

LOCAL EXPERTISE  
MEETS GLOBAL EXCELLENCE



# Responsibility

Responsibility builds on conviction  
Sustainability Report 2012



**Aareal Bank  
Group**

## About this Report

This sustainability report is Aareal Bank Group's first detailed and systematic report on its social and environmental performance. It represents the fruits of the Company's efforts to make the effects of its business activities on the natural and social environment transparent to clients, shareholders, investors, employees, suppliers and the wider public.

The sustainability report is the result of a strategy process in which we analysed sustainability as it relates to us and our courses of action open to us in detail. We then set ourselves corresponding goals for the coming years. These goals are presented in this report. Going forward, regular sustainability reporting will chart our progress in reaching these goals every year.

Our first sustainability report invites stakeholders to join the conversation. It is designed as a springboard for systematic communication with our stakeholder groups – on questions relating to the evolution of our sustainability strategy and to specific expectations of our Company.

### Reporting period and scope

This report and the figures presented in it relate to the financial years 2010, 2011 and 2012. This report covers Aareal Bank Group; data or statements relating to individual Group companies are identified as such.

### Content of the report

This report is largely based on the third generation (3.0) guidelines on sustainability reporting of the Global Reporting Initiative (GRI) and also takes into account the Financial Services Sector Supplement. An overview of the GRI indicators and a reference to the relevant page in the sustainability report is provided on page 55 et seq.

### Editorial note

The editorial deadline for this report was 30 June 2013. To improve readability we have largely avoided writing out legal forms. All figures and data have been compiled with the greatest care and, to our knowledge, the information provided is correct. However, we cannot assume any liability for the accuracy and completeness of this information. The German version of this Sustainability Report will prevail exclusively.

### Further information

Further information on sustainability can be found on the Internet at [www.aareal-bank.com](http://www.aareal-bank.com). Information on current developments relating to sustainability at Aareal Bank Group is provided here on an ongoing basis.

## Selected Key Figures

	1 Jan- 31 Dec 2012	1 Jan- 31 Dec 2011	Changes	
	€ mn	€ mn	€ mn	
<b>Income Statement</b>				
Operating profit	176	185	-9	
Net income after non-controlling interests	105	114	-9	
<b>Indicators</b>				
Cost/income ratio (%) <sup>1)</sup>	40.9	43.9		
Earnings per share (€)	1.75	2.11		
RoE before taxes (%)	7.2	8.3		
RoE after taxes (%)	4.8	5.7		

	31 Dec 2012	31 Dec 2011	Changes	Changes
	€ mn	€ mn	€ mn	%
<b>Portfolio Data</b>				
Property financing	23,304	23,986	-682	-3
of which: international	19,991	20,425	-434	-2
Equity	2,352	2,169	183	8
Total assets	45,734	41,814	3,920	9
<b>Regulatory Indicators</b>				
Tier 1 ratio pursuant to AIRBA <sup>2)</sup>	16.7	16.3		
Total capital ratio pursuant to AIRBA <sup>2)</sup>	20.6	19.5		

	31 Dec 2012	31 Dec 2011		
<b>Ratings</b>				
Fitch Ratings, London – long-term	A -	A -		
Fitch Ratings, London – short-term	F1	F1		
Mortgage Pfandbriefe	AAA	AAA		
Public-sector Pfandbriefe	AAA	AAA		
oekom research	C Prime			
Sustainalytics	57	50		
EIRIS/imug	Participation	Participation		
CDP	67 D			

<sup>1)</sup> Structured Property Financing segment only

<sup>2)</sup> Advanced Internal Ratings-Based Approach

## Sustainability Strategy and Management



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Long-term business success is a key aspect of Aareal Bank Group's corporate philosophy. It provides the foundation for the success of our group of companies, which has been operating to the benefit of its clients for 90 years. 2012 saw us devise our sustainability strategy, setting the framework for our everyday activities – from senior management through to individual employees.

## Clients and Products



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Aareal Bank Group's business model is based on two pillars. The Structured Property Financing segment provides customised financial services for commercial property clients, while the Consulting/ Services segment offers a comprehensive range of services for the commercial management of properties by the institutional housing industry. The Company takes a long-term approach to client relations and aims to provide sustainable solutions.

## Employees



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The success of a company is largely dependent on its employees. Qualified and motivated employees play a key role in economic performance and, in this way, are an important factor for success – including compared to the competition. This is why Aareal Bank Group operates a targeted employee development policy to promote its employees' professional and personal skills. In addition, we take specific measures to improve employees' work-life balance and offer a Company Health Management programme.

## Environment



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Aareal Bank Group is keen to minimise the impact its business activities have on the environment. It therefore endeavours to use energy and consumables as efficiently as possible and to obtain them from renewable sources. Its suppliers' compliance with environmental standards also plays a role.

## Society



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Doing business goes beyond a company's actual business activities – it also involves taking social responsibility. This is why Aareal Bank Group supports a large number of external educational and academic initiatives, as well as charitable and social organisations. This is not limited to mere financial support, i.e. donations and sponsorship. It also includes employee involvement and knowledge transfer.

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”For us, **sustainability** is not a fashion – it has been **driving our business** for decades.“

Dr Wolf Schumacher,  
Chairman of the Management Board of Aareal Bank AG



## Interview with Dr Wolf Schumacher

**Dr Schumacher, Aareal Bank is celebrating its 90th anniversary this year. You have a very solid reputation and you received a positive rating from oekom research for your sustainability performance. Is Aareal Bank a sustainable bank?**

We are aware that our responsibilities do not end with our bottom line of our Income Statement. We see ourselves as a company that acts in the interests of its customers, shareholders, investors, employees, as well as society at large. As a result, we define sustainability as managing the bank soundly on behalf of our stakeholders over many decades. The high level of trust that our stakeholders place in the longevity of the company is what impels us to make decisions that we can accept responsibility for tomorrow.

**What made you decide to create a sustainability report?**

A company cannot justify its existence unless it is anchored in society. For us, sustainability is not a fashion – it has been driving our business for decades. A look at the history of our company is ample evidence of this: support for our clients that spans many years, our in-depth understanding of their needs and the markets in which we are active – these are all central to a sustainability-driven business model. At the same time, communicating this in a transparent manner is today a vital part of sound and far-sighted corporate governance. Sustainability is an increasingly important issue for all of our stakeholders. And that is one of the reasons why we now want to make our actions more transparent by presenting this Sustainability Report.

**Innovation and longevity are recurring themes in Aareal Bank's history. Aren't these mutually exclusive?**

No. A company has to act solidly and take a forward-looking approach, but at the same time it has to be adaptable and flexible. Otherwise it will not survive. It is only through innovating and by continually improving its products and services that a company can safeguard its right to exist on the market. For us, this means that our products and services have to remain attractive for our clients. And investing in our

shares or in our Pfandbriefe and bonds has to continue to pay off for our investors. In addition, the question of continuing professional development and individual opportunities is also very important to our employees.

**What are your focus areas and issues within sustainability?**

We essentially have five areas in which we put sustainability into practice: clients and products, employees, shareholders, the environment and society. We conducted an internal analysis to identify key sustainability issues and define the issues that are ultimately relevant to our stakeholders. Specifically, these include integrity in doing business, transparency and reporting, as well as employee development, work-life balance, and diversity and equal opportunities.

**What does sustainability mean for you in relation to Aareal Bank's employees, for example?**

Qualified and motivated employees are crucial to a company's performance and, in this way, are an important factor for its success. This is why companies have to invest in their employees as their most important resource – as we do. We operate a targeted employee development policy to promote our employees' professional and personal skills. We also offer our employees an employer-funded occupational pension scheme and flexible working models, among other things, to promote a better work-life balance. In addition, our Company Health Management programme helps our employees to stay healthy.

**Aareal Bank appears to have come through the crisis extraordinarily well.**

**What makes you different from other banks?**

We certainly held up very well over the past few of years in what was an extremely challenging environment for the entire sector. There are several reasons for this. Firstly, we have an extremely solid business model based on two strong pillars – Structured Property Financing and Consulting/Services. On the other hand, we have always run a purely client-focused business and, as a result, we have very solid relationships with our customers – which we continued to maintain throughout the financial and economic crisis. This pays off. Above all, however, we attach great importance to being sustainable in the way we do business – thinking long-term, acting soundly and prudently, and adapting your business model to new market conditions in good time also enables you to deal with crises.

**What do you have planned for the coming years with respect to sustainability?**

We are a medium-sized company, and the flexibility that goes with this – both in terms of developing solutions and our streamlined internal decision-making processes – is an important part of our corporate culture. We see our commitment to sustainability as a long-term commitment and want to contribute any way we can. To do this, we will assume a high degree of responsibility for driving forward the areas and issues that we have identified and presented in our Sustainability Report on an ongoing basis, and for making this transparent.



Aareal Bank Group has participated in the United Nations Global Compact since 2012. By signing the UN Global Compact, Aareal Bank Group is committed to aligning its business processes with the ten principles in the areas of human rights, labour standards, environmental protection and anti-corruption.



## Company Profile

Aareal Bank Group has a long tradition and a solid, forward-looking business model. With its two segments Structured Property Financing and Consulting/Services the Group is a leading international property specialist in the commercial property and housing industries.

### Identity and Company history

We have always put our clients at the centre of our business activities since the Bank was founded in 1923. Since then, our expertise has grown steadily and become increasingly international. From financing private residential construction in the early years of the Company, we have today grown to become a partner for commercial property financing across three continents and an end-to-end service provider for the institutional housing industry.

The factors that make our business successful – local market and property expertise, face-to-face client contact, in-depth analysis of their needs and client support, often spanning many years – have remained a driving force throughout. Our mission was and is to create tangible benefits for our stakeholders and the real economy.



**1923**  
On 20 July, Deutsche Wohnstätten-Bank AG is founded in Berlin, to provide construction financing.

**1926**  
The bank's name changes to Deutsche Bau- und Bodenbank AG. The first system for evaluating potential borrowers is developed.



**1957**  
The bank's ultra modern data centre commences operations in Mainz. The innovative IT products for the commercial housing industry mark the beginning of a new business area.

**1948**  
Deutsche Bau- und Bodenbank establishes a second office in Frankfurt/Main. The institution begins supporting the construction sector early on by providing innovative bridging finance for home loan and savings contracts.



Aareal Bank features a mid-sized structure, which ensures close cooperation, swift action and tailored solutions. This mid-sized structure also informs our judicious, risk-sensitive and prudent approach. That is why our clients have placed their trust in us for the last 90 years.

Our long-standing client relationships are based on our longevity and stability. Both are reflected in the fact that we move with the time and continually adapt our business model to changing requirements. For us, continually demonstrating client benefits is an ongoing challenge, and one that we want to meet in a dependable manner. Our readiness to adapt to new circumstances and take on new ideas and challenges is what makes us successful. In this way, we have developed an awareness of how important trust is and how far we have to go to retain this at the Bank over many decades. This has shaped our identity. In the recent past, our business model has proven to be crisis-proof – and this is one of the reasons why.

### Company history since 1923 – milestones

**1979**  
The Federal Republic of Germany transfers its majority shareholding in Deutsche Bau- und Bodenbank AG to Deutsche Pfandbriefanstalt, which went public in March 1991.

**1999**  
Deutsche Bau- und Bodenbank becomes known as DePfa Bank AG – encompassing all of Pfandbriefbank AG's property activities.



**2002**  
Concentrating on the core areas of expertise leads to the formation of two specialist banks: besides DEPFA BANK plc as the public sector financing provider, Aareal Bank AG is established and has its initial public offering in June of that year.

**2005**  
Aareal Bank AG's two strong segments emerge: "Structured Property Financing" and "Consulting/Services" are the central pillars of a successful business model that has since found success across three continents.

Further information on the 90-year anniversary of Aareal Bank Group are available under [www.aareal-bank-90years.com](http://www.aareal-bank-90years.com)

### Aareal Bank Group's portfolio and services

Aareal Bank Group operates in over 20 countries across three continents – Europe, North America and Asia. The parent company of the Group is Aareal Bank AG, which is listed in the MDAX index. The Group's companies are bundled under the Aareal Bank AG umbrella in the Structured Property Financing and Consulting/Services segments.

#### Aareal Bank Group locations on three continents



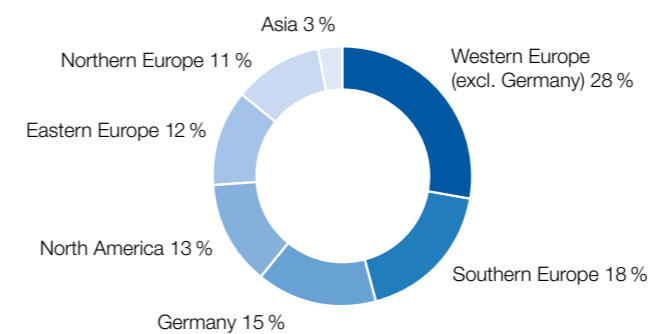
**Aareal Bank, Real Estate Structured Finance:** Brussels, Copenhagen, Dublin, Istanbul, London, Madrid, Moscow, New York, Paris, Rome, Shanghai, Singapore, Stockholm, Warsaw, Wiesbaden |  
**Aareal Valuation GmbH:** Wiesbaden | **Aareal Estate AG:** Wiesbaden

**Aareal Bank, Institutional Housing Unit:** Berlin, Essen, Hamburg, Leipzig, Munich, Stuttgart, Wiesbaden | **Aareon AG:** Berlin, Coventry, Dortmund, Emmen, Enschede, Essen, Hamburg, Hückelhoven, Leipzig, Leusden, Mainz, Meudon-la-Forêt, Munich, Nantes, Orléans, Son en Breugel, Southampton, Stuttgart, Swansea, Toulouse | **Deutsche Bau- und Grundstücks-AG:** Berlin, Bonn, Moscow, Munich | **Aareal First Financial Solutions AG:** Mainz

In the **Structured Property Financing** segment, Aareal Bank Group provides support for domestic and international clients investing in property. Our particular strength lies in our combination of local market expertise and sector-specific know-how. Alongside local specialists, we have teams of logistics, shopping centre and hotel financing experts. This enables us to develop solid, tailored financing solutions for our clients.

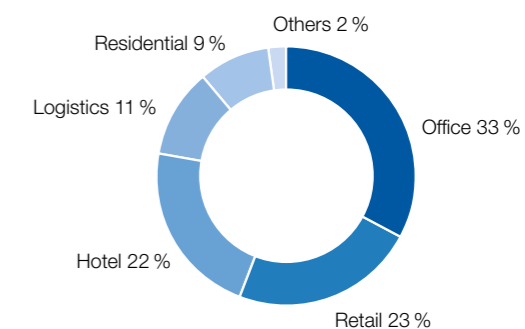
#### Property financing portfolio by region<sup>1)</sup>

as at 31 Dec 2012



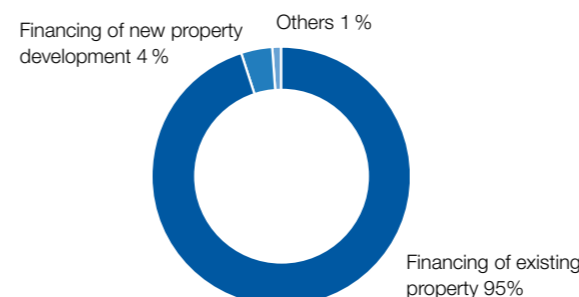
#### Property financing portfolio by type of property<sup>1)</sup>

as at 31 Dec 2012



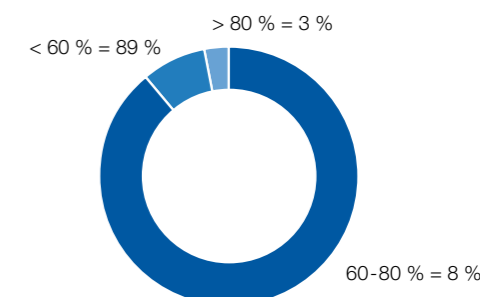
#### Property financing portfolio by type of product<sup>1)</sup>

as at 31 Dec 2012



#### Property financing portfolio by LTV range<sup>2)</sup>

as at 31 Dec 2012



<sup>1)</sup> Total volume under management of € 23.5 billion as at 31 December 2012 (property financing under management includes property financing volumes in the amount of € 0.2 billion managed on behalf of Deutsche Pfandbriefbank AG); <sup>2)</sup> Performing loan portfolio only

As an active issuer of Pfandbriefe and uncovered bank bonds, Aareal Bank has a sound, broad base for its refinancing requirements. Deposits by institutional investors are another key source of refinancing. These are largely independent of the capital markets and represent an important additional component in the Bank's long-term funding mix.

The **Consulting/Services** segment offers solutions for the housing and commercial property industries, as well as for the energy and waste management markets. In addition to specialised banking services, these include in particular processing automated mass payments and optimising higher-level processes. We also draw on over fifty years' experience in providing consulting, software and services to optimise IT-based business processes for property companies and their clients and partners. Our service range is systematically focused on our clients' needs.



## Sustainability Strategy and Management

Long-term business success is a key aspect of Aareal Bank Group's corporate philosophy. It provides the foundation for the success of our group of companies, which has been operating to the benefit of its clients for 90 years. 2012 saw us devise our sustainability strategy, setting the framework for our everyday activities – from senior management through to individual employees.



### Why we operate sustainably

Now more than ever before, there is pressure on companies to make a contribution to sustainable economic and social development. The finance industry plays a special role in this – both in terms of its own business activities and at the client interface.

Contributing to sustainable economic development is therefore a priority for Aareal Bank Group. By doing so, the Company aims to protect the resources and choices available to future generations. As a private bank, Aareal Bank Group finances properties and acts as an intermediary between investors and borrowers. Aareal Bank AG is the lead bank to the housing industry in Germany and offers payment solutions, rent payment processing and deposit management. Through its Aareon AG subsidiary, Aareal Bank operates the IT systems and consultancy business for the institutional housing industry. Since it was founded 90 years ago, a guiding principle has evolved at Aareal Bank Group: that it should be able to operate successfully and in line with ethical principles not only in the short term, but over the long term, too. Numerous measures are taken to achieve this, ranging from interacting with business partners and shareholders through to safeguarding attractive jobs for our employees.

### How we ensure sustainability

Aareal Bank Group is aware of the responsibility and the need to focus on social requirements associated with its aspiration to sustainability and documents this in its sustainability strategy. The greater public interest in consideration being given not only to economic, but also to environmental and social requirements, and stakeholders' increased need for information confirm that we are on the right track. We regard all groups with a justified interest in Aareal Bank Group's activities as stakeholders. These include not only shareholders, but also clients, investors, employees and all those affected by our decisions.

To implement its sustainability strategy, Aareal Bank Group has developed a vision that is being translated into action through an integrated sustainability management approach. This system is based on regular dialogue with our stakeholders. It enables key sustainability issues to be efficiently integrated into the interaction with stakeholder groups, and for what they expect the Company to do to be recorded more effectively.

”For Aareal Bank, operating sustainably  
in a way that is guided by  
**social requirements**  
is a natural part of our business model.  
We are willing to take on **responsibility.**”

Dr Wolf Schumacher, Chairman of the Management Board of Aareal Bank AG

### Our sustainability strategy

Aareal Bank Group's sustainability strategy is an integral part of our corporate strategy and helps us achieve our corporate objectives. As a committed, forward-looking company, we see five key areas in which we put sustainability into practice:

**Clients and products:** To develop Aareal Bank Group's core business sustainably, the Company brings its business philosophy to bear when discussing sustainability trends and developing sustainable solutions in the world of finance. As a partner to the property industry, we pay particular attention to the requirements and tasks facing the sector as it applies sustainability aspects to its business operations.

**Employees:** Aareal Bank Group's employees are the most important agents of the Company's sustainability activities. We therefore sensitise our employees to various sustainability issues and foster their motivation and ability to put sustainability into practice in their everyday work. This also supports our efforts to offer employees an attractive working environment with long-term prospects.

**Shareholders:** Aareal Bank Group regularly informs its shareholders about sustainability trends which are material to its business and the corresponding measures taken. Our successful participation in ratings and rankings means this is also documented by third parties.

**Environment:** In day-to-day operations, Aareal Bank Group gives consideration to environmental requirements and endeavours to improve its global footprint – the impact of its own activities on the environment. Besides using energy more sparingly, we also achieve this through sustainable procurement.

**Society:** In addition to its direct business activities, Aareal Bank Group aims to make a further contribution to improving the common good. It does so, for example, by providing money, materials and expertise for projects. Our focus here is on supporting education in the finance and property industry and providing targeted long-term support for individual social projects.

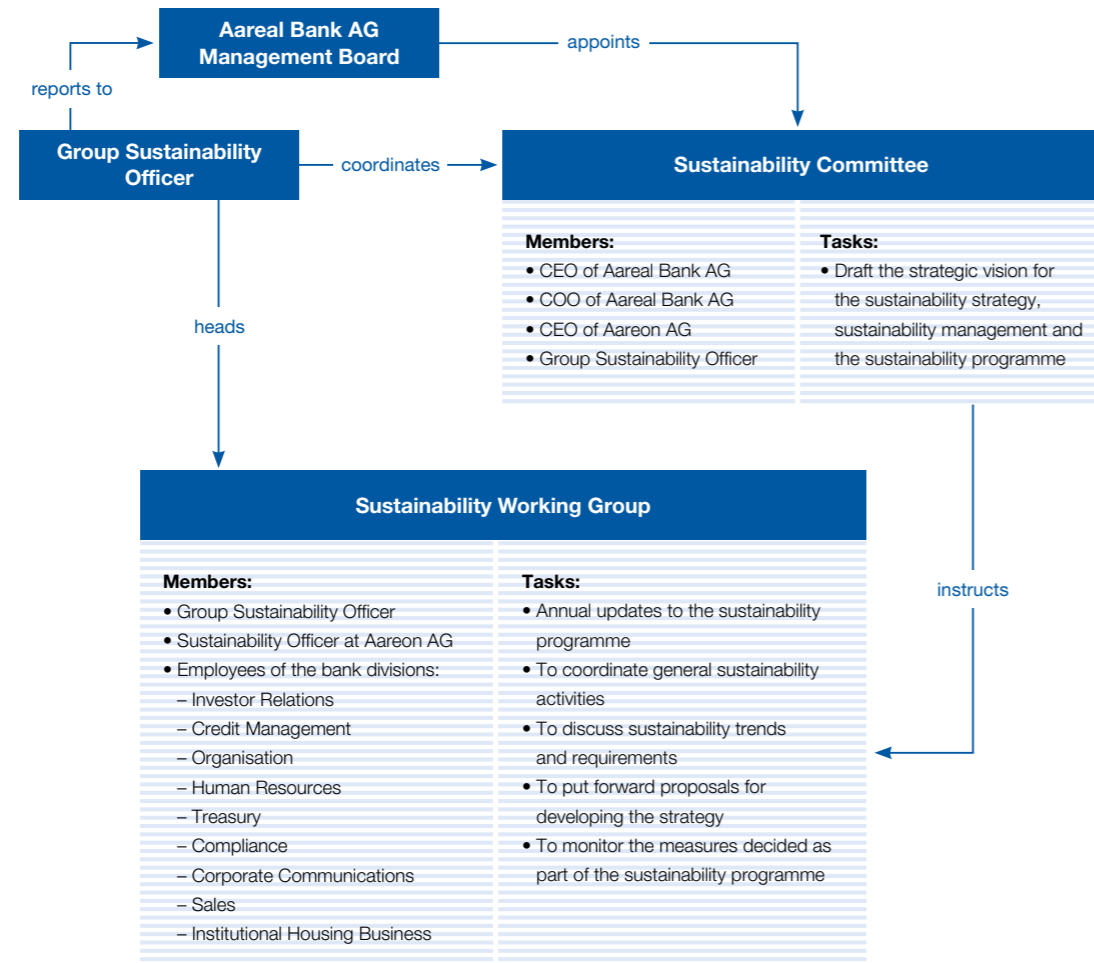
### Identifying the key issues

Aareal Bank Group used an internal analysis to define key sustainability issues with a view to promptly identifying those issues that are of relevance to stakeholders and the Company. These were weighted according to their importance for stakeholders and the Company's success and form the basis of the sustainability programme, which is supported by appropriate implementation packages.

For Aareal Bank Group, the key sustainability issues include “integrity in doing business” and “transparency and reporting”, as these are very important for both stakeholders and the Company's success. “Employee development”, “work-life balance” and “diversity and equal opportunities” also feature among the particularly relevant issues.

### How we organise sustainability

At an organisational level, Aareal Bank Group has assigned sustainability management to the Chairman of the Management Board. This not only underlines the strategic importance of sustainability for our corporate philosophy; it also means that its practical implementation is organised and managed from the highest level. The Chairman of the Management Board puts the sustainability strategy and the annual programme for its implementation to the Management Board for discussion and approval. He also keeps the Management Board regularly informed of internal and external sustainability-related developments of importance to Aareal Bank Group. In managing and developing sustainability-related activities, he is supported by the Group Sustainability Officer, who organises the meetings of the Sustainability Committee and the Sustainability Working Group and acts as the point of contact for all Company divisions with questions regarding sustainability and the implementation of the measures in the sustainability programme. In specific cases, he also provides technical support. He monitors Aareal Bank Group's sustainability performance and puts forward proposals for continually updating the sustainability programme in consultation with the divisions concerned. He also acts as the point of contact for external stakeholders who notify us of sustainability concerns or wish to receive information on activities in this area. In addition, the Group Sustainability Officer is responsible for sustainability reporting and for participation in ratings and rankings in this area.



Establishing the strategic principles that guide our sustainability management is the responsibility of the Sustainability Committee. This is made up of the Chairman of the Management Board and Chief Operating Officer of Aareal Bank, the Chairman of the Management Board of Aareon and the Group Sustainability Officer. The Sustainability Committee meets every six months and on an ad hoc basis, with meetings chaired by the Chairman of the Bank's Management Board.

The Sustainability Working Group acts as a sounding board for the Sustainability Committee. Its members develop the sustainability programme, analyse megatrends and assess opportunities and risks facing Aareal Bank Group. It is also responsible for developing and implementing the sustainability programme and for coordinating general sustainability activities in the Group. It includes representatives of the Human Resources, Organisation, Corporate Communications, Investor Relations, Treasury, Compliance, Institutional Housing, Sales and Credit Management divisions, plus the Sustainability Officers at Aareal Bank Group and Aareon. The Sustainability Working Group meets once a quarter and on special occasions on an ad hoc basis, and is chaired by the Group Sustainability Officer. We have also established a similar structure at our largest subsidiary, Aareon.

### Defining the framework for what we do

Responsible, transparent corporate governance is not only a tradition at Aareal Bank Group; it is also something to which we attach considerable importance and, in the eyes of the Management Board and Supervisory Board, is an expression of good business practice. As the parent of Aareal Bank Group, Aareal Bank AG therefore expressly supports the objectives and purpose of the German Corporate Governance Code and regularly tracks the amendments made to the Code by the Government Commission on the German Corporate Governance Code. The Supervisory Board discusses the amendments and, together with the Management Board, decides the extent to which Aareal Bank will follow the recommendations.

Integrity and responsible conduct are obligations for all of our employees – regardless of their position and role. The Code of Conduct is an integral part of our responsible corporate governance. It contains binding rules requiring all employees to act in a lawful and ethical manner towards clients, business partners and co-workers.

It is supplemented by detailed compliance guidelines aimed at preventing conflicts of interest, corruption, money laundering, fraud and data protection breaches. Compliance with the guidelines is checked on an annual basis by Internal Audit and external auditors. When it introduced procedural guidelines aimed at preventing financial crime in 2010, Aareal Bank also established a procedure that both requires our employees to report incidents and guarantees their anonymity if they do so. No cases of corruption have come to light since the process was put in place.

Aareon also drew up an anti-corruption guideline in the reporting period, which is due to be published in the course of 2013. This requires corruption risk both in Aareon Group and at the foreign subsidiaries to be regularly reviewed in the course of binding risk analyses. Aareon already prepares an annual compliance report, which is made available to Aareal Bank.

As soon as they are recruited, Aareal Bank employees in Wiesbaden are informed about the Company's compliance and fraud prevention requirements in a classroom-based training course. Training is also delivered using written information materials. In addition, all Bank employees must complete training pro-

grammes covering compliance, money laundering, other punishable offences and data protection. Subject-specific classroom-based training is also offered. External employees may be required to attend the training programme, depending on how long they are employed at Aareal Bank. Foreign employees are trained by compliance officers appointed locally. Aareon's anti-corruption guideline also provides for regular employee training.

Aareal Bank Group believes that sustainability also involves addressing risks in a responsible and targeted manner. This is fundamental to the stability and economic success of every business. Aareal Bank Group has therefore implemented a professional risk management system for all business decisions. This helps us identify, measure, limit and manage risk, and is continually updated and fine-tuned.

### Engaging with stakeholders

Exchanging information and views with key stakeholders is of great importance to Aareal Bank Group. There are a number of options and discussion platforms available for this. We provide our employees with regular information through the Intranet and our staff magazine. Employee appraisals and events, workshops on topics such as work-life balance and the Idea Box give them the opportunity to put forward proposals for organisational development or discuss issues with management. As a general rule, every shareholder can attend the Annual General Meeting and express an opinion on all aspects of the Company by requesting to speak in the general debate.

For Aareal Bank Group investors, when it comes to sustainability, the focus is primarily on an increased need for information on the Company's sustainability performance. We meet this, for example, by participating in ratings or investor meetings. In addition, we regularly exchange information and views with our clients in one-on-one discussions, at trade fairs and industry events. In doing so, we have noticed that sustainability is becoming an increasingly important issue for the property industry – from both energy policy and social perspectives. The annual Aareon Congress and the Aareal Energy Forum are two examples of platforms where we systematically exchange information and views with our clients on environment-related and social risks and opportunities.

### Sustainability ratings

The importance of rankings for assessing sustainable business practice has grown enormously over the last ten years, not least because investors and clients increasingly demand good sustainability performance when making their investment decisions and entering into business relationships. These ratings set high, objective quality requirements, enabling sustainable practices to be measured and compared. In 2012, Aareal Bank Group gained Prime Status in the sustainability ranking by the prominent rating agency oekom research AG. This status is awarded to companies which, according to the oekom corporate rating for social and environmental performance, rank among the leaders in their industry and meet the minimum industry-specific requirements. Its good performance shows that Aareal Bank Group is already well placed on many fronts. However, opportunities for enhancement were also identified, which we will follow up before the next rating. These include our environmental performance, for example.



When rated by Sustainalytics, Aareal Bank Group scored 57 out of a possible 100 points, thus being above the average for the rated companies. The rating by rating agency imug resulted in an average score overall. Our public-sector Pfandbriefe, mortgage Pfandbriefe and unsecured bonds were rated "neutral" and therefore are not critical from a sustainability perspective.

#### CDP

The CDP is a non-profit organisation founded in London in 2000 and active in Germany since 2006. It aims to motivate companies and local authorities to disclose relevant environmental data such as data on greenhouse gas emissions and water consumption. Once a year, on behalf of investors, CDP uses standardised questionnaires to capture data and information on companies' CO<sub>2</sub> emissions, climate risk and reduction targets and strategies on a voluntary basis. CDP manages what is now the world's largest database of its kind and is available to investors, companies, political decision-makers and journalists. In 2012, when participating in CDP for the first time, Aareal Bank Group straight away scored 67 out of a possible 100 points on the "disclosure score", which illustrates a company's transparency in response to questions regarding climate change. It was therefore rated the best German newcomer of 2012 and by far exceeded the average score of the companies rated.



### Memberships

Since 2012, Aareal Bank Group has participated in the United Nations Global Compact, thereby explicitly committing to align its business processes with the ten principles in the areas of human rights, labour standards, environmental protection and anti-corruption. Complying with those principles had already been an integral part of Aareal Bank Group's activities for many years. By joining, the Group is now pledging its commitment to responsible corporate governance publicly and for the entire world to see.

Aareal Bank Group is a member of several industry associations such as the Association of German Banks (Bundesverband deutscher Banken – BdB) and the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken – vdp). It is represented on the management board of both associations. Aareal Bank Group is also a supporting member of the Federal Association of German Housing and Real Estate Enterprises (Bundesverband deutscher Wohnungsunternehmen e.V. – GdW) and numerous regional housing industry associations. Furthermore, Aareon AG is a member of the Federal Association of Independent Property and Housing Enterprises (Bundesverband Freier Immobilien- und Wohnungsunternehmen e.V. – BFW), the umbrella association of German property managers DDIV (Dachverband Deutscher Immobilienverwalter e.V. –) and other regional property industry associations.

Aareal Bank Group's Sustainability Officer represents the Company, for example, in the working group of the CSR and sustainability officers of the German Property Federation (Zentraler Immobilienausschuss – ZIA) and in the working group on sustainability of the German Society of Property Researchers (Gesellschaft für immobilienwirtschaftliche Forschung – gif). We use these forums to support sustainable practices throughout the industry. In 2012, for example, we also became a member of the Association for Environmental Management in Banks, Savings Banks and Insurance Companies (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten – VfU).

### Sustainability programme

Goal	Measure	Deadline
<b>To establish the operational conditions needed to implement the sustainability objectives</b>	Include sustainability in strategic market monitoring with a view to identifying risks and opportunities, e.g. by updating the stakeholder analysis and materiality matrix	Ongoing
	Integrate sustainability into the Code of Conduct	2013
<b>To increase transparency and ability to engage in dialogue</b>	Participate in the Association of German Banks' working group on sustainability	Ongoing as of 2013
<b>To enhance external stakeholder dialogue</b>	Expand the existing website to include social responsibility and sustainability	2013
	Integrate sustainability issues into one-on-one discussions with stakeholders	Ongoing
	Work on rating inquiries, sustainability surveys and analyses	Ongoing
	Exchange information and views with advisory boards on sustainability issues	Ongoing
	Integrate sustainability issues into existing communications formats and media, incl. roadshow documents	Ongoing
<b>To enhance internal stakeholder dialogue</b>	Expand the existing Intranet pages to include social responsibility and sustainability	2013
	Integrate sustainability issues into internal information events, new employee onboarding and the trainee programme	Ongoing

A woman with blonde hair, wearing a grey blazer over a light blue button-down shirt, is seated at a table. She is looking down at a document or tablet in front of her with a slight smile. To her left, the back of a man's head and shoulder in a white shirt is visible, suggesting a meeting or collaborative work environment. The background is a blurred office setting with a wooden chair and a glass of water on the table.

## Clients and Products

Aareal Bank Group's business model is based on two pillars. The Structured Property Financing segment provides customised financial services for commercial property clients, while the Consulting/Services segment offers a comprehensive range of services for the commercial management of properties by the institutional housing industry. The Company takes a long-term approach to client relations and aims to provide sustainable solutions.

## The role of megatrends in property financing

Aareal Bank Group's successful business model has allowed it to hold its own in a difficult and highly uncertain environment, despite the significant challenges that the sector has faced in recent years. We are one of the few banks to have reported a profit quarter for quarter throughout the entire financial, economic and sovereign debt crisis. We have benefited from our sound, sustainable lending policy, our pronounced market and client orientation, a forward-looking refinancing policy and a healthy balance sheet structure. Adequate, sustainable risk management and risk control are core elements of our success.

The property industry – and hence commercial property financing – has a bright future, not least because investors see property as a safe haven in a persistently volatile environment. In addition, the industry will benefit in the long term from global megatrends such as demographic development and structural changes in society in both industrialised and newly industrialising countries. These two megatrends are leading to growing demand for state-of-the-art, future-proof properties as well as a substantial need to modernise existing stocks of almost all types.

Taken together, these megatrends are generating sustained high investment volumes on the property markets – and hence a substantial need for financing. The long-term shifts in society in both industrialised and newly industrialising countries are fundamentally changing the way properties are used and the need to invest in a very wide range of properties. For example, demand for residential properties in industrialised countries is rising despite the shrinking population, due in particular to the growth in one- and two-person households. In addition to the need to raise the retirement age, the shift towards a knowledge- and information-driven society in most industrialised countries means that demand for high-quality commercial properties will continue to increase over the medium to long term. In newly industrialising countries, population growth is boosting demand for housing. Their shift from manufacturing- to services-based economies will be flanked by a growing need for office workspace. Market players who – like Aareal Bank Group – can combine property expertise with a sound risk policy will benefit the most from these developments.

## Aareal Bank Group's services

Aareal Bank Group provides support for domestic and international clients investing in property in Europe, North America and Asia. This three-continent strategy allows us to diversify our property financing portfolio across different regions and opens up cross-border and cross-regional business opportunities. At the same time, diversifying our risk in this way reduces our dependence on individual markets. Equally, the wide range of different property types that we finance – office buildings, retail properties, hotels, and logistics and residential properties – helps keep our portfolio balanced.

As an active issuer of Pfandbriefe and uncovered bank bonds, Aareal Bank Group has a sound, broad base for its refinancing requirements.

### Pfandbriefe – a sustainable product

Pfandbriefe are secured debt instruments and are used by banks with corresponding licences as an economical, long-term means of refinancing property loans and public sector loans, among other things. Pfandbriefe issuance is governed by the provisions of the German Pfandbrief Act (Pfandbriefgesetz – PfandBG), which is the foundation for the high quality of this product. This law lays down the requirements for collateral, transparency obligations, and maturity and currency management in the Pfandbrief business. In addition to the capital reserves of the issuing bank, Pfandbrief investors have prior-ranking claims on the cover assets pool should the issuer become insolvent. In the case of mortgage Pfandbriefe, the cover assets pool consists of loan receivables that are secured by property liens. A key reason for the high level of security offered by mortgage Pfandbriefe is that the maximum mortgage lending value for property loans included in the cover assets pool is 60%. The PfandBG and the Beleihungswertermittlungsverordnung (BelWertV – Regulation on the Determination of Mortgage Lending Values) set out, among other things, the manner in which mortgage values are determined and the qualification requirements for valuers. The mortgage lending value is calculated on the basis of the long-term, sustainable aspects of the property concerned, excluding any speculative elements. The security offered to investors makes Pfandbriefe sustainable financial products that are also key elements of the German financial market: the Pfandbrief market is the second-largest market for fixed-income securities in Germany after federal government bonds, with a volume of approximately € 525 billion as at December 2012.

Deposits by institutional investors and the housing industry are another source of refinancing. These are largely independent of the capital markets and represent an important additional pillar in the Bank's long-term funding mix.

Our Consulting/Services segment offers services and products for managing residential property portfolios and processing payment flows for the institutional housing industry. In the period under review, Aareal Bank processed payment flows for 5.5 million administrative units in the housing industry and around one million power supply contracts, involving a total of more than 100 million payment transactions.

## Sustainability as a criterion for financing

When assessing the basic business environment in countries in which we are or aim to become active, we focus not only on economic aspects such as changes in gross domestic product, the unemployment rate and interest rate trends, but also on legal certainty, market transparency and levels of corruption.

We take a number of sustainability criteria into account during property valuations made in connection with lending decisions. Among other things, these include:

- **Economic quality**, as expressed in terms of, for example, the property's location and rental status, the ability to meet tenant requirements, the flexibility of the building's structures and the economic efficiency of the floor plans
- **Technical quality**, in which we look at issues relating to the building's construction, the materials used, fire protection, insulation and soundproofing, fittings and fixture and the quality of the interior spaces (measured in terms of their thermal, acoustic and visual comfort, for example)
- **Functional quality**, e.g. transportation links, general accessibility and barrier-free access

- **Life-cycle quality**, which is demonstrated e.g. by opportunities for flexible use, the ability to re-let properties, third-party use, and appropriate expenditure on value preservation measures
- **Sociocultural quality**, such as the high quality of the architecture and of town planning
- **Ecological quality**, as expressed for example by environmental liability and contamination audits.

The regular impairment tests performed on the basis of appraisals provide information on changes to these criteria.

### Sustainability of the Treasury portfolio

We conducted a sustainability analysis of Aareal Bank Group's Treasury portfolio for the first time in the period under review, and intend to repeat this annually to ensure continuous improvement. The independent rating agency oekom research came to the conclusion that the issuers listed in our Treasury portfolio achieve best-in-class status on average. The Treasury portfolio comprises four asset classes: public-sector borrowers, covered bonds and Pfandbriefe, bank bonds and asset-backed securities (ABSs).

### Innovative, sustainable solutions for the property industry

The products supplied by Aareon and Aareal Bank offer the institutional housing industry innovative, environmentally friendly solutions. As a general rule, solutions to optimise processes in both Aareal Bank's payment transaction processing and in Aareon's ERP products are designed to digitise our clients' property management to the extent allowed by law and technology. This enables our clients to optimise standard processes and work in a resource-friendly way. The Mareon service portal and Aareon's invoicing service are particularly compelling examples. Mareon is a virtual platform that links businesses in the property industry, facilitating the management of on-going property maintenance. It reduces administrative costs and accelerates workflows on all sides. The virtual platform which is constantly updated interfaces seamlessly with IT systems at both clients and service providers, making it easy to use. The same principles also apply to Aareon's fully integrated invoicing service, which enables systematic automation of the invoicing process, offering end-to-end standardisation and helping to save both time and money, not to mention lots of paper.

Aareon's I-stay@home project is helping the housing industry respond more effectively to the demographic challenges it faces. The portal, which is scheduled for completion by 2015, aims to facilitate dialogue among experts in the field and to improve the overall transparency of the market for assistance systems for the elderly. The objective is to offer consumers improved access to affordable services. In addition to contributing technical and business expertise, Aareon is assisting the project with its international market presence.

#### LEED certification for Deutsche Börse

Aareal Bank Group is involved in financing Deutsche Börse AG's new group headquarters in Eschborn, near Frankfurt. The building, which was constructed in 2010, is one of the most energy- and resource-efficient office properties in Germany, and was the first German office property to receive platinum certification under the LEED programme, the US green building standard. Aareal Bank served as the arranger and lender for the building, providing finance of € 234 million. The "Leadership in Energy and Environmental Design" standard (or "LEED" for short), a certificate awarded by the US Green Building Council, sets out a series of criteria for environmentally friendly, resource-efficient construction and provides an internationally established classification system for green buildings.



### Focusing on client satisfaction

Client dialogue plays a central role at Aareon, especially in its day-to-day operations. Forums such as the client advisory boards plus continuous dialogue ensure the company knows what its clients want. The product and service portfolio is updated in line with property industry and IT trends.

The regular client surveys – which have been performed annually to date – have produced highly constant results for many years. As a result, they will be conducted every two years starting in 2014. The aim is to systematically implement improvements. The key survey findings in the period under review include high client acceptance of the survey, as can be seen by the response rate of over 40 %. What is more, approximately 87 % of these clients submitted personal replies. On the whole, overall satisfaction improved year-on-year, as did the results for loyalty (94 %) and client satisfaction with their points of contact (98 %). The Aareon brand is perceived positively by clients.

Client satisfaction with Aareal Bank's Institutional Housing Unit is promoted regularly at three levels:

- by the Bank's Institutional Housing Advisory Council, an advisory body comprising key industry players drawn from our clients,
- in day-to-day interactions with our clients by the sales unit contacts assigned to them, and
- by integrating clients in the development of new products or components using a standardised test phase that is explicitly designed to optimise their first-time operation.

One factor contributing to client satisfaction in the area of property financing is our local knowledge and the expertise of our sector specialists in the fields of logistics, shopping centre and hotel financing. This means that we understand our clients and speak their language.

### Data security and data protection are key client requirements

Aareal Bank Group processes large volumes of end-customer information at Aareon in particular. As a result, data security and data protection have a high priority for us. Since 2010, Aareon has regularly undergone voluntary data protection audits in accordance with section 9a of the German Data Protection Act (Bundesdatenschutzgesetz – BDSG). Deutsche Gesellschaft zur Zertifizierung von Managementsystemen (DQS) awarded Aareon its data protection seal of approval, the DQS Gütesiegel Datenschutz, for the third year running in 2012. There were no reportable data losses or data protection infringements in the period under review.



Data in Aareon's cloud is stored exclusively in Germany in data centres that are fully operated by the company itself. The data centres are linked by a dedicated, encrypted fibre optic network. Aareon's customers access their data at Aareon using dedicated WAN connections or encrypted VPN connections. Multi-layer firewalls prevent data stored in Aareon's cloud from being accessed over the Internet. Aareon's data centre operations are regularly certified in accordance with IDW PS951.

**"Data protection and data security are becoming more and more important in this IT-dominated age.**

As an IT service provider, it is particularly important that

**Aareon** takes a highly responsible approach to processing client data. This is why **data protection** measures are anchored at **the highest level** throughout our entire organisation – including **Aareon's state-of-the-art data centre.**

DQS certification documents that Aareon's management of personal data **complies with the law** and assists our clients in documenting their own statutory monitoring obligations"

Dr Manfred Alfien, Chairman of the Management Board of Aareon AG

Safeguarding our clients' privacy is extremely important to Aareal Bank and the companies of Aareal Bank Group. We observe banking secrecy and comply with the provisions of the German Data Protection Act (Bundesdatenschutzgesetz – BDSG) as well as the data protection regulations of the countries in which we are active. We only collect, process and use personal data with the consent of the data subject or in those cases allowed by law. Employees are taught about data protection issues in training sessions. A data protection officer who is not subject to the instructions of, but is appointed by, the Management Board ensures compliance with data protection provisions and monitors employees' obligation to maintain data secrecy together with the Human Resources division. The Aareal First Financial Solutions AG (First Financial), Aareal Estate AG (Estate), Deutsche Bau- und Grundstücks-AG (BauGrund) and Aareal Valuation GmbH (Valuation) subsidiaries have also appointed data protection officers and observe the requirements laid down by data protection law.

### Promoting sustainability in the property industry

Not only does Aareal Bank Group aim to develop innovative, sustainable solutions itself, it also promotes them at the industry level by sponsoring prizes for the sector as a whole. For example, EBS Universität für Wirtschaft und Recht's Real Estate Management Institute (REMI) and Aareal Bank AG have sponsored the annual "Aareal Award of Excellence in Real Estate Research", which honours academically-outstanding research work in real estate economics, since 2008. The total prize money amounts to € 12,000 and is broken down into three categories: dissertations, research papers, and MSc/BSc/diploma theses.

German industry magazine "DW Die Wohnungswirtschaft" and Aareon have sponsored the "DW Zukunftspreis" since 2004. The prize has a different theme every year and is awarded in three categories at the Aareon Congress. In 2012, the DW Zukunftspreis was devoted to the topic of "Efficiency 2020", while for 2013 the subject is "Web 2.0 – Digitising the housing industry". The prize has gained a strong reputation in the sector and documents the innovative ability of the housing industry year after year.

Aareal Bank also worked together with German industry magazine "DW Die Wohnungswirtschaft" to establish the series of talks known as the "Brandenburger Hofgespräch", which it has sponsored from the start. The event takes place twice a year and gives experts in the field an opportunity to exchange information and views about future trends in the housing industry.

### Sustainability programme

Goal	Measure	Deadline
<b>To ensure responsible lending</b>	Consideration of ESG <sup>1)</sup> issues during the lending process	Ongoing
<b>To measure sustainability performance in the securities portfolio</b>	Annual analysis of the securities portfolio from a sustainability perspective	First performed in 2012, annually thereafter
<b>Further measures</b>	Certification of Aareon's information security management system in accordance with ISO/IEC 27001	2014
	Participation in the I-stay@home initiative and development of a portal	2015

<sup>1)</sup> Environmental, Social and Corporate Governance



## Employees

The success of a company is largely dependent on its employees. Qualified and motivated employees play a key role in economic performance and, in this way, are an important factor for success – including compared to the competition. This is why Aareal Bank Group operates a targeted employee development policy to promote its employees' professional and personal skills. In addition, we take specific measures to improve employees' work-life balance and offer a Company Health Management programme.



## Our employees – the basis for our success



At Aareal Bank Group, all people are respected and treated equally regardless of their gender, age, ethnic origin, religion, world views, disabilities or sexual orientation. Respecting employees' dignity, rights and privacy is one of the Company's goals and is anchored in its Code of Conduct. The Bank has published binding statements on diversity at Aareal Bank Group. We also ensure that our employees have a healthy and safe working environment on the basis of the relevant occupational safety laws. The "Top Employer" award, which Aareal Bank has received every year since 2008, testifies to the success of these efforts. Aareon was certified by berufundfamilie gGmbH as a family-conscious company for the first time in 2008 and again in 2011 for its family-friendly corporate policies. The berufundfamilie audit is supported by the Federal Minister for Family Affairs and the Federal Minister for Economics. On 2 May 2012, Aareon was named Germany's most family-friendly company in the SME category in the "Erfolgsfaktor Familie" ("Success Factor Family") competition run by the Federal Ministry for Family Affairs.

### Employee structure

Aareal Bank Group employed 2,289 people as at the end of 2012, of whom 906 are employed at Aareal Bank and its sales subsidiaries in New York and Singapore. The Aareon subgroup's companies employed 1,168 people as at the reporting date of 31 December 2012.

	31 Dec 2012			31 Dec 2011			31 Dec 2010		
	Group	Bank	Aareon	Group	Bank	Aareon	Group	Bank	Aareon
Number of employees	2,289	906	1,168	2,353	987	1,129	2,447	1,042	1,130
of which outside Germany	536	123	404	541	156	374	561	166	384
of which female	893	406	383	934	442	368	987	473	367
Percentage of women in management positions	21.6 %	26.0 %	20.4 %	18.8 %	22.3 %	17.4 %	19.9 %	23.1 %	18.7 %
Employee-initiated staff turnover	3.1 %	2.9 %	3.3 %	3.5 %	2.9 %	4.4 %	2.4 %	1.6 %	3.4 %
Percentage of part-time employees	18.0 %	18.4 %	17.0 %	18.1 %	17.9 %	18.0 %	17.0 %	17.0 %	16.0 %

Bank = Aareal Bank AG including foreign branches and foreign subsidiaries in the Structured Property Financing segment in New York, Singapore and Prague (until 30 June 2012)

Aareon = all units in Germany and abroad including subsidiaries

Group = Bank, Aareon and other subsidiaries such as BauGrund, DSF, Valuation, Estate, First Financial, where data is available

Aareal Bank Group's largest location is Germany, with 1,753 employees. Of its 536 employees in other countries, 495 are attributable to European countries, in particular France, the Netherlands and the UK. Employee-initiated staff turnover is only 3.1 %. This low Group-wide rate and the average length of service within Aareal Bank – 13.5 years – attests to employees' high degree of loyalty to the Company.

Approximately 18 % of our employees work part-time. Reflecting demand from our employees, we expect to see this share rise in the future.

	31 Dec 2012			31 Dec 2011			31 Dec 2010		
	Group	Bank	Aareon	Group	Bank	Aareon	Group	Bank	Aareon
Full-time employees	1,878	739	973	1,926	810	928	2,032	865	948
Female part-time employees	335	144	146	348	154	147	343	155	137
Male part-time employees	76	23	49	79	23	54	72	22	45

### Co-determination

Aareal Bank Group complies with the statutory requirements of the countries in which it operates, in particular in relation to labour law and the relevant employee co-determination rights. Employee representatives are regularly informed of current developments. In addition, all locations are involved in works council meetings and employee events held during the year. Employees can use these events to ask questions and submit suggestions.

Aareal Bank's General Works Council comprises works council members from Wiesbaden, Berlin, Hamburg, Leipzig and Stuttgart. Employees at other German locations are represented by the Works Council in Wiesbaden.

The subgroup headed by Aareon has a similar co-determination/employee representation structure. The General Works Councils of Aareal Bank and Aareon Deutschland GmbH each appoint an Economic Committee. In addition, a Group Works Council has been established for issues that affect the entire Group.

Aareal Bank and Aareon Deutschland have a co-determined Supervisory Board in accordance with the Drittelbeteiligungsgesetz (One-Third Participation Act). Two Aareon employees are also appointed to Aareal Bank's Supervisory Board.

### Continuing professional development (CPD) – an investment in the future

Aareal Bank Group invests in its employees on a targeted, continual basis. Its focus is the ongoing promotion of specialist, entrepreneurial and communication skills. A particular priority for the Group is continuing professional development with an international orientation, above all training courses to develop and improve language and intercultural skills.

#### Hours of CPD per employee, by employee category

	2012			2011		
	Group	Bank	Aareon	Group	Bank	Aareon
Senior management staff	27.8	26.6	28.7	22.8	31.3	19.0
Management staff	31.5	38.5	25.3	27.0	31.4	23.9
Specialist staff	27.7	27.9	28.1	31.5	32.7	32.7

Aareal Bank employees have the opportunity to participate in CPD measures at international locations, as well as in Germany. An average of four days of training and CPD was invested in each employee in 2011 and 2012. This represents a total of approximately 3,375 participant days across the Bank.

In 2012, around two-thirds of management staff analysed their own leadership role and the related responsibility for the success of the Company as part of management training.

A good 4,000 training days were held at Aareon in 2012. This also corresponds to an average of approximately four days per employee.

### The Aareal Academy

Aareal Bank believes that training and continuing professional development are the basis for employee development. This is underlined by the comprehensive range of management, training and qualification programmes offered by the "Aareal Academy" corporate university, which is open to employees from all Aareal Bank locations. It offers employees a wide variety of in-house and external seminars, language and IT courses, extra-professional qualifications and individual development planning. All employees discuss their individual development and set concrete development measures with their supervisor as part of their annual Structured Appraisal and Target-Setting Dialogue. The Structured Appraisal and Target-Setting Dialogue is the Bank's main employee development tool and is used for development planning and performance management. Annual employee appraisals are also held with all Aareon employees to discuss their individual development planning within the scope of the E<sup>21)</sup> and PEK<sup>2)</sup> personnel development concepts.

#### Aareal Academy Corporate University



We continuously make strategic investments in our employees to develop our technical business and communications expertise for the long term.

We foster international collaboration and strengthen teamwork. To that end, we as a corporation provide support through targeted measures, relying on our staff to show initiative in further professionalising their specialist and social competence.

<sup>1)</sup> Aareon-specific personnel development concept "Entfalten und Entwickeln" (Develop and Extend)

<sup>2)</sup> German abbreviation of "Personalentwicklungskonzept" (Personnel development concept)

Furthermore, Aareal Academy's specialist seminars are often established in cooperation between Human Resources and the Bank's specialist divisions. They are adapted to different areas and changing requirements on an ongoing basis. New in-house CPD measures are developed in accordance with the principle of peer-learning, under which our experts are the lecturers and ensure that current topics can be incorporated in a timely manner and that new knowledge can be communicated.

#### Fostering young talent

Fostering young talent is a key aspect of human resources work. The specialist knowledge required in our areas of business means that it is essential to invest in training young talent in an ongoing, targeted manner. Aareal Bank has offered a tailored graduate trainee programme since 2000, with a wide range of opportunities for development within the Company. In addition, internships give university and school students the opportunity to gain a first impression of working life and find out more about the Group's divisions by becoming actively involved. Aareal Bank supports the Wiesbaden Chamber of Industry and Commerce by providing guest speakers for workshops and events aimed at school children.

	31 Dec 2012			31 Dec 2011			31 Dec 2010		
	Group	Bank	Aareon	Group	Bank	Aareon	Group	Bank	Aareon
Graduate trainees	8	5	2	11	6	5	7	6	1
Vocational trainees	39	2	33	34	1	28	32	0	25

### Fair and appropriate remuneration systems

At Aareal Bank Group, remuneration systems are subject to overarching remuneration policies. The core elements of these remuneration policies are:

1. Transparent and sustainably-oriented remuneration systems that support Aareal Bank Group's strategic goals and the goals of its companies.
2. Attractive and motivating employee remuneration based on position, market factors and performance to secure and retain highly-qualified and committed employees with high potential. This includes equal pay for male and female employees for work of equal value.
3. Avoidance of negative incentives for taking disproportionately high risks.
4. Compliance with regulatory requirements, in particular those set out in the Instituts-Vergütungsverordnung (InstitutsVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions).

Aareal Bank employees in Germany are remunerated according to collective wage agreements. At Aareon, remuneration is governed by works agreements.

Against the background of the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) dated 31 July 2009 and the Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions (Instituts-Vergütungsverordnung – InstitutsVergV) dated 6 October 2010, the remuneration system for the members of the Management Board of Aareal Bank Group was reviewed in consultation with external experts and adjusted with effect from 1 January 2012. The remuneration system comprises non-performance-related and performance-related components. The performance-based bonus reflects the Management Board member's performance, which is measured by the achievement of targets set in advance by the Supervisory Board. Long-term performance is taken into consideration in the contracts of Management Board members, which set out multi-year goals that are linked to the success of the Company. Details on the remuneration system are published on the Bank's website.

Aareon's remuneration system is based on developments in the IT industry in Germany. Together with an external remuneration specialist, the underlying salary bands are reviewed for market comparability and adapted every three years.

### Pension scheme and insurance

Aareal Bank covers its employees with a range of insurance, including employer-funded accident insurance, employer-funded health insurance for foreign travel, and the option to take out occupational disability insurance at special rates.

In addition, Aareal Bank offers its employees an employer-funded corporate retirement plan. Employees can also make additional provisions through a deferred compensation scheme model. This includes the option to take advantage of capital accumulation benefits, which the Bank pays, to further improve their pension.

Aareon also offers its employees comparable deferred compensation models for occupational pension provision.

### Diversity

The Management Board has made an express commitment to diversity in Aareal Bank Group and has published this on the Internet and Intranet. This defines diversity as follows:

- An appreciation for the uniqueness of every individual and respect for their differences
- Equal opportunities at all levels
- The prevention of discrimination of any kind
- The belief that diversity enriches corporate culture and also represents a success factor in reaching strategic goals

The goals are:

- To promote Aareal Bank's image as a modern employer
- To strengthen employee commitment and increase employee motivation
- To ensure skills and competencies are fostered individually in a way that promotes employee performance

- To react to demographic change and an ageing workforce, and to take into account individual circumstances and stages of life

Aareal Bank Group currently employs people from more than 25 different countries. Outside of Germany, care is taken to fill the majority of positions with local citizens.

In 2012, 39.0 % of Aareal Bank Group's employees were female. The percentage of women in management positions is currently 26.0 % at Aareal Bank and 20.4 % at Aareon.

Marija Korsch has been a member of Aareal Bank's Supervisory Board since 2012. She succeeded Hans W. Reich as Chairman of the Supervisory Board of Aareal Bank on 22 May 2013. The Supervisory Board is aiming to have a proportion of at least 30 % women in accordance with the recommendations of the German Corporate Governance Code. Given that the most recent Supervisory Board elections were held in 2010, this objective can in principle only be taken into account at the next ordinary Supervisory Board elections in 2015.

The Supervisory Board appointed Dagmar Knopek as a regular member of the Management Board of Aareal Bank effective 1 June 2013.

In Germany, the share of employees with a severe disability – insofar as employees informed Aareal Bank of their disability – amounted to 4.0 % in 2012. This group of employees is represented in the Group's German companies by disability officers.

### Equal treatment

Aareal Bank Group attaches great importance to the equal treatment of men and women in the Company, both with regard to staff appointment decisions and in terms of continuing professional development and remuneration. All job openings below executive level are advertised as a general rule and all employees, regardless of gender, are invited to apply for these positions. We only take into account factors such as qualifications, experience, or education when remunerating employees – we do not distinguish on the basis of gender.

Positions are filled on the basis of qualifications. This is regularly verified by employee representative bodies within the scope of their co-determination rights. The same applies to the Management Board – the primary considerations in the selection of a suitable candidate are their qualifications and international experience.

In accordance with the Allgemeines Gleichbehandlungsgesetz (AGG – General Equal Treatment Act), Aareal Bank and Aareon have AGG officers in Germany and AGG courses are held for all employees. The employee handbook in the USA contains anti-harassment policies.

### Work-life balance

Aareal Bank helps its employees to achieve a better work-life balance in a variety of ways, for example through flexible working models, part-time positions and positions incorporating home working. We also sponsor a crèche in Wiesbaden and cooperate with the city of Wiesbaden in providing child care during

school holidays. The Bank also provides funding for additional offerings, which can also be used by the children of bank employees. Every year, Aareon reserves crèche and kindergarten places at a day care centre in Mainz. These kindergarten places are free of charge for Aareon employees.

Alongside the wide-ranging measures to promote a better work-life balance, parent-child rooms have been set up at Aareal Bank in Wiesbaden and at various Aareon locations. These aim to support our employees during emergency child care situations.

Employees also have the opportunity to reduce their working hours in the case of urgent family commitments. Aareal Bank employees can take statutory family care leave. In addition, the "Work and Family at Aareon" project team held a workshop to develop further measures relating to work and care. Aareon cooperates with family services provider ElternService AWO, which provides advice to employees if a family member starts needing care. This service is performed at Aareal Bank by the company VivaSenia.

#### Aareon 2.n

The Aareon 2.n project is designed to strengthen Aareon's competitiveness and future readiness and to continue maintain the company's position as an attractive, preferred employer. Equal opportunities for men and women are an important starting point. The objective is to employ even more qualified female staff by making Aareon a more attractive place to work. This relates to both specialist and management career tracks. "2.n" represents a new generation of companies that are addressing demographic change and thus competition for management and specialist staff. This generation also takes into account the wide range of demands placed on today's employers. The "n" stands for "nachhaltig" – or "long term" – as equal opportunities are to be firmly anchored in corporate and social responsibility at Aareon.

### Occupational health and safety

Aareal Bank's Company Health Management programme (BGM) primarily aims to support employees in their own efforts to stay healthy. The programme was kicked off with a "Health Day" in December 2012. A catalogue of measures to develop the Company Health Management programme was drawn up together with a consulting firm specialising in the implementation of health management systems, which conducted comprehensive surveys among Aareal Bank employees. In this way, employees can regularly find out about current health topics via an Intranet portal. Health information is provided by Arbeitsmedizinische Dienst (BAD), a long-term partner for occupational medicine. In addition, lectures on specific topics are held by health professionals in Wiesbaden.

The BGM also includes an employee assistant programme (EAP) – a hotline to help employees deal with difficult situations both at work and home. Employees can use the service as required, 24 hours a day, 365 days a year.

Aareal Bank Group's accident and sickness rates have remained largely constant over the past few years. No occupational illnesses were reported in the reporting period. Likewise, there were no work-related deaths.

	2012		2011		2010	
	Bank	Aareon	Bank	Aareon	Bank	Aareon
Workplace accidents/accidents while commuting	15	10	13	6	16	5
Accident rate	1.9 %	0.9 %	1.6 %	0.5 %	1.8 %	0.7 %
Sickness rate	3.5 %	4.5 %	3.5 %	4.7 %	3.7 %	4.1 %

Accident rate for Aareal Bank in Germany; accident rate for Aareon includes international locations from 2011

Sickness rate for Aareal Bank in Germany including convalescent/rehabilitative absences; does not include employees on extended sick leave (absent over 50 % of the year)

At Aareal Bank Group, the organisation of occupational safety is the responsibility of the Management Board. This has been set out in the integrated management system in accordance with statutory regulations. The aim is to further reduce the number of accidents through the provision of safety information and employee sensitisation, as well as various audits by external supervisory authorities. Every Aareal Bank Group subsidiary is therefore obliged to issue guidelines for its own company in the form of an occupational health and safety manual. Location-specific occupational safety requirements are set out in the relevant organisational manuals at the Bank's international locations.

#### Sustainability programme

Goal	Measure	Deadline
<b>To promote work-life balance</b>	Increase range of flexible working models	Ongoing
	Increase part-time positions and positions incorporating home working	Ongoing
	Recertification of Aareon by berufundfamilie gGmbH	2014
<b>To promote diversity and equal opportunities</b>	Sign Diversity Charter ("Charta der Vielfalt")	2013
	Enhance mentoring programme	2014
	Increase the share of women on the Supervisory Board to 30 %	2015
<b>To enhance the human resources strategy, taking into account the ageing population</b>	Conduct an age structure analysis	From 2013 onwards
	Special training offerings for all age groups	2014
	Analyse implications of demographic change on the Company	Ongoing
<b>Talent recruitment, fostering and retention</b>	Enhance and adapt recruitment strategy	2013
	Enhance and adapt talent management programme	2014
	Continue sponsoring bachelor's and master's theses	Ongoing
	Expand vocational trainee programme at Aareon by employing four trainees	2013
<b>To expand the Company Health Management programme</b>	Introduce additional modules such as skin cancer screening, sports and recreational offerings, and a range of lectures	2013
	Introduce a new, mandatory seminar on "healthy leadership" for all management staff	2013
	Organise a seminar on stress management	2013
	Conduct an employee survey to identify and evaluate workplace stress at Aareon	2013

A man and a woman in business attire are looking at a folder outdoors. The man is on the left, wearing a grey suit and a dark tie, smiling as he looks at the folder. The woman is on the right, wearing a dark blazer over a white top, also smiling and looking at the folder. They are standing in front of a background of green foliage and a body of water.

## Environment

Aareal Bank Group is keen to minimise the impact its business activities have on the environment. It therefore endeavours to use energy and consumables as efficiently as possible and to obtain them from renewable sources. Its suppliers' compliance with environmental standards also plays a role.

## Environmental management

Aareal Bank Group is aware of the ever-growing importance of active environmental management. It is rising to this challenge by gradually developing ideas and implementing them in line with the requirements of environmentally responsible banking operations. For example, we have already mandated the use of green energy to supply our main sites in Wiesbaden and Mainz, as well as other locations in Germany starting in 2014.

When it comes to being environmentally friendly, Aareal Bank Group also expects its suppliers to comply at a minimum with statutory guidelines. The criteria that are required to be met are evaluated in the course of regular supplier assessments. The Group guideline on supplier management, for example, governs the definition of the standards, the criteria and the assessment parameters in Aareal Bank Group's common supplier management system.

## Measuring, analysing and reducing environmental impacts

Aareal Bank Group endeavours to systematically analyse and minimise the environmental impacts of its activities. In addition to the consideration given to environmental aspects, full legal compliance and documentation are also important. With this in mind, plans are constantly being drawn up for measures to service, maintain and modernise our own sites. Capturing and analysing consumption data is also an ongoing process.

Making sparing use of resources and increasing energy efficiency are aspects that play an important role in internal plans and optimisation measures. Reducing overall CO<sub>2</sub> emissions is, of course, another. To achieve this, it is important to make employees suitably aware of these issues. As well as cutting energy consumption, reducing CO<sub>2</sub> emissions and increasing energy efficiency, raising the percentage of renewable energy in the supply mix is also an important aspect of our plans.

## Making sparing use of resources

Of the consumables used by Aareal Bank Group, paper is the largest by volume. To print brochures, the Company only uses certified paper bearing the seal of the internationally recognised Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification Schemes (PEFC). Aareal Bank Group's key suppliers of office materials and its printers are FSC-certified or have an environmental management system certified to ISO 14001.

Between 2011 and 2012, the amount of paper used for internal office purposes by Aareal Bank and Aareon in Germany declined from 34 to 30 tonnes. This equates to approximately 19 kilogrammes of paper used per employee in 2012. By using modern IT solutions such as automated and largely paperless travel expense management, invoice verification and services billing, we do not only aim to optimise corporate work flows, but also to save paper. Starting this year, we have been using 75g/m<sup>2</sup> copier paper, which is produced using less wood than the 80g/m<sup>2</sup> paper previously purchased. In our copiers, we use paper carrying either the PEFC certificate for sustainable forestry management or the EU Ecolabel, the highest award for non-recycled copier paper.



	2012		2011		2010	
	Aareal Germany	Aareon Germany	Aareal Germany	Aareon Germany	Aareal Germany	Aareon Germany
Paper used for internal office purposes <sup>1)</sup> (t)	20.2	9.6	21.0	12.8	20.0	15.4
Paper used per employee <sup>2)</sup> (kg/employee)	25	13	25	17	22	21
Printouts for/by clients <sup>3)</sup> (t)	24.0	88.6	24.3	95.7	25.1	110.8

<sup>1)</sup> Photocopies, printouts, etc.; <sup>2)</sup> Employees as at the 31 December reporting date; <sup>3)</sup> E.g. account statements, invoices, payment reminders and dunning letters, tax certificates, letters of confirmation, information letters; including envelopes

Water consumption at Aareal Bank and Aareon has remained almost unchanged in recent years. This is attributable to the environmentally sensitive approach that we have followed for many years. Nevertheless, we will continue to strive in future to identify any reasonable potential to further reduce consumption.

	2012		2011		2010	
	Aareal Wiesbaden	Aareon Germany	Aareal Wiesbaden	Aareon Germany	Aareal Wiesbaden	Aareon Germany
Water consumption (m <sup>3</sup> )	13,835	5,153	14,582	5,322	14,809	4,275

All in all, 151.9 tonnes of waste were produced in 2012. Although this was 31 % less than in the previous year, the decline in the volume of waste is mainly attributable to non-recurring effects in 2010/2011, when more waste was produced than usual in connection with Aareon's relocation to the Mainz office.

Waste paper is recycled. This amounted to 61 tonnes in 2012 or approximately 40 % of total waste, as in the previous year.

## Measures to reduce energy consumption

Aareal Bank Group has two priorities for its energy supplies. Firstly, it is keen to continue reducing its consumption. During the renovation and restructuring of the data centre, for example, various measures were implemented to reduce energy consumption and CO<sub>2</sub> emissions. By using highly efficient technologies and integrating "free cooling", we were able to cut the energy consumption of the data centre in Wiesbaden by around 40 % while working at the same load. Between 2011 and 2012, energy consumption at the Wiesbaden site and Aareon declined from 10,020 to 7,683 gigawatt hours. As well as reducing consumption, Aareal Bank will switch its energy mix at these locations, around 31 % of which has so far come from renewable energy, to green energy starting in 2014.

	2012		2011		2010	
	Aareal Wiesbaden	Aareon Germany	Aareal Wiesbaden	Aareon Germany	Aareal Wiesbaden	Aareon Germany
Indirect Energy consumption (GJ)	16,931	10,725	19,147	16,926	21,506	18,674
District heating (GJ)	11,019	2,670	11,192	2,320	10,565	1,695
Direct Gas (GJ)	0	1,708	0	2,145	0	1,847
Heating oil (GJ)	72	72	72	2,124	72	2,232

The Wiesbaden site has been supplied with district heating (heating and hot water) for several years now. Some of the energy used to supply hot water is generated by a solar thermal system. Using highly efficient pumps for heating and cooling distribution, heat recovery in ventilation and air-conditioning systems, and a building services automation system to monitor and optimise operations also helps us cut our energy requirements. The head office of Aareon and First Financial in Mainz, which has been fully occupied since 2012, is heated and cooled using geothermal energy and waste heat from the data centre. The consumption of heating oil, which was required for the old building, was cut dramatically as a result of the relocation and the consequent switch to district heating.

## The new data centres

In 2011, Aareal Bank Group merged the two data centres of Aareon in Mainz and the two data centres of Aareal Bank in Wiesbaden. A completely new data centre was built in Mainz and the data centre in Wiesbaden was brought up to the same technical standard. The mergers mean that not only better use is being made of the infrastructure – the energy required to operate the data centre is also significantly reduced. A series of measures were implemented to achieve this, such as using highly efficient air-conditioning systems and free cooling to the extent the outside temperature allows this. PUE (power usage effectiveness), a value that captures the energy lost in data centre operations by measuring the ratio of the primary energy requirement to the amount of energy used by the IT systems, was cut by more than 30 % in Aareon's data centre. By continuously optimising the IT systems, the amount of energy they require to operate at the same or increased capacity is also being reduced. Useful lives in the data centre were extended to five years by purchasing efficient, high-performance systems and by distributing loads appropriately. At the end of their useful lives, the systems are returned to either the supplier or a qualified recycler so that the raw materials or individual components can be recycled.

### Reducing CO<sub>2</sub> emissions

We measure CO<sub>2</sub> emissions in accordance with the Greenhouse Gas (GHG) Protocol. The GHG Protocol is an internationally recognised standard that sets out the framework for reporting greenhouse gas emissions. Emissions are measured using three "scopes". Scope 1 governs all direct emissions produced on a company's premises. Scope 2 governs emissions attributable to indirect energy consumed. Scope 3 governs emissions produced by services performed by third parties and by services purchased (e.g. business travel).

Scope 1 emissions<sup>1)</sup> from direct energy consumption in buildings (gas and heating oil) and from company cars (diesel) used by Aareal Bank and Aareon totalled 2,045 tonnes of CO<sub>2</sub> in 2012. Emissions from indirect energy consumed such as electricity and district heating (Scope 2) amounted to 4,272 tonnes. CO<sub>2</sub> emissions of 838 tonnes were recorded for business trips made by rental car, flown, or taken by train (Scope 3).

<sup>1)</sup> Emission calculations for Aareal Bank only take into account its largest site in Wiesbaden; Aareon's calculations take into account its German locations.

## Business trips undergo scrutiny

Aareal Bank Group has a set of travel guidelines that are binding on all German sites. These require employees to check before every business trip whether they actually need to travel, in particular bearing in mind alternative means of communication. In recent years, Aareal Bank Group has invested heavily in modern video conferencing technology at its sites. The specific aim of the systematic use of this technology is to help cut business travel going forward. For business trips that are nevertheless necessary, air travel should only be given preference over other means of transport if it significantly reduces the journey time and the increased cost of travel compared with other means of transport is insignificant or justifiable bearing in mind all the circumstances. Rental cars are also chosen with an eye toward both economic and cost efficiency.

## Environmentally friendly company cars

For Aareal Bank Group, it is important to be environmentally friendly not only when it comes to business travel, but also in selecting company cars. This is firmly established in the guideline on company cars. Since the fourth quarter of 2012, vehicles with diesel engines have had to meet the Euro 5 emission standard. When new vehicles are ordered in the Group, the best possible EU emission standard must be chosen depending on the manufacturer and model.

Aareal Bank Group also incentivises its employees to decide in favour of environmentally friendly vehicles. If the figures disclosed by the vehicle manufacturer indicate higher fuel consumption under EEC guidelines than defined for the relevant authorisation group, the employees' own monthly contribution increases by € 4.00 for each 0.1 litre increase in consumption, regardless of the monthly lease payment. By implementing this rule, Aareal Bank Group makes all company car drivers aware of the environmental impact, thereby making a contribution to reducing unnecessary fuel consumption.



For employees who use public transport to reach their place of work, Aareal Bank offers to make a contribution to the annual season ticket available from the Rhein-Main-Verkehrsverbund (Rhine-Main Transport Network).

### Sustainable procurement

In its procurement activities, Aareal Bank Group gives preference to local suppliers and service providers. This enables short routes and helps to reduce CO<sub>2</sub> emissions. Naturally, Aareal Bank expects its suppliers to comply at a minimum with statutory guidelines. Compliance with those requirements is checked by means of in-house supplier assessments. The criteria that are required to be met in these supplier assessments are continually evaluated and extended details are requested. The contract templates used for suppliers and service providers specifically oblige them to comply with provisions and standards.

The Group guideline on supplier management governs the definition of the standards, criteria and assessment parameters in Aareal Bank Group's common supplier management system. The questionnaire for the supplier assessment forms part of the Group guidelines. Besides compliance with all the necessary environmental requirements, consideration is also given to other key points, such as the supplier's market position, the quality of the goods and services, the value proposition, business quality and adherence to deadline and volume targets. These aspects are assessed by the responsible units (purchasing organisations and divisions).

Aareal Bank Group deliberately imposes high quality requirements on its authorised suppliers. However, the intention in continually updating the supplier guidelines is not only to firmly establish compliance with minimum standards regarding working conditions and the elimination of child labour as a decision-making criterion. Rather, in its working relationships with its suppliers, it is important for Aareal Bank Group that they have introduced and implemented extensive occupational health and safety standards. From 2014 onwards, we will be in an even better position to check compliance with these measures in the course of regular supplier audits with our key suppliers.

### Sustainability programme

Goal	Measure	Deadline
<b>To reduce resource consumption</b>	Examine certification, e.g. to ISO 14001, for the Wiesbaden and Mainz sites	2014
	Implement energy-saving measures at the Wiesbaden site, such as using energy-saving lighting and highly efficient pumps, heat recovery and a building services automation system to monitor and optimise operations	Ongoing
<b>To reduce the environmental impact of business travel and trips</b>	Introduce a CO <sub>2</sub> limit when purchasing new company cars and an average CO <sub>2</sub> limit for the fleet in Germany	2013
	Examine the use of electric vehicles at the Mainz site	2013
<b>To reduce CO<sub>2</sub> emissions</b>	Sharply reduce CO <sub>2</sub> emissions by purchasing 100 % green energy for the Wiesbaden and Mainz sites and other locations in Germany	2014
<b>Further measures</b>	Increase coverage of consumption data	2014
	Consider social standards when selecting suppliers	2013

## Society

Doing business goes beyond a company's actual business activities – it also involves taking social responsibility. This is why Aareal Bank Group supports a large number of external educational and academic initiatives, as well as charitable and social organisations. This is not limited to mere financial support, i.e. donations and sponsorship. It also includes employee involvement and knowledge transfer.



## Why we take social responsibility

An important element of being a sustainable company is supporting social and charitable organisations. This social responsibility is a fundamental part of Aareal Bank Group's corporate culture. Aareal Bank Group's social involvement primarily focuses on two areas – education and academic research, and charitable and social organisations.

### Promotion of education and academic research

Aareal Bank Group is committed to promoting education and sees itself as more than just a donor. It works together in partnership with various educational institutions to foster young talent, to promote research and to create international links between academic research and teaching. One example of this is Aareal Bank Group's commitment to the Real Estate Management Institute (REMI) at the EBS Universität für Wirtschaft und Recht in Wiesbaden, where it has sponsored a professorial chair. In addition, Aareal Bank Group employees are involved with the EBS as speakers, as well as on examination boards and other bodies. Employees are involved in similar ways at other higher education institutions in the region, such as the Frankfurt School of Finance, the RheinMain University of Applied Sciences and the University of Applied Sciences Mainz.

Equally, Aareal Bank Group sponsors the prestigious "Aareal Award of Excellence in Real Estate Research" at REMI, which is awarded every year for outstanding academic research in real estate economics.

Aareal Bank also sponsors a further prize for forward-looking and pioneering theses relating to the housing and property industry at the EBZ Business School (Europäisches Bildungszentrum der Wohnungs- und Immobilienwirtschaft) in Bochum.

Aareal Bank and Aareon sponsored a foundation chair for the real estate management course at Nürtingen-Geislingen University (HfWU) from 2002 to 2009. Aareon has been supporting the new "Institute for IT in the property industry" (Immobilienwirtschaftliches Institut für Informationstechnologie) since April 2010. The institute is an independent research platform in the discipline of information technology. In addition, the Aareon IT prize is awarded twice a year at the HfWU in the field of information technology.

Since 2011, Aareal Bank has regularly supported Deutsche-Angestellten Akademie's inclusive training offering for young people with disabilities in the form of internships for young vocational trainees and career changers.

Aareal Bank also co-sponsors the Institute for Banking History (IBF – Institut für bankhistorische Forschung) in Frankfurt am Main. Through its involvement, Aareal Bank aims in particular to help translate historical experiences in the financial sector into modern practice through research into banking history. The IBF has promoted academic research into banking and financial history since 1969. Its wide range of publications and regular events inform the wider public of the historic roots of the banking industry.

## Aareon – fostering young talent

The organisations and initiatives supported by Aareon are grouped into three areas – fostering young talent, property industry competitions such as the "DW Die Wohnungswirtschaft – Zukunftspreis der Immobilienwirtschaft" and the "Property Manager of the Year" innovation prize, as well as social commitment.

Aareon sets great store on fostering young talent in the property industry. The "Lerninsel" programmes run by the northern and central/eastern business regions have been supporting vocational trainees in the property industry for many years now. Intensive training courses are held every summer to equip promising vocational trainees with the skills to become tomorrow's leaders in the property industry.

Aareal Bank and Aareon provide the University of Leipzig, the Leipzig University of Cooperative Education and the Südwestdeutsche Fachakademie der Immobilienwirtschaft e.V. with guest lecturers and speakers. Aareon has been involved in the Girls' Day initiative since 2008, which gives female school students a look behind the scenes to highlight the benefits of technical professions at an early age.

### Charitable and social organisations

Aareal Bank Group sponsors charitable and social organisations and is involved in a large number of foundations. Aareal Bank Group sponsors and is a member of the Zwerg Nase Foundation in Wiesbaden, which aims to provide simple, unbureaucratic help to parents with disabled children.

Aareal Bank Group also supports Fit for Family Care gGmbH, a non-profit organisation for child care and youth services in Wiesbaden. Aareal Bank held a series of sporting events for employees as part of its "Aareal United" summer programme. This included the JP Morgan Corporate Challenge and the 25-hour run in Wiesbaden, as well as a wide range of activities relating to the European football championships and the Olympic Games. Employees were rewarded for their participation in the programme with a points system, which saw the Bank donate € 5,000 to Fit for Family Care at the end of the programme.

As part of management and specialist training, the Company's management staff and specialists participate in the Common Purpose's regional matrix programme every two years. They then continue to participate in the programme as alumni to further the idea of corporate citizenship.

### Aareon's social commitment

As part of Aareal Bank Group, social commitment is also an important part of Aareon's corporate culture. This is why the Company supports Deutsche Entwicklungshilfe für soziales Wohnungs- und Siedlungswesen (DESWOS) in Cologne and Pfarrer-Landvogt-Hilfe e.V. in Mainz.

DESWOS's mission is to fight homelessness and poverty in developing countries by helping people to help themselves. It does this by helping to build housing for families in need and safeguarding their livelihoods. The foundation is supported by the associations of the GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen and their members. Aareon has supported DESWOS's work since 1997 as a member and donor. In 2012, Aareon helped small farmers in Nicaragua to safeguard their living environment. It sponsored a women's cooperative in rural El Salvador in 2011 and a project to help children and single mothers in Tanzania in 2010.



Originally providing emergency relief, Pfarrer-Landvogt-Hilfe has grown to become a help, counselling and support organisation for the homeless and an advocate for these people. Today, its work focuses on reintegration assistance and helping those who have nowhere else to go. Aareon helps to fund a part-time social worker.

Aareon supports Mainzer Hospizgesellschaft's hospice and palliative counselling service. Aareon's contribution helps the Mainz hospice to keep its hospice and palliative counselling service for outpatients running. Paid and volunteer hospice staff support the dying and their families free of charge in their own homes during what is undoubtedly one of the most difficult times imaginable.

### I-stay@home



Aareon is a partner of the I-stay@home initiative. This project is a partnership between 15 European companies and is backed by the European Union. The aim of the project is to make appropriate IT solutions available to people, housing organisations, local authorities and communities that help older people to continue living independently in their own homes for as long as possible given the demographic trend in Europe. The project focuses in particular on safety, health and energy consumption.

#### Sustainability programme

Goal	Measure	Deadline
To help tackle challenges facing society	<b>Education and academic research</b> <ul style="list-style-type: none"> <li>Continuation of work to promote education and academic research, as well as the dialogue between research and practice in the property industry</li> <li>Sponsorship of the Institute for Banking History (Institut für bankhistorische Forschung)</li> </ul>	Ongoing
	<b>Charitable and social organisations</b> <ul style="list-style-type: none"> <li>Sponsorship of the Zwerg Nase Foundation and foundation membership</li> <li>Donations</li> </ul>	Ongoing
	Employee participation in the Common Purpose initiative	Ongoing

#### GRI Index

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	2.4 Location of organisation's headquarters.	f	Wiesbaden, Germany
	2.5 Number/names of countries where the organisation operates.	f	12
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	3.13 External assurance for the report.	f	None
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1-10	4.1 Governance structure of the organisation, including responsibility for sustainability.	f	18f.; AR 231f., 245ff.
	4.2 Independence of the Chairman of the Supervisory Board.	f	19; AR 231, 233
	4.3 For organisations that have a unitary board structure: independent and/or non-executive members of the highest governance body.	n.r.	Not relevant as Aareal Bank has a Supervisory Board
	4.4 Mechanisms for shareholders and employees to provide recommendations or direction to Management Board/Supervisory Board.	f	20, 35; AR 48f., 261
	4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organisation's achievement of sustainability targets.	f	37f.; AR 209f.
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1-10	4.7 Expertise of the members of the governance bodies with regard to sustainability.	f	18f.
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GRI Index			
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7	EC2 Financial implications for the organisation's activities due to climate change.	p	21
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	EC4 Significant financial assistance received from government.	f	None
1, 6	EC5 Range of ratios of standard entry level wage compared to local minimum wage.	f	37
	EC6 Spending on locally-based suppliers.	p	48f.
6	EC7 Local hiring of senior management members.		39
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	EC 9 Significant indirect economic impacts.	n.d.	
7-9	<b>Management Approach – Environmental Performance Indicators</b>	<b>f</b>	<b>17, 28f., 31, 42, 44-47, 49</b>
8, 9	EN1 Materials used by weight or volume.	f	45
8, 9	EN2 Percentage of materials used that are recycled input materials.	f	44f.
8	EN3 Direct energy consumption.	f	46f.
8	EN4 Indirect energy consumption.	f	46f.
7	EN5 Energy saved due to conservation and efficiency improvements.	f	46f.
9	EN6 Initiatives to provide more energy-efficient products and services.	f	AR 67 ff.
8	EN7 Initiatives to reduce indirect energy.	f	46
8	EN8 Total water withdrawal by source.	f	45 (tap water only)
8	EN9 Water sources significantly affected by withdrawal of water.	f	None
8	EN10 Recycled and reused water.	n.r.	
8	EN11 Land in, or adjacent to, protected areas.	f	None
8	EN12 Impacts on biodiversity in protected.	f	None
8	EN13 Habitats protected or restored.	n.r.	
8	EN14 Strategies, current actions, and future plans for protecting biodiversity.	n.r.	
8	EN15 Endangered species by level of extinction risk.	n.r.	
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8	EN21 Total water discharge by quality and destination.	n.d.	
8	EN22 Total weight of waste by type and disposal method.	f	45
8	EN23 Spilling of harmful substances.	n.r.	
	EN24 Transport of hazardous waste by weight.	n.r.	
	EN25 Water bodies and related habitats significantly affected by discharges of water.	n.r.	
7-9	EN26 Initiatives to mitigate environmental impacts of products and services.	f	28f.
	EN27 Percentage of products whose packaging materials were re-used.	n.r.	
	EN28 Fines for non-compliance with environmental laws and regulations.	f	None
8	EN29 Environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	f	47
7, 8	EN30 Environmental protection expenditures and investments.	n.d.	
1, 3, 6	<b>Management Approach – Work Environment and Working Conditions</b>	<b>f</b>	<b>17, 32, 35f., 38-41</b>
	LA1 Information on total workforce.	f	34, Proportion of fixed-term contracts in the Group in 2012: 4.5 %
6	LA2 Employee turnover.	p	34f.
	LA3 Benefits provided to permanent staff.	f	38
1, 3	LA4 Employees covered by collective bargaining agreements.	f	Proportion of employees covered by collective agreements in the Group in 2012: 86 %

GRI Index			
Global Compact Principles	GRI Index	Application level	Page
1, 3	LA5 Minimum notice period(s) regarding significant operational changes.	f	35
	LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	n.d.	
1	LA7 Rates of lost days, injury, and number of work-related fatalities .	f	41
	LA8 Preventive healthcare programmes, advisory services.	f	40
	LA9 Health and safety topics covered in formal agreements with trade unions.	n.d.	
	LA10 Average hours of training by employee category.	f	35f.
	LA11 Programmes for skills management and lifelong learning.	f	35f., AR 172
	LA12 Percentage of employees receiving regular performance and career development reviews.	f	36
1, 6	LA13 Workforce structure/diversity in the organisation's management.	p	34, 39
1, 6	LA14 Remuneration by gender and employee category.	f	39
1-6	<b>Management Approach – Human Rights</b>	<b>f</b>	<b>35, 39, 48</b>
1-6	HR1 Investment agreements that include clauses incorporating human rights concerns, or that have undergone human rights screening.	n.d.	
1-6	HR2 Human rights screening of suppliers.	n.d.	
1-6	HR3 Training on policies and procedures concerning aspects of human rights.	p	39
1, 2, 6	HR4 Incidents of discrimination and corrective actions taken.	f	None
1-3	HR5 Right to exercise freedom of association and collective bargaining.	f	35, 48
1, 2, 5	HR6 Principles and measures taken with regard to child labour.	f	48
1, 2, 4	HR7 Principles and measures to eliminate forced labour.	f	48
1, 2	HR8 Training of security concerning aspects of human rights.	n.r.	
	HR9 Incidents of violations involving rights of indigenous people and actions taken.	n.r.	
10	<b>Management Approach – Society</b>	<b>f</b>	<b>19f., 50</b>
	SO1 Programmes and procedures assessing and regulating the impact of operations on local communities.	p	17
	FS13 Access points in low-populated or economically disadvantaged.	n.r.	
	FS14 Initiatives to improve access to financial services for disadvantaged people.	n.r.	
10	SO2 Analysis of risks of corruption.	p	19
10	SO3 Anti-corruption training.	f	20
10	SO4 Actions taken to prevent corruption.	f	19
1-10	SO5 Public policy positions and participation in lobbying.	p	21
	SO6 Total value of contributions to political parties, politicians, etc.	f	None, Code of Conduct
	SO7 Legal actions for anti-competitive behaviour, and their outcomes.	f	None
	SO8 Sanctions for non-compliance with laws and regulations.	f	AR 98
1, 8	<b>Management Approach – Product Responsibility (including FS15)</b>	<b>f</b>	<b>19, 29, 31</b>
1, 8	PR1 Life cycle stages in which health and safety impacts of products and services are assessed.	n.r.	
	PR2 Incidents of non-compliance with health and safety regulations.	n.r.	
8	PR3 Product and service labelling.	n.r.	
	PR4 Incidents of non-compliance with regulations concerning product and service information and labelling.	n.r.	
	PR5 Practices related to customer satisfaction.	f	29
	FS16 Initiatives to enhance financial literacy by target group.	n.d.	
	PR6 Programmes for adherence to laws, standards, and voluntary codes related to marketing communications.	n.r.	
	PR7 Incidents of non-compliance with regulations concerning marketing communications.	f	None
	PR8 Total number of substantiated complaints data protection.	f	30
	PR9 Fines for non-compliance with laws and regulations concerning the provision and use of products and services.	f	None

AR = Annual Report 2012; Code of Conduct = <http://www.aareal-bank.com/en/footermenu/code-of-conduct/>; n.d. = no data; n.r. = not relevant to our business; p = partial; f = full

We have self-declared our reporting to be Application Level B according to the GRI G3 Guidelines. This has been checked by the GRI and confirmed.



## Statement GRI Application Level Check

GRI hereby states that **Aareal Bank Group** has presented its report "Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 24 July 2013

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 11 July 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

### Imprint

#### Responsible for the content:

Aareal Bank AG · Henning Zander · Group Sustainability Officer  
Paulinenstrasse 15 · 65189 Wiesbaden, Germany  
Phone: +49 611 348 2009 · E-mail: [sustainability@aareal-bank.com](mailto:sustainability@aareal-bank.com)  
This report has been prepared in cooperation with  
akzente kommunikation und beratung gmbh, Munich, Germany

#### Photography:

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**Aareal Bank AG**  
Paulinenstrasse 15  
65189 Wiesbaden, Germany  
E-mail: [sustainability@aareal-bank.com](mailto:sustainability@aareal-bank.com)

[www.aareal-bank.com](http://www.aareal-bank.com)

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**Aareal Bank  
Group**