

Second-Party Opinion

Aareal Bank Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Aareal Bank Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings and Energy Efficiency Upgrades – are aligned with those recognized by the Green Bond Principles 2018 and Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.



PROJECT EVALUATION / SELECTION the Valuation & Research Unit (VAR) assesses the eligibility of assets and/or activities based on alignment with the Framework's eligibility criteria as part of the established credit-process. The Credit Transaction Management Unit documents the eligibility of assets and/or activities using the Security Check Form before disbursement. The Green Finance Committee (GFC), a subcommittee of Aareal Bank's Sustainability Committee. Based on these elements, Sustainalytics considers this process to be in line with market practice.



MANAGEMENT OF PROCEEDS Aareal Bank's process for management of proceeds is overseen by the Credit Transaction Management (CTM) team as part of the established credit process. The Bank will track loans originated as part of the Green Financing Framework using established internal systems.¹ Based on these elements, Sustainalytics considers this process to be in line with market practice.



REPORTING Aareal Bank intends to report on the total amount of green loans originated as part of the Green Finance Framework on its website on an annual basis. In addition, the Bank intends to report on relevant impact indicators according to selected ICMA's Harmonized Framework for Impact Reporting, subject to the availability of suitable information and data. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Evaluation date March 12, 2021

Issuer Location Wiesbaden, Germany

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¹ Aareal Bank finances ringfenced SPV-structures, in cases eligible for Green Finance the loans provided to these SPVs are fully secured by buildings / energy upgrades which meet the sustainability criteria laid out in the Green Finance Framework

Introduction

Aareal Bank Group (“Aareal”, or the “Company”) is a property bank specialized in structured property financing and consulting services. Headquartered in Wiesbaden, Germany, the group has over 2,800 full time staff in offices in more than 20 countries as of December 2020.

Aareal Bank has developed the Aareal Bank Green Finance Framework (the “Framework”) under which it intends to offer green loans to finance, in whole or in part, existing and/or future properties that promote sustainable buildings and energy efficiency improvements of the existing building stock. The Framework defines eligibility criteria in two areas:

1. Green Buildings
2. Energy Efficiency Upgrades

Aareal Bank engaged Sustainalytics to review the Aareal Bank Green Finance Framework, dated December 2020, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles (GBP)² and Green Loan Principles 2020 (GLP).³ This Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

- The Framework’s alignment with the Green Bond Principles 2018, Green Loan Principles 2020, as administered by LMA, APLMA and LSTA⁶;
- 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 1.6.1, 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 (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) that they have provided Sustainalytics with all relevant information and (3) that 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.

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

² The Green Bond Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

³ 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/>

⁴ The Aareal Bank Green Finance Framework is available on Aareal Bank’s website at: <https://www.aareal-bank.com/en/responsibility/implementing-solutions/green-Financing/>.

⁵ 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 the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

⁶ In addition to the Loan Markets Association, the GLP is also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association.

financing 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 properties financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realized allocation of the 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 Bank Green Finance Framework

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

- Use of Proceeds:
 - The eligible categories – Green Buildings and Energy Efficiency Upgrades – are aligned with those recognized by the GBP and the GLP.
 - Regarding Green Buildings, Aareal may finance the acquisition and/or renovation of existing buildings in Europe,⁷ North America⁸ and the Asia-Pacific Region⁹ according to the following eligibility criteria:
 - Compliance with the Technical Screening Criteria in the Technical Expert Group's proposed EU Taxonomy¹⁰ for the acquisition and ownership of buildings.
 - Buildings with the following minimum certification levels: BREEAM "Very Good", LEED "Gold", DGNB "Gold", HQE "Excellent", Green Star "5 Stars", and NABERS "4 Stars". For Sustainalytics' assessment of these building certification schemes, please refer to Appendix 1. Sustainalytics recognizes as robust, credible schemes and positively notes the establishment of minimum certification levels. However, Sustainalytics notes that BREEAM Very Good is considered to be in line with market practice in some contexts, while in others BREEAM Excellent is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that achieve a minimum score of 70% in the Energy category.
 - Energy efficient buildings which: (i) meet the national requirements¹¹ for a Nearly Zero-Energy Building (NZEB),¹² or (ii) 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; Logistics – 65 kWh/m². Sustainalytics notes that it is market practice to use energy consumption thresholds based on local context in a country/jurisdiction rather than relying on a globally applicable threshold and that the Issuer's choice to use globally applicable thresholds represents a deviation from market practice. Nevertheless, Sustainalytics notes that the selected thresholds represent an improvement compared to average global buildings energy performance. Sustainalytics encourages the Issuer to target assets that are within the top 15% most energy efficient in the local context. Moreover,

⁷ Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, the United Kingdom.

⁸ Canada and the USA.

⁹ Australia, China, Japan, Maldives, Singapore.

¹⁰ EU, "Taxonomy Report: Technical Annex" (March 2020), at:

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

¹¹ The buildings must be well insulated, in addition, they must use renewable energy sources to cover the remaining energy demand.

¹² Nearly Zero-Energy Building plans are required to have been implemented in all EU countries as part of the Energy Performance of Buildings Directive 2010/31/EU which "promotes the improvement of the energy performance of buildings within the Union". See: <https://eur-lex.europa.eu/eli/dir/2010/31/2018-12-24>

- Sustainalytics encourages the Issuer to target a 20%-better-than NZEB improvement for buildings, which is market practice.
- Under the Energy Efficiency Upgrades category, Aareal may finance energy efficiency upgrades of existing buildings which lead to:
 - Compliance with the Technical Screening Criteria in the EU Taxonomy¹⁰ for renovation of existing buildings.
 - The property meeting the national requirements for a NZEB.
 - The building obtaining or expecting to obtain one of the above-mentioned green building certification levels.
 - The building achieves an improvement in energy efficiency of at least 30% compared to the baseline performance of the building.
 - Project Evaluation and Selection:
 - The Green Finance Committee (GFC), a subcommittee of Aareal Bank's Sustainability Committee, dedicated to (further) develop Aareal's green solutions, comprises experts in credit, valuation, treasury, Legal and sustainability. The GFC provides guidance on the sustainability criteria of financings and reviews both the Green Finance Framework and the Green Finance Portfolio on a regular basis, to determine possible future amendments. The Valuation & Research unit (VAR) assess the eligibility of assets and/or activities based on alignment with the Framework's eligibility criteria. Additionally the Credit Transaction Management (CTM) assesses and documents the eligibility of assets and/or activities using the Security Check Form prior to drawdown of the financing. Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Aareal Bank's process for management of proceeds is overseen by the Credit Transaction Management (CTM) team as part of the established credit process. The Bank will track loans originated as part of the Green Finance Framework using established internal systems. Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Aareal Bank intends to report on the total amount of green bonds or loans originated as part of the Green Finance Framework on its website on an annual basis. In addition, the Bank intends to report on relevant impact indicators according to selected ICMA-KPIs, including level of building certifications and/or reductions in energy demand – subject to the availability of suitable information and data. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2020

Sustainalytics has determined that the Aareal Bank Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Green Bond/Green Loan Programme External Review Form.

Section 2: Sustainability Strategy of Aareal Bank

Contribution of framework to Aareal Bank's sustainability strategy

Sustainalytics is of the opinion that Aareal Bank demonstrates a commitment to sustainability with a focus on three key environmental areas and core topics: (i) Integrating sustainability practices in structured property financing and consulting services, (ii) operational resource management and (iii) Sustainable procurement.¹³

In 2019, Aareal Bank engaged its stakeholders and conducted a materiality analysis¹⁴ to identifying key action areas for sustainability and including them in their risk management system for further analysis. The identified core areas pertaining to sustainability are Sustainable Business Model and Green Products¹⁴. The above-mentioned Use of Proceeds categories of Green Buildings and Energy efficiency will support Aareal Bank's mission to broaden their financial offerings to include social and ecological issues. As Aareal Bank mostly supports clients with large-volume commercial property investments in hotels, office buildings, shopping centers etc, the Use of Proceeds Categories selected will have a direct impact on all customers of a key business segment.

¹³ Aareal Bank, "Sustainability Programme" at: www.aareal-bank.com/en/responsibility/reporting-on-our-progress/sustainability-programme/

¹⁴ Aareal Bank, "Separate Combined Non-Financial Report 2020" at: www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Nichtfinanzieller_Bericht_2020_en.pdf

In their 2019 non-financial report, goals on specific core areas were identified, along with achievements and KPI's over the last three years. Aareal Bank reports on environmental KPIs such as energy consumption and GHG emissions (scope 1, 2 and 3) and other e.g. water consumption and waste¹⁴. Social data metrics have also been reported such as employee and gender diversity, education and training, and safety of our employees. Aareal Bank released the CDP questionnaire, to provide transparency on emission targets set and progress made on targets until the end of year 2019.¹⁵ An example of an ongoing target is a 100% reduction on scope 2 emissions, caused by consumption of electricity on our headquarters and the most german locations, from base year 2013 until 2020.¹⁵

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

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

While Sustainalytics recognizes that the proceeds that the loans issued under the Framework will be directed towards eligible financings that are recognized by the GBP and GLP to have positive environmental impact, Sustainalytics is aware that such eligible financings could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible financings, could include occupational health and safety, community relations, land use and biodiversity issues associated with large-scale infrastructure development, and waste generated in construction.

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

- Aareal Bank has complied with the recommendations of the German Government's Commission "German Corporate Governance Code".¹⁶ Aareal Bank is a signatory of UN Global Compact since 2012 and applies the ten principles¹⁷ through its Code of Conduct.¹⁴ In regard to purchasing and procurement, Aareal Bank has developed a code of conduct for their suppliers and subsidiaries as a basis for business relationships between them.¹⁴ This Code of conduct is based on guidelines published by the European Banking Authority (EBA)¹⁸ on the collection of information related to the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP). These Guidelines aim to facilitate a consistency in the supervisory assessment of ICAAP and ILAAP frameworks across the EU as part of the supervisory review and evaluation process (SREP).¹⁸ Thus, protecting Aareal Bank from potential supply chain risks that fall under environmental or social risks.¹⁴ In April of 2019, Aareal Bank improved on their Risk Appetite Framework to reflect environmental, social and governance (ESG) risk.¹⁴
- Aareal Bank's Financing policies include Sustainability aspects as a criterion that are taken into account during property valuations performed in regard to Financing decisions.¹⁹ The Financing policy 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.¹⁹
- In regards to risks associated with stakeholders, Aareal Bank stated that it has a process in place to conduct dialogue with stakeholders. Aareal Bank's stakeholder engagement process is conducted at regular intervals in order to understand stakeholder suggestions and incorporate insights into their business and decision-making process. A chart on stakeholder groups and means of engagement can be found on their website.²⁰

¹⁵ Aareal Bank, "Climate Change 2019" at: www.aareal-bank.com/fileadmin/04_Investoren/09_Sustainability_reports/2019/CDP-Fragebogen-2019-final.pdf

¹⁶ Duetscher Corporate Governance Kodex, "Code", at: <https://dcgk.de/en/code.html>

¹⁷ 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>

¹⁸ European Banking Authority, "EBA publishes final guidelines on ICAAP and ILAAP information" at: <https://eba.europa.eu/eba-publishes-final-guidelines-on-icaap-and-ilaap-information>

¹⁹ Aareal Bank, "Financing Business", at: <https://www.aareal-bank.com/en/responsibility/implementing-solutions/Financing-business/>

²⁰ Aareal Bank, "Stakeholder Engagement" at: www.aareal-bank.com/en/responsibility/managing-sustainability/stakeholder-engagement/

- In addition to the above, Sustainalytics notes that Aareal Bank financing will take place in Designated Countries under the Equator Principles, which Sustainalytics considers to be a robust proxy for environmental, social and governance legislation.²¹

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 GBP and GLP. Sustainalytics has focused on improving energy efficiency in buildings below where the impact is specifically relevant in the European context.

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

To align with the Paris Climate Agreement, the European Union (EU) is working towards reducing GHG emissions across its member states to mitigate the adverse impacts of climate change. Specifically, the EU is on track to meet its 2020 targets (compared to 1990 levels) and has formed a new plan to reduce emissions by at least 55% by 2030.²² Furthermore, by 2050 the EU intends to be the first climate-neutral continent by 2050.²²

The importance of refurbishing energy inefficient ageing buildings in the EU

According to the European Commission, as of 2019, buildings are responsible for almost 40% of energy consumption and 36% of CO₂ emissions in the EU.²³ Energy use in the building sector in the EU is trending downwards as a result of more energy efficient heating systems.²³ Approximately 35% of EU buildings are more than 50 years old and 75% of building stock is not energy efficient.²³ All the while, only 0.4% to 1.2% (depending on country) of total building stock is renovated annually.²³ Within this context, it is important for the EU to refurbish inefficient energy systems to achieve its 2030 and 2050 energy targets.

The Importance of Newly Constructed Sustainable Buildings in the EU

The EU has put in place several guidelines, including the Energy Performance of Buildings Directive (EPBD)²⁴ which requires all new buildings to be nearly zero-energy by the end of 2020 and new public buildings to be zero-energy by 2018.²⁵ In 2019, a study was conducted by the EU Commission that shows that the trend of uptake of nearly zero-energy buildings between 2012 and 2016 is on the rise with a peak in 2014.²⁶ Within this context, Aareal Bank's Use of Proceeds to construct new green buildings will help EU member states to implement and comply with directives passed by the European Commission and contribute to the EU's long term energy goals. This is most relevant in regard to the "Nearly Zero-Energy Building Program" which aims to reduce newly built buildings energy consumption to zero by the end of 2021.²⁵

With this context in mind, Sustainalytics views Aareal Bank's investments in certified energy-efficient buildings as making a positive contribution towards energy efficiency improvements in the residential and commercial property sector, while supporting the EU in meeting its long-term climate-related goals.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 Ensure inclusive and sustainable urbanization, planning and management.

²¹ Equator Principles, "Designated Countries", (2020), at: <https://equator-principles.com/designated-countries/>

²² European Commission, "EU climate action", (2019), at: https://ec.europa.eu/clima/policies/eu-climate-action_en

²³ European Commission, "New Rules for Greener and Smarter Buildings will increase quality of life for all Europeans" at: https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en

²⁴ European Commission, "Energy Performance of Buildings Directive (2010/31/EU)", at: :

<https://ec.europa.eu/energy/en/topics/energyefficiency/energy-performance-of-buildings-directive>

²⁵ European Commission, "Nearly zero-energy buildings", at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

²⁶ Publication Office of the EU, "Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU", at: <https://op.europa.eu/en/publication-detail/-/publication/97d6a4ca-5847-11ea-8b81-01aa75ed71a1/language-en/format-PDF/source-119528141>

Energy Efficiency Upgrades	7. Affordable and Clean Energy	7.3 By 2030 double the global rate of improvement in energy efficiency.
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Conclusion

Aareal Bank has developed the Aareal Bank Green Finance Framework under which it will finance green loans and the use of proceeds to finance green buildings and energy efficiency improvements of the building stock. Sustainalytics expects that the financings funded by Aareal will provide positive environmental impact.

The Aareal Bank Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Aareal Bank Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will 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 financings funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Aareal Bank is well-positioned to finance green loans and issue green bonds and that the Aareal Bank Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2020.

Appendices

Appendix 1: Certification Schemes for Green Buildings

	BREEAM	LEED	DGNB	HQE	Green Star	NABERS
Background	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).	DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building.	The Haute Qualité Environnementale or HQE (High Quality Environmental standard) is a standard for green building in France, based on the principles of sustainable development first set out at the 1992 Earth Summit. The standard was launched in 2005 and is controlled by HQE and certificate is issued by Cerway/ Certivea/ Cerqual.	Established in 2003, the Green Building Council of Australia's Green Star system is the nation's authority on sustainable buildings, communities and cities. The rating system assesses buildings in one of four categories: Communities, Design & As Built, Interiors, and Performance.	National Australian Built Environment Rating System (NABERS) is a performance-based national rating system that measures the environmental performance of existing buildings, tenancies and homes.
Certification levels	Pass Good Very Good Excellent Outstanding	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Bronze • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Pass • Good • Very good • Excellent • Exceptional 	<ul style="list-style-type: none"> • 1 Star (Minimum Practice) • 2 Star (Average Practice) • 3 Star (Good Practice)²⁷ • 4 Star (Best Practice) • 5 Star (Australian Excellence) • 6 Star (World Leadership) 	<ul style="list-style-type: none"> • 1 Star • 2 Star • 3 Star • 4 Star • 5 Star
Areas of Assessment	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design 	<ul style="list-style-type: none"> • Environment • Economic • Sociocultural and functional aspects • Technology • Processes & Site 	<ul style="list-style-type: none"> • Energy • Environment (Site, Components, Worksite, Water, Waste, Maintenance) • Comfort (Hydrothermal, Acoustic, Visual, Olfactory) • Health (Spaces quality, Air Quality, Water Quality) • Principles of Equivalence 	<ul style="list-style-type: none"> • Management • Indoor Environment Quality • Energy • Transport • Water • Materials • Land Use and Ecology • Emissions • Innovation • Liveability • Economic Prosperity • Environment 	<ul style="list-style-type: none"> • Annual Building Energy Consumption • Greenhouse Gas Emission Details

²⁷ Buildings assessed on the Design & As-Built, Interiors, and Communities criteria can achieve certifications 4-star and higher. Buildings assessed on the Performance Rating scale can achieve any score.

<p>Requirements</p>	<p>Prerequisites depending on the levels of certification and credits with associated points</p> <p>This number of points is then weighted by item²⁸ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREAAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>• Regional Priority</p> <p>Prerequisites independent of level of certification, and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Percentage-based performance index.</p> <p>The total performance index (expressed as a percentage) is calculated by adding the six key areas of assessment.</p> <p>Depending on the total performance index, a DGNB award will be given to the project, starting from Silver. Bronze is awarded for existing buildings and is conferred as the lowest rank.</p>	<p>Prerequisites (independent of level of certification) + Points-based performance level: Performing and High Performing</p> <p>The Prerequisite level is obtained when all the minimum requirements for a target are met, while the Performing and High Performing levels are obtained based on a percentage of points given per target, allowing for flexibility.</p> <p>Based on the total number of stars obtained per area, an overall HQE level is then given.</p> <p>Environmental certificates are assigned at all stages of the building life cycle, and on-site audits are required.</p>	<p>Point system, "category score" awarded based on performance (% of points achieved) within a given category. For some categories there is a minimum threshold (ie GHG/sqm/yr) and points are awarded for exceeding the minimum. Categories are weighted based on building location (to reflect that in some areas of Australia, certain metrics may be more relevant). Total score is then given out of 100.</p> <p>For the areas of Communities, Design & As Built, and Interiors, no certification is awarded for buildings scoring below 45 points/3 stars.</p>	<p>NABERS assesses the energy efficiency of commercial buildings by comparing them against benchmarks developed using actual building performance data.</p>
<p>Performance display</p>						

²⁸ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

Appendix 2: Green Bond/Green Loan Programme - External Review Form

Section 1. Basic Information

Issuer name:	Aareal Bank
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Aareal Bank Green Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 12, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Financing Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Green Buildings and Energy Efficiency – are aligned with those recognized by the Green Bond Principles 2018 and Green Loan Principles 2020. Sustainalytics considers

that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Green Finance Committee (GFC), a subcommittee of Aareal Bank's Sustainability Committee, dedicated to (further) develop Aareal's green solutions, comprises experts in credit, valuation, treasury, legal and sustainability. The GFC provides guidance on the sustainability criteria of financings and reviews both the Green Finance Framework and the Green Financing Portfolio on a regular basis, to determine possible future amendments. The Valuation & Research unit (VAR) assess the eligibility of assets and/or activities based on alignment with the Framework's eligibility criteria. VAR documents the eligibility of assets and/or activities using the Security Check Form prior to drawdown of the financing. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that financings fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for financings eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
|--|--|

- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Aareal Bank's process for management of proceeds is overseen by the Credit Transaction Management (CTM) team as part of the established credit process. The Bank will track loans originated as part of the Green Finance Framework using established internal systems. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Aareal Bank intends to report on the total amount of green loans originated as part of the Green Finance Framework on its website on an annual basis. In addition, Aareal Bank intends to report on relevant impact indicators subject to the availability of suitable information and data. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify): Building certification level of assets

Frequency

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
- Verification / Audit Rating
- Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer’s adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer’s

overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

