

## C0. Introduction

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### C0.1

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**(C0.1) Give a general description and introduction to your organization.**

Aareal Bank Group, headquartered in Wiesbaden, is a leading provider of smart financing, software products and digital solutions for the property sector and related industries. These solutions meet the highest quality standards, and support our clients in more than 20 countries across three continents – Europe, North America and Asia. Aareal Bank AG, whose share is included in Deutsche Börse's mid-cap MDAX index, is the parent company of the Group. It manages the various entities organised in the Group's two business segments: Structured Property Financing and Consulting/Services.

Whether it is office buildings, hotels, shopping centres or logistics and residential properties, whether in North America, Asia or Europe, in the Structured Property Financing business segment our customised and flexible solutions support our clients in financing their international property investments. Our strength lies in combining local market expertise with sector-specific know-how. Alongside local specialists, we have teams of logistics, shopping centre and hotel financing experts. A high level of competence in syndicated finance and an established network allow us to support clients in Europe, North America and Asia with the maximum degree of flexibility.

In the Consulting/Services business segment, our clients in the European property and energy industries benefit from a unique combination of specialised banking services and innovative digital products and services – designed to optimise their business processes, enhancing efficiency. Our digital platforms also integrate property management with related industries. Via Aareon AG, the leading consultancy and systems house for the property industry, we provide consultancy, software and IT services in several European countries.

Key success factors are our local market expertise, our sector know-how, and our long-standing, close client relationships. Because we look beyond the scope of traditional banking and IT services, we are able to reliably assess material developments, opportunities and risks at an early stage and then implement the insights gained particularly quickly.

### C0.2

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**(C0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Row 1	January 1 2017	December 31 2017	No	<Not Applicable>
Row 2	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Row 3	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Row 4	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

### C0.3

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**(C0.3) Select the countries/regions for which you will be supplying data.**

Belgium  
China  
France  
Germany  
Ireland  
Italy  
Netherlands  
Norway  
Poland  
Russian Federation  
Singapore  
Spain  
Sweden  
Turkey  
United Kingdom of Great Britain and Northern Ireland  
United States of America

**C0.4**

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**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

EUR

**C0.5**

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**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.**

Financial control

**C1. Governance**

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**C1.1**

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**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

Yes

**C1.1a**

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**(C1.1a) Identify the position(s) of the individual(s) on the board with responsibility for climate-related issues.**

Position of individual(s)	Please explain
Board/Executive board	At an organizational level, Aareal Bank Group has assigned responsibility for climate-related issues and sustainability management to Investor Relations – with a direct reporting line of the Group Sustainability Officer to the CEO. This means we can underline the strategic importance of climate-related issues and sustainability for our corporate philosophy, steer its practical implementation at the highest level and ensure that material ESG information is incorporated in the communication with our stakeholders. Required decisions were made by the whole Executive Board.
Chief Risk Officer (CRO)	Our Chief Risk Officer is the Board member responsible for identifying, analysing and mitigating internal and external events that could threaten the Company . The Chief Risk Officer works to ensures that the Company complies with government regulations, and reviews factors that could negatively affect investments or our Company's business units. This involves the responsibility for climate-related issues.

**C1.1b**

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**(C1.1b) Provide further details on the board’s oversight of climate-related issues.**

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Risk management is a core priority at Aareal Bank Group - as a strong risk culture is an integral part of our responsible corporate management. The following governance mechanisms have been implemented: - The Executive Board defines the business strategy (risk diversification, active portfolio management, etc.) based on our successful business model and develops the risk strategy. Climate-related issues are integrated into our overall risk management, they are normally considered within the Operational Risk and Reputational Risk Management. - The Executive Board monitors the risk situation on the basis of quarterly / annually risk model valuations and corresponding reports (e.g. impact and probability of risks are assessed within inventory based on expert scenarios, etc.). Independently of these regular valuations / reports, the Executive Board has implemented an ad-hoc reporting process, in case of a significant incident or new or changed major risks. The reports are sent to the responsible heads of division, Executive Board, Supervisory Board and Banking Supervisory Authorities (ECB). - Specific climate risks are taken into consideration within the loan approval process during the risk analysis of the property. If the risk is too high (not acceptable) – e.g. depending on the location of an object (near the waterside, potential storm warnings etc.) and on its equipment (emergency power supply, fire protection, etc.), it is an exclusion criterion for the corresponding deal. - On an employee level, the Bank’s risk appetite framework (approved by the Executive Board) constitutes an end-to-end approach comprising guidelines, processes, controls and systems.
Sporadic - as important matters arise	Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Independently of the regular valuations / reports, the Executive Board has implemented an ad-hoc reporting process, in case of a significant incident or new or changed major risks. The reports are sent to the responsible heads of division, Executive Board, Supervisory Board and Banking Supervisory Authorities (ECB).

**C1.2**

**(C1.2) Below board-level, provide the highest-level management position(s) or committee(s) with responsibility for climate-related issues.**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Risk committee	Both assessing and managing climate-related risks and opportunities	More frequently than quarterly
Risk manager <i>Group Risk Manager (Head of Riskcontrolling)</i>	Both assessing and managing climate-related risks and opportunities	More frequently than quarterly
Sustainability committee	Assessing climate-related risks and opportunities	Quarterly
Chief Sustainability Officer (CSO)	Other, please specify (Reporting and impulse to Executive Board) <i>Group Sustainability Officer Julia Taeschner is responsible for the Sustainability Management within Aareal Bank Group. She heads the Sustainability Team and reports to CEO Hermann J. Merkens. At an organisational level, Aareal Bank Group has assigned responsibility of Sustainability Management to the chairman of the Management Board.</i>	More frequently than quarterly

C1.2a

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**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored.**

Company level assessment of climate risk is embedded in the overall risk management process of Aareal Bank. More specifically, assessing climate change risks is part of the overall operational risk management procedures. The Bank defines operational risk as the threat of losses caused by inappropriate internal procedures, human resources and systems (or their failure), or through external events. External events related to climate change such as natural disasters which can, for example, cause physical damage to the data centres. The Bank uses three tools to manage operational risks: self-assessments, risk inventories and a loss database. Analyses conducted using these instruments have shown that the Bank is not exposed to disproportionate operational risks. Obligatory insurances mitigate further risks of physical damage. In addition to that, climate change issues are also being monitored as potential risks for Aareal Bank's reputation. The Executive Board is informed by the Group Risk Manager (Head of Risk Controlling) about the relevant reputational risks via a quarterly reporting system. Events resulting from climate change, with an impact on asset values, such as flooding and storms, are considered in the lending process (extent depends on respective country where the loan is granted). Obligatory insurances mitigate those risks, and issues such as rising energy costs are addressed by financing properties with a more efficient use of energy to reduce cost of operations (business opportunity).

Besides, the Risk Committee supports the entire executive board with holistic risk management and risk controlling. For this purpose, the following tasks are assigned to the Risk Committee by the Executive Board: The Risk Committee deals with all types of Group-wide risk (essential and non-essential) and presents and discusses regulatory changes that affect risk management as well as current developments and changes to the ongoing Supervisory Review and Evaluation Process (SREP), based on the monthly agenda for the Risk Committee in the full Executive Board. Reporting to the Executive Board takes place monthly, or on an event-driven or ad-hoc, basis according to the specifications related to the individual topics.

At an organisational level, Aareal Bank Group has assigned responsibility for sustainability management to Investor Relations – with a direct reporting line of the Group Sustainability Officer to the Chairman of the Management Board. This means we can underline the strategic importance of sustainability for our corporate philosophy, steer its practical implementation at the highest level and ensure that material ESG information is incorporated in the communication with our stakeholders. Our sustainability management takes place in close cooperation with the individual divisions.

The Sustainability Committee is composed of representatives from Group Strategy, Portfolio Management & Controlling, Sales, Credit Management, Risk Management, Workout, Housing Industry, Investor Relations, Finance, Treasury, Compliance, Human Resources, Facility Management, Purchasing and Corporate Communications. The Sustainability Committee, which was established back in 2012, serves as Aareal Bank Group's central management body for sustainable development. It meets regularly once a quarter and on an ad hoc basis in special cases, and performs primarily the following key tasks:

- Coordination of overarching sustainability activities among the different divisions within Aareal Bank Group's organisations,
- Discussion of sustainability trends and stakeholder requirements/expectations and corresponding updates to the materiality matrix,
- Development of proposals for enhancing the sustainability mission statement and sustainability management,
- Continuous enhancement of the sustainability programme and intra-year implementation of the measures resolved including the monitoring of target achievement by Committee members

### C1.3

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

Yes

**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues.**

**Who is entitled to benefit from these incentives?**

Board/Executive board

**Types of incentives**

Monetary reward

**Activity incentivized**

Behavior change related indicator

**Comment**

The Executive Board gains recognition for its implementation of the sustainability programme. Sustainability (including climate related issues) is formally included in the individual targets of the Executive Board members; focusing on a sustainable future-oriented business model and strategy.

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**Who is entitled to benefit from these incentives?**

Management group

**Types of incentives**

Monetary reward

**Activity incentivized**

Emissions reduction project

**Comment**

All entitled staff members that decide against the use of a company car receive a monthly gross salary supplement of € 1,500. This allowance is taxed at the individual tax rate. Aareal Bank Group will pay a maximum of a fixed amount depending on the applicable Group arrangement. For purely electric vehicles, the company payment limit is waived. Thus, employees who opted for an electric company car benefit from a much wider choice.

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**Who is entitled to benefit from these incentives?**

Buyers/purchasers

**Types of incentives**

Other non-monetary reward

**Activity incentivized**

Supply chain engagement

**Comment**

The Code of Conduct for Suppliers ([https://www.aareal-bank.com/fileadmin/05\\_Verantwortung/03\\_Other\\_PDF-files/Code\\_of\\_Conduct\\_Lieferanten\\_E.pdf](https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Code_of_Conduct_Lieferanten_E.pdf)) defines environmental protection and safety requirements. It defines the principles adopted and requirements set out by the principal and companies affiliated with it in accordance with section 15 of the German Stock Corporation Act (Aktiengesetz – AktG) (“Aareal Bank Group”) that providers of products and services must meet with respect to their responsibility for people and the environment. Aareal Bank Group expects its suppliers to comply with the following values and principles themselves and to ensure that their pre-suppliers also do so. Taking responsibility for the environment is a matter of course for Aareal Bank Group companies’ suppliers. This means not only that they observe environmental protection legislation, but that they also make an effort to protect natural resources and to identify and give preference to environmentally friendly solutions. Additionally, the supplier shall accept its health and safety responsibility with respect to employees, shall ensure compliance with the statutory maximum working times, and shall take all necessary precautionary measures to prevent accidents and occupational diseases.

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**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Other non-monetary reward

**Activity incentivized**

Other, please specify (Environmental Guidelines)

**Comment**

Aareal Bank has formulated guidelines for the responsible use of the environment. This „Environmental Guideline“ shall be seen as

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a benchmark for our actions and it is thus binding for all employees of the corporation. The guidelines refer to diverse aspects that are relevant for the environment e.g. considerate handling of resources and shall - at the same time - contribute to a generally enhanced consciousness of the environment. The „Environmental Guideline“ forms the basis of our detailed environmental goals and measures that can be found in our sustainability programme. These written principles are an important component of an applied environmental management and are rated by sustainability rating agencies.

**Who is entitled to benefit from these incentives?**

Chief Sustainability Officer (CSO)

**Types of incentives**

Monetary reward

**Activity incentivized**

Other, please specify (Environmental targets)

**Comment**

In addition to the fixed remuneration, the Bank grants a variable remuneration component to foster achievement of the targets derived from the business strategy and plans and to reward those concerned in line with performance and market conditions. The total variable remuneration is calculated by adding three measurement components: Group component, organisational unit component and individual component. Environmental targets are a part of Group components and individual targets. Each individual component of the variable remuneration develops in line with the calculated target achievement. The total of individual components of the target variable remuneration is multiplied by a factor and is thus capped. The Management Board may reduce this factor at its reasonable discretion. This shall apply in particular when the Group component has already been waived. In the event of negative performance contributions on the corporate level, on the level of the organisational unit in which the employee works and on the individual employee level, they lead to a reduction and possibly the complete loss of variable remuneration, including deferred variable remuneration.

**C2. Risks and opportunities**

**C2.1**

**(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.**

	From (years)	To (years)	Comment
Short-term	0	1	Short-term for Aareal Bank Group means a twelve-month horizon, incl. developments / impacts that will have an effect rather in the near than in the distant future.
Medium-term	1	5	Aareal Bank finances commercial property, and in particular office buildings, hotels and shopping centres, as well as logistics facilities and residential properties. We focus on complex, large-volume financing for completed buildings with an average term of five years. Therefore, our medium-term horizon is up to 5 years. Furthermore, Aareal Bank Group's strategic orientation as regards the business strategy and planning is integrated in a defined Strategy Process. In this context, the approved three-year plan is strictly adhered to as a stable benchmark during each financial year until the next three-year plan is passed.
Long-term	5	10	Long-term planning covers a time-horizon between 5 to 10 years as our financing usually runs for up to 10 years. After the 10-year period, Aareal Bank has special termination rights and obligations, risk analyses with a time horizon of more than a decade makes only limited sense for the industry/sector.

**C2.2**

**(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.**

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

**C2.2a**

**(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.**

	Frequency of monitoring	How far into the future are risks considered?	Comment
Row 1	Six-monthly or more frequently	>6 years	Climate-related issues are integrated into our overall risk management. They are normally considered within the Operational Risk and Reputational Risk Management. Reporting and valuation of the model takes place on a quarterly respectively annual basis(depends on the normal movements within the data). Independently of these regular reports/model valuations, an ad-hoc reporting process is implemented (e.g. in case of a significant incident or new or changed major risks). The reports are sent to the responsible heads of division, Executive Board, Supervisory Board and Banking Supervisory Authorities (ECB).

**C2.2b**

**(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.**

The business strategy provides the framework for risk management within Aareal Bank Group. It is defined by the Executive Board and acknowledged and approved by the Supervisory Board. The business strategy defines goals over a horizon of several years and includes, for example, information on the main fields of business (Structured Property Financing and Consulting/Services) and on an adequate capitalisation of the Group. The planning that is based on this strategy provides the strategic framework for the risk appetite and the corresponding risk strategies of Aareal Bank Group (also including our non-bank subsidiaries). Taking this as a basis, and strictly considering the Bank's risk-bearing capacity, detailed strategies for managing the various types of risk are formulated. These include:

- Credit risk strategy
- Market risk strategy
- Liquidity risk strategy
- OR strategy/policy
- Investment strategy

The risk strategies are designed to ensure professional and conscious management of risks. Accordingly, these strategies include general policies to ensure a uniform understanding of risks across all parts of the Group. They also provide a cross-sectional, binding framework applicable to all divisions.

Assessing climate change risks is part of the overall operational risk management procedures. The Bank defines operational risk as the threat of losses caused by inappropriate internal procedures, human resources and systems (or their failure), or through external events. External events related to climate change such as natural disasters which can, for example, cause physical damage to the data centres. The Bank uses three tools to manage operational risks: self-assessments, risk inventories and a loss database. Analyses conducted using these instruments have shown that the Bank is not exposed to disproportionate operational risks. Obligatory insurances mitigate further risks to physical damage. In addition to that, climate change issues are also being monitored as potential risks for Aareal Bank's reputation. The Executive Board is kept informed about the relevant reputational risks via a quarterly reporting system.

As a bank, the direct climate-related issues have - compared to an industrial / production company - a minor effect on our Company. Anyway, we aim to reduce the effect of climate risks with our business model. Therefore the product catalogue of Aareal Bank prohibits direct or indirect investments in industries / property types with heavy impacts on climate-related issues (power plants, heavy or light industry, road construction etc.). Independently of climate-related issues, we have to check for each risk the impact and probability in line with the risk inventory which is based on the result of expert scenarios, requirements of the financial authorities, media analyses etc. As a result, we analyze, if a risk should be:

a) prevented (stopping/reducing up to a complete withdrawal of the corresponding business activities within a certain product or market)

b) reduced (risk diversification, improve the controls, instruction of employees etc.)

c) compensated (e.g. by insurances, hedges or business continuity plans)

d) accepted in line with the risk appetite

Therefore, if a high expected loss in line with climate risks exists and a property is not in line with our risk appetite (limits for property, risk categories, regions etc.), we try to compensate the relevant risks by insurances, syndication, emergency plans etc. as well as to reduce the risk by diversification (alternative investments in different regions or property classes), instruction of the employees (to improve their skills to identify potential risks) etc. If this is not possible (e.g. economically not feasible, the necessary know-how or technical standards are not available in time) the risk has to be prevented. For climate-related issues the risk management depends on the location of a property (near the waterside, potential storm warnings etc.) and its equipment (emergency power supply, fire protection etc.). The corresponding facts are considered within the credit conditions respectively if the risk is not acceptable it is an exclusion criterion for the corresponding deal.

## C2.2c

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**(C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?**

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Due to the fact that the Aareal Bank is supervised by the ECB (Aareal Bank has its own Joint Supervisory Team), the requirements are stricter than for other banks which are not monitored by the ECB. The effect of future regulatory adjustments are already checked before they become effective. Within the Bank we have installed a steering committee "Statutory Amendments". The task of the steering committee is to analyse the effect of future regulatory and legal changes and to initiate necessary actions. Participants are at least the heads of Legal, Compliance, Risk Controlling, Regulatory Affairs, the Group Sustainability Officer and the CRO.
Emerging regulation	Relevant, always included	In line with the Business Continuity Management, emergency measurements/plans have been installed for all significant processes and systems to avoid significant risks.
Technology	Relevant, always included	Risk identification, assessment, and management processes exist for all kinds of technology risks. These are considered in BCM (Business Continuity Management) and Change Management.
Legal	Relevant, always included	We do not engage in financings which are critical in ecological and social terms, e.g. coal-fired power plants, nuclear power plants, dams, etc. In general, our product portfolio and the choice of markets (e.g. no Third World countries with poor or poorly controlled environmental regulations) contribute most to environmental protection.
Market	Relevant, always included	We do not engage in financings which are critical in ecological and social terms, e.g. coal-fired power plants, nuclear power plants, dams, etc. In general, our product portfolio and the choice of markets (e.g. no Third World countries with poor or poorly controlled environmental regulations) contribute most to environmental protection.
Reputation	Relevant, always included	Risk identification, assessment, and management processes exist for all kinds of reputation risks.
Acute physical	Relevant, always included	We have a crisis squad and emergency concepts that initiate appropriate countermeasures if acute physical risks occur.
Chronic physical	Relevant, always included	If they are not excluded by our general exclusion criteria (wrong market or product etc.) the risks of all investments are checked. This is done by systems, expert opinions, scoring tables etc. The scope of the check-up depends on the specific situation (amount, product, market etc.). If necessary, the risks are mitigated by counter-measures like insurances or hedge positions.
Upstream	Relevant, always included	We finance properties that will keep their value and which live up to our strict quality requirements. When performing property valuations, we do not only focus on the buildings' fair values but also determine the mortgage lending value using a lifecycle analysis that includes environmental aspects such as their technical, functional and ecological quality as standard criteria. When looking at sustainable property use we also always take marketability and third-party usability into account. To ensure the properties meet our high quality requirements, we base our valuation of them on the market values as well as on the concept of determining mortgage lending values. This routinely takes into account sustainability aspects such as the technical, functional, sociocultural and ecological quality. Deficiencies in quality, such as inadequate energy efficiency, have a negative impact on the valuation. The ability to correctly assess and specifically manage risks is one of the key foundations for our business model. This is why risk management is a core priority. We adopt a holistic definition of risk – one that goes beyond purely economic issues to include social, ethical and ecological aspects that could impact Aareal Bank Group's success directly or indirectly. E.g., we dispose of a systematic process to address and monitor the existing loan portfolio's exposure to natural disaster risk. Due Diligence Mandatory check of risk environment based on property appraisals, technical due diligence reports, natural hazard maps and tools from the insurance industry weighting and summarizing risk value for ordinary, commercial and industrial business. The due diligence covers natural hazards like flood and earthquake, and depending on the regional area/location or the kind of property, other specific (natural) hazards. Insurance Audit Standardised risk analysis includes the assessment of our exposure to natural hazards for specific regions/locations and, if applicable, utilisation risks regarding the kind of property. We involve external specialists to check the provided insurance documentation for adequacy with a view to the exposure to all hazards.
Downstream	Relevant, always included	To assess and avoid risks of our downstream activities we implemented our Code of Conduct for Suppliers setting the standards for taking responsibility for people and the environment in business relationships. It is based on the principles set out in the UN Global Compact and by the International Labour Organisation (ILO). Within our written set of procedural corporate rules, we ensure that all employees comply with our "Environmental Guidelines".

**C2.2d**

**(C2.2d) Describe your process(es) for managing climate-related risks and opportunities.**

Operational risks are prioritised in a so-called risk matrix which reflects the frequency and the expected loss. Some operational risks are climate change-related risks and are treated accordingly. If the operational risk analysis reveals risks with a high impact and/or probability, the relevant experts look for adequate economically feasible measures to reduce these risks (e.g. insurance, emergency work places or systems). Due to the fact that the probability of material damages by climate-related risks on our infrastructure (IT and communication-system, buildings etc.) is very low, we have no special contingency measures for climate-related risks. It doesn't make a difference for us if e.g. a breakdown of the power supply is caused by lightning, a flood or an excavator blade, destroying some cables. Our business contingency plans have to ensure that existing operations will continue. Beside operational risks, there are only minor climate-related risks in other categories. Market or insurance risks are not relevant for the Bank because our business strategy respectively product catalogue does not depend on goods/resources that are likely to be affected, such as raw materials, energy or other resources. Indirect effects in line with credit risks (e.g. if a building financed by Aareal Bank is seriously damaged due to a climate-related risk) can also be excluded because all properties require a thorough assessment of the location prior to loan approval. This specifically includes a review of the kinds of insurance that are necessary to limit location-specific risks. Loans are not disbursed before the borrower has presented the corresponding insurance contracts.

**C2.3**

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**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes

**C2.3a**

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**(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Risk 1

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Other

**Type of financial impact driver**

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

Aareal Bank Group might be exposed to regulatory changes due to international agreements, affecting its core business.

**Time horizon**

Medium-term

**Likelihood**

About as likely as not

**Magnitude of impact**

Low

**Potential financial impact**

0

**Explanation of financial impact**

We consider this risk to be of low relevance for our business model. Nonetheless, international agreements can affect / impact the conclusion of a contract.

**Management method**

Assessment of risks is embedded in the overall risk management process of Aareal Bank. More specifically, assessing regulatory risks is part of the overall operational risk management procedures (e.g. the steering committee "Statutory amendments" identifies and evaluates the impact of regulatory changes for Aareal Bank Group). External events such as international agreements can be one of them. Analyses have shown that the Bank is currently not exposed to regulatory risks related to international agreements.

#### Cost of management

0

#### Comment

The methods we are using do not cause additional costs as they are part of operating costs.

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#### Identifier

Risk 2

#### Where in the value chain does the risk driver occur?

Direct operations

#### Risk type

Transition risk

#### Primary climate-related risk driver

Policy and legal: Enhanced emissions-reporting obligations

#### Type of financial impact driver

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

#### Company- specific description

Further transparency requirements (e.g. ecological footprint of financing portfolio) can increase reporting costs for Aareal Bank Group. In addition, Aareal Bank Group may experience pressure when a majority of the financial sector signs certain voluntary climate change industry agreements.

#### Time horizon

Medium-term

#### Likelihood

Unlikely

#### Magnitude of impact

Low

#### Potential financial impact

0

#### Explanation of financial impact

We regard this risk to be of low relevance for our business model. Aareal Bank Group's core business is unlikely to be targeted directly. However, suppliers of the Group's can be affected.

#### Management method

Assessment of risks is embedded in the overall risk management process of Aareal Bank. More specifically, assessing regulatory risks is part of the overall operational risk management procedure. External events such as increased transparency requirements or voluntary industry agreements with regard to climate change can be examples. Analyses have shown that the Bank is currently not exposed to regulatory risks related international agreements. Due to the internal efforts to fulfil the transparency requirements of our stakeholders, internal data collection processes as well as quality assurance measures are already quite advanced and partly externally assured (limited Assurance by PwC).

#### Cost of management

0

#### Comment

The methods we are using do not cause additional costs as they are part of operating costs.

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#### Identifier

Risk 3

#### Where in the value chain does the risk driver occur?

Direct operations

#### Risk type

Transition risk

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**Primary climate-related risk driver**

Policy and legal: Mandates on and regulation of existing products and services

**Type of financial impact driver**

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

Aareal Bank Group might be exposed to upcoming regulatory changes. However, being part of the service industry, environmental regulation is of little importance when it comes to affecting core business.

**Time horizon**

Medium-term

**Likelihood**

About as likely as not

**Magnitude of impact**

Low

**Potential financial impact**

0

**Explanation of financial impact**

Aareal Bank Group might be indirectly exposed to risk if suppliers / business partners are targeted likewise. Being part of the service industry, the financial impact remains low.

**Management method**

Assessment of risks is embedded in the overall risk management process of Aareal Bank. More specifically, assessing regulatory risks is part of the overall operational risk management procedures (e.g. the steering committee "Statutory amendments" identifies and evaluates the impact of regulatory changes for Aareal Bank Group). External events such as environmental regulations can be one of them. Analyses have shown that the Bank is not exposed to these.

**Cost of management**

0

**Comment**

The methods we are using do not cause additional costs as they are part of operating costs.

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**Identifier**

Risk 4

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Other

**Type of financial impact driver**

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

The financial sector is a highly regulated part of the global economy. Aareal Bank Group has always been and will always have to be aware of potential new regulations as they might affect our everyday business.

**Time horizon**

Medium-term

**Likelihood**

More likely than not

**Magnitude of impact**

Low

**Potential financial impact**

0

**Explanation of financial impact**

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The financial sector is a highly regulated part of the global economy. Aareal Bank Group is always and will always have to be aware of potentially new regulation. The management ensures that potential financial implications can be covered by reserves.

#### **Management method**

Assessment of risks is embedded in the overall risk management process of Aareal Bank. More specifically, assessing regulatory risks is part of the overall operational risk management procedures (e.g. the steering committee "Statutory amendments" identifies and evaluates the impact of regulatory changes for Aareal Bank Group). Analyses have shown that the Bank is not exposed to high uncertainties related to new regulatory requirements.

#### **Cost of management**

0

#### **Comment**

The methods we are using do not cause additional costs as they are part of operating costs.

---

#### **Identifier**

Risk 5

#### **Where in the value chain does the risk driver occur?**

Direct operations

#### **Risk type**

Transition risk

#### **Primary climate-related risk driver**

Policy and legal: Other

#### **Type of financial impact driver**

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

#### **Company- specific description**

Aareal Bank Group might be exposed to regulatory changes on international as well as national level. Drivers include changes to auditing, financing, conclusion of a contract etc.

#### **Time horizon**

Medium-term

#### **Likelihood**

About as likely as not

#### **Magnitude of impact**

Low

#### **Potential financial impact**

0

#### **Explanation of financial impact**

The financial sector is a highly regulated part of the global economy. Aareal Bank Group is and will continue to be aware of potential new regulations. The management ensures that potential financial implications can be covered by reserves.

#### **Management method**

Assessment of risks is embedded in the overall risk management process of Aareal Bank. More specifically, assessing regulatory risks is part of the overall operational risk management procedures (e.g. the steering committee "Statutory amendments" identifies and evaluates the impact of regulatory changes for Aareal Bank Group). Analyses have shown that the Bank is currently not exposed to regulatory risks.

#### **Cost of management**

0

#### **Comment**

The methods we are using do not cause additional costs as they are part of operating costs.

---

#### **Identifier**

Risk 6

#### **Where in the value chain does the risk driver occur?**

Direct operations

#### **Risk type**

---

Physical risk

**Primary climate-related risk driver**

Chronic: Rising mean temperatures

**Type of financial impact driver**

Increased operating costs (e.g., inadequate water supply for hydroelectric plants or to cool nuclear and fossil fuel plants)

**Company- specific description**

As an international property specialist, Aareal Bank Group finances properties on three continents. Properties can be damaged through heavy precipitation and other weather extremes.

**Time horizon**

Long-term

**Likelihood**

Unlikely

**Magnitude of impact**

Low

**Potential financial impact**

0

**Explanation of financial impact**

Financial implications for our business may relate to an increase in insurance costs or increased costs due to damages to buildings we financed. The financial implications vary based on the extent that business is affected (below € 1 million).

**Management method**

-

**Cost of management**

0

**Comment**

Costs are difficult to report, as they are integrated into other management costs or are covered by the client margin.

---

**Identifier**

Risk 7

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Physical risk

**Primary climate-related risk driver**

Chronic: Changes in precipitation patterns and extreme variability in weather patterns

**Type of financial impact driver**

Increased operating costs (e.g., inadequate water supply for hydroelectric plants or to cool nuclear and fossil fuel plants)

**Company- specific description**

As an international property specialist, Aareal Bank Group finances properties on three continents. Properties can be damaged through heavy precipitation and other weather extremes.

**Time horizon**

Long-term

**Likelihood**

Unlikely

**Magnitude of impact**

Low

**Potential financial impact**

0

**Explanation of financial impact**

Financial implications for our business may relate to an increase in insurance costs or increased costs due to damages to buildings we financed. The financial implications vary based on the extent that business is affected (below € 1 million).

---

**Management method**

Aareal Bank Group uses enhanced monitoring systems and employs robust insurance programmes in order to manage those risks. We do not finance a property if we consider the risks of a natural disaster as being too high to manage. Insurance must be validated prior to conclusion of a contract.

**Cost of management**

0

**Comment**

Costs are difficult to report, as they are integrated into other management costs or are covered by the client margin.

---

**Identifier**

Risk 8

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Reputation: Increased stakeholder concern or negative stakeholder feedback

**Type of financial impact driver**

Reputation: Reduction in capital availability

**Company- specific description**

There is an increased awareness of stakeholders regarding climate change issues and the way a company deals with those problems. Insufficient handling of climate change issues can have a negative impact on our Company's reputation and stakeholder perception. For example, it would probably have a negative impact on the confidence of our stakeholders and our reputation if we would not initiate carbon projects at a corporate level in case of rising emissions.. However, we consider it rather unlikely that this risk would have an impact on our business relations as we have multiple initiatives in place to reduce our carbon emissions.

**Time horizon**

Medium-term

**Likelihood**

Unlikely

**Magnitude of impact**

Medium-low

**Potential financial impact**

0

**Explanation of financial impact**

Our reputation risk management is part of our overall risk management. A negative impact on reputation can result in the refusal of clients to do business with us. However, we consider it rather unlikely that this risk would have an impact on our business relations as we have multiple initiatives in place to reduce our carbon emissions.

**Management method**

Monitoring of current relevant climate change issues and consultation of research papers to identify important topics.

**Cost of management**

0

**Comment**

There are no additional costs as they are part of our daily business.

---

**C2.4****(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

---

## C2.4a

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**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Other

**Type of financial impact driver**

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

**Company- specific description**

Many countries are exposed to regulations regarding the energy efficiency of buildings. In Germany there is the EnEV, for example. Building regulations concerning energy efficiency are likely to become binding in more countries in the coming years. We are a reliable partner for our clients and offer the financing of energy-efficient or so called green buildings. We see this development as an opportunity as there will be an increased demand for our financing services.

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium

**Potential financial impact**

0

**Explanation of financial impact**

There might be an increased demand for those assets (energy-efficient buildings and their financing) but at the same time competition for the financing of these assets will rise accordingly.

**Strategy to realize opportunity**

The likelihood of this opportunity is positively influenced by the following management actions: monitoring of latest developments in regulations and standards (see following example), research and exchange with industry experts and constant training of our staff. Since the beginning of 2017, our standardised instruction letter for ordering valuation reports includes a query for all properties asking whether they have been granted a green building certificate and what level or score was reached in any sustainability rating. In the medium term, we expect this to lead to significantly enhanced transparency regarding the certification status of the sustainable properties we finance, as well as to provide further encouragement for the sector to create a common pool of qualified and meaningful data in order to determine the effect that sustainability certificates have on property values.

**Cost to realize opportunity**

0

**Comment**

No additional costs occur as monitoring of the latest changes in regulations is part of our business. With respect to transparency: We dispose of the relevant data ourselves.

---

**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

---

**Primary climate-related opportunity driver**

Other

**Type of financial impact driver**

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

**Company- specific description**

Internationally binding agreements on climate change are likely to become more important in the future. Energy-efficient buildings with low carbon intensity will see increased demand in the future. We are a reliable partner for our clients offering the financing of energy efficiency and energy-efficient modernisation of buildings. We see this development as an opportunity as there will be an increased demand for our financing services.

**Time horizon**

Long-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium-low

**Potential financial impact**

0

**Explanation of financial impact**

International agreements on climate change will become more important in the future. Buildings remain a great contributor to GHG emissions and therefore might be targeted within voluntary agreements on the reduction of GHG. We see this development as an opportunity as there will be an increased demand for our financing services.

**Strategy to realize opportunity**

The likelihood of this opportunity is positively influenced by the following management actions: monitoring of latest developments in regulations and standards, research and exchange with industry experts and constant training of our staff.

**Cost to realize opportunity**

0

**Comment**

No additional costs occur as monitoring of the latest changes in regulations is part of our business.

---

**Identifier**

Opp3

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Type of financial impact driver**

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

**Company- specific description**

Binding agreements on the labelling of products are perceived as a potential opportunity driver. Energy-efficient buildings with low carbon intensity will see a rising demand in the future. We are a reliable partner for our clients offering the financing of energy-efficient buildings and the energy-efficient modernisation of older buildings. We see this development as an opportunity as there will be an increased demand for our financing services.

**Time horizon**

Medium-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium-low

**Potential financial impact**

---

0

**Explanation of financial impact**

The demand for those assets is likely to increase, but at the same time competition for the financing of these assets will rise accordingly.

**Strategy to realize opportunity**

The likelihood of this opportunity is positively influenced by the following management actions: monitoring of latest developments in regulations and standards, research and exchange with industry experts and constant training of our staff.

**Cost to realize opportunity**

0

**Comment**

No additional costs occur as monitoring of latest changes in regulations is part of our business.

---

**Identifier**

Opp4

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Type of financial impact driver**

Increased revenue through demand for lower emissions products and services

**Company- specific description**

Voluntary agreements on climate change (e.g. climate efficiency network) on both national and international level might become more important in the future. Buildings remain a great contributor to GHG emissions and therefore might be targeted within voluntary agreements on the reduction of GHG. We see this development as an opportunity as there will be an increased demand for our financing services.

**Time horizon**

Long-term

**Likelihood**

About as likely as not

**Magnitude of impact**

Low

**Potential financial impact**

0

**Explanation of financial impact**

Voluntary agreements on climate change might become more important in the future. Aareal Bank Group assumes that their impact will remain low.

**Strategy to realize opportunity**

The likelihood of this opportunity is positively influenced by the following management actions: monitoring of latest developments in regulations and standards, research and exchange with industry experts and constant training of our staff.

**Cost to realize opportunity**

0

**Comment**

No additional costs occur as monitoring of latest changes in regulations is part of our business.

---

**Identifier**

Opp5

**Where in the value chain does the opportunity occur?**

Direct operations

---

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Shift in consumer preferences

**Type of financial impact driver**

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

**Company- specific description**

As buildings remain a great contributor to GHG emissions on various levels other than environment, upcoming regulations on e.g. energy and health can be related to our core business. We see this development as an opportunity as there will be an increased demand for our financing services.

**Time horizon**

Long-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium-low

**Potential financial impact****Explanation of financial impact**

Regulatory requirements can always have an impact on Aareal Bank Group's operation as the financial industry is highly regulated. The demand for certain assets is likely to increase, but at the same time competition for the financing of these assets will rise accordingly. Aareal Bank Group assumes that their impact will remain low medium..

**Strategy to realize opportunity**

The likelihood of this opportunity is positively influenced by the following management actions: monitoring of latest developments in regulations and standards, research and exchange with industry experts and constant training of our staff.

**Cost to realize opportunity**

0

**Comment**

No additional costs occur as monitoring of latest changes in regulations is part of our business.

**Identifier**

Opp6

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development of climate adaptation and insurance risk solutions

**Type of financial impact driver**

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

**Company- specific description**

Increases in the global mean surface air temperature are expected to continue over the 21st century according to numerous studies and sources. Buildings will have to keep up with this development: more comfortable buildings with better cooling and heating systems and a higher energy efficiency will become more attractive. We are a reliable partner for our clients and offer energy-efficient modernisation of buildings. We perceive this development as an opportunity as there will be an increased demand for our financing services.

**Time horizon**

Medium-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium

**Potential financial impact**

0

**Explanation of financial impact**

The demand for those assets is likely to increase (energy-efficient buildings and their financing), but at the same time competition for the financing of these assets will rise accordingly.

**Strategy to realize opportunity**

The likelihood of this opportunity is positively influenced by the following management actions: Monitoring of latest developments in regulations and standards, research and exchange with industry experts and constant training of our staff.

**Cost to realize opportunity**

0

**Comment**

The managing of opportunities is part of our general tasks and does not cause additional costs.

---

**Identifier**

Opp7

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Markets

**Primary climate-related opportunity driver**

Access to new markets

**Type of financial impact driver**

Increased diversification of financial assets (e.g., green bonds and infrastructure)

**Company- specific description**

There is an increased awareness of stakeholders regarding climate change issues and how a company deals with those issues. A positive perception with regard to our carbon performance will benefit our reputation as a responsible company. Therefore the demand for green investments will increase. We see this as an opportunity to offer new business/ new investment opportunities.

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium-low

**Potential financial impact**

0

**Explanation of financial impact**

The demand for those investments is likely to increase. Financial implications are not assumed to have an impact on Aareal Bank Group's core business.

**Strategy to realize opportunity**

We have started multiple initiatives in order to reduce our carbon emissions. Additionally, we are in constant exchange with our stakeholders and their demands.

**Cost to realize opportunity**

0

**Comment**

Costs are hard to report, as they are integrated into other management costs or are covered by the client margin.

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**C2.5**

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**(C2.5) Describe where and how the identified risks and opportunities have impacted your business.**

	Impact	Description
Products and services	Impacted	Targeted product and service development, e.g. by assessing / evaluating / analysing - Complaints; - Customer requests; - Idea box (internal improvement system); - Customer and employee surveys; - Customer demand; - Product regulation and labelling
Supply chain and/or value chain	Impacted for some suppliers, facilities, or product lines	Set-up of internal processes: - Syndication and Securitisation process; - Software support process for our customers (Aareon and Housing Industry); - Pooling of our purchase activities (central purchasing of IT products by Aareon for the whole Group); - Group-wide supplier management incl. upplier assessments (resp. sanctions) with regard to Code of Conduct for Suppliers; - Self-assessments in line with Operational Risks etc.
Adaptation and mitigation activities	Impacted	Diverse monitoring and mitigation processes in place: - Regulatory monitoring to identify regulatory requirements and develop mitigation / adaptation measures; - Proactive workout activities, e.g. we approach clients with the aim of finding joint solutions for any problem that may arise; - Hedges via insurances and other instruments; - Self-assessments in line with Operational Risks etc.
Investment in R&D	Impacted	Significant / increased investments in - Innovative project portfolio; - Digitalisation initiatives in all divisions; - New formats for joint product development with clients (e.g. design lab, proptech booster); - Set-up of start-up team and activities (e.g. sponsoring of TechQuartier, plug & play programme, Aareon start-up incubator) and - Innovative cooperation and collaboration tools - Agile software development; - Self-assessments in line with Operational Risks etc
Operations	Impacted	Strong risk culture, embracing: - Holistic definition of risk - one that goes beyond purely economic issues to include social, ethical and ecological aspects - Self-assessments in line with Operational Risks etc - Mandatory rules and values defined in our Code of Ethics - Sophisticated internal control system; - Customised training offering
Other, please specify	Not evaluated	-

**C2.6**

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**(C2.6) Describe where and how the identified risks and opportunities have factored into your financial planning process.**

	Relevance	Description
Revenues	Impacted	New technologies as well as the offering of "green" products and services enables us to tap into new markets and thus offers the opportunity to increase total revenues (e.g. digital solutions account for a constantly increasing proportion of total revenues; green consulting services generated revenues of € 1.5 million since their introduction in 2017; property development loans extended by KfW that are designed to finance energy-saving measures for residential property amounted to ~ € 38 million as of 31/12/2017. Increases in the global mean surface air temperature are expected to continue over the 21st century according to numerous studies and sources. Building regulations concerning energy efficiency are likely to become binding in more countries in the coming years. Buildings will have to keep up with this development: more comfortable buildings with better cooling and heating systems and a higher efficiency on energy will be of greater demand in the future (modernisation loans). Better competitive position to reflect shifting consumer preferences, resulting in increased revenues.
Operating costs	Impacted	Further Group-wide efficiency measures should reduce proportion of energy costs (electricity, fuel, etc.) of total operating costs even in case of rising prices for energy. Financial implications for our business may elate to an increase in insurance costs or increased costs due to damages to our buildings (increased insurance premiums). The financial implications vary based on the extent of the impact on our business (below € 1 million).
Capital expenditures / capital allocation	Impacted	Increased investments in human capital (knowledge, skills, training) are a critical success factor for the Company as well as a crucial competitive advantage. Significant investments in R&D, especially in our Consulting / Services division to develop innovative solutions customised to the needs of our clients. The financial sector is a highly regulated part of the global economy. Aareal Bank Group is and will continue to be aware of new potential regulations. The management ensures that potential financial implications can be covered by reserves.
Acquisitions and divestments	Impacted	Acquisitions: Within the due diligence process, there will be a focus on the potential of the product and service offering from an environmental perspective (e.g. whether the product or service has the potential to enable our clients to reduce negative environmental impacts. Accordingly, since December 2017, profitability analyses for new products in the Consulting / Services segment explicitly document the relevant contribution, if any, that these make to sustainability (e.g. lower paper, printing and production costs, avoiding travel, etc.). Divestments: Quality defects such as inadequate energy efficiency negatively impact property valuations and – depending on how severe they are and how relevant for the overall rating (which comprises a comprehensive market, property and risk analysis) – may lead to requests for finance being rejected.
Access to capital	Impacted	Excellent issuer ratings (Fitch & Moody's) as well as above average sustainability rating results (MSCI, ISS-oekom, Sustainalytics) lead to a comfortable refinancing position. There is an increased awareness of stakeholders regarding climate change issues and the way a company deals with those problems. An insufficient handling of climate change issues could have a negative impact on our Company's reputation and stakeholder perception.
Assets	Impacted	The use of specific quantitative and qualitative criteria and the risk mitigation checks that form part of our loan approval process ensure the high quality, and hence the sustainable value, of the Property Financing portfolio. This sustained value of the Property Financing portfolio is reflected in its consistently low credit risk indicator: whereas allowances for credit losses for the portfolio as a whole amounted to 65 basis points in 2009, at the height of the financial crisis, the figure as at 31 December 2017 was a mere 29 basis points.
Liabilities	Not yet impacted	So far, we have not established any provisions, as we had no fines and sanctions for non-compliance with environmental laws and regulations.
Other	Not evaluated	-

**C3. Business Strategy**

**C3.1**

**(C3.1) Are climate-related issues integrated into your business strategy?**

Yes

**C3.1a**

**(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?**

Yes, quantitative

**C3.1c**

**(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.**

The Structured Property Financing segment provides property financing solutions for national and international clients.

i. During the loan approval process we base our decisions, among others factors, on our country manuals which we review on an annual basis. These country manuals lay out concrete requirements for insurances. Insurances have to cover aspects such as destruction of the property and interruption of business operations (e.g. in a hotel) due to climate change related events such as flooding, tsunamis, earthquakes and storms. We do not to grant a loan without sufficient insurances. Furthermore our sustainability strategy is integrated into our business strategy.

ii. Our strategy is influenced by the need for adaptation. Climate change related risks (costs) and catastrophes are rising. Thus, an adaptation to these risks is necessary. Example: financing of green buildings to foster reduction of energy consumption.

iii. Climate change has influenced our short-term strategy, e.g. we now use 100% green energy for our Headquarters in Wiesbaden and in Mainz as well as other national and international locations.

iv. We don't do business in regions that are highly affected by risks related to climate change, e.g. coastal areas in Thailand.

v. Our competitive advantage lies in our very risk adverse strategy and our sustainable business model. Thus, we have been able to realise positive quarterly results even during the financial crisis.

vi. Expiring contracts that are based on the conventional German energy mix are replaced by 100% green energy.

vii. Aareal Bank has been taking part in the Wiesbaden energy Efficiency network as part of its activities in connection with the Ökoprofit-Initiative there, thus helping the federal government achieve its climate protection and energy policy goals. The Energy Efficiency Networks Initiative requires participating enterprises to define a common energy savings target. For 2017, this has been set at 1.5%. Recognised measures include switching lighting, insulating building. Our participation identifies and challenges our internal target setting and - due to the exchange within peers - helps us to prioritize further opportunities.

Risk culture forms part of corporate culture and, in accordance with the corporate governance principles of the Basel Committee on Banking Supervision, constitutes the entirety of a bank's standards, approach and conduct with respect to risk awareness, risk appetite and risk management together with the controls applied to risk decisions. The risk culture influences the decisions made by management and employees in their day-to-day work and impacts the risks that they accept.

In November 2013, the Financial Stability Board (FSB) published the "Principles for An Effective Risk Appetite Framework" (RAF) to provide specific information on these requirements. The aim of the RAF was to establish a common understanding of the term "risk appetite" in order to facilitate the cooperation between regulatory authorities and financial institutions.

For Aareal Bank Group, the Risk Appetite Framework (RAF) represents a holistic approach that includes guidelines, processes, controls and systems to define, communicate and monitor risk appetite. It comprises a risk appetite statement, risk limits and an overview of the roles and responsibilities of the monitoring and supervising units. The material risks to which Aareal Bank Group is exposed as well as its reputation with investors and clients are taken into account in the RAF. The RAF is consistent with the business strategy followed by Aareal Bank Group. By defining the risk appetite, a company's management makes a conscious decision on the extent to which it is prepared to take risks. Accordingly, the Risk Appetite Framework is the nucleus between risk culture, strategic and ongoing risk measurement and monitoring, the defined risk strategies and the recovery plan, especially in view of the interdependencies of these components.

The business strategy provides the framework for risk management within Aareal Bank Group. It is defined by the Executive Board and noted and approved by the Supervisory Board. The business strategy defines goals over a horizon of several years and includes, for example, information on the main fields of business (Structured Property Financing and Consulting/Services) and on an adequate capitalisation of the Group. The planning that is based on this strategy provides the strategic framework for the risk appetite of Aareal Bank Group and its subsidiaries as well as the main strategic cornerstones for non-bank subsidiaries. Taking this as a basis, and strictly considering the Bank's risk-bearing capacity, detailed strategies for managing the various types of risk are formulated. This includes also climate-related issues which are integrated into our overall risk management, they are normally considered within the Operational Risk and Reputational Risk Management.

The Executive Board is responsible for the content of all strategies. At least once a year, within the framework of the target portfolio definition as part of the Group's top-down planning process, the strategies are checked for congruency with the business environment and adapted, if necessary. As part of this process, the Bank reviews the content in order to assess whether new business opportunities have opened up that have not yet been considered in the risk strategies. Changes resulting from the planning process are also compared with the risk strategies, with adaptations to the target portfolio definition being made, if necessary. The inclusion of new elements into the risk strategies is made considering possible restrictions caused by the Bank's current risk-bearing capacity or the necessary re-allocation of available capital. This ensures that the Bank is always capable of recognising and tapping new business potential so as to actively shape the competition while considering the acceptable risk. The risk strategies are designed to ensure professional and conscious management of risks. Accordingly, these strategies include general policies to ensure a uniform understanding of risks across all parts of the Group. They also provide a cross-sectional, binding framework applicable to all divisions. The strategies are published in the Bluebook for all employees. The content of the strategic planning may be inspected at Finance & Controlling subject to a legitimate interest.

### C3.1d

**(C3.1d) Provide details of your organization's use of climate-related scenario analysis.**

Climate-related scenarios	Details
Other, please specify (Risk stress testing)	Assessing climate change risks is part of the overall operational risk management procedures. The Bank defines operational risk as the threat of losses caused by inappropriate internal procedures, human resources and systems (or their failure), or through external events. External events related to climate change, such as natural disasters, can, for example, cause physical damage to the data centres. For this purpose Aareal Bank has generated the following climate-related scenarios: 1) Water damage (e.g. burst pipes, storm or similar events) 2) Power failure due to external influences (fault of the utility, construction work or storm). 3) Disruption in the IT and communication infrastructure (data centre, data and telephone lines, etc.) 4) Failure of know-how in the case of major events such as trade fairs 5) Damage due to faulty maintenance or repair during conversions.
Other, please specify (Loan portfolios exposure risk assessment)	The ability to correctly assess and specifically manage risks is one of the key foundations for our business model. This is why risk management is a core priority; we adopt a holistic definition of risk – one that goes beyond purely economic issues to include social, ethical and ecological aspects that could impact Aareal Bank Group's success directly or indirectly. E.g., we dispose of a systematic process to address and monitor the existing loan portfolio's exposure to natural disaster risk: Due Diligence Mandatory check of risk environment based on property appraisals, Technical Due Diligence reports, natural hazard maps and tools from the insurance industry Weighting and summarising risk value for ordinary, commercial and industrial business. The due diligence covers natural hazards like flood and earthquake, and depending on the regional area/location or the kind of property, other specific (natural) hazards. In specific situations / on request, we involve an external service provider to model scenarios, e.g. for properties in flooding areas. Defined risk levels have to be respected. Insurance Audit Standardised risk analysis including exposure to natural hazards for specific regions/locations and, if applicable, utilisation risks regarding the kind of property. We involve external specialists to check the provided insurance documentation for adequacy with a view to the exposure to all hazards. Specific risk assessment, including natural hazard risks where appropriate.

## C4. Targets and performance

### C4.1

**(C4.1) Did you have an emissions target that was active in the reporting year?**

Absolute target

#### C4.1a

**(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.**

**Target reference number**

Abs 1

**Scope**

Scope 2 (market-based)

**% emissions in Scope**

84

**% reduction from base year**

100

**Base year**

2013

**Start year**

2013

**Base year emissions covered by target (metric tons CO2e)**

3249

**Target year**

2020

**Is this a science-based target?**

No, but we anticipate setting one in the next 2 years

**% achieved (emissions)**

99

**Target status**

Underway

**Please explain**

851/5000 In 2013, we set ourselves the target of saving 100 percent of the CO2 emissions resulting from the consumption of conventional electricity by 2020 each year. For this reason, in addition to our main locations in Wiesbaden and Mainz, we source environmentally friendly green electricity from hydropower at almost all domestic locations. The reference amount of 3249 t CO2e is based on the scope of the Group-wide environmental indicators used in 2013 and includes all electricity consumptions in Germany. In order to ensure comparability of the values, the emission values last calculated for 2017 according to the identical location structure for 2013 were calculated. The survey therefore doesn't cover any foreign locations. These will be considered in a target which is currently under development.

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**Target reference number**

Abs 2

**Scope**

Scope 3: Employee commuting

**% emissions in Scope**

52

**% reduction from base year**

20

**Base year**

2017

**Start year**

2017

**Base year emissions covered by target (metric tons CO2e)**

2036.31

**Target year**

2020

**Is this a science-based target?**

Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

**% achieved (emissions)**

0

**Target status**

New

**Please explain**

In the reporting year, we set ourselves the target to reduce our Scope 3 emissions caused by employee commuting to our head office in Wiesbaden. Therefore, it's necessary to evaluate these emissions, which was our most important challenge in the reporting year. For the calculation we used the UK Governmental Conversion factors 2017 and the results of our survey regarding the mobility behaviour of employees in 2017.

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C4.2

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**(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.**

**Target**

Other, please specify (Expansion of Scope 3 emissions)

**KPI – Metric numerator**

Percentage of our gross global scope 3 emissions (which is calculated in the target year)

**KPI – Metric denominator (intensity targets only)**

**Base year**

2015

**Start year**

2017

**Target year**

2023

**KPI in baseline year**

0

**KPI in target year**

80

**% achieved in reporting year**

15

**Target Status**

New

**Please explain**

At the moment we evaluate our Scope 3 emissions caused by business travel and started to calculate the emissions of employee commuting in the reporting year. Our target is to improve transparency in Scope 3 continuously by extending our data base. Therefore, in 2017, we evaluated the share of financed green buildings of the overall financing volume of new business as a first step to assess Scope 3 emissions of our property loan portfolio in the future.

**Part of emissions target**

**Is this target part of an overarching initiative?**

Please select

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C4.3

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**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

C4.3a

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**(C4.3a) Identify the total number of projects at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

	Number of projects	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	2	0
To be implemented*	0	0
Implementation commenced*	2	0
Implemented*	4	35.92
Not to be implemented	0	0

## C4.3b

**(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.**

**Activity type**

Low-carbon energy purchase

**Description of activity**

Hydro

**Estimated annual CO2e savings (metric tonnes CO2e)**

3200

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

0

**Investment required (unit currency – as specified in CC0.4)**

0

**Payback period**

Please select

**Estimated lifetime of the initiative**

3-5 years

**Comment**

In the reporting year we conducted negotiations with our main supplier to extend our contracts to purchase green electricity for our main sites in Mainz and Wiesbaden and nearly all our German sites.

**Activity type**

Energy efficiency: Building services

**Description of activity**

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

2.4

**Scope**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

2400

**Investment required (unit currency – as specified in CC0.4)**

12000

**Payback period**

4 - 10 years

**Estimated lifetime of the initiative**

16-20 years

**Comment**

Exchange of our exterior lighting system from conventional technology to LED.

---

**Activity type**

Energy efficiency: Building services

**Description of activity**

Other, please specify (new state of the technology )

**Estimated annual CO2e savings (metric tonnes CO2e)**

33.52

**Scope**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

15000

**Investment required (unit currency – as specified in CC0.4)**

**Payback period**

4 - 10 years

**Estimated lifetime of the initiative**

16-20 years

**Comment**

Renovation of the conference zone and refurbishment with new "state-of-the-art" communication and collaboration technology.

---

**Activity type**

Other, please specify (Facility Management Restructuring Plan)

**Description of activity**

<Not Applicable>

**Estimated annual CO2e savings (metric tonnes CO2e)**

**Scope**

Scope 1

Scope 2 (location-based)

Scope 3

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

0

**Investment required (unit currency – as specified in CC0.4)**

0

**Payback period**

4 - 10 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

"Facility Management (FM) Restructuring Plan" put to the test to achieve process improvements and further increase efficiency in

---

resource management as part of facility management.

---

**Activity type**

Other, please specify (Acquirement of a second electric vehicle)

**Description of activity**

<Not Applicable>

**Estimated annual CO2e savings (metric tonnes CO2e)**

0

**Scope**

Scope 1

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

0

**Investment required (unit currency – as specified in CC0.4)**

0

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

We have acquired a second plug-in hybrid pool vehicle. With this measure we want to enhance the acceptance of electric vehicles in our Company.

---

**Activity type**

Other, please specify (Charging station electrical vehicles)

**Description of activity**

<Not Applicable>

**Estimated annual CO2e savings (metric tonnes CO2e)**

0

**Scope**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

0

**Investment required (unit currency – as specified in CC0.4)**

2500

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

11-15 years

**Comment**

We have installed a charging station for electrical vehicles which can be used by the employees of Aareon and Aareal First-Financial. Moreover we pushed ahead with our plans to install two charging stations at our head office in Wiesbaden.

---

**Activity type**

Other, please specify (E-Bike charging station)

**Description of activity**

<Not Applicable>

---

**Estimated annual CO2e savings (metric tonnes CO2e)**

0

**Scope**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

0

**Investment required (unit currency – as specified in CC0.4)**

2990

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

16-20 years

**Comment**

Promotion of ecological means of transport by using E-Bikes.

---

**Activity type**

Energy efficiency: Processes

**Description of activity**

Other, please specify (Energy Reduction (Base Load) )

**Estimated annual CO2e savings (metric tonnes CO2e)**

0

**Scope**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in CC0.4)**

9240

**Investment required (unit currency – as specified in CC0.4)**

2500

**Payback period**

<1 year

**Estimated lifetime of the initiative**

3-5 years

**Comment**

Identification of individual consumers (outside the office hours), measures to reduce the base load. Optimisation of the switching times of the technical systems.

---

**C4.3c**

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### (C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Compliance with regulatory requirements/standards	The responsible use of our natural resources and the protection of the environment are part of the corporate responsibility. Environmental and climate protection are therefore among the corporate goals of Aareal Bank. Compliance with legal requirements is a matter of course for us. Furthermore we commit our business partners to confirm our code of conduct for suppliers which includes environmental matters as well.
Dedicated budget for energy efficiency	We want to gradually develop ideas for putting environmental management into practice and implement them in line with the requirements of an environmentally-oriented banking operation. In doing so, we would like to identify starting points for improvement, to develop and implement concrete individual measures, and thus to minimise our environmental impact as much as possible.
Employee engagement	We regularly inform our employees about the environmental impact and motivate them to act in an environmentally conscious manner. Our managers are role models and aim to raise the employees' awareness for this matter. The project managers have to identify starting points for improvement and to initiate concrete measures. Our staff can contribute to the continuous improvement of our environmental management through ideas and contributions. We expect our employees to handle resources responsibly in their daily work.

## C4.5

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### (C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

## C4.5a

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### (C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

#### Level of aggregation

Product

#### Description of product/Group of products

Aareon's offering of smart metering instruments. Housing companies can use smart metering to improve their energy efficiency by installing tools to monitor and measure electricity, heat and water consumption. Visualising user data on tenant portals makes individual behaviour transparent for the users concerned, allowing them to modify it if necessary, and to achieve savings.

#### Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

#### Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Business Case Studies)

#### % revenue from low carbon product(s) in the reporting year

0

#### Comment

This is a radical change in the customer interface and the satisfaction ratings will leap as a result. However, there is also a real chance here to dramatically cut costs; by solving all the issues in just one multi-function visit, a housing provider can do more with less. This potentially means that they can reduce the recruitment bill for the same function. And if there is fewer staff involved, there is every chance that other fixed costs such as office rental costs could also be reduced.

---

#### Level of aggregation

Product

#### Description of product/Group of products

CRM Portal / CRM app: Digital communication and offerings help property management companies to continually expand their customer service while reducing personnel and material costs. For example, tenants can use the CRM solutions to access documents such as service charges and contract data. Furthermore, they can at any time submit damage reports, check the status of tickets and check to what extent their request has already been processed.

#### Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (reduction calculation)

**% revenue from low carbon product(s) in the reporting year**

0

**Comment**

---

**Level of aggregation**

Product

**Description of product/Group of products**

Aareon's invoicing service for an automated invoicing process between invoice issuers and housing companies.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (reduction calculation)

**% revenue from low carbon product(s) in the reporting year**

**Comment**

Electronic processes can save 40-70 per cent of the time spent on operating and heating bills. Electronic invoice processing can reduce costs by as much as 60-80 per cent. Assuming that a service charge bill covers an average of two pages, the housing industry alone consumes more than 9 million sheets of paper annually. 480 grams of CO2 are needed to produce 100 sheets of paper. This means 43 tons of CO2 only for the service charge of German housing companies.. of the volume of paper used at Aareal Bank was reduced by approx. 30%.

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**Level of aggregation**

Company-wide

**Description of product/Group of products**

Document management systems for digital archiving.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (paper reduction calculation)

**% revenue from low carbon product(s) in the reporting year**

**Comment**

---

**Level of aggregation**

Product

**Description of product/Group of products**

Aareon's mobile services. These include in particular the mobile handover of rental units, mobile inventory data management and mobile orders.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify

**% revenue from low carbon product(s) in the reporting year**

**Comment**

These include in particular the mobile handover of rental units, mobile inventory data management and mobile orders. Calculation example: Mobile traffic safety: 400 house entrances multiply with 50 inspections per year (each one sheet) = 20 000 sheets per year can be saved, enhancing sustainability Mobile housing handover Within our 4000 administrative units we have a fluctuation rate of 10 per cent per year. Handover requires three operations (pre-handover, handover, handover to new tenant) in which each needs two sheets. In total we save 2400 sheets of paper per year.

---

**Level of aggregation**

---

Product

**Description of product/Group of products**

Housing companies can use smart metering to improve their energy efficiency by installing tools to monitor and measure electricity, heat and water consumption. Visualising user data on tenant portals makes individual behaviour transparent for the users concerned, allowing them to modify it if necessary, and to achieve savings.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Please select

**% revenue from low carbon product(s) in the reporting year**

**Comment**

---

**Level of aggregation**

Product

**Description of product/Group of products**

Our Housing Industry division - provides "Modernisation Grants" to municipal and co-operative housing associations and - brokers "Property Development Loans" extended by Kreditanstalt für Wiederaufbau (KfW) that are designed to finance energy-saving measures for residential property This includes the implementation of standalone measures to improve energy efficiency under the federal government's "CO2 Building Rehabilitation Programme" and "Energy Efficiency Incentive Programme". In relation to KfW we act as the on-lending bank and bear the primary liability. In relation to KfW we act as the on-lending bank and bear the primary liability.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (Ref. to Federal Government's programmes)

**% revenue from low carbon product(s) in the reporting year**

**Comment**

Property development loans extended by KfW that are designed to finance energy-saving measures for residential property amounted to ~ € 38 million as of 31/12/2017.

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## C5. Emissions methodology

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### C5.1

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## **(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).**

### **Scope 1**

#### **Base year start**

January 1 2015

#### **Base year end**

December 31 2015

#### **Base year emissions (metric tons CO2e)**

4257

#### **Comment**

We changed our base year from 2013 to 2015, because our environmental data were checked by PwC for the first time in 2015 (limited assurance). Furthermore we evaluate Group wide environmental data which cover our international sites and all our subsidiaries.

### **Scope 2 (location-based)**

#### **Base year start**

January 1 2015

#### **Base year end**

December 31 2015

#### **Base year emissions (metric tons CO2e)**

6243

#### **Comment**

We changed our base year from 2013 to 2015, because our environmental data were checked by PwC for the first time in 2015 (limited assurance). Furthermore we evaluate Group wide environmental data which cover our international sites and all our subsidiaries. In order to meet the enhanced GHG Protocol requirements, the proportion of emissions accounted for in the reporting period by electricity consumption was determined separately for the first time using the location-based and the market-based method.

### **Scope 2 (market-based)**

#### **Base year start**

January 1 2015

#### **Base year end**

December 31 2015

#### **Base year emissions (metric tons CO2e)**

3166

#### **Comment**

We changed our base year from 2013 to 2015, because our environmental data were checked by PwC for the first time in 2015 (limited assurance). Furthermore we evaluate Group wide environmental data which cover our international sites and all our subsidiaries. In order to meet the enhanced GHG Protocol requirements, the proportion of emissions accounted for in the reporting period by electricity consumption was determined separately for the first time using the location-based and the market-based method.

## **C5.2**

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### **(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.**

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

## **C6. Emissions data**

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## C6.1

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### (C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

#### Row 1

##### Gross global Scope 1 emissions (metric tons CO2e)

3386

##### End-year of reporting period

<Not Applicable>

##### Comment

The biggest part of our gross global Scope 1 Emissions is caused by our company cars with diesel and gasoline engines (3111 t CO2e). Moreover a small part is caused by heating with heating oil and gas at some national and international sites (276 t CO2e). At our headquarters in Wiesbaden and Mainz we are using environmental friendly district heating Systems (listed under Scope 2 emissions)

## C6.2

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### (C6.2) Describe your organization's approach to reporting Scope 2 emissions.

#### Row 1

##### Scope 2, location-based

We are reporting a Scope 2, location-based figure

##### Scope 2, market-based

We are reporting a Scope 2, market-based figure

##### Comment

Already since 2015, we have been reporting differentiated about our Scope 2 location and market-based emissions. In our calculation we used the international emissions factors of the International Energy Agency (IEA) and the European Residual Mix (Re-Diss). Furthermore we requested certifications of our purchased green electricity by our biggest supplier, which contains emission data.

## C6.3

---

### (C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

#### Row 1

##### Scope 2, location-based

5782

##### Scope 2, market-based (if applicable)

2728

##### End-year of reporting period

<Not Applicable>

##### Comment

The trend since 2015 shows that a continuous reduction was achieved. Reasons were the purchase of green electricity at our headquarters in Wiesbaden and Mainz and at the most sites in Germany and have just recently extended the green electricity contracts until 2021. Furthermore we now also purchase green electricity also at sites in the Netherlands, Sweden and Poland. The high proportion of district heating in our total heating energy is responsible for a part of our total scope 2 emissions as well. Further smaller reductions could be achieved through the implementation of energy-saving measures as part of the membership in the energy-efficiency Network Ökoprofit in Wiesbaden and Mainz, but current focus on Scope 3.

## C6.4

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**(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?**

No

## C6.5

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**(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.**

### **Purchased goods and services**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

186.34

**Emissions calculation methodology**

Paper: GHG Protocol Scope 3, October 2011 / indicator 3.1: Production of paper purchased including distribution and supply chain / Conversion factors from Eco-Invent 3.4: 1.095 kg CO2 per metric tonne for new fibre paper (ECF/TCF) / VfU Indicators 2018. Data quality: exact measurements. Water: GHG Protocol Scope 3 / Indicator 3.1: Purchased water / treatment of drinking water before delivery, conversion factors from Eco-Invent 3.4 : 0.663 Kg / m3 / VfU Indicators 2018. Data quality: data based on calculation; exact measurement.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

The calculation includes the Scope 3 Emissions caused by used water (18.26t CO2e) and paper (168,08 t CO2e).

### **Capital goods**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

0

**Emissions calculation methodology**

-

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

0

**Explanation**

Aareal Bank Group is a leading property specialist in the financial sector. Therefore, we do not manufacture products. Emissions of our daily business are included in our energy consumption.

### **Fuel-and-energy-related activities (not included in Scope 1 or 2)**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

0

**Emissions calculation methodology**

-

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

0

**Explanation**

Aareal Bank Group is a leading property specialist in the financial sector. There are no further relevant fuel- and energy-related activities.

## Upstream transportation and distribution

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

Areal Bank Group is a leading property specialist in the financial sector. Since we are not part of the manufacturing sector, upstream transportation and distribution does not represent a relevant position in our carbon footprint.

## Waste generated in operations

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

Areal Bank Group is a leading property specialist in the financial sector. Since we are not part of the manufacturing sector, waste generated in our operations does not represent a relevant position in our carbon footprint. We generate mostly paper and organic waste that can be recycled.

## Business travel

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

1885

### Emissions calculation methodology

Our travel agency allows us to purchase exact CO2 emissions which are calculated by using a consistent calculation method. Furthermore we use the UK Governmental conversion factors 2017 for business travel.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Explanation

The scope of our Scope 3 emissions data includes all travel activities of our employees by plane, train, rental car and other means of transport. Because we transact most of the bookings (Germany) about our travel agency, we are able to use data on a detailed level like type of plane, class, distance etc. Furthermore the agency allows us to purchase exact CO2 emissions which are calculated by using a consistent calculation method. For Business travels at our international sites we calculate the emissions by using the emission factors of the GHG Protocol.

## Employee commuting

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

2036.31

### Emissions calculation methodology

In the reporting year we calculated Scope 3 emissions caused by employee commuting for the first time. We started with the routes to and from work of our employees in our headquarter Wiesbaden. The calculation is based on our mobility survey 2017 within we queried essential information of the mobility behaviour of our employees in Germany. Furthermore we used the UK environmental emission factors 2017 to calculate the described emissions by in 2017. As a part of this process we had chosen factors, which represent the vehicle class of our staff and a mix of public transport.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

### Explanation

Due to privacy law in Germany, Aareal Bank Group cannot require its employees to provide information on their commuting patterns. In 2017, we carried out a comprehensive survey on the mobility behavior of our employees at our Headquarter in Wiesbaden. This provides important Information, which were used to calculate the Scope 3 CO2 emissions caused by Employee commuting.

## Upstream leased assets

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

Aareal Bank Group is a leading property specialist in the financial sector. Since we are not part of the manufacturing sector, upstream leased assets do not represent a relevant position in our carbon footprint.

## Downstream transportation and distribution

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

Aareal Bank Group is a leading property specialist in the financial sector. Since we are not part of the manufacturing sector, downstream transportation and distribution does not represent a relevant position in our carbon footprint.

## Processing of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

Aareal Bank Group is a leading property specialist in the financial sector. Since we are not processing any manufactured products, this Scope 3 category does not represent a relevant position in our carbon footprint.

## Use of sold products

### Evaluation status

Relevant, not yet calculated

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

Aareal Bank Group is a leading property specialist in the financial sector. Since we are a service company, the use of our sold products does not represent a significant position in our carbon footprint.

## End of life treatment of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

Aareal Bank Group is a leading property specialist in the financial sector. Since we are not part of the manufacturing sector, this Scope 3 category does not represent a relevant position in our carbon footprint.

## Downstream leased assets

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

Aareal Bank Group is a leading property specialist in the financial sector. We have no emissions caused of Downstream leased assets.

## Franchises

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

Areal Bank Group is a leading property specialist in the financial sector. Since we do not grant licences to other entities as a franchiser, it is not relevant to our carbon footprint.

## Investments

### Evaluation status

Relevant, not yet calculated

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

Due to the high amount of the real estate sector in global CO2 emissions, the issuing of credits also indirectly causes CO2 emissions. Because a determination of our own influence due to the historically grown structures and the relatively short financing period is not readily possible, we work to improve the database. In a first step, we will assess the proportion of buildings with sustainability certifications and, within the framework of our memberships in associations such as the VfU, we work closely with other industry representatives.

## Other (upstream)

### Evaluation status

Not evaluated

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

-

## Other (downstream)

### Evaluation status

Not evaluated

### Metric tonnes CO2e

0

### Emissions calculation methodology

-

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Explanation

-

## C6.7

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**(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?**

No

## C6.10

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**(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.**

**Intensity figure**

0.0000072785

**Metric numerator (Gross global combined Scope 1 and 2 emissions)**

6114

**Metric denominator**

unit total revenue

*To calculate with a for our business appropriate metric denominator, we add our net interest income (634 bn €) and net commission income (206 bn €) 2017.*

**Metric denominator: Unit total**

840000000

**Scope 2 figure used**

Market-based

**% change from previous year**

5.93

**Direction of change**

Decreased

**Reason for change**

As the total revenue and the available reference parameters are not meaningful for us as a finance company, we also use the sum of net interest income (634 bn €) and net commission income (206 bn €) as a benchmark. Although this declined slightly in the 2017 reporting year compared to 2016, but is offset by an even bigger reduction of our Scope 1 and 2 emissions. This explains the reduction compared to the previous year.

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## C7. Emissions breakdowns

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### C7.1

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**(C7.1) Does your organization have greenhouse gas emissions other than carbon dioxide?**

No

### C7.2

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**(C7.2) Break down your total gross global Scope 1 emissions by country/region.**

Country/Region	Scope 1 emissions (metric tons CO2e)
Europe	3325.44
North America	36.41
Asia Pacific (or JAPA)	24.43

**C7.3**

**(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.**

By business division

**C7.3a**

**(C7.3a) Break down your total gross global Scope 1 emissions by business division.**

Business division	Scope 1 emissions (metric ton CO2e)
Aareal Bank	811
Aareon	2575

**C7.5**

**(C7.5) Break down your total gross global Scope 2 emissions by country/region.**

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
Europe	5707.27	2653.48	16576.57	7989
North America	41.56	41.56	83.39	0
Asia Pacific (or JAPA)	32.99	32.99	74.05	0

**C7.6**

**(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.**

By business division

**C7.6a**

**(C7.6a) Break down your total gross global Scope 2 emissions by business division.**

Business division	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Aareal Bank	4126.37	2365.41
Aareon	1655.45	362.63

## C7.9

**(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?**

Decreased

## C7.9a

**(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined) and for each of them specify how your emissions compare to the previous year.**

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	123	Decreased	1.78	By purchasing green electricity at various locations in the Netherlands, we were able to save CO2 emissions. An essential part of this green electricity is also generated by solar panels on one of our office buildings.
Other emissions reduction activities	50	Decreased	0.72	The implementation of measures to increase energy efficiency at our main locations in Wiesbaden and Mainz has led to significant emission reductions. By participating in the environmental consulting program Ökoprofit in Wiesbaden and Mainz further measures could be implemented.
Divestment	50	Decreased	0.72	By integrating Westdeutsche Immobilienbank into the business operations of Aareal Bank, it was possible to bundle processes and thereby save on emissions.
Acquisitions	0	No change	0	-
Mergers	0	No change	0	-
Change in output	0	No change	0	-
Change in methodology	250	Decreased	3.61	Increased Data transparency at different sites.
Change in boundary	0	No change	0	-
Change in physical operating conditions	0	No change	0	-
Unidentified	80	Decreased	1.16	Continuous optimization of the calculation methodology has improved data quality, replacing, for example, estimates with real data. In addition, economic fluctuations in our business field cause changes. The weather conditions in the reporting year can also cause a fluctuation of emissions.
Other	250	Decreased	3.61	The increasing efficiency of our company car fleet has enabled CO2 emissions to be achieved through lower vehicle fuel consumption (Diesel).

## C7.9b

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Market-based

## C8. Energy

### C8.1

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

**C8.2**

**(C8.2) Select which energy-related activities your organization has undertaken.**

	Indicate whether your organization undertakes this energy-related activity
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

**C8.2a**

**(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.**

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	13384	13384
Consumption of purchased or acquired electricity	<Not Applicable>	7874	3408	11282
Consumption of purchased or acquired heat	<Not Applicable>	0	5337	5337
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	115	<Not Applicable>	115
Total energy consumption	<Not Applicable>	0	0	30118

**C8.2b**

**(C8.2b) Select the applications of your organization's consumption of fuel.**

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	No
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

**C8.2c**

**(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.**

**Fuels (excluding feedstocks)**

Petrol

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

722

**MWh fuel consumed for the self-generation of electricity**

<Not Applicable>

**MWh fuel consumed for self-generation of heat**

<Not Applicable>

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

---

**Fuels (excluding feedstocks)**

Diesel

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

11239

**MWh fuel consumed for the self-generation of electricity**

<Not Applicable>

**MWh fuel consumed for self-generation of heat**

<Not Applicable>

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

---

**Fuels (excluding feedstocks)**

Natural Gas

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

1191

**MWh fuel consumed for the self-generation of electricity**

<Not Applicable>

**MWh fuel consumed for self-generation of heat**

<Not Applicable>

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

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**Fuels (excluding feedstocks)**

---

Burning Oil

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

231

**MWh fuel consumed for the self-generation of electricity**

<Not Applicable>

**MWh fuel consumed for self-generation of heat**

<Not Applicable>

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self- cogeneration or self-trigeneration**

<Not Applicable>

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C8.2d

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**(C8.2d) List the average emission factors of the fuels reported in C8.2c.**

**Burning Oil**

**Emission factor**

2.51973

**Unit**

kg CO2 per liter

**Emission factor source**

UK Government GHG Conversion Factors for Company Reporting 2017

**Comment**

-

**Diesel**

**Emission factor**

2.57843

**Unit**

kg CO2 per liter

**Emission factor source**

UK Government GHG Conversion Factors for Company Reporting 2017

**Comment**

Diesel (average biofuel blend), Standard Diesel bought from any local filling Station (across the board forecourt fuel typically contains biofuel content).

**Natural Gas**

**Emission factor**

183.808

**Unit**

kg CO2 per MWh

**Emission factor source**

UK Government GHG Conversion Factors for Company Reporting 2017,

**Comment**

-

**Petrol**

**Emission factor**

2.1876

**Unit**

kg CO2 per liter

**Emission factor source**

UK Government GHG Conversion Factors for Company Reporting 2017

**Comment**

Standard Petrol bought from any local filling Station (across the board forecourt fuel typically contains biofuel content).

**C8.2e**

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**(C8.2e) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.**

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	115	115	115	115
Heat	0	0	0	0
Steam	0	0	0	0
Cooling	0	0	0	0

## C8.2f

**(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.**

**Basis for applying a low-carbon emission factor**

Contract with suppliers or utilities ( e.g. green tariff), supported by energy attribute certificates

**Low-carbon technology type**

Hydropower

**MWh consumed associated with low-carbon electricity, heat, steam or cooling**

7874

**Emission factor (in units of metric tons CO2e per MWh)**

0

**Comment**

The total consumption of purchased low-carbon electricity was calculated as follow: Total green electricity consumption (7989 MWh) - total green electricity generated (115MWh) = 7874 MWh

## C9. Additional metrics

### C9.1

**(C9.1) Provide any additional climate-related metrics relevant to your business.**

**Description**

Please select

**Metric value**

**Metric numerator**

**Metric denominator (intensity metric only)**

**% change from previous year**

**Direction of change**

<Not Applicable>

**Please explain**

## C10. Verification

## C10.1

---

**(C10.1) Indicate the verification/assurance status that applies to your reported emissions.**

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

## C10.1a

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**(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.**

**Scope**

Scope 1

**Verification or assurance cycle in place**

Triennial process

**Status in the current reporting year**

No verification or assurance of current reporting year

**Type of verification or assurance**

Limited assurance

**Attach the statement**

CDP Verification Template\_AarealBank 2016.pdf

**Page/ section reference**

Page 2

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

**Scope**

Scope 2 location-based

**Verification or assurance cycle in place**

Triennial process

**Status in the current reporting year**

No verification or assurance of current reporting year

**Type of verification or assurance**

Limited assurance

**Attach the statement**

CDP Verification Template\_AarealBank 2016.pdf

**Page/ section reference**

Page 2

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

**Scope**

Scope 2 market-based

**Verification or assurance cycle in place**

Triennial process

**Status in the current reporting year**

No verification or assurance of current reporting year

**Type of verification or assurance**

Limited assurance

**Attach the statement**

CDP Verification Template\_AarealBank 2016.pdf

**Page/ section reference**

Page 2

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

**C10.1b****(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.****C10.2****(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?**

Yes

**C10.2a****(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?**

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C0. Introduction	Other, please specify (Description of business model)	International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB.	Short description of business model of Aareal Bank Group.

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C1. Governance	Other, please specify (Obtaining an understanding of the structure) <i>Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement</i>	International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB.	Roles and Responsibilities
C2. Risks and opportunities	Other, please specify (Identification of the likely risk of ) <i>material misstatement of the Non-financial Report</i>	International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB.	The risk report that forms part of our Group Management Report provides comprehensive information on our risk management system and the material risks associated with our business activities, products and services, and business relationships that have been identified for Aareal Bank Group. We do not see any other reportable risks pursuant to the CSR-RLUG whose potential adverse impacts on the aspects are or could be severe or whose occurrence is highly probable. We provide more detail on topics that are of particular importance to stakeholders who are interested in sustainability in the overview of risks and opportunities given at the beginning of each aspect. The aspects are addressed in their order of priority for us as a financial institution and service provider – i. e. anti-corruption and bribery matters and employee-related matters are addressed before social matters, respect for human rights and environmental matters.
C3. Business strategy	Other, please specify (Materiality Analysis)	International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB.	Continuous dialogue with our stakeholders has a very high priority for us. It helps to ensure we are driving forward the core topics material to a sustainable focus on the future, despite the dynamic market environment. As a result – and also because the requirements of the different stakeholder groups can change – we continuously review the results of the materiality analysis we conducted at the end of 2015/beginning of 2016. For example, we conducted 10 expert interviews of approximately an hour in the reporting period with members of the Supervisory Board, Housing Industry clients, an appraiser, a broker and an NGO, among others, and validated the relevance of our action areas throughout the Group. Our review focused on material issues within the meaning of section 289c (3) of the HGB, i. e. all information necessary for an understanding of the Group's development, performance and position, and of the impact of its business activities on the five aspects.
C12. Engagement	Other, please specify (policies and their outcomes) <i>the policies and their outcomes, including the material risks and due diligence processes and the non-financial key performance indicators disclosed</i>	International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB.	The risk report that forms part of our Group Management Report provides comprehensive information on our risk management system and the material risks associated with our business activities, products and services, and business relationships that have been identified for Aareal Bank Group. We do not see any other reportable risks pursuant to the CSR-RLUG whose potential adverse impacts on the aspects are or could be severe or whose occurrence is highly probable. We provide more detail on topics that are of particular importance to stakeholders who are interested in sustainability in the overview of risks and opportunities given at the beginning of each aspect. The aspects are addressed in their order of priority for us as a financial institution and service provider – i. e. anti-corruption and bribery matters and employee-related matters are addressed before social matters, respect for human rights and environmental matters.

## C11. Carbon pricing

### C11.1

**(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?**  
No, and we do not anticipate being regulated in the next three years

## C11.2

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**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**  
Yes

## C11.2a

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**(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.**

**Credit origination or credit purchase**

Credit purchase

**Project type**

Forests

**Project identification**

Forest Protection Harz, Germany (VCS, CCBS Gold Level), We suppo

**Verified to which standard**

CCBS (developed by the Climate, Community and Biodiversity Alliance, CCBA)

*Verified to VCS and CCBS Gold Level*

**Number of credits (metric tonnes CO2e)**

1.08

**Number of credits (metric tonnes CO2e): Risk adjusted volume**

**Credits cancelled**

Not relevant

**Purpose, e.g. compliance**

Voluntary Offsetting

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## C11.3

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**(C11.3) Does your organization use an internal price on carbon?**  
Yes

## C11.3a

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**(C11.3a) Provide details of how your organization uses an internal price on carbon.**

**Objective for implementing an internal carbon price**

Please select

**GHG Scope**

Please select

**Application**

**Actual price(s) used (Currency /metric ton)**

**Variance of price(s) used**

**Type of internal carbon price**

Please select

**Impact & implication**

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**C12. Engagement**

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**C12.1**

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**(C12.1) Do you engage with your value chain on climate-related issues?**

Yes, our suppliers

Yes, our customers

Yes, other partners in the value chain

**C12.1a**

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**(C12.1a) Provide details of your climate-related supplier engagement strategy.**

**Type of engagement**

Engagement & incentivization (changing supplier behavior)

**Details of engagement**

Other, please specify (Contract negotiation with suppliers)

**% of suppliers by number**

80

**% total procurement spend (direct and indirect)**

80

**% Scope 3 emissions as reported in C6.5**

**Rationale for the coverage of your engagement**

Code of Conduct for Suppliers has been implemented in 2016: Mandatory for all new suppliers, contract negotiations with existing suppliers in progress. Suppliers signing it acknowledge their obligation to comply with legal regulations and to behave in an ethically appropriate manner. A responsible approach to the environment plays a particularly important role here. Suppliers are required at all times to conserve natural resources and to find and prioritise environmentally friendly solutions as far as possible. The Code of Conduct for Suppliers is publicly available on our website and forms part of our General Terms and Conditions. Existing business partners are also signing the Code, in a gradual process that initially focuses on partners with whom master agreements exist. Currently, these business partners are covered by our General Terms and Conditions which require them to comply with our Code of Conduct for Suppliers as well. In the case of new business partners or service providers, the Code of Conduct for Suppliers forms the basis of the business relationship. [https://www.aareal-bank.com/fileadmin/DAM\\_Content/Konzern/dokumente/Code\\_of\\_Conduct\\_Lieferanten\\_E.pdf](https://www.aareal-bank.com/fileadmin/DAM_Content/Konzern/dokumente/Code_of_Conduct_Lieferanten_E.pdf)

**Impact of engagement, including measures of success**

Implementation / contract negotiations work well: 80% of suppliers / procurement volume covered in second year after implementation. The Code of Conduct for Suppliers is extremely important to us for two reasons. Firstly, it enables us to extend our environmental and sustainability management activities to the Group's indirect effects – something we cannot otherwise influence significantly. Secondly, it protects us against potential risks from any failures to comply with environmental or social standards in our supply chain.

**Comment**

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**C12.1b**

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**(C12.1b) Give details of your climate-related engagement strategy with your customers.**

**Type of engagement**

Other, please specify (New product offering: Green Consulting)

**Details of engagement**

<Not Applicable>

**Size of engagement**

**% Scope 3 emissions as reported in C6.5**

**Please explain the rationale for selecting this group of customers and scope of engagement**

Consulting business usually is travel-intensive and thus causes a lot of emissions. Via teleconferences and video conferences as well as webinars we envisage to reduce travel time, expenses and emissions for our customers as well as our own consultants.

**Impact of engagement, including measures of success**

The "Green Consulting" project was launched in 2017. The goal is to reduce the costs of IT projects by eliminating travel time. This benefits both customers and employees. Reducing CO2 emissions by reducing business travel is a by-product of the initiative. In addition for each online consulting day a donation of € 10 is made to DESWOS, the German Development Assistance for Social Housing and Housing e.V. As a result, an amount of € 1,423 has been donated until now. With the "Green Consulting" project, Aareon consistently uses the possibilities of the new digital world of work. In this way, the respective consultant can carry out the necessary work remotely. The project duration is thus reduced and at the same time results facilitates the work of the individual consultants by eliminating business trips. Press release only in German:

[https://www.aareon.de/News/Gemeinsam\\_f\\_r\\_Nachhaltigkeit.112528.html](https://www.aareon.de/News/Gemeinsam_f_r_Nachhaltigkeit.112528.html) <https://www.aareon.de/sixcms/detail.php/195781?>

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**Type of engagement**

Other, please specify (We facilitate property KfW subsidy loans)

**Details of engagement**

<Not Applicable>

**Size of engagement**

**% Scope 3 emissions as reported in C6.5**

**Please explain the rationale for selecting this group of customers and scope of engagement**

Housing Industry: We facilitate promotional loans (property subsidy loans) of the Kreditanstalt für Wiederaufbau (KfW) that are designed to finance energy-saving measures for residential property; this includes the implementation of standalone measures to improve energy efficiency under the federal government's "CO2 Building Rehabilitation Programme" and "Energy Efficiency Incentive Programme". In relation to KfW we act as the on-lending bank and bear the primary liability.

**Impact of engagement, including measures of success**

Successful service offering targeting private clients with an interest / ambition to build a house in an environmentally-friendly way. Please see Website: <https://www.aareal-bank.com/en/products-consulting-and-solutions/housing-industry/financing/>

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**Type of engagement**

Education/information sharing

**Details of engagement**

Share information about your products and relevant certification schemes (i.e. Energy STAR)

**Size of engagement**

**% Scope 3 emissions as reported in C6.5**

**Please explain the rationale for selecting this group of customers and scope of engagement**

Housing companies can use smart metering to improve their energy efficiency by installing tools to monitor and measure electricity, heat and water consumption. Visualising user data on tenant portals makes individual behaviour transparent for the users concerned, allowing them to modify it if necessary, and to achieve savings.

**Impact of engagement, including measures of success**

Studies confirmed behavioural changes leading to minimised consumption due to increased transparency.

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**C12.1c**

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**(C12.1c) Give details of your climate-related engagement strategy with other partners in the value chain.**

In addition to our activities within our Company, we also promote the sustainable development of the economy and society. This is why we participate in cross-sector sustainability initiatives at national and international level, as well as being members of organisations representing the banking and property industries. We engage in a dialogue with representatives of business, politics and society, sharing our experiences and best practices, and drawing up position papers and comments on planned political and regulatory measures. In this way we ensure that economic, social, environmental and governance aspects are all included in the decision-making process. Example: With the German Association for Environment in Banks, Saving Banks and Insurance Companies (VfU), we initiated a series of workshops reg. "Real Estate Business in the context of Sustainable Finance". Workshop on "sustainable investing" took place in 04/2018, a workshop on "sustainable financing" is scheduled for 09/2018.

**C12.3**

**(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?**

- Direct engagement with policy makers
- Trade associations
- Funding research organizations

**C12.3a**

**(C12.3a) On what issues have you been engaging directly with policy makers?**

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Mandatory carbon reporting	Support	Statement via Bundesverband deutscher Banken (BdB) and its working group on sustainability.	Aareal Bank Group supports the proposal of the European Commission for a mandatory reporting on sustainability.
Climate finance	Neutral	Engagement via a working group of the Verband deutscher Pfandbriefbanken (VdP).	Aareal Bank Group's Sustainability Officer actively engages in discussions on the design of green and SRI bonds.
Climate finance	Neutral	Aareal Bank Group submitted a response to the EMF (European Mortgage Federation) - ECBC (European Covered Bond Council) Survey on "Green " Mortgage Funding Instruments	Aareal Bank Group actively engages in fostering transparency and standardisations within the "green" mortgage funding market.
Energy efficiency	Support	Since the beginning of 2017, our standardised instruction letter for ordering valuation reports includes a query for all properties on whether they have been granted a green building certificate and what level or score was reached in any sustainability rating. In the medium term, we expect this to lead to significantly enhanced transparency regarding the certification status of the sustainable properties we finance, as well as to provide further encouragement for the sector to create a common pool of qualified and meaningful data in order to determine the effect that sustainability certificates have on property values.	Aareal Bank Group engages with stakeholders to improve database / adopt life-cycle view.
Climate finance	Support	We engage in industry Associations (Association of German Banks; Association of German Pfandbrief Banks; Federal Association of German Public Banks) to foster the dialogue and share experiences and best practices on planned political and regulatory measures such as The EU Action Plan "Financing Sustainable Growth". The Group Sustainability Officer represents the Group on the BDB as well VÖB ad hoc working Group "Sustainable Finance".	We accompany the strategy and necessary steps for the financial system to contribute to the EU's sustainable development objectives by bringing in the perspective of a leading international property specialist. Example: BDB, VDP and VÖB intervend because Banks as well as Banking products and services were not adequately represented in the first proposal for an EU classification system for sustainability activities (taxonomy).

**C12.3b**

**(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?**

Yes

**(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.****Trade association**

Association of German Banks (Bundesverband deutscher Banken - BdB)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The BDB welcomes the European Commission's initiative to achieve the Paris climate Targets and stresses that banks are ready to play their part in making the European economy more sustainable and competitive. Their position in detail: The EU action plan sets out clear, ambitiously scheduled milestones. The banks are already exploiting the opportunities outlined in the action plan. If the market was to continue to grow, it would, however, be important to implement the measures in the action plan in the right order. The first step should be the development of the taxonomy, followed by an empirical analysis. Only then should any necessary regulatory action be taken.

**How have you, or are you attempting to, influence the position?**

Aareal Bank Group's Sustainability Officer is part of the standing sustainability committee as well as the ad-hoc working group "Sustainable Finance" and participates in debates and discussions, presenting our perspective as the leading property specialist.

**Trade association**

The Association of German Public Banks Bundesverband Öffentlicher Banken Deutschlands, VÖB

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The VÖB welcomes the package of measures with regard to - Capital Markets Union - Green Finance - Sustainable Finance We support the objectives and measures associated with the European Capital Markets Union to remove barriers to cross-border capital movements. In particular, in developing common EU standards for green financial products, we welcome the Commission's approach to consult all involved market participants. Thus, existing market initiatives can be considered, the still young market can develop well and establish itself. Uniform standards and labels for green and sustainable financial products can increase transparency for investors, reduce ambiguity on the part of issuers and thus contribute to market growth. They form the basis for everything else and must be tackled first. We consider different capital requirements in the form of a "green supporting factor" to be reasonable only if they are based on measurable risk differences between "green" and "brown" assets. The implementation of the recommendations of the EU Action plan can lead to an enormous implementation effort for banks, Thus, the benefits for achieving the climate goals should be proportionate. Against this background, additional approaches, e.g. carbon pricing, should also be evaluated.

**How have you, or are you attempting to, influence the position?**

Aareal Bank Group's Sustainability Officer represents Aareal Bank Group in the ad hoc working group "Sustainable Finance". We actively engage in discussions on the design of green and SRI bonds, the EU Action Plan, etc.

**Trade association**

Association for Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU))

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The Association for Environmental Management and Sustainability in Financial Institutions (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. - VfU) and its members have been working for many years to develop and implement innovative, sustainable solutions for financial services providers with the aim of increasing the contribution made by the financial industry to sustainable development. To achieve this goal, the organisation is working to identify the specific contribution to sustainability made by the banking and insurance sector and is developing joint tools and solutions to meet the challenges that come with the sustainable management of financial institutions. Moreover the VfU's German, Swiss and Austrian members of the financial sector debate several aspects of sustainability and climate change in working Groups.

**How have you, or are you attempting to, influence the position?**

Aareal Bank Group has taken part in this initiative since 2012; at the beginning of this year, the Group Sustainability Officer was elected as member of the VfU Executive Board. Furthermore, Aareal Bank's Sustainability Officer contributed in 2015 by issuing a

comprehensive statement on the EU Directive on Nonfinancial Disclosure. In 2018, Aareal Bank initiated a series of workshops reg. "Real Estate Business in the context of Sustainable Finance". A workshop on "sustainable investing" took place in 04/2018, a workshop on "sustainable financing" is scheduled for 09/2018.

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#### **Trade association**

Econsense Forum for Sustainable Development of German Business

#### **Is your position on climate change consistent with theirs?**

Consistent

#### **Please explain the trade association's position**

Econsense is a network of internationally operating companies with a common goal: They want to actively shape the change to a more sustainable economy and society. We support our members in anchoring sustainability in operational practice, in strategy or along the supply chain. We track and analyse all relevant issues: from environmental protection to human rights - always with a focus on the business case for sustainability. In exchange with business, politics and civil society, we proactively address sustainability challenges and advocate frameworks and policies that enable business' innovation and competitiveness. This makes econsense a valued thought leader, advisor and partner in matters of sustainability. Econsense actively engages in the Sustainable Finance debate. Their position in detail: When investors and asset managers provide capital for environmentally and socially responsible business models, sustainably positioned companies and industries can grow. To ensure that our member companies are well positioned for this development, econsense provides them with comprehensive, up-to-date information. We raise our members' awareness of Sustainable Finance and show how the topic is relevant for companies in questions of financing or capital investment.

#### **How have you, or are you attempting to, influence the position?**

In 2016, Aareal Bank became a member of " econsense"; the Group Sustainability Officer is a member of the steering committee and participates in debates and discussions.

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#### **Trade association**

European Covered Bond Council

#### **Is your position on climate change consistent with theirs?**

Consistent

#### **Please explain the trade association's position**

The EMF -ECBC launched the Energy Efficient Mortgages initiative to increase transparency and identify best practice.

#### **How have you, or are you attempting to, influence the position?**

Aareal Bank Group submitted a response.

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### C12.3d

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#### **(C12.3d) Do you publicly disclose a list of all research organizations that you fund?**

No

### C12.3f

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**(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

Different units of the Bank are involved in the preparation of our statements. Regular meetings and exchanges ensure the consistency of our overall strategy. Regular meetings with the Sustainability Committee and a dialogue between the Group Sustainability Officer and the Executive Board guarantee further consistency. Official statements are coordinated by the head of the Board Office. Departments are contacted for thematic approval, before being handed over to the Executive Board.

In addition, the Steering Committee "Statutory amendments" meets at least twice a year as well as on an ad-hoc basis to identify new legal – and in particular regulatory – issues which are relevant for the Bank's operations.

Duties in detail:

- Provision of information regarding new – and in particular regulatory – issues which are relevant for Aareal Bank AG's operations in Germany
- Initial analysis of new requirements arising from regulatory and accounting law, and other higher-level requirements, with a view to their relevance for the operations of Aareal Bank AG. The topics are classified on the basis of pre-defined criteria regarding the impact categories (e.g. impact on business strategy, income statement etc.)
- Alignment of Group-wide positioning and definition of roles and responsibilities in further process.

## C12.4

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**(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

**Publication**

In mainstream reports

*Combined Separate Non-financial Report 2017 for Aareal Bank AG*

**Status**

Complete

**Attach the document**

Non-financial Report\_2017.pdf

**Content elements**

Governance

Strategy

Risks & opportunities

Other, please specify (see "Results" in 5 Environmental Matters)

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**Publication**

In voluntary communications

*Data Sheet CO2 Emissions*

**Status**

Complete

**Attach the document**

CO2\_Emissions 2015 - 2017.pdf

**Content elements**

Emissions figures

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**Publication**

In voluntary communications

*Datasheet Environmental Key Indicators*

**Status**

Complete

**Attach the document**

Environmental\_Key\_Indicators 2015-2017.pdf

**Content elements**

Other metrics

Other, please specify (Environmental Key Data)

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**Publication**

In voluntary sustainability report

*Online Sustainability Report 2017, no PDF available (see <https://cr.aareal-bank.com/2017/>)*

**Status**

Complete

**Attach the document**

**Content elements**

Governance

Strategy

Other, please specify (Resource mgt & sustainable procurement)

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**C14. Signoff**

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## C-FI

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**(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

Notes:

It would be very helpful and much more convenient for the internal coordination if the questionnaire would be exportable in pdf / word format.

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## C14.1

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**(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

	Job title	Corresponding job category
Row 1	Julia Taeschner	Chief Sustainability Officer (CSO)

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## Submit your response

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**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	Public or Non-Public Submission	I am submitting to
I am submitting my response	Public	Investors

**Please confirm below**

I have read and accept the applicable Terms