

Aareal Bank AG

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Introduction

In 2022, Aareal Bank AG (“Aareal Bank”) issued two green senior preferred benchmark bonds¹ and green commercial papers² (the “Green Financing Instruments”) to finance and refinance existing green buildings. In 2023, Aareal Bank engaged Sustainalytics to review the projects financed with proceeds from the Green Financing Instruments (the “Nominated Projects”) and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Aareal Green Finance Framework – Liabilities (“the Framework”).³ Sustainalytics provided a Second-Party Opinion on the Framework in August 2021.⁴

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects on whether the projects:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one impact indicator for each use of proceeds category defined in the Framework.

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

Use of Proceeds Category	Eligibility Criteria	Impact Indicators
Green Buildings	<ol style="list-style-type: none"> 1. Classification as EU Taxonomy compliant <ul style="list-style-type: none"> • Buildings meet the EU Taxonomy criteria set out in the EU Commission Delegated Regulation, Chapter 7.7 “Acquisition and ownership of existing buildings”. 2. Green building certification (type/level) <ul style="list-style-type: none"> • Existence of a reputable (i.e. World Green Building Council) green building certificate with an above -average rating, according to the following provider rating categories: <ul style="list-style-type: none"> • BREEAM: Outstanding, Excellent and Very Good • LEED: Platinum and Gold • DGNB: Platinum and Gold • HQE: Exceptional and Excellent • Green Star: 6 Stars and 5 Stars • NABERS: 6 Stars, 5 Stars and 4 Stars 	<ul style="list-style-type: none"> • Certification standard (type of certification scheme, certification level and m² Gross Building Area / Gross Floor Area) • Annual emissions avoided (in kgCO₂e/ m² of Gross Building Area / Gross Floor Area p.a.)

¹ The green senior preferred benchmark bond raised EUR 0.5 billion each.

² The Green Commercial Papers raised EUR 1.3 billion in total.

³ Aareal Bank, “Aareal Green Finance Framework – Liabilities”, (2021), at: https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Aareal_Green_Finance_Framework_Liabilities.pdf

⁴ Sustainalytics, “Second-Party Opinion, Aareal Bank Green Finance Framework - Liabilities”, (2021), at: https://www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Aareal_Green_Finance_Framework_Liabilities_second_party_opinion.pdf

	<p>3. Energy efficiency of the property</p> <ul style="list-style-type: none"> • The property meets the national requirements for a nearly zero-energy building (NZEB)⁵ valid at the time the financing commitment is made: • To reach this standard, the buildings must e.g. be well insulated. In addition, they must use renewable energy sources to cover the remaining energy demand. <p>and/or</p> <ul style="list-style-type: none"> • The property falls below the following maximum energy reference values: <ul style="list-style-type: none"> ○ Reference values for total final energy consumption (heating and electricity) for each type of commercial property, which are derived from national requirements/green building requirements and our many years of evaluation practice:⁶ <ul style="list-style-type: none"> ▪ Residential < 75 kWh/(m² x a) ▪ Office < 140 kWh/(m² x a) ▪ Retail < 140 kWh/(m² x a) ▪ Hotel < 140 kWh/(m² x a) ▪ Logistics < 65 kWh/(m² x a) 	
<p>Energy Efficiency Upgrade</p>	<ol style="list-style-type: none"> 1. Classification as EU Taxonomy compliant <ul style="list-style-type: none"> • To qualify, energy-efficient modernisation/renovation measures need to meet the EU Taxonomy criteria according to the EU Commission Delegated Regulation, Chapter 7.2 "Renovation of existing buildings". 2. Completion of the measure brings the property up to the green building standard defined above. 3. Completion of the measure results in an energy efficiency improvement of at least 30%⁷ 	<ul style="list-style-type: none"> • Certification standard (type of certification scheme, certification level and m² Gross Building Area / Gross Floor Area) • Annual emissions avoided (in kgCO₂e/ m² of Gross Building Area / Gross Floor Area p.a.)

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Aareal Bank's Green Financing Instruments. The work undertaken as part of this engagement

⁵ Energy Performance of Buildings Directive (Directive 2010/31/EU).

⁶ Aareal Bank uses final/primary energy demand/consumption as a proxy until the availability of global data improves (see page 4 of the FW). Therefore, where there is more than one value of EPC, it uses the smallest value, the one that meets the threshold value, as the eligibility criterion.

⁷ Regulation (EU) 2020/852.

included collection of documentation from Aareal Bank and review of said documentation to assess conformance with the Aareal Green Finance Framework - Liabilities.

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

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

Conclusion

Based on the limited assurance procedures conducted,⁸ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Projects do not conform with the use of proceeds criteria and reporting commitments in the Framework.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of Nominated Projects to determine if impact of projects was reported in line with the impact indicators outlined in the Framework.	All projects reviewed reported on at least one impact indicator per use of proceeds category.	None

⁸ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Reported Allocation

As of 31 December 2022, the total allocated to Nominated Projects was EUR 1.5 billion. Aareal Bank communicated to Sustainalytics that 100% of the proceeds were used to refinance mortgages related to green buildings.

Use of Proceeds Category		Proceeds Allocation (EUR billion)
Green Buildings ⁹	Total amount of outstanding Green Financing Instruments	1.5
	The amount of assets unallocated	2.8
	The size of the eligible asset pool	4.3

Appendix 2: Reported Impacts

Use of Proceeds Category	Impact Metrics	Sub-Category	Reported Impact
Green Buildings	Certification standard (type of certification scheme, certification level and m ² Gross Building Area / Gross Floor Area)	BREEAM	<ul style="list-style-type: none"> 1 BREEAM Outstanding certified asset 12 BREEAM Excellent certified assets 24 BREEAM Very Good certified assets
		LEED	<ul style="list-style-type: none"> 2 LEED Platinum certified assets 8 LEED Gold certified assets
		DGNB	<ul style="list-style-type: none"> 1 DGNB Platinum certified asset 3 DGNB Gold certified assets
		HQE	<ul style="list-style-type: none"> 3 HQE Exceptional certified assets 2 HQE Excellent certified assets
		NABERS	<ul style="list-style-type: none"> 4 NABERS 5 Stars certified assets
		Energy Performance Certificate ¹⁰	87 Certified
In Total			125 certified assets ¹¹

⁹ No allocation was made under the Energy Efficiency Upgrade category.

¹⁰ According to the thresholds specified in the Framework.

¹¹ This includes one asset that received BREEM Very good, LEED Gold and HQE Exceptional; one asset that received BREEM Outstanding and HQE exceptional; and one asset that received BREEM Excellent and HQE Exceptional. In addition, of the 87 assets that have obtained an EPC, 18 have also received one of the green building certifications on the list.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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