

QUALITY®
made by **AAREAL**

In dialogue.

By conviction.

Sustainability Report 2015



**Aareal Bank
Group**

About this *Report*

Aareal Bank Group's **fourth sustainability report** once again provides transparent, end-to-end information on its economic, ecological, social and societal performance. Its **target groups** are our clients, shareholders, investors, employees and suppliers, as well as the broader interested public.

G4-26 In 2015, Aareal Bank Group comprehensively updated its **materiality analysis** (pages 12/15). The objective was to obtain new insights into the importance of the areas of activity and stakeholder groups that are material to the Company's long-term success. As a result of this process, the current report has been structured in line with the core topics that were identified, meaning that it differs substantially from its predecessors.

The **reporting period** covers Aareal Bank Group's 2015 financial year (1 January to 31 December). Data or statements that refer only to individual companies within the Group are identified as such. The Sustainability Report is published annually; the last report appeared in May 2015.

G4-22 **Material changes** in comparison to previous reports
G4-23 include the extension of its coverage to Corealcredit Bank AG (Coreal) and Westdeutsche ImmobilienBank AG (WestImmo), which were acquired and consolidated in 2014 and 2015, and their locations. In view of this, a large number of employee and environmental data items are substantially higher than in previous years.

This report is based on the G4 version of the **Guidelines** for sustainability reporting published by the Global Reporting Initiative (GRI) ("In Accordance – Core" option). It also includes the GRI's Financial Services Sector Supplement. The GRI Content Index starting on page 46 gives an overview of the GRI standard disclosures that we have reported on. Some of these indicators are published in table form on the Internet; these are included in this report. The GRI Materiality Disclosures Service checked that indicators G4-17 to G4-27 were located correctly and issued an organisational mark in confirmation of this. In addition, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft performed a limited assurance engagement on selected data.

Editorial note

The editorial deadline for this report was 30 April 2016. All figures and data have been compiled with the greatest care. To our knowledge, the information provided is correct. However, we cannot assume any liability for the accuracy and completeness of the disclosures.

Further information

Further information and up-to-date developments in the field of sustainability at Aareal Bank Group are available on the Internet: www.aareal-bank.com/en/about-us/responsibility.



Contents

Page 2-3 |
Preface

Page 4-11 |
Company Profile

Page 12-15 |
Partners in dialogue



Page 30-37 |
Systematic approach to sustainability

- p. 31-33** Responsible property financing
- p. 33-34** Digitalisation leads to efficiency gains
- p. 34-37** Systematic resource management
- p. 37** Sustainable procurement



Page 16-29 |
Doing business sustainably

- p. 17-20** A sustainable core business
- p. 20-22** Reliability and expertise
- p. 23-29** Responsible human resources policy







Page 38-43 |
Creating value by focusing on the future

- p. 39-42** From customer benefits to social benefits
- p. 42-43** Giving the future a chance

Page 44-45 |
Sustainability programme

Page 46-49 |
GRI Content Index

Explanations

-  for references to the internet
-  for references to the Annual Report 2015 of Aareal Bank Group
-  identifies beginning and end of content reviewed by the auditors
-  identifies content related to GRI-G4 Guidelines



Preface

Hermann J. Merkens, Chairman of the Management Board, Aareal Bank Group

»We stand for sustainable business practices, solidity, reliability and predictability – on the inside, to our employees, and on the outside, with regard to our shareholders, our clients and the capital markets.«



Ladies and gentlemen,

2015 was another remarkable year for Aareal Bank Group. In a market situation dominated by capital market volatility, geopolitical risks and a demanding competitive and regulatory environment, we succeeded in expanding our position again and generated another set of record results. In addition, by acquiring and integrating Westlmmo we further strengthened our position. This demanded a great deal of hard work by everyone involved, and the Management Board would like to take this opportunity to acknowledge the contribution made by all members of staff, and to thank them warmly.

Conditions throughout the banking sector are likely to remain challenging. We expect continued intense competition, resulting in increased margin pressure. In addition, we still have to deal with a volatile market environment and the impact of geopolitical conflicts in an increasingly agitated world. And, last but not least, the historically low interest rates and unremitting burden of regulation will be with us for the foreseeable future, too. Equally, technological transformation poses new challenges for us as a bank, and changes the needs of our clients.

We aim to play an active role in shaping this highly dynamic environment. This requires us to be more even agile, more innovative and more intellectually curious than we already are. Aareal Bank Group's strategic agenda, which we announced in February 2016, is designed to safeguard and expand our strong market position. Our "Aareal 2020 – Adjust. Advance. Achieve." programme aims to optimise our organisational structures, the Bank's IT, and processes, as well as its deployment of equity on the one hand, and to sustainably develop the business models pursued by the Group's two segments on the other. Our objective is not only to better leverage our strong market position, but also to enhance our portfolio by adding forward-looking activities to it.

No company can operate as an island outside the social context in which it is located. This is why our sustainability management activities are so important for us. For example, in 2015 the United Nations resolved 17 Sustainable Development Goals, including gender equality and decent work and economic growth. We are implementing these goals in practice both internally and in the way we design and organise our core business.

It is only natural for companies such as Aareal Bank Group to think about how they can contribute to sustainability. This is all the more true because we are bound to do so as signatories to the United Nations' Global Compact, to which we remain expressly committed. In the course of this process, we analysed our core sustainability topics in a dialogue with key stakeholders. The results had a direct impact on the structure of this Sustainability Report, which has been modified as a result.

Despite continued challenging circumstances and a volatile environment, we remain a reliable partner for our clients and are ensuring continuity in the way we change. We are doing this through a mix of flexibility and client orientation, but also through ethical integrity and responsible actions.

I hope you will find this report interesting reading.



Yours, Hermann J. Merkens





Company *Profile*

Aareal Bank Group

Aareal Bank is the leading provider of financing solutions and services, with a focus on the property industry.



Wiesbaden Head Office

G4-17  The Group's parent company is Aareal Bank AG, which is headquartered in Wiesbaden and listed in Germany's MDAX index. Below this umbrella brand, the Group's companies are bundled into two segments – Structured Property Financing and Consulting/Services. 

We serve our clients by providing tailor-made, flexible solutions: we finance their international property investments – especially office buildings, hotels, shopping centres and logistics and residential properties – in North America, Asia and Europe. We offer them state-of-the-art banking and software solutions and innovative digital services for efficient, client-oriented property management and operations in Europe. These also integrate the property industry with related sectors.

The basic factors driving our success are our global expertise and many years of close cooperation with the sectors in question, with local experts and with clients. The fact that we see the bigger picture and not just the traditional banking business enables us to accurately assess significant developments, opportunities and risks at an early stage. And, as a medium-sized enterprise, we can act on our insights quickly.



Business segments

Aareal Bank Group's **Structured Property Financing** segment comprises property financing and refinancing activities. In this segment, the Group provides support for domestic and international clients investing in property, with a focus on financing completed properties (investment financing).

Aareal Bank Group finances commercial property, and in particular office buildings, hotels, and retail and logistics properties. Its unique selling point is its structuring expertise. Financing properties and portfolios entails more than just granting loans. With markets changing more and more rapidly, our clients' success largely depends on their ability to gain a lead in the markets in which they operate. Aareal Bank Group helps them leverage opportunities in good time; we know our customers' business and deploy our wide-ranging expertise to provide them with the solutions they in a very short time.

The detailed list of shareholdings can be found in the [Annual Report 2015 of Aareal Bank Group, p. 224-226](#)





A presence in Europe, Asia and North America

North America



Europe



Asia



Aareal Bank Group locations:

on
3 continents
active in
over
20 countries as a finance partner
and service provider

Employee structure:

2,861 employees worldwide, of whom
1,376 employees at Aareon Group
2,153 employees in Germany
667 employees in Europe excl. Germany
41 employees in Asia and North America

For further information, please see www.aareal-bank.com/en/about-us

Aareal Bank Group has a sound, broad base for its refinancing requirements. It is an active issuer of Pfandbriefe, which make up a significant share of its long-term funding. The AAA rating awarded to these Pfandbriefe confirms the quality of its cover assets pool. Our Pfandbrief issues also regularly do well in sustainability ratings. Aareal Bank Group also uses a wide range of other refinancing instruments, including promissory notes and debt instruments, in order to attract a wide range of investors. In addition, the Bank generates deposits from the housing industry that serve as a further, strategically important source of funding. Furthermore, it has recourse to institutional money market investor deposits.

In the **Consulting/Services** segment, Aareal Bank Group offers international clients from the housing industry and the commercial property sector services and products for managing properties and processing payment flows. Within this segment, our subsidiary Aareon AG and the Bank's Housing Industry division

Locations >>>>>>>>>>

- Aareal Bank, Real Estate Structured Finance:** Brussels, Dublin, Frankfurt/Main, Istanbul, London, Madrid, Moscow, New York, Paris, Rome, Shanghai, Singapore, Stockholm, Warsaw, Wiesbaden |
- Aareal Estate AG:** Wiesbaden | **Aareal Valuation GmbH:** Wiesbaden | **Westdeutsche ImmobilienBank AG:** Mainz, Münster
- Aareal Bank, Housing Industry:** Berlin, Essen, Hamburg, Leipzig, Munich, Stuttgart, Wiesbaden | **Aareon AG:** Berlin, Coventry, Dortmund, Emmen, Enschede, Essen, Gorinchem, Hamburg, Hilversum, Hückelhoven, Karlskrona, Leipzig, Lund, Mainz, Meudon-la-Forêt, Mölndal, Munich, Nantes, Norrtälje, Orléans, Oslo, Piteå, Southampton, Stockholm, Stuttgart, Swansea, Toulouse |
- Aareal First Financial Solutions AG:** Mainz | **Deutsche Bau- und Grundstücks-AG:** Berlin, Bonn, Dresden, Düsseldorf, Frankfurt/Main, Freiburg, Hanover, Leipzig, Moscow, Munich, Wuppertal



work together closely. Their offering comprises specialised banking services, electronic banking, automated settlement of mass payment transactions and downstream process optimisation. In addition, we specialise in developing and offering IT services, an area in which we have around 60 years of experience. A key focus by Aareal Bank Group is on personal advice and on designing products to meet clients' specific needs.

Apart from the housing and commercial property sector, utilities and the waste disposal industry in Germany represent a second major client group for the Bank's Housing Industry division. This specialisation allows it to offer additional products facilitating cross-sector collaboration between these two target groups and to leverage synergy effects using end-to-end digital processes.

Business performance in 2015

Aareal Bank Group again recorded record results in the financial year 2015. With a consolidated operating profit of € 470 million in the 2015 financial year, we once again markedly exceeded our previous year's figure. When adjusted for € 150 million in negative goodwill arising from the acquisition of WestImmo – which was completed on 31 May 2015 –, consolidated operating profit still amounted to an exceptional € 320 million. Aareal Bank benefited from a strong increase in net interest income, on the back of unexpectedly high non-recurring income from early loan repayments. These factors more than offset the largely acquisition-related rise in administrative expenses.

Operating profit in the Structured Property Financing segment amounted to € 493 million (previous year: € 456 million). The Consulting/Services segment registered operating profit of € -23 million (2014: € -20 million), largely due to the increased burden posed by the persistently low interest rate environment. Aareon made a slightly higher contribution to Aareal Bank Group's consolidated operating profit, at € 27 million (2014: € 26 million). The persistently low interest rate environment burdened income generated from the deposit-taking business, and therefore the segment result.



Products

Aareal Bank Group's products include the following:

- **Structured property financing in Germany and abroad**
- **BK 01** – the leading system for processing mass payments in the housing industry.
- **BK 01 immoconnect** – a data interface linking ERP systems at housing and energy companies.
- **BK 01 eConnect** – digitalisation and automation of the invoicing process



Aareon Group's products include the following:

- **Country-specific ERP solutions** – digital solutions from Aareon Smart World
- **Mareon** – a service portal linking housing companies, heat meter reading services and crafts businesses, e.g. for preventive maintenance
- **Aareon Invoicing Service** – Connects invoicing parties – such as utilities and waste disposal companies, municipalities, or energy metering companies – with housing companies, thus facilitating a digital, fully-automated billing service with a full audit track.
- **Aareon CRM Portal** – client information for housing companies at a glance, improving customer service and increasing client satisfaction
- **Mobile-enabled return of accommodation** – Tablet-based, simplified return of accommodation at the end of leases. At the end of the handover process, the tenant provides an electronic signature and the captured data are automatically transferred from the mobile device to the housing portfolio administration.
- **Aareon Archiv kompakt** – A time- and space-saving digital document management system that improves transparency.



Aareal Bank Group – Key Indicators

| | 1 Jan-31 Dec 2015 | 1 Jan-31 Dec 2014 |
|---|-------------------|-------------------|
| Results | | |
| Operating profit (€ mn) | 470 | 436 |
| Consolidated net income (€ mn) | 374 | 335 |
| Consolidated net income allocated to ordinary shareholders (€ mn) ¹⁾ | 339 | 292 |
| Cost/income ratio (%) ²⁾ | 43.2 | 36.2 |
| Dividend per share (€) ³⁾ | 1.65 | 1.20 |
| Earnings per ordinary share (€) ¹⁾ | 5.66 | 4.87 |
| RoE before taxes (%) | 18.6 | 18.5 |
| RoE after taxes (%) | 14.7 | 14.1 |

| | 31 Dec 2015 | 31 Dec 2014 |
|---|-------------|-------------|
| Statement of financial position | | |
| Property finance (€ mn) ⁴⁾ | 30,894 | 28,987 |
| of which: international (€ mn) | 25,243 | 22,894 |
| Equity (€ mn) | 3,044 | 2,723 |
| Total assets (€ mn) | 51,948 | 49,557 |
| Regulatory indicators⁵⁾ | | |
| Risk-weighted assets (€ mn) | 16,709 | 15,492 |
| Common Equity Tier 1 ratio (CET1 ratio) (%) | 13.8 | 13.6 |
| Tier 1 ratio (T1 ratio) (%) | 17.2 | 17.7 |
| Total capital ratio (TC ratio) (%) | 23.8 | 24.7 |
| Common Equity Tier 1 ratio (CET1 ratio) (%) – fully phased – | 13.1 | 12.9 |
| Employees | 2,861 | 2,548 |

¹⁾ The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.

²⁾ Structured Property Financing segment only

³⁾ Proposal to be submitted to the Annual General Meeting


⁴⁾ Excluding € 1.5 billion in private client business and € 0.6 billion in local authority lending business by WestImmo.

⁵⁾ The calculation of regulatory capital takes into account the Management Board's proposal for the appropriation of profits for the financial year 2015. The appropriation of profits is subject to approval by the Annual General Meeting.


This report contains rounded numbers, which may result in slight differences when aggregating figures and calculating percentages.



Integrity – an ethical duty

For Aareal Bank Group, **responsible, transparent corporate governance** is part of good business practice, and is firmly rooted in the work of the Management Board and Supervisory Board. As the parent company, Aareal Bank AG expressly supports the objectives of the German Corporate Governance Code (the Code); information on compliance with the Code’s recommendations can be found on  [p. 236-238 of the Annual Report 2015 of Aareal Bank Group](#).

For us, integrity and responsible conduct are enterprise-wide duties that apply to all employees, regardless of their roles and functions. Our **Code of Conduct** contains binding rules requiring all employees to act in a lawful and ethical manner towards clients, business partners and colleagues. Aareal Bank uses it as a means to live up to and reinforce its stakeholders’ trust.

The Group has implemented **procedural guidelines for preventing financial crime** that require employees to report incidents and guarantee their anonymity. **Anti-corruption guidelines** are in place at Aareal Bank Group and Aareon Group to prevent corruption and, if necessary, to systematically pursue any occurrences of it. The guidelines are the foundation for protecting all employees and raising their awareness of the danger of corruption, as well as offering a compass for correct conduct. Newly recruited employees attend a classroom-based training course on the Company’s **compliance and fraud prevention** requirements as part of their induction. In addition, they have to take training programmes and specialist classroom courses on compliance, money laundering, other criminal acts and data protection. No cases of corruption became known at Aareal Bank Group during the reporting period. 

Memberships

Aareal Bank Group signed up to the United Nations’ **Global Compact** in 2012. This means we have explicitly committed to its ten principles in the areas of human rights, labour standards, environmental protection and anti-corruption. These principles have already been an integral part of our business processes for many years.

Aareal Bank Group’s Sustainability Officer represents the Company e.g. in the working group consisting of CSR and sustain-

ability officers run under the auspices of the German Property Federation (Zentraler Immobilienausschuss – **ZIA**), and the Group has also undertaken to abide by the latter’s Sustainability Code. In addition, we are members of the sustainability working group set up by the Association of German Banks (Bundesverband deutscher Banken – **BdB**) and of the working group on sustainability run by the German Society of Property Researchers (Gesellschaft für immobilienwirtschaftliche Forschung – **gif**). We use these forums to promote sustainable working practices through-out the industry. Moreover, we belong to the Association for Environmental Management in Banks, Savings Banks and Insurance Companies (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten – **VfU**). Furthermore, we are members of the Association of German Public Banks (Bundesverband Öffentlicher Banken – **VÖB**), the Federal Association of German Housing and Real Estate Enterprises (Bundesverband deutscher housing companies e.V. – **GdW**), the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken – **vdp**) and numerous regional housing industry associations.

Aareon AG is a member of the Federal Association of Independent Property and Housing Enterprises (Bundesverband Freier Immobilien- und Wohnungsunternehmen e.V. – **BFW**), of the umbrella association of German property managers (Dachverband Deutscher Immobilienverwalter e.V. – **DDIV**) and of other, regional property industry associations.



Strategic sustainability management

At an organisational level, Aareal Bank Group has assigned responsibility for sustainability management to the Chairman of the Management Board. This means we can underline the strategic importance of sustainability for our corporate philosophy and steer its practical implementation at the highest level. The Chairman proposes relevant issues for discussion by the Management Board. Among other things, the Management Board discusses and formally adopts the sustainability programme (see p. 44 ff.), which is updated each year.

Assisting the Chairman in the task of strategically enhancing Aareal Bank’s sustainability performance is the Group Sustainability Officer, who organises the meetings of the Sustainability Working Group and is the contact for all divisions within the Company. She provides technical support in specific cases, tracks and monitors Aareal Bank Group’s sustainability performance





and submits proposals for continuously updating the sustainability programme in consultation with the divisions concerned. She also serves as the point of contact for external stakeholders, documenting their concerns and informing them about activities. In addition, she is responsible for sustainability reporting and for participating in the relevant ratings and rankings, as well as informing the Management Board of external and internal developments relating to sustainability topics that are relevant to Aareal Bank Group.

Resources, Organisation, Corporate Communications, Investor Relations, Treasury, Compliance, Housing Industry divisions, the Sales units and Credit Management, plus the sustainability officers for Aareal Bank Group and Aareon. The Working Group meets regularly once a quarter and on an ad hoc basis in special cases, and is chaired by the Group Sustainability Officer. The Aareal Bank and Aareon Group sustainability officers hold regular scheduled meetings to exchange news and views and ensure that the Group takes a coordinated approach.

The Sustainability Working Group serves as a platform for the Management Board to develop the sustainability programme: its members implement appropriate measures, analyse megatrends and assess the opportunities and risks facing Aareal Bank Group. The Working Group also coordinates cross-divisional sustainability activities. It includes representatives of the Human





Ratings document sustainability achievements

A series of specialist sustainability ratings demonstrate the high quality of our achievements in the area of sustainability. Over the years, Aareal Bank AG's ratings have seen consistent positive development.

Aareal Bank Group has held a "Prime Status" sustainability rating from **oekom research**, a prominent agency in the field, since 2012. This means we are ranked among the industry leaders in oekom's corporate rating for Social and Environmental Performance. Our human resources policy is a key reason for this result: we achieved an excellent rating of B for staff-related issues.

Moreover, in the financial year 2015 Aareal Bank again improved on its strong rating from **Sustainalytics**, scoring 68 out of a

possible 100 points (2014: 61 points). Moreover, Sustainalytics classified Aareal Bank as an outperformer for the first time. This puts us in the top 16 % in our sector. Our peer group scored an average of 55.3 points.

imug/Vigeo Eiris awarded Aareal Bank Group an issuer rating as part of its 2015 sustainability rating for bank bonds. To do this, the rating agency examined all types of bonds issued by Aareal Bank. Aareal Bank was given a "positive BB" rating (as at January 2016) in the Uncovered Bonds (Senior Unsecured Bonds) category, putting it in the top 3 out of a total of 102 rated banks. Our mortgage Pfandbriefe were also given a "positive BB" rating, while our public-sector Pfandbriefe retained their "positive BBB" rating.

The Carbon Disclosure Project (**CDP**) demonstrates a company's transparency and performance on issues relating to climate change. In 2015, Aareal Bank Group's score was 94C. This meant we were once again clearly above the average for our "Financials" peer group (87C), as well as the average for companies listed on the MDAX (72C).

Sustainability ratings (year-on-year)

| | 2015 | 2014 | 2013 |
|---------------------------|--------------|--------------|----------|
| oekom | prime | prime | prime |
| Sustainalytics | 68 | 61 | 57 |
| imug | | | |
| Mortgage Pfandbriefe | positive BB | positive BB | neutral |
| Public-sector Pfandbriefe | positive BBB | positive BBB | positive |
| Unsecured bonds | positive BB | positive B | neutral |
| CDP | 94C | 88B | 81B |



»Our experience in analysing companies' sustainability performance shows that a systematic approach to sustainability and clear management commitment – the "tone from the top" – have a positive effect on assessments. This also applies to Aareal Bank Group. As at December 2015, the Bank was classified as an "outperformer", putting it among the top 16 % in its sector.«

Dr Hendrik Garz, Executive Director, Thematic Research, Sustainalytics

Aareal Bank Group head office, Wiesbaden



✓ Partners in *dialogue*



Materiality analysis produces clear focus

Aareal Bank Group engages in a continuous dialogue with its stakeholders. Its objectives are to understand the various groups' requirements and expectations, to take suggestions on board and to incorporate insights into its business and decision-making processes. We see this as an opportunity – which is why an open, trusting and regular exchange of information and opinions between equals is important to us. The graphic on the following page shows the relevant stakeholder groups for the Company and our core business, and how we engage in dialogue with them. These are the groups that are important for our business and with which we are in regular contact.

G4-25

A sustainable approach is a key precondition for the long-term viability of a company or organisation. Successful strategic sustainability management requires us to select and prioritise those areas of activity and core topics for which a company takes responsibility during its day-to-day operations and which are material to its business in its particular sector.

G4-18

This process of selection and prioritisation helps manage these topics in an efficient manner, but also influences the content of this Sustainability Report.



Thierry Nardon, Treasury; Dr Thomas Lord, Operations; Jürgen Junginger, Investor Relations (from the left)



Stakeholder involvement at Aareal Bank Group

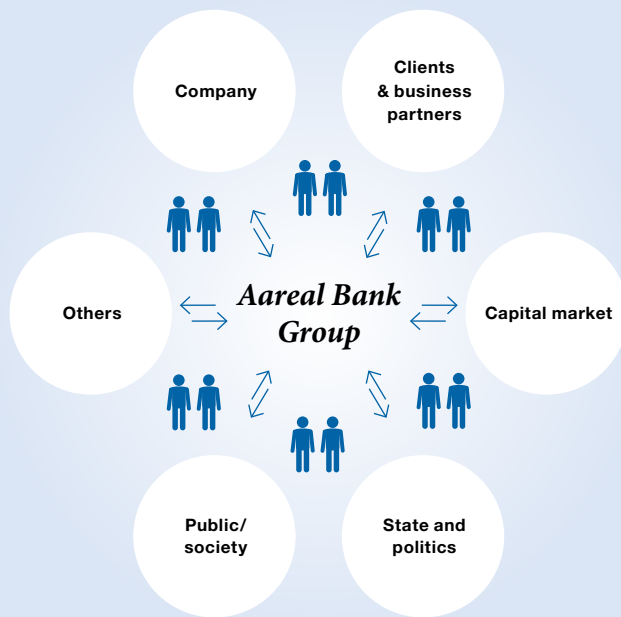
G4-24
G4-26
G4-27

| Companies: | Means of interaction: |
|--|--|
| <ul style="list-style-type: none"> • Employees • Management • Supervisory Board • Works Council • Executive Staff Representative Committee • Potential employees | <ul style="list-style-type: none"> » Employee events » Discussion formats for managers and experts » Employee survey » Works Council events » Governing body and committee meetings » Intranet items & invitations to dialogue |

| Clients & business partners: | Means of interaction: |
|---|--|
| <ul style="list-style-type: none"> • Structured Property Financing and Consulting/Services segment clients • Advisory boards • Contractual partners/service providers • Suppliers | <ul style="list-style-type: none"> » Individual client visits » Attendance at trade fairs (ExpoReal, MIPIM, etc.) and conferences » Proprietary customer/sector events (Aareon Congress, Aareal Energy Forum, etc.) » Satisfaction surveys » Advisory board meetings » Interviews with experts |

| Others: |
|---|
| <ul style="list-style-type: none"> • Our clients' customers (e.g. tenants) • Competitors • Associations • Academia • Unions • Social networks |

| Means of interaction: |
|---|
| <ul style="list-style-type: none"> » Attendance at association meetings » Knowledge transfer from business and society » Discussion events » Social media offerings |



| Capital market: |
|--|
| <ul style="list-style-type: none"> • Investors (debt and equity capital) • Analysts • (Sustainability) Rating agencies • Intermediaries • Banks |

| Means of interaction: |
|--|
| <ul style="list-style-type: none"> » One-on-ones with investors » International roadshows » IR Portal: Ad hocs, press releases, financial reports for downloading » Participation in ratings » Attendance at international capital market conferences » Capital market communication » Annual General Meeting |

| Public/society: | Means of interaction: |
|---|---|
| <ul style="list-style-type: none"> • Press/journalists • Society • Local stakeholder groups • Non-governmental organisations • Charitable institutions | <ul style="list-style-type: none"> » Information available on the Internet » Corporate reporting » Press releases » Discussions with media representatives » Interaction in charitable projects » Online presence and news ticker » Educational projects |

| State and politics: | Means of interaction: |
|---|--|
| <ul style="list-style-type: none"> • Supervisory authorities • Regulator • Government • National/international lawmakers • Political decision-makers • Auditors | <ul style="list-style-type: none"> » Workshops with supervisory authorities » Interaction with responsible authorities and political leaders » Compliance with notification and reporting requirements » Annual report/reporting |



G4-18 In the reporting period, Aareal Bank Group addressed this issue by performing a materiality analysis in order to identify key drivers for its corporate activities and the orientation of its strategic sustainability management. The analysis was developed in the course of a dialogue with representatives of relevant internal and external stakeholder groups.



Process and results

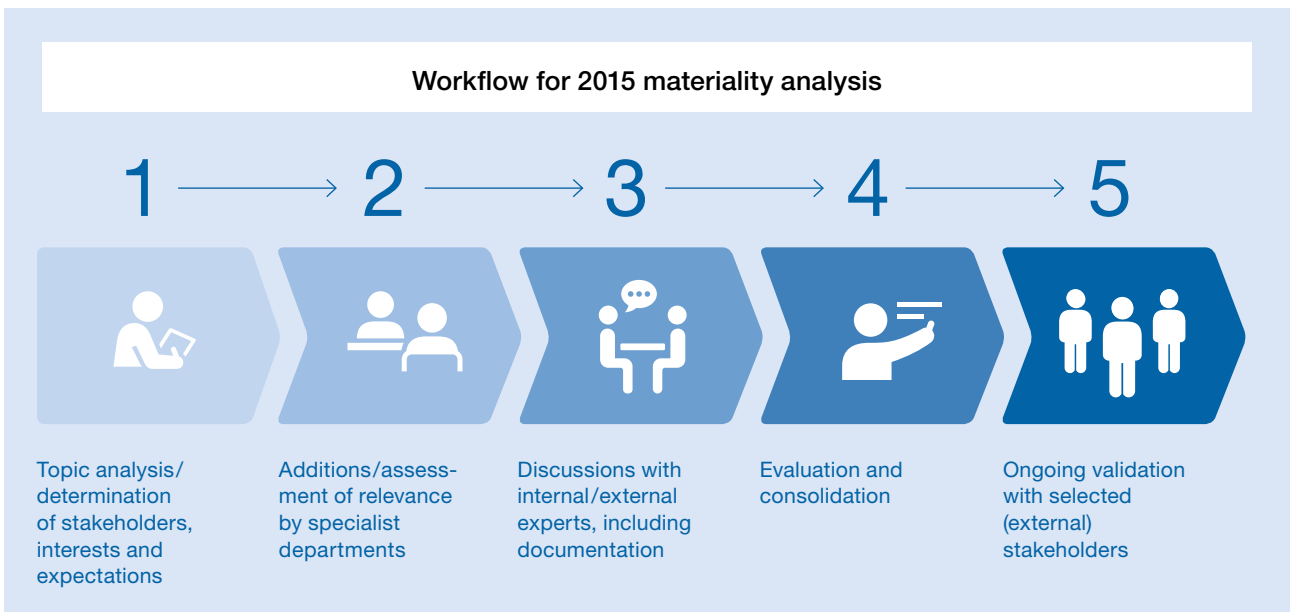
G4-27 The analysis kicked off with a **series of discussions** involving roughly 20 selected individuals from the defined stakeholder groups. They included internal (subsidiaries, divisions, Works Council, etc.) and external stakeholders (clients/Customer Advisory Council, suppliers, auditors, Supervisory Board members, etc.). In addition to documenting stakeholders' expectations of the Company, the discussions focused on their views of how it adds value to the goals of sustainable development. The meetings were also used to exchange key information and obtain concrete suggestions from stakeholders about the areas of activity they consider relevant for Aareal Bank Group's corporate activities. The minutes of the discussions were agreed with all partners and then circulated to the internal departments, which were asked to prioritise the results. The assessment of the areas of activity, related core topics and the consolidation process was then presented to the Sustainability Working Group and the Management Board, and fine-tuned as necessary.

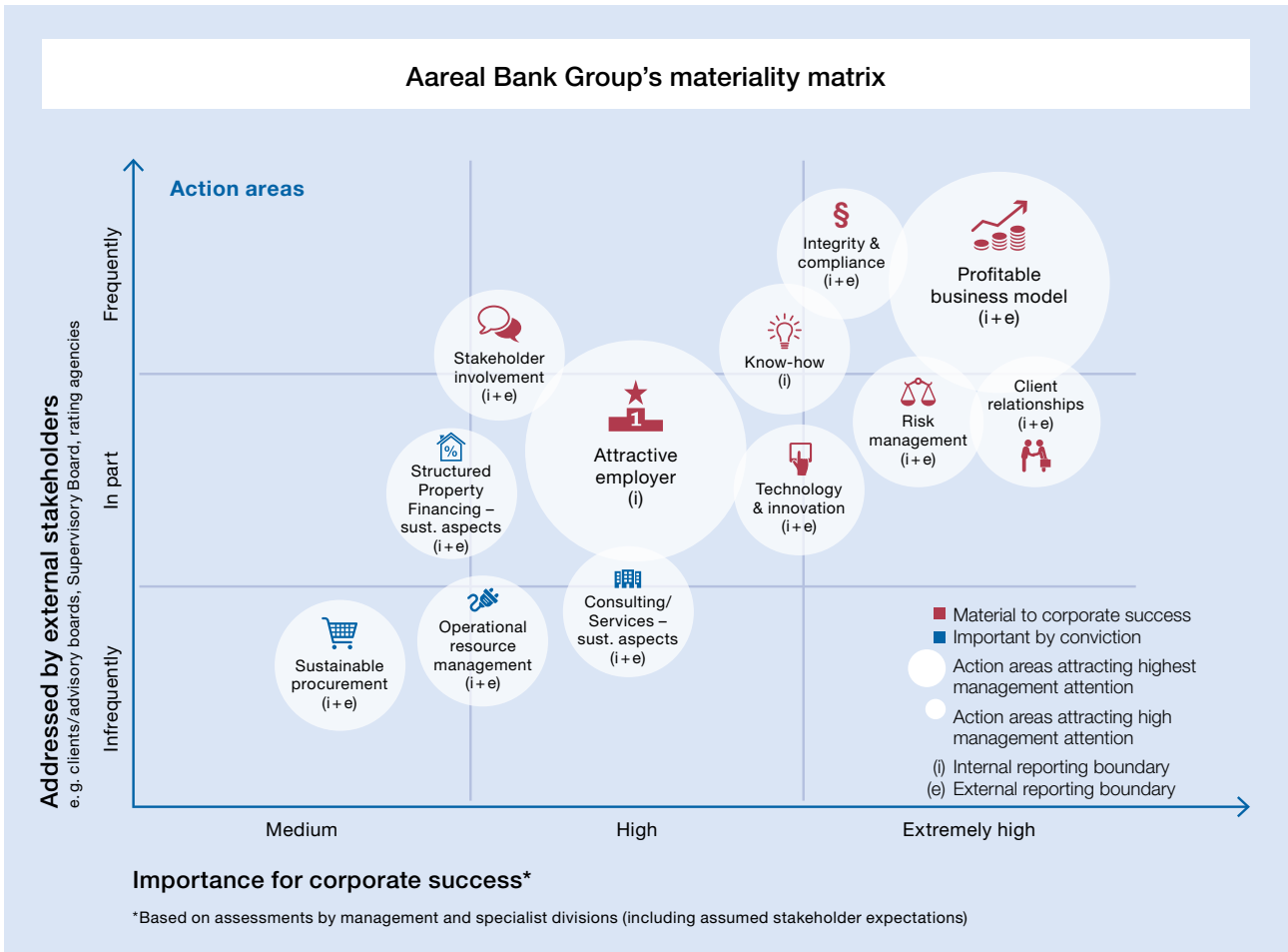
G4-27 The results of the materiality analysis revealed that sustainability management activities are viewed as important within the Company and attract close attention across all divisions. The focus on our own corporate activities was particularly well received. External stakeholders appreciate contributions to sustainability such as the Group's attractiveness as an employer, its trust-driven customer relationship management activities, ensuring long-term competitiveness, its active stakeholder dialogue and its broad-based and thorough approach to compliance.

G4-26 After this, **four strategic directions** for the scope of sustainability management and sustainability reporting were developed on the basis of the stakeholder expectations:

- to document and increase the sustainability of the core business
- to continue pursuing our systematic, Group-wide approach to sustainability
- to identify and expand Aareal Bank Group's contribution to added value
- to increase transparency regarding the contributions made to sustainability

G4-18





G4-20
G4-21

G4-19 At an operational level, the focus is on the **twelve areas of activity identified** (see the materiality matrix). These are particularly relevant because they are important for ensuring the Company's long-term success. Key among these are a profitable business model, efficient risk management and the Company's continued attractiveness as an employer. However, the other areas of activity in the materiality matrix also play a fundamental role in the Company's success. In addition, the matrix includes areas of activity that we promote by conviction and that safeguard the Company's credibility. In that way, they also contribute to Aareal Bank Group's long-term business success. Examples are areas of activity such as operational resource management or the sustainability of the Company's own portfolio of services. The areas of activity comprise a large number of core topics that were identified in the course of the materiality analysis.

Materiality matrix

Information on how the material aspects are mapped to the GRI G4 Aspects can be found on the Internet at www.aareal-bank.com/en/about-us/responsibility. ✓

G4-19



01

Beate Wunderlich, Business & Syndication Management; Bettina Graef-Parker and Anja Setzer, Special Property Finance; Ulf Ekelius, Credit Management; Nicola Lichtenberg, Special Property Finance (from the left)

Sustainability – in the sense of a sound and serious approach, a willingness to take on responsibility and ensuring we are fit for the future – has long been a core component of Aareal Bank Group’s business model. Among other things, this can be seen from the fact that we came through the financial crisis almost unscathed.



Doing business sustainably

A sustainable core business

A challenging environment

The financial market has been dominated by great uncertainty for some years. In the 2015 financial year, the continued low interest rate environment – the result of the generally expansionary monetary policy – and the extremely active transaction environment on the property markets were key factors influencing Aareal Bank Group’s development. They were flanked by subdued to moderate economic growth in our key markets. In addition, technological change, resulting changes in client needs and the tightening of regulatory requirements continue to influence how we do business:

Economic environment >>>>>>>>>>

- Prolonged low interest rate environment
- Changes in investor behaviour
- Persistent – and increasing rather than decreasing – uncertainty
- Volatility on the capital markets

Competition >>>>>>>>>>

- Intensely competitive environment
- Adjustment of products and services in line with changing client requirements
- Use of smart technologies

Technology growth trends >>>>>>>>>>

- Digital revolution
- Shifting of interfaces/realignment of value chains

Regulatory and political environment >>>>>>>

- Increasing regulation with more stringent requirements

Aareal Bank Group’s successful business model has allowed it to perform extremely well despite this highly dynamic market environment. This can also be seen from its consistently positive quarterly results since the start of the financial market crisis. Critical success factors include appropriate, ongoing risk management and risk control. We have benefited from our sound, sustainable lending policy, our pronounced closeness to the market and to our clients, our forward-looking refinancing policy and our healthy balance sheet structure.

A far-sighted, risk-aware lending policy

In the area of commercial property financing, our main focus is on investment financing, i.e. on **financing completed buildings**. The properties are usually secured by senior liens, can serve as cover assets and have moderate loan-to-value ratios. We are convinced of the enduring quality of the properties that we finance. Aareal Bank Group provides support for clients investing in property in Europe, North America and Asia. This **three-continent strategy** allows us to diversify our property financing portfolio and opens up cross-border and cross-regional business opportunities. At the same time, diversifying our risk in this way reduces our dependence on individual markets. Equally, the wide range of different property types that we finance – including office buildings, retail properties, hotels, and logistics and residential properties – helps ensure a balanced portfolio.

In our lending business, Aareal Bank Group’s organisational structures and business processes consistently reflect our focus on effective, professional, group-wide risk management. This includes detailed compliance with supervisory requirements.



An efficient lending process

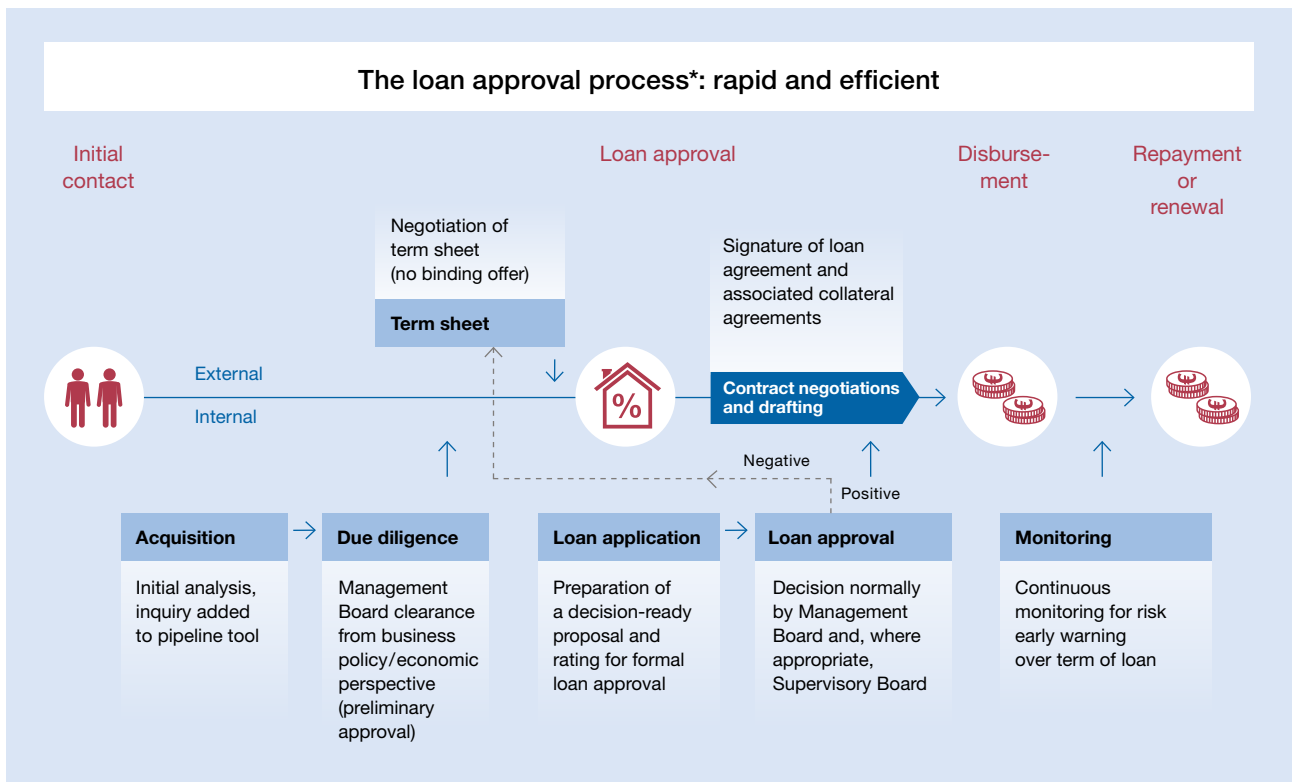
Financing properties and portfolios entails more than just granting loans. With markets changing more and more rapidly, our clients’ success depends critically on whether they can gain a lead in the markets in which they operate.



The **lending process** can be broken down into a number of different phases:

- **Acquisition:** Our strengths include our structuring expertise – in other words, our ability to execute our clients’ wishes and expectations in the financing business. We focus both on earnings opportunities and on risk from the initial contact stage of a new transaction onwards.
- **Due diligence:** Our thorough and extremely effective due diligence procedure rigorously analyses potential new acquisitions, allowing us to give a reliable statement of our position to our clients early on.
- **Negotiation of the term sheet with the client:** This provides information on the key features of any potential financing, but does not yet represent a binding offer on the Bank’s part.

- **Loan application:** The loan application submitted to the relevant decision-making body contains, in a decision-ready form, all key information for, and the background to, the financing, including an assessment of a large number of risk factors. The risk evaluation covers more than just the loan-to-value ratio; the cash flow from the property (letting situation, expiring leases and tenant credit quality, if relevant), the debt servicing ability, credit checks and ratings also play a key role. Equally, the situation and trends on the commercial property market in question are also taken into account. Of course, earnings aspects must also be considered. Loan applications are voted on independently by the Sales units and Credit Management. Depending on the type of property and volume of finance concerned, they may be supplemented by expert opinions from sector and syndication specialists. Key issues here are our systematic application of the principle of dual control and our independent risk assessment process.
- **Lending decision:** The lending decision is made by the responsible bodies on the basis of the above-mentioned loan application. It normally involves the Management Board and, in certain cases, the Supervisory Board as well. A rapid loan decision is in keeping with our professional understanding of what our clients need.



* The loan agreement may not be entered into, or may be rejected by the other side, at any point in the process.

- **Contract negotiations and drafting:** Contract negotiations with the client are only finalised once the loan has been approved by the relevant bodies, after which a loan agreement and the associated collateral agreements are signed. This means that the loan transaction is well structured and documented in a legally compliant manner.
- **Disbursement:** The loan can be paid out once a binding agreement has been signed and a check has been made that the conditions for disbursement have been met.
- **Monitoring of the ongoing transaction:** Credit Management assesses the risks regularly during the term of the loan using suitable risk classification procedures – this applies both to scheduled and any ad hoc assessments of existing loans. The loan classification is normally reviewed at least once a year; however, depending on the risk involved significantly shorter review intervals may be applied. This continuous monitoring serves as a risk early warning system. Supplementary intensive care processes exist for higher-risk loans and, where appropriate, allowances for credit losses may be recognised in good time.
- **Repayment or renewal:** Discussions are held with clients before the loan term expires on whether they wish to renew the financing. In this case, key steps in the lending process such as the loan application and the lending decision are repeated. In other cases, the financing is redeemed.



A valuable property portfolio

Our portfolio of property loans, which is worth just under € 31 billion, is highly diversified and of excellent quality.

Aareal Bank Group **actively manages** the overall property finance with the aim of optimising its risk diversification and profitability. To develop risk and return-oriented strategies for our portfolio, we evaluate market and business data, using this as a basis to simulate potential lending strategies, and to identify a target portfolio, which is part of Group planning. This helps us to identify – and to respond to – market changes at an early stage. Active portfolio management makes it possible for us to optimally allocate equity to the most attractive products and regions from a risk/return perspective, within the scope of our three-continent strategy. By taking into consideration maximum allocations to individual countries, products and property types, we ensure a high level of diversification and

avoid risk concentrations, something that we achieve not only by managing new business but also through our active syndication services.

The use of specific quantitative and qualitative criteria (“selected by Aareal Bank”) and a high level of risk sensitivity both contribute to the **quality of our portfolio**. We combine a keen eye for opportunities and risks with local market expertise and in-depth sector knowledge. This enables us to produce end-to-end assessments of properties or loans.

Sound, sustainable refinancing

Aareal Bank has a broad and solid refinancing base. We have established ourselves as an active **issuer of Pfandbriefe**, which account for a major share of our long-term funding. Pfandbrief issuance is governed by the German Pfandbrief Act (Pfandbriefgesetz – PfandBVG), whose strict provisions are focused in particular on investor protection. This means that Pfandbriefe are a particularly sound investment with a proven market infrastructure – something that remains true even in uncertain times. Their excellent credit ratings are valued by investors in Germany and abroad.

The AAA rating awarded by FitchRatings to Aareal Bank’s Pfandbriefe confirms the quality of the Bank’s cover assets pool. The Bank’s public-sector and mortgage Pfandbriefe and its senior unsecured bonds are also recommended as investments by imug/Vigeo Eiris from a sustainability perspective (see p. 10). The diversification strategy used in commercial property financing can be seen among other things from the geographical distribution of the cover assets pool. For example, Aareal Bank’s mortgage Pfandbrief is one of the most highly diversified covered bonds in the world.

Deposits by the housing industry and by institutional money market investors are another source of funding. These are largely independent of the capital markets and represent an important additional pillar in the Bank’s long-term funding mix. The volume of deposits made by the housing industry has increased continually in past years and is currently at a stable high level, averaging € 9 billion in 2015. Deposits by institutional investors totalled € 4.8 billion as at 31 December 2015 – proof of our clients’ trust.



High-quality bank services

Aareal Bank offers its clients process optimisation, electronic banking and investment management. Its BK 01 is the leading procedure for the settlement of **automated mass payment** in the German housing and property industry.

In 2015, the Bank’s Housing Industry division again extended its market position, both by acquiring new clients and by intensifying existing client relationships. For example, it gained additional business partners in the area of payments processing and the deposits business; in the aggregate, these manage approximately 250,000 property units. In addition, it acquired new business partners for commercial property management, while existing partners integrated additional units under their management with our payments procedures compared with the previous year.

Equally, additional companies from the utilities and waste disposal industries decided to start using our payments transaction systems and investment products. In this sector, too, we have a fixed client base that offers a solid platform for further growth.

At present, more than 3,200 business partners throughout Germany use our products and banking services, which optimise their processes.

»Effective mass payments processing using BK 01 enables Aareal Bank to build stable, long-term partnerships with its clients.«

Matthias Herter, CEO, meravis Wohnungsbau- und Immobilien GmbH, Hanover

Quality made by Aareal

The new claim that we introduced in 2015, **”Quality made by Aareal”**, underscores our established role as a provider of high-quality products and services. At the same time, it represents a promise to our clients and an aspiration guiding the work of each and every employee. This quality is based on a deep understanding of our clients’ needs and the ability to offer them tailor-made – and hence high-quality – solutions. In order to ensure that we live up to the idea of quality in our day-to-day work on our products, Aareon Group uses a certified quality

management system. This received its most recent certification in accordance with DIN/ISO 9001 – which is valid for a period of three years – from DQS GmbH in 2013.



To produce convincing quality in a world of change, you need to understand trends, pick up stimuli and quickly implement new developments. This is why, for example, we continuously enhance our IT services. The principle of innovation has also been reflected in the structure of our governing bodies: the Supervisory Board’s new Technology and Innovation Committee looks at how IT is used within the Company and at the IT products that are developed and marketed by companies belonging to Aareal Bank Group.



Reliability and expertise

Aareal Bank Group has made a name for itself in its operational business for its reliable, highly qualified **approach**. The Bank’s particular strength lies in its combination of local market expertise and sector-specific know-how. In addition to the professionals located in its regional markets, the Bank has specialists with in-depth knowledge of logistics, shopping centre and hotel financing in its Structured Property Financing segment.

Its portfolio of offerings in the Consulting/Services segment builds on its **research and development activities**. Systematic, collaborative development by country-specific teams of experts allows synergies to be leveraged, benefitting individual national products and services. This applies in particular to the increasing digitisation of the sector, which we are contributing to with, among other things, pioneering mobile solutions for our clients from the housing and waste disposal industries. Technological challenges are addressed boldly and expertly, and solutions for clients derived from them in a flexible manner.



»In future, digital media will allow us to recognise changes at the customer interface more rapidly than before and to incorporate them into products, for example in the case of new requirements for office and residential space.«

Dietrich Voigtländer, Member of the Supervisory Board of Aareal Bank AG and Chairman of the Technology and Innovation Committee

Short decision-making channels and the courage to take decisions quickly are typical of Aareal Bank and of most of its middle-market clients. At the same time, we are known as a prudent, reliable partner with a conservative approach – in the best sense of the word. In line with this, we only take on business if it offers a sensible risk/return ratio. This is frequently a challenge in today’s economic and market conditions. Firstly, the risk involved must be considered in the light of what are in some cases extremely low investor yields and the danger of market bubbles and, secondly, intense competition in the commercial property financing business is depressing earnings opportunities.

Property market trends are taken into account during ongoing risk monitoring. Aareal Bank addresses expected differences in developments between individual countries as part of its lending policy alignment process, and also examines the regions within individual countries.

Focus on client interests

Dialogue with clients plays a critical role for Aareal Bank Group and its daily business. In the Consulting/Services segment, forums such as our **customer advisory boards** and continuous liaison ensure the Company knows what its clients want. They are the most important starting point for enhancing our product and service portfolio. In this way, we can identify property industry and IT trends at an early stage and implement them in our applications, in consultation with our clients.

Our direct, long-term client relationships are a key feature of our **commercial property financing** activities. Our local knowledge and the expertise of our sector specialists contribute to client satisfaction, enabling us to understand our clients and speak their language. At the same time, we aim for continuity in our support and advice for our customers: in some cases, clients have had the same contact persons for many years.

We also have close, long-term client relationships in the area of **refinancing**. The Treasury division cultivates links to a broad client base of fixed-income investors, i. e. bond investors who allow us to refinance our portfolio of property loans. In particular, our clients value our employees’ many years’ experience of the capital markets and the high level of continuity in their contacts at the Bank.

Aareal Bank has been the lead bank for the German **housing industry** for more than 50 years. We have developed an in-depth understanding of the specific challenges in the sector and have created instruments that improve business efficiency in the commercial property and housing industries. Client satisfaction with Aareal Bank’s Housing Industry division is discussed regularly at three levels:

- By the Bank’s **Housing Advisory Council**, which comprises key industry players drawn from our clients,
- In the **day-to-day interaction** between our clients and the Sales unit contacts assigned to them, and
- By consulting clients when **developing new products**.

For us, trust-driven partnership with our clients also means proactively approaching clients with the aim of finding joint solutions for any problems that may arise – client relationships do not end when the going gets tough.

Aareon Group has conducted **client satisfaction surveys** for many years – in Germany for the 13th time and internationally for the second. In Germany, approximately 1,400 clients were polled in 2015, while the international figure is in excess of 2,800 enterprises. Overall satisfaction, prospective loyalty and satisfaction with the support provided were used to calculate a customer retention index with a healthy score in comparison to international benchmarks. At the same time, the index revealed the need for action in relation to certain products.

The annual **Aareon Congress** in June and the **Aareon Forum** in November are key formats for discussing topics that matter to our clients. The Aareon Congress discussed visions for the future of the property industry under the motto "InSights: Life, home and work in the world of tomorrow". One example was "digital lifestyles": more and more people are living and working with digital media, regardless of age or social class. This is leading to different tenant and employee habits and to new expectations of housing companies. Internet portals are play-





Aareon Congress 2015

ing a larger and larger role in client relationships. In keeping with the "Internet of things", the sector is preparing for more and more devices to be networked – from lightbulbs to production facilities. This trend has already reached residential properties in the form of "smart homes". Digitalisation is generating "big data" – large volumes of information that can be used to produce a wide variety of benefits and, for example, to forecast demand trends. Aareon unveiled its vision of digital property management in Europe to a broad public at the industry gathering in the form of Aareon Smart World, its digital ecosystem. At the Aareon Forum, Aareon showed IT managers and users how property management processes are changing in the digital age and how Aareon Smart World can provide effective support for the challenges facing housing companies (more on page 40/41). In addition, the highlights of the new Wodis Sigma Release 7 were presented.

✓ Data security and data protection
Safeguarding our clients' privacy is extremely important to Aareal Bank Group companies. We observe banking secrecy and comply with the provisions of the German Data Protection Act (Bundesdatenschutzgesetz – BDSG) and other specific pieces of legislation, as well as the data protection regulations of the countries in which we are active. We only collect, process and use personal data in those cases allowed by law/with the consent of the data subject.

Awareness-raising measures are used to inform employees of the requirements of data protection law. Where legally required, Aareal Bank Group companies appoint data protection officers who report directly to the managing bodies concerned and who are not bound to follow instructions. These officers work to

ensure that the requirements of data protection law are implemented and monitor compliance on a regular basis.

Aareon Group in particular processes large volumes of end-user information. As a result, data security and data protection have a high priority for us. Aareon is registered as a telecommunications operator with the German Federal Network Agency (Bundesnetzagentur – BNetzA) and as such also has to comply with the requirements of the German Telecommunications Act (Telekommunikationsgesetz).

Since 2010, Aareon AG has regularly undergone voluntary data protection audits in accordance with section 9a of the BDSG. Deutsche Gesellschaft zur Zertifizierung von Managementsystemen (DQS) again confirmed Aareon's high level of data protection in 2015 and awarded it and its domestic subsidiaries the DQS data protection seal of approval (DQS-Gütesiegel-Datenschutz). In addition, Aareon's information security management system was certified by TÜV Rhineland as complying with the ISO/IEC 27001 standard.




Data in the Aareon Cloud are stored exclusively in Germany in data centres that are independently operated by the company itself. The data centres are linked by a dedicated, encrypted fibre optic network. Aareon's customers access their data at Aareon using dedicated WANs (wide area networks) or encrypted VPNs (virtual private networks). Multi-layer firewalls prevent data stored in the Aareon Cloud from unauthorised access via the Internet. Aareon's data centre operations are regularly certified in accordance with the revised IDW PS951 standard.

There were no reportable data protection infringements in the period under review. ✓



Responsible human resources policy

 Committed, highly qualified, responsible staff are vital for a company’s long-term success. This is why Aareal Bank Group pursues a focused human resources development strategy that offers staff opportunities for professional training and personal development, why it supports them in achieving a successful work-life balance, and why its Company Health Management programme offers them a healthy, safe workplace.

In recent years, Aareal Bank has repeatedly been certified as a TOP employer by the CRF Institute and has won prizes for the excellent working conditions it offers its employees and for ensuring their continuous professional development. In November 2015, Minister for the Economy Eveline Lemke presented Aareon with an award as an "Attractive Employer in the Rhineland-Palatinate" in recognition of its innovative and sustainable human resources policy.



The personnel departments in the individual Group companies are responsible for human resources activities within the Aareal Bank Group. A number of relatively small subsidiaries have outsourced their human resources functions to Aareal Bank AG. Within the Aareon subgroup, Aareon AG is responsible for human resources policy. However, Aareal Bank Group has issued a number of guidelines (e.g. on its remuneration strategy, its human resources controlling guidelines and its occupational pension guidelines) to ensure Group-wide management. These guidelines are based on the core labour standards of the International Labour Organisation (ILO) or on national labour and social standards clearly exceeding the ILO standards,

Employee structure

Aareal Bank Group employed 2,861 people as at the end of 2015, 1,044 of them at Aareal Bank and its sales subsidiaries in New York and Singapore. Aareon AG had a total of 1,376 staff as at the 31 December 2015 reporting date, including 39 at phi-Consulting GmbH in Bochum, Germany, which it acquired as at 1 October 2015. Aareal Bank Group’s largest location is Germany, with 2,153 employees. Of the 708 employees located in other countries, 667 are in other European countries, and in particular France, the Netherlands and the UK. This figure includes 36 staff belonging to Square DMS Group B.V., which was acquired by Aareon Nederland B.V. as at 1 October 2015. The sharp rise year-on-year was due to the acquisition

Employee structure (year-on-year)

| | 31 Dec 2015 | | | | 31 Dec 2014 | | | |
|-------------------------------------|-------------|--------|--------|--------|-------------|--------|--------|--------|
| | Group | Aareal | Aareon | Others | Group | Aareal | Aareon | Others |
| Employees in Germany | 2,153 | 925 | 801 | 427 | 1,910 | 794 | 778 | 338 |
| Employees in Europe excl. Germany | 667 | 82 | 575 | 10 | 602 | 85 | 507 | 10 |
| Employees in Asia and North America | 41 | 37 | 0 | 4 | 36 | 36 | 0 | 0 |
| Number of employees worldwide | 2,861 | 1,044 | 1,376 | 441 | 2,548 | 915 | 1,285 | 348 |
| of which: outside Germany | 708 | 119 | 575 | 14 | 638 | 121 | 507 | 10 |
| of which: proportion of women | 1,119 | 476 | 447 | 196 | 982 | 420 | 417 | 145 |
| Staff turnover rate | 2.8% | 1.6% | 3.8% | 2.6% | 3.6% | 3.4% | 3.6% | 3.7% |
| Part-time ratio | 18.0% | 19.9% | 15.8% | 20.0% | 17.3% | 20.1% | 14.9% | 19.0% |
| Full-time ratio | 2,347 | 836 | 1,158 | 353 | 2,107 | 731 | 1,094 | 282 |
| Female part-time employees | 402 | 177 | 152 | 73 | 352 | 158 | 141 | 53 |
| Male part-time employees | 112 | 31 | 66 | 15 | 89 | 26 | 50 | 13 |

Group = Aareal, Aareon and Others

Aareal = Aareal Bank AG including foreign branches and foreign subsidiaries in New York and Singapore

Aareon = all units in Germany and abroad, including subsidiaries

Others = Subsidiaries WestImmo, Baugrund, Valuation, Estate, First Financial Solutions, DSF, Mercadea and IMMO Consulting



✓ Age distribution (year-on-year)

| | 2015 | | | 2014 | | |
|---------------|-------|--------|--------|-------|--------|--------|
| | Group | Aareal | Aareon | Group | Aareal | Aareon |
| in % | | | | | | |
| < 30 years | 7 | 4 | 10 | 7 | 4 | 10 |
| 30 < 40 years | 20 | 18 | 22 | 22 | 22 | 22 |
| 40 < 50 years | 38 | 40 | 37 | 39 | 40 | 39 |
| =/> 50 years | 35 | 38 | 31 | 32 | 34 | 29 |

Group = Aareal and Aareon

Aareal = Aareal Bank AG including foreign branches and foreign subsidiaries in New York and Singapore and other subsidiaries

Aareon = all units in Germany and abroad, including subsidiaries

of WestImmo. This purchase represents a targeted investment by Aareal Bank Group in its core Structured Property Financing business segment.

Employee-initiated staff turnover was a mere 2.8 % in 2015. This and the average length of service at Aareal Bank AG – 14.0 years – demonstrate our employees’ high level of attachment to the Company. The average age of our employees is 46.1. 18.0 % of Group staff work part-time, a slight increase year-on-year. The proportion of employees with fixed-term contracts in the Group as a whole was 5.4 %, also up slightly year-on-year. ✓

Fair remuneration systems

At Aareal Bank Group, salaries are set in compliance with overarching remuneration policies, which were drawn up on the basis of regulatory requirements and which are available online. The salaries paid to Aareal Bank employees in Germany are governed by collective wage agreements or general works agreements. At Aareon Group, remuneration is governed by general works agreements. Its remuneration systems reflect the trends in the IT industry in Germany.

The remuneration paid to members of the Management Board of Aareal Bank Group comprises components based on the Company’s performance and components reflecting the members’ individual targets. The performance-related bonus expresses the extent to which the Management Board member concerned has met the targets set by the Supervisory Board. Multi-year assessment periods for our Management Board members’ goals help ensure a long-term perspective for our business. These targets are linked to the Company’s performance and also include sustainability management aspects.

In addition to their fixed remuneration, which is paid in twelve monthly instalments, all Bank employees receive variable remuneration. These variable remuneration components are performance-related and are paid out directly, generally together with employees’ April salaries. The variable remuneration for a small number of employees (senior executives and so-called risk takers) additionally comprises both a short-term and a long-term component; the latter is retained and subject to a review under a penalty arrangement before it is paid out. Capping the variable payments avoids negative incentives to assume inappropriately high risks.

Retirement provision and insurance

Aareal Bank offers its employees an employer-funded **corporate retirement plan**. Employees can also make additional pension contributions using a deferred compensation model. In addition, they can stock up their pensions further using capital formation contributions that are paid by the Bank. Aareon Group offers its employees an occupational pension based on a deferred compensation model.

Aareal Bank also offers its employees a range of **insurance policies**. These include employer-funded health insurance for foreign travel and the option to take out occupational disability insurance at special rates.

We provide our employees in Germany with group accident insurance cover to insure them against the long-term consequences of accidents such as disability, partial disability and death. This insurance also covers them outside work.



✓ Training and education: individual employee development

Aareal Bank Group invests in its employees' continuing professional development on an ongoing basis. Qualified, motivated staff are a critical success factor for the Company as well as a crucial competitive advantage. In line with this, Aareal Bank Group has a focused continuous professional development policy for its staff. The core objective of the measures is on sustainably enhancing specialist, business and communications skills. Since an international orientation plays a significant role for Aareal Bank Group, we are increasingly working to expand our employees' language and intercultural skills.

Overall, the Bank invested in an average of 3.3 days of training and education per employee in 2015. This corresponds to a total of 3,400 participant days.

All employees discuss their personal development with their manager and agree concrete measures as part of their annual **Structured Appraisal and Target-Setting Dialogue**. This is the Bank's main tool for promoting and planning employee development. For example, this vehicle was used once again at the start of 2015 to agree more than 1,000 development measures.

Aareal Bank's internal and external training and CPD offerings are consolidated under the umbrella of the **Aareal Academy**. This encompasses a wide range of in-house and external seminars, language and IT courses, on-the-job qualifications and study courses, and can be supplemented by individual development planning.

A total of approx. 465 days' training were held at Aareon AG in 2015. This corresponds to an average of roughly 4.9 days per employee. Aareon also conducts employee appraisals each year

to discuss individual development planning and qualification measures. Manager development was a key focus at Aareon AG in 2015, along with language courses and intercultural skills training. ✓

Fostering young talent

Attracting and growing talented young employees is a key aspect of human resources work at Aareal Bank Group. Aareal Bank started implementing a new young talent concept during the reporting period. The concept, which was developed jointly by the Works Council and Human Resources, marks the Bank's entry into the world of **dual work-study programmes**. The first business information systems students to take part in the programme started their studies in the period under review, in cooperation with the Baden-Wuerttemberg Cooperative State University (DHBW) in Mannheim.

Aareon Group also has a dual work-study offering. In addition, it provides vocational training for school leavers wishing to become assistants for office management, application development specialists and systems integration specialists. During their **vocational training**, Aareon trainees benefit from additional training events and from the ability to take responsibility for tasks at an early stage. At the end of 2015, Aareon Group had 21 vocational trainees and three university of cooperative education students.

Aareal Bank has offered a customised **graduate trainee programme** since 2000, providing a wide range of development opportunities within the Company. In addition, **internships** allow work students, students writing diploma theses and high school students to gain their first impressions of working life and find out about the Group's divisions. Aareal Bank offers internships for young people with disabilities as part of the

✓ CPD hours per employee, by employee category (year-on-year)

| | 2015 | | | 2014 | | |
|-------------------|-------|--------|--------|-------|--------|--------|
| | Group | Aareal | Aareon | Group | Aareal | Aareon |
| in hours | | | | | | |
| Senior executives | 21 | 29 | 17 | 26 | 35 | 21 |
| Management staff | 35 | 39 | 27 | 39 | 48 | 26 |
| Specialist staff | 27 | 25 | 30 | 25 | 22 | 28 |

Group = Aareal and Aareon
 Aareal = Aareal Bank AG including foreign branches and foreign subsidiaries in New York and Singapore and other subsidiaries
 Aareon = all units in Germany and abroad, including subsidiaries



inclusive training programmes run by Deutsche Angestellten-Akademie (DAA) for vocational trainees or career changers.

The activities designed to attract young talent at Aareal Bank and Aareon also included **Girls' and Boys' Days**. This action day was the eighth successive event of its kind to be held at Aareon, with 21 female school students aged between nine and 15 gaining insights into the wide range of potential IT careers. At Aareal Bank, 11 school students aged between 11 and 14 took the opportunity presented by the Girls' and Boys' Day to learn about occupations that they might not otherwise have considered. In addition, 66 boys and girls aged between eight and 12 attended the Aareon Science Camps, the theme of which was "Experiencing the speed of Light".

»As an employer, Aareal Bank offers secure employment and its ability to tailor solutions to employees' specific situations is a strength.«

Klaus Novatius, Chairman of Aareal Bank AG's Economic Committee

 **Co-determination**

At Aareal Bank Group, management and the Works Council, which represents the employees, work together as partners. Employee representatives are regularly informed of current developments. In addition, all locations take part in annual works council meetings and employee events.

Aareal Bank's General Works Council consists of members of the works councils at our Wiesbaden, Berlin, Frankfurt, Hamburg, Leipzig and Stuttgart establishments. Employees based in Essen and Munich are represented by the Works Council in Wiesbaden. 84% of employees in the Group as a whole are covered by collective agreements.

Aareon Group also has a similar co-determination/employee representation structure. The two General Works Councils for Aareal Bank and Aareon Deutschland GmbH, and WestImmo each appoint an Economic Committee. The Supervisory Board for Aareal Bank and Aareon Deutschland reflects the co-determination agreement entered into with the employer. Two Aareon Group employees also sit on Aareal Bank's Supervisory Board.

The Group Works Council, which consists of representatives of Aareal Bank and of other German subsidiaries, addresses issues that affect the entire Group.

Aareal Bank Group fundamentally respects the statutory requirements of the countries in which it operates, including notice periods under employment law.

Gender equality

Aareal Bank Group values the equal treatment of men and women extremely highly. This applies both to decisions on staff appointments and to continuing professional development and training and remuneration within the Company. All vacant positions below executive level are advertised as a matter of principle so that all employees, regardless of gender, can apply for them. Equally, we do not distinguish on the basis of gender when it comes to pay – besides individual performance, the only factors taken into account are ones such as qualifications, professional experience and education. Aareal Bank AG had its remuneration structures analysed as part of a study (**Logib-D**) sponsored by the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth. The results show that there are no significant differences in remuneration between men and women in comparable positions. The employee representative bodies regularly make use of their co-determination rights to check that positions are filled on the basis of applicants' qualifications.



As required by the German General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz – AGG), Aareal Bank and Aareon Group have appointed AGG officers in Germany and AGG courses are also held for all employees. The employee handbook in the US contains anti-harassment policies for the workplace.

Diversity

Aareal Bank Group is convinced that diversity enriches the Group's corporate culture and that it is a long-term success factor. Our daily work together is based on the principles of mutual esteem and respect. As signatories to the **Diversity Charter**, we respect all persons regardless of their ethnic origin,



✓ **Proportion of women in Aareal Bank Group (year-on-year)**

| | 31 Dec 2015 | | | 31 Dec 2014 | | |
|------------------------|-------------|--------|--------|-------------|--------|--------|
| | Group | Aareal | Aareon | Group | Aareal | Aareon |
| in % | | | | | | |
| In executive positions | 19.2 | 18.5 | 20.3 | 21.2 | 21.1 | 21.3 |
| Total | 39.1 | 45.3 | 32.5 | 38.5 | 44.7 | 32.4 |

Group = Aareal and Aareon

Aareal = Aareal Bank AG including foreign branches and foreign subsidiaries in New York and Singapore and other subsidiaries

Aareon = all units in Germany and abroad, including subsidiaries



religion, ideology, disabilities, sexual identity, gender or age. This basic principle is also included in our Code of Conduct.



Aareal Bank Group employs staff from more than 30 nations. At Aareal Bank's international locations, we ensure that most positions are filled with local staff. Aareon employees are given **intercultural training** in order to improve their intercultural skills and facilitate international cooperation.

In the reporting period, 39.1% of employees at Aareal Bank Group were **female**, while the figure for Aareon was 32.5%. The percentage of women in management positions (including middle management) was 19.2% at Aareal Bank Group and 20.3% at Aareon Group. The year-on-year changes (see table) are due primarily to the takeover of Coreal and Westlmmo.

Based on the number of reported cases, the proportion of Aareal Bank Group **employees with a severe disability** was 3.1% in 2015. Since this percentage was below the statutory minimum, offsetting payments were made or were reduced by placing orders with workshops for people with disabilities. In the Group's German companies, this group of employees is represented by disability officers. ✓

Work-life balance

Supporting employees in achieving a work-life balance is a high priority for Aareal Bank Group. In line with this, employees can

take advantage of a broad range of support services. These include flexible working models, part-time positions, long-term working time accounts and the possibility of working partly from home where the position involved permits this.

In 2015, 207 employees at Aareal Bank AG (20.5%) worked part-time (previous year: 183 or 20.7%) and 65 employees (6.4%) worked partly from home (previous year: 38 or 4.3%). At Aareon Group, there were 133 (16.6%) part-time positions at the end of 2015 in Germany (previous year: 127 or 16.2%) and 87 (10.9%) positions where employees worked partly from home (previous year: 88 or 11.3%). In addition, a large number of employees can use mobile technology to access business documents.

Aareal Bank cooperates with Fit for Family Care, a non-profit organisation in Wiesbaden that operates two **childcare facilities**. This partnership allows us to offer childcare places for children from ten months to six years old. To help staff outside Wiesbaden in particular to achieve a better work-life balance,



we provide help in finding a private childcare solution. Aareon Group also works together with a family services company, which supports employees by providing advice on childcare, care situations and psychosocial issues. Additionally, Aareon's Mainz location offers crèche and kindergarten places at a day care centre in cooperation with another enterprise, with the kindergarten places being free of charge. Moreover, Aareal Bank in Wiesbaden has implemented a parent-child office, and Aareon Group has done the same at a number of locations, in order to assist employees with emergency childcare situations.

A further way of improving employees' work-life balance offered to Aareal Bank Group employees is the range of services designed to improve the **work-care balance**. In addition to the ability to take statutory family care leave, the offering focuses on providing advisory and support services when close family members fall ill or require looking after. Above and beyond this, in exceptional circumstances we offer Aareon Group staff the flexibility to reduce their working hours or stop working entirely at short notice.

For the past eight years, Aareon Group has been certified as a family-friendly company by the Hertie Foundation's "Work and Family Audit". Aareon is also one of the 100 pilot companies taking the INQA audit (INQA = Initiative New Quality of Work). In July 2015, the Bertelsmann Foundation awarded Aareon its starting certificate for the scheme. This confirms that the company is addressing the INQA topics – personnel management, equal opportunities and diversity, health, and knowledge and competencies – in depth, and that it aims to enhance these in line with the target agreements. This also entails making further developments to the life-phase oriented human resources policy that was launched last year. The INQA audit is a Bertelsmann Foundation initiative and is sponsored by the Federal Ministry of Labour and Social Affairs.

Health management

Aareal Bank's Company Health Management programme (known by its German initials, BGM) helps its employees to stay healthy. It covers the areas of information, prevention, exercise and ergonomics, nutrition, psychological health and relaxation.

In 2015, Aareal Bank was awarded its second Corporate Health Award in a row by Handelsblatt Verlagsgruppe for its Company Health Management programme.

Within the Company, occupational health service BAD operates a health portal providing **information** that can be accessed

by our employees at all times. At the same time, they can share experiences and make suggestions on health issues using a discussion forum on the Intranet. The Bank also regularly uses this permanent information offering to invite its staff to attend lectures on specific topics. In the area of **prevention**, our employees have access to the Employee Assistance Programme (EAP), a hotline designed to help employees deal with crises at work and at home. In addition, flu jabs, skin cancer screening and health counselling are offered.

The range of courses on offer in the area of **exercise and ergonomics** was expanded in 2015 and comprises, among other things, running courses for beginners and for those taking the sport up again after a break. Shower facilities make it easier for employees to schedule sporting activities in the morning or during their lunch break. **Nutrition** was a particular focus in 2015. In addition to the basic range of healthy meals offered in the Bank's own canteen, employees could take part in a weight management programme.

Psychological health and relaxation were the core themes of the 2nd Aareal Health Day, which was held in July 2015. In addition to a comprehensive range of tests and check-ups, the event offered a number of different presentations and workshops on stress and relaxation. On the other hand, Aareal Bank in Wiesbaden not only offered massages to help employees relax but also arranged Qigong classes again, which will be continued in 2016 due to popular demand. This offer was rounded off with an in-house mindfulness training course for employees, as well as a seminar on "Mindful Leadership" aimed specifically at managers. This follows on from the management seminar "Healthy Leadership" that was introduced already in 2013 and held again in 2015.

The **employee survey** on workplace stress and on staff expectations regarding, and opinions of, the Company Health Management programme was repeated in 2015, producing extremely positive results overall.



Occupational safety figures (year-on-year)

| | 2015 | | 2014 | |
|---|--------|--------|--------|--------|
| | Aareal | Aareon | Aareal | Aareon |
| Workplace accidents/commuting accidents | 13 | 19 | 15 | 9 |
| Accident rate | 1.4 % | 1.4 % | 1.9 % | 0.7 % |
| Sickness rate | 4.1 % | 4.2 % | 3.7 % | 4.2 % |

Accident rate for Aareal Bank in Germany. The accident rate for Aareon includes international locations; the sickness rate for both Aareal Bank and Aareon relates to Germany.



Aareon Group’s Company Health Management programme focused on **back health** in 2015, since staff surveys and past activities had shown this to be a particularly interesting topic. A mixture of exercise courses, presentations and check-ups are designed to combat problems in this area and to encourage healthy working.

Occupational safety

At Aareal Bank Group, the Management Board is responsible for organising occupational safety activities, which it does using an integrated management system and in compliance with the statutory regulations. This means specifically planning health and safety in the working environment, systematically organising it and consistently treating it as a management responsibility. It also means regularly reviewing the efficacy of, and continuously improving, our occupational safety management activities.

Aareal Bank Group successfully implements this at its headquarters and German locations, and is regularly audited by external supervisory authorities. In its most recent audit, the VBG Mainz occupational health and safety authority confirmed the high standard of occupational safety at the Group and

awarded it a certificate for “Systematic Occupational Safety”. We help reduce the number of accidents by issuing safety instructions and taking measures to increase employee awareness. In line with this, every Aareal Bank Group subsidiary is obliged to issue guidelines for its location in the form of an occupational health and safety manual.



Accident and sickness rates at Aareal Bank’s German locations are extremely low: on average, Aareal Bank staff are ill for 9.2 days a year. No occupational illnesses became known in the reporting period. Likewise, there were no work-related deaths.



02

Michael Valerius, Board Office; Julia Taeschner und Daniela Thyssen, Board Office/Sustainability; Steffen Sachse, Board Office (from the left)

Aareal Bank Group takes a strategic view of sustainability and therefore takes systematic approaches to it in its Structured Property Financing and Consulting/Services business segments. Among other things, we focus on reducing our own environmental footprint.



Systematic approach to sustainability

Responsible property financing

Roughly 40% of global energy consumption is attributable to buildings* – be they residential, retail or office properties. Given that climate change is continuing unabatedly, energy efficiency represents a key way of increasing sustainability at the level of society as a whole. Sustainability aspects are also playing a more and more important role alongside business opportunities and risks in many market players’ decisions on whether to enter into specific transactions. This also applies to our clients – our **Structured Property Financing business segment** is increasingly providing support for operators of, and investors in, office and retail space for whom sustainability topics are growing in significance.

Sustainability as a criterion for financing

From an international perspective, a large number of criteria are used when analysing potential investment properties, since awareness of sustainability is not equally developed in all markets and the focus of sustainability-driven clients varies.

When performing our basic assessment of the business environment in countries in which we are already or aim to become active, we take into account economic aspects such as changes in gross domestic product, the unemployment rate and interest rate trends. In addition to macroeconomic aspects and property market issues, we look at legal certainty, market transparency and levels of corruption in the country concerned.

We take the following sustainability criteria into account during property valuations performed in association with lending decisions:

- **Economic quality**, e.g. the property’s location and rental status, the ability to meet tenant requirements and the economic efficiency of the floor plans
- **Technical quality**, e.g. issues relating to the building’s construction, the materials used, fire protection, thermal insulation and soundproofing, fittings and fixtures and the quality of the interior spaces (measured in terms of their thermal, acoustic and visual comfort)
- **Functional quality**, e.g. the convenience of a property’s location and its transportation links, general accessibility and barrier-free access
- **Life-cycle quality**, e.g. as demonstrated by opportunities for flexible use of properties, the ability to relet them, third-party usability and appropriate expenditure on value preservation measures
- **Sociocultural quality**, e.g. high-quality architecture, the quality of town planning and potential tenants
- **Ecological quality**, e.g. as expressed by environmental liability and contamination audits, and energy efficiency.

Regular impairment tests, which are performed on the basis of appraisals, provide information on any changes to these criteria.

* Source: www.unep.org/sbci/aboutsbci/background.asp



»Building certification is becoming more and more of an issue for the market. This means it is important to take environmental issues such as energy efficiency into account even during the financing stage. In most cases, ECE has its new developments certified in accordance with the DGNB standard.«

Maria Hill, Sustainability Officer,
ECE Projektmanagement GmbH & Co. KG, Hamburg

Building certifications are among the most common ways of assessing building sustainability. In Germany, options include the DGNB standard as well as the more common international systems – the BRE Environmental Assessment Method (BREEAM) and Leadership in Energy and Environmental Design (LEED). However, only few studies currently exist on certified buildings’ long-term ability to retain their value, or on their performance. In addition, economic leverage would be greatest with older building stock, whereas new builds generally have to comply with strict efficiency requirements anyway, even without additional sustainability certification. Nevertheless, as part

of Aareal Bank Group’s sustainability programme (starting on p. 44), we are planning to increase the percentage of certified buildings among the properties appraised by us (and in the medium term also of those financed by us, i.e. the entire property portfolio). A further goal is to improve our ability to track our responsibilities under various voluntary commitments (see p. 8).

Sustainability of the securities portfolio

Aareal Bank Group maintains a high-quality securities portfolio in order to ensure that we are not exposed to risks even in times of crisis. It serves as a liquidity reserve for economic and regulatory purposes, as well as being used in cover assets management for our Pfandbriefe. Strong credit ratings, the stable values that go along with this and a high level of liquidity – particularly in view of the Basel III criteria – play a key role in portfolio management. The portfolio comprises four asset classes: public-sector borrowers, covered bonds and Pfandbriefe, bank bonds and asset-backed securities (ABSs). Approximately 98% of the portfolio has an investment grade rating. Public-sector borrowers are the largest asset class, accounting for roughly 87%. This category consists of securities and promissory notes that qualify as regular cover for public-sector Pfandbriefe. 99% of the issuers are domiciled in the EU. Around 79% of them have an AAA or AA rating.



**Financing future-proof properties:
the "Noda" property has BREEAM certification**

- Financing for an office property in Issy-les-Moulineaux (suburban area of Paris)
- Financing amount: € 80 million
- Aareal Bank acted as arranger, lender and agent



The BRE Environmental Assessment Method (BREEAM) sustainability standard is the leading and most widely used method of certifying buildings.



BREEAM is a registered trademark of Building Research Establishment Limited, a wholly-owned subsidiary of BRE Group Limited, and is displayed with permission. All rights reserved.



Since 2012, we have regularly subjected Aareal Bank Group’s securities portfolio to a sustainability analysis. In 2015, independent rating agency oekom research again came to the conclusion that the issuers in our Treasury portfolio qualify on average for best-in-class status. Exclusion criteria set by us – such as human rights violations, child labour, and violations of press freedom and freedom of expression – are also included in the analysis.



Digitalisation leads to efficiency gains

Today, mobility and mobile information systems are inextricably linked. People who are on the move a lot want to access all relevant information on the go – and this definitely applies to the property industry. The shift from paper-based administrative procedures to digital solutions is especially dynamic in this area, and the time savings and flexibility that this offers are producing substantial efficiency gains.

Aareal Bank Group’s **Consulting/Services business segment** offers the commercial property and housing industries innovative, environmentally friendly solutions based on optimised processes. The objective is to digitise our clients’ administrative activities to the extent legally and technically possible. This applies both to payment transaction processing by Aareal Bank and to Aareon Group’s ERP products and digital solutions. Our Aareon Smart World is responding to the global megatrend of digitalisation by offering a wide-ranging suite of mobile-enabled solutions for optimising IT-based business processes. These solutions can be customised to meet clients’ individual requirements precisely.

Networked IT landscapes

One key objective of the Consulting/Services business segment is to leverage the strategic **benefits of digitalisation** for the property industry. For clients, this means an evolutionary process away from standalone IT systems based on administrative buildings and towards a networked, participative, open and agile future IT landscape.

Our enterprise resource planning (ERP) product portfolio for efficient process design comprises country-specific solutions that are tailored to specific market requirements. In Germany, for example, these are **Wodis Sigma**, SAP® solutions, and Blue Eagle. These can be supplemented by additional digital

solutions for process optimisation. Together, these cooperative systems make up Aareon’s digital ecosystem – the **Aareon Smart World**. This networks property companies with their business partners – from crafts businesses through utilities down to waste disposal companies – and with customers, employees and technical devices. The digital solutions include the Aareon Invoicing Service, the Aareon Archiv kompakt archiving system, Aareon CRM, an insurance management system and the Mareon service portal. Depending on the product concerned, customers can deploy Aareon’s software solutions in a variety of ways: in house, as hosted solutions or as software as a service (SaaS) via our exclusive Aareon Cloud. Data from Aareon’s Cloud Computing is held in Aareon’s certified data-processing centre in Mainz, which guarantees data security and protection at the highest level.

Mareon is an Internet-based service portal that uses a virtual platform to link crafts businesses and housing companies. In 2015, more than 300 housing companies with an aggregate portfolio of 2,650,000 apartments used this platform. Since the start of 2001, the roughly 8,500 crafts businesses linked to the system have received 15 million commissions for work through it. This tangibly reduces administrative costs and accelerates workflows for ongoing apartment maintenance for everyone involved. Administrative cost savings of up to € 8 per residential unit and year are being realised.

Tenants also benefit from the services. For example, Aareon’s **Tenant Portal** can be used as an information and service platform. Tenants can use the portal to view their leases and service charge invoices or, where appropriate, to look for another apartment. Self-service forms can be downloaded, proof of rental documents printed and master data verified. In addition, the portal allows tenants to make contact with the housing companies, e.g. to report service malfunctions and damage, and to make complaints. Personalised access means that customer data are protected and tenants can track the progress made at will.



New services for the energy sector

Next to the housing industry, the energy sector is the second key target sector for the services offered by the Consulting/ Services segment. For example, the **BK 01 immoconnect** product offers energy sector clients a system for auto-mating the payments associated with billing housing companies for electricity, gas and water supplies. Linking IT systems across sectors helps save money, minimise risks and ensure quality at clients.

»Aareal Bank Group is a financial intermediary that models maturity, liquidity, risk and lot size transformation processes at its clients and investors reliably and to the satisfaction of all concerned.«

Prof. Dr Hermann Anton Wagner, Member of the Supervisory Board of Aareal Bank Group and Chairman of the Audit Committee

In 2015, we extended our range of services for the energy sector to include a new product, **BK 01 eConnect**, which is dedicated to an ancillary payment process: invoicing. There is a strong focus on shifting from print to online invoices as part of the ongoing process of digitising business processes. This is also significant from an environmental perspective, since it allows large volumes of paper to be saved. It offers both energy companies, as the issuers of the electronic invoices, and recipients of the files such as housing companies substantial potential for simplifying and accelerating their processes, especially because supplying energy to residential properties generates large volumes of data. In contrast to conventional consulting offerings available on the market, BK 01 eConnect, which is a standard product, is already integrated with SAP and meets a wide range of requirements. As an open standard, it also enables utilities to personalise any conceivable combination of data for specific clients without having to commission additional IT service providers to do this.



Systematic resource management

Aareal Bank Group applies the same high efficiency standards to its environmental policy as it does to its banking and services business. It aims to avoid negative environmental impacts where possible, make efficient use of consumables and procure resources from renewable or sustainable sources.



Our systematic environmental management aims to ensure we engage in environmentally responsible banking. The top priority is the efficient use of resources in the Bank's internal operations. This depends crucially on employee awareness of this issue. Other basic measures for reducing environmental impacts included cutting energy consumption, improving energy efficiency and increasing the percentage of renewable energy in the supply mix.

Benefits of the Ökoprofit project

Consumption data for electricity, heat, water and paper are systematically captured and analysed, and Aareal Bank Group draws up plans for servicing, maintaining and modernising properties on a rolling basis. Once again, our participation in the Ökoprofit project during the reporting period assisted in this process. **Ökoprofit** is an environmental advisory programme for businesses whose external specialists advise participants on the organisational and technical measures they can take to make their operations more environmentally friendly and more cost effective.

Aareal Bank AG in Wiesbaden has been a recognised Ökoprofit company since December 2014, while Mainz-based Aareon AG joined the scheme in July 2015. A number of practical measures for making operational cost savings were developed as part of the project. In addition, the system offers a good basis for certification in accordance with the ISO 14001 environmental management standard, since a large number of the latter's requirements are already covered by participation in Ökoprofit. In the course of the Ökoprofit awards, the Management Board published environmental guidelines for Aareon AG and an environmental programme was launched. This covers reducing CO₂ emissions by switching over to green electricity and cutting energy consumption by optimising when technical equipment and lighting are switched on and off, as well as through the ongoing virtualisation of the data centre. In addition, waste disposal was optimised, and a waste separation system introduced. Aareal Bank AG and Aareon AG have been members of the network of advanced Ökoprofit enterprises since March 2015 and, following renewed recognition, expect to be recertified for 2015/2016.




Use of resources

Paper consumption is the largest consumables item in terms of volume at Aareal Bank Group. We only use FSC- or PEFC-certified paper for printing brochures. Aareal Bank Group’s key office materials suppliers and printers are FSC-certified or have an environmental management system that has been certified to ISO 14001. Consumption of office and copy paper declined to 47 tonnes in 2015 (previous year: 49 tonnes). This equates to approximately 17 kilogrammes of paper per employee. The copy paper used is 100 % carbon neutral, thanks to the support provided for the ClimatePartner project (rain forest reforestation in Uganda). We are optimising corporate workflows and saving paper by using modern IT solutions such as automated and largely paperless travel expense management, invoice verification and generation, and electronic personnel files.

Environmental awareness and efficiency also take centre stage when it comes to **water consumption**. The higher consumption figures for 2015 (27,636 m³ compared to 23,974 m³ in 2014) are due to the inclusion of the locations belonging to our acquirees, Coreal and WestImmo. We are currently conducting an in-depth analysis in relation to optimising site usage. This is to include construction of a rainwater harvesting system, too.

Detailed data on paper and water consumption can be found on the Internet at www.aareal-bank.com/en/about-us/responsibility.

Aareal Bank Group generated 319 tons of waste during the reporting period. The total volume of waste declined. One encouraging development was the fact that we were able to increase the proportion of recyclable waste to 51 %.

 **Energy efficiency**

Aareal Bank Group is planning further reductions in its electricity consumption and has also prioritised an energy mix with a high percentage of green electricity, in order to ensure that it is meeting its energy needs as efficiently and environmentally compatibly as possible.

In 2015, **electricity consumption** increased due to the inclusion of the locations belonging to our acquirees, Coreal and WestImmo. Our main locations in Wiesbaden and Mainz, and other German sites have used green power since 2014, saving approximately 3,800 tonnes of CO₂ emissions per year compared with the previous years. Some of our units abroad, such as Sweden, also use green electricity.

The Wiesbaden site has used district heating for heating and hot water for several years now. In addition, some of the energy used to supply hot water is generated by a solar thermal system. Highly efficient pumps for distributing heat and cooling, the use of heat recovery in ventilation and air conditioning systems, and a building services automation system that monitors and optimises operations also reduce energy requirements at our Wiesbaden site. The head office of Aareon and First Financial in Mainz is heated and cooled using geothermal energy and waste heat from the data centre.

 **Energy consumption (year-on-year)**

| | 2015 | | | 2014 | | |
|---------------------------------|----------------|---------------|---------------|----------------|---------------|---------------|
| | Group | Aareal | Aareon | Group | Aareal | Aareon |
| in GJ | | | | | | |
| Electricity | 44,424 | 31,889 | 12,535 | 37,836 | 24,430 | 13,406 |
| < of which green electricity | 29,282 | 20,164 | 9,119 | 30,002 | 19,876 | 10,127 |
| District heating | 16,128 | 12,366 | 3,762 | 12,949 | 10,915 | 2,034 |
| Heating oil | 973 | 797 | 176 | 1,063 | 797 | 266 |
| Gas | 16,610 | 14,195 | 2,416 | 12,625 | 9,810 | 2,815 |
| Other (diesel, petrol) | 46,587 | 12,858 | 33,729 | 44,857 | 9,561 | 35,296 |
| Total energy consumption | 124,722 | 72,105 | 52,618 | 109,330 | 55,513 | 53,818 |

Group = Aareal and Aareon

Aareal = Aareal Bank AG including foreign branches and foreign subsidiaries in New York and Singapore and other subsidiaries

Aareon = all units in Germany and abroad, including subsidiaries



The amended version of the German Energy Services Act (Energiedienstleistungsgesetz – EDL-G) required Aareal Bank Group to perform an **energy audit** in Germany for the first time in 2015. Despite the short notice, the audit of Aareal Bank and Aareon was completed on time in December 2015 as part of a Group-wide initiative. Using current energy demand figures as a baseline, the main consumers were determined and potential ways of increasing efficiency identified and assessed from an economic perspective, before being collated in a table. Some of the measures can be implemented immediately, whereas major savings require up-front investment. ✓

»Aareal Bank has already demonstrated its environmental and energy awareness in the past. The input data that Aareal Bank provided during the energy audit were of a compellingly high quality, allowing it to continue systematically with the approach it has adopted.«

René Bodo, Auditor, ENTEGA Energie GmbH, Darmstadt

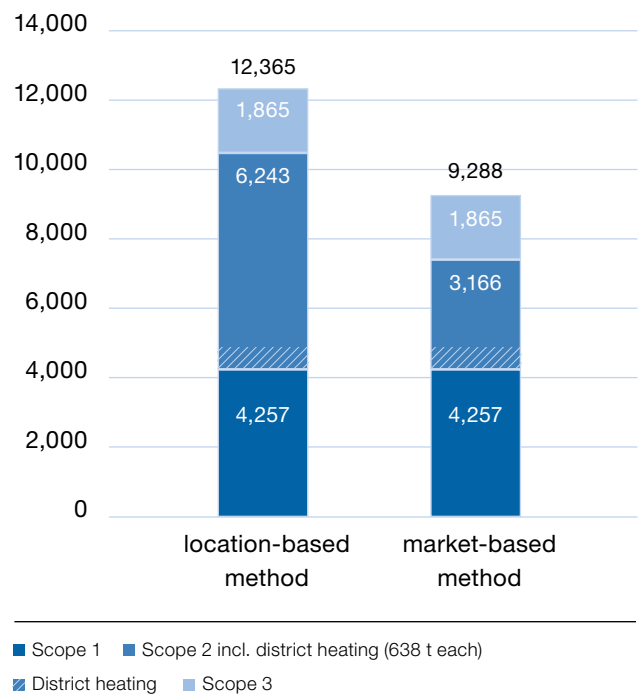
✓ **CO₂ emissions at Aareal Bank Group**
 Given increasing global emissions of climate-harming gases caused by burning fossil fuels, Aareal Bank Group, like others, is committed to reducing its CO₂ emissions. We use the Greenhouse Gas (GHG) Protocol as the basis for capturing our emissions. This sets a global standard for companies in measuring, addressing and reporting their CO₂ footprint. The GHG Protocol breaks down emissions into three "scopes".

All in all, **Scope 1** emissions throughout the Group amounted to approximately 4,257 tonnes. Emissions falling into this category are caused directly by the Company's operations and come from, for example, direct energy consumption in buildings (gas and heating oil) and the use of fuel for company cars.

Scope 2 emissions are caused indirectly by the Company using sources of energy that cause emissions elsewhere. Within the Group, this relates both to electricity procurement and to district heating. 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. The figure for the location-based approach – which

focuses purely on the average electricity mix in the countries from which the electricity is sourced – was 6,243 tonnes. In contrast, the market-based method reports emissions from contractually agreed sources and also takes into account the high proportion of total consumption accounted for by green electricity. According to this method, our Scope 2 emissions for the Group as a whole amounted to a mere 3,166 tonnes. ✓

Aareal Bank Group's ecological footprint
 Total Group-wide CO₂ emissions in 2015 (in tonnes)



A total of 1,865 tonnes of CO₂ emissions were recorded for business trips made by rental car, plane, or train in the reporting period (**Scope 3**); this also represents a reduction year-on-year (2014: 1,934 tonnes).

Further data and an expanded presentation of our CO₂ footprint can be found on the Internet at www.aareal-bank.com/en/about-us/responsibility.

Mobility

Employee mobility is a material environmental factor for Aareal Bank Group, as a provider of finance and services. Consequently, we have issued binding **travel guidelines** for all German sites. These require our employees to check before every business trip whether they actually need to travel and to consider alternative means of communication. To offer such an alternative, we have invested in state-of-the-art conference call and video conference technology at our sites in recent years. If a business trip cannot be avoided, air travel should only be given preference over other means of transport if it significantly reduces the journey time.

In addition, Aareal Bank Group has prioritised environmentally aware choices when selecting company cars: its **company car policy**, which was modified in 2013, caps CO₂ emissions for new company cars and also sets an average upper CO₂ limit for the fleet as a whole. In addition, we create incentives for employees to select vehicles that are as environmentally friendly as possible. For example, employees' personal monthly contributions increase by € 4.00 for each 0.1 litre increase in consumption, regardless of the monthly lease payment, in those cases in which fuel consumption exceeds the limits set out in the EU directives.

For employees who prefer to use public transport to get to and from work, Aareal Bank makes a contribution to their annual season tickets.



Sustainable procurement

Aareal Bank Group's procurement policies favour local suppliers and service providers, ensuring short transport routes and reducing CO₂ emissions. Since 2015, at least 85 % of the products in the catalogue we use to order office materials can be considered to be responsible from a sustainability perspective.

Naturally, we also expect our suppliers to comply with statutory minimum standards. The contract templates used for suppliers and service providers specifically oblige them to comply with regulations and standards.

The **Group's guidelines on supplier management** lay down standards, criteria and benchmarks for supplier management throughout Aareal Bank Group. We deliberately impose high quality requirements on our authorised suppliers. Besides com-

pliance with all necessary environmental requirements, the guidelines also consider other key points such as the supplier's market position, the quality of the goods and services, price and delivery performance, the quality of commercial procedures, and adherence to deadlines and volume targets. The individual aspects are assessed on a regular basis by the responsible units concerned (e.g. the purchasing organisations and the divisions).

»Aareal Bank has been actively asking for sustainable products for some time now. Since others have also jumped on the bandwagon, there is now keen demand. We value the open and frank communication we have with Aareal Bank, including in those cases in which things occasionally don't go as well as intended. We are equal partners.«

Peter Köhnlein, Managing Director, Büro Mix GmbH, Mannheim

We perform in-house evaluations to determine whether suppliers are in compliance with these requirements. Since 2013, our supplier evaluation questionnaire has also focussed to a greater extent on social standards, including health and safety at work, in addition to environmental issues. It is being used for new suppliers and for the annual reviews of current key suppliers. In 2016, we are again planning regular audits of key suppliers so as to be in an even better position to check compliance with these measures. In addition, the current fiscal year sees us working on a **code of conduct for suppliers** that will address these aspects in full.



03

Michaela Lorenz, Alexander Kirsch, Jan Siemon and Tobias Engel, Treasury (from the left)

In addition to creating value financially, Aareal Bank Group adds value indirectly, helping to increase the sustainability of society as a whole. Our future-oriented commitment to education and social affairs creates further benefits and reduces our environmental impact.



Creating value by focusing on the future

From customer benefits to social benefits

Aareal Bank Group is a specialist banking provider. The combination of its Structured Property Financing and Consulting/Services business segments, and hence of banking and property-related expertise for the commercial property industry, is unique.

Aareal Bank finances commercial properties and, in so doing, creates **attractive investment opportunities** for investors in Germany and abroad.

The solutions offered by the Consulting/Services segment assist our clients in the housing industry and energy sector in leveraging efficiency gains and reducing negative environmental impacts. We have a long track record as a reliable partner who not only provides important advisory services in this area but also creates the necessary technical infrastructure. Our short decision-making paths, broad-based market expertise and in-depth methodological knowledge enable us to offer clients personalised solutions with far more than just standardised functionality.

True to the motto of "one face to the customer", we generally have longstanding personal relationships with clients, since our advisers have just as strong regional roots as they do. Our clients value this. As a lead bank for the commercial housing industry and a trustee administering tenant deposits and maintenance reserve accounts, we have been able over time to build up a **high level of trust** that has also resulted in substantial customer deposits. This has had a positive knock-on effect on Aareal Bank Group's balance sheet structure, meaning that even at the peak of the financial crisis only 12% or so of assets were

deducted. Meeting the requirements for the net stable funding ratio (NSFR), which is designed to increase banks' resilience, would otherwise be substantially more expensive. Our credit risk indicator is also consistently low; it was a mere 65 basis points at the height of the financial crisis in 2009 and continued its fall from 54 to 43 basis points between 2014 and 2015. In this way, Aareal Bank Group has contributed to the stability of the financial market, especially in the area of commercial property finance.

»Aareal Bank Group demonstrates the value of long-term customer relationships. We have worked with many of our clients for the last 15 or 20 years – to the point that we can prepare the ground for major deals on the basis of oral information. We evolve together with our clients because we understand them and their business in depth.«

Marija Korsch, Chairman of the Supervisory Board of Aareal Bank AG

Aareal Bank's BK01 system for accounts payable/receivable, invoice management and invoicing operating costs and service charges provides the housing industry and the energy sector with an important tool for managing their business processes, and in this way facilitates extremely lean, efficient processing. This helps our clients keep their **administrative expenses low** and, for example, allows municipal housing associations to offer their tenants **low rents**. In this way, we contribute to the provision of roughly four million units of affordable housing. By financing commercial property we primarily offer opportunities for investment and hence help indirectly to **create jobs**.





✔ Part of the operating profit flows back into the general economy

The **measurable direct value added** presented in the table below documents our importance to society as a public limited company that increases its shareholders' capital, as an employer offering an attractive, competitive remuneration structure, as a public institution with obligations under supervisory law (banking levy, deposit protection fund, etc.), as a customer for business partners, service providers, suppliers, etc. (including legal, consulting and auditing costs, IT expenses and rental payments) and as a not insignificant taxpayer (see the table). Expenses for donations, sponsorships and memberships incurred in our capacity as a corporate citizen are reported separately. The value added in this way helps in turn to increase individual **purchasing power and investment activity.** ✔

Digital solutions aid efficiency and environmental protection

Our vision, **Aareon Smart World** (see the graphic on p. 41) networks property companies with clients, employees, business partners and technical equipment in residential units and buildings. The result is a digital, networked ecosystem that can be deployed to reengineer and optimise complex processes. In essence, the objective is to use IT to optimise external and

internal business processes. Housing companies are networking more closely with business partners (B2B), tenants (B2C) and employees in the field (B2E). The applications help cut costs, can be combined in a networked environment to create new business models and offer user-friendlier opportunities for dialogue between tenants and housing industry employees. They can be accessed securely from mobile devices via our exclusive Aareon Cloud.

Digital solutions for document management, invoicing, integrating partner companies, incorporating the "Internet of things", rental management, and resource planning and customer management systems can be accessed on the go and on demand from a variety of devices such as PCs, tablets or smart phones.

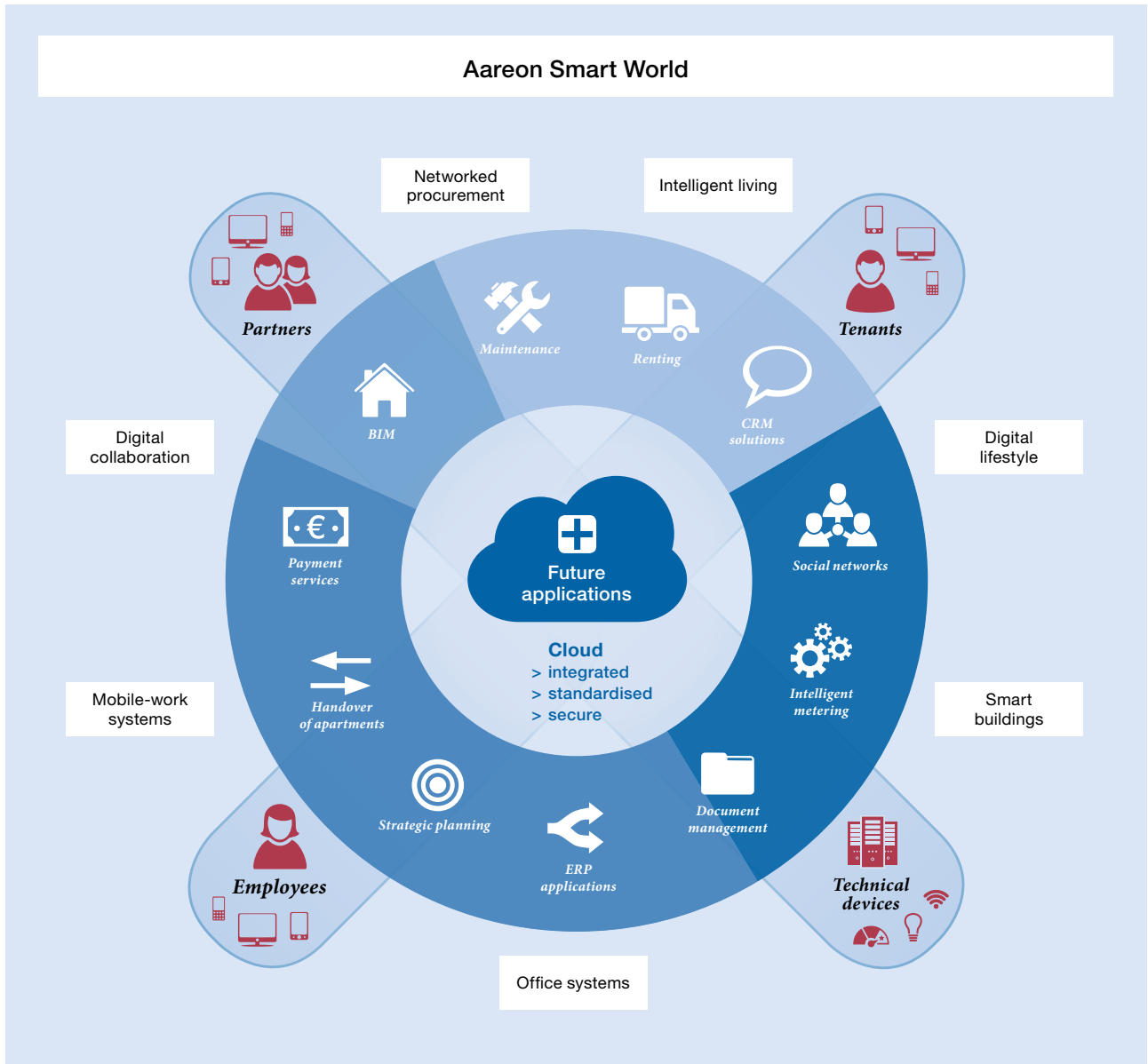
Smart World's digital solutions offer tangible benefits for the environment as well as time and cost savings and efficiency gains. For example, digital IT and banking services reduce paper consumption, since archiving, correspondence and other administrative services are performed online. Housing companies 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.

✔ Direct value added (year-on-year)

| | | 2015 | 2014 |
|-----------------------------|--|------------|------------|
| € mn | | | |
| Stakeholder | Indicators | | |
| Shareholders | Consolidated net income attributable to shareholders of Aareal Bank AG | 355 | 294 |
| | of which: allocated to ordinary shareholders ^{1) 2)} | 339 | 292 |
| | of which: allocated to AT1 investors ¹⁾ | 16 | 2 |
| Employees | Staff expenses ³⁾ | 332 | 261 |
| Miscellaneous ⁴⁾ | Other administrative expenses ³⁾ | 201 | 157 |
| | of which: donations, sponsorships and memberships | 2 | 2 |
| Government | Current income taxes ⁵⁾ | 53 | 68 |
| Total | | 941 | 780 |

¹⁾ The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.
²⁾ A dividend distribution for Aareal Bank AG of € 99 million (previous year: € 72 million) will be proposed to the Annual General Meeting
³⁾ See Note (34) Administrative expenses in Aareal Bank Group's 2015 Annual Report
⁴⁾ Miscellaneous include business partners, service providers, suppliers and public institutions in the case of the banking levy, deposit protection
⁵⁾ See Note (37) Income taxes in Aareal Bank Group's 2015 Annual Report





In Scandinavia, Aareon’s **Building Information Modelling (BIM)** applications allow clients to design energy-efficient properties or retrofit buildings in order to reduce their carbon footprints. As a result, reliable energy and CO₂ calculations can be produced for building construction or maintenance. Aareon is now starting a pilot project in Germany, where the need for new housing is growing.

Innovating for the future

Aareal Bank Group’s research and development activities focus not only on what is technically feasible but also on the social added value resulting from the projects concerned. In June 2015, one important project came to a close for the time being after four years: the **“I-stay@home”** (ICT solutions for an ageing society) project, which was supported by the European Union.



A number of European partners from the housing industry had formed a consortium to implement the project. They included nine housing companies, two universities and four technology partners, with Aareon acting as lead IT partner.

The project was set up in view of **demographic trends**. It aimed to find a way to use readily available information technology elements to improve the independence of the elderly, enabling them to stay in their own homes for as long as possible. The I-stay@home project developed a prototype for an international portal solution that is based on an Aareon platform. Among other things, this platform permits the integration of ambient assisted living (AAL) systems with communications devices such as intelligent blood pressure monitors, personal scales, watches with emergency alarms and heating controls. The prototype was installed in 180 apartments in nine locations throughout Europe in a test phase lasting several months. A promising array of assistance systems and communications devices was selected for it. During the project, Aareon was able to gather practical experience of how to tailor an IT platform even more precisely to the needs of this older target group. Judicious technology and knowledge transfer from this project will be used successively to enhance Aareon’s product universe.

Aareon’s objective with the **”Digital Student Housing”** project is to reduce the effort involved in sourcing and allocating student accommodation. In many university towns, the supply of affordable student accommodation is limited and finding somewhere to live is often difficult and time-consuming. Aareon’s project partner in this case is the Joseph Foundation in Bamberg, one of the largest providers of student residences in southern Germany. Work on the project, which started in 2015, will pass through a number of stages. Marketing is being handled by the Joseph Foundation’s website, which offers accommodation. Students can then take a virtual tour of the room or apartment and apply online. In a second step, a rental agreement will be filled out entirely online. The accommodation will then be handed over in person. After this, tenant support, termination of the rental agreement and renewed letting, including the formal process of giving back the accommodation, will again be largely handled online. The project uses a combination of Aareon products such as Wodis Sigma, Aareon ImmoBlue Plus, a combination of the Aareon CRM portal and mobile services, and Aareon archiving solutions. It is scheduled to kick off in May 2016.



Giving the future a chance

Aareal Bank Group and its employees also add value to society above and beyond their business activities. The focus is on forward-looking ideas and projects that drive forward our industry – our initiatives in the areas of education and academic research – or that promote inclusivity and equal opportunities – our charitable and social commitments.

Education and academic research

Aareal Bank Group’s business strategy, and particularly that of Aareon AG, revolves around the opportunities that digitisation offers the property industry. As this topic grows in importance, so does demand for specialists with the relevant expertise. This is why, in 2015, Aareon AG endowed a **chair at the EBZ Business School** in Bochum with the goal of teaching students the skills they need to drive forward digital innovation in the property and IT sectors.



EBZ – Europäisches Bildungszentrum der Wohnungs- und Immobilienwirtschaft, Bochum

The EBZ Business School offers bachelors’ and masters’ degree courses in property management that can be taken as part of a dual work-study programme, while working or undergoing vocational training, or full-time. The school has a reputation as a research-intensive university of applied sciences, with a focus on academic excellence and research in teaching, that aims to drive forward the state of research and the level of knowledge in the housing and property industry.



In addition, Aareal Bank Group **employees** act as lecturers and sit on examination boards and other committees at a number of higher education institutions in the Rhine-Main region, including the Frankfurt School of Finance, the Rhine-Main University of Applied Sciences and the University of Applied Sciences Mainz. Outside the region, we provide the Leipzig University of Cooperative Education and the Southwest German Professional Academy for the Property Industry (Südwestdeutsche Fachakademie der Immobilienwirtschaft) with guest lecturers and speakers.



Presentation of the Aareal Award of Excellence in Real Estate Research by Dagmar Knopek, Member of the Management Board, Aareal Bank Group (third from the right)

Since 2010, Aareon Group has also sponsored the Institute for IT in the Property Industry (Immobilienwirtschaftliches Institut für Informationstechnologie – IMMIT) in Geislingen an der Steige, as well as a number of **prizes** for young academics in the field of property management. In contrast, we discontinued our cooperation with the Real Estate Management Institute (REMI), part of the EBS Universität für Wirtschaft und Recht in Wiesbaden, after ten years. The main reason for our sponsorship was to establish REMI as a real estate research institute at an international level and to support it in its efforts to create a global network for the property research community. We have achieved this goal in recent years. Most recently, in March 2015, the eighth **"Aareal Award of Excellence in Real Estate Research"**, which offers total prize money of € 12,000, was awarded to a number of international researchers.

We took part in the International Year of Light by holding our third **Aareon Science Camps** in 2015. For the space of three hours, approximately 80 children between the ages of eight and twelve became researchers. They constructed LED torches and used them to find out how light is disseminated in water, glass

and plastics, discovering in the process why it is so well suited to transporting data. We wanted to take this opportunity to inspire school students and interest them in natural sciences and technology at a young age. This is important since the digitalisation of our society means that understanding technology both in everyday life and at work will be crucial in the long term to Germany as an economic location.



Charitable and social organisations

Our long-term support for the **Zwerg Nase-Stiftung** in Wiesbaden revolves around the ideas of inclusivity and equal opportunities. Aareal Bank Group has supported the foundation, whose Zwerg Nase house provides needs-driven respite for families with handicapped children, since 2008. The house, which comprises three closely linked facilities, offers a broad range of services: short-term care (eleven overnight places), the "Rotkehlchen" ("robin") medical/nursing care facility, which has space for twelve children and young people requiring artificial respiration for a very wide range of reasons and, since November 2015, a permanent group for children with multiple, extremely severe disabilities. Our long-term support creates sustainable working conditions for the house's activities. Dagmar Knopek, member of the Management Board, also has an operational responsibility as the deputy chair of the foundation's board.

The Bank donates a basic € 20,000 per annum to support the house's care offering and also collects money every year through fundraising activities during its summer fete and Christmas party, by holding a tombola, and in a variety of other ways. This considerably increases the basic amount donated each year.

Aareon Group also takes part in a number of charitable initiatives. For example, since 1997 it has been a member of, and donated money to, Deutsche Entwicklungshilfe für soziales Wohnungs- und Siedlungswesen (**DESWOS**) in Cologne. It also pays for a part-time position at **Pfarrer-Landvogt-Hilfe e.V.**, a group that offers help, advice and care to homeless people, as well as donating money to the **Mainzer Hospizgesellschaft** to support the latter's outpatient advisory services for hospice and palliative care.



Sustainability programme

Actions are the bottom line.

Our Sustainability Programme 2016-2018 applies to the entire Group and underlines just how important sustainability is for our Company. At the same time, it serves as a guideline for sustainable development at Aareal Bank Group. It sets out concrete goals and measures that are central to sustainable corporate development.

Even though we always act on behalf of others, we aim to do business sustainably – and not at the expense of the environment and society. This safe-guards the basis for our Company’s existence and our long-term corporate success.

We have built on our dialogue with relevant stakeholders and the discussion and decision process within the Sustainability Working Group to set out concrete, measurable goals for the

coming years in the 12 areas of activity that we have identified. We have also backed these up with measures to be taken and are driving forward and tracking their implementation on a continuous basis. This provides us with a yardstick in fulfilling our corporate responsibility.

The goals for the individual areas of activity are given in the graphic opposite. Full details of the Sustainability Programme 2016-2018, including the relevant measures and target deadlines, and the progress made towards attaining the goals, can be found on the Internet at www.aareal-bank.com/en/about-us/responsibility. We will update the programme as necessary and adapt measures so as, for example, to take account of new developments and the insights gained from our ongoing stake-holder dialogue. This allows us to react flexibly to new challenges and provide up-to-the-minute information on our progress in the area of sustainability management.



Financing future-proof properties: The BREEAM certified "Garden Tower"

- Financing for an office property in Frankfurt/Main, Germany
- Financing amount: € 129 million
- Aareal Bank acted as lender



The BRE Environmental Assessment Method (BREEAM) sustainability standard is the leading and most widely used method of certifying buildings.



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Our sustainability programme for 2016–2018

| | <i>Action areas</i> | <i>Goals</i> |
|--|--|---|
| | Profitable business model | <ul style="list-style-type: none"> • Review and, if necessary, adapt our future-facing positioning • Exploit competitive advantages • Retain sound capital base • Ensure continuous increase in shareholder value |
| | Integrity & compliance | <ul style="list-style-type: none"> • Do business in accordance with ethical and economic principles ("good corporate governance") • Manage legal/regulatory requirements • Increase transparency and openness for dialogue |
| | Management of client relationships | <ul style="list-style-type: none"> • Ensure closeness to clients and the market • Measure and increase customer satisfaction • Anticipate client needs and develop corresponding solutions • Meet all data protection requirements • Ensure information and network security |
| | Risk management | <ul style="list-style-type: none"> • Select properties with sustainable value • Implement long-term risk-aware liquidity policy • Precisely identify and manage risk-bearing capacity • Implement forward-looking lending policy and sound refinancing policy • Anticipate and manage reputational risks |
| | Employee know-how | <ul style="list-style-type: none"> • Enhance human resources strategy, taking demographic aspects into account • Recruit, develop and retain talent • Extend human resources development measures • Expand education and training offering |
| | Attractive employer | <ul style="list-style-type: none"> • Further enhance responsible human resources policy • Measure and increase employee satisfaction • Retain performance-driven remuneration • Promote diversity and equal opportunities • Enhance and expand Company Health Management |
| | Technology & innovation | <ul style="list-style-type: none"> • Position ourselves as innovative solutions provider • Create an innovative corporate culture • Strengthen our innovative capability • Extend portfolio of forward-looking digital solutions |
| | Stakeholder engagement | <ul style="list-style-type: none"> • Enhance internal and external stakeholder dialogue • Continue discussion events for representatives of relevant stakeholder groups • Help tackle challenges facing society • Actively participate in and contribute know-how to organisations of which we are members • Support a stable financial system |
| | Structured Property Financing – sustainability aspects | <ul style="list-style-type: none"> • Expand offering of sustainable products and services • Fulfil quality promise to clients |
| | Operational resource management | <ul style="list-style-type: none"> • Increase resource efficiency • Avoid or reduce CO₂ emissions • Optimise energy costs and improve quality of use for employees |
| | Consulting/Services – sustainability aspects | <ul style="list-style-type: none"> • Expand offering of sustainable products and services • Fulfil quality promise to clients |
| | Sustainable procurement | <ul style="list-style-type: none"> • Oblige suppliers to comply with minimum ethical and environmental standards • Reduce environmental footprint |

■ Material to corporate success
 ■ Important by conviction

Our detailed sustainability programme can be found on the Internet at www.aareal-bank.com/en/about-us/responsibility



Aareal Bank Group's 2015 Sustainability Report was prepared in accordance with the **Global Reporting Initiative (GRI)** Guidelines and complies with the "In Accordance – Core" option. The G4 Guidelines, which have been in force since May 2013, were applied. In addition, the G4 Disclosures for the Financial Services Sector were taken into account. The GRI

Materiality Disclosures Service checked that indicators G4-17 to G4-27 were located correctly and issued an organisational mark in confirmation of this.

The GRI Content Index is also used to document implementation of the United Nations' Global Compact's Ten Principles (see the column entitled "UNGC").

In individual cases, references are made to pages of the 2015 Annual Report ("AR") or to the Internet page www.aareal-bank.com/en/about-us/responsibility.

GRI Content Index

| | UNGC | Page | Omissions | External assurance |
|---|------|---|-----------|--------------------|
| General Standard Disclosures | | | | |
| Strategy and Analysis | | | | |
| G4-1 Statement from the most senior decision-maker | 1-10 | 2-3 | | |
| Organisational Profile | | | | |
| G4-3 Name of the organisation | | U2, 4, 49 | | |
| G4-4 Primary brands, products and services | | 4-6 | | |
| G4-5 Location of organisation's headquarters | | 4 | | |
| G4-6 Countries where the organisation has significant operations | | 5 | | |
| G4-7 Nature of ownership and legal form | | 4 | | |
| G4-8 Key markets served | | 5 | | |
| G4-9 Scale of the organisation | | 5, 6 | | |
| G4-10 Employees by employment type, gender and region | | 5, 23-24, 27 | | ✓ |
| G4-11 Percentage of employees covered by collective bargaining agreements | | 26 | | ✓ |
| G4-12 Description of the organisation's supply chain | | 37 | | |
| G4-13 Significant changes during the reporting period | | U2 | | |
| G4-14 Whether and how the precautionary principle is addressed | 7 | 3, 17-19, 28, 30-31, 34, 36, 41-42, CoC | | |
| G4-15 Support for external initiatives | 1-10 | 8, 26, 27, 34-35 | | |
| G4-16 Memberships of associations and advocacy organisations | | 8 | | |
| Identified Material Aspects and Boundaries | | | | |
| G4-17 List of entities included in the organisation's consolidated financial statements | | 4, AR 224-226 | | ✓ |
| G4-18 Process for defining report content | | 12, 14 | | ✓ |
| G4-19 All material Aspects | | 15 | | ✓ |
| G4-20 Material Aspects within the organisation | | 15 | | ✓ |
| G4-21 Material Aspects outside the organisation | | 15 | | ✓ |
| G4-22 Restatements of information provided in previous reports | | U2 | | ✓ |
| G4-23 Significant changes in the Scope and Aspect Boundaries | | U2 | | ✓ |
| Stakeholder Engagement | | | | |
| G4-24 List of stakeholder groups engaged by the organisation | 1-10 | 13 | | ✓ |
| G4-25 Identification and selection of stakeholders | | 12 | | ✓ |
| G4-26 Approach to stakeholder engagement and frequency | | U2, 12-14 | | ✓ |

GRI Content Index

| | UNGC | Page | Omissions | External assurance |
|--|------|------------|-----------|--------------------|
| G4-27 Key stakeholder topics and concerns, and response | 1-10 | 13-14 | | ✓ |
| Report Profile | | | | |
| G4-28 Reporting period | | U2 | | |
| G4-29 Date of most recent previous report | | U2 | | |
| G4-30 Reporting cycle | | U2 | | |
| G4-31 Contact point for questions regarding the report | | 49 | | |
| G4-32 GRI "In accordance" option and Content Index selected | | 46 | | |
| G4-33 External assurance for the report | | U2 | | |
| Governance | | | | |
| G4-34 Governance structure including committees of the highest governance body | | 4, 8-9 | | |
| Ethics and Integrity | | | | |
| G4-56 Values, principles and standards of behaviour | 1-10 | 8, 45, CoC | | |

Specific Standard Disclosures

| | UNGC | Page | Omissions | External assurance |
|---|---------|------------------|---|--------------------|
| Economic | | | | |
| Aspect: Economic Performance – Management Approach | 1, 6, 7 | 16-21 | | ✓ |
| G4-EC1 Economic value generated and distributed | | 6-7, 40 | | ✓ |
| G4-EC3 Defined benefit plan obligations | | 24-25, AR 137 | | |
| G4-EC4 Financial assistance received from government | | None | | |
| Aspect: Indirect Economic Impacts – Management Approach | | 38-39 | | |
| G4-EC8 Indirect economic impacts | | 33, 38-40 | | |
| Aspect: Procurement Practices | | 37 | | |
| Environmental | | | | |
| Aspect: Energy – Management Approach | 7-9 | 34, 35 | | |
| G4-EN3 Energy consumption within the organisation | 8 | 35 | | ✓ |
| G4-EN4 Energy consumption outside of the organisation | 8 | 35 | | |
| G4-EN6 Reduction of energy consumption | 7-9 | 35-36 | | |
| Aspect: Emissions – Management Approach | 8, 9 | 34, 36 | | |
| G4-EN15 Direct greenhouse gas emissions (Scope 1) | 8, 9 | 36 | | ✓ |
| G4-EN16 Energy indirect greenhouse gas emissions (Scope 2) | 8, 9 | 36 | | ✓ |
| G4-EN17 Other indirect greenhouse gas emissions (Scope 3) | 8 | 36 | | |
| Aspect: Products and Services – Management Approach | 7-9 | 16-21 | | |
| G4-EN27 Impact mitigation of environmental impacts of products and services | 7-9 | 30-32, 34, 40-41 | | |
| Aspect: Transport – Management Approach | 8 | 36 | | |
| G4-EN30 Significant environmental impacts of transport | 8 | 36 | | |
| Aspect: Supplier Environmental Assessment – Management Approach | 8, 9 | 37 | | |
| G4-EN32 Percentage of new suppliers that were screened using environmental criteria | 8, 9 | 37 | | |
| G4-EN33 Significant negative environmental impacts in the supply chain | | 37 | | |
| Labour Practices and Decent Work | | | | |
| Aspect: Employment – Management Approach | 1, 3, 6 | 23 | | ✓ |
| G4-LA1 New employee hires and employee turnover | 6 | 23-24 | New employee hires are not disclosed – will be reported next year | ✓ |
| G4-LA2 Benefits provided to full-time employees | | 24-29 | | |

GRI Content Index

| | UNGC | Page | Omissions | External assurance |
|---|---------|--------------------|---|--------------------|
| Aspect: Labour/Management Relations – Management Approach | 3 | 26 | | |
| G4-LA4 Notice periods regarding material operational changes | | 26 | | |
| Aspect: Occupational Health and Safety – Management Approach | 1 | 28, 29 | | |
| G4-LA6 Injuries, occupational diseases, lost days and fatalities | | 29 | | |
| G4-LA7 Workers with high incidence or high risk of diseases | | None | | |
| Aspect: Training and Education – Management Approach | | 23, 25 | | ✓ |
| G4-LA9 Average hours of training per employee | 2 | 25 | No differentiation by gender – can be found on the Internet at www.aareal-bank.com/en/about-us/responsibility | ✓ |
| G4-LA10 Programs that support the continued employability of employees | | 25 | | |
| G4-LA11 Percentage of employees receiving regular performance and career development reviews | | 25 | | ✓ |
| Aspect: Diversity and Equal Opportunity – Management Approach | 1, 2, 6 | 27, CoC | | ✓ |
| G4-LA12 Composition of governance bodies and breakdown of employees by indicators of diversity | 6 | 23, 27, AR 238–240 | | ✓ |
| Aspect: Equal Remuneration for Women and Men – Management Approach | 6 | 26, CoC | | |
| G4-LA13 Ratio of basic salary and remuneration of women to men | 6 | 26 | | |
| Aspect: Supplier Assessment for Labour Practices – Management Approach | 2 | 27 | | |
| G4-LA14 Percentage of new suppliers that were screened using labour practices criteria | | 27 | | |
| G4-LA15 Significant actual and potential negative impacts for labour practices in the supply chain | 2 | None | | |
| Human Rights | | | | |
| Aspect: Non-discrimination – Management Approach | 1, 6 | 26, CoC | | ✓ |
| G4-HR3 Incidents of discrimination and corrective actions taken | 6 | 26 | | ✓ |
| Aspect: Supplier Human Rights Assessment – Management Approach | 2 | 27 | | |
| G4-HR10 Percentage of new suppliers that were screened using human rights criteria | | 27 | | |
| G4-HR11 Significant human rights impacts in the supply chain | 2 | None | | |
| Society | | | | |
| Aspect: Anti-corruption policies – Management Approach | 10 | 8, CoC | | ✓ |
| G4-SO3 Total percentage of operations assessed for risks related to corruption and significant risks identified | 10 | 8 | | |
| G4-SO4 Communication and training on anti-corruption policies and procedures | 10 | 8 | | |
| G4-SO5 Confirmed incidents of corruption and actions taken | 10 | 8 | | ✓ |
| Aspect: Compliance – Management Approach | | 8, CoC | | ✓ |
| G4-SO8 Fines and sanctions for non-compliance with laws and regulations | | None | | ✓ |
| Aspect: Supplier Assessment for Impacts on Society – Management Approach | | 27 | | |
| G4-SO9 Percentage of new suppliers that were screened using criteria for impacts on society | | 27 | | |
| G4-SO10 Negative impacts on society in the supply chain and actions taken | | None | | |
| Product Responsibility | | | | |
| Aspect: Customer privacy – Management Approach | | 22, CoC | | ✓ |
| G4-PR8 Substantiated complaints regarding losses of customer data | | 23 | | ✓ |
| Aspect: Compliance | | 8 | | |
| G4-PR9 Significant fines concerning the provision and use of products and services | | None | | |

GRI Content Index

| | UNGC | Page | Omissions | External assurance |
|--|------|---------------|------------------|--------------------|
| Aspect: Product Portfolio – Management Approach | 1-10 | 8, 30 | | |
| FS6 Percentage of the portfolio for business segments by region, size and by sector | | 4-6 | | |
| FS7 Monetary value of products and services designed to deliver a specific social benefit | 1-6 | 31, 39, 41-42 | Not quantifiable | |
| FS8 Monetary value of products and services designed to deliver a specific environmental benefit | 7-9 | 30-34, 40-41 | Not quantifiable | |
| Aspect: Audit (former FS9) Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures – Management Approach | 1-10 | 10 | | |
| Aspect: Active Ownership – Management Approach | | 21, 31 | | |
| FS11 Percentage of assets subject to positive and negative environmental or social screening | 1-10 | 19, 21 | | |

Other G4 indicators included in the report

| | | | | |
|--|------|-----------------------------------|--|--|
| G4-EN1 Materials used by weight or volume | 8, 9 | 35 | | |
| G4-EN8 Total water withdrawal by source | 8 | 35; Source: public supply network | | |
| G4-EN29 Fines and sanctions for non-compliance with environmental laws and regulations | | None | | |
| G4-EN34 Formal grievances about environmental impacts | | None | | |
| G4-LA16 Formal labour practices grievances | | None, cf. CoC | | |
| G4-SO6 Total value of political contributions | 10 | None, cf. CoC | | |
| G4-SO7 Legal actions for anti-competitive behaviour or anti-trust | | None, cf. CoC | | |
| G4-SO11 Formal grievances about impacts on society | | None | | |
| G4-PR5 Results of surveys measuring customer satisfaction | | 21-22 | | |

U2 = inner cover page front; AR = Annual Report 2015 of Aareal Bank Group; CoC = Code of Conduct: www.aareal-bank.com/en/footermenu/code-of-conduct

Imprint

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**Aareal Bank
Group**