

Second-Party Opinion

Aareal Green Finance Framework - Lending



Evaluation Summary

Sustainalytics is of the opinion that the Aareal Green Finance Framework is credible and impactful and aligns with the four core components of the Green Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Properties and Energy Efficiency Upgrades – are aligned with those recognized by the Green Loan Principles. Sustainalytics considers that investments in the eligible category are expected to reduce the environmental footprint of buildings in Europe, North America and Asia Pacific and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.



PROJECT EVALUATION AND SELECTION Aareal Bank's loan origination and loan management functions are responsible for assessing and documenting the eligibility of the projects for green lending. The Credit Management (CM) team subsequently conducts a final check to ensure that all requirements have been fulfilled prior to drawdown of the financing and provides its approval. Aareal Bank also screens for non-financial risks as part of the credit process, including environmental and social risks through the assignment of environmental, social and governance risks at a property level. Sustainalytics considers Aareal Bank's risk management system to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Aareal Bank's process for the management of proceeds is overseen by the CM team as part of an established credit process. Aareal Bank will track the originated loans using established internal systems¹ through which loans that fulfil the eligibility criteria are flagged as green loans and relevant documentation, including green building certificates and energy performance certificates. Sustainalytics views this process to be in line with market practice.



REPORTING Aareal Bank intends to report annually on the allocation and impact of proceeds on its website via a green finance report as long as any green loans are outstanding. Aareal Bank also intends to report annually on the changes in the amount of loans originated as part of its non-financial reporting. Additionally, Aareal Bank may report on relevant impact indicators according to selected ICMA KPIs subject to the availability of suitable information and data. Sustainalytics views the allocation and impact reporting commitments as aligned with market practice.

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¹ Aareal Bank finances ringfenced SPV structures. In cases structured as green loans, the funds provided to these SPVs are secured by buildings that meet the sustainability criteria laid out in the Aareal Green Finance Framework - Lending.

Introduction

Aareal Bank Group (“Aareal Bank” or the “Bank”) is a property bank specialized in structured property financing, banking and digital solutions. Headquartered in Wiesbaden, Germany, the Bank has approximately 3,300 employees and total assets amounting to EUR 47,331 million (USD 51,978 million) as of December 2022.²

Aareal Bank has developed the Aareal Green Finance Framework – Lending (the “Framework”) under which it offers green loans³ to finance, in whole or in part, existing and future properties that contribute toward enhancing the sustainability and energy efficiency of the existing building stock in Europe, North America and Asia Pacific. The Framework defines eligibility criteria in two green categories:

1. Green Properties
2. Energy Efficiency Upgrades

Aareal Bank engaged Sustainalytics to review the Aareal Green Finance Framework – Lending, dated May 2023, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Loan Principles 2023 (GLP).⁴ The Framework will be published in a separate document.⁵ The Framework updates and replaces the 2022 Green Finance Framework – Lending, for which Sustainalytics provided a second-party opinion in October 2022, which replaced the 2021 Green Finance Framework – Lending for which Sustainalytics provided a second-party opinion in March 2021.⁶

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁷ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13.3, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Aareal Bank’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Aareal Bank representatives have confirmed that: (1) they understand it is the sole responsibility of Aareal Bank to ensure that the information provided is complete, accurate or up to date; (2) they have provided Sustainalytics with all relevant information; and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

² Aareal Bank Group, “Annual Report 2022”, (2022), at: https://www.aareal-bank.com/fileadmin/downloadlist/DAM_Content/IR/Finanzberichte/2022/20221231_gb_en.pdf

³ Loans extended under the Framework may include multi-tranche loan facilities. Aareal Bank has confirmed to Sustainalytics that it will label loans as green only if they are extended for the financing of properties that comply with the criteria outlined in the Framework.

⁴ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁵ The Aareal Green Finance Framework is available on Aareal Bank’s website at: <https://www.aareal-bank.com/en/responsibility/managing-sustainability/sustainable-finance>

⁶ Sustainalytics’ 2021 Second-Party Opinion is available at: https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Aareal_Bank_Green_Finance_Framework-Lending_Second_Party_Opinion_Sustainalytics.pdf

⁷ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Aareal Bank.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Aareal Bank is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Aareal Bank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Aareal Green Finance Framework - Lending

Sustainalytics is of the opinion that the Aareal Green Finance Framework is credible and impactful, and aligns with the four core components of the GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Green Properties and Energy Efficiency Upgrades – are aligned with those recognized by the GLP. Sustainalytics notes that the green loans provided under the Framework are expected to reduce the environmental footprint of buildings in Europe, North America and the Asia-Pacific region and contribute to climate change mitigation in these regions.
 - Sustainalytics notes that Aareal Bank will limit refinancing under the Framework to capital expenditures and therefore, has not established a look-back period. This is in line with market practice.
 - Under the Green Properties category, Aareal Bank may finance or refinance the acquisition and renovation of existing buildings in Europe,⁸ North America⁹ and the Asia-Pacific Region¹⁰ that fulfil one of the following criteria:
 - Compliance with the Technical Screening Criteria in the Technical Expert Group's proposed EU Taxonomy¹¹ for the acquisition and ownership of existing buildings.
 - Buildings that have achieved one of the following third-party green building certification levels: BREEAM (Very Good or above),¹² LEED (Gold or above),¹³ DGNB (Gold or above),¹⁴ HQE (Excellent or above),¹⁵ Green Star (5 stars or above),¹⁶ NABERS (4.5 stars or above)¹⁷ and Energy Star (80 and above).¹⁸ Sustainalytics considers BREEAM

⁸ Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, United Kingdom.

⁹ Canada and the USA.

¹⁰ Australia, China, Japan, Maldives, Singapore.

¹¹ European Commission, "Taxonomy Report: Technical Annex" (March 2020), at:

https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

¹² BREEAM, at: <https://www.breeam.com/>

¹³ LEED, at: <https://www.usgbc.org/leed>

¹⁴ DGNB, at: <https://www.dgnb.de/en/>

¹⁵ HQE, at: <https://www.hqegbc.org/home/>

¹⁶ Green Star, at: <https://new.gbca.org.au/>

¹⁷ NABERS, at: <https://www.nabers.gov.au/about/what-nabers>

¹⁸ Energy Star, at: https://www.energystar.gov/buildings/building_recognition/building_certification

- Excellent to be aligned with market practice and encourages the Bank to select BREEAM-certified buildings that score high enough in the Energy category (which Sustainalytics regards as the most important one) to fulfill the requirements for BREEAM Excellent in that category. Additionally, Sustainalytics encourages Aareal Bank to select buildings that achieve Energy Star score of 85 and above in its allocation decisions.
- Energy efficient buildings that meet the following criteria: i) the property falls below the following maximum energy reference values for total final energy consumption (heating and electricity): Residential – 75 kWh/m²; Office/Retail/Hotel – 140 kWh/m² and Logistics – 65 kWh/m²; or ii) the property meets the national requirements¹⁹ for a Nearly Zero-Energy Building (NZEB).²⁰ Sustainalytics considers the use of energy consumption thresholds to finance buildings relevant within the local context in a country or jurisdiction. Sustainalytics notes that the Bank's choice to use globally applicable thresholds represents a deviation from what Sustainalytics considers good practice. Nevertheless, Sustainalytics notes that the selected thresholds represent an improvement compared to average global buildings energy performance and further encourages Aareal Bank to target assets falling within the top 15% most energy efficient in the local context or target a 10%-better-than NZEB improvement for buildings.
 - Under the Energy Efficiency Upgrades category, Aareal Bank may finance or refinance energy efficiency upgrades of existing buildings, which result in:
 - Compliance with the Technical Screening Criteria of the EU Taxonomy²¹ for renovation of existing buildings;²²
 - The building achieving or expecting to achieve one of the above-mentioned green building certification levels;
 - The building achieves an energy efficiency improvement of at least 30% compared to the baseline performance of the building.
 - Sustainalytics considers Aareal Bank's financing of energy efficiency upgrades under this category as aligned with market practice
 - Project Evaluation and Selection:
 - Aareal Bank's loan origination and credit management functions are responsible for assessing and documenting the eligibility of loans under the Framework. The Credit Management (CM) team subsequently conducts the final check to ensure the fulfilment of all requirements prior to drawdown of the financing and provides approval for financing.
 - Additionally, the Bank's ESG-Expert-Group (EEG) provides guidance on the sustainability criteria of the financings and reviews the Framework on a regular basis to determine potential amendments. The Green Finance Committee (GFC) is responsible for managing the green asset pool and can request a review of the Framework and the sustainability criteria conducted by the EEG. The EEG and the GFC comprise experts in credit, valuation, portfolio management, treasury, legal and sustainability.
 - The Bank screens for non-financial risks as part of the credit process, including environmental, social and governance risks which are considered in all lending decisions made under the Framework through assignment of environmental, social and governance risk scores at a property level. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For more details on Aareal Bank's environmental and social risk mitigation processes, please refer to Section 2.
 - Based on the cross functional oversight for project evaluation and selection and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.

¹⁹ The buildings must be well insulated and use renewable energy sources to cover the remaining energy demand.

²⁰ European Commission, Energy, "Nearly zero-energy buildings", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

²¹ EU, "Taxonomy Report: Technical Annex" (March 2020), at:

https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

²² Sustainalytics notes that the EU Taxonomy requires meeting the relevant cost-optimal minimum energy performance requirements in accordance with the EPBD, which varies among EU Member States. Sustainalytics therefore encourages Aareal Bank to report on the actual improvement on primary energy demand performance or energy savings achieved in comparison with the existing building stock in the area or region.

- Management of Proceeds:
 - Aareal Bank’s process for the management of proceeds is overseen by the CM team as part of the established credit process. The Bank will track the originated loans using established internal systems through which loans that fulfil the eligibility criteria are flagged as green loans. All relevant documentation, including green building certificates and energy performance certificates are stored in electronic loan files in accordance with Aareal Bank’s loans system. If a document used to assess the eligibility of a property expires, the Bank will request a new, valid document from the client, which must be provided within twelve months.
 - Based on use of an internal tracking system, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Aareal Bank commits to reporting on the allocation and impact of the green loans via a green financing report as long as any green loans are outstanding. The report will be made available on the Bank’s investor relations website on an annual basis. Additionally, Aareal Bank intends to report annually on the changes in the amount of loans originated as part of its non-financial reporting.
 - Regarding impact reporting, the Bank may report on relevant impact indicators according to selected ICMA KPIs, including the level of green building certification achieved per m² gross building or floor area and carbon reduction in retrofitted buildings (in kgCO₂/m² of gross building or floor area), subject to the availability of suitable information and data.
 - Based on the intention to report on both allocation and impact on an annual basis, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Loan Principles 2023

Sustainalytics has determined that the Aareal Green Finance Framework aligns with the four core components of the GLP.

Section 2: Sustainability Strategy of Aareal Bank

Contribution of the framework to Aareal Bank’s sustainability strategy

Aareal Bank’s commitment to sustainability is underpinned by its sustainability mission statement which details guiding principles for the Bank to conduct business in a responsible and sustainable manner. This includes accounting for social and ecological issues in the Bank’s activities, aligning its sustainability performance with evaluated risks and opportunities, and regularly engaging with relevant stakeholders with the aim of integrating the insights into business decisions.²³

Aareal Bank is committed to implementing environmental matters into its business operations through the following initiatives: i) storing data on energy efficiency, green building certificates and energy-efficient renovation projects, and implementing these into its lending decisions; ii) offering green lending to help clients finance sustainable commercial real estate; iii) creating transparency for its property finance portfolio by using a standardized reporting method for carbon footprint; and iv) developing digital solutions focused on improving its clients’ environmental footprint and contributing to their climate protection.²⁴

In 2022, Aareal Bank’s materiality analysis, based on Global Reporting Initiative Standards and principles from the UN Global Compact, identified ESG offerings, including green lending as material contributors towards the Bank’s continued growth.²⁵ Regarding sustainable finance activities, Aareal Bank issued approximately EUR 1 billion in new green loans in 2022 with the total green loan volume reaching EUR 2.2 billion as of the end of the year. Aareal Bank also has verified ESG information such as energy performance certificates for 48% of its global credit finance portfolio, 21% of which was composed of green properties.²⁶ In addition, since 2012, Aareal Bank annually releases the Climate Disclosure Program questionnaire to provide transparency on the targets set for its operational emissions, portfolio transparency and green financing.²⁷ For example, the Bank achieved its target of achieving full transparency on climate-related issues of its global commercial

²³ Aareal Bank, “Our sustainability mission statement”, at: <https://www.aareal-bank.com/en/responsibility/managing-sustainability/our-sustainability-mission-statement>

²⁴ Aareal Bank, “Separate Combined Non-financial Report 2022”, (2023), at: https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Nichtfinanzieller_Bericht_2022_en.pdf

²⁵ Ibid.

²⁶ Ibid.

²⁷ CDP, “Aareal Bank AG”, at: <https://www.cdp.net/en/responses/97/Aareal-Bank-AG>

real estate finance portfolio by 2022 from a 2015 baseline.²⁸ In 2021, the Bank committed to reporting the carbon footprint for its property finance portfolio in line with the Partnership for Carbon Accounting Financials standard by 2024.²⁹ These efforts feed into the Bank's aim of assessing scope 3 emissions of its property loan portfolio in the future.

Sustainalytics is of the opinion that the Aareal Green Finance Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental priorities.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the loans provided under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes, such as those related to occupational health and safety, biodiversity loss, waste and effluents generated from large-scale infrastructure development and community relations. Sustainalytics acknowledges that Aareal Bank has limited involvement in the development of the projects which it finances, such as existing buildings that have already been completed. Nevertheless, by offering lending and financial services, the Bank could be exposed to environmental and social risks associated with its lending decisions, such as predatory lending.

Sustainalytics is of the opinion that Aareal Bank is able to manage or mitigate potential risks through implementation of the following:

- The Bank's internal loan approval process for its property financing portfolio involves: i) screening for risks, including environmental and social risks such as climate, energy and water; and ii) carrying out mitigation checks to minimize environmental and social risks associated with its lending decisions. Aareal Bank also requires borrowers to provide climate-related information for each property as part of its lending process, which enables the Bank to assess the ecological quality and development of its financing.³⁰
- To address risks associated with biodiversity loss, waste and effluents generated from large-scale infrastructure development, Aareal Bank's lending policy includes various sustainability aspects as criteria that are taken into account during property valuations performed to support financing decisions.³¹ The sustainability criteria include: i) life-cycle quality, demonstrated through third-party usability and appropriate expenditure on value preservation matters; ii) sociocultural quality, expressed through quality of architecture, town planning and potential tenants; and iii) ecological quality, demonstrated by environmental liability, contamination audits and energy efficiency, among others.
- Aareal Bank complies with the recommendations of Germany's Corporate Governance Code,³² which sets out guidelines and standards for good and responsible corporate governance. Aareal Bank has also been a signatory to the UN Global Compact since 2012,³³ indicating the Bank's commitment to its 10 principles on upholding human rights, eliminating unfair labour practices, preventing environmental degradation and corruption.³⁴
- The Bank engages only with institutional and professional clients, therefore limiting its exposure to risk associated with predatory lending. Moreover, Aareal Bank is subject to external supervision by the European Central Bank, the German banking supervision initiative carried out by the Deutsche Bundesbank,³⁵ the German Federal Financial Supervisory Authority and external auditors.
- In addition to the above, Sustainalytics notes that most of Aareal Bank's financing under the Framework will take place in Designated Countries under the Equator Principles³⁶, indicating the presence of robust environmental and social governance, legislation and institutional capacity to

²⁸ Aareal Bank, "Aareal Bank AG CDP Climate Change Questionnaire 2021", at: https://www.aareal-bank.com/fileadmin/04_Investoren/09_Sustainability_reports/2020/Aareal_Bank_CDP_Climate_Change_Questionnaire_2021.pdf

²⁹ Aareal Bank, "Separate Combined Non-financial Report 2022", (2023), at: https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Nichtfinanzieller_Bericht_2022_en.pdf

³⁰ Aareal Bank, "Separate Combined Non-financial Report 2021", at: https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Nichtfinanzieller_Bericht_2021_en.pdf

³¹ Aareal Bank, "Lending Business", at: <https://www.aareal-bank.com/en/responsibility/implementing-solutions/lending-business>

³² Deutscher Corporate Governance Kodex, "Code", at: <https://dcgk.de/en/code.html>

³³ Aareal Bank, "Separate Combined Non-financial Report 2021", at: https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Nichtfinanzieller_Bericht_2021_en.pdf

³⁴ United Nations Global Compact, "The Ten Principles of the UN Global Compact", at: <https://www.unglobalcompact.org/what-is-gc/mission/principles#:~:text=%20The%20Ten%20Principles%20of%20the%20UN%20Global,diffusion%20of%20environmentally%20friendly%20technologies.%20%20More%20>

³⁵ The central bank of the Federal Republic of Germany.

³⁶ As of December 2022, financing in the APAC region constitutes 5% of the Bank's commercial real estate financing portfolio. The Bank has communicated to Sustainalytics that this representation is not expected to alter significantly as a result of financing under the Framework.

mitigate the environmental and social risks associated with projects intended to be financed under the Framework.³⁷

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Aareal Bank has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

Both use of proceeds categories are aligned with those recognized by the GLP. Sustainalytics focused below on where the impact is specifically relevant in the local context.

Contribution of green buildings and energy efficiency to climate change mitigation in Europe

In 2021, the operations of buildings was responsible for 30% of global final energy consumption and 27% of total energy sector GHG emissions.³⁸ Building operations, such as heating, cooling and lighting accounted for 28% of global carbon emissions.³⁹ In order to reach a net zero carbon building stock by 2050, carbon emissions from buildings globally would need to fall by 50% by 2030.⁴⁰ A similar trend is observed in the European Union, where the buildings sector is the largest energy consumer, responsible for 40% of the EU's total energy consumption and 36% of GHG emissions, stemming mainly from construction, use, renovation and demolition.⁴¹ Recognizing the importance of buildings as a key sector for decarbonization, the EU's Climate Target Plan 2030 proposes that buildings' GHG emissions would need to be reduced by 60%, final energy consumption by 14% and energy consumption for heating and cooling by 18% by 2030. These targets feed into the overall EU target of reducing emissions by at least 55% by 2030 and the longer-term goal to be climate neutral by 2050.⁴²

Almost 75% of the building stock in the EU is energy inefficient while only 0.4-1.2% of the total building stock is renovated annually.⁴³ According to the European Commission, the renovation and retrofit of existing buildings can reduce the EU's total energy consumption by 5-6% and lower GHG emissions by about 5%.⁴⁴ To promote efforts in improving the energy efficiency of buildings, the EU has established several guidelines, including the Energy Performance of Buildings Directive (EPBD), which requires EU countries to develop long-term renovation strategies to facilitate the cost-effective decarbonization of existing buildings, with the overall objective of achieving a zero emissions building stock by 2050.⁴⁵ At the end of 2021, the European Commission proposed to align the EPBD with the European Green Deal by moving from near-zero emissions buildings to zero-emission buildings by 2030.⁴⁶ This proposal also facilitates the implementation of the Renovation Wave strategy, which aims to double the annual energy renovation rate of residential and non-residential buildings by 2030. As part of this strategy, the EU plans to renovate approximately 35 million building units by 2030.⁴⁷

In this context, Sustainalytics is of the opinion that Aareal Bank's provision of loans to acquire, renovate and construct green buildings and associated energy efficiency upgrades are expected to contribute to the decarbonization of the EU building stock while supporting the EU in meeting its long-term climate-related goals.

³⁷ China, Maldives and Singapore are not Designated Countries.

Equator Principles, "Designated & Non-Designated Countries", (2022), at: <https://equator-principles.com/about-the-equator-principles/#:~:text=Designated%20Countries%20are%20those%20countries,country%27s%20performance%20in%20these%20areas.>

³⁸ The International Energy Agency, "Buildings", (2022), at: <https://www.iea.org/reports/buildings>

³⁹ World Green Building Council, "New report: the building and construction sector can reach net zero carbon emissions by 2050", at: <https://worldgbc.org/article/new-report-the-building-and-construction-sector-can-reach-net-zero-carbon-emissions-by-2050/>

⁴⁰ UNEP, "Building Sector Emission hit record high, but low-carbon recovery can help transform sector-UN report", at: <https://www.unep.org/news-and-stories/press-release/building-sector-emissions-hit-record-high-low-carbon-pandemic>

⁴¹ European Commission, "Energy efficiency in buildings", (2020), at: https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-lut-17_en

⁴² European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", (2020), at: https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF

⁴³ European Parliament, "Report on maximising energy efficiency potential of the EU building stock", (2020), at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.pdf

⁴⁴ European Commission, "Document on the energy performance of buildings in the European Union", at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings_en

⁴⁵ European Commission, "Energy performance of buildings directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

⁴⁶ European Commission, "Nearly zero-energy buildings", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

⁴⁷ European Commission, "A Renovation Wave for Europe", (2020), at: https://ec.europa.eu/energy/sites/ener/files/eu_renovation_wave_strategy.pdf

Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The green loans provided under the Aareal Green Finance Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Properties	11. Sustainable Cities and Communities	11.3 Ensure inclusive and sustainable urbanization, planning and management.
Energy Efficiency Upgrades	7. Affordable and Clean Energy	7.3 By 2030 double the global rate of improvement in energy efficiency.

Conclusion

Aareal Bank has developed the Aareal Green Finance Framework – Lending under which it may offer green loans expected to contribute towards enhancing the sustainability and energy efficiency of local existing building stocks. Sustainalytics expects the projects funded by loan proceeds to reduce the environmental footprint of buildings in Europe, North America and the Asia-Pacific region and contribute to climate change mitigation in these regions.

The Aareal Green Finance Framework – Lending outlines a process for tracking, allocating and managing proceeds, and makes commitments for reporting on the allocation and impact of the use of proceeds. Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the green use of proceeds categories are expected to contribute to the advancement of the UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics is of the opinion that Aareal Bank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Aareal Bank is well positioned to offer green loans and that the Framework is robust, transparent and in alignment with the four core components of Green Loan Principles 2023.

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