

POST-ISSUANCE CLIMATE BOND CERTIFICATION

Verifier's Report for Post-Issuance Certification
for the Green Bond Issued by Volkswagen Immobilien GmbH

**VOLKSWAGEN
IMMOBILIEN** 

SCOPE

Volkswagen Immobilien GmbH commissioned ISS-oekom to compile a Verifier's Report for Post-Issuance Certification of its 2019 Green Bond by the Climate Bonds Initiative (CBI). The Climate Bonds Certification process includes verifying whether the provisions of the Climate Bonds Standards issued by the CBI are met and obtaining evidence to support the verification.

CRITERIA

Relevant CBI Standards for this Climate Bonds Certification:

- Climate Bonds Standard (Version 2.1)
- Low Carbon Buildings (Residential)

ISSUER'S RESPONSIBILITY

Volkswagen Immobilien's responsibility was to provide information and documentation on:

- Selection of nominated projects & assets
- Technical aspects of projects & assets
- Internal processes & controls
- Proposed reporting

ISS-oekom's VERIFICATION PROCESS

ISS-oekom is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS-oekom has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS-oekom has been conducted this independent Post-Issuance Verification Process of the green bond to be issued by Volkswagen Immobilien based on the Climate Bond Standards 2.1. and in line with the limited assurance procedure defined by the International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000).

ISS-oekom's approach is to assess whether the issuer's Green Bond meets the criteria of the Climate Bond Standards 2.1. is as follows:

- The issuer provided an overview over the assets to be included in the Green Bond asset pool and the relevant processes and documentation regarding the proceeds (e.g. use of proceeds, management of proceeds) to ISS-oekom.
- The issuer filled in a questionnaire that covers all criteria of the Climate Bonds Standard 2.1.
- The issuer provided background documents that elaborate further on the information mentioned in the questionnaire.
- Using the questionnaire and background documents, ISS-oekom carried out an assessment of the CBI criteria. In case any answers were unclear, ISS-oekom contacted the issuer for more details and clarification.

The engagement with Volkswagen Immobilien took place in April 2019.

ISS- oekom's BUSINESS PRACTICES

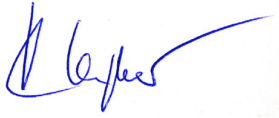
ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

RESTRICTION ON DISTRIBUTION AND USE OF REPORT

This Verification Report for Climate Bonds Certification including all documentation provided alongside is intended for the use of Volkswagen Immobilien and the Climate Bonds Standard Board. The present document may be published by Volkswagen Immobilien, CBI and ISS-oekom. CBI and ISS-oekom agree to publish the report with the consent of Volkswagen Immobilien.

OPINION

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects, the Volkswagen Immobilien's 2019 Green Bond is not in conformance with the Climate Bonds Standard's Post-Issuance Requirements.



ROBERT HABLER
ISS-oekom
Munich, 1 May 2019

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About ISS-oekom and ISS ESG

Since March 2018, ISS-oekom has been a member of the ISS family, sitting within the ISS ESG business unit, which also includes ISS-ethix and ISS-climate. ISS ESG provides high quality solutions for sustainable and responsible investment and corporate governance. The External Review team, covering Second Party Opinions (SPOs) and Climate Bond Certifications is made up of colleagues across ISS ESG, from ISS-oekom and ISS-climate.

Originally founded in 1993 and formerly known as oekom research AG, ISS-oekom is one of the world’s leading ESG research and rating agencies for sustainable investments with an unsurpassed rating methodology and quality recognition. ISS-oekom analyzes businesses and countries with respect to their environmental social and governance performance. As an experienced partner of institutional investors and financial service providers, we analyse the level of responsibility exercised by equity and bond issuers towards society and the environment. Under the new ownership, ISS-oekom completes the ESG research and RI services offerings of ISS, making it a worldwide pure-player in the area of RI Research & Solutions. ISS-oekom is headed by Robert Haßler, former CEO and co-founder of oekom research AG. More information: www.oekom-research.com and www.issgovernance.com.

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ANNEXES

Annex 1: Detailed Findings

Annex 2: Detailed Findings Low Carbon Buildings (Residential)

ANNEX 1: DETAILED FINDINGS

4. NOMINATED PROJECTS & ASSETS

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
4.1	Decision-making process to determine the continuing eligibility of nominated projects and assets	Volkswagen Immobilien has defined the financing of low-carbon buildings as its environmental objective, and has implemented processes to determine the eligibility of nominated assets through an external consultant.	✓
4.2	Conformance with the Bond's documented objectives and requirements of Part B of the CBI Standard	<p>Eligible assets are residential buildings conform with the relevant eligibility requirements under part B of the Climate Bonds Standards, thus having received a rating of "B" or higher in the German energy efficiency class ranking.</p> <p>Office and logistic buildings have been removed from the issuer's portfolio for this certification.</p>	✓
4.3	No double nomination of projects and assets	VWI has established an earmarking process to manage and account for funding to the nominated assets, ensuring these do not get nominated twice.	✓

5. USE OF PROCEEDS

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
5.1	Allocation of net proceeds to nominated projects and assets.	All proceeds had been allocated to nominated assets by 31/12/2018.	✓

5.2	Allocation of funds within 24 months of issuance of the bond	All proceeds had been allocated to nominated assets by 31/12/2018.	✓
5.3	Share of financing and refinancing.	The net proceeds of the Green Bond were exclusively used to finance new projects of Volkswagen Immobilien.	✓
5.4	Tracking of proceeds	The net proceeds of the bond are moved to a Green Bond portfolio and are tracked in the organisation.	
5.5	Net proceeds of the loan and investment to nominated projects and assets	Volkswagen Immobilien achieved a level of allocation to the Eligible Green Project Portfolio which matches the balance of net proceeds from its outstanding Green Bond.	

6. NON-CONTAMINATION OF PROCEEDS

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
6.1	Tracking of proceeds	The net proceeds of the bond are moved to a Green Bond portfolio and are tracked in the organisation.	✓
6.2	Non-contamination of proceeds	Whilst any Green Bond net proceeds remain unallocated, Volkswagen Immobilien 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	✓
6.3	Cases of force majeure	n/a. All proceeds have been allocated.	n/a

7. CONFIDENTIALITY

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
7.1	Description of the projects	<p>Eligible assets are residential buildings conform with the relevant eligibility requirements under part B of the Climate Bonds Standards, thus having received a rating of “B” or higher in the German energy efficiency class ranking.</p> <p>Office and logistic buildings have been removed from the issuer’s portfolio for this certification.</p>	✓
7.2	Disclosure of information to the market	<p>Details on Volkswagen Immobilien’s Green Bond are available in the 2018 Green Bond Report, available on the issuer’s website: https://www.vwimmobilien.de/unternehmen/unternehmen/nachhaltigkeit/green-bonds.html</p>	✓

8. REPORTING

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
8.1	Description of reporting	<p>Details on Volkswagen Immobilien’s Green Bond are available in the 2018 Green Bond Report.</p> <p>The quantitative performance indicators include:</p> <ul style="list-style-type: none"> • Aggregated information on financed projects and allocation • Greenhouse gases emitted and avoided • Description of the Green Project Portfolio 	✓

9. CLIMATE BOND TAXONOMY

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
8.1	Matching of Climate Bond category	<p>Eligible assets are residential buildings conform with the relevant eligibility requirements under part B of the Climate Bonds Standards, thus having received a rating of “B” or higher in the German energy efficiency class ranking.</p> <p>Office and logistic buildings have been removed from the issuer’s portfolio for this certification.</p>	✓

10. TECHNICAL CRITERIA

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
10.1	Sector-specific eligibility criteria	<p>Eligible assets are residential buildings conform with the relevant eligibility requirements under part B of the Climate Bonds Standards, thus having received a rating of “B” or higher in the German energy efficiency class ranking.</p> <p>Office and logistic buildings have been removed from the issuer’s portfolio for this certification.</p>	✓
10.2	Bonds covering several sector-specific criteria	n/a (low carbon buildings only)	✓

11. PROJECT HOLDING

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
11.1	Holding of assets with a fair market value at least of the original amount at time of issuance	Volkswagen Immobilien is financing own projects, and the pool of underlying projects will remain the same over the term of the loan. Additional Eligible Green Projects will be added to the Green Project Portfolio to the extent required to ensure	✓

the net proceeds get allocated to Eligible Green Projects.

12. SETTLEMENT PERIOD

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
12.1	Description of the process and timeline of distribution of proceeds	All proceeds had been allocated to nominated assets by 31/12/2018.	✓
12.2	Description of process regarding unallocated proceeds after 24 months	n/a. All proceeds had been allocated to nominated assets by 31/12/2018.	n/a

13. EARMARKING

	REQUIREMENTS	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
13.1	Description of internal earmarking process	VWI has established an earmarking process to manage and account for funding to the nominated assets. This process is overseen by the Green Bond Committee.	✓

ANNEX 2: DETAILED FINDINGS LOW CARBON BUILDINGS (RESIDENTIAL)



The Green Bond Asset Pool complies with the Low Carbon Buildings (Residential) criteria of the Climate Bonds Initiative.

All financed assets relate to residential buildings and are eligible for the Climate Bonds Certification, as they achieved an EPC rating of “B” or higher, thus in the top 15% of the local market.