

LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE



Taking responsibility, convincing with QUALITY

Sustainability Report 2014



**Aareal Bank
Group**

About this Report

This sustainability report documents Aareal Bank Group's social, economic and environmental performance for the third time. By doing so, we have delivered on our goal of creating transparency about the impact of our business activities on the natural and social environment. The report is aimed at our clients, shareholders, investors, employees, suppliers and the wider public.

It also aims to provide an update on the measures and initiatives introduced since 2013 as part of our sustainability programme.

We would like to invite our stakeholder groups to engage in a systematic dialogue with us on the topics covered, to help us better understand their expectations and to enhance our sustainability strategy.

Reporting period and scope

This report covers Aareal Bank Group's achievements in the area of sustainability in the 2014 financial year. Data or statements that refer only to individual companies in the Group are identified as such. We have extended our environmental data this year to include data for Corealcredit and for our companies and locations in Germany and abroad. The figures relate to financial years 2012, 2013 and 2014.



Introduction

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Company Profile

Aareal Bank Group, headquartered in Wiesbaden, is one of the leading international property specialists. With our two business segments Structured Property Financing and Consulting/Services, we successfully accompany our clients as a financing partner, advisor and service provider.

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Sustainability Approach

Long-term success is central to Aareal Bank Group's corporate philosophy. A responsible approach is a crucial requirement for doing business successfully, both now and in the future. This is why we have aligned our activities with our sustainability strategy since 2012. In this way, we aim to play our part in ensuring sustainable economic and social development.

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Clients and Products

Aareal Bank Group's business model is divided into the Structured Property Financing and Consulting/Services segments – the two key pillars on which our success is built. The Company takes a long-term approach to client relations and aims to provide sustainable solutions.

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Content of the report

This report is largely based on the third generation (3.0) guidelines on sustainability reporting issued by the Global Reporting Initiative (GRI). It also takes into account the GRI's Financial Services Sector Supplement. An overview of the GRI indicators and a reference to the relevant page in the sustainability report is provided on pages 52et seqq. We have self-declared our reporting to comply with Application Level B of the GRI G3 Guidelines. This has been checked and confirmed by the GRI.

Editorial note

The editorial deadline for this report was 30 April 2015. To improve readability we have largely avoided writing out legal forms. All figures and data have been compiled with the greatest care. To our knowledge, the information provided is correct. However, we cannot assume any liability for the accuracy and completeness of the disclosures.

Further information

Up-to-date information about sustainability at Aareal Bank Group is available on our website: www.aareal-bank.com/responsibility.



Employees

A company's success is largely dependent on its employees. Aareal Bank Group's systematic human resources development policy aims to enhance its employees' professional and personal skills. We also promote a positive work-life balance and offer a Company Health Management programme – a concept for which we have already received a number of awards.

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Environment

Aareal Bank Group aims to minimise the impact its business activities have on the environment. We take care to use consumables as efficiently as possible and to obtain resources from renewable or sustainable sources. We also expect our suppliers to comply with established standards.

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Society

Aareal Bank Group supports a large number of educational and academic initiatives, as well as charitable and social organisations above and beyond its business. In addition to donations and sponsorship, we encourage our employees to become involved, as well as facilitating knowledge transfer between business and society.

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GRI Index

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Introduction

Ladies and Gentlemen,

Aareal Bank Group continued to expand its market position in the financial year 2014, in a challenging market environment and against increasingly fierce competition. This success was due in particular to our motivated workforce, the quality of our products and services and our viable business model.

”Our **sustainability efforts**
are directed especially towards
our employees – who are the
basis for our **business success.**“

Dr Wolf Schumacher,
Chairman of the Management Board
of Aareal Bank AG

2014 was a year of many challenges that at times made considerable demands on our staff. Key milestones included receiving a very good rating in the European Central Bank’s Comprehensive Assessment, repaying in full the silent participation from the German Financial Market Stabilisation Fund (Sonderfonds Finanzmarktstabilisierung – SoFFin), successfully placing Additional Tier 1 capital and integrating Corealcredit, which was acquired in the previous financial year, into the Group. Doing all this and at the same time making 2014 a record financial year is an achievement for which the Management Board would like to thank the entire workforce sincerely.

Our positive business performance in 2014 is both confirmation and motivation for us: we regard it as further proof of the viability of our business model with its two strong pillars, Structured Property Financing and Consulting/Services. At the same time, this result also places an obligation on us to consolidate what we have achieved for the long term and to continue with our prudent business policy.

In our business, there are some factors we cannot control – such as the low interest rates on the markets. But we can influence other success factors and we do so with clear goals before us. These include for example the increasing digitisation of our services, which was the focus of our product



development in 2014 and took centre stage at the Aareon Congress. At employee level, we are systematically driving forward our Health Management programme and intensifying our commitment to cultural diversity and a healthy work-life balance, to ensure that we also remain an attractive employer in the future. Our successful participation in the Ökoprofit project has proved that putting environmental protection into practice also offers numerous opportunities for achieving cost efficiencies. Our commitment to social and charitable causes is also as strong as ever.

Our third Sustainability Report covers all of these areas, and more. I hope you will find it interesting reading.

Yours, Wolf Schumacher

Dr Wolf Schumacher



Aareal Bank Group signed up for the United Nations Global Compact since 2012. By doing so, we underscored our commitment to aligning our business processes with the Compact’s ten principles in the areas of human rights, labour standards, environmental protection and anti-corruption. More information about the UN Global Compact is available at www.unglobalcompact.org (international network) or at www.globalcompact.de (German network).

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Company Profile



**Aareal Bank
Group**

Aareal Bank Group, headquartered in Wiesbaden, is one of the leading international property specialists. With our two business segments Structured Property Financing and Consulting/Services, we successfully accompany our clients as a financing partner, advisor and service provider.

Company identity

Aareal Bank Group is an institution with a long history. The Bank was founded in the 1920s, and our clients have been at the centre of our business activities ever since. From our beginnings as a financier of private residential construction in Germany, we have grown into an international partner for commercial property financing and an end-to-end service provider for the commercial property sector and the housing industry.

Aareal Bank's structure mirrors its positioning as a medium-sized enterprise, ensuring close cooperation, quick decisions and tailored solutions. This mid-sized structure also informs our judicious, risk-sensitive and prudent approach. This is why our clients have placed their trust in us for over 90 years.

Business segments

Aareal Bank Group operates a solid, forward-looking business model. The Group's parent company is Aareal Bank AG, which is listed in Germany's MDAX index. Below this umbrella brand, the Group's companies are bundled into two segments – Structured Property Financing and Consulting/Services. These are the pillars of our success.

In the **Structured Property Financing segment**, we provide support for domestic and international clients investing in property. Our focus is on financing existing properties with an attractive risk-return profile, in particular office buildings, hotels and shopping centres, as well as logistics and residential properties. Our particular strength lies in our combination of local market expertise and sector-specific know-how. Our market experts are active in three continents and have a proven track record in assessing and valuing the location and quality of properties. This enables us to create tailored financial solutions for our clients.

As an active issuer of Pfandbriefe and uncovered bank bonds, Aareal Bank has a sound, broad base for its refinancing requirements. Deposits by the housing industry are another key source of refinancing. These are largely independent of the capital markets and represent an important additional pillar in the Bank's long-term funding mix.

Total property financing volumes were € 29.0 billion as at 31 December 2014.

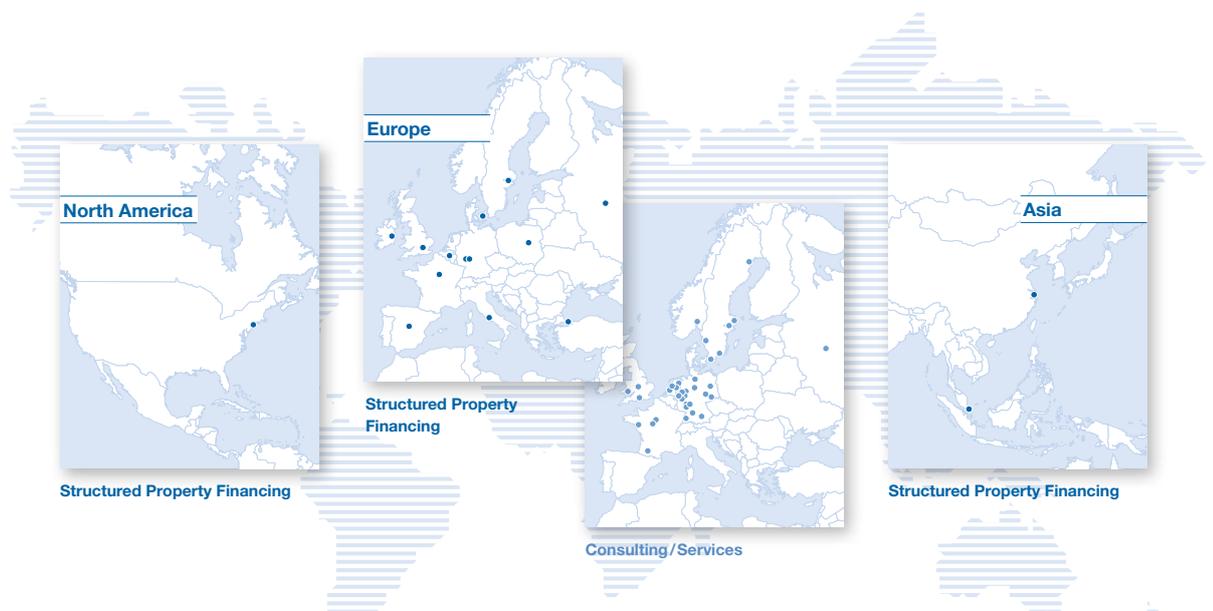
The **Consulting/Services segment** offers comprehensive solutions for the housing and commercial property industries, as well as for the utilities and waste disposal markets. In addition to specialised banking services, these focus on processing automated mass payments and optimising higher-level processes. We also provide consulting, software and services in the area of IT-based business process optimisation for property companies and their clients and partners – an area where we can draw on nearly 60 years of experience. Our service portfolio is systematically focused on our clients' high quality expectations.

Locations

Over the years, our expertise has steadily become more international. We now operate in over 20 countries in line with our three-continent strategy.

Our Structured Property Financing segment is active in Europe, North America and Asia, while our Consulting/Services segment provides in-depth coverage in Europe.

Our workforce of around 2,500 employees is drawn from 27 different countries. On the ground, day to day, they put into practice the factors that make our business successful – local market and property expertise, face-to-face client contact, in-depth analysis of their needs and client support, often spanning many years. At the same time, we continuously adjust our range of services to meet our clients' changing requirements. This is one of the reasons why it has proved to be crisis-proof in the recent past.



Aareal Bank, Real Estate Structured Finance: Brussels, Copenhagen, Dublin, Istanbul, London, Madrid, Moscow, New York, Paris, Rome, Shanghai, Singapore, Stockholm, Warsaw, Wiesbaden |
Aareal Valuation GmbH: Wiesbaden | **Aareal Estate AG:** Wiesbaden |
Corealcredit Bank AG: Frankfurt/Main

Aareal Bank, Housing Industry: Berlin, Essen, Hamburg, Leipzig, Munich, Stuttgart, Wiesbaden | **Aareon AG:** Berlin, Coventry, Dortmund, Emmen, Enschede, Essen, Gorinchem, Hamburg, Hilversum, Hückelhoven, Karlskrona, Leipzig, Lund, Mainz, Meudon-la-Forêt, Mölndal, Munich, Nantes, Norrtälje, Orléans, Oslo, Piteå, Southampton, Stockholm, Stuttgart, Swansea, Toulouse | **Deutsche Bau- und Grundstücks-AG:** Berlin, Bonn, Dresden, Frankfurt/Main, Freiburg, Hannover, Leipzig, Moscow, Munich, Wuppertal |
Aareal First Financial Solutions AG: Mainz

Selected Key Figures

	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
Income statement¹⁾		
Operating profit (€ mn)	436	198
Consolidated profit (€ mn)	294	93
Cost/income ratio (%) ²⁾	36.2	38.5
Earnings per ordinary share (€) ³⁾	4.87	1.55
RoE before taxes (%) ³⁾	18.5	7.5
RoE after taxes (%) ³⁾	14.1	4.8

	31 Dec 2014	31 Dec 2013
Statement of financial position⁴⁾		
Property finance (€ mn)	28,987	24,550
of which: international (€ mn)	22,894	20,802
Equity (€ mn)	2,723	2,450
Total assets (€ mn)	49,557	42,981
Regulatory indicators^{4) 5)}		
Risk-weighted assets (€ mn)	15,492	
Common Equity Tier 1 ratio (CET1 ratio) (%)	13.6	
Tier 1 ratio (T1 ratio) (%)	17.7	
Total capital ratio (TC ratio) (%)	24.7	
Common Equity Tier 1 ratio (CET1 ratio) (%) – fully phased –	12.9	
Employees⁴⁾	2,548	2,375

¹⁾ The disclosures covering the current period under review include negative goodwill from the acquisition of COREALCREDIT BANK AG ("Corealcredit") as at 31 March 2014. Corealcredit's operating results have been included in the Income Statement of Areal Bank Group since the beginning of Q2 2014.

²⁾ Structured Property Financing segment only

³⁾ Within the context of calculating earnings for the purpose of determining EpS and RoE attributable to common shareholders, net interest payable on the SoFFin silent participation was deducted for the first time, to enable an assessment based on economic substance. Likewise, the SoFFin silent participation was deducted from equity used to calculate RoE. The comparative figure was adjusted accordingly.

⁴⁾ Figures as at 31 December 2014, including Corealcredit

⁵⁾ Since 1 January 2014, regulatory indicators have been determined in accordance with CRD IV/CRR, based on carrying amounts in accordance with IFRSs. Until 31 December 2013, these indicators were calculated in accordance with the German Solvency Regulation (SolV) and based on local GAAP (book values in accordance with the German Commercial Code (HGB)). The Bank therefore decided against stating comparative amounts.

⁶⁾ At the end of the first quarter of 2014, rating agency Fitch Ratings changed its outlook for the Long-Term Issuer Default Rating (IDR) of 18 banks within the European Union from "stable" to "negative". The corresponding outlook for an additional 18 European commercial banks remained "negative". This revision reflects a global re-assessment of government support for banks.

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continents on which we are active

2,500

employees from 27 countries

10 mn

residential units managed
by customers of Aareon AG

€ 8.6 bn

in deposits from the housing industry

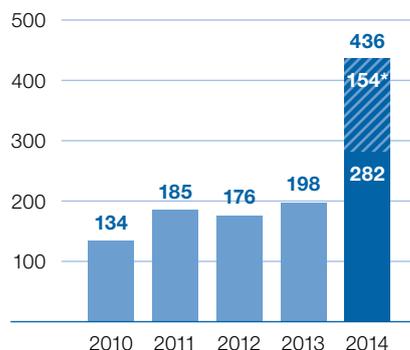
€ 29 bn

in property financing

€ 49,6 bn

total assets

Consolidated operating profit (€ mn)



* Negative goodwill from the acquisition of Corealcredit

Ratings

	2014	2013
Fitch long-term ⁶⁾	A- (outlook: negative)	A- (outlook: stable)
Fitch short-term ⁶⁾	F1 (outlook: negative)	F1 (outlook: stable)
Fitch Pfandbrief	AAA	AAA
oekom	prime	prime
Sustainalytics	61	57
CDP	88 B	81 B
imug		
Mortg. Pfandbr.	positive	neutral
Pub.-Sec. Pfandbriefe	positive	positive
Unsecured bonds	positive	neutral

02

Sustainability Approach



Long-term success is central to Aareal Bank Group's corporate philosophy. A responsible approach is a crucial requirement for doing business successfully, both now and in the future. This is why we have aligned our activities with our sustainability strategy since 2012. In this way, we aim to play our part in ensuring sustainable economic and social development.

Sustainability at Aareal Bank

Stakeholders expect companies to make their social and ecological impact transparent. As a financial institution, we aim to be a trustworthy partner for our clients. We do this by taking responsibility and contributing to a sustainable society.

As a private bank, Aareal Bank Group finances properties and acts as an intermediary between investors and borrowers. Since the Group was founded over 90 years ago, we have aspired to the goal of doing business successfully over the long term and in line with ethical principles. We take numerous measures to achieve this – from environmental management through our dialogue with business partners and shareholders through to safeguarding attractive jobs and discharging our social responsibility.

Starting in 2012, we have analysed the courses of action open to us with respect to sustainability as part of our sustainability reporting, and have set ourselves goals for the coming years. We have established five areas in which we are positioning ourselves more strongly.

Sustainability strategy

Aareal Bank Group's sustainability strategy is an integral part of its corporate strategy, and comprises the following areas:

Clients and products: To develop Aareal Bank Group's core business sustainably, the Group actively includes its business philosophy when discussing sustainability trends, and develops sustainable solutions for the world of finance. As a partner to the property industry, we do business in a sustainable way that meets the requirements of the sector.

Employees: Aareal Bank Group's employees are the most important agents of the Company's sustainability strategy. By providing them with an attractive working environment with long-term prospects, we motivate and enable them to put sustainability into practice in their everyday work.

Shareholders: Aareal Bank Group regularly informs its shareholders about sustainability trends which are relevant to its business and about the measures it has taken. Our sustainability management activities meet the special requirements for information in this area. Our successful participation in ratings and rankings means this is also documented by third parties.

Environment: Aareal Bank Group takes ecological requirements into account in its daily business. We endeavour to reduce the ecological footprint of our activities. Besides using resources more sparingly, we achieve this through sustainable procurement.

Society: Above and beyond its direct business activities, Aareal Bank Group aims to make a contribution to improving the common good. We do so by providing money, materials and expertise for projects. Our focus here is on supporting education initiatives in the finance and property industry. We also provide targeted, long-term support for selected social projects.

Key issues

We identify key issues for our stakeholders by evaluating external feedback (including sustainability rankings) and through targeted internal analyses. The resulting topics are weighted according to their importance, both for stakeholders and for Aareal Bank Group's success. They reveal that "integrity in doing business" and "transparency and reporting" are key sustainability issues. Other core topics are "employee development", "work-life balance" and "diversity and equal opportunities". These issues are assigned to areas of activity and specific measures are then developed and consolidated in a sustainability programme. The areas of activity correspond to the individual chapters of this report.

Stakeholder dialogue

Aareal Bank Group's stakeholders are its clients, shareholders, investors, employees, suppliers and the wider public. These are the groups which are relevant for our business and with whom we maintain regular contact.

We regularly seek contact with our clients in the form of individual discussions, at trade fairs, or at industry events. Sustainability is becoming an increasingly important issue for the property industry – both in energy policy terms and from a social perspective. Each year, the Aareon Congress and the Aareal Energy Forum offer two additional opportunities for us to systematically discuss environmental and social risks and opportunities with our clients.

"We make our business decisions by taking a **long view** and **respecting** the responsibility we have for future generations. We take into account the **economic, social** and **ecological impact** of what we do."

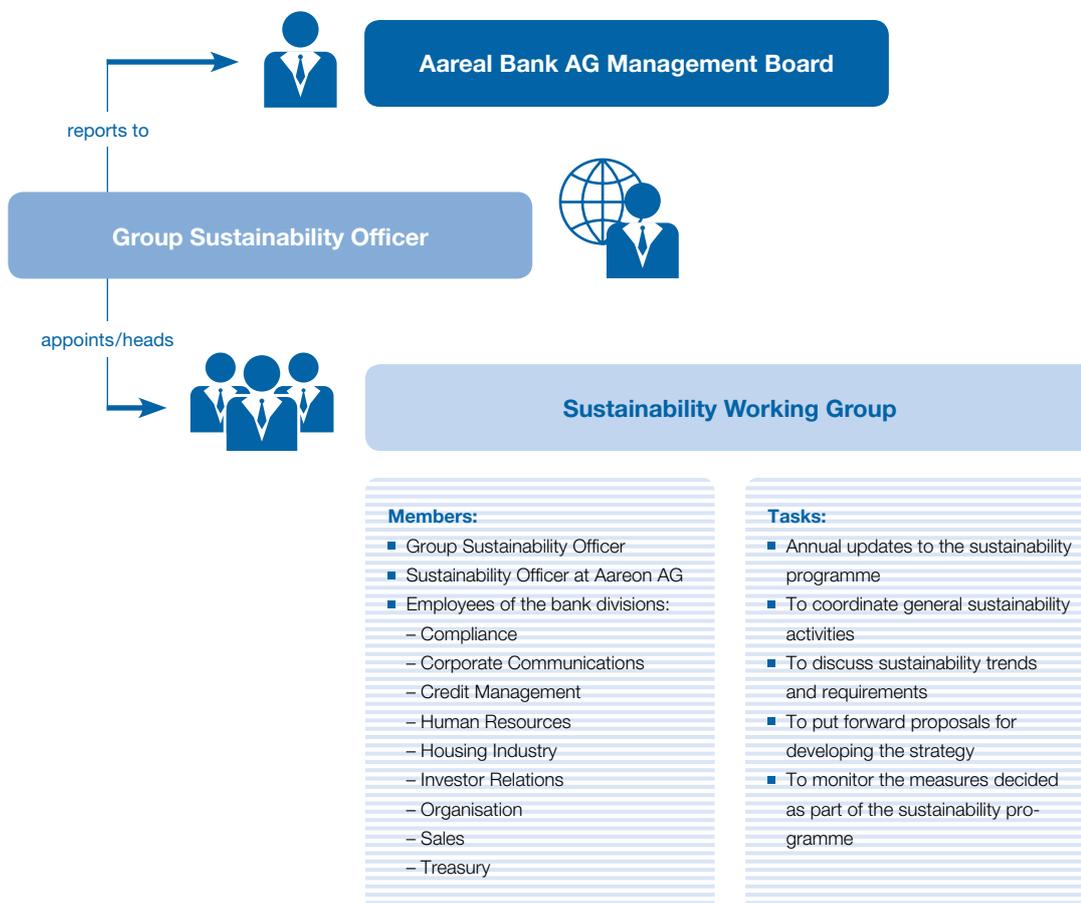
Henning Zander, Group Sustainability Officer of Aareal Bank AG

As a general principle, our shareholders can attend the Annual General Meeting and express their opinions on our sustainability activities and on all aspects of the Company. We meet investors' increased need for information about the Company's sustainability performance by participating in relevant ratings or via investor meetings.

We provide our employees with regular information via the Intranet and our staff magazine. Employee discussions and events, workshops on topics such as optimising the work-life balance and the Idea Box allow them to make contact with management and influence organisational development.

Sustainability management

At an organisational level, Aareal Bank Group has assigned responsibility for sustainability management to the Chairman of the Management Board. In this way, we can both underline the strategic importance of sustainability for our corporate philosophy and steer its practical implementation from the highest level. The Chairman of the Management Board puts the sustainability strategy and the associated annual programme to the Management Board for discussion and approval.



In managing and developing the strategy, the Chairman is supported by the Group Sustainability Officer, who organises the meetings of the Sustainability Working Group and acts as the point of contact for all divisions within the Company. The Group Sustainability Officer provides technical support in specific cases, monitors Aareal Bank Group's sustainability performance and puts forward proposals for continually updating the sustainability programme in consultation with the divisions concerned. As the point of contact for external stakeholders, he documents their concerns and informs them about activities. In addition, he is responsible for sustainability reporting and participation in the relevant ratings and rankings, and also informs the Management Board about external and internal developments relating to sustainability issues that are of importance to Aareal Bank Group.

The Sustainability Working Group serves as a platform for the Management Board to develop the sustainability programme: its members implement corresponding measures, analyse megatrends and assess opportunities and risks facing Aareal Bank Group. The Working Group also coordinates cross-divisional sustainability activities. It includes representatives of the Human Resources, Organisation, Corporate Communications, Investor Relations, Treasury, Compliance, Housing Industry, Sales and Credit Management divisions, plus the sustainability officers at Aareal Bank Group and Aareon. The Working Group meets once a quarter and on an ad hoc basis in special cases, and is chaired by the Group Sustainability Officer. We have established a similar structure in our largest subsidiary, Aareon.

Sustainability Programme

We aim to conduct our business activities in harmony with the environment and with society. To achieve this objective, Aareal Bank has set itself different goals under the headings of Sustainability, Clients and Products, Employees, Environment, and Society. The measures derived from these serve as a compass for successfully putting our corporate responsibility into practice.

The following sustainability programme forms the basis of our activities in the area of corporate responsibility. Individual measures were modified and extended during the reporting period to take account of current developments at Aareal Bank.

Sustainability

Goal	Measure	Deadline	Status
To establish the operational conditions needed to implement the sustainability objectives	Update the stakeholder analysis and materiality matrix	2015	New measure
To increase transparency and our ability to engage in dialogue	Prepare sustainability reporting based on GRI G4	2015	Initial preparations underway; implementation effective as of the Sustainability Report 2015
To enhance stakeholder dialogue	Integrate sustainability issues into internal information events	Ongoing	Sustainability issues have been integrated into a number of different formats; integration into employee onboarding and the trainee programme has been completed

Clients and Products

Goal	Measure	Deadline	Status
To ensure data security and data protection	Achieve certification of Aareon's information security management system in accordance with ISO/IEC 27001	2014	Aareon was successfully certified in accordance with ISO/IEC 27001 in December 2014
Further measures	Participate in the I-stay@home initiative and develop a portal	2015	The initiative is progressing according to schedule; a multilingual prototype of the IT platform based on an Aareon product is available for tenant testing in five countries; the product catalogue is available

Employees

Goal	Measure	Deadline	Status
To promote work-life balance	Achieve recertification of Aareon by berufundfamilie gGmbH	2014	Aareon was recertified in June 2014
	Provide opportunity to participate in various skills training courses to improve the work-care balance as part of the Bündnis für Familie (Family Alliance) in Wiesbaden	Ongoing from autumn 2014	Introduced; broad employee acceptance
	Facilitate provision of private childcare solutions by a third-party service provider; this nationwide programme covers the provision of full-time child care providers, child minders and "grandparents for hire", as well as child carers for emergency situations	Ongoing from February 2014	Introduced; broad employee acceptance
To promote diversity and equal opportunities	Enhance mentoring programme	2015	Work is ongoing; the results will be integrated into management development and the young talent concept
	Increase the proportion of women on the Supervisory Board to 30 %	2015	Marija G. Korsch has been a member of the Supervisory Board since 2012 and Chairman of the Supervisory Board since 2013
	Participate in the Anna+Cie programme, which prepares female managers for top management positions	Ongoing	A member of the Management Board will also act as a mentor
	Implement a project to promote diversity at Aareon	2015	New measure launched at the end of 2014
To enhance the human resources strategy, taking into account the ageing population	Offer special skills training for all age groups	Ongoing	All employees can take advantage of the wide range of training and CPD opportunities on offer
	Implement a life-phase oriented human resources policy project at Aareon	2014/2015	Initial analysis began in 2014
To recruit, foster and retain talent	Enhance and adapt young talent programmes	2015	Working group set up
	Continue sponsoring bachelor's and master's theses	Ongoing	Measure is ongoing; a master's thesis on "Management in the Property Industry" was supervised in 2014
	Extend the Bank's programme of vocational traineeships	2014	The new trainee year began in autumn 2014 with five trainees
To expand the Company Health Management programme	Organise seminars on stress management	Ongoing	Offered for the first time in 2013; the event will be offered on an ongoing basis
	Organise seminars on quitting smoking	2014	Three seminars were held; the initiative will be continued as necessary
	Introduce a weight loss programme	2015	New measure

Employees

Goal	Measure	Deadline	Status
To expand the Company Health Management programme	Organise seminars and talks on healthy eating	Ongoing as of 2014	The first seminars were offered in 2014
	Achieve an award for the Company Health Management programme	2014	Presented with the Corporate Health Award 2014
	Expand Aareon's Company Health Management programme to include new modules such as heart and back health checks	2014	The first Aareon Health Day was held, at which activities such as fitness checks and talks on back health were offered; range of seminars on topics including healthy leadership
Further measures	Win a further award as a top employer	2014	Aareal Bank was named a top employer in Germany 2014 by the Corporate Research Foundation
	Aareon to participate in the INQA Audit for a Sustainable Corporate Culture	2014/2015	An online survey covering the audit topics "personnel management", "equal opportunities and diversity", "health" and "knowledge and competencies" has been conducted

Environment

Goal	Measure	Deadline	Status
To reduce resource consumption	Investigate certification, e.g. to ISO 14001, for the Wiesbaden site	2014	Preparation for occupational safety certification in accordance with VBG guidelines; goal is to achieve certification in 2016; establishment of a framework/preparation for waste and environmental management certification
	Implement energy-saving measures at the Wiesbaden site, such as using energy-saving lighting and highly efficient pumps, heat recovery and a building services automation system to monitor and optimise operations	Ongoing	Some aspects have already been implemented (for example, new pumps have been installed); further measures will be implemented successively in 2015, some of the lighting will be converted to energy-saving LED technology and motion sensors will be installed in corridors and ancillary rooms
	Aareal Bank and Aareon to participate in the Wiesbaden and Mainz "Ökoprofit" initiatives	2015	Aareal Bank was presented with an "Ökoprofit Betrieb" Wiesbaden award in December 2014; an award for Aareon is expected in mid-2015
	Join the City of Wiesbaden's "Ökoprofit" club	2015	New measure
	Renovate the conference area at the Wiesbaden site	2016	A concept has been developed; work will begin in 2015
	Digitise previously paper-based procedures (electronic files)	2016	New measure
	Review the installation of a solar system at Aareon in the Netherlands	2015	New measure
To reduce the environmental impact of business travel	Modify travel guidelines to include additional sustainability aspects	2014	The guidelines have been modified and will be released in the first half of 2015
	Aareon to participate in Volkswagen Leasing GmbH's Green Fleet Award	2014	Aareon participated
To reduce CO₂ emissions	Clearly reduce CO ₂ emissions by purchasing 100 % green energy for the Wiesbaden and Mainz sites and for other locations in Germany	2014	The sites in Berlin, Essen, Hamburg, Leipzig, Mainz, Munich, Stuttgart and Wiesbaden have been running on green energy since January 2014, saving approximately 3,000 tonnes of CO ₂ per year; further Group sites have also switched to green energy (e.g. BauGrund Bonn)

Environment

Goal	Measure	Deadline	Status
Further measures	Increase coverage of energy consumption levels for reporting purposes	2014	Coverage was increased for the Sustainability Report 2014
	Modernise the energy management system by introducing a new software application to measure electricity, heat, cooling and water consumption	2014	The software has been introduced and is in use
	Purchase building automation software	2014	The software has been introduced and is in use
	Carry out various renovation and modernisation measures at the Wiesbaden site	Ongoing	Individual measures have been implemented
	Optimise the target values and switching times for the technical installations in Wiesbaden and Mainz	2015	New measure
	Achieve carbon neutrality for purchased photocopier paper	2015	New measure
	Flag particularly sustainable products in the procurement catalogue	Ongoing	New measure
	Optimise waste disposal at the Wiesbaden and Mainz sites	2015	New measure

Society

Goal	Measure	Deadline	Status
To help tackle challenges facing society and promote openness for dialogue	Education and academic research <ul style="list-style-type: none"> Continue working to promote education and academic research, as well as the dialogue between research and practice in the property industry and IT Sponsor the Institute for Banking History (Institut für bankhistorische Forschung) 	Ongoing	Ongoing through support for various educational bodies Aareon AG has agreed to endow a professional chair in business information systems at the EBZ Business School for a period of five years starting in the 2015 winter semester
	Charitable and social organisations <ul style="list-style-type: none"> Sponsor the Zwerg Nase Foundation and continue foundation membership Donate to various non-profit organisations Contribute towards Deutsche Sporthilfe's "Future Springboard" initiative by offering athletes short internships and the ability to take part in the mentoring programme 	Ongoing	Donations to non-profit and social organisations will continue
	Art and culture <ul style="list-style-type: none"> Permanent loan of Aareal Bank's collection of cartoons about "money" to the Wilhelm Busch – Deutsches Museum für Karikatur und Zeichenkunst, Hannover since 2009 Supporting membership of the Städel Museum, Frankfurt am Main since 2015 	Ongoing	Aareal Bank will continue to support cultural organisations through loans and donations
	Employee participation in the Common Purpose initiative	Ongoing	Employees take part in the initiative as necessary

Defining the framework

Aareal Bank Group considers responsible, transparent management to be an expression of good business practice, and it is firmly anchored with the Management Board and Supervisory Board: as the parent company, Aareal Bank AG expressly supports the objectives of the **German Corporate Governance Code**.

Integrity and responsible conduct are mandatory for all Aareal Bank Group employees, regardless of their position. The **Code of Conduct** contains binding rules requiring all employees to act in a lawful and ethical manner towards clients, business partners and co-workers. It is supplemented by detailed compliance guidelines aimed at preventing conflicts of interest, corruption, money laundering, fraud and data protection infringements. Compliance with the guidelines is checked on an annual basis by Internal Audit and external auditors.

Aareal Bank has implemented **procedural guidelines aimed at preventing financial crime** that require our employees to report incidents and guarantees their anonymity. No cases of corruption have come to light since the process was put in place. An **anti-corruption guideline** is in place to counter cases of corruption and to systematically pursue them as appropriate. The guideline is the foundation for protecting all employees and raising their awareness of the danger of corruption, as well as a guide to correct conduct. Aareon Group also published corruption prevention guidelines in May 2014; these apply to all employees, including foreign units and subsidiaries.

Newly recruited Aareal Bank employees are informed about the Company's **compliance and fraud prevention** requirements in a classroom-based training course. Subsequent instructions are delivered using written information materials. In addition, employees must complete training programmes covering compliance, money laundering, other punishable offences and data protection. We also offer subject-specific classroom-based training. External staff are required to attend the training programme; the precise requirements vary depending on how long they are employed at Aareal Bank. Employees at international locations are trained by locally appointed compliance officers.

To us, sustainability also means addressing risks in a responsible and focused manner. For this reason, Aareal Bank Group has implemented **professional risk management** for all business decisions, which helps us to identify, measure, limit and manage risks and which is continually fine-tuned.

Memberships

Aareal Bank Group signed up to the United Nations **Global Compact** in 2012. This means we have explicitly committed to the compact's ten principles in the areas of human rights, labour standards, environmental protection and anti-corruption. We have already incorporated these principles in our business processes for many years.

Aareal Bank Group is also a member of several industry associations such as the Association of German Banks (Bundesverband deutscher Banken – **BdB**) and the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken – **vdp**). It is represented on the management board of both associations. We are also a supporting member of the Federal Association of German Housing and Real Estate Enterprises (Bundesverband deutscher Wohnungsunternehmen e.V. – **GdW**) and numerous regional housing industry associations.

Aareal Bank Group's Sustainability Officer represents the Company, for example, in the working group of CSR and sustainability officers run by the German Property Federation (Zentraler Immobilienausschuss –

ZIA), in the sustainability working group run by the BdB, and in the working group on sustainability run by the German Society of Property Researchers (Gesellschaft für immobilienwirtschaftliche Forschung – **gif**). We use these forums to promote sustainable practices throughout the industry. We are also a member of the Association for Environmental Management in Banks, Savings Banks and Insurance Companies (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten – **VfU**).

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

Ratings

The importance of ratings for assessing sustainable corporate business practices has grown enormously in recent years. When making investment decisions and entering into business relationships, investors and clients increasingly consider the sustainability performance of a company as well. Ratings play a central role in this: they make sustainable business conduct measurable and comparable.

- Aareal Bank Group has held Prime Status in the sustainability rating by the prominent rating agency **oekom research AG** since 2012. This status is awarded to companies which, according to the oekom corporate rating for social and environmental performance, rank among the leaders in their industry and meet the minimum industry-specific requirements. Our human resources policy is particularly important for this good result: we achieved an excellent rating of B in the area of employees.
- In the rating conducted by **Sustainalytics**, Aareal Bank Group scored 61 out of a possible 100 points in 2014 – above the average for the rated companies.
- Aareal Bank Group again participated in the **CDP** – the Carbon Disclosure Project – in 2014. This illustrates a company’s transparency and performance in dealing with climate change issues. We scored 88B, again significantly above the average for our Financials peer group and above the average for MDAX companies.
- The assessment by rating agency **imug** resulted in an above-average score overall. Our Public-Sector Pfandbriefe, Mortgage Pfandbriefe and unsecured bonds were rated “positive”. They are therefore suitable as investments from a sustainability perspective.

	2014	2013	2012
oekom	prime	prime	prime
Sustainalytics	61	57	57
CDP	88 B	81 B	67 D
imug			
Mortgage Pfandbriefe	positive	neutral	neutral
Public-Sector Pfandbriefe	positive	positive	neutral
Unsecured bonds	positive	neutral	neutral



03

Clients and Products



Aareal Bank Group's business model is divided into the Structured Property Financing and Consulting/Services segments – the two key pillars on which our success is built. The Company takes a long-term approach to client relations and aims to provide sustainable solutions.

Responsible credit business

The financial market was dominated by great uncertainty for many years. Aareal Bank Group's successful business model has allowed it to perform extremely well in this market environment. Adequate, sustainable risk management and risk control are the core elements of this success. We have benefited from our sound, sustainable lending policy, our pronounced market and client proximity, forward-looking refinancing policy and healthy balance sheet structure.

In the area of commercial property financing, we primarily concentrate on investment financing, i.e. financing completed buildings. The properties are usually secured by senior liens, can serve as cover assets and have moderate loan-to-value ratios. Our small NPL (non-performing loans) portfolio also demonstrates the quality of our credit business.

Aareal Bank Group provides support for clients investing in property in Europe, North America and Asia. This three-continent strategy allows us to diversify our property financing portfolio across different regions and opens up cross-border and cross-regional business opportunities. At the same time, diversifying our risk in this way reduces our dependence on individual markets. Equally, the wide range of different property types that we finance – including office buildings, retail properties, hotels, and logistics and residential properties – helps keep our portfolio balanced.

Sustainability as a criterion for financing

Our assessment of the basic business environment in countries in which we are or aim to become active considers economic aspects such as changes in gross domestic product, the unemployment rate and interest rate trends. In addition, we look at legal certainty, market transparency and levels of corruption in the country concerned.

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

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

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

Financing future-proof properties: "Plac Unii" has BREEAM certification

Aareal Bank provided € 114 million in financing for the acquisition of the Plac Unii building in Warsaw, Poland, via Invesco Real Estate who acted on behalf of two investors. The property has green building certification under the BREEAM standard with a "very good" rating. Aareal Bank acted as arranger, lender and hedge provider in the transaction.

BREEAM[®]

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

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Sound, broad refinancing base

Aareal Bank has a sound, broad base for its refinancing requirements. We are an active issuer of Pfandbriefe, which make up a significant share of our long-term funding.

Pfandbrief issuance is governed by the German Pfandbrief Act (Pfandbriefgesetz – PfandBG), whose strict provisions focus in particular on investor protection. Pfandbriefe are a particularly sound investment with a proven market infrastructure – something that also applies in uncertain times. Their excellent credit ratings and stable returns are valued by investors in Germany and abroad.

The AAA rating for Aareal Bank's Pfandbriefe confirms the quality of its cover assets pool. The geographical distribution of the cover assets pool also demonstrates the diversification strategy used in commercial property financing. Aareal Bank's mortgage Pfandbrief is one of the world's most highly diversified covered bonds.

Deposits by institutional investors and by the housing industry are another source of refinancing. These are largely independent of the capital markets and represent an important additional pillar in the Bank's long-term funding mix. The volume of deposits by the housing industry has continually increased in the past years – proof of our clients' trust.

Sustainability of the securities portfolio

Aareal Bank holds a high-quality securities portfolio. This serves as a liquidity reserve for economic and regulatory purposes, as well as being used in cover assets management for our Pfandbriefe. The portfolio comprises four asset classes: public-sector borrowers, covered bonds and Pfandbriefe, bank bonds and asset-backed securities (ABSs). Around 98 % of the portfolio has an investment grade rating.

Since 2012, we have conducted a sustainability analysis of Aareal Bank Group's securities portfolio every two years, in order to track our progress. The independent rating agency oekom research came to the conclusion that the issuers listed in our securities portfolio achieve best-in-class status on average. Exclusion criteria set by us are also considered in the analysis – including human rights violations, child labour, press freedom and freedom of expression.

Services for the property industry

Today, mobility and mobile information systems are inextricably linked. People who are on the move a lot want access to all relevant information – especially in the housing industry.

Aareal Bank Group offers the commercial property and housing industries innovative, environmentally friendly solutions with optimised processes. They are intended to digitise our clients' property management to the extent permitted by law and technology. This applies both to the payment transaction processing performed by Aareal Bank and to Aareon Group's ERP products.

Aareal Bank's products

BK 01 is the leading system for processing mass payments in the housing industry. In the period under review, the Bank processed payment flows for more than 5.5 million homes and commercial units and around 2.5 million power supply contracts, involving a total of approximately 120 million payment transactions per year. The system provides electronic account information that can be automatically read into the ERP systems. Its automated downstream processes make a significant contribution to speeding up workflows and reducing administrative costs.

BK 01 immoconnect creates a special, exclusive data interface between the ERP systems of housing and energy companies. This interface optimises data interchange for invoicing service charges and operating expenses between these companies and the associated payment transactions for advance instalments and final payments.

The **BK 01 billing and data calculation system** enables energy and waste disposal companies to automatically supply their clients, particularly those from the housing and property industries, with electronic data from these areas and hence also to save paper.

Aareon Group's products

With its country-specific ERP solutions, Aareon has a sophisticated offering that meets the most diverse client requirements and is supplemented by integrated services such as an online service portal, CRM solutions and document management systems. In Germany, Aareon offers the new product generation: **Wodis Sigma, SAP solutions** and the proven **ASP solution GES**.

The **Mareon service portal** links housing companies, services that provide meter readings for heating, and crafts businesses. This allows ongoing maintenance of properties, for example, to be handled more easily, reducing administrative costs and accelerating workflows on all sides.

The same principles also apply to **Aareon's invoicing service**: this enables systematic, fully integrated automation of the invoicing process, offering end-to-end standardisation and saving both time and money, not to mention substantial amounts of paper.

With the introduction of **Aareon's CRM portal**, clients can use personalised access data to view and manage information. Individual housing companies can customise the system's functions.

Products from **1st Touch** – the UK market leader in mobile solutions for the housing industry – are the ideal supplement to Aareon's product portfolio. By using mobile devices, processes that were previously performed manually can now be digitised, eliminating many paper-based tasks.

In addition, Aareon Group has been a partner in the **I-stay@home** initiative, funded by the EU, for many years. This project offers IT-based solutions that enable people to remain independent in their own homes for as long as possible.

Putting things in perspective: digitisation

Digitisation has experienced an enormous boost in recent years: today, well over 90 % of the total amount of information in the world is in digital form. Twenty years ago, this figure was a mere 3 %. For people and for businesses, this digital shift – as seen in the ever-increasing use of the Internet, smartphones and tablets – has significantly changed the way people communicate.

In the housing industry, digitising communications has had a considerable impact on the implementation of a tenant-oriented strategy. The majority of tenants and landlords are now used to online shopping and Internet banking and increasingly expect similar service offerings in the housing market.

Aareon Group is responding to this trend. Aareon's IT solutions are converging more and more to form the "Aareon Smart World" – a systems environment that uses the Internet as its network. The housing industry can leverage significant cost savings using mobile solutions. For example, the on-site processes performed when a flat is accepted can be simplified. The theme of the Aareon Congress in Garmisch-Partenkirchen in June 2014 – "Client relations in the digital age" – underlines how important these issues are for us. In addition, in the summer of 2014, an Aareon blogger went on a "housing industry expedition". Over the course of three months, he travelled the length and breadth of Germany giving presentations on the key people and projects currently bringing about significant change in the property industry.

Long-term client relationships and satisfied clients

Client dialogue plays a central role for Aareal Bank Group and its daily business. Forums such as our client advisory boards plus continuous dialogue ensure the Company knows what its clients want. They are the most important starting point for enhancing our portfolio of products and services. We also pay particular regard to property industry and IT trends.

Our direct, long-term relationships with our clients are a key feature of our **commercial property financing**. Factors contributing to client satisfaction are our local knowledge and the expertise of our sector specialists in the fields of logistics, shopping centre and hotel financing. This means that we understand our clients and speak their language.

In the area of **refinancing**, too, we have long-term, close client relationships. The Treasury division looks after a broad client base of fixed-income investors. These are investors who invest in capital market products, allowing us to refinance our portfolio of property loans. Our clients especially value our employees' many years of capital market experience and the high level of continuity in their contacts with the Bank. Fixed-income investors are often served by the same experts for many years.

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

- By the Bank's Housing Advisory Council, an advisory body comprising key industry players drawn from our clients,
- In the day-to-day interactions between our clients and the sales unit contacts assigned to them, and
- By integrating clients in the development of new products or components using a standardised test phase that is explicitly designed to optimise their first-time operation.

Aareon Group has conducted client satisfaction surveys for many years, most recently in 2014. Over 90 % of clients view Aareon as a respected business partner that offers high-quality ERP solutions. Overall, 95 % of our clients are satisfied or very satisfied. A sizeable majority of them (65 %) see a clear difference between us and others in the market and half of them agree with the statement that purchasing from Aareon reduces the risk of making wrong decisions. We have already put many measures in place to ensure that we will continue to honour our brand promise in the future. Our close dialogue with clients will help this. Some 130 housing companies are represented on Aareon's advisory boards and Aareon is a member of nearly every housing association. Aareon intends to assess the impact of these measures next autumn and will conduct an international survey annually in future.

Data security and data protection

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

Employees are taught about data protection issues in training sessions. A data protection officer who is not subject to the instructions of, but is appointed by, the Management Board ensures compliance with data protection provisions and monitors employees' obligation to maintain data secrecy together with the Human Resources division.

Aareon Group in particular processes large volumes of end-user information. As a result, data security and data protection have a high priority for us. Aareon is registered as a telecommunications operator with the German Federal Network Agency (Bundesnetzagentur – BNetzA) and as such also has to comply with the requirements of the Telecommunications Act. In line with this, all Aareon employees signed updated undertakings in 2014 covering business and banking secrecy, the Telecommunications Act and our own anti-corruption guidelines.

Since 2010, Aareon AG has regularly undergone voluntary data protection audits in accordance with section 9a of the BDSG. Deutsche Gesellschaft zur Zertifizierung von Managementsystemen (**DQS**) again confirmed Aareon's high level of data protection in 2014. Aareon and its German subsidiaries were awarded the DQS data protection seal of approval (DQS-Gütesiegel-Datenschutz) for the fifth time.

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



Data in Aareon's cloud is stored exclusively in Germany in data centres that are fully operated by the company itself. The data centres are linked by a dedicated, encrypted fibre optic network. Aareon's customers access their data at Aareon using dedicated WAN connections or encrypted VPN connections. Multi-layer firewalls prevent data stored in Aareon's cloud from being accessed over the Internet. Aareon's data centre operations are regularly certified in accordance with IDW PS951.

In 2014, Aareon's information security management system was awarded internationally recognised ISO/IEC 27001:2013 certification for the first time by TÜV Rheinland.

Quality management

As a company that acts sustainably, Aareon has firmly anchored the concept of quality in its corporate conduct and culture. In line with this, the company's quality management system is regularly reviewed and certified. Aareon received its most recent DIN/ISO 9001 certification – which is valid for a period of three years – from DQS GmbH in 2013.

04

Employees



A company's success is largely dependent on its employees. Aareal Bank Group's systematic human resources development policy aims to enhance its employees' professional and personal skills. We also promote a positive work-life balance and offer a Company Health Management programme – a concept for which we have already received a number of awards.

Employee structure

Aareal Bank Group employed 2,548 people as at the end of 2014, 915 of them at Aareal Bank and its sales subsidiaries in New York and Singapore. Aareon AG employed a total of 1,285 people in the companies making up its subgroup as at the reporting date of 31 December 2014. Aareal Bank Group's largest location is Germany, with 1,910 employees. Of its 638 employees in other countries, 602 are attributable to European countries, in particular France, the Netherlands and the UK.

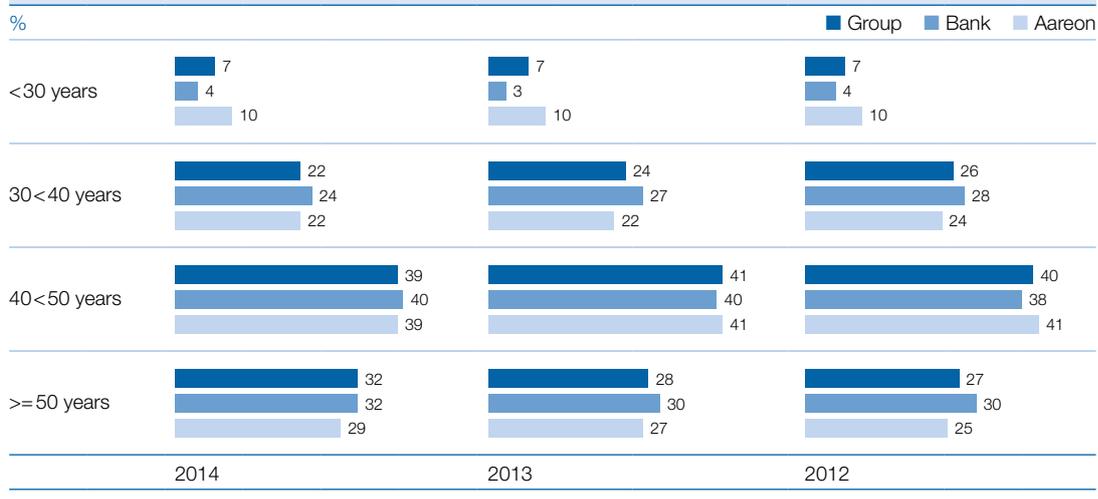
Employee-initiated staff turnover amounted to just 3.6 % in 2014. This and the average length of service at Aareal Bank – 14.1 years – demonstrate our employees' attachment to the Company. The average age of our employees is 45.9. Approximately 17.3 % of them work part-time, reflecting a slight year-on-year decline in the proportion of part-time employees. The proportion of employees with fixed-term contracts throughout the Group remained level year-on-year at 5.0 %.



Employee structure in comparison

	31 Dec 2014			31 Dec 2013			31 Dec 2012		
	Group	Bank	Aareon	Group	Bank	Aareon	Group	Bank	Aareon
Number of employees	2,548	915	1,285	2,375	908	1,258	2,289	906	1,168
of whom outside Germany	638	121	507	620	126	483	536	123	404
of whom female	982	420	417	927	420	406	893	406	383
Staff turnover	3.6 %	3.4 %	3.6 %	2.5 %	1.4 %	2.9 %	3.1 %	2.9 %	3.3 %
Percentage of part-time employees	17.3 %	20.1 %	14.9 %	18.4 %	19.3 %	16.9 %	18.0 %	18.4 %	17.0 %
Full-time employees	2,107	731	1,094	1,937	733	1,045	1,878	739	973
Number of female part-time employees	352	158	141	344	152	150	335	144	146
Number of male part-time employees	89	26	50	94	23	63	76	23	49

Age structure



Bank = Aareal Bank AG including foreign branches and foreign subsidiaries in New York, Singapore and Prague (until 30 June 2012)

Aareon = all units in Germany and abroad including subsidiaries

Group = Bank, Aareon and other subsidiaries such as Corealcredit, BauGrund, Valuation, Estate and First Financial

Continuing professional development (CPD)

Aareal Bank Group invests in its employees' continuing professional development on an ongoing basis. The measures taken focus on sustainably enhancing specialist, entrepreneurial and communications skills. Since an international orientation plays a significant role for Aareal Bank Group, we are expanding our training courses designed to develop and improve our employees' language and intercultural skills.

Hours of CPD per employee category

	2014			2013			2012		
	Group	Bank	Aareon	Group	Bank	Aareon	Group	Bank	Aareon
Senior management staff	26	31	21	21	27	22	28	27	29
Management staff	39	50	26	34	47	23	32	39	25
Specialist staff	25	23	28	25	25	27	28	28	28

Employees both at Aareal Bank's German and international locations can participate in CPD measures. Overall, the Bank invested in an average of 3.3 days of training and CPD per employee in 2014, for approximately 3,000 participant days. At the level of the management staff, around 77 % analysed their own leadership role and their responsibility for the Company's success in management training sessions in 2014.

All employees discuss their individual development and agree concrete measures with their supervisor as part of their annual Structured Appraisal and Target-Setting Dialogue. This Dialogue is the Bank's main employee development tool and is used for both employee development planning and performance management.

In the reporting period, Aareal Bank AG's "Speakers' Day" event again provided a forum for over 60 executives and experts to discuss the latest knowledge transfer methods.

Some 4,400 participant days' training were held at Aareon AG in 2014. This corresponds to an average of approximately 3.4 days per employee. Aareon also conducts employee appraisals each year to discuss individual development planning and qualification measures.

The Aareal Academy

The Bank's internal and external training and CPD measures are consolidated under the umbrella of the Aareal Academy. This internal corporate university provides management, qualification and training programmes for employees at all Aareal Bank locations. It encompasses a wide variety of in-house and external seminars, language and IT courses, on-the-job qualifications and individual development planning.

Aareal Academy Corporate University

Measures and programmes for management staff

Measures and programmes for employees and experts

Collaboration with universities

Integration programmes for new employees, trainees and interns

Fostering young talent

Attracting and growing young talent is a key aspect of our human resources work. The specialist knowledge required in our areas of business means that it is essential to invest continuously and systematically in training young talent.

	31 Dec 2014			31 Dec 2013			31 Dec 2012		
	Group	Bank	Aareon	Group	Bank	Aareon	Group	Bank	Aareon
Graduate trainees	13	4	9	10	4	6	8	5	2
Vocational trainees	31	1	24	31	1	28	39	2	33

Aareal Bank offers and supports a large number of measures designed to ensure regular contact with potential young talent.

- We have offered a customised graduate **trainee programme** since 2000, with a wide range of opportunities for development within Aareal Bank.
- **Internships** at Aareal Bank give university and high school students the opportunity to gain a first impression of working life and find out about the Group's divisions.
- Aareal Bank offers **internships for young people with disabilities** as part of the inclusive training programmes offered by Deutsche Angestellten-Akademie (DAA) for vocational trainees or career changers.
- **A Boys' and Girls' Day: Future Prospects for Boys and Girls** event was held for the second time on 27 March 2014 at our head office in Wiesbaden. This initiative, which is sponsored by the Federal Ministry of Education and Research, aims to assist school students in making career choices.
- Aareon Group again took part in the **Girls' Day** initiative in the reporting period. In addition, it organised another **Aareon kids & friends Science Camp** in September 2014 on the topic of "From jungle drums to bits and bytes".

Fair remuneration systems

At Aareal Bank Group, salaries are set in compliance with overarching remuneration policies, which are available online.

Aareal Bank employees in Germany are paid in accordance with collective wage agreements or general works agreements. At Aareon Group, remuneration is governed by general works agreements.

The remuneration system for members of the Management Board of Aareal Bank Group comprises non-performance-related and performance-related components. The performance-based bonus reflects the extent to which the Management Board member concerned has met the targets set by the Supervisory Board. We ensure long-term performance by anchoring multi-year goals in the contracts for our Management Board members. These goals are linked to the success of the Company and also include sustainability management aspects.

Due to amendments to the German Banking Act (Kreditwesengesetz – KWG) and the German Regulation on Remuneration in Financial Institutions (Instituts-Vergütungsverordnung – InstitutsVergV), the following requirements regarding the structure of remuneration systems must be observed:

- We lowered the maximum variable remuneration for individual employees, as this may only exceed the fixed salary in exceptional cases and with the approval of the Annual General Meeting.
- The number of people defined as risk takers – i.e. employees who have a material influence on the Bank's risk profile – increased, as the catalogue of employees falling within this category was extended at European level to comply with new regulatory requirements. This increased the number of employees whose remuneration must meet specific regulatory requirements. These include the rule that 50 % of the variable remuneration must be oriented towards the Company's long-term success and also that at least 50 % of the variable remuneration has to be retained and subject to review under a penalty arrangement.

Aareon Group's remuneration system is based on developments in the IT industry in Germany. In the reporting period, the underlying salary bands were routinely assessed for market comparability and adapted together with an external remuneration specialist.

Co-determination

Aareal Bank Group complies with the statutory requirements of the countries in which it operates. This applies in particular to labour law and employee co-determination rights. Employee representatives are regularly informed of current developments. In addition, all locations participate in annual works council meetings and employee events.

Aareal Bank's General Works Council comprises members of the works councils at our Wiesbaden, Berlin, Hamburg, Leipzig and Stuttgart establishments. Employees based at other German sites are represented by the Works Council in Wiesbaden. In the Group as a whole, 83 % of employees are covered by collective agreements.

The subgroup headed by Aareon Group has a similar co-determination/employee representation structure. The General Works Councils of Aareal Bank and Aareon Deutschland GmbH each appoint an Economic Committee. Aareal Bank has a co-determined Supervisory Board in accordance with section 22 of the German Act on Employee Participation in the Event of Cross-Border Mergers (Gesetz über die grenzüberschreitenden Verschmelzung – MgVG). Aareon Deutschland is subject to one-third co-determination in accordance with the One-third Participation Act (Drittelbeteiligungsgesetz). Two Aareon Group employees are also elected by the relevant electoral body to Aareal Bank's Supervisory Board.

A joint Group Works Council comprising representatives of the Bank and of five German subsidiaries addresses issues that affect the entire Group.

Retirement provision and insurance

Aareal Bank offers its employees an employer-funded corporate retirement plan. Employees can also make additional pension contributions using a deferred compensation model. In addition, they can use capital formation contributions paid by the Bank to further improve their pensions.

Aareon Group offers its employees a deferred compensation model for occupational pension provision and organises information events at various locations.

Putting things in perspective: demographic change

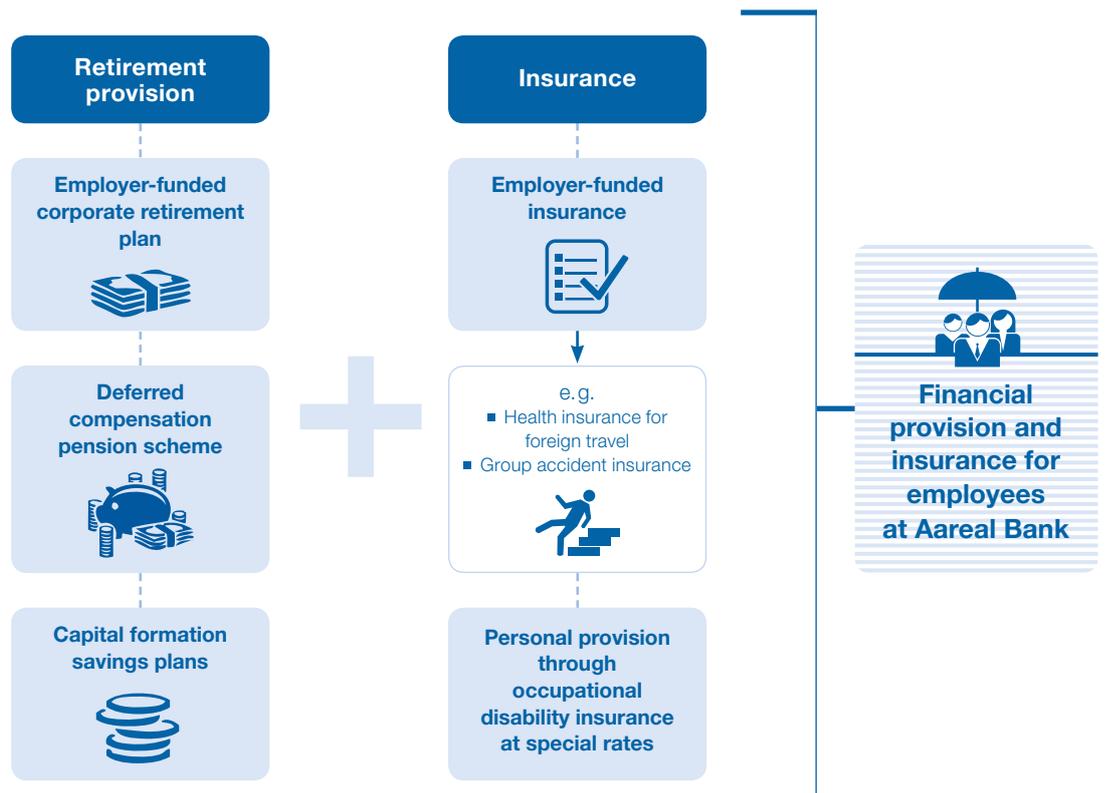
The heterogeneous trends in population structures in the various regions of the world will have a strong impact on demand for working and living space in the future and will significantly alter requirements in relation to building functionality in particular.

Many developed societies are being confronted with ageing populations as a result of demographic change. As a consequence, demand for properties is increasing, due in particular to the growth in one- and two-person households. The need to raise the retirement age in most industrialised nations also means that demand for high-quality commercial properties will continue to rise – in order to make age-friendly working possible, for example. By contrast, strong population growth is expected in many newly industrialising countries, which will also lead to increased demand for living and working space.

These trends offer both opportunities and risks for Aareal Bank Group. From the perspective of the property industry, these trends offer huge opportunities. However, demographic change is also leaving its mark on us, both as employees and as a company. We need to spend more on pension provision and to preserve our ability to work through our Company Health Management programme.

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

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



Equal treatment

For Aareal Bank Group, treating men and women in the Company equally is extremely important. This applies both to staff appointment decisions and to continuing professional development and remuneration. All job openings below executive level are advertised as a matter of principle so that all employees, regardless of gender, can apply for them. Equally, we do not distinguish on the basis of gender when it comes to pay – besides individual performance; we only take into account factors such as qualifications, professional experience and education.

The employee representative bodies regularly verify that positions are filled on the basis of applicants' qualifications in the course of exercising their co-determination rights. The same also applies to appointments at the level of the Management Board and senior executives – the primary considerations when selecting suitable candidates are their qualifications and international experience.

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

The Aareon "2.n" project is designed to anchor equal opportunities in the company. In a figurative sense, the "2" stands for a new generation of companies that are addressing demographic change and hence the competition for management and specialist staff. The "n" stands for "nachhaltig" – or "sustainable".

In the 2014 employee survey, 94 % of participants reported that they experience equal treatment when it comes to promotion at Aareon.

Diversity

We are convinced that diversity enriches our corporate culture and that it is a long-term success factor. Mutual esteem and respect for individual differences are the basis of our daily work together. This is why the Management Board has made an express commitment to diversity in Aareal Bank Group. We have also clearly stated our position on diversity in our Code of Conduct:

"In Aareal Bank Group, we respect all persons regardless of their ethnic origin, religion, ideology, disabilities, sexual identity, gender, or age. We respect their dignity, rights and privacy. We strive for an awareness and understanding of the beliefs and needs of others."

As signatories to the **Diversity Charter**, we have introduced a large number of measures to further raise awareness of diversity. We have published Aareal Bank Group's diversity principles both on the Internet and on our Intranet.



Aareal Bank Group has an international focus: we currently employ people from 27 different countries. At Aareal Bank's international locations, we ensure that most positions are filled with local citizens.

Aareon Group employees are given intercultural training in order to improve intercultural skills and make international cooperation easier. Around 225 employees in Germany and abroad took part in the relevant courses between September 2012 and February 2015. Their feedback was consistently positive.

The proportion of Aareal Bank Group employees in Germany with a severe disability – as far as is known – was 3.9 %. Since this percentage was below the statutory minimum, corresponding settlement payments were made or were reduced by commissioning work from workplaces for people with disabilities. This group of employees is represented in the Group's German companies by disability officers.

In the reporting period, 38.5 % of Group employees, 45.9 % of Aareal Bank employees and 32.4 % of Aareon employees were female. The percentage of women in management positions (including middle management) was 24.6 % at Aareal Bank and 21.3 % at Aareon.

Proportion development of women in management positions

	31 Dec 2014			31 Dec 2013			31 Dec 2012		
	Group	Bank	Aareon	Group	Bank	Aareon	Group	Bank	Aareon
Percentage of women in management positions	21.2 %	24.6 %	21.3 %	24.1 %	25.4 %	21.9 %	21.6 %	26.0 %	20.4 %

Marija G. Korsch has chaired Aareal Bank's Supervisory Board since May 2013. The Supervisory Board has set itself the goal of increasing the percentage of women on the Supervisory Board to at least 30 % by 2015, in accordance with the recommendations of the German Corporate Governance Code and section 25d(11) of the German Banking Act (Kreditwesengesetz – KWG). It is expected that this goal will be achieved in the course of the next round of regular elections in 2015.

Dagmar Knopek has been a regular member of the Management Board of Aareal Bank since 1 June 2013.

Sabine Fischer has been a member of the Management Board of Aareon since 1 January 2015.

Aareal Academy has offered seminars especially for women since 2013, working together with partner firms to do so. In addition, the Bank participates in the Anna+Cie programme, which prepares female managers for top management positions.

Study on equal pay for men and women



As part of a study on equal pay for men and women sponsored by the Federal Ministry for Family Affairs, Aareal Bank submitted its remuneration structures for examination and received a comparatively good rating. As a result, Aareal Bank is allowed to use the "Logib-D geprüft" (Logib-D tested) label.

Work-life balance

Supporting employees in achieving a work-life balance is a high priority for Aareal Bank Group. Employees can take advantage of a broad range of support services. Besides flexible working models, part-time positions and the implementation and use of long-term working time accounts, these include the possibility of positions incorporating home working, if the workplace permits this.

In particular, we support our employees during emergency situations relating to child care or dependants who require care. In this way, and with the help of additional measures, we aim to help our employees achieve a better work-life balance.

- **Parent-child rooms**, which can be used during short-term emergency child care situations, are available to employees of Aareal Bank and Aareon.
- Aareal Bank cooperates with a **child care centre** in Wiesbaden and with the City of Wiesbaden with respect to the latter's **holiday programme**. These partnerships allow us to secure child care places and school holiday care for our employees' children.
- Since we are a **corporate member of Biberbau e.V.**, an official project of the UN Decade of Education for Sustainable Development (2005-2014), employees' children can take advantage of special educational and leisure activities.
- Since February 2014, our employees have been able to look free of charge for suitable **private child care** with the help of our new cooperation partner, **famPLUS**.
- In the area of work and care, Aareal Bank offers its employees the opportunity to use the **advice and support services** provided by our cooperation partner, **Viva-Familienservice**, free of charge, and to take **statutory family care leave** if a family member starts needing care. Since 2014, this has been extended to include skills training courses to improve the work-care balance run by Bündnis für Familie (Family Alliance) in Wiesbaden.
- Aareon employees can take leave for a period of up to six weeks or temporarily reduce their working hours in the event of **special family commitments**. The details are agreed individually with employees.
- Every year, Aareon reserves **crèche and kindergarten places** at a day care centre in Mainz. The latter are free of charge for employees' children. School-age children can take part in the **Aareon holiday programme**, which has a different theme each year.
- Above and beyond these services, Aareon Group works together with family services provider **Eltern-Service AWO**, which provides support and advice to employees on **child care** and if a **family member starts needing care**.

In June 2014, Aareon Group's again passed the exacting standards of the Hertie foundation's **"work and family audit"**. Aareon was also a finalist in an ideas competition organised by berufundfamilie gGmbH in November 2014 on the topic of work in an ageing society.

In addition, Germany's Federal Ministry for Family Affairs named Aareon Germany's most family-friendly company in the SME category in its **"Erfolgsfaktor Familie"** (**"Success Factor Family"**) competition in 2012. The next competition will be held in 2015.





Health management

Aareal Bank's Company Health Management programme (known by its German initials, BGM) helps its employees to stay healthy. It covers the areas of information and a hotline service, prevention, movement, nutrition, relaxation and training. In November 2014, Aareal Bank AG received the **Corporate Health Award** for its exemplary health management programme. The certificate states that our Health Management programme "is one of the best in the whole of Germany and is integrated both structurally and strategically with the Company's business processes".

The **health care portal** operated by the occupational medicine service BAD informs our employees about health-related topics. Our employees can also compare notes and make suggestions via a discussion forum on the Intranet.

The twelve-week **running course** has been offered since 2013 and was again so popular in the reporting period that Aareal Bank set up two running groups with over 30 participants, as well as additional Nordic walking courses. The offer of **free skin cancer screenings** in Wiesbaden was also very well received, with 220 Aareal Bank employees taking part. In response to numerous requests by employees, **massages** are also offered.

The BGM also includes the **Employee Assistance Program** – an external advisory service to help employees deal with crises at work and at home. The service is available 24 hours a day, 365 days a year.

In February and March 2014, Aareal Bank conducted a **survey of psychological stress factors** amongst employees, in which just under one-third of employees took part. The most significant stress factors that emerged were heavy workloads and frequent e-mail interruptions. The BGM focused on these issues and offered presentations aimed at improving our internal e-mail culture, among other things.

Dilemma: reconciling business success and employee workloads

Financial year 2014 was an eventful and successful year for Aareal Bank. Not only did we pass the European Central Bank's Comprehensive Assessment with convincing results, fully repaid the residual amount of the silent participation provided by the German Financial Markets Stabilisation Fund (SoFFin), placed Additional Tier 1 capital, and integrated Corealcredit, which we had acquired in the previous financial year – we also expanded our market position and generated an excellent result, despite a demanding market and an increasingly competitive environment.

All of these milestones were only achieved thanks to the unstinting commitment of our employees. It therefore comes as no surprise that the additional workload is also reflected in our employee survey. However, our employees' efforts were definitely worth it, as they have contributed directly to securing the Company's long-term strength and future viability.

Under the umbrella of the Aareal Academy, **stress management seminars** were again held which focus on preventing stress-related illness. The "**Healthy leadership**" seminar designed especially for managers was also well received. **Several seminars on giving up smoking** were held in 2014.

Aareon Group also started its own Company Health Management programme in August 2013. The focus here is on stress management; in addition, talks and seminars were organised in 2014, and sports courses, heart and back health checks and flu jabs were also on offer. Additionally, healthy eating is becoming a more and more important issue.

The **first Aareon Health Day** attracted more than 140 active participants to Mainz, while at other locations people listened to online talks. Events focused on raising awareness of health issues and how to prevent problems arising. Participants had the opportunity among other things to try out different medical checks, have their internal eye pressure measured, or opt for a vein assessment, posture analysis or yoga, and much more.

Aareal Bank: an attractive employer

We aim to provide our employees with an attractive and secure working environment, and we have succeeded: for the seventh time in a row, Aareal Bank was recognised as a **"top employer"** in Germany by the Corporate Research Foundation.



Occupational safety

At Aareal Bank Group, the occupational safety organisation is the responsibility of the Management Board, which has implemented this via an integrated management system that complies with the statutory regulations. The aim is to further reduce the number of accidents by providing safety instructions and increasing employee awareness, as well as by various audits by external supervisory authorities. Every Aareal Bank Group subsidiary is therefore obliged to issue guidelines for its location in the form of an occupational health and safety manual.

The accident rate for Aareal Bank in Germany rose slightly year-on-year but remains extremely low. The sickness rate is also at a very low level. Aareal Bank employees are sick for an average of 8.3 days a year. No occupational illnesses were reported in the period under review. Likewise, there were no work-related deaths.

Occupational safety figures

	2014		2013		2012	
	Bank	Aareon	Bank	Aareon	Bank	Aareon
Workplace accidents/ commuting accidents	15	9	8	9	15	10
Accident rate	1.9 %	0.7 %	1.0 %	0.7 %	1.9 %	0.9 %
Sickness rate	3.7 %	4.2 %	3.7 %	4.4 %	3.5 %	4.5 %

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

The sickness rate for Aareal Bank does not include any employees on extended sick leave in 2012. The comparable rate for 2013 excluding employees on extended sick leave would be 3.2%; this means that the sickness rate would be better than in the previous years.

05

Environment

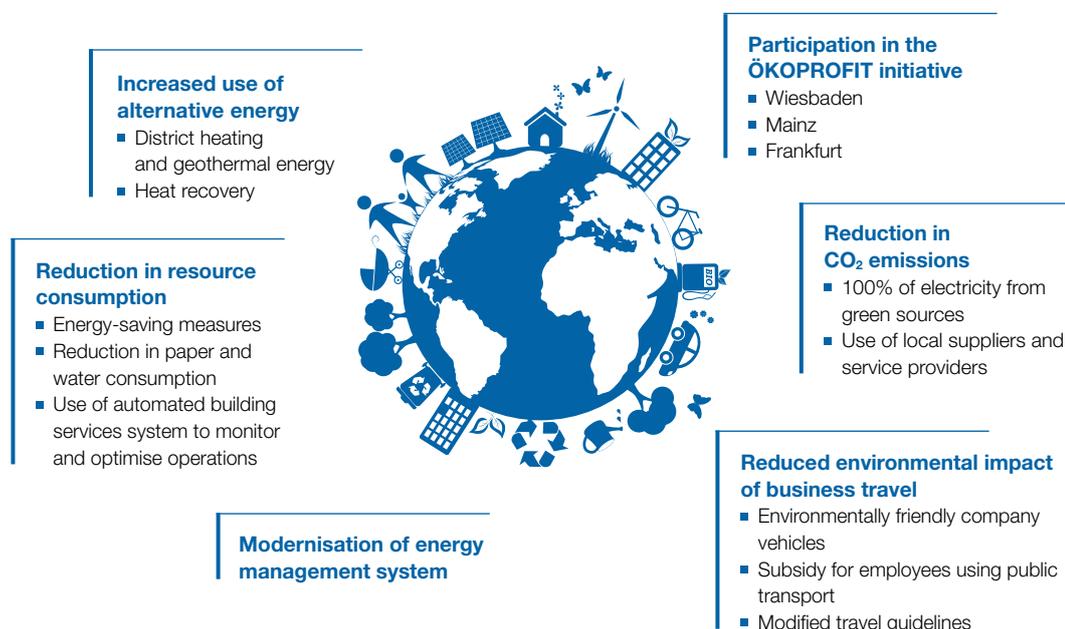


Aareal Bank Group aims to minimise the impact its business activities have on the environment. We take care to use consumables as efficiently as possible and to obtain resources from renewable or sustainable sources. We also expect our suppliers to comply with established standards.

Environmental management

Avoiding environmental impacts while making sparing use of resources is a guiding principle at Aareal Bank Group. We aim to meet the requirements of environmentally responsible banking and to minimise any negative impact of our business activities, using an active environmental management system. Making sparing use of resources in the Bank's internal operations is the top priority. This depends in particular on employee awareness of the issue. Other key measures for reducing environmental impacts include cutting energy consumption, reducing CO₂ emissions, increasing energy efficiency and raising the percentage of renewable energy in the supply mix. Sourcing green energy to supply our main sites in Wiesbaden and Mainz, as well as other locations in Germany, has been central to achieving this since the beginning of 2014.

Aareal Bank Group's key suppliers are also required to comply at a minimum with statutory guidelines. In addition, the Group's guidelines on supplier management govern other standards, criteria and assessment parameters in Aareal Bank Group's overarching supplier management system. We regularly evaluate whether suppliers are complying with the criteria they have to meet.



Measuring environmental impacts

We systematically capture and analyse our consumption data in order to minimise the impact of our business activities on the environment. This involves taking into account different environmental aspects and documenting our activities. To do this, Aareal Bank Group draws up plans on a rolling basis for servicing, maintaining and modernising our sites.



In the year under review, the focus was on our successful participation in the **Ökoprofit** project. Ökoprofit is an environmental advisory programme for businesses, in which participants receive advice over a one-year period from external specialists on the organisational and technical steps they can take to make their operations more environmentally friendly and at the same time more cost effective. Aareal Bank AG began the programme in December 2013, as one of 13 companies from Wiesbaden, and received its award one year later. A number of practical measures for making operational cost savings were developed as part of the project. In addition to individual consulting sessions and workshops, we also profited from ideas generated from the network of businesses taking part. Some of the measures pay for themselves within a year – such as optimising the target values and switching times for technical installations or eco-monitoring for the building services automation system. The payback period for switching to an LED lighting system for the underground car park is around eight years.

Aareon Group started its own Ökoprofit project in Mainz, in March 2014. As part of the project, environmental guidelines were drawn up and approved by the Management Board, the capture of data on electricity, water and fuel consumption, etc. was systematised and improvement measures were developed. The project is expected to be completed in mid-2015.

Putting things in perspective: climate change

Why is Aareal Bank Group promoting energy efficiency and reducing resource consumption at a time when energy costs are falling? The answer is obvious: Every study of climate change confirms that the shifts in the Earth's climate are continuing unchecked. We therefore have a duty to future generations to do everything within our sphere of influence to lessen the impact of climate change. In addition, there are long-term business reasons for doing this:

If a property is to satisfy its users over the long term, it must reflect future trends today. Sellers of office properties, for example, must already factor in rising energy prices and the growing consciousness of environmental and climate protection, as well as the changes in the working world. Discerning tenants not only expect green buildings, however; good public transport connections are also a priority for them. Why? Because some 30 % of a service company's CO₂ emissions are attributable to its employees' daily commute between home and the workplace. Easy accessibility via public transport gives employers the opportunity to reduce their ecological footprint.

Properties that do not meet sustainability criteria will face increasing marketing problems in future. A property in an unfavourable location with outdated technical and structural features will have enormous problems finding tenants and investors, or will have to offer considerable discounts.

Data coverage extended

This year we achieved our goal of extending our environmental data coverage to the entire Group. For the first time we are also including data for Corealcredit, which was acquired during the reporting period, and for our companies and locations in Germany and abroad. Approximately 90 % are actual figures, while data projections have been used for the remaining units.

This makes it more difficult to compare data from previous years. The report therefore includes the same aggregation level as in previous years in addition to the Group-wide figures.

Capturing the data was a learning process for all of the units included for the first time and took considerable time and effort. Nevertheless, obtaining the greatest possible coverage of human resources and environmental data is very important for us – not least because this is a Group report.

Use of resources

Paper is the largest consumable product by volume used at Aareal Bank Group. The Company only uses paper certified by the internationally recognised Forest Stewardship Council (**FSC**) or the Programme for the Endorsement of Forest Certification Schemes (**PEFC**) to print its brochures. Aareal Bank Group's key office materials suppliers and printers are FSC-certified or have an environmental management system certified to ISO 14001.



Between 2013 and 2014, the **amount of paper** used for internal office purposes by Aareal Bank and Aareon Group in Germany declined slightly from 32 to 31 tonnes. This equates to approximately 20 kilograms of paper per employee. We optimise corporate workflows and save paper using modern IT solutions such as automated and largely paperless travel expense management, as well as invoice verification and generation. In 2014, all employee records for Aareal Bank AG and its banking subsidiaries were digitised. The new HR e-files save paper and make retrieving and processing the records easier. In addition, we use paper that has been awarded either the PEFC certificate for sustainable forestry management or the EU Ecolabel ("**Eco Flower**"), the most exacting standard for non-recycled copy paper, in our copiers.



	31 Dec 2014					31 Dec 2013		31 Dec 2012	
	Group	Bank	Aareon Total	Aareal Germany	Aareon Germany	Aareal Germany	Aareon Germany	Aareal Germany	Aareon Germany
Paper used for internal office purposes (t)	49	28	10	24	7	23	10	20	10
Paper used per employee in kg/employee	19	31	8	29	9	28	13	25	13
Printouts for/by clients (t)	68	26	42	26	42	24	103	24	89
Water consumption (m ³)	23,974	15,977	5,069	15,325	3,045	16,186	4,887	13,835	5,153

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

Aareon Total = all units in Germany and abroad including subsidiaries

Group = Bank, Aareon and other subsidiaries such as Corealcredit, BauGrund, Valuation, Estate and First Financial

Water consumption at Aareal Bank and Aareon Group in Germany remained almost unchanged for several years. The higher consumption levels recorded in 2013 were due to a variety of measures carried out in the grounds. We have used this resource sparingly for many years and intend to track and implement any sensible means of further reducing consumption in future, too. A rainwater harvesting system is scheduled to be constructed in 2015.

In the year under review, 353 tonnes of **waste** were produced in the Group. Total waste in Wiesbaden rose slightly year-on-year. The slightly increase in the percentage of recyclable waste here – the result of improved sorting – is encouraging.

Waste paper is recycled. The relevant amount in 2014 was 130 tonnes, or approximately 35 % of total waste.

Energy efficiency

Aareal Bank Group aims to cut its electricity consumption further and is also making an energy mix with a high percentage of green energy a priority, so as to ensure it is sourcing its energy requirements as efficiently and environmentally compatibly as possible.

Between 2013 and 2014, **electricity consumption** at the Wiesbaden site and at Aareon's locations in Germany remained more or less unchanged. Since the renovation of the data centre in Wiesbaden in 2011, energy consumption for the same load has fallen by around 40 % thanks to the use of highly efficient technologies and the integration of "free cooling". The use of state-of-the-art technology has allowed us to reduce primary energy requirements for the data centre by at least 5 % per year since 2011, despite a significant increase in processing power and the volume of data stored.

		31 Dec 2014					31 Dec 2013		31 Dec 2012	
		Group	Bank	Aareon Total	Aareal Wiesbaden	Aareon Germany	Aareal Wiesbaden	Aareon Germany	Aareal Wiesbaden	Aareon Germany
Indirect	Energy consumption (GJ)	37,833	21,740	13,405	18,253	9,795	18,234	10,715	16,931	10,725
	District heating (GJ)	12,949	10,597	2,036	10,597	1,654	12,886	2,633	11,019	2,670
Direct	Gas (GJ)	12,626	6,647	2,815	0	1,820	0	2,074	0	1,708
	Heating oil (GJ)	1,063	797	266	185	29	72	18	72	72

We switched our main sites in Wiesbaden and Mainz as well as other German sites over to green power in January 2014, generating annual savings of approximately 3,000 tonnes of CO₂ emissions.

The Wiesbaden site has used district heating for heating and hot water for several years now. In addition, some of the energy used to supply hot water is generated by a solar thermal system. The following factors also reduce the amount of energy required at the Wiesbaden site: highly efficient pumps for heating and cooling distribution, heat recovery in ventilation and air-conditioning systems, and a building services automation system to monitor and optimise operations.

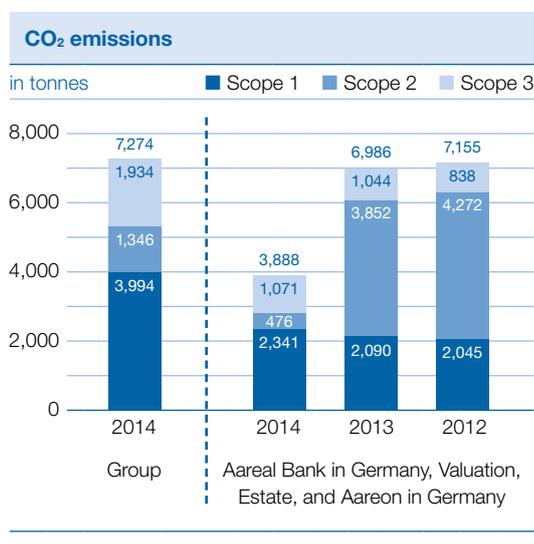
The head office of Aareon and First Financial in Mainz, which has been occupied since 2012, is heated and cooled using geothermal energy and waste heat from the data centre. Consumption of heating oil has dropped to almost zero as a result of the relocation and the related transition to district heating.

Some of our units abroad also use green energy. In Sweden, incit uses hydroelectric power and district heating at both of its main sites. Our banking site in Stockholm also runs on green energy.

CO₂ emissions

We record CO₂ emissions using the Greenhouse Gas (GHG) Protocol – an internationally recognised standard that sets out the framework for reporting greenhouse gas emissions. Emissions are measured using three "scopes". Scope 1 governs direct emissions produced on a company's premises. Scope 2 governs emissions attributable to indirect energy consumed. Scope 3 governs emissions produced by services performed by third parties and by services purchased.

Group-wide **Scope 1** emissions from direct energy consumption in buildings (gas and heating oil) and from company cars totalled 3,994 tonnes¹⁾ of CO₂ in 2014. Emissions from indirect energy consumed such as electricity and district heating (**Scope 2**) amounted to 1,346 tonnes. Scope 2 emissions fell dramatically year-on-year, even though we significantly extended our data coverage. This reduction is due to the fact that the German sites now use green energy. A total of 1,934 tonnes¹⁾ of CO₂ emissions were recorded for business trips that were made by rental car, flown, or taken by train (**Scope 3**).



Dilemma: The cost-benefit dilemma of carbon neutrality

A number of financial institutions are increasingly addressing the issue of carbon-neutral banking operations. The basic idea is that, since banks and insurance companies are not intensive producers of industrial emissions, it should be relatively simple for them to make their business operations carbon-neutral if they compensate for their emissions by investing in offsetting measures. These questions have also been raised with Aareal Bank Group.

We take these initiatives extremely seriously and have looked into the implications of carbon neutrality for our business in great detail. We have calculated the relevant amounts and analysed compensation measures. After weighing up the advantages and disadvantages, we have decided not to go down this route, for the following reasons in particular.

As a listed joint stock company, the money we use in our operations always belongs to our shareholders. We would have to produce compelling arguments to show that this type of investment would also benefit our shareholders in the long term. Given that our own emissions do not simply disappear as a result of offsetting measures, these offsetting measures usually have no connection to our business and they are geographically too far away (mostly in developing and newly industrialising countries), meaning that we cannot monitor their sustainability, we can only conclude that it would make more sense for us to invest the required amounts in measures that we ourselves can take to reduce emissions.

¹⁾ Although this figure rose year-on-year, the rise is attributable to more extensive data coverage.

Mobility

Aareal Bank Group has a set of **travel guidelines** that are binding on all German sites. These require our employees to check before every business trip whether they actually need to travel and to consider alternative means of communication. In recent years, Aareal Bank Group has invested in modern conference call and video conference technology at its sites to provide such alternatives. By systematically using this technology, we aim to help cut business travel efficiently going forward.

New video conferencing equipment based on IP technology has been installed at all of the Bank's sites since 2014. The main new feature is its hybrid functionality, allowing participants to be connected both via video as well as purely via audio. The main aim of this is to lower the barriers to use these technologies and encourage more employees to avoid business trips. The video conferencing facilities at Aareal's sites in Germany and abroad are also currently being modernised.

If a business trip cannot be avoided, air travel should only be given preference over other means of transport if it significantly reduces the journey time. In addition, the cost of travel compared with other means of transport should only be marginally higher, or should only entail reasonable additional expenditure given all the circumstances. Rental cars are also chosen with an eye toward both economic efficiency and cost awareness.

Aareal Bank Group also believes that choosing environmentally friendly company cars is important: in line with its **company car policy**, new vehicles purchased must always comply with the strictest EU emission standard in force for the manufacturer and model concerned. In 2013, we modified our company car policy by introducing a CO₂ limit for purchases of new company cars and an average CO₂ limit for the fleet in Germany and worldwide.

Aareal Bank Group also incentivises its employees to choose environmentally friendly vehicles under the company car guidelines. For example, the employees' own monthly contribution increases by € 4.00 for each 0.1 litre increase in consumption, regardless of the monthly lease payment, if fuel consumption exceeds the figures set out in the EU directives. By implementing this rule, we aim to make all company car drivers aware of their environmental impact, thereby reducing unnecessary fuel consumption.

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

Sustainable procurement

In its procurement activities, Aareal Bank Group gives preference to local suppliers and service providers, ensuring short transport routes and reducing CO₂ emissions. Naturally, we also expect our suppliers to comply at a minimum with statutory guidelines. The contract templates used for suppliers and service providers specifically oblige them to comply with the regulations and standards.

We conduct in-house evaluations to determine whether suppliers are in compliance with these requirements. Since 2013, our questionnaire for supplier evaluations has also focussed to a greater extent on social standards, in addition to environmental issues. It is being used for new suppliers and for the annual reviews of current key suppliers.

The questionnaire forms part of the **Group's guidelines on supplier management**. These set out standards, criteria and assessment parameters in Aareal Bank Group's overarching supplier management system. Besides compliance with all the necessary environmental requirements, the guidelines also consider other key points, such as the supplier's market position, the quality of the goods and services, prices and delivery performance, the quality of commercial procedures, and adherence to deadlines and volume targets. Individual aspects are assessed on a regular basis by the responsible units in each case (the purchasing organisations and the divisions).

Aareal Bank Group deliberately imposes high quality requirements on its authorised suppliers. The intention in continually updating the supplier guidelines is to constantly raise the bar for these requirements. On the other hand, in our working relationships with our suppliers, it is important for us that they have introduced and implemented extensive occupational health and safety standards. In 2015, we are also planning regular supplier audits with our key suppliers so as to be in an even better position to check compliance with these measures.

06

Society



Aareal Bank Group supports a large number of educational and academic initiatives, as well as charitable and social organisations above and beyond its business. In addition to donations and sponsorship, we encourage our employees to become involved, as well as facilitating knowledge transfer between business and society.

Education and academic research

Aareal Bank Group sponsors educational and academic organisations and initiatives whose interests overlap with its areas of business. The Group sees itself not only as a sponsor, but also as a partner in cooperative activities. For Aareal Bank, this means supporting the next generation of professionals, promoting research projects and creating international links between academic research and teaching.

- Aareal Bank has endowed a professorial chair at the **Real Estate Management Institute (REMI)**, part of the EBS Universität für Wirtschaft und Recht in Wiesbaden.
- Aareal Bank sponsors the **"Aareal Award of Excellence in Real Estate Research"**, with prize money totalling **€ 12,000**, at REMI. Aareal Bank and EBS REMI use the award to honour outstanding academic research in real estate economics. The three prize-winners in 2014 were from the USA and Singapore.
- Moreover, our employees are involved as speakers, and sit on examination boards and other committees, for **EBS** and other higher education institutions in the region, such as the **Frankfurt School of Finance**, the **RheinMain University of Applied Sciences** and the **University of Applied Sciences Mainz**.
- Aareal Bank and Aareon AG also provide the **Leipzig University of Cooperative Education** and the **Südwestdeutsche Fachakademie der Immobilienwirtschaft e.V.** with guest lecturers and speakers.
- Aareal Bank sponsors a prize for pioneering theses relating to the housing and property industry at the **EBZ Business School – University of Applied Sciences** in Bochum.
- The Bank also co-sponsors the **Institute for Banking History (IBF – Institut für bankhistorische Forschung)** in Frankfurt am Main. Through this involvement, we aim to help make historical experiences in the financial sector accessible for modern-day practice. The IBF has promoted academic research into banking and financial history since 1969. With its wide range of publications and regular events, the IBF informs the wider public about the historic roots of the banking industry.



Aareon Group extended its activities in the area of education and academic research in 2014. In addition to promoting young academic talent, it organises prizes and competitions in the property industry.

- In November 2014, Aareon AG resolved to endow a professorial chair in business information systems at the **EBZ Business School – University of Applied Sciences** in Bochum. The funding is initially for a period of five years, starting in the winter semester of 2015. Aareon Group anticipates that this involvement will help enhance the IT solutions used in its own business, in addition to providing fresh academic insights.
- Aareon Group has been a sponsor of the **Institute for IT in the Property Industry (Immobilienwirtschaftliche Institut für Informationstechnologie)** since 2010. This is an independent platform for information technology research projects.
- The **Aareon IT Prize** for information technology is awarded twice a year at the **Nürtingen-Geislingen University**.
- The company also sponsors the **DW Die Wohnungswirtschaft – Zukunftspreis der Immobilienwirtschaft** award and the **"Property Manager of the Year" innovation prize**.
- The **"Lerninsel" programme** has been equipping promising vocational trainees with the skills to become tomorrow's leaders in the property industry since 2005. This joint initiative by Aareon AG and the Verband norddeutscher Wohnungsunternehmen e.V. (VNW) as well as other associations organises in-depth training courses every summer.
- In September 2014, Aareon Group took part in **Science Year 2014**, organised by the Federal Ministry of Education and Research (BMBF – Bundesministerium für Bildung und Wissenschaft). Several three-hour science camps for children aged eight to twelve years explored the topic of "The Digital Society" over the course of two days. This gave the children a playful introduction to the basic principles of modern data transfer.

Putting things in perspective: long-term trends

Why does Aareal Bank Group sponsor academic research into the property sector? We intend to be ready, at international level and in the long term, for the three major megatrends that will determine the future of our industry: globalisation, urbanisation and structural change.

Globalisation: Open markets around the world increase competition between regions. They make it easier for market players to operate across national borders and hence to create strategically diversified portfolios. Comprehensive knowledge of local and regional property markets enhances success in the property business.

Urbanisation: Rural regions in many parts of the world are experiencing population decline, while more and more people are moving into cities. The rapid growth of major cities is not attributable to general population growth alone – it is primarily the result of migration. The consequences of this trend towards urbanisation – such as the need to make optimal use of space, or preventing further urban sprawl, will impact property markets.

Structural change: Many newly industrialising countries are in the midst of a structural shift from manufacturing- to services-based economies, while the developed economies are evolving into information- and knowledge-driven economies. New ways of working are placing different demands on how work-places are designed. This development is fundamentally changing the way properties are used and fuelling the need to invest in a very wide range of commercial properties.

Charitable and social organisations

Aareal Bank Group sponsors charitable and social organisations and is involved in a large number of foundations.

- We have been supporting the **Zwerg Nase-Stiftung** in Wiesbaden as a foundation member and sponsor for many years. Our annual Christmas donation and the money raised from our corporate gifts tombola also go to the Zwerg Nase house. The Zwerg Nase foundation aims to provide simple, unbureaucratic help to parents with disabled children.
- Aareal Bank also supports **Fit for Family Care gGmbH**, a non-profit organisation for child care and youth services in Wiesbaden. Among other things, Aareal Bank employees read a story to a kindergarten group every Wednesday.
- Since April 2013, Aareal Bank has also been involved in **Deutsche Sporthilfe's "Future Springboard"** Initiative, offering short internships of between four and six weeks to athletes and sporting professionals whose sporting careers are coming to an end and who need to master the transition to new professions.
- Managers and specialist staff from the Company have the possibility to take part in the **Common Purpose** regional training programme every two years, if necessary. Managers from business, charitable organisations and the public sector work together in small groups over the course of a year on issues affecting their area.



As part of Aareal Bank Group, Aareon AG also considers social commitment to be an important feature of its corporate culture. This is why Aareon has supported several organisations over many years that aim to ease life for people in challenging circumstances.

- Since 1997, Aareon has supported **Deutsche Entwicklungshilfe für soziales Wohnungs- und Siedlungswesen (DESWOS)** in Cologne, as a member and as a donor. In the year under review, the € 10,000 donation to DESWOS went to a project in Ruanda. It will be used to fund the construction of a girls' dormitory for the École Secondaire Rusumo boarding school in the south-east of the country. DESWOS works to combat homelessness and poverty in developing countries. The foundation is supported by the associations making up the Bundesverband deutscher Wohnungs- und Immobilienunternehmen and their members.
- **Pfarrer-Landvogt-Hilfe e.V.** is a group that offers help, advice and care to homeless people. Our annual donation goes toward the cost of a part-time social worker.
- **Mainzer Hospizgesellschaft** also receives an annual donation from Aareon Group. The company's contribution helps the Mainz hospice to keep its hospice and palliative counselling service for out-patients running. Paid and volunteer hospice staff support the dying and their families at home free of charge during one of the most difficult times imaginable.





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1. Strategy and Analysis			
1-10	1.1 Statement from the Management Board.	f	4f.
	1.2 Description of key impacts, risks, and opportunities.	f	11f., 14-17, 21f., 34, 42, 45, 50
2. Organisational Profile			
	2.1 Name of the organisation.	f	7, 55
	2.2 Primary brands, products, and services.	f	7f., 24
	2.3 Business Segments and operational structure of the organisation.	f	7f.; AR 220-222
	2.4 Location of organisation's headquarters.	f	7, 55
	2.5 Number/names of countries where the organisation operates.	f	8
	2.6 Nature of ownership and legal form.	f	7; AR 18
	2.7 Markets served.	f	7f.
	2.8 Scale of the reporting organisation.	f	9; AR 98, 100
	2.9 Significant changes during the reporting period regarding corporate structure or ownership.	f	2, 5, AR 112f.
	2.10 Awards.	f	9, 19, 37, 39, 42
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	3.2 Date of most recent previous report.	f	2
	3.3 Reporting cycle.	f	2
	3.4 Contact point(s).	f	55
	3.5 Processes for defining report content.	f	2, 12
	3.6 Boundary of the report.	f	2; AR 220-222
	3.7 Description of specific limitations on the scope or boundary of the report.	f	2
	3.8 Basis for reporting on joint ventures etc.	f	2
	3.9 Data measurement techniques and bases of calculations.	f	2
	3.10 Re-statements/changes in the presentation of information in comparison to earlier reports.	f	2, 43
	3.11 Changes from previous reporting periods in the scope, or measurement methods applied in the report.	f	2, 39, 43
	3.12 GRI Content Index	f	52-55
	3.13 External assurance for the report.	f	None
4. Governance, Commitments, and Engagement			
1-10	4.1 Governance structure of the organisation, including responsibility for sustainability.	f	13f.; AR 223, 233-236, 238-241
	4.2 Independence of the Chairman of the Supervisory Board.	f	AR 224f., 232
	4.3 For organisations that have a unitary board structure: independent and/or non-executive members of the highest governance body.	n.r.	Not relevant as Aareal Bank has a Supervisory Board
	4.4 Mechanisms for shareholders and employees to provide recommendations or direction to Management Board/Supervisory Board.	f	13; AR 237
	4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organisation's achievement of sustainability targets.	f	32f.; AR 192-195
	4.6 Avoiding conflicts of interest.	f	18; AR 234f., 244, Code of Conduct
1-10	4.7 Expertise of the members of the governance bodies with regard to sustainability.	f	13f.
1-10	4.8 Mission statement, corporate values and codes of conduct.	f	11f., 14-17; Code of Conduct
	4.9 Procedures of the Management/Supervisory Board for monitoring the organization's economic, environmental and social opportunities and risks.	f	13f.; AR 54f.
	4.10 Processes for evaluating the performance of the Management Board/Supervisory Board.	f	AR 192-195, 243-246
7	4.11 Approach to precautionary measures.	f	18, 21f., 27, 39, 42; AR 54f.
1-10	4.12 Externally initiatives to which the organisation subscribes or endorses.	f	18f., 35, 36, 37, 42

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1-10	4.14 List of stakeholder groups engaged by the organisation.	f	12
	4.15 Identification of stakeholders with whom to engage.	f	12
	4.16 Approaches to stakeholder engagement.	f	12f.
1-10	4.17 Comments regarding key topics and concerns that have been raised through stakeholder engagement.	f	12f.
5. Management Approach and Performance Indicators			
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	FS6 Percentage of the portfolio for business segments by region, size and by sector.	f	9; AR 44-46
1-6	FS7 Monetary value of products and services designed to deliver a specific social benefit.	p	22, 51
7-9	FS8 Monetary value of products and services designed to deliver a specific environmental benefit.	p	22
1-10	FS9 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	p	22
1-10	FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.	n.r.	
1-10	FS11 Percentage of assets subject to positive and negative environmental or social screening.	f	23
1-10	FS12 Voting policies applied to environmental or social issues in case of share ownership.	n.r.	
1, 6, 7	Management Approach – Economic Performance Indicators	f	7f., 11f., 21-23
	EC1 Economic value generated and distributed.	f	7, 9, 49-51; AR 98f., 133-135
7	EC2 Financial implications for the organisation's activities due to climate change.	p	17, 19, 42, 45
1, 6	EC3 Defined benefit plan obligations.	f	33f.; AR 145f.
	EC4 Significant financial assistance received from government.	f	None
1, 6	EC5 Range of ratios of standard entry level wage compared to local minimum wage.	n.r.	
	EC6 Spending on locally-based suppliers.	p	46f.
6	EC7 Local hiring of senior management members.	p	35
	EC8 Infrastructure investments and services provided primarily for public benefit.	f	49f.
	EC 9 Significant indirect economic impacts.	p	8
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8, 9	EN2 Percentage of materials used that are recycled input materials.	f	43
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8	EN4 Indirect energy consumption.	f	44
7	EN5 Energy saved due to conservation and efficiency improvements.	f	42, 44
9	EN6 Initiatives to provide more energy-efficient products and services.	n.d.	
8	EN7 Initiatives to reduce indirect energy.	f	44f.
8	EN8 Total water withdrawal by source.	f	44 (tap water only)
8	EN9 Water sources significantly affected by withdrawal of water.	f	None
8	EN10 Recycled and reused water.	n.r.	
8	EN11 Land in, or adjacent to, protected areas.	f	None
8	EN12 Impacts on biodiversity in protected.	f	None
8	EN13 Habitats protected or restored.	n.r.	
8	EN14 Strategies, current actions, and future plans for protecting biodiversity.	n.r.	
8	EN15 Endangered species by level of extinction risk.	n.r.	
8, 9	EN16 Direct and indirect greenhouse gas emissions.	f	45
8	EN17 Other indirect greenhouse gas emissions.	f	45f.
7-9	EN18 Initiatives to reduce greenhouse gas emissions.	f	16f., 44-47

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8	EN20 NOx, SOx, and other significant air emissions.	n.r.	
8	EN21 Total water discharge by quality and destination.	n.d.	
8	EN22 Total weight of waste by type and disposal method.	f	44
8	EN23 Spilling of harmful substances.	n.r.	
	EN24 Transport of hazardous waste by weight.	n.r.	
	EN25 Water bodies and related habitats significantly affected by discharges of water.	n.r.	
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	EN28 Fines for non-compliance with environmental laws and regulations.	f	None
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7, 8	EN30 Environmental protection expenditures and investments.	n.d.	
1, 3, 6	Management Approach – Work Environment and Working Conditions	f	14, 29f., 33, 35-37, 39
	LA1 Information on total workforce.	f	29f.
6	LA2 Employee turnover.	p	29
	LA3 Benefits provided to permanent staff.	f	33f.
1, 3	LA4 Employees covered by collective bargaining agreements.	f	33
1, 3	LA5 Minimum notice period(s) regarding significant operational changes.	p	33
	LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	n.d.	
1	LA7 Rates of lost days, injury, and number of work-related fatalities.	f	39
	LA8 Preventive healthcare programmes, advisory services.	f	38f.
	LA9 Health and safety topics covered in formal agreements with trade unions.	n.d.	
	LA10 Average hours of training by employee category.	f	31
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1, 6	LA14 Remuneration by gender and employee category.	f	35f.
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1-6	HR2 Human rights screening of suppliers.	p	17, 47
1-6	HR3 Training on policies and procedures concerning aspects of human rights.	p	35, 36
1, 2, 6	HR4 Incidents of discrimination and corrective actions taken.	f	None
1-3	HR5 Right to exercise freedom of association and collective bargaining.	f	33, 46f.
1, 2, 5	HR6 Principles and measures taken with regard to child labour.	f	46f.
1, 2, 4	HR7 Principles and measures to eliminate forced labour.	f	46f.
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	HR9 Incidents of violations involving rights of indigenous people and actions taken.	n.r.	
10	Management Approach – Society	f	14, 18, 21, 49
	SO1 Programmes and procedures assessing and regulating the impact of operations on local communities.	p	12
	FS13 Access points in low-populated or economically disadvantaged.	n.r.	
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10	SO2 Analysis of risks of corruption.	f	All units

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10	SO3 Anti-corruption training.	f	18
10	SO4 Actions taken to prevent corruption.	f	18
1-10	SO5 Public policy positions and participation in lobbying.	p	18f.
	SO6 Total value of contributions to political parties, politicians, etc.	f	None, Code of Conduct
	SO7 Legal actions for anti-competitive behaviour, and their outcomes.	f	None
	SO8 Sanctions for non-compliance with laws and regulations.	f	None
1, 8	Management Approach – Product Responsibility (including FS15)	f	18, 21f., 26
1, 8	PR1 Life cycle stages in which health and safety impacts of products and services are assessed.	n.r.	
	PR2 Incidents of non-compliance with health and safety regulations.	n.r.	
8	PR3 Product and service labelling.	n.r.	
	PR4 Incidents of non-compliance with regulations concerning product and service information and labelling.	n.r.	
	PR5 Practices related to customer satisfaction.	f	26
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	PR7 Incidents of non-compliance with regulations concerning marketing communications.	f	None
	PR8 Total number of substantiated complaints data protection.	f	26f. (none)
	PR9 Fines for non-compliance with laws and regulations concerning the provision and use of products and services.	f	None

AR = Annual Report 2014; Code of Conduct = <http://www.aareal-bank.com/en/footermenu/code-of-conduct/>;
n.d. = no data; n.r. = not relevant to our business; p = partial; f = full

We have self-declared our reporting to be Application Level B according to the GRI G3 Guidelines. This has been checked by the GRI and confirmed.

Imprint

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