

Volkswagen Immobilien Green Bond Framework

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Volkswagen Immobilien Green bond/SSD Framework

Volkswagen Immobilien Blue Building Sustainability Strategy

Volkswagen Immobilien GmbH provides real estate services to customers in Germany: it offers project implementation, lease management, facility development, feasibility analysis, land acquisition, and other related services. Volkswagen Immobilien's portfolio includes residential and commercial property space at 62.5% and 37.5% respectively. Volkswagen Immobilien's values revolve around innovation, commitment and fairness.

The company stands for a sustainable property industry and follows a **Blue Building sustainability strategy**: economical and user-focused. Such a sustainability strategy makes the implementation of sustainable planning, dependable budgeting and energy-efficient solutions easy and direct. Blue Building notably integrates the demands of proven certification systems such as DGNB, LEED and BREEAM, whilst the Volkswagen Immobilien concept focusses on criteria that are relevant for both residential properties and commercial automotive facilities. In contrast to established systems, Blue Building defines particularly high minimum standards, which must be put into practice. The aim is to achieve a similarly high level of quality in every Blue Building.

Volkswagen Immobilien Green Bond/SSD Framework

In alignment with Volkswagen Immobilien's strategy and sustainability vision, the company is considering to use green funding instruments to finance or refinance projects that are focused on environmental topics across its global business divisions and operations.

Volkswagen Immobilien's Green Bond Framework follows the ICMA Green Bond Principles (GBP) and Social Bond Principles (SBP) which have four requirements:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

This framework is applicable to all green funding instruments that may include but are not limited to green Schuldschein Darlehen (SSD), green Namensschuldverschreibung (NSV), green loans and green bonds

1 Use of Proceeds

The issuer of the applicable Green Bonds (the "Issuer") intends to allocate an amount equal to the incremental net proceeds of any Green Bonds to a portfolio of eligible green projects (the "Eligible Green Projects") in the following categories, in accordance with the methodology defined by an external specialized consultant in green buildings, Drees & Sommer Advanced Building Technologies GmbH:

- **Green residential buildings** which meet the following regional, national and internationally recognized regulations, standards or certifications:
 - a) New or existing residential buildings belonging to top 15% low carbon buildings in Germany
 - (i) EnEV 2009 regulation and later.

- (ii) Existing or refurbished residential buildings that meet energy efficiency classes “Energieeffizienzklasse” A+, A, B
 - (iii) Renovated buildings that exceed the new building's energy target by a maximum of 40%
 - b) New, existing or refurbished green residential building which received at least following classifications:
 - (i) Volkswagen Immobilien Blue Building and Blue Building Plus Standard¹
 - (ii) DGNB “Silver”, NWO09 and later
- **Green commercial office buildings** which meet regional, national or internationally recognized regulations, standards or certifications in either:
- a) New or existing office buildings belonging to top 15% low carbon buildings in Germany
 - (i) German office buildings with an Energy Performance Certificate under EnEV² 2007 regulation and later³
 - or
 - (ii) German office buildings from 1995 with a maximum site energy consumption of 120 kWh/m²/a (assumption based on research from German Energy Agency Dena). The German Energy Passport for commercial buildings [Energieausweis Nichtwohngebäude) is an example of an instrument that VOLKSWAGEN IMMOBILIEN will use to verify compliance.
 - (iii) Renovated buildings that exceed a new building's energy target by a maximum of 40%
 - b) New, existing or refurbished green office buildings which received at least following classifications:
 - (i) Blue Building and Blue Building Plus,
 - (ii) LEED “Gold “ NC or CS v3 and later,
 - (iii) DGNB “Silver”, NBV09 and later
 - (iv) BREEAM “Very Good”,
 - (v) ENERGY STAR “85“
 - (vi) or equivalent or higher level of certification; The certified buildings must also have a good energy performance.

¹ Blue Building is an internal certification by Volkswagen Immobilien. Blue Building sets the requirements for thermal comfort, visual comfort, acoustic comfort, opportunity for individual tenants to control local environment, availability and design of outdoor space, and a link to nearby community facilities. Blue Building is an internal certification by Volkswagen Immobilien. Blue Building sets the requirements for thermal comfort, visual comfort, acoustic comfort, opportunity for individual tenants to control local environment, availability and design of outdoor space, and a link to nearby community facilities. The Technical University Braunschweig provided an opinion on the criteria, stating that the criteria meet the requirements of sustainable building practices. The university also advised to define CO2 emission reductions compared in relation to a reference building. Currently Blue Building certified buildings are at least 30% more efficient than the applicable EnEV law requires. Blue Building Plus is the advanced standard with additional sustainable elements.

² EnEV – Energieeinsparverordnung (Ordinance on the Implementation of the Energy Saving Act EnEG). The buildings are calculated using a standardized calculation method in accordance with DIN V 18599.

³ This is a very conservative approach since also German office buildings from 1995 are potentially part of the top 15% of the local market.

- **Green commercial production and logistics buildings** which meet regional, national or internationally recognized regulations, standards or certifications in either:
 - a) New or existing logistics/ production buildings belonging to top 15% low carbon buildings in Germany or Slovakia
 - (i) EnEV 2009 regulation and later.
 - (ii) Renovated buildings that exceed a new building's energy target by a maximum of 40%
 - b) New, existing or refurbished green logistics/ production buildings which received at least following classifications :
 - (i) Blue Building and Blue Building Plus
 - (ii) LEED "Gold " NC or CS v3 and later,
 - (iii) DGNB "Silver" NIN09 and later ,
 - (iv) BREEAM "Very Good",
 - (v) ENERGY STAR "85"
 - (vi) or equivalent or higher level of certification; The certified buildings must also have a good energy performance.

- **Clean transportation**

Infrastructure for electric, hybrid and other clean energy vehicles and for other forms of transportation such as public, rail, non-motorized, multi-modal transportation, etc.

Summary

The following table summarizes all eligibility criteria for green buildings.

	Energy Efficiency Class	EnEV	EnEV	Other Label
New/Existing Buildings	✓	✓		✓
Renovated/Refurbished Buildings	✓		✓	
Residential DE	A+, A, B	EnEV 2009	EnEV 2009 + 40 %	Blue Building, Blue Building Plus DGNB „Silver“ NWO09
Office DE	< 120 kWh/m ² a	EnEV 2007	EnEV 2009 + 40 %	Blue Building, Blue Building Plus LEED "Gold " NC or CS v3 DGNB "Silver", NBV09 BREEAM "Very Good" ENERGY STAR "85"
Logistics DE/SVK		EnEV 2009	EnEV 2009 + 40 %	Blue Building, Blue Building Plus LEED "Gold " NC or CS

				v3 DGNB "Silver" NIN09 BREEAM "Very Good"
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2 Process for Project Evaluation and Selection

Projects financed and/or refinanced through the Green Bond proceeds are evaluated and selected based on compliance with the eligibility criteria set forth in the Use of Proceeds by the Issuer's Green Bond Committee. The Green Bond Committee will oversee the entire Green Bond process, including the evaluation and selection of eligible projects originated across relevant business lines .

3 Management of proceeds

Volkswagen Immobilien intends to allocate the proceeds from the Green Bonds to an Eligible Green Project Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above.

VWI will strive, over time, to achieve a level of allocation for the Eligible Green Project Portfolio which, after adjustments for intervening circumstances including, but not limited to, sales and repayments, matches the balance of net proceeds from its outstanding Green Bonds. Additional Eligible Green Projects will be added to the Issuer's Eligible Green Project Portfolio to the extent required to ensure that the net proceeds from outstanding Green Bonds will be allocated to Eligible Green Projects.

Whilst any Green Bond net proceeds remain unallocated, VWI will hold the balance of net proceeds not yet allocated to eligible projects in its liquidity portfolio of money market instruments at its own discretion.

4 Reporting

The Issuer will make and keep readily available reporting on the allocation of net proceeds to the Eligible Green Project Portfolio after a year from the issuance of the applicable Green Bonds, to be renewed annually until full allocation of the Green Bond net proceeds.

The Issuer intends to report the allocation of the Use of Proceeds to the Eligible Green Project Portfolio at least at the category level and on an aggregated basis for all of the Issuer's Green Bonds and other potential green funding outstanding.

Volkswagen Immobilien will align, on a best effort basis, the reporting with the portfolio approach described in "Green Bonds- working towards a Harmonized Framework for Impact Reporting (December 2015) ⁴".

4.1 Allocation Reporting

The allocation report will provide, on a portfolio basis:

⁴ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/20151202-0530-FINALRevised-Proposal2.pdf>

- The total amount of investments and expenditures in the Eligible Green Project Portfolio
- The total amount of green funding outstanding
- The proportion of new and existing projects (financing and refinancing)
- The balance of unallocated proceeds.

4.2 Impact Reporting

Where feasible, Volkswagen Immobilien may report on the environmental and social impacts of the Eligible Green Project Portfolio funded with the Green Bond proceeds, or refer to existing sustainability and CSR reporting. Key impact reporting indicators for Volkswagen Immobilien's use of proceeds may include:

- estimated ex-ante annual energy consumption in KWh/m² or energy savings in MWh
- estimated annual GHG emissions reduced/avoided in tons of CO₂ equivalent

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