Aareal Bank AG

Type of Engagement: Annual Review
Date: 4 July 2025
Engagement Team:
Anjansingh Bist, anjansingh.bist@morningstar.com

Introduction

Aareal Bank AG ("Aareal Bank" or the "Bank") issued six sustainability debt instruments between January 2022 and December 2024 (collectively the "Green Funding Instruments")[1] to finance and refinance existing green buildings. In May 2025, Aareal Bank engaged Sustainalytics to review the projects financed with proceeds from the Green Funding Instruments (the "Nominated Expenditures") and provide an assessment as to whether they meet the use of proceeds criteria and whether Aareal Bank complied with the reporting commitments in the Aareal Green Finance Framework – Liabilities (the "Framework").[2] Sustainalytics provided a Second-Party Opinion on the Framework in July 2021, followed by an update in October 2023.[3] This is Sustainalytics' third annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in June 2023 and August 2024.[4,5]

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and Aareal Bank's reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Green Buildings	To qualify as a Green Property, properties must meet at least one of the following three eligibility criteria both at the time of the financing commitment and over the entire financing period: 1. Classification as EU Taxonomy compliant • Properties meet the EU Taxonomy criteria set out in Chapter 7.7 (Acquisition and ownership of existing buildings) of the EU Commission Delegated Regulation (EU) 2021/2139[6]	• Certification standard (type of certification scheme, certification level and m² Gross Building Area / Gross Floor Area) • Annual emissions avoided (in $kgCO_2e$/ m² of Gross Building Area / Gross Floor Area p.a.)

[1] As of 31st December 2024, the Green Funding Instruments include two green senior preferred benchmark bonds of EUR 500 million each, one green senior non-preferred bond of EUR 500 million, two private placements as senior non-preferred (SNP) green bonds totaling EUR 15 million, and green commercial papers of EUR 473.67 million amounting to a total outstanding volume of EUR 1,988.67 million.
[2] Aareal Bank, "Aareal Green Finance Framework – Liabilities", (2023), at: https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Green_Finance/Aareal_Green_Finance_Framework_Liabilities_2023.pdf
[3] Sustainalytics, "Second-Party Opinion, Aareal Bank Green Finance Framework", (2023), at: (https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/aareal-green-finance-framework-(liabilities)-second-party-opinion_oct-2023.pdf); which is an update of 2021 Aareal Bank Green Finance Framework (https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/aareal-bank-ag-green-finance-framework---liabilities-second-party-opinion.pdf)
[4] Sustainalytics, "Annual Review", (2023), at https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/aareal-bank-ag-annual-review-2023.pdf
[5] Sustainalytics, "Annual Review", (2024), at https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Sustainalatics_Annual_Review_2024.pdf
[6] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

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2. Green building certification (type/level)
   - Existence of a reputable (i.e., World Green Building Council) green building certificate with an above-average rating, according to the following provider rating categories:
     - BREEAM: Outstanding, Excellent and Very Good
     - LEED: Platinum and Gold
     - DGNB: “Platinum” and “Gold”
     - HQE: “Exceptional” and “Excellent”
     - Green Star: “6 Stars” and “5 Stars”
     - NABERS: “6 Stars”, “5 Stars” and “4.5 Stars”
     - Energy Star: Score of at least 80
3. Energy efficiency of the property
   - The property meets the national requirements for a nearly zero-energy building (NZEB)[7] valid at the time the financing commitment is made.
     - To reach this standard, the buildings must, for example, be well insulated. In addition, they must use renewable energy sources to cover the remaining energy demand.

       and/or
   - The property falls below the following maximum energy reference values:
     - Reference values for total final energy consumption (heating and electricity) for each type of commercial property, which are derived from national requirements/green building requirements and our many years of evaluation practice:

Building Type	Final Energy Consumption[8]
Residential	< 75 kWh/(m² x a)
Office	< 140 kWh/(m² x a)
Retail	< 140 kWh/(m² x a)
Hotel	< 140 kWh/(m² x a)
Logistics	< 65 kWh/(m² x a)

[7] European Commission, Energy, “Nearly zero-energy buildings”, at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficientbuildings/nearly-zero-energy-buildings_en

[8] Final energy consumption is considered after offsetting measures such as on-site generation of electricity through renewable sources i.e., photovoltaic systems or district heating networks. Until global data availability has improved, final/primary energy demand/consumption can be used as a proxy. Generally, for purposes of receiving proof of final energy consumption, a third party will be engaged (i.e. energy performance certificates or utilities providers).

Energy Efficiency Upgrade	1. Classification as EU Taxonomy compliant • Energy-efficient modernisation/renovation measures meet the EU Taxonomy criteria according to Chapter 7.2 (Renovation of existing buildings) of the EU Commission Delegated Regulation (EU) 2021/2139. 2. Completion of the modernisation/renovation measure levels the property to meet the Green Property standard defined above (cf. a) 3. Completion of the modernisation/renovation measure results in an energy efficiency improvement of at least 30%[9] or – preferably – reduces energy consumption of a building below the maximum thresholds defined above	• Annual emissions avoided (in $kgCO_2e$/ m² of Gross Building Area / Gross Floor Area p.a.)

Issuer's Responsibility

Aareal Bank is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Aareal Bank's Green Funding Instruments. The work undertaken as part of this engagement included the collection of documentation from Aareal Bank and the review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Aareal Bank. Sustainalytics is not responsible, nor shall it be held liable, for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Aareal Bank.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,[10] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. Aareal Bank has disclosed to Sustainalytics that the proceeds from the Green Funding Instruments were fully allocated as of December 2024.

[9] Based on the Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088). Final energy consumption is considered after offsetting measures such as on-site generation of electricity through renewable sources i.e., photovoltaic systems or district heating networks.

[10] Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	Aareal Bank reported on at least one KPI per use of proceeds category.	None

Appendices

Appendix 1: Allocation Reporting

Table 3: Allocation of Proceeds from the Green Asset Pool

Use of Proceeds Category	Asset Type	Amount Allocated (EUR million)
Green Buildings	Office	2,933.20
	Retail	1,889.64
	Logistics	400.16
	Hotel	290.08
	Housing	50.36
Total Amount Allocated		**5,563.44**[11]
Total Proceeds Unallocated		**0.00**
Total Net Proceeds Raised		**1,988.67**

Appendix 2: Reported Impact[12]

Table 4: Reported Impact from the Green Asset Pool

Use of Proceeds Category	Asset Type	Annual final energy savings [13][MWh/ year] – Aareal Bank's share	Annual final energy savings[14] per EUR million invested [MWh/ EUR million year]	Annual CO_2 emissions avoidance[15] [tCO_2/ year] – Aareal Bank's share	Annual CO_2 emissions avoidance[16] per EUR million invested [tCO_2/ EUR million year]
Green Buildings	Office	32,952	11.2	6,873	2.3
	Retail	21,884	11.6	4,743	2.5
	Logistics	42,164	105.4	6,861	17.1
	Hotel	4,368	15.1	1,611	5.6
	Residential	6,353	126.1	1,468	29.2

[11] Aareal Bank has confirmed that 35.75% of its green asset pool was financed by proceeds from the Green Funding Instruments, which totaled EUR 1,988.67 million as of December 2024.
[12] Aareal Bank has communicated to Sustainalytics that the reported impact pertains to the entire Green Asset Pool, and not solely to the 35.75% portion that was financed/refinanced with proceeds from the Green Funding Instruments.
[13] Final energy savings calculated as the difference between the building's energy consumption and national building stock benchmarks, adjusted for the financing share.
[14] Final energy savings, adjusted based on the financing share relative to the signed amount.
[15] Greenhouse gas emissions avoidance, determined by multiplying final energy savings by carbon emissions intensity, adjusted for the financing share.
[16] Greenhouse gas emissions avoidance, adjusted based on the financing share relative to the signed amount.

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