



Green Bond Framework

VONOVIA

Strategic housing stock by regional market



* Including 26,598 residential units at other strategic locations and 4,812 residential units at non-strategic locations.



About Vonovia

Founded as Deutsche Annington GmbH in 1998 and renamed in 2015 following the merger with GAGFAH and the inclusion in the DAX, Vonovia can look back on more than 100 years of experience in the German residential property sector. With around 415,000 residential units in all attractive cities in Germany, Austria and Sweden, Vonovia manages a portfolio of with a total fair value of around € 59bn. In addition to its own apartments, Vonovia manages around 74,000 apartments for third parties. As a result, Vonovia provides homes for over 1 Million customers and is an attractive employer for more than 10,000 employees which makes it the leading private residential real estate company in Europe.



Vonovia Sustainability Strategy

Vonovia is a part of society. As a sustainable and responsible housing company, we feel a special obligation towards our customers in Germany, Austria and Sweden - and at the same time towards society, the environment and our shareholders. Vonovia aims to maintain the value and foster the long-term development of the real estate portfolio as well as the fulfilment of its performance promise towards customers. Our business is deeply rooted around the three dimensions of Environmental, Social and Governance (ESG):

- **Commitment to support climate protection and reduce CO₂ emissions of our building stock**
- **Responsibility for customers, society and employees**
- **Reliable and transparent Corporate Governance aligned with high standards**

Our corporate decisions always have an impact on people and neighborhoods, on the environment and on the climate. We carefully balance these effects, especially when we modernize buildings and develop neighborhoods, because environmental and climate protection should go hand in hand with our responsibility for safe and good housing at fair rent levels. This is our understanding of sustainable living.

We have aligned our sustainability strategy with international standards, such as the Sustainable Development Goals and the Global Compact of the United Nations. We are driving forward developments where our operations and our large number of new construction projects can have the largest impact. We focus our activities on people and their respective living situations and want to contribute to a successful coexistence in a diverse and democratic society.



Committed to climate action

With the treaty signed at the United Nations Climate Change Conference in Paris in 2015, the global community committed to restrict global warming to a maximum of two degrees by taking appropriate action. As a signatory to the Paris Agreement, the Federal Republic of Germany derived a target for itself to achieve a virtually climate-neutral building stock in Germany by the middle of the century. As the market leader in the housing industry, we want to be a key driver for climate protection. Our goal is a climate-neutral building stock. To achieve this,

we focus on the levers of energetic modernization of the building envelope, increasing the energy efficiency heating systems and the shift to renewable energies for the provision of heating and electricity in our buildings. Since 2017, Vonovia aims to conduct energy-efficient refurbishments of around 3% of the building stock per year. Vonovia's tenants also benefit directly from these measures as electricity and heating savings result in lower expenses. In our neighborhoods, we promote the expansion of renewable energies like photovoltaics, the implementation of climate-friendly mobility concepts as well as innovative technologies to introduce sector coupling solutions.



New construction also impacts the climate and environment through the materials used during the construction. Vonovia therefore consistently adheres to the requirements of the German Building Energy Law (Gebäudeenergiegesetz, GEG) for new buildings and strives to continuously reduce the energy demand of new buildings.



Social responsibility

Our products provide our customers with a fundamental need - a place they call home. That is why our tenants' satisfaction is the focus of our activities. We adapt our apartments to people's needs and living conditions. Our products reflect the different housing requirements and the impacts of demographic change. Vonovia aims to convert around one third of all apartments which become vacant in a more senior friendly manner. We give people a home in our urban quarters, and we want them to enjoy a good neighborhood. Our goal is for people from different generations to live together and feel at home. To achieve this, we develop and maintain an infrastructure tailored to the individual situation of each neighborhood and geared to the needs of our tenants. This is the yardstick based on which we define the structural design, including the aspects of climate protection and social services.





Reliable and transparent Corporate Governance

A high level of sound business ethics is fundamental to Vonovia's credibility and long-term maximisation of value. Vonovia is strongly committed to be a trustworthy and reliable partner. Adhering to laws and regulatory requirements is just as important as pursuing the good and sustainable guideline according to the corporate governance code.

Vonovia aims to serve sustainability beyond the mere application of laws and regulations by following national and supranational standards. Our approach to upholding human rights and working standards is stated in our Human Rights Policy.

The importance of sustainability is reflected in the integration of Non-financial targets in the management system at the highest level as well as in the remuneration schemes of the Top management executives.

Responsibility for sustainability rests with the Management Board and from there we drive the implementation throughout the company. Our sustainability committee meets quarterly to discuss strategic decisions and to evaluate our sustainability performance. The committee comprises the entire Board of Management, as well as the responsible executives for sustainability, corporate communication, controlling and business innovation. This ensures a consistent implementation of our sustainability strategy across all areas of our business and into our local neighborhoods.



To support Vonovia's sustainability strategy and the transition towards a sustainable society, Vonovia has established a Green Bond Framework under which the company aims to issue Green Bonds to finance or refinance eligible projects.

The Green Bond Principles ("GBP") published by the International Capital Market Association ("ICMA")¹ are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of Green Bond instruments.

Vonovia's Green Bond Framework follows the GBP and is presented through the following key pillars:

- > **Use of Proceeds**
- > **Process for Project Evaluation and Selection**
- > **Management of Proceeds**
- > **Reporting**

Potential changes to any of the principles governing the content of this Framework will be reflected in future frameworks, whereby Vonovia will either keep or improve the current level of disclosure and stringency when selecting eligible assets.

¹<https://www.icmagroup.org/green-social-and-sustainability-bonds>

Use of Proceeds

Vonovia intends to allocate an amount equal to the net proceeds of any Green Bond issued under this Framework to finance or refinance, in part or in full, projects meeting, at the time of issuance, the Financial Criteria and the Look-back Principle, and at any time the Eligibility Criteria (“Eligible Green Projects”).

It is expected that Eligible Green Projects are located throughout the countries in which Vonovia operates currently: Germany, Austria and Sweden. Eligible Green Projects will promote environmental benefits and are in line with Vonovia’s sustainability approach.

The “Financial Criteria” means:

- All investments / expenditures / assets are reduced by an amount equal to outstanding loans from multilateral agencies, national or supranational entities such as the European Investment Bank (EIB) or Kreditanstalt für Wiederaufbau (KfW) relating to such investments / expenditures / assets which are known to refinance their operation by issuance of green or sustainable financing instruments²
- Eligible Green Projects can be owned directly or indirectly through subsidiaries, whereby only the percentage corresponding to Vonovia’s share in the equity of such subsidiary will be taken into account








The “Look-back Principle” means:

- The full amount of net proceeds of a Green Bond issue shall be allocated to projects that have been financed within the 36 months prior to the allocation decision in relation to a specific Green Bond.

The “Eligibility Criteria” means:

- The criteria outlined in the table beside

Eligibility Criteria

Green Categories	Eligible Green Projects	SDG Targets
<p>Green buildings and energy efficiency</p>	<p>Acquisition, construction and/ or refurbishments of new and existing buildings which fulfil or will fulfil regionally, nationally or internationally recognized standards of certification:</p> <ul style="list-style-type: none"> ➢ EPC Rating B or above³ ➢ BREEAM excellent or above ➢ LEED gold or above ➢ DGNB gold or above ➢ Or the equivalent in other certification systems <p>Modernization of existing buildings meeting when the renovation leads to reduction of Final Energy Demand of at least 30 % in comparison with the energy performance of the building before the renovation.</p>	 
<p>Renewable energy</p>	<p>Installation of solar photovoltaic and solar thermal panels, geothermal energy, heat pumps and other installations as well as implementation of innovation projects such like (but not limited to) generating and storage of renewably generated energy via hydrogen technology and dedicated support of infrastructure across building management system to increase the share of renewable energy used.</p>	  
<p>Clean transportation</p>	<p>Infrastructure for electric or other zero-emission vehicles to foster the development of shared mobility and alternative modes of mobility.</p>	 

² To be noted that mortgage lending banks are not allowed to use the mortgage for any green instrument refinancing as contractually defined in our lending agreements.

³ For buildings in Austria to be eligible a minimum EPC rating of A is required.

Process for Project Evaluation and Selection

As an integral part of its governance, Vonovia has established a dedicated Green Finance Committee, chaired by the Head of Treasury and Finance and bringing together representatives of the Finance Department, the Sustainability Department and the Portfolio Management and will meet on a semi-annual basis. The Green Finance Committee is responsible for assessing and selecting Eligible Green Projects according to the eligibility criteria of the Green Bond Framework. The Green Finance Committee will ensure that Eligible Green Projects are aligned with Vonovia's strategic sustainability targets and in compliance with applicable law and recognized environmental and social standards.

The Green Finance Committee will monitor the evolution of Green Bond market practices and is responsible for future updates of the Green Bond Framework, including in particular related to the proposed EU Green Bond Standard.



Management of Proceeds

Vonovia intends to allocate the net proceeds of each Green Bond issued under this framework to a list of Eligible Green Projects (the “Eligible Green Register”) established by the finance department and tracked in internal systems. Eligible Green Projects will remain in the Eligible Green Register for as long as they meet the Eligibility Criteria prevailing at the time of issuance of such Green Bond, without being affected by subsequent changes to the Green Bond Framework. The Green Finance Committee will review the Eligible Green Register annually.

If Eligible Green Projects cease to fulfil the Eligibility Criteria or exit Vonovia’s portfolio, Vonovia will use its best effort to substitute these projects as soon as reasonably practicable.

Net proceeds of Green Bonds issued by Vonovia will be deposited in the general account and the net proceeds will be earmarked for allocation to the Eligible Green Register as selected by the Green Finance Committee. It is Vonovia’s intention to maintain an aggregated amount of assets in the Eligible Green Register that is at least equal to the aggregated net proceeds of all Green Bonds outstanding. Pending full allocation, Vonovia will temporarily hold the unallocated net proceeds at its own discretion in its liquidity portfolio in cash, cash equivalents, and/ or in other short-term liquid marketable instruments. Vonovia commits on a best effort basis to reach full allocation within two years following any Green Bond issuance.



Reporting

Vonovia is committed to be as transparent as possible and will provide a Green Bond Investor Report on an annual basis. The Green Bond Investor Report will provide information on the allocation of net proceeds and associated impact metrics and will include:

- › **Total amount of green funding outstanding**
- › **Total amount of investments and expenditure in projects financed in Eligible Green Register**
- › **Information on the split between new financing and-refinancing**
- › **Description of selected projects financed in the Eligible Green Register**
- › **Geographical distribution**
- › **Balance of unallocated proceeds**

Where feasible, Vonovia intends to disclose relevant impact metrics on a best effort basis and subject to data availability, which may include:

- › **Level of certification**
- › **Energy performance (kWh/m² per year)**
- › **Renewable energy capacity installed (MW)**
- › **Renewable energy generated (MWh per year)**
- › **Annual greenhouse gas emission reduced/ avoided (tCO₂ equivalent) relative to an established baseline**

The Green Bond Investor Report will be available on Vonovia's website <https://investoren.vonovia.de/>



External Review

Vonovia has engaged an external verifier to review this Green Bond Framework. The Second Party Opinion prepared by Sustainalytics on the Framework's environmental credentials and its alignment with the Green Bond Principles is available on Vonovia's website <https://investoren.vonovia.de/>

Vonovia will seek to obtain a limited assurance report from an external verifier, which will be issued annually until all the proceeds of the bonds have been allocated, confirming that an amount equal to the net proceeds of the bonds has been allocated in compliance with all material respects of the eligibility criteria set forth in this Green Bond Framework.



