO2 emissions (2019= 3,908.71 compared with 2018= 4,712.33) and the increase in net interest income and net commission income (2019= 762 million compared with 750 million).

## 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	3,141
North America	0
Asia Pacific (or JAPA)	18

### 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)
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Aareal Bank	605.27
Aareon	2,554.18

## 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	4,859.28	682.6	13,726.77	13,052.19
North America	46.98	49.18	94.25	0
Asia Pacific (or JAPA)	36.23	17.49	87.39	59.59

## 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	3,121.19	552.04
Aareon	1,821.3	190.64

## 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	0		0	By using the marked-based method of calculation, there is no need to consider the savings of green electricity.
Other emissions reduction activities	550.07	Decreased	11.67	Fewer company cars and conversion of the company car fleet.
Divestment	0.63	Decreased	0.01	Various sites were closed in the year under Review. As a result emissions could be saved.
Acquisitions	16.79	Increased	0.36	PlusForta was integrated into the Group at the beginning of 2019. The two new sites contribute to an increase in total emissions.
Mergers	0		0	
Change in output	0		0	
Change in methodology	0		0	
Change in boundary	0		0	
Change in physical operating conditions	273.26	Decreased	5.8	Several Locations moved to smaller Offices in 2019. Furthermore in some sites adjustments were made to the heating system.
Unidentified	2.17	Increased	0.05	Continuous optimization of the calculation methodology has improved data quality, replacing, for example, estimates with real data. In addition, economic fluctuations in our business field cause changes. The weather conditions in the reporting year can also cause a fluctuation of emissions.
Other	0		0	

## 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)	HHV (higher heating value)		11,870	11,870

Consumption of purchased or acquired electricity		9,393	681	10,074
Consumption of purchased or acquired heat			3,719	
Consumption of self-generated non-fuel renewable energy		115		115
Total energy consumption		9,508	16,270	28,778

## 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	Yes
Consumption of fuel for the generation of heat	No
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	No

## C8.2c

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

.....

**Fuels (excluding feedstocks)**

Burning Oil

**Heating value**

**Total fuel MWh consumed by the organization**

7.22

**MWh fuel consumed for self-generation of electricity**

7.22

**MWh fuel consumed for self-generation of heat**

0

**Emission factor**

0.284

**Unit**

metric tons CO2 per MWh

**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/>)

**Comment**

For emergency power backup Generator as well specific consumption for cleaning and maintenance of the Generator.

$7.22 \text{ MWh} * 0.284 = 2.05 \text{ tonnes Co}_2$

---

**Fuels (excluding feedstocks)**

Petrol

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

2,408.33

**MWh fuel consumed for self-generation of electricity**

0

**MWh fuel consumed for self-generation of heat**

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/>)

**Comment**

Company cars  
Standard Petrol bought from any local filling Station (across the board forecourt fuel typically contains biofuel content)

---

**Fuels (excluding feedstocks)**

Diesel

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

8,078.06

**MWh fuel consumed for self-generation of electricity**

0

**MWh fuel consumed for self-generation of heat**

0

**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://vfu.de/>

**Comment**

Company cars  
Diesel (average biofuel blend), Standard Diesel bought from any local filling Station (across the board forecourt fuel typically contains biofuel content).

---

**Fuels (excluding feedstocks)**

Natural Gas

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

1,376.39

**MWh fuel consumed for self-generation of electricity**

0

**MWh fuel consumed for self-generation of heat**

0

**Emission factor**

198

**Unit**

kg CO2e per MWh

**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/>)

**Comment**

**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	115	115	115	115
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/region of consumption of low-carbon electricity, heat, steam or cooling**

CEE (Central and Eastern Europe)

**MWh consumed accounted for at a zero emission factor**

9,508

**Comment**

The total consumption of purchased low-carbon electricity was calculated as follow:  
 Total green electricity consumption (9,508 MWh) - total green electricity generated (115MWh) = 9,393 MWh

## 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**

Biennial process

**Status in the current reporting year**

No verification or assurance of current reporting year

**Type of verification or assurance**

Limited assurance

**Attach the statement**



 Aareal\_Bank\_Pruefvermerk\_2018.pdf

**Page/ section reference**

page 10

**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**

Biennial process

**Status in the current reporting year**

No verification or assurance of current reporting year

**Type of verification or assurance**

Limited assurance

**Attach the statement**

 Aareal\_Bank\_Pruefvermerk\_2018.pdf

**Page/ section reference**

page 10

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

**Scope 2 approach**

Scope 2 market-based

**Verification or assurance cycle in place**

Triennial process

**Status in the current reporting year**

No verification or assurance of current reporting year

**Type of verification or assurance**

Limited assurance

**Attach the statement**

 Aareal\_Bank\_Pruefvermerk\_2018.pdf

**Page/ section reference**

page 10

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100


**C10.2**


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



Yes

**C10.2a**

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

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C0. Introduction	Other, please specify Description of business model	International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB.	Short description of business model of Aareal Bank Group. (please find it on page 2 of the attached document)  1
C1. Governance	Other, please specify Obtaining an understanding of the structure of the	International Standard on Assurance Engagements (ISAE)	At an organisational level, Aareal Bank Group has assigned responsibility for sustainability

	<p>sustainability organization and of the stakeholder engagement</p>	<p>3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB.</p>	<p>management to Investor Relations – with a direct reporting line of the Group Sustainability Officer to the Chairman of the Management Board. This means we can underline the strategic importance of sustainability for our corporate philosophy, steer its practical implementation at the highest level and ensure that material ESG information are incorporated in the communication with our stakeholders. The Sustainability Committee, which was established back in 2012, serves as Aareal Bank Group's central management body for sustainable development. It meets regularly once a quarter and on an ad hoc basis in special cases. (please find it on page 5-7 of the attached document)</p> <p> 1</p>
<p>C3. Business strategy</p>	<p>Other, please specify materiality Analysis</p>	<p>International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB.</p>	<p>Continuous dialogue with our stakeholders has a very high priority for us. It helps to ensure we are driving forward the core topics material to a sustainable focus on the future, despite the dynamic market environment. As a result – and also because the requirements of the different stakeholder groups can change – we continuously review the results of the materiality analysis we conducted at the end of 2015/beginning of 2016. We use a variety of different formats for our stakeholder dialogue, with personal discussions being the most important of these. In our experience, identifying and understanding changes in stakeholder requirements and expectations can best be done through direct dialogue. We check whether our materiality matrix is still focused on the key strategic issues for business opportunities and risks by conducting ongoing expert</p>

			<p>interviews with representatives of different stakeholder groups. The discussions we held in the past financial year confirmed our existing assessment of the action areas. Our review focused on material issues within the meaning of section 289c (3) of the HGB, i. e. all information necessary for an understanding of the Group's development, performance and position, and of the impact of its business activities on the five aspects.</p> <p>(please find it on page 3 of the attached document)</p> <p> 1</p>
<p>C12. Engagement</p>	<p>Other, please specify Policies and their outcomes, including the material risks and due diligence processes and the nonfinancial key performance indicators disclosed</p>	<p>International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB.</p>	<p>Our risk Report provides comprehensive Information on our risk management system and the material risks associated with our business activities, products and services, and business relationships that have been identified for Aareal Bank Group. We do not see any other reportable risks pursuant to the CSR-RLUG whose potential adverse impacts on the aspects are or could be severe or whose occurrence is highly probable. We provide more detail on topics that are of particular importance to stakeholders who are interested in sustainability in the overview of risks and opportunities given at the beginning of each aspect. The aspects are addressed in their order of priority for us as a financial institution and service provider – i. e. anti-corruption and bribery matters and employee-related matters are addressed before social matters, respect for human rights and environmental matters.</p> <p>(please find it on page 5 of the attached document)</p> <p> 1</p>

📎 102E\_Nichtfinanzieller Bericht 2019g.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?**

No, and we do not currently anticipate doing so in the next two years

## 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**

Engagement & incentivization (changing supplier behavior)

**Details of engagement**

Climate change performance is featured in supplier awards scheme

**% of suppliers by number**

80

**% total procurement spend (direct and indirect)**

80

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

0

#### **Rationale for the coverage of your engagement**

Code of Conduct for Suppliers has been implemented in 2016: Mandatory for all new suppliers, contract negotiations with existing suppliers in progress. Suppliers signing it acknowledge their obligation to comply with legal regulations and to behave in an ethically appropriate manner. A responsible approach to the environment plays a particularly important role here. Suppliers are required at all times to conserve natural resources and to find and prioritise environmentally friendly solutions as far as possible. The Code of Conduct for Suppliers is publicly available on our website and forms part of our General Terms and Conditions. Existing business partners are also signing the Code, in a gradual process that initially focuses on partners with whom master agreements exist. Currently, these business partners are covered by our General Terms and Conditions which require them to comply with our Code of Conduct for Suppliers as well. In the case of new business partners or service providers, the Code of Conduct for Suppliers forms the basis of the business relationship.

[https://www.aarealbank.com/fileadmin/05\\_Verantwortung/03\\_Other\\_PDF-files/Code\\_of\\_Conduct\\_Lieferanten\\_E.pdf](https://www.aarealbank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Code_of_Conduct_Lieferanten_E.pdf)

#### **Impact of engagement, including measures of success**

Implementation / contract negotiations work well: 80% of suppliers / procurement volume covered in second year after implementation. The Code of Conduct for Suppliers is extremely important to us for two reasons. Firstly, it enables us to extend our environmental and sustainability management activities to the Group's indirect effects – something we cannot otherwise influence significantly. Secondly, it protects us against potential risks from any failures to comply with environmental or social standards in our supply chain.

#### **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**

Other, please specify  
green consulting

#### **% of customers by number**

100

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

0

**Portfolio coverage (total or outstanding)**

Unknown

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

Consulting business usually is travel-intensive and thus causes a lot of emissions. Via teleconferences and video conferences as well as webinars we envisage to reduce travel time, expenses and emissions for our customers as well as our own Consultants.

**Impact of engagement, including measures of success**

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. . 3,751 online Consulting days in 2019 reduced Projects costs and Carbon emissions at Clients and Aareon alike. 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.

**Type of engagement**

Education/information sharing

**Details of engagement**

Share information about your products and relevant certification schemes (i.e. Energy STAR)

**% 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**

Housing companies can use smart metering to improve their energy efficiency by installing tools to monitor and measure electricity, heat and water consumption. Visualising user data on tenant portals makes individual behaviour transparent for the users concerned, allowing them to modify it if necessary, and to achieve savings.

### Impact of engagement, including measures of success

Studies confirmed behavioural changes leading to minimised consumption due to increased transparency. In addition to our activities within our Company, we also promote the sustainable development of the economy and society. This is why we participate in cross-sector sustainability initiatives at national and international level, as well as being members of organisations representing the banking and property industries. We engage in a dialogue with representatives of business, politics and society, sharing our experiences and best practices, and drawing up position papers and comments on planned political and regulatory measures. In this way we ensure that economic, social, environmental and governance aspects are all included in the decisionmaking process. Example: With the German Association for Environment in Banks, Saving Banks and Insurance Companies (VfU), we initiated a series of workshops reg. "Real Estate Business in the context of Sustainable Finance". Workshop on "sustaina Management" took place in 4/2019.

## 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) Surrey 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	Aareal Bank Group engages with stakeholders to improve



		<p>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 the effect that sustainabilitycertificates have on property values. In the meanwhile, appraisers / yaluers 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>	<p>database / adopt life-cycle view.</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</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>

		Growth". The Group Sustainability Officer represents the Group on the BDB as well VÖB ad hoc working Group "Sustainable Finance".	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).
Other, please specify Equity backing for building refurbishment	Support	Major renovations aimed at improving the environmental performance of a building should be supported, not penalised, by the regulatory authorities. can be subsumed under 'risky' property development and then be subject to correspondingly high capital requirements. On the other hand, if a building is not fully renovated, it is unlikely that it will be able to meet the next climate standard immediately. We are not calling for a reduction in capital requirements. We are merely advocating that renovation should not necessarily trigger an increase in the cost of equity.	Influence via interviews with investors and the press (e.g. interview in the 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.**

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### 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.

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### 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.

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**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.

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**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.

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### **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).**

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### Publication

In mainstream reports

### Status

Complete

### Attach the document

 02E\_Nichtfinanzieller Bericht 2019g.pdf

### Page/Section reference

all

### Content elements

Governance  
Strategy  
Risks & opportunities  
Other, please specify  
    Environmental matters

### Comment

Non-financial report

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### Publication

In voluntary communications

### Status

Complete

### Attach the document

 Emissionswerte\_en.pdf

**Page/Section reference**

all

**Content elements**

Emissions figures

**Comment**

Data Sheet Co2 Emissions

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**Publication**

In voluntary communications

**Status**

Complete

**Attach the document**

 Umweltkennzahlen\_en.pdf

**Page/Section reference**

all

**Content elements**

Other metrics

**Comment**

Enviromental Key Indicators

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**Publication**

In voluntary communications

**Status**

Complete

**Attach the document**

 Mitarbeiterkennzahlen\_en.pdf

**Page/Section reference**

all

**Content elements**

Other, please specify  
employees key Indicators

**Comment**



employees key Indicators

## 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		
Industry initiative		
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.

## 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".
Other products and services,	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-

<p>please specify</p>		<p>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.</p>
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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**

Through various projects and internal initiatives at Aareal Bank, we are in the process of creating transparency, such as our newly created CMS fields, increasing transparency on energy efficiency on property and portfolio level. Measures will then be derived from this and should ultimately lead to Scope 3, which will enable us to define our portfolio Impact.

### 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)**

### 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
<p>Row 1</p>	<p>None of the above, but we plan to do this in the next 2 years</p>	<p>Through various projects and internal initiatives at Aareal Bank, we are in the process of creating transparency, such as our newly created CMS fields, increasing transparency on energy efficiency on property and portfolio level. . Measures will then be derived from this and should ultimately lead to Scope 3, which will enable us to define our portfolio Impact.</p>

### 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.

### 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	First of all, we have to create internal transparency and then approach our customers and investors with requirements.

### 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	First of all, we have to create internal transparency and then approach our customers and investors with requirements.

## 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.**

### 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	Chairman of the Management Board	Chief Executive Officer (CEO)

## 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