

Aareal Green Finance Framework - Liabilities

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1) Sustainability at Aareal Bank

Who we are and how we manage Sustainability

Trusted since 1923: The origins of Aareal Bank AG ('**Aareal Bank**') date back almost 100 years with the incorporation of Deutsche Bau- und Wohnstätten-Bank AG on 20 October 1923. Today, Aareal Bank is a leading international provider of smart financing, software products, digital solutions and payment transaction applications in the property sector and related industries. We support our clients in more than 20 countries across three continents – Europe, North America and Asia/Pacific.

At Aareal Bank, we attach great importance to the comprehensive Group-wide integration of Environmental, Social and Governance aspects (ESG), which forms the basis for our sustainable business model. In addition to a consistent ESG strategy and management, this also includes internal communication across all levels as well as external communication with our investors and stakeholders.

This approach to ESG is the prerequisite for our sustainable business model, with which we offer our customers forward-looking solutions that provide them with competitive advantages and enable their long-term business success. We have grouped our portfolio of services into three business segments: (1) Structured Property Financing segment; (2) Banking & Digital Solutions; (3) Aareon.

Across our business segments, we consider ESG aspects as a standard. For example in the Structured Property Financing segment, we support our clients in making large-volume commercial property investments. And when carrying out property valuations, not only the buildings' fair value is taken into account, but also the mortgage lending value using a lifecycle analysis that regularly includes environmental aspects such as the buildings' technical, functional and environmental quality. In addition quality shortfalls such as inadequate energy efficiency negatively impact property valuations.

In the Banking & Digital Solutions segment, we support businesses from the housing, property management and energy industries, as a digitalisation partner – combining ERP integrated payment and process solution as well as IT product solutions with traditional corporate banking services and deposit-taking. In order to identify the ESG criteria impacting our stakeholders directly or indirectly and to analyse how large the impact is in each case, we screened the digital products in our Banking and Digital Solutions segment for compliance with ESG criteria in 2020.

The strategic importance of sustainability for our corporate philosophy is also underlined at an organizational level, as Aareal Bank Group assigns responsibility for our sustainability management to investor relations – with a direct reporting line of the Group Sustainability Officer to the Chairman of the Management Board. Hence the practical implementation of sustainability is steered at the highest level.

As an international player in the financial services sector, Aareal Bank's key way of adding value to society is by doing business responsibly. In this way, we can contribute to the stability of the property sector and financial markets in general and at the same time build trust in the banking industry. The sustainable nature of the properties we finance is therefore in our own best interest as a company. To complement and meaningfully support these efforts, Aareal Bank has developed an internal taxonomy to assess if buildings satisfy expectations regarding energy efficiency along certain categories, recognize where more work needs to be done and identify shortcomings that may pose ESG risks which we can evaluate and consider in our risk frameworks and economic capital allocation.

Since Q2 2021, we offer green loans to help our clients achieve their business objectives and hence enhance the property industry's contribution to greater sustainability across society as a whole. We received a Second-Party-Opinion by Sustainalytics GmbH ('**Sustainalytics**') for our internal taxonomy (Aareal's definition of green eligible (a) buildings as well as (b) energy efficiency-upgrades) which underlines Aareal Bank's credible and robust approach towards sustainability.

Our sustainability performance and its assessment by major ESG rating agencies are presented on our website and in our regularly updated factsheet.

Rationale to issue Green Financing Instruments

The building sector is responsible for 30 to 40 percent of the world's total energy requirements and almost 40 percent of its CO₂ emissions¹. This illustrates the extent to which the property sector can contribute to the development of a sustainable economy. We consider the financing of existing properties – i.e. the segment in which we are active – to be a significant lever in this context. By improving transparency and hence identifying potential for emissions reduction, we want to contribute to the transition to a low-carbon economy. Furthermore, we can use covenants (contractually binding assurances by the borrower during the term of the loan, e.g. with regard to energy efficiency upgrades, fixtures and fittings, etc.) to exert a positive influence on the sustainability of the property itself. For us as a mortgage lender, it is of central importance that buildings are and remain attractive and fit for the future, in order to guarantee a steady cash flow on the one hand and refinancing opportunities after the loan commitments expire on the other. Ensuring the sustainable value of the properties we finance is therefore in our own best interests as a company.

The issuance of Green Financing Instruments (as described below) and the subsequent reporting, will therefore not only reflect our activities on the lending side, but also demonstrate how we embed sustainable financing in our strategy. The Framework itself, but in particular each and every issuance will serve as a valuable platform to continuously engage with investors on our sustainability strategy and to demonstrate the progress in developing our portfolio. We hope not only to diversify our investor base, but in particular to get useful feedback which can help us to reflect our activities and improve our approach to sustainability. In addition, we consider the on-going work as a highly important catalyst to improve both, the understanding for sustainability matters across our organization and the integration in our core business.

2) Green Finance Framework - Liabilities

Aareal Bank's Green Finance Framework – Liabilities (the '**Framework**') follows the latest versions of the Green Bond Principles², published by the International Capital Markets Association (ICMA) and has been developed together with Aareal Bank's Green Finance Framework - Lending, which serves as an internal taxonomy to identify green lending in Aareal Bank's global real estate portfolio.

The Framework described herein allows Aareal Bank the issuance of '*use-of-proceeds*'-based '**Green Financing Instruments**', which include, but are not limited to **Mortgage Pfandbriefe, Bonds, Loans (e.g. "Schuldscheindarlehen")** and **Commercial Papers ('CPs')**. Green Financing Instruments issued in accordance with this Framework can be of any seniority or subordination, including own funds and eligible liability instruments, but in any case are expected to rank *pari passu* with any other conventional instrument of similar status and subordination.

Aareal Bank also takes into account the recent publications on the European Taxonomy ('**EU Taxonomy**')³ and the European Green Bond Standard ('**EU GBS**')⁴ and continues to monitor the market with regards to those newly emerging regulatory standards.

The Framework consists of the following core components, which will be described in more detail below:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External review

Use of Proceeds

An amount equivalent to the net proceeds of any Aareal Bank Green Financing Instrument will be used to finance or re-finance in whole or in part commercial property financing loans, which support the transition to a low-carbon economy and the United Nations Sustainable Development Goals ('**SDGs**'). In order to be eligible, the loan or investment must relate to an asset, which fulfils the criteria as described in the section below either a Green Building or an Energy

¹ According to the International Energy Agency (IEA), almost 40 % of global CO₂ emissions are caused by the building sector.

² <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

³ https://ec.europa.eu/info/publications/Green-finance-teg-taxonomy_en

⁴ https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/european-green-bond-standard_en

Efficiency Upgrade ('**Eligible Asset Categories**'); such loan being an '**Eligible Asset**'. Aareal Bank strives to reach full allocation of proceeds to Eligible Assets within 24 months from the date of issuance.

Eligible Asset Categories

a. "Green Buildings" as defined by Aareal

Aareal Bank defines Green Buildings as environmentally sustainable properties. This definition is based on our assessment expertise, many years of experience and in-depth property market know-how, as well as on existing green building certificates.

The eligibility criteria may vary depending on the asset class/type of use or the country in question. They are reviewed annually and adapted to changes in statutory environmental requirements and, if necessary, to current market developments.

To qualify as a green building 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

- ✓ Buildings meet the EU Taxonomy criteria set out in the EU Commission Delegated Regulation, Chapter 7.7 "Acquisition and ownership of existing buildings".

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 Stars"

3. Energy efficiency of the property

- ✓ The property meets the national requirements for a nearly zero-energy building ("nZEB"*) valid at the time the financing commitment is made:
 - To reach this standard, the buildings must e.g. be well insulated. In addition, they must use renewable energy sources to cover the remaining energy demand.

* The term "nearly zero-energy building" (nZEB) is defined in the EU Energy Performance of Buildings Directive (EPBD 2010, Directive 2010/31/EU).

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*
Residential	< 75 kWh/(m ² x a)
Office	< 140 kWh/(m ² x a)
Retail	< 140 kWh/(m ² x a)
Hotel	< 140 kWh/(m ² x a)
Logistics	< 65 kWh/(m ² x a)

* Until global data availability has improved, final/primary energy demand/consumption can be used as a proxy.

b. “Energy efficiency upgrade” as defined by Aareal

Improving energy efficiency, particularly in existing buildings, is a key prerequisite for achieving the Paris Agreement's climate targets for the property sector. Against this background, energy-efficient modernisation/renovation measures are highly important.

If a modernisation/renovation measure (including refurbishments or ADC financing) results in the financed building meeting one of the following criteria after completion, it qualifies as an energy efficiency upgrade, and hence the loan that is partially used to finance this renovation qualifies as green lending.

1. Classification as EU Taxonomy compliant

- To qualify, energy-efficient modernisation/renovation measures need to meet the EU Taxonomy criteria according to the EU Commission Delegated Regulation, Chapter 7.2 “Renovation of existing buildings”.

2. Completion of the measure brings the property up to the green building standard defined above.

3. Completion of the measure results in an energy efficiency improvement of at least 30%¹.

Potential changes to any of the principles governing the content of this framework and new developments with regards to the EU Taxonomy or the EU Green Bond Standard (GBS) will be reflected in future frameworks, with Aareal Bank either retaining or improving the current level of disclosure.

Process for Project Evaluation and Selection

Aareal Bank finances commercial property, and in particular office buildings, hotels and shopping centres, as well as logistics facilities, residential properties and student housing in selected markets only (mostly OECD countries). The focus lies within large-volume medium- to long-term financing for existing properties. Within the markets, where Aareal Bank operates, there are extensive legal checks and balances that are accompanied by thorough due diligence by the Aareal Bank teams. Aareal Bank is a financing partner with a long-term view, the lasting value of properties is essential for our clients and has highest priority. Therefore, an environmental and social risk assessment is part of the evaluation and due diligence as these risks are relevant to our core business. Consequently, it is naturally in our interest to be diligent in this process.

All Eligible Assets are subject to Aareal's standard lending process and have to pass the Bank's proven credit procedure while they are in addition subject to specific ESG requirements. For this assessment, Aareal Bank has established a multi-step process to identify Assets in Eligible Asset Categories which ultimately shall be included in Aareal Bank's eligible asset portfolio (“**Eligible Asset Portfolio**”):

The Bank's loan managers identify potentially suitable green loans as part of a pre-examination according to the defined criteria, as defined above. The Bank's valuation department, Valuation & Research (VAR) incorporates the areal Green Finance Eligible Asset criteria when assessing the value of properties to be financed. Only properties or energy-saving renovations that qualify for inclusion in the Green Eligibility criteria can be financed using green loans.

Valuation & Research (VAR) incorporates the Aareal Green Finance eligibility criteria when assessing the value of properties to be financed. Properties or energy-saving renovations that qualify for inclusion in the Green Eligibility criteria Programme can be financed using green loans.

Additionally, Credit Transaction Management (CTM) – including other departments if necessary - assesses and documents the eligibility of assets and/or activities on the basis of the documentation submitted as part of Aareal Bank's review of conditions precedent for disbursement. Furthermore, CTM regularly monitors compliance with green covenants where necessary, e.g. where this depends on the existence of valid certificates.

Aareal Bank's standard lending process which is reviewed by credit risk (CR) and risk controlling (RCO) itself includes deep analysis of ESG risks. Risk identification, assessment and management processes are in place, in order to also analyse climate impacts (acute / chronic physical risks as well as transitional risks) as well as social and

¹ Based on Regulation (EU) 2020/852 (Taxonomy Regulation) of 18 June 2020

governance risks in our property financing portfolio. As an example, to mitigate acute physical risks, we use technical due diligence reports, natural hazard maps and insurance industry tools, and we engage external specialists to review the insurance documentation provided to ensure that exposure to all hazards is adequately insured.

The respective responsibilities may vary from time to time between different departments within Aareal Bank, if necessary.

The Green Finance Committee (GFC) may consist of credit, valuation, portfolio management, treasury, legal, compliance, risk and sustainability experts. The GFC provides guidance on the sustainability criteria for financing transactions and reviews the Green Finance Framework - Liabilities on a regular basis. The objective is to ensure that the Framework is up-to-date, appropriate, market-relevant, capable of being applied and of a suitable standard, and to determine possible future amendments should this become necessary.

Management of Proceeds

Aareal Bank will manage the proceeds of any Green Financing Instrument on a portfolio, or, if applicable, including but not limited to in case of issuance of Green Mortgage Pfandbriefe, on a subportfolio, basis. This means that the amount corresponding to the net proceeds of any Green Financing Instrument outstanding will be used to finance¹ Aareal Bank's assets included in the Eligible Asset Portfolio. The net proceeds of such instruments will be placed in the general funding accounts and earmarked in the IT systems for allocation only and without legal segregation.

For managing the Eligible Assets, Aareal Bank established internal functions in the IT systems, where Green Eligible Assets can be marked and monitored respectively.

The assets, which have been selected and marked (activated) as Green Eligible Assets in the IT systems by the Green Finance Committee, will be reviewed at least quarterly and maturing exposures and assets sold will be excluded immediately from the Eligible Asset Portfolio.

Aareal Bank will strive, at any point in time, to maintain an Eligible Asset Portfolio that is larger than the total net proceeds of all Green Financing Instruments outstanding.

Since the Eligible Asset Portfolio is routinely monitored by Aareal Bank's treasury and Green Finance Committee any potential shortfall in the Eligible Asset Portfolio would be detected in a reasonably short time frame. The Green Finance Committee is tasked to develop a monitoring and escalation process to facilitate such detection. In case such a shortfall does occur, Aareal Bank's treasury will direct, at its own discretion, the shortfall amount towards its liquidity portfolio, consisting of cash and/or cash equivalents, and/or other liquid marketable instruments.

The Green Finance Committee will aim to remedy any shortfall by taking appropriate measures, including suspending issuance of Green Financing Instruments, encouraging suspension of disposals of, or sourcing of additional Eligible Assets.

Reporting

Aareal Bank will publish a report (the "**Green Financing Report**") for as long as there is any Green Financing Instrument outstanding. The Green Financing Report will be made available on Aareal Bank's investor relation website ([<https://www.aareal-bank.com/en/investors-portal/debt-investors>]) at least on an annual basis. It is split into two parts (i) the '**allocation reporting**' and (ii) the '**impact reporting**', whereby each report will contain details including, but not limited to:

Allocation reporting

- Total amount of outstanding Green Financing Instruments and the share of proceeds used for financing vs. re-financing purposes
- The size of the Eligible Asset Portfolio as well as a split by Eligible Asset Categories
- Any shortfall or amount of assets unallocated
- Amount of Covered Bonds (*Pfandbriefe*) outstanding and size of respective part within the Eligible Asset Portfolio (if any)
- Illustrative examples describing Green Eligible Assets to which Green Financing Instruments' net proceeds have been allocated (subject to confidentiality commitments to clients)

Impact reporting

On a best effort basis and subject to feasibility and data availability, the impact reporting will focus on e.g.:

- Certification standard (type of certification scheme, certification level and m² Gross Building Area / Gross Floor Area)

¹ Aareal Bank strives to reach full allocation of proceeds to Eligible Assets within 24 months from the date of issuance.

- Annual emissions avoided (in kgCO₂e/ m² of Gross Building Area / Gross Floor Area p.a.)

External Review

Aareal Bank has obtained an independent second-party opinion ('**SPO**') from Sustainalytics to confirm the validity of its Green Finance Framework prior to the issuance of its first instrument on the Framework. The independent SPO is published on our investor relation website (<https://www.aareal-bank.com/en/investors-portal/debt-investors>) and also available on the website of the second-party opinion provider.

In order to ensure sustained compliance of all Green Financing Instruments with the methodology set out in this Framework, Aareal Bank will appoint Sustainalytics, or any other equally credible second party opinion provider, to certify and produce, on an annual basis, starting one year after the first issuance under this Framework, a verification report on the allocation of the proceeds.

Wiesbaden, 6th of August 2021

Disclaimer

This document does not constitute an offer, or an invitation to offer, or a recommendation to purchase or subscribe Green Financing Instruments as described in this Framework. Green Financing Instruments in the form of (Covered) Bonds will be described in a prospectus (as supplemented and amended from time to time and including, if applicable, a final terms document, the '**Prospectus**') prepared prior to or in conjunction with an issuance of such Green Financing Instruments. Before entering into any transaction concerning Green Financing Instruments (a '**Transaction**') any investor is expected to have read the Prospectus or other documentation provided by Aareal Bank in this context of the Transaction, including but not limited to loan document or master agreement or general terms of business relating to the Transaction in Green Financing Instruments (the '**Documentation**'), and having taken steps to ensure that he or she understands the Transaction and has made an independent assessment of the appropriateness of the Transaction in the light of his or her own objectives and circumstances, including the possible risks and benefits of entering into such Transaction. Any potential investor should also consider seeking advice from her or his own advisers in making this assessment.

Prospective investors should have regard to the information set out in the Documentation and the Framework regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Green Financing Instruments together with any other investigation such investor deems necessary. In particular no assurance is given by Aareal Bank that the use of such proceeds for any Eligible Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental or sustainability impact of any projects or uses, the subject of or related to, any Eligible Assets. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Assets will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Assets. Also the criteria for what constitutes an Eligible Asset may be changed from time to time.

Section 2 of the Framework describes the principles Aareal Bank intends to adhere to when issuing Green Financing Instruments; however no assurance or representation is given that Aareal Bank will continue to adhere to such principles as they may evolve. Further, the Framework takes into account the latest reports and publications by the TEG (Technical Expert Group on Sustainable Finance established by the European Commission) on the EU Taxonomy and the EU GBS. Since there has not been full visibility on all aspects of the newly emerging regulatory environment concerning the EU GBS at the time of publication of this Framework, EU GBS is reflected on a best effort basis only and no assurance or representation is given that any Green Financing Instruments issued as described in this Framework will, at any time, be compliant with the EU GBS.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by Aareal Bank) which may be made available in connection with the issue of any Green Financing Instruments and in particular with any Eligible Assets to fulfil any environmental, sustainability and/or other criteria ('**Green Evaluation**'). Any such Green Evaluation may not address risks that may affect the value of Green Financing Instruments or any Eligible Asset. For the avoidance of doubt, any such Green Evaluation is not, nor shall be deemed to be, incorporated in and/or form part of the Documentation. Such Green Evaluation provides an opinion on certain environmental and related considerations and is not intended to address any credit, market or other aspects

of an investment in Green Financing Instruments including without limitation market price, marketability, investor preference or suitability of any security. Such Green Evaluation is a statement of opinion, not a statement of fact. Any such Green Evaluation is not, nor should be deemed to be, a recommendation by Aareal Bank or any other person to buy, sell or hold any Green Financing Instruments. Any such Green Evaluation is only current as of the date that opinion was initially issued and may be updated, suspended or withdrawn by the relevant provider(s) at any time. Prospective investors must determine for themselves the relevance of any such Green Evaluation and/or the information contained therein and/or the provider of such Green Evaluation for the purpose of any investment in Green Financing Instruments.

Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Holders of Green Financing Instruments will have no recourse against the provider(s) of any Green Evaluation.

While it is the intention of Aareal Bank to apply the proceeds of any Green Financing Instruments so specified for Eligible Assets in, or substantially in, the manner described in the Documentation, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Assets will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule or at all or with the results or outcome (whether or not related to the environment) as originally expected by Aareal Bank and that accordingly such proceeds will be totally or partially disbursed for such Eligible Assets.

Any such event or failure to apply the proceeds of any Green Financing Instruments to Eligible Assets in accordance with the Framework, or any failure of Aareal Bank to provide any reporting or obtain or maintain any opinion or certification in accordance with the Framework, will not (i) constitute an event of default under the Green Financing Instruments or a breach of or default under any term thereof, nor a default of Aareal Bank for any other purpose or (ii) result in any right or obligation of Aareal Bank to redeem the Green Financing Instruments or give any investor in the Green Financing Instruments the right to require redemption of its Green Financing Instruments.

Governing Law

This document and all issues and disputes regarding this document shall be governed in every respect by the laws of the Federal Republic of Germany.