



Second-Party Opinion

Aareal Bank Green Finance Framework - Liabilities

Evaluation Summary

Sustainalytics is of the opinion that the Aareal Bank AG Green Finance Framework - Liabilities is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings and Energy Efficiency Upgrades – are aligned with those recognized by the Green Bond Principles 2021 and the Green Loan Principles 2021. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.



PROJECT EVALUATION / SELECTION The Valuation & Research Unit and Credit Transaction Management Unit at Aareal Bank (the “Bank”) will assess and document respectively, the eligibility of assets and activities based on the Framework’s eligibility criteria. The Green Finance Committee provides guidance and is responsible for the management of the overall Framework. The Bank has a dedicated environmental and social risk assessment and mitigation process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the process for project evaluation and selection in line with market practice.



MANAGEMENT OF PROCEEDS The Bank’s process for management of proceeds is overseen by Aareal Bank’s treasury and Green Finance Committee. The net proceeds of the green financing instruments will be placed in the Company’s general funding account and earmarked in a separately established IT systems used to monitor eligible green assets. Pending allocation, unallocated proceeds will be held in cash, cash equivalent or other similar instruments. The Bank intends to reach full allocation within 24 months of issuance. This is in line with market practice.



REPORTING Aareal Bank intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the amount of outstanding green financing instruments, share of financing vs refinancing, the size of eligible portfolio, amount of covered bonds, and examples of assets financed where feasible. In addition, the Bank is committed to reporting on relevant impact metrics. Sustainalytics views Aareal Bank’s allocation and impact reporting as aligned with market practice.

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Issuer Location	Wiesbaden, Germany

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Introduction

Aareal Bank AG (“Aareal”, “Aareal Bank” or the “Bank”) is an international financial services firm that specializes in commercial property financing. Headquartered in Wiesbaden, Germany, the Bank has over 3,000 employees with offices in more than 20 countries as of March 2021.

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

1. Green Buildings
2. Energy Efficiency

Aareal engaged Sustainalytics to review the Aareal Framework, dated August 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)¹ and the Green Loan Principles 2021 (GLP).² This Framework will be published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA⁵;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9.2, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Aareal’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Aareal representatives have confirmed (1) they understand it is the sole responsibility of Aareal to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Aareal Bank.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

³ The Aareal Bank Green Finance Framework will be available on Aareal Bank AG’s website at: <https://www.aareal-bank.com/en/responsibility/implementing-solutions/green-lending/>.

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

⁵ In addition to the Loan Markets Association, the GLP are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Aareal has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Green Finance Framework - Liabilities

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

- Use of Proceeds:
 - The eligible categories – Green Buildings and Energy Efficiency Upgrades – are aligned with those recognized by the GBP and GLP.
 - Sustainalytics notes that Aareal does not disclose a look-back period for its refinancing activities.
 - Under the Green Buildings category, Aareal may finance the acquisition and/or renovation of existing buildings in Europe,⁶ North America⁷ and the Asia-Pacific Region⁸ according to the following eligibility criteria:
 - Compliance with the EU Taxonomy criteria set out in the EU Commission Delegated Regulation,⁹ Chapter 7.7 “Acquisition and ownership of existing buildings”.
 - Buildings that meet minimum certification levels of BREEAM “Very Good”, LEED “Gold”, DGNB “Gold”, HQE “Excellent”, Green Star “5 Stars”, and NABERS “4 Stars”. For Sustainalytics' assessment of these building certification schemes, please refer to Appendix 1.
 - Sustainalytics considers BREEAM Excellent to be aligned with market practice and encourages Aareal to select BREEAM-certified buildings that score high enough in the Energy category (which Sustainalytics regards as the most important one) to fulfil the requirements for BREEAM Excellent.
 - Furthermore, Sustainalytics considers a minimum rating of NABERS 4.5 as aligned with market practice and considers the selection of NABERS buildings with 4 Stars as a deviation from market practice.
 - As part of this category, the Bank may finance energy efficient buildings which: (i) meet the national requirements¹⁰ for a Nearly Zero-Energy Building (NZEB),¹¹ and/or (ii) falls below the following maximum energy reference values for total final energy consumption (heating and electricity): Residential – 75 kWh/m²; Office/Retail/Hotel – 140 kWh/m²; Logistics – 65 kWh/m².
 - Sustainalytics notes that it is market practice to use energy consumption thresholds based on local context in a country/jurisdiction rather than relying on a globally applicable threshold and that the Issuer's choice to use globally

⁶ Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, the United Kingdom.

⁷ Canada and the USA.

⁸ Australia, China, Japan, Maldives, Singapore.

⁹ European Union, “Annex to the Commission Delegated Regulation”, at: https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf

¹⁰ The buildings must be well insulated, in addition, they must use renewable energy sources to cover the remaining energy demand.

¹¹ Nearly Zero-Energy Building plans are required to have been implemented in all EU countries as part of the Energy Performance of Buildings Directive 2010/31/EU which “promotes the improvement of the energy performance of buildings within the Union”. See: <https://eur-lex.europa.eu/eli/dir/2010/31/2018-12-24>

- applicable thresholds represents a deviation from market practice. Nevertheless, Sustainalytics notes that the selected thresholds represent an improvement compared to average global buildings energy performance. Sustainalytics encourages the Issuer to target assets that are within the top 15% most energy efficient in the local context.
- In addition, Sustainalytics encourages the Issuer to target a 10% better than NZEB improvement for buildings, which is market practice and notes the selection of buildings that only meet NZEB requirements as a deviation from market practice
 - Under the Energy Efficiency Upgrades category, Aareal may finance energy efficiency upgrades of existing buildings that result in:
 - Compliance with the EU Taxonomy criteria according to the EU Commission Delegated Regulation,⁹ Chapter 7.2 “Renovation of existing buildings”.
 - The property meeting the national requirements for a NZEB.
 - The building obtaining or expecting to obtain one of the above-mentioned green building certification levels.
 - The building achieves an improvement in energy efficiency of at least 30% compared to the baseline performance of the building.
 - Project Evaluation and Selection:
 - The Green Finance Committee comprised of credit, valuation, portfolio management, treasury, legal, compliance, risk and sustainability professionals within Aareal Bank is responsible for providing guidance on the sustainability criteria of financings and reviews the Green Finance Framework – Liabilities on a regular basis, to determine possible future amendments. The Valuation & Research unit (VAR) assess the eligibility of assets and/or activities based on alignment with the Framework’s eligibility criteria. The Credit Transaction Management unit also assesses and documents the eligibility of assets and/or activities. Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - Aareal Bank undertakes an environmental and social risk assessment as part of the evaluation and due diligence applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail see Section 2.
 - Management of Proceeds:
 - Aareal Bank’s process for management of proceeds is overseen by Aareal Bank’s treasury and Green Finance Committee. The net proceeds of the green financing instruments will be placed in the Company’s general funding account and earmarked in a separately established IT systems used to monitor eligible green assets. Pending allocation, unallocated proceeds will be held in cash, cash equivalent or other similar instruments. Aareal Bank intends to reach full allocation within 24 months of issuance.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Aareal Bank intends to report allocation proceeds on its website on an annual basis until full allocation. Allocation reporting will include the amount of outstanding green financing instruments, share of financing vs refinancing, the size of eligible portfolio, amount of covered bonds, and examples of assets financed where feasible.
 - In addition, Aareal Bank is committed to reporting on relevant impact metrics, including certification standard (type of certification scheme, certification level and m² Gross Building Area / Gross Floor Area), and annual emissions avoided (in kgCO₂e/ m² of Gross Building Area / Gross Floor Area p.a.).
 - Based on these commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

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

Section 2: Sustainability Performance of Aareal/ Sustainability Strategy of Aareal

Contribution of framework to Aareal Bank's sustainability strategy

Sustainalytics is of the opinion that Aareal demonstrates a commitment to sustainability with a focus on three key environmental areas and core topics: (i) integrating sustainability practices in structured property financing and consulting services, (ii) operational resource management and (iii) sustainable procurement.¹²

In 2019, Aareal engaged its stakeholders and conducted a materiality analysis¹³ to identify key action areas for sustainability and to ensure these action areas are including them in their risk management system for further analysis. The identified core areas pertaining to sustainability are Sustainable Business Model and Green Products¹³. The above-mentioned Use of Proceeds categories of Green Buildings and Energy efficiency will support Aareal's mission to broaden their financial offerings to support social and ecological issues. As Aareal mostly supports clients with large-volume commercial property investments in hotels, office buildings, shopping centers etc, the Use of Proceeds Categories selected will have a direct impact on all customers of a key business segment.

In their 2019 non-financial report, goals on specific core areas were identified, along with achievements and KPI's over the last three years. Aareal reports on environmental KPIs such as energy consumption and GHG emissions (scope 1, 2 and 3), water consumption and waste generation¹³. Social data metrics have also been reported such as employee and gender diversity, education and training, and safety of our employees. Aareal released its responses to the CDP questionnaire to provide transparency on emission targets set and progress made on targets until the end of year 2019.¹⁴ An example of an ongoing target is the Bank's goal to eliminate scope 2 emissions, being the consumption of electricity on the Bank's headquarters and most of its German locations, from base year 2013 until 2020.¹⁵

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

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

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

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

- Aareal has complied with the recommendations of the German Government's Commission "German Corporate Governance Code".¹⁶ Aareal is a signatory of the UN Global Compact since 2012 and applies the ten principles¹⁷ through its Code of Conduct.¹⁸ In regard to purchasing and procurement, Aareal's Code of Conduct for their suppliers and subsidiaries as a basis for business relationships between them.¹⁹ This Code of conduct is based on guidelines published by the European Banking Authority (EBA)²⁰ on the collection of information related to the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP). These Guidelines aim to facilitate a consistency in the supervisory assessment of ICAAP and ILAAP

¹² Aareal Bank, "Sustainability Programme" at: www.aareal-bank.com/en/responsibility/reporting-on-our-progress/sustainability-programme/

¹³ Aareal Bank, "Separate Combined Non-Financial Report 2020" at: www.aareal-bank.com/fileadmin/05_Verantwortung/03_Other_PDF-files/Nichtfinanzieller_Bericht_2020_en.pdf

¹⁴ Aareal Bank, "Climate Change 2019" at: www.aareal-bank.com/fileadmin/04_Investoren/09_Sustainability_reports/2019/CDP-Fragebogen-2019-final.pdf

¹⁵ Ibid

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

¹⁷ United Nations Global Compact, "The Ten Principles of the UN Global Compact" at: <https://www.unglobalcompact.org/what-is-gc/mission/principles#:~:text=%20The%20Ten%20Principles%20of%20the%20UN%20Global,diffusion%20of%20environmentally%20friendly%20technologies.%20%20More%20>

¹⁸ Aareal Bank, "Climate Change 2019" at: www.aareal-bank.com/fileadmin/04_Investoren/09_Sustainability_reports/2019/CDP-Fragebogen-2019-final.pdf

¹⁹ Ibid

²⁰ European Banking Authority, "EBA publishes final guidelines on ICAAP and ILAAP information" at: <https://eba.europa.eu/eba-publishes-final-guidelines-on-icaap-and-ilaap-information>

frameworks across the EU as part of the supervisory review and evaluation process (SREP).²¹ Thus, protecting Aareal Bank from potential supply chain risks that fall under environmental or social risks.²² In April of 2019, Aareal Bank improved on their Risk Appetite Framework to reflect environmental, social and governance (ESG) risk.²³

- Aareal integrates sustainability aspects into its lending practices as a criterion that are taken into account during property valuations performed in regard to financing decisions.²⁴ The sustainable criteria include (i) Life-cycle quality, demonstrated through third-party usability and appropriate expenditure on value preservation matters, (ii) Sociocultural quality, expressed through quality of architecture, town planning and potential tenants, and (iii) Ecological quality, demonstrated by environmental liability, contamination audits and energy efficiency.²⁵
- With regards to risks associated with stakeholders, Aareal stated that it has a process in place to conduct dialogue with stakeholders. Aareal's stakeholder engagement process is conducted at regular intervals in order to understand stakeholder suggestions and incorporate insights into their business and decision-making process.
- In addition to the above, Sustainalytics notes that Aareal financing will take place in Designated Countries under the Equator Principles, which Sustainalytics considers to be a robust proxy for environmental, social and governance legislation.²⁶

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Aareal has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

Both use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on improving energy efficiency in buildings below where the impact is specifically relevant in the European context.

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

In 2020, the buildings and construction sectors were responsible for over one-third of global energy consumption and nearly 40% of CO₂ emissions²⁷ with building operations, such as heating, cooling, and lighting accounting for 28% of global carbon emissions.²⁸ A similar trend is observed in the EU with the building sector being the single largest energy consumer accounting for around 40% of the EU's total energy use and responsible for emitting 36% of CO₂ emissions.²⁹ The EU targets to reduce emissions by at least 55% by 2030 and further aspires to become climate-neutral by 2050. Accordingly, the Climate Target Plan 2030 proposes that building level GHG emissions would need to be reduced by 60%, final energy consumption by 14%, and energy consumption for heating and cooling by 18% by 2030.³⁰

Almost 75% of the building stock in the EU is energy inefficient while only 0.4-1.2% of the total building stock is renovated annually, highlighting the need to refurbish inefficient energy systems to achieve the EU's 2030 and 2050 energy targets.³¹ As per the European Commission, renovation and retrofit of existing buildings can reduce the EU's total energy consumption by 5 to 6% and lower CO₂ emissions by about 5%.³² The EU announced the European Green Deal in 2020 which includes scaling up renovations of buildings in the EU

²¹ Aareal Bank, "Climate Change 2019" at: www.aareal-bank.com/fileadmin/04_Investoren/09_Sustainability_reports/2019/CDP-Fragebogen-2019-final.pdf

²² Ibid

²³ Ibid

²⁴ Aareal Bank, "Financing Business", at: <https://www.aareal-bank.com/en/responsibility/implementing-solutions/lending-business>

²⁵ Ibid

²⁶ Equator Principles, "Designated Countries", (2020), at: <https://equator-principles.com/designated-countries/>

²⁷ The International Energy Agency (IEA), "Buildings", 2021, at: <https://www.iea.org/topics/buildings>

²⁸ World Green Building Council, "New report: the building and construction sector can reach net zero carbon emissions by 2050", at: <https://www.worldgbc.org/news-media/WorldGBC-embodied-carbon-report-published>

²⁹ European Commission, "New Rules for Greener and Smarter Buildings will increase quality of life for all Europeans" at:

https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en

³⁰ European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", 2020, at https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF

³¹ European Parliament, "Report on maximising energy efficiency potential of the EU building stock", 2020, at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.pdf

³² European Commission, "Document on the energy performance of buildings in the European Union", at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings_en

Member States and constructing greener new buildings.³³ Various guidelines have been put in place, such as, Energy Performance of Buildings Directive (EPBD)³⁴ which requires all new public buildings to be zero-energy by 2018 and all new buildings to be nearly zero-energy by the end of 2020.³⁵

Within this context, Sustainalytics is of the opinion that Aareal's investments in green buildings and energy efficiency real estate projects are expected to have a positive environmental impact and contribute towards climate change mitigation while also supporting the EU in meeting its long-term climate-related goals. This is most relevant in regard to the "Nearly Zero-Energy Building Program" which aims to reduce newly built buildings' energy consumption to zero by the end of 2021.³⁶

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond and loans issued under the Green Finance Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 Ensure inclusive and sustainable urbanization, planning and management.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030 double the global rate of improvement in energy efficiency.

Conclusion

Aareal has developed the Aareal Bank Green Finance Framework- Liabilities under which it may issue green bonds and/or loans and use the proceeds to finance green buildings and energy efficiency improvements of the building stock. Sustainalytics considers that the projects financed by the proceeds are expected to provide positive environmental impact.

The Aareal Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Aareal Framework is aligned with the overall sustainability strategy of the Bank and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics is of the opinion that Aareal has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Aareal is well-positioned to finance green loans and issue green bonds and that the Aareal Bank Green Finance Framework- Liabilities is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021.

³³ EC, "Building and renovating", (2019), at: https://ec.europa.eu/commission/presscorner/detail/en/fs_19_6725

³⁴ EUR-Lex, "Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency", 2018, at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2018.156.01.0075.01.ENG






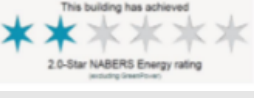
³⁵ European Commission, "Nearly zero-energy buildings", 2020, at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

³⁶ European Commission, "Nearly zero-energy buildings", (2020), at: https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

Appendices

Appendix 1: Certification Schemes for Green Buildings

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

	<p>This number of points is then weighted by item2 and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREAAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>These points are then added together to obtain the LEED level of certification. There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>percentage) is calculated by adding the six key areas of assessment.</p> <p>Depending on the total performance index, a DGNB award will be given to the project, starting from Silver. Bronze is awarded for existing buildings and is conferred as the lowest rank.</p>	<p>The Prerequisite level is obtained when all the minimum requirements for a target are met, while the Performing and High Performing levels are obtained based on a percentage of points given per target, allowing for flexibility.</p> <p>Based on the total number of stars obtained per area, an overall HQE level is then given.</p> <p>Environmental certificates are assigned at all stages of the building life cycle, and on-site audits are required.</p>	<p>threshold (i.e. GHG/sqm/yr) and points are awarded for exceeding the minimum. Categories are weighted based on building location (to reflect that in some areas of Australia, certain metrics may be more relevant). Total score is then given out of 100. For the areas of Communities, Design & As Built, and Interiors, no certification is awarded for buildings scoring below 45 points/3 stars.</p>	<p>using actual building performance data.</p>
<p>Performance display</p>						

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

Section 1. Basic Information

Issuer name:	Aareal Bank
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Aareal Bank Green Finance Framework - Liabilities
Review provider's name:	Sustainalytics
Completion date of this form:	August 6, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Green Buildings and Energy Efficiency – are aligned with those recognized by the Green Bond Principles 2021 and Green Loan Principles 2021. Sustainalytics considers

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

Use of proceeds categories as per GBP:

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

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

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (<i>please specify</i>): |

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Valuation & Research Unit and Credit Transaction Management Unit at Aareal Bank (the “Bank”) will assess and document respectively, the eligibility of assets and activities based on the Framework’s eligibility criteria. The Green Finance Committee provides guidance and is responsible for the management of the overall Framework. The Bank has a dedicated environmental and social risk assessment and mitigation process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the process for project evaluation and selection in line with market practice.

Evaluation and selection

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

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Aareal Bank's process for management of proceeds is overseen by Aareal Bank's treasury and Green Finance Committee. The net proceeds of the green financing instruments will be placed in the Company's general funding account and earmarked in a separately established IT systems used to monitor eligible green assets. Pending allocation, unallocated proceeds will be held in cash, cash equivalent or other similar instruments. Aareal Bank intends to reach full allocation within 24 months of issuance. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

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

4. REPORTING

Overall comment on section (*if applicable*):

Aareal Bank intends to report allocation proceeds on its website on an annual basis until full allocation. Allocation reporting will include the amount of outstanding green financing instruments, share of financing vs refinancing, the size of eligible portfolio, amount of covered bonds, and examples of assets financed where feasible. In addition, Aareal Bank is committed to reporting on relevant impact metrics, including certification standard (type of certification scheme, certification level and m² Gross Building Area / Gross Floor Area), and annual emissions avoided (in kgCO₂e/ m² of Gross Building Area / Gross Floor Area p.a.). Based on these commitments, Sustainalytics considers this process to be in line with market practice.

Use of proceeds reporting:

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

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify): share of financing vs refinancing, amount of covered bonds, and examples of projects financed

Frequency:

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

Impact reporting:

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

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify): certification standard (type of certification scheme, certification level and m² Gross Building Area / Gross Floor Area), and annual emissions avoided (in kgCO₂e/ m² of Gross Building Area / Gross Floor Area p.a.)

Frequency

- Annual Semi-annual

Other (please specify):

Means of Disclosure

- | | |
|---|---|
| <input checked="" type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

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

[https://www.aareal-bank.com/en/responsibility/implementing-solutions/green-lending/.](https://www.aareal-bank.com/en/responsibility/implementing-solutions/green-lending/)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

Review provider(s):

Date of publication:

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

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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