

**Separate Combined
Non-financial
Report 2021**
for Aareal Bank AG

Separate Combined Non-financial Report 2021 for Aareal Bank AG

| | |
|----|-----------------------------------------------------|
| 3 | About this Report |
| 4 | Description of the Business Model |
| 5 | Sustainability Management at Aareal Bank Group |
| 6 | Determining Materiality |
| 8 | Risk Reporting |
| 9 | 1. Environmental Matters |
| 16 | 2. Employee Matters |
| 24 | 3. Social Matters |
| 28 | 4. Respect for Human Rights |
| 31 | 5. Compliance |
| 38 | EU Taxonomy |
| 42 | Limited Assurance Report of the Independent Auditor |
| 45 | Imprint |

About this Report

This Separate Combined Non-financial Report for Aareal Bank AG and Aareal Bank Group relates to the 2021 financial year. It was prepared in accordance with section 340a (1 a) of the German Commercial Code (Handelsgesetzbuch – HGB) in conjunction with sections 289b (3) and 340i (5) of the HGB in conjunction with section 315b (3) of the HGB in the version as amended by the German CSR Directive Implementing Act (CSR-Richtlinie-Umsetzungsgesetz – CSR-RUG), and was published separately from the Group Management Report. Additional information and performance indicators for environmental, social and governance aspects are published in the image section of the Annual Report, in the online Annual Report and in the „Responsibility“ section of Aareal Bank Group’s website.¹⁾

Section 171 (1) sentence 4 of the German Public Limited Companies Act (Aktiengesetz – AktG) requires the Supervisory Board to review the Non-financial Report. This review by the Supervisory Board covered the reporting’s compliance with the law, along with its propriety and fitness for purpose. As a supporting measure, the Supervisory Board commissioned a limited assurance review in accordance with ISAE 3000 (Revised) from audit firm KPMG AG. In addition to the reporting and the non-financial performance indicators, the review by the auditors covered the materiality analysis, the policies and the due diligence processes. KPMG AG Wirtschaftsprüfungsgesellschaft issued an unqualified report on a limited assurance engagement (see page 42 ff.).

The core topics identified in the materiality analysis were used to select the contents to be disclosed in the report on each of the five aspects required (environmental matters, employee matters, social matters, respect for human rights and anti-corruption and bribery matters). The Non-financial Report was prepared on the basis of the requirements set out in the HGB. Given the increasing importance of information security and data protection, we have created a new chapter, “Compliance”, that addresses these issues together with the content for the anti-corruption and bribery matters. In addition, our description of the management approaches and the implementation of the materiality analysis is based on the Global Reporting Initiative Standards („GRI-referenced“) and also takes into account the principles set out in the UN Global Compact.

The information we provide in the individual chapters is aligned with selected GRI indicators²⁾ so as to make our performance in the various aspects comparable. GRI indicators 101 and 103 have been incorporated into the reporting texts.

In addition, we have taken the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD) into account and have integrated the recommended content for the four-pillar structure with the structure of this Non-financial Report. In line with this, we use a uniform structure to report relevant content on our strategy, governance, risk management, and metrics and targets for each aspect, ensuring that the content is transparent and easily accessible. What is more, this Non-financial Report for 2021 discloses environmental, social and governance (ESG) targets that have been resolved by the Management Board, the timing for which also extends beyond 2022. We measure the progress we make towards achieving our targets constantly using appropriate interim targets and associated KPIs. The subchapters, which are replicated consistently across the different matters, group the TCFD recommendations together as follows:

¹⁾ www.aareal-bank.com/en/responsibility/

²⁾ GRI 101, 102, 103, 205, 206, 302, 305, 401, 404, 405, 406, 414, 419

a) Importance for our sector and our Company

Description of the importance of the matter in question for us as a Company and our business environment, and of the resulting strategic implications for us

b) Our management approach and how we have positioned ourselves

A description of how we have positioned ourselves with respect to governance and opportunity and risk management for the matter in question, to the extent that this is applicable and considered relevant

c) Performance indicators and progress made in the reporting period

This is used to disclose relevant results and indicators including progress reporting, showing how we are proceeding towards achieving our goals

Cross-references to disclosures other than in the Group Management Report/Corporate Governance Statement represent additional information and do not constitute part of the Separate Combined Non-financial Report.

Description of the Business Model¹⁾

Aareal Bank Group's Structured Property Financing segment finances commercial property, and in particular office buildings, hotels and shopping centres, plus logistics facilities, residential properties and student housing. The focus is on complex, large-volume medium- to long-term finance for completed buildings (average term of roughly 4 years). Consequently, the ability of properties to retain their value for the long term and the careful selection of its business partners are very much in the Company's own interests.

With its three strategic business segments – Structured Property Financing, Banking & Digital Solutions and Aareon, Aareal Bank Group goes beyond the traditional banking business. Our goal is to provide clients with forward-looking solutions that offer them competitive advantages and facilitate their long-term business success.

In the Banking & Digital Solutions (BDS) business segment, we are a digitalisation partner for businesses from the housing, property and energy industries, combining extensive advisory services and product solutions with traditional corporate banking services and deposit-taking. One key element of what we do is to integrate the housing and property industries with related sectors. In addition, we offer end-to-end solutions for tenancy bond management, plus payment systems that allow our clients to design their business processes efficiently.

Aareon – our subsidiary and a leading supplier of ERP software and digital solutions for the European property industry and its partners – represents our third business segment. Aareon offers innovative, secure solutions in the fields of consulting, software and services to optimise IT-based business processes, and to extend clients' business models. Its international research and development and cross-border knowledge transfer mean that clients benefit from the entire Aareal Bank Group's expertise. The Aareon

¹⁾ See also the "Fundamental Information about the Group" section of the Group Management Report in Aareal Bank Group's Annual Report 2021 for a description of the business model.

Smart World portfolio connects property companies and their employees with clients, business partners and technical devices in homes and buildings. At the heart of this digital ecosystem are Aareon's ERP systems, which can be combined seamlessly with additional digital solutions to meet individual companies' needs.

Group enterprises are managed at Group level, i.e. the descriptions of the management approaches for the five aspects apply both to the parent company and to subsidiaries. Where specific sustainability management issues exist, we draw attention to these in the relevant places. We again used our ESG@Aareal initiative, which was launched in 2020, in the reporting period for ESG integration – i.e. to ramp up the inclusion of ESG aspects in our decision-making and management processes. The divisions were largely responsible for driving forward the Group's ESG activities under this initiative during the reporting period. Examples include supporting regulatory measures relating to ESG topics by participating in the official consultations held by the EU, the development and resolution of quantitative ESG targets for the Group, the inclusion of green product offerings in Aareal Bank AG's lending and funding business, and the expansion of digital products designed to solve the problems facing society. We will look at these in more detail in our discussion of the individual matters and present the results in the appropriate places. Awareness of ESG issues has risen substantially throughout the entire Group thanks to our in-depth examination of regulatory requirements and our identification of associated opportunities and risks, something that can make a significant contribution to Aareal Bank Group's future viability.

Sustainability Management at Aareal Bank Group

Aareal Bank Group's sustainability management activities are handled centrally by the Group parent, Aareal Bank AG. The head office Sustainability team, which forms part of the Investor Relations division, with the assistance of contacts in the individual divisions, ensures that the Group's sustainability activities are expanded and enhanced; overall responsibility lies with the Chairman of the Management Board. In addition, Aareon – as the Group's largest subsidiary – has its own contacts who are responsible for progressing the topic area together with the Sustainability team. This allows us to emphasise the strategic importance of ecological and social sustainability and corporate governance aspects for our corporate philosophy, manage their practical implementation centrally and make sure that relevant ESG information is included in our communications with our stakeholders..

The Group Sustainability Officer reports directly to the Chairman of the Management Board, informing the Management Board about material developments on an ongoing basis and supports it in its activities. Among other things, she is responsible for strategic enhancements to sustainability management and to sustainable finance activities, and liaises closely with the divisions and Group subsidiaries to coordinate and drive forward their implementation. Other priorities include appropriately communicating Aareal Bank Group's sustainability performance to different target groups in the areas of reporting, ratings, internal and external communications, etc.; representing Aareal Bank Group on industry bodies and in working groups; and acting as the recipient for, and addressing, relevant stakeholders' concerns.

Our sustainable finance activities aim at promoting sustainable development and creating long-term value while taking ESG risks into account. To do this, we focus both on the international climate protection targets set out in the Paris Agreement and on the United Nations' Sustainable Development Goals (SDGs).

The Sustainability Committee, which meets at regular intervals, and the Green Finance Committee are responsible for ensuring internal coordination and liaison. The two bodies play different roles:

- The Sustainability Committee meets regularly once a quarter and on an ad hoc basis in special cases. Its main role is to coordinate overarching sustainability activities and to enhance the sustainability mission statement and sustainability management within the Group. In addition, its meetings are used to discuss sustainability trends and stakeholder queries/expectations, and to update the materiality matrix.
- The Green Finance Committee (GFC) focuses on (further) enhancements to Aareal Bank AG's green product offering. It discusses sustainability criteria for financings, regularly reviews the Green Finance Framework to ensure it is up to date, appropriate and market-driven, and is responsible for managing the pool of green assets underlying the issuance of green financial instruments.

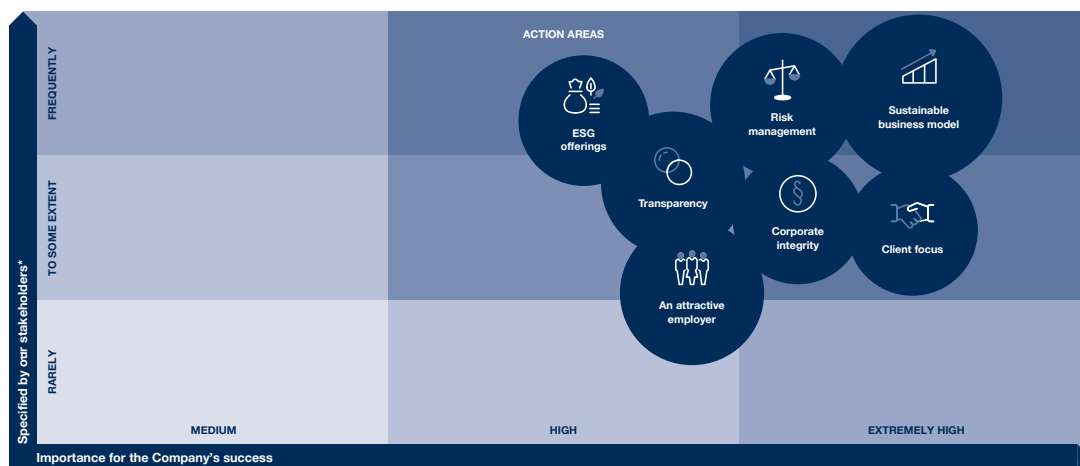
Determining Materiality

Financial year 2021 was another exceptional year in many ways due to the Covid-19 pandemic. Shifts in perspectives mean that the importance of certain topics has changed. Among other things, the pandemic impacted the following action areas: "Attractive employer" (e.g. focus on employee protection and safety), "Client focus" (e.g. developing solutions together to overcome the crisis) and "Green offerings" (e.g. expanding our digital functionality so as to respond adequately to new challenges). This has further enhanced the importance of our ESG commitment and shows that ESG is a value driver for the stakeholders which have been identified as relevant for us.

We define materiality as encompassing everything that helps ensure Aareal Bank Group's long-term business success in a dynamic market environment – and hence its future viability. At the same time, we also keep sight of the impact that our own business activities have (see chapter I. Environmental matters). The last comprehensive update to the action areas that were identified as material was performed in financial year 2021. Our continuous dialogue with representatives of widely different stakeholder groups is extremely important for our assessment.

As a result – and also because the requirements of our various stakeholder groups can change over time – we regularly update our materiality analysis. For example, we again held discussions with internal and external stakeholders during the reporting period, and reviewed and updated the relevance of our action areas and the topics allocated to them. The updates focused on material issues within the meaning of section 289c (3) of the HGB, i.e. all information needed for an understanding of the Group's course of business, results and position, and of the impact of its business activities on the five aspects mentioned in the HGB (environmental matters, employee-related matters, social matters, respect for human rights, and anti-corruption and bribery matters).

Our sustainability management operations focus on seven action areas that are depicted in the following GRI-referenced materiality matrix and that are key to securing the Company's long-term success. In other words, the number of action areas has declined by one year-on-year. This was due to the combination of the "Green products" and "Digital solutions" action areas into a single action area, "ESG offerings", that will cover the products and services for all three Group segments going forward.



* Clients, investors, employees, analysts, rating agencies, supervisory authorities, politicians, associations, etc.

A forward-looking, profitable business model and proactive risk management continue to be material to the Company's success. The materiality analysis that we performed during the reporting period revealed that relevance of the "Integrity of our business activities" and "Transparency" topic areas has again increased significantly for our internal and external stakeholders. In addition, the "Client focus" and "Attractive employer" topic areas are still highly important, as is the combined "ESG Offerings" topic area – i.e. the products and services with which we contribute to the sustainable development of the economy and society in our three business segments: Structured Property Financing, Banking & Digital Solutions and Aareon. The results of the materiality analysis also confirm our consolidated Group-wide view that the ESG topic area is becoming more and more important for all of the Company's segments. Supervisory and regulatory requirements; investor, client and employee demands; and society's expectations have turned this into a horizontal topic within the Company. This explains the consistently high to extremely high relevance of the topic areas for the Company's success, and the frequent references made to it by our stakeholders.

Reconciliation of action areas to relevant issues

We have assigned the relevant issues as defined by section 315c (2) of the HGB in conjunction with section 289c (2) of the HGB that underlie our action areas to the statutory aspects at a content level.

| Action areas | Relevant issues | Matter(s) impacted |
|------------------------------------|---------------------------------|-----------------------------------------|
| Future-proof business model | Economic performance | 3. Social matters |
| | Strategy implementation | 3. Social matters |
| Risk management | ESG risk management | (Risk reporting section) |
| Client focus | Client relationship management | 3. Social matters |
| Corporate integrity | Tools, processes and rule books | 5. Anti-corruption and bribery matters/ |
| | Human rights guidelines | 4. Respect for human rights |
| | Human rights guidelines | 4. Respect for human rights |

| Action areas | Relevant issues | Matter(s) impacted |
|----------------------------|------------------------------------------------------|------------------------------------------------|
| Attractive employer | Workforce structure | 2. Employee matters |
| | Remuneration | 2. Employee matters |
| | Training and education | 2. Employee matters |
| | Staff development (including succession planning) | 2. Employee matters |
| | Company benefits and flexibility | 2. Employee matters |
| | Internal dialogue formats | 2. Employee matters |
| | Employee health and safety | 2. Employee matters |
| Transparency | Ratings | 3. Social matters |
| | Environmentally sustainable property quality | 1. Environmental matters |
| | Resource efficiency in operations | 1. Environmental matters |
| ESG offerings | Green lending | 1. Environmental matters |
| | Digital solutions to challenges facing society | 1. Environmental matters/ 3. Social matters |
| | Smart buildings | 1. Environmental matters |
| | Data security and data protection | 5. Anti-corruption and bribery matters |

Risk Reporting

The Risk Report that forms part of our Group Management Report¹⁾ provides comprehensive information on our risk management system and the risks associated with our business activities, products, services and business relationships that have been identified for Aareal Bank Group.

The growing importance of ESG topics for the financial services sector and the property industry holds manifold opportunities, yet also involves risks. New laws, regulations and administrative requirements, along with market and technology trends, have contributed to a significant rise in the demands made on banks' risk management operations in recent years. In line with this, banks have to take a holistic approach to ESG risks and to integrate these with their risk management. We define ESG risks in this context as drivers that can trigger or intensify existing risks in our business. In view of this, we have continued to expand our powerful ESG risk management activities and are systematically integrating ESG aspects with our risk strategy and with our risk processes, methods and tools.

In the reporting period, we expanded our risk management framework to include an ESG risk manual and also developed corresponding ESG risk governance practices. This overarching text provides an end-to-end overview of the process for identifying, assessing and managing ESG risks. It explicitly includes regulatory requirements such as the ECB Guide on climate-related and environmental risks, the BaFin Guidance Notice on Dealing with Sustainability Risks and the EBA Guidelines on loan origination and monitoring. In addition, the ESG@Aareal initiative set its own level of ambition for managing ESG risks already in 2020. ESG risks falling within this level of ambition are integrated with Aareal Bank Group's risk management operations throughout the management cycle. The objective is to systematically incorporate sustainability aspects into both the various (sub-)risk strategies and the ICAAP and ILAAP frame-

¹⁾ See the Risk Report that forms part of the Group Management Report in Aareal Bank Group's Annual Report 2021.

works. In addition, ESG risk governance that is appropriate from both a workflow and organisational perspective permits an integrated, strategic approach to sustainability.

We identified the relevant ESG risk factors as climate risks, changes in stakeholder requirements, competitive and market pressure, business ethics and compliance, and uncertainty regarding ESG regulations relating to Aareal Bank Group. These primarily impact our credit risk and operational risk. We pushed ahead with the development of ESG stress test scenarios in the reporting period as part of our ESG@Aareal initiative. The initial calculation, which is based on the data for the 2021 financial year, is designed to show both the impacts of climate change and the influence of social developments on our risk profile.

We provide more detail on topics that are of particular importance to sustainability-conscious stakeholders in the overview of risks and opportunities given at the beginning of each aspect. No reportable risks whose potential adverse impacts on the five aspects are or could be severe, or whose occurrence is highly probable, were found to exist in the reporting period.

1. Environmental Matters

a) Importance for our sector and our Company

Aareal Bank Group has been accompanying and supporting the sustainable transformation of the economy and society for years by adopting a systematic approach to sustainability. To the extent that we can influence things, we want to help meet the international climate protection goals set out in the Paris Agreement on Climate Change (1.5 degrees/2 degrees) and the United Nations' Sustainable Development Goals (SDGs). This is because, as a financial services provider and partner to the property industry, we are active in two sectors that are instrumental as the economy transforms.

As is the case with most financial institutions, the environmental impacts of our financing activities are largely indirect. However, we are convinced that we need to systematically align our activities and our work with sustainability requirements in order to live up to our responsibilities in this area of business and to ensure that our business model remains viable in the future. This is why we consider the inclusion of environmental risks as absolutely vital to ensuring our long-term business success. ESG criteria play an increasingly important role in lending decisions, especially when it comes to assessing the sustainable value of the properties in question.

The property sector accounts for a significant proportion of global energy consumption and resulting greenhouse gas emissions¹⁾, and substantial potential savings can be still made in this area. Creating transparency in property valuations provides additional support for international climate protection efforts. In addition, our funding activities and securities business can have an active impact on the market.

In the Banking & Digital Solutions segment and at Aareon, our products and services enable our clients to use digital, mobile solutions to actively and tangibly cut carbon emissions and hence reduce negative environmental impacts. This leads, for example, to more efficient processes, a drop in the number of kilometres travelled and to less paper being used.

¹⁾ According to the International Energy Agency (IEA), just under 40% of global emissions are caused by the property sector.

We are aware of our corporate responsibility and aim to help shape developments in our market when it comes to implementing ESG criteria. This is why we are monitoring political developments at national and EU level closely, contributing our expertise here through consultations and implementing measures designed to promote transparency and make the environmental impact on our business activities visible and comparable at an early stage and in some cases also on a voluntary basis.

OBJECTIVES:

- **A responsible approach to natural resources and environmental protection** are elements of our corporate responsibility. We are already helping transition to a lower-emissions economy today with each energy-efficient property and each energy-efficient renovation project that we finance. We aim to expand this contribution further going forward. We are developing ESG KPIs for both our sustainability performance at enterprise level and our funding and product portfolios; these will make our performance visible and measurable in various divisions. In light of this, we are continuing our work in our BDS and Aareon business segments to develop innovative solutions that have an ESG impact.
- **To create and improve transparency**, e.g. with respect to property certifications, buildings' energy efficiency, the visualisation of consumption data for operators and tenants, or the environmental impact of new products and services. We are therefore continuing to work on disclosures relating to the green building certificates, energy efficiency and alignment with the EU taxonomy, and with disclosing the financed carbon emissions in our CREF portfolio¹⁾ in line with the PCAF²⁾ standard.
- **Conserving resources is environmental protection** and part of our corporate philosophy. Continuously cutting energy usage and avoiding carbon emissions play an important role in our internal planning and optimisation measures. We therefore set ourselves the goal in the reporting period to ensure carbon-neutral operations by 2023 in line with the "avoid, reduce, offset" principle. Not only do we want to ourselves make a contribution to global climate protection, but we also want to be a role model for competitors and clients.

¹⁾ Commercial property finance portfolio

²⁾ Partnership for Carbon Accounting Financials (<https://carbonaccountingfinancials.com/>)

b) Our management approach and how we have positioned ourselves

Environmental matters are managed centrally for the Group by Aareal Bank AG's Sustainability Management unit; however, more responsibilities are being successively transferred to the individual divisions, and the relevant expertise established there. This is the only way to comprehensively depict this area and to take it adequately into account. Topics affected include property valuation and, in particular, product development in the two segments. The following gives examples of some initiatives and processes we have launched that illustrate how we are implementing environmental matters at enterprise level:

Environmental/sustainable property quality

In view of the Paris Agreement on climate change and its goal of limiting global warming to significantly less than 2 degrees, higher requirements for transparency and the contributions to be made by enterprises to climate protection can be expected in the short to medium term. Institutional investors are also increasingly taking climate and environmental risks into account, while supervisory authorities are requiring that these are identified and managed. We have accommodated this by adapting our systems back in 2019 to enable them to store data on energy efficiency, green building certificates and energy-efficient renovation projects. Data gathering, data capture and data validation for our global portfolio is continuing to progress. This is allowing us to specifically evaluate relevant KPIs in our lending business. We finance properties of lasting value that live up to our strict quality requirements. When performing property valuations, we not only focus on the buildings' fair values but also determine the mortgage lending value and use a lifecycle analysis that includes environmental aspects such as the buildings' technical, functional and environmental quality as standard components. We also always take marketability and third-party usability into account when looking at sustainable property use.

Quality defects such as inadequate energy efficiency negatively impact property valuations. Depending on how severe they are and how relevant for the overall rating (which comprises a comprehensive market, property and risk analysis), they may impact loan structuring or lead to requests for finance being rejected.

Green lending

Green lending was identified as an opportunity for Aareal Bank Group back in the 2019 financial year. The first step – based on our valuation expertise, our many years of experience and property market knowledge, and existing market standards – was to define criteria for environmentally sustainable commercial property. These underpin our green lending offering, which was published during the reporting period. In addition to energy efficiency, alternative criteria include the existence of certain high-quality building certificates, or the requirements for Taxonomy-aligned buildings.

We entered into our first “green” financing arrangements in the reporting period. Our definition was developed together with our in-house experts with the goal of applying it worldwide. A second-party opinion (SPO) by Sustainalytics then reviewed it for the quality, market conformity and suitability of the qualification criteria, and rated it as “credible and impactful”.

Portfolio transparency

Financial services providers and property sector players alike are facing the challenge of having to calculate and disclose the carbon emissions they have financed or caused. Since there is currently no uniform methodology for calculating and ensuring the comparability of such carbon data, we decided to help develop and implement a uniform standard for commercial properties. This is why we signed a PCAF Commitment Letter in the reporting period, and by doing so have undertaken to report the carbon footprint for our property finance portfolio in line with the PCAF standard by 2024. Our goal is to amass the relevant knowledge and influence the future design of the calculation methodology for property finance in line with our requirements. We will serve as co-lead in the “Commercial Property and Mortgages” subgroup of the PCAF working group for Germany, Austria and Switzerland.

Digital solutions and smart buildings

The digital solutions we are developing focus not only on generating time, cost and efficiency savings, but also on improving our clients' environmental footprint and contributing to their climate protection efforts. We are systematically enhancing our digital product portfolio in line with these goals. Examples include our BK01 product series and our enabler products – our term for products that have a positive ESG impact such as Aareal Meter, Connected Payments, the Aareal Exchange & Payment Platform and AiBATROS®.

- Aareal Meter, a digital meter management system, allows both housing enterprises and utilities to optimise their meter reading processes. Digital readings of main and secondary meters on set dates enable companies to improve the quality and security of the data read. Rapid data capture and the resulting high-quality data pool also allow higher-quality operating cost invoices to be created more quickly. In turn, the reduced error rate leads to lower internal expenditure and fewer queries by tenants.
- Developed as an invoicing system for B2B platforms, Connected Payments automates multiparty payment settlement and invoicing for platform users' complex payments processes, and hence supports billing and the expansion of intelligent e-mobility charging infrastructures, among other things.
- Aareal Exchange & Payment Platform (AEPP) is a digital payments, data and communication services platform that is directly integrated with clients' ERP systems. It offers a wide range of payment options such as cash/viacash, PayPal and credit cards for housing industry and utilities payments processes in particular. Offering alternative payments and communications channels accommodates the change in clients' requirements, who are now demanding greater flexibility for making payments. In addition, ERP systems can trigger automatic posting of items, leading to substantial process savings in receivables management and to enhanced posting accuracy. Digital communication with end customers helps reduce negative impacts on the environment, since it replaces physical correspondence and hence cuts paper consumption and carbon emissions.
- The AiBATROS® software supplements Aareon's existing ERP systems by processing and evaluating large volumes of data to determine the current status of individual building elements and their maintenance requirements, and suggesting maintenance measures. In addition, the software can help clients achieve their individual CO₂ targets by calculating energy requirements on the basis of the data captured, and proposing energy-saving refurbishments. The energy and CO₂ savings associated with these measures and their cost-efficiency are also reported.
- In addition, the Aareal Portal, our banking portal for housing industry clients, is aiming at end-to-end digitalisation of client communications, reducing negative impacts on the environment in the process.

Automated processes, a consistent data pool and user-friendly services are becoming more and more important as the integration of housing enterprises with their clients, business partners and technical facilities increases. Aareon has set a standard for digital networking in the property sector and related industries for several years now with its Aareon Smart World digital ecosystem, which is built around our ERP systems. Examples are digitalised rental and maintenance processes and digital customer relationship management. In keeping with our goal of actively assisting our clients in achieving their environmental goals, Aareon developed PrediMa – a predictive maintenance solution for predictive and corrective maintenance – in the reporting period. PrediMa aims to gradually make buildings "intelligent" so that damage

to properties or their surroundings can be identified and reported early on, or preventive measures taken. Whereas tenants previously reported damage and employees then examined this on the ground and arranged for repairs, in future PrediMa will combine the IoT (Internet of Things) and intelligent data processing to identify the actions and recommendations that need to be performed. For example, work assignments complete with precise task descriptions and site details can be sent automatically to service partners and craftspeople, rapidly bundled and then performed. Other use cases such as predictive maintenance for lifts, water consumption management and building energy efficiency are being discussed.

Back in 2020, we screened the digital products in our Banking & Digital Solutions segment for compliance with ESG criteria. The objective was to identify ESG criteria affecting our stakeholders (clients, investors, employees) directly or indirectly, and to analyse where and how they have an impact. The universe of ESG topics (including internationally recognised ESG standards such as the Global Reporting Initiative (GRI) and ESG topics specific to the environment for our product range) was narrowed down to reveal those topics relevant to Aareal Bank Group. A longlist was then discussed with the product managers and investigated for common product characteristics. This shows how certain product variants can have as positive an effect as possible in certain areas of life that have been defined by the United Nations Sustainable Development Goals (SDGs) as being relevant to ESG. Our solutions enable our clients to cut their carbon emissions and save energy. For example, additional meter-reading trips by technicians can be avoided using the digital Aareal Meter solution. Buildings are becoming more and more “intelligent” thanks to digital technologies. The Banking & Digital Solutions and Aareon segments constantly examine forward-looking topics and technical innovations (including for building management), so as to assess their potential to enhance efficiency and optimise processes, and to develop new property sector solutions. Aareon Smart World’s digital ecosystem allows processes to be re-engineered and optimised. An example of one area where this plays a key role is maintenance, which is a significant cost factor in the property and housing industry.

Resource efficiency in operations

In addition to taking environmental aspects into account in our business decisions, we work continuously in our own business operations to conserve natural resources and reduce our carbon footprint. We make a valuable contribution to climate protection at our two head offices in Wiesbaden and Mainz by only sourcing green energy and by using climate-friendly district heating and geothermal heating. We document the entire Group’s energy and resource usage every year to make our own impact transparent and to identify additional optimisation potential. We then use the data to calculate our carbon footprint in accordance with the Greenhouse Gas Protocol standards. The following table shows direct and indirect energy consumption and the resulting carbon emissions (calculated using the market-based method) for our two head offices in Wiesbaden and Mainz¹⁾. Consequently, the environmental indicators disclosed in this report account for just under 68 % of Group energy consumption. The carbon emissions generated by our two head offices also made a significant contribution to the Group’s overall carbon footprint, accounting for approximately 54 % of Scope 1 and Scope 2 emissions²⁾.

¹⁾ We publish our Group-wide environmental data and our overall carbon footprint (including (partial) Scope 3 data) every year on our website following the Non-financial Report.

²⁾ Based on the consumption figures/carbon emissions for 2020.

c) Performance indicators and progress made in the reporting period

Total energy consumption at our Wiesbaden and Mainz head offices* (GRI 302-1)

| | 2021 | 2020 | 2019 |
|----------------------------------------------|---------------|---------------|---------------|
| in gigajoules (GJ) | | | |
| Direct energy consumption | | | |
| Petrol | 3,491 | 5,013 | 5,635 |
| Diesel | 11,273 | 9,403 | 18,325 |
| Heating oil | 176 | 210 | 204 |
| Natural gas | 36 | 0 | 0 |
| Total | 14,976 | 14,626 | 24,164 |
| Indirect energy consumption | | | |
| District heating | 12,739 | 11,069 | 11,298 |
| Power | 23,250 | 23,398 | 27,557 |
| Proportion attributable to green electricity | 100% | 100% | 100% |
| Total | 35,989 | 34,467 | 38,855 |
| Total energy consumption | 50,965 | 49,093 | 63,019 |

* 2019 was not included in the limited assurance review.

Total energy consumption and the resulting carbon emissions rose slightly again compared to the pandemic-driven slump seen in the previous year, as expected. However, they remained at a low level. One reason for this was the ongoing tangible effect of the pandemic in the form of relatively low company car usage and a decline in energy consumption, since employees were largely working from home. The drop in emissions in the previous year also included persistent savings effects resulting from the high proportion of district heating sourced from CHP plants and renewable energy sources. These continued to make an important contribution to avoiding additional carbon emissions from heating in the reporting period. Last year, we already documented the high proportion of heat sourced from CHP plants and renewable energies that was used to generate the district heating we sourced in Wiesbaden; in the current reporting period, we were able to document that the district heating sourced at our Mainz location also has a low primary energy factor and is environmental friendly.

Carbon emissions at our Wiesbaden and Mainz head offices (market-based method)*

| | 2021 | 2020 | 2019 |
|-------------------|--------------|--------------|--------------|
| In tonnes (t) | | | |
| GRI 305-1 Scope 1 | 1,046 | 1,017 | 1,847 |
| GRI 305-2 Scope 2 | 326 | 297 | 449 |
| Total | 1,372 | 1,314 | 2,296 |

* 2019 was not included in the limited assurance review.

RESULTS AND PROGRESS MADE IN THE REPORTING PERIOD:

- ✓ We continued to expand our sustainable finance activities in the reporting period:

 - We have verified ESG information for 40 % of our global credit finance portfolio (CREF portfolio) and stored the relevant documents in our systems.
 - Roughly € 430 million has already been extended as green loans since the Green Finance Framework – Lending was published in June 2021 (information as at 10 February 2022).
 - Green issuing proceeds of almost € 1 billion have already been generated from our first senior preferred green bond and drawdowns under our green commercial paper programme following the publication of the Green Finance Framework – Liabilities (information as at 10 February 2022).
- ✓ We played an active part in a number of events designed to identify and promote promising, high-growth start-ups in the reporting period as part of our activities in this area. There was a strong focus on environmental aspects.

 - Aareal Bank Group sponsored the ESG special award for the 2021 Fintech Germany Awards.
 - The Decarbonize Real Estate Challenge, launched by Ampolon Ventures, Aareon Group's venture subsidiary.
 - Ongoing discussions with a number of start-ups offering promising solutions in the area of climate protection and carbon reduction.
- ✓ Aareon is taking part in the "ForeSight" project that is being sponsored by the Federal Ministry for Economic Affairs and Climate Action. The goal is to develop intelligent, forward-looking smart living services. Aareon is providing ForeSight's BigData&Analytics platform and is managing the data management work package, which aims to develop concepts for linking smart living services and the platform information on the one hand with the housing industry ecosystem comprising property ERP systems and digital solutions on the other.
- ✓ Aareon already fully offsets the carbon emissions produced from business travel, thus contributing to climate protection.
- ✓ Total energy usage at our two head offices in Wiesbaden and Mainz amounted to approximately 51,000 gigajoules in financial year 2021. We calculated this from our electricity, heating energy and fuel consumption figures.
- ✓ More than 45 % of total energy consumption at our two head offices was attributable to electric power requirements. Electricity consumption here in the reporting period was approximately 6.5 million kWh overall. Roughly 4.3 million kWh of this figure was attributable to our Wiesbaden location and 2.2 million kWh to Mainz. We are aware of our responsibility and know that, assuming an average annual consumption of 3,200 kWh, this amount of energy would have been enough to power more than 2,000 households. As in the past, we used certified, demonstrably emissions-free green power for all our electricity requirements during the reporting period, benefiting both the environment and the climate.

- ✔ Our use of fossil fuels and company cars led to total CO₂ emissions of 1,372 t at our two head offices in financial year 2021¹⁾. With respect to Scope 1, a total of 1,046 t of CO₂ was emitted in relation to the use of company cars and heating. Scope 2 carbon emissions were calculated using the electricity and district heating consumed. They amounted to 326 t for the two head offices using the market based method.

¹⁾ Calculated by adding the carbon emissions for Scope 1 and Scope 2 (using the market-based method)

2. Employee Matters

a) Importance for our sector and our Company

Our staff play an important role in ensuring Aareal Bank Group is well-positioned for the future. Highly motivated employees who think and act in an entrepreneurial manner, take responsibility and develop innovative solutions are critical to the Group's business performance and competitive ability. This is all the more true in our complex business, which in many cases is based on trust-driven client relationships built up over many years.

The Covid-19 pandemic posed a large number of challenges for us in 2021, as previously. Protecting the health of our staff and our clients, and helping stop the spread of the virus, were once again top priorities in the reporting period. However, quite apart from the strict measures that needed to be taken to protect our employees' health, we are also seeing a change in the world of work that has been accelerated by the Covid-19 pandemic. The restrictions imposed in connection with the coronavirus, which led to a rapid surge in home working, laid this transformation bare. The rise of digitalisation, pressure to innovate, a cultural shift and a skills shortage have permanently changed the way we work and will remain key drivers of development.

OBJECTIVES:

- **Workforce health and safety** are our top priority. Large proportions of our employees around the globe continued to work remotely in the 2021 reporting period, protecting both themselves and the health of the public as a whole.
- **Ensuring our long-term appeal as a leading-edge employer** in order to be able to continue to attract and retain talented staff. To do this, our human resources activities focus both on recruiting new staff and on promoting a corporate culture that is aligned with our needs in a wide variety of ways, such as appropriate, performance-based remuneration, needs-driven training and education, attractive company benefits, and highly flexible working times and locations.

- **Continuous two-way communication with the workforce:** A strong feedback culture is critical if Aareal Bank Group is to enhance and extend its corporate culture in the way it wants to. This is why Aareon staff have been polled annually for many years to establish how satisfied they are. The classic employee survey performed at Aareal Bank AG in 2019 to supplement the previously used formats (employee reviews and events, etc.) was repeated in 2021, as part of its regular two-year cycle. We also use suitable ad hoc formats such as surveys and workshops to allow our employees to have a say in updates to our strategy.
- **Measurable successes and progress:** To achieve this objective, we focus on quantifiable goals and developed ESG goals for the Group in the reporting period. Here, too, the aim was to enhance our attractiveness as an employer by focusing clearly on the importance of developing young talent at Aareal Bank AG:
- By 2022, we aim to fill at least 25 % of open positions with internal candidates. The goal also represents a clear commitment to develop our workforce.
 - Growing young talent is particularly important to us, which is why we are also aiming to fill at least 30 % of all open positions with such staff in the period from 2022 to 2024.

b) Our management approach and how we have positioned ourselves

The HR departments in the individual Aareal Bank Group subsidiaries coordinate human resources management and support managers in operational staff management issues. In addition, Aareal Bank AG performs the HR function for a number of subsidiaries, while in the Aareon subgroup Aareon AG is responsible for managing this. Human resources strategy tasks are addressed by the Managing Director (MD) Group Human Resources & Infrastructure function at Aareal Bank AG and by equivalent functions at the subsidiaries. The Aareal Bank AG guidelines (on e.g. the remuneration strategy, financial control for human resources and the corporate retirement plan) are based among other things on the core labour standards published by the International Labour Organization (ILO)¹⁾ and on more far-reaching national labour and social standards.

Aareal Bank Group regularly commissions recognised audits of its human resources work and the quality of its processes and measures; these also act as an early warning system.

Our human resources policy is reflected in the following topics:

Remuneration

Our remuneration systems are based on specific remuneration principles. In addition to their fixed remuneration, all permanent Bank employees receive performance-related variable remuneration. As required

¹⁾ The core ILO labour standards: Convention 87, Convention 98, Convention 29, Convention 105, Convention 100, Convention 111, Convention 138, Convention 182

by the German Regulation on Remuneration in Financial Institutions (Institutsvergütungsverordnung – InstitutsvergV), the variable remuneration for a limited number of Aareal Bank employees is not paid out in full and directly, but is retained in tranches for several years and granted partly as virtual shares. The objective is to avoid creating negative incentives to take inappropriately high risks and also to align remuneration with the Bank's long-term success by structuring the remuneration systems in line with this, by capping variable payments and by lengthening the period over which they are disbursed.

Aareal Bank has a consistent remuneration policy across all levels of its hierarchy, from the Management Board down to pay-scale employees. The basis of measurement for all employees' variable remuneration is split into an individual component and a Group component; in the case of risk takers, an organisational unit component also applies. Target achievement for the Group component is determined centrally, approved by the full Management Board and communicated to employees. Introduction of the Group component means that all employees now share directly in the benefits when Group targets are achieved – something that is also intended by the Code of Conduct.

In line with section 25d (12) of the German Banking Act (Kreditwesengesetz – KWG), the Supervisory Board has established a Remuneration Control Committee, which ensures that the remuneration systems for the Management Board and employees are appropriately structured. The remuneration systems and the underlying remuneration inputs are reviewed for appropriateness at least once a year with the assistance of Group Human Resources & Infrastructure, the Remuneration Officer and other relevant control instances.

Aareal Bank offers its employees a wide range of social benefits in addition to their remuneration, with its employer-funded corporate retirement plan being particularly important here. What is more, Aareal Bank not only pays the regular employer pension contributions but also offers employees a deferred compensation scheme that allows them to shift part of their taxable income to the period after they have retired, and hence to make personal provision for their retirement. The Bank also takes advantage of rebates, for example for its group accident insurance and other insurance benefits.

Quantifiable ESG targets are included in the individual component of the overall target achievement for Aareal Bank AG's Management Board members in order to ensure that the increased importance of ESG aspects to the Bank's strategy is reflected in the remuneration system. The minimum weighting is 15%. The use of quantitative ESG targets allows for a high level of transparency regarding Aareal Bank AG's ESG focal areas and at the same time creates targeted incentives for a long-term sustainable strategy. In addition to the individual level, ESG aspects are also to be included in the Group component in future, further adding to the weight given to it.

Training and education

Aareal Bank Group invests continuously in developing its employees' professional, business and interpersonal skills on an individual, needs-driven basis. Our professional development measures aim throughout to ensure that anybody – from new recruits to employees of many years standing – can grow and develop their individual potential with us. Our new training and education approach, Learning@Aareal, which was launched in 2021, aims to react to the changes taking place in the world of work. This transformation is leading to new demands being placed on employees' skills and qualifications. Learning@Aareal gives people a large number of options for this because it offers different routes to learning and a holistic approach. We are making increased use of digital channels and blended learning, i.e. combining online and face-to-face education and eLearning. This ensures a high level of flexibility. In addition, Learning@Aareal has expanded its English-language content so as to also address an international audience.

Attracting and growing talented young employees is a core element of Aareal Bank Group's human resources work. The specialist knowledge required in our business segments means we have to invest continuously and in a targeted manner in training the next generation. For this reason, recruiting and training young talent is an integral part of our long-term succession planning and structured knowledge management. We stepped up our recruitment and training activities for talented young employees even further in the reporting period.

Aareal Bank AG's talent development programme comprises not only trainee programmes, but also two twin-track degree courses – business information systems and business administration – in cooperation with DHBW Mannheim and RheinMain University, plus an on-the-job Bachelor's degree in business administration offered in cooperation with the University of Applied Sciences in Mainz. In addition, Aareal Bank AG focuses on twin-track vocational training and offers apprenticeships as IT specialists in cooperation with other companies in the region, and as personnel services specialists. It collaborates closely with universities in the region using a variety of initiatives that are constantly being expanded. Apart from successfully transferring specialist knowledge and acquiring new perspectives, the dedicated measures that Aareal Bank AG takes to empower young professionals have already reduced the average age of its workforce.

Personnel development at Aareon continued in digital format during the Covid-19 pandemic. The Cornerstone learning management system is used to offer training modules on housing industry topics from the EBZ Business School in Bochum, while Pink University covered management, agile project management, soft skills, communication and health issues. In light of the continuing process of internationalisation, both Aareal Bank and Aareon also attached great importance to expanding language and communications skills. At Aareon, for example, the "Next Level" intercultural training (ICT) programme is used to promote this area. This aims to improve intercultural skills at Aareon and create greater understanding of intercultural differences in order, among other things, to facilitate teamwork and project work. Aareon is supported by an external international team of experts in the ICT area.

Besides its internal trainee programmes, Aareon offers two twin-track degree courses – "Business information systems" and "Media, IT and management" – plus vocational training opportunities for office managers, IT applications developers and IT systems integrators.

Staff development (including succession planning)

All Group managers discuss their employees' performance with them at least once a year plus – if desired – their individual development and specific development measures, as part of the regular Structured Appraisal and Target-setting Dialogue that is mandatory for all levels. Dialogues can also be held if a new manager is appointed for an employee during the year, if an employee's performance is found to be inadequate, if their responsibilities change significantly, or ad hoc if requested by the employee.

The Structured Appraisal and Target-Setting Dialogue, the next-generation talent development programme and succession planning are core tools for facilitating and planning employee development. Aareal Bank's strategic development approach uses a skills matrix as the basis for talent development at an organisational level. Linking the skills matrix, Learning@Aareal, clear selection procedures, and management and expert career paths facilitates our employees' sustainable development and is flanked by the mandatory staff development dialogue for all managers and employees that was launched in the reporting period. Individual development measures are agreed by employees and the managers responsible for them with the goal of facilitating skills growth and the deployment of the Company's own talent over a medium

to long horizon covering the next 36 months. The staff development dialogue builds on the employee's current tasks and, in the Company's and the employee's interests, promotes and enhances both soft skills and hard (professional, methodological and digital) skills. Knowledge networks contribute to the permanent development of the organisation and guarantee that specialist knowledge is protected so as to ensure sustainable succession planning.

As in previous years, the Management Board, with the support of Human Resources, discussed the pool of potential candidates for positions and succession options as part of the Bank's human resources planning in the reporting period, so as to be able to adequately fill key specialist and management positions in the Company without significant delays.

Internal dialogue formats

The goal of the employee surveys we perform in our Group is to obtain direct and honest feedback. This aspect of our corporate culture can be used to derive specific measures to support us as an enterprise during our transformation process.

In the reporting period, as in the past, we offered employees dialogue formats enabling us to work together on enhancing the Group, to promote information sharing, and to facilitate networking across individual divisions and levels in the hierarchy.

Employee surveys are regularly performed at the Group companies Aareal Bank AG and Aareon. The extremely high response rate and the constructive feedback given in the various dialogue formats, which in our opinion is of a high quality, demonstrate our employees' wish to play an active role in shaping Aareal Bank Group's ongoing development. Both Aareon and Aareal Bank AG conducted employee surveys in the reporting period.

New Work

We need digital tools and modern, innovative spaces both when working from anywhere and when in the office, in order to have a working environment in which we feel comfortable and which provides us with the tools we need to do our day-to-day work as optimally as possible. We are focusing on pioneering new technologies and methods, and on a new (management) culture that provides optimum support for hybrid, collaborative working so as to be able to assist this development with confidence and on our own terms.

As in 2020, a majority of staff worked from home in the reporting period. Our works agreements on mobile working meant that our employees already had the technical equipment needed and the necessary IT infrastructure had already been established. As a result, almost all staff throughout the Group were able to work from home from one day to the next when the social distancing measures came into effect. We took care throughout the pandemic to accommodate employees facing particular challenges due to the need to care for children or relatives, and to do justice to employees' need for safety. This was achieved by substantially extending the opportunities for mobile working, and by giving preference to virtual dialogue formats wherever possible and sensible. As a result, our employees were again able in 2021 to take advantage of the option to work from home, at least on a voluntary basis. Above and beyond this, working from home became mandatory (with certain exceptions) in specific situations, depending on the political requirements and recommendations in force. Training about their new digital workplaces has helped ensure that employees can work from home both efficiently and safely.

Networking is a challenge in the era of working from home, and this applies in particular to new hires. This is why we are promoting and extending digital formats. For example, Aareal Bank AG regularly holds digital coffee breaks that are designed to simplify networking across divisional boundaries. The internal “Aareal TeamUp!” initiative has a similar goal. The ability to sit in easily on meetings held by other divisions and teams is intended to provide insights into and touchpoints with the Bank’s different teams and functions. This helps both to get to know the various teams at the Bank and to make new contacts and obtain an initial impression of the topics addressed by the units in question. In addition, we want to use the “Buddy@Aareal” programme to give new employees in particular an opportunity to develop their networks. Under the programme, new hires can elect to be assigned a fixed contact person for three months who will answer any questions they have about Aareal Bank Group. In addition, fresh recruits pass through a digital onboarding procedure and attend digital welcome workshops in order to ensure they feel part of Aareal Bank Group right from the start.

We not only develop policies and solutions for digital collaboration, but also aim to design our office space in such a way that this facilitates enjoyable, efficient work. In 2020, Aareon conducted a number of surveys on the topic of mobile working that led to the “New Work” project being set up in 2021, while in Wiesbaden future ways of working and how to implement them at the Bank were also the subject of in-depth discussion. The development of new, innovative ways of organising working spaces was initially piloted at our Mainz location in the reporting period before these were used as best-practice examples for other locations.

Comprehensive programmes promoting flexible working times and locations (flexible working time models, part-time working, and our mobile working and teleworking offerings where operational requirements permit), plus a broad range of support measures to help employees achieve a positive work-family and work-care balance make it easier for our staff to organise their activities and round off developments in the area of New Work. The ability to implement flexible working hours also became an important factor during the Covid-19 pandemic, for example when organising home schooling. We assist our employees by providing a range of health promotion offerings comprising a mix of information, risk prevention measures, exercise and ergonomics, nutrition, mental health and relaxation, that are consistently tailored to employees’ current needs.

c) Performance indicators and progress made in the reporting period

RESULTS AND PROGRESS MADE IN THE REPORTING PERIOD:

- Responsible reaction to the pandemic so as to protect employees
 - Maintenance of the high level of mobile working
 - Help in dealing with difficult situations, such as the need to provide childcare
 - Frequent provision of information on current developments (Pandemic Committee)
 - Free masks and coronavirus tests offered to Aareal Bank Group employees
 - Free Covid-19 vaccinations offered at a number of German locations
 - Protective measures taken on the premises in response to the pandemic
 - Equipping of home office workstations
 - Offerings such as ergonomics advice for staff working from home
 - Company Health Management initiatives such as tips for working from home

-
- A number of external initiatives confirm the effectiveness and success of the measures taken. For example, the CRF Institute named Aareal Bank a “top employer” for the 14th time in 2021.
 - The employee survey conducted at Aareal Bank AG in the reporting period had a participation rate of 86%. We interpret this as a strong commitment on the part of employees to helping shape our Company’s future.
 - Aareal Bank Group held a large number of virtual meetings and events in the reporting period. New digital features offered opportunities for interaction (voting, Q&A sessions, surveys). Digital events held during the reporting period included the following:
 - Aareal Bank Group’s leadership meeting, the motto for which was “New Perspectives. Stronger Together“, was held in purely digital form for the first time on 17 March due to the pandemic.
 - As an alternative to the Aareon Congress, which has fallen victim to Covid for the second time in a row, Aareon is hosting a second digital Aareon Live event on 10 June.
 - Digital Aareon Forum for clients from Germany, Austria and Switzerland on 27/28 November
 - Aareon Live client event in France in June. This was the first completely digital client event to be held by Aareon France using an innovative virtual reality platform.
 - Aareon Nordic client information meeting plus industry fairs in the UK and the Netherlands, which were held as face-to-face meetings in some cases.
 - Both Aareal Bank AG’s Ordinary and its Extraordinary General Meeting in 2021 were held as purely digital events.
 - Internal employee offerings and presentations are designed to promote and support a feeling of togetherness and individuals’ mental and physical health. Offerings included the following:
 - Intranet articles designed to raise awareness of physical and mental well-being
 - Online coffee breaks
 - Regular online business yoga courses
 - Recipe tips for staff working from home
 - Aareon was awarded the “Great Place to Work®” certificate in Germany and France during the reporting period, demonstrating its attractiveness as an employer. The award is given for credible, fair management and active employee development. This seal of approval is based on the one hand on a representative, anonymous employee survey conducted in line with the global Great Place to Work® standard, and is supplemented on the other by insights into our internal human resources activities.
-

Workforce structure

Aareal Bank Group had continued to grow as at the end of 2021, employing a total of 3,170 people from more than 35 countries and three continents. Employee-initiated staff turnover was 5.8% during the pandemic period in the 2021 reporting period. New hires fell slightly, from 13.8% to 11.9%. A large majority of these appointments were made in Europe, with 59% being in Germany. Average employees' years of service with the Company rose slightly again from 10.8 to 10.9. The average employee age is also continuing to fall, with the current figure being 44.0. This demonstrates both Aareal Bank's continuing strong interest in long-term working relationships and the success of our measures to rejuvenate the workforce. At 80.6%, the proportion ofayscale employees was down slightly year-on-year (83.9%).

Workforce structure

| | | 2021 | 2020 | 2019 |
|---------------|-------------------------------------------------|-------|-------|-------|
| GRI Indicator | Subject matter | | | |
| GRI 102-8 | Number of employees in Germany | 2,170 | 2,105 | 1,964 |
| GRI 102-8 | Number of employees in Europe excluding Germany | 957 | 835 | 784 |
| GRI 102-8 | Number of employees in Asia and North America | 43 | 42 | 40 |
| GRI 102-8 | Employees worldwide | 3,170 | 2,982 | 2,788 |
| GRI 102-8 | of whom outside Germany | 1,000 | 877 | 824 |
| GRI 102-8 | of whom female | 1,161 | 1,122 | 1,027 |
| GRI 102-8 | Percentage of female employees worldwide | 36.6% | 37.6% | 36.8% |
| GRI 102-8 | Percentage of part-time employees | 18.6% | 19.6% | 19.9% |
| GRI 102-8 | Number of full-time employees | 2,580 | 2,398 | 2,232 |
| GRI 102-8 | Female part-time employees | 408 | 398 | 377 |
| GRI 102-8 | Percentage of female part-time employees | 69.2% | 68.2% | 67.8% |
| GRI 102-8 | Male part-time employees | 182 | 186 | 179 |
| GRI 102-8 | Percentage of male part-time employees | 30.8% | 31.8% | 32.2% |

Changes in workforce structure

| | | 2021 | 2020 | 2019 |
|---------------|-------------------|------|------|------|
| GRI Indicator | Subject matter | | | |
| GRI 401-1 | New hires | 376 | 412 | 387 |
| GRI 401-1 | Employee turnover | 5.8% | 4.5% | 4.6% |

Regular employee reviews

| | | 2021 | 2020 | 2019 |
|---------------|--------------------------------------------------------------------------------------|------|------|------|
| GRI Indicator | Subject matter | | | |
| GRI 404-3 | Percentage of employees receiving regular performance and career development reviews | 100% | 100% | 100% |

Participant days training and education

| | | 2021* | 2020 | 2019 |
|---------------|-----------------------------------------------------------|-------|-------|-------|
| GRI Indicator | Subject matter | | | |
| GRI 404-1 | Average days training and education per year and employee | 2.0 | 2.0 | 2.7 |
| GRI 404-1 | Total training days | 6,436 | 5,652 | 7,284 |

* Not including Mercadea Srl

3. Social Matters

a) Importance for our sector and our Company

The finance sector plays a central role in Europe's sustainable finance strategy, which aims to make the EU a more climate-friendly and social community by regulating banks and insurers in these areas. For example, in the area of social matters Aareal Bank Group closely tracked developments relating to the EU's Social Taxonomy rules and to the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtgesetz – LkSG), and is contributing its own expertise to these processes. We have participated in consultations and in discussions at a variety of levels so as to help ensure that developments can be easily implemented.

The property industry contributes significantly to the strength and growth of the economy and provides society with places to live and work. In addition, it has close links to the financial sector due to the substantial volumes of loans required for constructing, purchasing and renovating buildings.

Aareal Bank Group is an international player in the financial services sector, the property industry and related sectors, and its financing solutions, digital products and services add considerable value, help create long-term value for the Company and boost its innovative ability. In addition, as a participant in this sector we are helping to ensure the stability of the property and financial markets by doing business responsibly and successfully.

This means that Aareal Bank Group can add most value to society by constantly ensuring its own economic performance. In our Structured Property Financing business segment, we help create value by adopting a flexible yet conservative business strategy, which builds on our sound capital base and funding activities.

Our business success in our Banking & Digital Solutions and Aareon segments is based on the stable long-term contractual and client relationships that underpin the deployment of our tailor-made IT and banking solutions. Our software solutions also have an impact on society: in many cases, our clients' customers also benefit from the time, cost and efficiency savings generated.

OBJECTIVES:

- ✓ **To ensure we add value to society** by expanding our position as one of the leading providers of smart financing, software solutions and services for the property sector and related industries.
 - ✓ We do not lose sight of the **impact our business has** on society: our stated goal is to avoid negative social impacts, including along the supply chain.
 - ✓ **Good rating results¹⁾** ensure our success on the capital markets. The standards and quality that Aareal Bank Group achieves in its sustainability performance are documented in a series of specialised sustainability ratings. Among other things, these assess the future sustainability and performance of our business model, our risk management and the systematic implementation of our corporate strategy.
 - ✓ **To strengthen our innovative ability** using a structured process for selecting start-ups. We aim to add value for our clients by identifying and providing support for promising, forward-looking business ideas. We do this by focusing on integration and partnerships.
-

¹⁾ www.aareal-bank.com/en/investors-portal/ratings-company-information

b) Our management approach and how we have positioned ourselves

Social matters that have been classified as particularly relevant for our business are taken into account directly by Group Strategy in its development and management of our business strategy, and by the Management Board in its business decisions. Our goal in relation to our clients is to provide them with forward-looking solutions that offer them competitive advantages and enable their long-term business success. The fact that we look beyond traditional banking allows us to accurately assess material developments, opportunities and risks at an early stage, and to act quickly on our insights for our clients' benefit.

Risk management

Many social risks that are typical for the property sector, such as a lack of transparency in the construction business or negative impacts on local communities, are not relevant for us, since Aareal Bank AG mainly provides financing for buildings that have already been completed. Since we focus on office buildings, hotels, shopping centres and logistics facilities, our portfolio does not contain any potentially controversial industrial plant or other properties that the public might consider problematic from a social perspective.

As part of the tighter integration of ESG factors with our corporate strategy, the former were reviewed in the reporting period for their potential impact on existing risk types and Aareal's ESG risk profile, which we drew up in 2020, was enhanced in line with this. In addition, a new stress test scenario, "social change", was developed that mainly focuses on changes in the world of work and in travel habits. This helps to identify, assess and adequately manage not only environmental, but also social and governance risks.

We ensure social and client matters are adequately taken into account at Group level as follows:

Strategy implementation

For those with big ambitions and the purpose to achieve them, clear strategic guidelines are paramount. Aareal Bank Group's business strategy focuses on sustainable business success. In line with this, Aareal Bank AG has substantially increased the flexibility of its Structured Property Financing segment in recent years in terms of regions, asset classes, structures and exit channels, while simultaneously driving forward the expansion of its business along the value chain.

In addition, work began during the reporting period on identifying ESG performance indicators designed to monitor medium- to long-term ESG target achievement on an ongoing basis. For example, these include expanding green finance to € 2 billion in the period up to 2024 and ensuring our business operations are carbon neutral by 2023.

In the years to come, we want to fully unlock our potential in the operating business across the entire Group. The aim is to take an even more strategic and holistic approach to the issue of "sustainability" because the forthcoming changes will affect virtually all value creation processes at Aareal Bank Group. At the same time, though, we are remaining true to our general strategic orientation – high-volume international commercial property financing on the one hand, and our business with the European housing and property sector and related industries on the other. We will continue to develop our individual business activities in a targeted manner in the coming years in order to strengthen their independent profiles and accelerate growth of the Group as a whole. The goal is to create sustainable value – not just for shareholders, but also for staff, clients and society – in a market, competitive and regulatory environment that will continue to face increasing challenges.

Ensuring a strong economic performance

The use of specific quantitative and qualitative criteria and the risk minimisation and mitigation checks that form part of our loan approval process ensure the high quality, and hence the long-term value, of the property financing portfolio. Complying with targets for individual countries and property types within our portfolio leads to a high level of diversification and mitigates concentration risk at Bank level – something that we achieve not only by managing our new business but also through our active syndication policy.

The Covid-19 pandemic continued to dominate developments in the 2021 reporting period. Our long-term, trusting client partnerships again proved their value in this situation: our local account managers and specialists are in contact with our clients whenever necessary to discuss their business plans and draw up tailor-made solutions in these times. In addition, we are well-capitalised and have both a strong liquidity position and highly diversified sources of funding. Aareal Bank Group will continue to focus on working together with our stakeholders to cope with the impact of the Covid-19 pandemic as optimally as possible above and beyond the end of the reporting period.

Comprehensive market, property and risk analyses give us an overview of the profitability of the financing, the value and profitability of the property concerned, and the borrower's credit quality, as well as the sponsor's integrity and property-specific experience. The functional separation between Sales units and Credit Management, which extends all the way up to senior management, avoids conflicts of interest. Implementation of the "three lines of defence" model has clearly defined the different roles needed for effective risk management and ensures a systematic approach to identifying and dealing with enterprise risk throughout the Group.

Aareon's and Aareal Bank AG's banking and software solutions and digital services provide the property, housing and energy industries with business process management tools. These allow clients to do business leanly and efficiently, helping them cut both administrative expenses and the time involved, and making useful contributions to the economy as a whole. For example, cost-efficient processes help municipal and cooperative housing associations to create affordable housing.

Client relationship management

We are strictly client-driven and this focus underpins our product and service range, our structures and processes, and our innovations. We integrate our clients closely with our operational processes so as to understand their needs and wishes as well as possible, and to align our solutions with them.

In the area of commercial property finance, we leverage our local knowledge and the expertise offered by our sector specialists to focus on direct client relationships based on our decades of experience. In-depth cooperation has proven valuable when developing our digital consulting solutions and services: here, too, we aim for direct dialogue to allow us to identify requirements while also anticipating trends, developments and risks at an early stage. Equally, we integrate clients in our innovation activities using methods such as Design Thinking, among other things. This approach has proven its worth in past years. We work in partnership with our clients to master challenges such as the Covid-19 crisis as optimally as possible.

Our relationships with our equity and debt holders build on our employees' many years of capital market expertise. What is more, our clients value the high level of continuity we offer in our client contacts.

c) Performance indicators and progress made in the reporting period

RESULTS AND PROGRESS MADE IN THE REPORTING PERIOD:

- Aareal Bank Group saw strong growth in all three segments despite the ongoing Covid-19 pandemic. It achieved a turnaround in profitability and generated a significant profit again in financial year 2021. What is more, its capital base remained sound throughout the crisis.
- The size of the commercial property finance portfolio climbed substantially to € 30 billion one year earlier than planned. New business exceeded its targets in terms of volumes, margins and LTVs. This was reflected in a clear rise in net interest income and improved risk indicators, among other things. The other two segments also continued their growth course. Both Aareon and the BDS segment increased their net commission income.
- Aareal Bank AG held more than 400 discussions with equity and debt holders during the reporting period. These took the form of one-on-one discussions, group meetings, presentations, conferences and Group investor calls.

>

-
- In the reporting period, as in every year since 2004, Aareon and DW Die Wohnungswirtschaft presented a prize to housing and property companies that have developed and implemented particularly contemporary and future-proof concepts designed to master the challenges facing the property industry.
 - Aareon also conducted a number of international client surveys in the reporting period, as in past years, so as to ensure it is responding to client needs and to help them achieve their individual goals as optimally as possible.
 - Aareon UK's volunteering programme provided virtual support for a large number of clients' charitable associations in the reporting period despite the restrictions on social contacts. These included the creation of a mental health toolkit that is also used by Aareon UK itself, and support for technology apprentices with job interviews and careers coaching.
 - Donations made by Aareal Bank Group in the reporting period:
 - Donations following the catastrophic flooding in Germany
 - Donation to social housing development association DESWOS
 - Donation of retired hardware to schools (international)
 - Hospice in Mainz
 - Pfarrer-Landvogt-Hilfe (charity) in Mainz
-

4. Respect for Human Rights

a) Importance for our sector and our Company

We consider respect for human rights to be an inalienable part of our responsibility as a global enterprise. This is why we have undertaken not only to strictly comply with all applicable legal requirements but also to uphold human rights within our sphere of influence.

At the level of the workforce, potential issues could include infringements of the German General Equal Treatment Act (Allgemeines Gleichstellungsgesetz – AGG) or of the ban on discrimination (e.g. treating staff differently on the basis of diversity aspects, or inappropriate or unfair remuneration). Unethical behaviour of this kind would damage teamwork and hence results, lead to inefficient working processes, demotivate talented employees and cause economic damage as a result.

Contractual rules relating to the Code of Conduct for Suppliers were introduced in order to combat the risk of human rights violations among our suppliers.

Protecting and strengthening human rights is one of Aareal Bank Group's stated goals. To do this, we also include ESG criteria in the investment criteria used for our securities portfolios. Among other things, we take social criteria such as the freedom of the press into account.

New regulatory requirements that could lead to obligations with respect to the observance of human rights at the Group are reviewed regularly for their relevance and for any need to take action. These include the revised EBA Guidelines on internal governance (EBS/GL/2021/05), among other things. In addition, in our own interests we track new laws such as the German Supply Chain Due Diligence Act and hence identify potential implications for Aareal Bank Group as soon as possible.

OBJECTIVES:

- **Aareal Bank Group's declared goal is to promote the protection of human rights in its national and international operations.** We also committed to this when we signed up to the UN Global Compact. We define it as valuing and respecting the unique characteristics and differences of each and every employee, and as unequivocally ensuring equal treatment and equal opportunities at all levels.
- **We have also undertaken to avoid all forms of discrimination** and to actively hold and live the belief that diversity not only enriches our corporate culture but also represents a success factor in reaching our strategic goals.

b) Our management approach and how we have positioned ourselves

Breaches of human rights – including along our value chain – must be prevented for humanitarian reasons in the first instance. Above and beyond this, though, any infringements could have far-reaching economic consequences for the Group. Reputational damage and financial penalties can lead to long-term risks for the company involved that should not be underestimated. Managing these risks comprehensively and responsibly is a particularly important task. This is why we have established guidelines and mandatory codes of conduct that apply throughout the Group, so as to uphold and strengthen human rights in our international business to the best of our ability.

The Management Board has expressly undertaken to respect human rights in our Code of Conduct, which applies to the entire Group, and to observe the principles of diversity and equal treatment. Our reporting on our respect for human rights is used to inform the Management Board of the measures implemented, their effectiveness, any infringements and the actions taken to penalise them.

When employees are recruited, the competent employee representative bodies regularly use their co-determination rights to check that positions are filled on the basis of applicants' qualifications. In addition, we report annually on the proportion of women in management positions and in the workforce throughout the world.

We have our salary structures reviewed regularly by external specialists. The results of the most recent analysis confirmed that there were no significant differences in remuneration within Aareal Bank AG between men and women in comparable positions.

Group-wide Code of Conduct

The Management Board has taken precautions throughout the Group to ensure that we respect and uphold human rights in our business processes, both at the level of the workforce and in our supply chain.

We address anti-discrimination issues within the Group using our Code of Conduct for employees. This covers the topics of diversity, fairness, and the prevention and resolution of conflicts in the workplace together with employees and their representatives. Workforce diversity and ensuring a wide range of viewpoints are represented on governing bodies and other corporate committees are also critical long-term success factors: generally speaking, the approaches taken to solving problems become more creative and the risk of “group-think” declines.

Diversity also has clear benefits when dealing with our international clients, e.g. in the form of language skills or an understanding of other cultures and values.

- When setting employee remuneration, we do not differentiate by gender but focus exclusively on aspects such as qualifications, professional experience and training. Regular analyses of the base salary and remuneration ratios for women and men in comparable positions ensure the necessary transparency. Variable remuneration is paid exclusively on a performance basis, as measured by reviews and the extent to which predefined targets have been reached.

Code of Conduct for Suppliers and Business Partners

In the area of purchasing and procurement, the Code of Conduct for Suppliers and Business Partners that has been implemented in the period since 2016 underlines our commitment to observing certain standards. This mandatory policy forms the basis for the business relationships between Group companies and suppliers/service providers. It ensures on the one hand that our business partners respect human rights, while on the other it protects us against potential risks in the supply chain arising from failures to comply with environmental or social standards that would reflect negatively on Aareal Bank Group. We report on respect for human rights both in our annual “Communication on Progress” (COP), which is published on the UN Global Compact website and – in relation to combating modern slavery – in our UK Modern Slavery Act declaration, which can be accessed on our website. In accordance with the German Transparency of Remuneration Act (Entgelttransparenzgesetz – EntgTranspG), Aareal Bank AG’s Annual Report provides a breakdown of our employee figures by gender, plus data on gender equality and equal pay.

Human rights guidelines

Aareal Bank Group’s Management Board has resolved Human Rights Guidelines that detail our responsibilities as an employer and a global enterprise. This overarching document sets out how Aareal Bank Group lives up to its duty to protect human rights by summarising the requirements and principles that apply throughout the Group. The guidelines serve as a benchmark for measuring what we do and are intended to help promote global human rights above and beyond the Company as well.

c) Performance indicators and progress made in the reporting period

RESULTS AND PROGRESS MADE IN THE REPORTING PERIOD:

- No cases of discrimination came to light at Aareal Bank Group during the year under review (GRI 406-1). Equally, no significant indications of human rights violations were reported in the supply chain (GRI 414-2).
- Annual external comparison of remuneration for non-pay scale employees at Aareal Bank AG.

Percentage of women in management positions

| | | 2021 | 2020 | 2019 |
|---------------|---------------------------------------------|-------|-------|-------|
| GRI Indicator | Subject matter | | | |
| GRI 405-1 | Percentage of women in management positions | 24.3% | 24.6% | 23.8% |
| GRI 102-8 | Percentage of female employees worldwide | 36.6% | 37.6% | 36.8% |

Human rights abuses

| | | 2021 | 2020 | 2019 |
|---------------|----------------------------------------------------------------------------------------------|------|------|------|
| GRI Indicator | Subject matter | | | |
| GRI 406-1 | Reported/identified incidents of discrimination | 0 | 0 | 0 |
| GRI 414-2 | Number of reports of significant negative social impacts on human rights in the supply chain | 0 | 0 | 0 |

5. Compliance

a) Importance for our sector and our Company

Combating all forms of corruption, bribery and bribability is especially important in view of the complex challenges in our international business. In addition to financial losses, failure to comply with the law, government regulations or internal guidelines is a significant source of reputational risk and exposes the Company to the risk of supervisory measures.

Sound risk and compliance management in the anti-corruption and bribery area offers the opportunity to gain and maintain the trust of our shareholders, clients and business partners, and of supervisory authorities and other stakeholders in society. This leads to long-term client relationships that promote the Company's steady economic growth.

As an integral part of an active compliance culture, our anti-corruption and bribery tools, processes and rule books help to protect the Bank and make a lasting contribution to our success. Any association with misconduct, whether intentional or unintentional, could impact the Bank's reputation and cause considerable financial losses. This means it is very much in our own interests to transparently and systematically combat bribery and corruption while protecting our employees. As a result, Aareal Bank Group's Code of Conduct (CoC)¹⁾ already contains a section entitled "Independence, prevention of bribery and corruption", which clearly commits to these principles and which contains associated rules and prohibitions (see page 9 of the CoC).

OBJECTIVES:

- Ensuring effective risk identification, management and minimisation. This depends on having an appropriate risk culture that is lived by all staff. The aim is to use a robust compliance management system to raise awareness among employees, managers, Management Board members and supervisory bodies with respect to their various roles, to identify risks associated with any breaches of duty in a timely manner and, as far as possible, to avoid breaches of the rules. Equally, we aim to prevent any involvement in incidents of bribery and corruption.
- The key priorities here are to maintain Aareal Bank Group's strong reputation and to protect it against financial loss.
- We are committed to the objective of preventing and combating money laundering and terrorist financing. This also comprises avoiding sanctions evasion and fraud. This is why we only do business with partners who have been unambiguously identified and checked for the matters mentioned above. In addition to clients, this also applies to all other business partners (e.g. economic beneficiaries, suppliers, service providers and employees).
- Information security at Aareal Bank aims to ensure the integrity, availability and confidentiality of its information, data and systems, with the transparency and authenticity of information being taken into account via the objective of integrity. At the same time, we consistently ensure compliance with applicable laws, regulations and contractual requirements pertaining to information security.

¹⁾ www.aareal-bank.com/en/footermenu/code-of-conduct

b) Our management approach and how we have positioned ourselves

The Group Compliance Officer, who is also the Group Anti-Money Laundering Officer, is responsible for the continuous optimisation of Group-wide compliance processes. He answers directly to, and reports to, the Bank's Management Board. The functions' responsibility for the Group is derived directly from the provisions of the KWG¹⁾ and the GwG²⁾. In combination with the compliance officers at the subsidiaries, Aareal Bank AG's Compliance function forms a system of multi-level responsibilities that is underpinned by common values and standards, such as the Code of Conduct. This is necessary not least because of the different business models involved. The Group Compliance Officer reports at least annually and on an ad hoc basis to the Management Board and Supervisory Board on the results of the risk analyses performed to assess the appropriateness and effectiveness of the preventive measures taken, as well as on any incidents of corruption and the measures taken.

In addition, Group Audit assesses the effectiveness and efficiency of the internal control system (ICS) in the course of regular audits, and informs the Management Board and Supervisory Board of the audit findings. Both the structure and the content of ICS management were revised during the reporting period in the course of upgrades to the system. The existing content was spelled out in greater detail, further increasing transparency as a result.

The compliance management system, which is aligned with Aareal Bank Group's risk position, takes all relevant legal and regulatory requirements into account and is based on the corporate governance principles recommended in the German Corporate Governance Code ("the Code"), among other things. The declaration of compliance, which is updated each year, can be found on Aareal Bank's website. One major part of compliance management is our Group-wide Code of Conduct, which was revised most recently in 2021 and which sets out binding rules for all employees, managers, Management Board members and supervisory bodies on how to act in a lawful and ethical manner towards clients, business partners and colleagues. The key points contained in the Code of Conduct are reviewed regularly for NFR compliance and updated as necessary. In addition, mandatory training courses are held to raise employee awareness of the Code of Conduct and help ensure it is complied with.

Aareal Bank AG's non-financial risks are managed by its Non-Financial Risks (NFR) division. The division comprises four departments and the Bank's neutral body (required by the German Securities Trade Act (Wertpapierhandelsgesetz – WpHG). The Compliance department handles compliance governance and compliance with the WpHG and the MaRisk, and is responsible for the whistle-blowing system. The Anti-Financial Crime department identifies, monitors and manages the Bank's risks in the areas of anti-money laundering, and the prevention of terrorist financing, fraud and financial sanctions breaches, and is responsible for the AFC strategy. The other departments address the validation of internal models and operational risk. The Head of the Non-financial Risk division is in charge of the complaints office in accordance with the German General Equal Treatment Act and the contact person for issues relating to whistle-blowing. This organisational structure ensures that risk-related information is used efficiently. In addition, its overarching coordination role further enhances the effectiveness of our controls.

Having a risk culture that fits our long-term business model is a core component of our corporate culture. This is why risk culture was included as a key element in our Group Strategy, and in the targets to be

¹⁾ German Banking Act (Kreditwesengesetz); ²⁾ German Anti-Money Laundering Act (Geldwäschegesetz)

met by all Management Board members. In addition, it is reviewed by the Supervisory Board. To prevent us becoming involved in any way in money-laundering transactions or terrorist financing, Aareal Bank requires all employees to comprehensively and critically analyse the transactions underlying the exposures, to document even indications of suspicious activity and to report these in line with our existing internal instructions. In the process, an institute-specific and risk-based approach is followed. This is supplemented by the existing anonymous whistle-blower system. We also expect our business partners to treat these topics in a similarly responsible manner.

Tools, processes and rule books

At Group level, Anti-corruption Guidelines and Guidelines for Preventing White-collar Crime serve as the basis for raising awareness among our employees and provide a benchmark for acting correctly. They are supplemented by fraud prevention measures and Aareal Bank AG's whistle-blowing procedure. All these measures serve to prevent the danger of corruption before it occurs. This should help avoid and manage any conflicts of interest as far as possible.

In addition, employees receive training on the Company's compliance and fraud prevention requirements and on the potential consequences of any breaches. More specifically, the training courses designed to raise employee awareness of compliance requirements comprise individual modules on general compliance requirements, on the Code of Conduct, on preventing money-laundering and terrorist financing, and on preventing corruption and fraud. A confidential (and anonymous) whistle-blowing channel also exists that can be used to report suspected breaches of the rules, fraudulent behaviour, or white-collar crime to the Compliance department. This guarantees the employee reporting the issue confidentiality and protection. Additionally, an externally run whistle-blower system (a separate process) exists for Aareal Bank AG. Employees can use this voluntary, confidential reporting system to raise concerns online or by phone – including anonymously, if desired.

Aareal Bank Group is an international property specialist. It offers financing, services and software solutions in the commercial property and housing industries. The AFC strategy that was resolved in 2021 details how to deal with the resulting risks relating to money laundering/terrorist financing, sanction violations and fraud. The AFC strategy primarily serves to provide strategic guidance on professional and deliberate risk management in the areas of money laundering, terrorist financing, violation of sanctions and fraud. In so doing, the strategy takes the underlying organisational conditions and the basis for the associated reporting into account.

We systematically apply the "know your customer" rule and gather information on our clients and, where appropriate, other economic beneficiaries, their ownership and control structures, their business models and the source of their assets. We do this both before we enter into business relationships with them and ad hoc/at defined intervals thereafter. This allows us to perform a risk-driven assessment of the duties of care to be observed when making investments and to monitor client relationships on an ongoing basis, as required by law.

New suppliers and service providers with an order volume in excess of € 100,000 are checked using commercial credit agency reports. Primary suppliers are examined regularly using a supplier evaluation system that assesses their reliability and compliance with the terms and conditions of their contracts, among other things. Companies and equity interests are only acquired following a positive review headed by Group Strategy.

If functions (particularly material ones) are outsourced, the division performing the outsourcing must ensure the service provider's suitability as part of its selection and assessment procedure, and must review this regularly. Factors that must be examined during due diligence are defined in detail in Group-wide procedural guidelines. Additional requirements apply when outsourcing material functions.

The Code of Conduct, which was revised in June 2021, serves as the basis for how our Group does business. It includes core values such as respect for one another, avoiding conflicts of interest, and doing business fairly and responsibly. The Code of Conduct is based on the requirements of the EBA Guidelines on Internal Governance and international industry standards such as the Universal Declaration of Human Rights, the conventions drawn up by the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises and the UN Global Compact's Ten Principles. Concrete examples and tips help implement the rules in practice. Our 2021 revision of the Code of Conduct shows, among other things, how we aim to make a positive contribution to the sustainable development of economy and society. Within our sphere of influence we pursue a holistic approach that systematically fosters environmental, social and corporate governance aspects.

Ensuring information security and data protection

Aareal Bank Group has a fundamental interest in ensuring the security of information that is of value to the Company or that we are obliged by law or by contract to protect. For us, ensuring failsafe information security and data protection is making another contribution to a core social duty, and one that goes without saying. This involves measures designed to protect data relating to our clients, business partners and employees, to ensure IT security, to comply with banking secrecy and to protect other sensitive information and company data. As part of this, we comply with the comprehensive provisions of the EU General Data Protection Regulation (GDPR), the German Data Protection Act (Bundesdatenschutzgesetz – BDSG) and other, specific pieces of legislation, and with the regulations applicable in the other countries in which we are active. Internal guidelines, instructions and training courses are used to inform employees of the legal requirements in relation to data protection, and to raise their awareness of them. We also undergo voluntary external audits and certification processes.

Aareal Bank AG is a critical infrastructure operator for conventional payment transactions and account management services pursuant to the German Act to Strengthen the Security of Federal Information Technology (Gesetz über das Bundesamt für Sicherheit in der Informationstechnik – BSI) and the Regulation Amending the Regulation on the Identification of Critical Infrastructures in accordance with the German Act to Strengthen the Security of Federal Information Technology (Verordnung zur Bestimmung Kritischer Infrastrukturen nach dem BSI-Gesetz – KritisV). Aareal Bank has provided proof that these critical infrastructures are adequately protected in accordance with section 8a of the KritisV and section 12 of the Supervisory Requirements for IT in Financial Institutions (BAIT). In our role as a financial services institution in the Federal Republic of Germany, we comply with the BAIT, which was issued by the Federal Financial Supervisory Authority (BaFin). Besides BaFin, Aareal Bank AG is also monitored by the European Central Bank (ECB) and complies with the relevant requirements (such as EBA GL 2019/04) here, too. Internal training courses were held during the reporting period in order to raise employee awareness for cybersecurity and an interactive e-mail based examination was held to check the extent to which staff had already internalised the principles of information security. What is more, Aareal Bank AG took additional security precautions to prevent unauthorised third-party access to the systems.

Compliance with statutory requirements, and with IT and data security, is crucial for our products and services in Aareal Bank AG's Banking & Digital Solutions segment. Our wide-ranging product portfolio enables users to comply with the relevant data protection rules and laws more easily.

c) Performance indicators and progress made in the reporting period

Performance indicators for breaches and sanctions

| No. of | | 2021 | 2020 | 2019 |
|---------------|----------------------------------------------------------------------------------|------|------|------|
| GRI Indicator | Subject matter | | | |
| GRI 205-3 | Confirmed incidents of corruption and actions taken | 0 | 0 | 0 |
| GRI 419-1 | Fines and non-monetary sanctions for non-compliance with laws and/or regulations | 0 | 0 | 0 |
| GRI 206-1 | Legal actions for anti-competitive behaviour | 0 | 0 | 0 |

Compliance management

| Percentage | | 2021 | 2020 | 2019 |
|---------------|------------------------------------------------------------------------------------------------------------------|---------|-------|-------|
| GRI Indicator | Subject matter | | | |
| GRI 205-1 | Operations included in the compliance concept | 100 % | 100 % | 100 % |
| GRI 205-2 * | Employees who have received training on general compliance requirements | 98.3 %* | 100 % | 100 % |
| GRI 205-2 * | Employees who have received training on the Code of Conduct requirements | 93.5 %* | 100 % | 100 % |
| GRI 205-2 * | Employees who have received training on the requirements for preventing money laundering and terrorist financing | 97.7 %* | 100 % | 100 % |
| GRI 205-2 * | Employees who have received training on the requirements for preventing corruption and fraud | 95.5 %* | 100 % | 100 % |

* With effect from 2021, only those employees who have successfully completed their training as at the 31 December 2021 reporting date are included in the figures. Existing employees who have already received initial training are only included once they have successfully completed the refresher training under the training policy.

RESULTS AND PROGRESS MADE IN THE REPORTING PERIOD:

- Publication of compliance tips and alerts on Aareal's intranet to raise employee awareness and draw attention to topical issues (e.g. fraud prevention) or refresh employees' knowledge.
 - In addition, employee awareness of cybersecurity is being specifically strengthened by establishing a training platform and using internal measures.
 - An internal series of videos was offered to Aareal Bank AG employees to provide information on how to use the whistle-blowing system, which is supported externally and which can be used anonymously if desired.
 - Publication of the initial anti-financial crime strategy covering anti-money laundering, the prevention of fraud and terrorist financing, and sanctions.
 - The annual review of the codified system of values, the Code of Conduct (CoC), resulted in the inclusion of new supervisory requirements from the EBA Consultation Paper – Draft Guidelines on Internal Governance under Directive 2013/36/EU (EBA/CP/2020/20). These include e.g. the addition of further indicators to counteract potential discrimination, the extension of the commitment to equality of opportunity and fair working conditions, among other things, and a heightened focus on sustainable corporate actions.
 - As part of our living risk culture, all staff members are trained long-term in secure information handling and sensitised to the risks involved. Voluntary digital training courses on cybersecurity were created for this. The offering on the third-party platform is constantly being extended and expanded. Among other things, awareness of cybercrime and of how to deal correctly with phishing mails is being raised.
 - In 2021, there was one reportable data protection breach requiring to be reported to the supervisory authority at Aareal Bank AG. However, one week after the loss of an internal document was reported, the issue was resolved and the report was then retracted. In the case of Aareon, there was a cyberattack on Aareon France in the reporting period; this was reported both to the French supervisory authorities and to the German lead supervisor.
-

EU Taxonomy

Classification instrument for sustainable business activities

In the Paris Agreement on climate change, the European Community undertook to help limit global warming to well below 2°C and to achieve greenhouse gas neutrality by the middle of the century. The first thing that needed to be done was to establish how this goal can be achieved. In light of this, the High-Level Expert Group on Sustainable Finance (“HLEG”) was convened by the European Commission in 2016. The work performed by the HLEG resulted among other things in the adoption of the European Commission’s Action Plan on Financing Sustainable Growth in March 2018. This is designed to promote and develop a sustainable financial and economic system in the EU, and to mobilise capital to achieve Europe’s climate protection goals. Due to its capital allocation function, the financial sector will play an important role in supporting and promoting sustainable economic and social development (see Article 2c of the Paris Agreement).

One core element in achieving the target is the adoption of a Taxonomy designed to define in more detail what can be understood as “sustainable economic activity” within the meaning of the Paris Agreement and the United Nations’ Sustainable Development Goals. In the period up to and including March 2020, the Technical Expert Group on Sustainable Finance (TEG) that was then convened addressed, among other things, the design of the Taxonomy and the definition of concrete technical criteria with which economic activity in the various sectors can be classified into Taxonomy-aligned and Taxonomy-non-aligned activities. The first step was to develop a Taxonomy for environmental matters. The final report of the TEG, which was published in March 2020, makes recommendations on two of the six environmental objectives and uses technical criteria (including thresholds) to define when economic activity can be classified as environmentally sustainable. Technical criteria for the other four environmental objectives and a Social Taxonomy will follow at a later date.

These recommendations were implemented in the EU in the Technical Screening Criteria (Annex I and 2 of Commission Delegated Regulation (EU) 2021/2139), which define the economic activities that count towards the two environmental objectives of climate change mitigation and climate change adaptation as set out in the Taxonomy Regulation. Only economic activities that are listed there can be considered to be Taxonomy-aligned.

Article 8 of Regulation (EU) 2020/852¹⁾ (the Taxonomy Regulation) requires all undertakings that are subject to an obligation to publish a non-financial statement pursuant to Directive 2013/34/EU²⁾ (the Non-Financial-Reporting-Directive – NFRD) to disclose information on how and to what extent the undertaking’s activities are associated with economic activities that qualify as environmentally sustainable. The disclosure obligations are set out in more detail in Commission Delegated Regulation (EU) 2021/2178³⁾.

¹⁾ REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

²⁾ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance)

³⁾ COMMISSION DELEGATED REGULATION (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation

In July 2021, the European Commission published its Commission Delegated Act on Article 8 of the Taxonomy. This provides more detailed definitions of the phased reporting obligations for undertakings. In the case of financial years 2021 and 2022, Article 10 of Commission Delegated Regulation (EU) 2021/2178 initially obliges financial undertakings to make a limited number of disclosures that largely cover the Taxonomy eligibility of their economic activities, plus qualitative information. According to this, Aareal Bank AG has to report the proportion of its Taxonomy-eligible activities in the reporting period, plus the proportion of non-eligible activities and other ratios. The breakdown of the ratios required under the regulation and voluntary information on the assets taken into account are given on the following page.

Aareal Bank's Structured Property Financing segment provides support for domestic and international clients looking to invest in property in Europe, North America and the Asia/Pacific region. Consequently, a not insignificant proportion of its business is located outside the EU and is therefore not covered by the criteria set out in the EU Taxonomy Regulation; as a result, it cannot be included in the proportion of Taxonomy-eligible activities. Our clients' sophisticated requirements for structuring their cross-portfolio and cross-border finance deals mean that another large proportion of our economic activities are attributable to business partners whose size, structure and/or legal form exempt them from the NFRD reporting requirements, and which therefore also do not meet the criteria for Taxonomy eligibility. Leveraging opportunities that present themselves in the growth area of sustainable products and services is part of our business strategy. As a result, we take the Taxonomy Regulation's technical screening criteria, among other things, into account during product development so as to be able to classify economic activities as "environmentally sustainable". For example, the Aareal-specific green definition in our Green Finance Framework includes EU taxonomy alignment as one qualification criterion for a green loan or the green asset pool. In light of this, and so as to improve transparency in the loan portfolio, the ability to flag loans as being Taxonomy-aligned has also been implemented at system level. We do this by requesting the relevant ESG information, including the necessary supporting documentation, from the client and entering it in the systems.

The Taxonomy KPIs are presented on the basis of the regulatory data as at 31 December 2021 and in line with the current interpretations of the rules. In line with this, they relate to Aareal Bank's regulatory scope of consolidation pursuant to Art. 11 ff. of the CRR¹⁾. As a result, Aareal Bank AG subsidiaries that are not required to be consolidated for prudential purposes are included as investments in undertakings when determining the Taxonomy ratios. This also applies to Aareon. However, since none of these subsidiaries are required to submit non-financial statements under the NFRD, the investments in undertakings are disclosed in the "non-NFRD" ratio. The substantial room for interpretation offered by the current rules means that the European Commission can be expected to issue additional clarifications, which may also impact the methodology we use to calculate the ratios shown below. We are planning to include additional explanatory information on Taxonomy eligibility and Taxonomy alignment in our reporting so as to further enhance transparency. We shall also take future recommendations from the Platform on Sustainable Finance into account in this context.

The comprehensive disclosure obligations regarding "Taxonomy alignment" must be met for the first time for publications as from 1 January 2024 (for financial year 2023). Our interpretation is that this also applies to all qualitative information pursuant to Annex XI to Commission Delegated Regulation (EU) 2021/2178 that refer explicitly to "Taxonomy alignment"; as a result, these are not yet contained in the

¹⁾ Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Text with EEA relevance)

current report. In the case of credit institutions, the disclosure obligations under the Taxonomy Regulation must be applied in full as from 1 January 2026 (for financial year 2025) (Art. 10 (5) paragraph 2 of Commission Delegated Regulation (EU) 2021/2178).

Calculation and disclosure of the proportion of Taxonomy-eligible assets for financial year 2021

pursuant to Art. 10 (3) in conjunction with Art. 7 of Commission Delegated Regulation (EU) 2021/2178, plus voluntary disclosures(*). The information provided relates in each case to the proportion of the value of all exposures (i.e. total assets).

- **2.0% Taxonomy-eligible economic activities**
The proportion of our exposures to economic activities currently covered by the Taxonomy accounted for by financial and non-financial undertakings that are obliged by the NFRD to report non-financial information information, and by households.
- **8.7% Taxonomy-non-eligible economic activities**
The proportion of our exposures to economic activities not currently covered by the Taxonomy accounted for by financial and non-financial undertakings that are obliged by the NFRD to report non-financial information information, and by local governments
- **19.8% Central governments, central banks and supranational issuers**
The proportion of our exposures accounted for by central governments, central banks and supranational issuers
- **1.9% Derivatives**
The proportion of our derivatives
- **62.7% Non-NFRD**
The proportion of our exposures accounted for by financial and non-financial undertakings that are not obliged by the NFRD to report non-financial information("non-NFRD")
- **0% Trading book**
No trading book activities are currently performed
- **2.2% On-demand interbank loans**
The proportion of our on-demand interbank loans
- **2.7% Out of scope (*)**
The proportion of our exposures that were not analysed for their Taxonomy eligibility since they fall outside the scope of the Taxonomy Regulation including Commission Delegated Regulation (EU) 2021/2178

Basic assumptions:

- In the absence of concrete rules on the treatment of “regional governments” plus the distinction made between “local governments” and “regional governments” in the EU’s FAQs dated 20 December 2021, we have classified our exposures to federal German states as “local governments”. All exposures to local governments have been classified as “Taxonomy-non-eligible“, since none of the loans are intended to finance public housing or other Taxonomy-aligned specialised lending.
- According to question 13 of the European Commission’s FAQs of 21 December 2021, financial undertakings are required to look through “portfolios of investments and assets” to assess their Taxonomy eligibility. Due to the lack of a definition of the legal term “portfolios of investments and assets” and the contradictory requirement to exclude exposures to “non-NFRDs” from the numerator that is set out in Art. 7 (3) of Commission Delegated Regulation (EU) 2021/2178, we did not perform a look-through. Consequently, we have disclosed exposures to property funds and special purpose entities in the ratio pursuant to Art. 10(3c) of Commission Delegated Regulation (EU) 2021/2178.
- We have adopted a conservative approach when calculating the KPIs due to the substantial room for interpretation and lack of information. In line with this, we have classified exposures that cannot be unambiguously assigned or whose Taxonomy eligibility cannot be definitively determined as “non-NFRDs” so as to ensure a clear, transparently reasoned approach.
- The “Taxonomy-eligible” and “Taxonomy-non-eligible” ratios only comprise undertakings that are themselves obliged to disclose non-financial information. Subsidiaries of NFRD parents that are themselves not obliged to disclose non-financial information have been classified as “non-NFRD”.
- Exposures to central governments, supranational issuers, financial institutions and non-financial institutions within the EU are only analysed with respect to the Taxonomy eligibility and Taxonomy non-eligibility ratios if they exceed a materiality threshold of € 100,000. Exposures below this materiality threshold are assigned to the “non-NFRD” category without being examined individually. Less than 0.01 % of total assets are not analysed individually for this reason.
- In the absence of concrete instructions, we have only classified assets that are accounted for as “demand deposits” as on-demand interbank loans.

Limited Assurance Report of the Independent Auditor

Limited Assurance Report of the Independent Auditor regarding the Separate Combined Non-financial Report¹⁾

To the Supervisory Board Aareal Bank AG, Wiesbaden

We have performed an independent limited assurance engagement on the separate combined non-financial report as well as the by reference to group management report qualified part “Fundamental Information about the Group” (further “separate combined non-financial report”), of Aareal Bank AG, Wiesbaden, (further “Company” or “Aareal Bank”) for the period from 1 January to 31 December 2021.

Management’s Responsibility

The legal representatives of the Company are responsible for the preparation of the separate combined non-financial report in accordance with §§ 340a paragraph 1a in conjunction with 289b to 289e and 340i paragraph 5 in conjunction with 315b, 315c HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further “EU Taxonomy Regulation”) and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section “EU taxonomy” of the separate combined non-financial report.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the separate combined non-financial report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the separate combined non-financial report that is free of – intended or unintended – material misstatements.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section “EU taxonomy” of the separate combined non-financial report. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

Practitioner’s Responsibility

It is our responsibility to express a conclusion on the separate combined non-financial report based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, published by IAASB. Accordingly, we have to

¹⁾ Our engagement applied to the German version of separate combined non-financial report. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the separate combined non-financial report of the Company for the period from 1 January to 31 December 2021 has not been prepared, in all material respects, in accordance with §§ 340a paragraph 1a in conjunction with 289b to 289e and 340i paragraph 5 in conjunction with 315b, 315c HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section “EU taxonomy” of the separate combined non-financial report. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor’s own judgement.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for Aareal Bank;
- A risk analysis, including a media research, to identify relevant information on Aareal Bank’s sustainability performance in the reporting period;
- Reviewing the suitability of internally developed Reporting Criteria;
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and combatting corruption and bribery matters;
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures;
- Inspection of selected internal and external documents;
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites;
- Evaluation of local data collection, validation and reporting processes;
- Assessment of the overall presentation of the disclosures;
- Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the separate combined non-financial report.

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate combined non-financial report of Aareal Bank AG for the period from 1 January to 31 December 2021 has not been prepared, in all material respects, in accordance with §§ 340a paragraph 1a in conjunction with 289b to 289e and 340i paragraph 5 in conjunction with 315b, 315c HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section “EU taxonomy” of the separate combined non-financial report.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of Aareal Bank AG, Wiesbaden, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Aareal Bank AG, Wiesbaden, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated 1 January 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt/Main, 4 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Glöckner
Wirtschaftsprüfer
[German Public Auditor]

Brandt
Wirtschaftsprüfer
[German Public Auditor]

Imprint

Responsible for the content:

Aareal Bank AG

Julia Taeschner · Group Sustainability Officer

Paulinenstrasse 15 · 65189 Wiesbaden, Germany

Phone: +49 611 348 3424

E-mail: sustainability@aareal-bank.com

Design/Layout:

S/COMPANY · Die Markenagentur GmbH, Fulda, Germany

This report is also available in German language.



**Aareal Bank
Group**

Aareal
YOUR COMPETITIVE ADVANTAGE.