

# Development Banks (IFB, ILB, ISB) Frameworks for the Joint Social Bond - August 2022

The Development Banks IFB, ILB and ISB plan to issue Joint Social Bond (hereinafter also referred to as “Joint Bond”) to refinance projects in the area of Affordable Housing and have commissioned imug rating to prepare an independent expert opinion (Second Party Opinion).

The findings below are based on our assessment of the Issuers and of the Issuers’ Frameworks (August 2022) in accordance with the voluntary process guidelines outlined in the Social Bond Principles (SBP) published by the International Capital Market Association (June 2021).



imug rating confirms that the Frameworks issued by the Development Banks IFB, ILB and ISB for the Joint Social Bond are in line with the Social Bond Principles (SBP) 2021.

## FRAMEWORKS



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

## ISSUERS



- ✓ Sustainability Performance / Strategy
- ✓ Controversy Check
- ✓ Controversial Activities Research

## OPINION



The Frameworks for the Joint Social Bond of the Development Banks IFB, ILB and ISB meet the requirements of the Social Bond Principles (SBP) 2021. By refinancing loans in the area of Affordable Housing, a positive sustainability contribution is made that promotes three United Nations’ Sustainable Development Goals (UN SDGs): Goal 1 “No Poverty”, Goal 10 “Reduced Inequalities” and Goal 11 “Sustainable Cities and Communities”.

As institutions under public law, the core business of the Development Banks is to support projects in the field of structural, economic, social and housing policy in accordance with the development mandate of the respective federal state. The Issuers are not involved in controversies or in controversial business areas. The issuance of the Joint Social Bond is in line with the strategic sustainability goals of the Development Banks: the promotion of social housing in the respective federal state.

imug rating  
Hannover, 12. September 2022

[www.imug-rating.de](http://www.imug-rating.de)

## 1. BACKGROUND

imug rating has been commissioned to provide an independent opinion (Second Party Opinion) on the three Frameworks for the planned issuance of the Joint Social Bond of Hamburgische Investitions- und Förderbank (hereinafter also "IFB"), Investitionsbank des Landes Brandenburg ("ILB") and Investitions- und Strukturbank Rheinland-Pfalz ("ISB"; collectively "the Issuers" or "the Development Banks"). The assessment of the respective Frameworks is based on the Social Bond Principles (SBP) of the International Capital Market Association (ICMA) dated June 2021.

### *Joint Social Bond of the Development Banks IFB, ILB, ISB*

The three Development Banks: Hamburgische Investitions- und Förderbank, Investitionsbank des Landes Brandenburg and Investitions- und Strukturbank Rheinland-Pfalz intend to issue a Joint Social Bond in 2022. The aim is to refinance the Banks' promotion programmes that serve to create Affordable Housing. Each bank has created a separate framework for the Joint Social Bond.

The Development Banks are institutions under public law. They are under the full responsibility and ownership of the respective federal states. With a simultaneous obligation to the common good, they act on behalf of the federal states.

The following promotional measures are generally offered by the institutions: Provision of low-interest loans, grants, indemnities, guarantees, risk and equity capital, as well as advisory services on the state-specific, national and European promotion programmes. There are differences between the institutions in the specific design of the promotion programmes.

The promotion programmes of the issuers for social rental housing address people threatened or affected by poverty. The exact definition of the target group and kind of Affordable Housing - for example in the form of income ceilings or the setting of rent prices - varies in each of the federal states.

The ILB grants the subsidies via issued loans to the housing assets of the state of Brandenburg, through which the subsidy measures of the end customers take place. At IFB, there are two direct promotion programmes for the construction or expansion of social rental housing, which are differentiated in the target group between low and middle income classes. In addition to social rental housing, the ISB has other promotion programmes for social home ownership. All banks apply the relevant laws, guidelines and promotion criteria of the respective federal states when granting loans.

The Issuers undertake to use the issued proceeds from the Joint Social Bond exclusively to refinance Affordable Housing.

imug rating conducted the assessment in August 2022. The Issuers provided all relevant documents. In addition, imug rating conducted interviews with responsible employees of the Issuers. The information we received has allowed us to provide a reasonable opinion on the Framework's compliance with the above-mentioned guidelines. The results of the review are made transparent in the Second Party Opinion. In addition to the summarised opinions, the specific analyses of the respective Development Banks can be found in the Appendix.



## 2. FRAMEWORK

### 2.1. Use of Proceeds

imug rating confirms that the definitions of the project categories are clearly defined and in line with the Social Bond Principles (SBP) 2021. The refinanced Affordable Housing projects demonstrate clear social benefits, which are quantified by the Issuers. The projects positively contribute to three United Nations Goals (UN SDGs): Goal 1 “No Poverty”, Goal 10 “Reduced Inequalities” and Goal 11 “Sustainable Cities and Communities”.

The proceeds from the Joint Social Bond are used to refinance Affordable Housing projects. All Development Banks follow the housing promotion laws of the respective federal state when selecting projects<sup>1</sup>. The refinancing horizons of the Issuers differ:

PROJECT FINANCING	IFB	ILB	ISB
No refinancing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Refinancing > 36 months	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Refinancing > 24 months	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Refinancing > 12 months	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Further information for each Development Bank can be found in the appendix.

The net proceeds from the Joint Social Bond will be used to refinance (100 percent) projects in the following areas:

*Use of Proceeds of the IFB*

#### Affordable Housing - Social rental housing

##### Target group

- People at risk of or affected by poverty (especially households with children, senior citizens, people with disabilities, students, trainees and people in social hardship)

##### Goals and benefits

- Ensuring the availability of affordable housing
- ▶ Loans and grants for the construction of new rental flats
- ▶ Loans and grants for the extension and expansion of existing rented flats

<sup>1</sup> IFB: Hamburg Housing Promotion Act (HmbWoFG) - <https://www.landesrecht-hamburg.de/bsha/document/jlr-WoFGHArahmen>  
 ILB: Brandenburg Housing Promotion Act (BbgWoFG) - <https://www.landtag.brandenburg.de/sixcms/detail.php?id=bb1.c.621030.de>  
 ISB: State Housing Promotion Act (LWoFG) - <https://landesrecht.rlp.de/bsrp/document/jlr-WoFGRPp13>

*Use of  
Proceeds of the ILB*

### **Affordable Housing - Social rental housing**

#### **Target group**

- People at risk of or affected by poverty (especially households with children, senior citizens, people with disabilities, students, trainees and people in social hardship)

#### **Goals and benefits**

- Ensuring the availability of affordable housing
- ▶ Loans and grants for the construction of new rental flats
- ▶ Loans and grants for the extension and expansion of existing rented flats

*Use of  
Proceeds of the ISB*

### **Affordable Housing - Social rental housing and construction of owner-occupied housing**

#### **Target group**

- People at risk of or affected by poverty (especially households with children, senior citizens, people with disabilities, students, trainees and people in social hardship)

#### **Goals and benefits**

- Ensuring the availability of affordable housing
- ▶ Loans and grants for the construction of new rental flats
- ▶ Loans and grants for the extension and expansion of existing rented flats
- ▶ Loans and grants for the construction of owner-occupied housing

The projects refinanced by the Joint Social Bond make a positive contribution to sustainability by ensuring access to adequate and affordable housing. The Issuers are able to quantify the social benefits.

The Affordable Housing projects refinanced by the Joint Social Bond contribute to three United Nations' Sustainable Development Goals (UN SDGs): Goal 1 "No Poverty", Goal 10 "Reduced Inequalities" and Goal 11 "Sustainable Cities and Communities".

*Contribution to the sustainability goals (SDGs)*

### UN SDG 1: No Poverty



UN SDG 1 aims to end poverty in all its forms and everywhere. The goals to be achieved by 2030 include the following:

- ▶ ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

The Issuers contribute to UN SDG 1 by using the proceeds from the Joint Social Bond to refinance Affordable Housing.

### UN SDG 10: Reduced Inequalities



UN SDG 10 aims to reduce inequality within and between countries. The goals to be achieved by 2030 include the following:

- ▶ ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

The Issuers contribute to UN SDG 10 by using the proceeds from the Joint Social Bond to refinance Affordable Housing.

### UN SDG 11: Sustainable Cities and Communities



UN SDG 11 aims to make cities and settlements inclusive, safe, resilient and sustainable. The goals to be achieved by 2030 include the following:

- ▶ ensure access for all to adequate, safe and Affordable Housing and basic services and upgrade slums.

The Issuers contribute to UN SDG 11 by using the proceeds from the Joint Social Bond to refinance Affordable Housing.



## 2.2. Process for Project Evaluation and Selection

imug rating confirms that the Issuers' project evaluation and selection processes are in line with the Social Bond Principles (SBP) 2021.

The issuance of the Joint Social Bond helps the Development Banks to achieve their corporate objectives. The Issuers have implemented structured processes by which they are able to identify suitable projects with a clear social benefit. The underlying processes are transparent, structured and divided among several levels of responsibility. Furthermore, the Issuers have processes in place to identify and manage material risks associated with the projects.

The Development Banks have partnered for the issuance of a Joint Social Bond. This results from the commonalities with regard to the addressed social target groups as well as the defined project category of Affordable Housing. However, the refinanced projects are specific to each Development Bank in the eligibility criteria on which the selection of the projects was based. No joint projects are refinanced by the Development Banks under the issue.

As part of the evaluation, the project evaluation and selection process was considered individually for each Development Bank. The following table shows the summary result of the evaluation for the Development Banks:

SELECTION AND EVALUATION	IFB	ILB	ISB
The process is clearly defined and documented/ appropriately structured	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The selection and evaluation of projects is based on clearly defined responsibilities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
There is a responsible Social Bond Team	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The audit and traceability of projects is ensured	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Further information for each Development Bank can be found in the appendix.

## ELIGIBILITY CRITERIA

For the refinancing of the loans of the Joint Social Bond, the Development Banks refer to the state housing promotion laws of the respective federal state. The new construction as well as the expansion and modernisation of Affordable Housing is refinanced via the promotion programmes for social rented housing or home ownership.

The table below provides an overview of the project type of refinanced housing for the individual Development Banks:

PROJECT TYPE	IFB	ILB	ISB
Social rental housing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Owner-occupied residential property	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Development Banks have defined the following relevant eligibility criteria for the selection and evaluation of loans:

PROJECT CATEGORY	CRITERIA	IFB	ILB	ISB
Affordable Housing - Social rental housing or owner-occupied housing	<i>Funding ceilings</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<i>Income limits</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<i>Rent limits</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<i>Occupancy commitment</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<i>Site conditions</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<i>Living space ceilings</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Housing entitlement certificates are used as proof of earmarked refinancing to ensure eligibility for permanent and adequate housing.

ADDITIONAL ASSESSMENT ASPECTS	IFB	ILB	ISB
Eligibility criteria are subject to external review	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

As part of the internal audit, the annual procedure audit takes place, which independently audits the use of funds for the Joint Social Bond loans.

## EXCLUSION CRITERIA

The ILB has named exclusion criteria for controversial business areas<sup>2</sup> and defined threshold values. IFB and ISB have not defined any exclusion criteria.

Further information for each Development Bank can be found in the appendix.

<sup>2</sup> The exact information can be found under the link: [https://www.ilb.de/media/dokumente/sonstige-dokumente/nachhaltigkeit/2021\\_08\\_09\\_ilb-ausschlussliste.pdf](https://www.ilb.de/media/dokumente/sonstige-dokumente/nachhaltigkeit/2021_08_09_ilb-ausschlussliste.pdf)

## ESG RISK MANAGEMENT

imug rating is of the opinion that the IFB has some, the ILB has appropriate and the ISB has some policies and processes in place to manage the material ESG risks associated with the projects. The IFB has implemented a moderate risk management system, the ILB a good risk management system and the ISB a moderate risk management system to identify and manage potentially material ESG criteria.

In addition to the positive sustainability impacts, the projects refinanced with the net proceeds of the Joint Social Bond also have certain ESG risks (environmental, social and governance). To manage these risks, the ESG risk management of the Issuers has been assessed against the following criteria: climate measures, environmental management, circular economy, protection of biodiversity, human and labour rights standards, dialogue with local stakeholders and compliance. The assessment takes into account measures in the operational banking business.

As a financial services company, the strategic as well as process-related integration (through for example the definition of exclusion criteria or the establishment of a separate sustainable investment strategy) of ESG risks into the business areas “proprietary business/Depot A”, “lending business” and “deposit business” is also of particular importance. These business areas have been evaluated separately.

The Issuers are Development Banks that act as institutions under public law. The promotional mandate and the resulting promotional measures depend on the political orientation as well as the political measures of the respective state governments. This limits the sphere of influence of the promotional banks in establishing sustainable guidelines and measures. These require coordination with the political bodies.

The dependence on the political objective has been taken into account in the assessment of the ESG risk management of the Development Banks by imug rating.

Further information for each Development Banks can be found in the appendix.





## 2.3. Management of Proceeds

imug rating confirms that the rules put in place for managing the proceeds are in line with the Social Bond Principles (SBP) 2021.

The Development Banks have established internal rules that facilitate a transparent allocation process.

The information below provides an overview of the tracking of allocated proceeds and the internal allocation process of the respective Development Bank:

TRACKING OF PROCEEDS	IFB	ILB	ISB
Sub-account	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sub-portfolio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is adequately tracked by other means	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

ALLOCATION PROCESS	IFB	ILB	ISB
The Issuer has an internal process to ensure that the proceeds are used exclusively for the selected Affordable Housing projects.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The Issuer will, as long as the Joint Social Bond is outstanding, periodically allocate the balance of net proceeds to the projects	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The Issuer will disclose to investors the planned (temporary) placement (refinancing only) <sup>3</sup>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The Issuer undertakes to allocate the proceeds to the projects within a defined period (refinancing only) <sup>4</sup>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
External verification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Further information for each Development Bank can be found in the appendix.

<sup>3</sup> This requirement does not apply to the allocation process of the Development Banks, as it is exclusively a refinancing. The proceeds have already been fully allocated to the eligible projects.

<sup>4</sup> This requirement does not apply to the allocation process of the Development Banks, as it is exclusively a refinancing. The proceeds have already been fully allocated to the eligible projects.



## 2.4. Reporting

imug rating confirms that the reporting processes are in line with the Social Bond Principles (SBP) 2021.

The Issuers commit to report on the allocation of proceeds as well as the social benefits of the projects. The underlying processes of data collection and consolidation differ among the Issuers.

imug rating assesses the Issuers' commitments to future regular reporting on the use of proceeds and the social benefit of the Joint Social Bond to be convincing and reliable.

The following information provides an overview of the scope of the Issuers' reporting. The Development Banks aim for both state-specific and joint reporting.

LEVEL OF REPORTING	IFB	ILB	ISB
On a project portfolio basis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
On a project level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

REPORTING INDICATORS	IFB	ILB	ISB
<b>ALLOCATION OF PROCEEDS</b>			
Amount of the total proceeds of the issuance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Amount allocated	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Share of refinancing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Information on any unallocated proceeds of the issuance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Project description	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

SUSTAINABILITY INFORMATION	IFB	ILB	ISB
Demonstration of the sustainability benefits (quantitative)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Demonstration of the sustainability benefits (qualitative)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

FURTHER INFORMATION	IFB	ILB	ISB
Reporting on risk management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reporting on material changes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
External verification of reporting (Impact Reporting)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External verification of reporting (Allocation Reporting)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

REPORTING TAKES PLACE VIA	IFB	ILB	ISB
Website	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Annual Report/Sustainability Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal channels, exclusively to investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**FREQUENCY**

Annually	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Semi-annually	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**REPORTING PERIOD**

Until the proceeds are fully allocated	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
As long as the Joint Bond is outstanding	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**DATA COLLECTION AND CONSOLIDATION PROCESS**

The underlying process of data collection and consolidation is clearly structured	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Subject to external control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**SOCIAL REPORTING INDICATORS**

The selected social reporting indicators are considered relevant and significant by imug rating. The Issuers will demonstrate the expected positive impact of the financing activity using quantitative output indicators:

DEVELOPMENT BANK	PROJECT CATEGORY	OUTPUT INDICATORS
IFB	Affordable Housing – Social rental housing	<ul style="list-style-type: none"> <li>▶ Number of subsidised properties by construction method</li> <li>▶ Number of subsidised properties by district</li> <li>▶ Distribution of subsidised properties by number of rooms</li> <li>▶ Distribution of subsidised properties by living space</li> </ul>
ILB		<ul style="list-style-type: none"> <li>▶ Number of subsidised new or modernised dwellings</li> <li>▶ Regional distribution of housing promotion</li> <li>▶ Number of flats by occupancy and total</li> <li>▶ Breakdown of funding measures by dwellings and by funding commitments in EUR</li> <li>▶ Breakdown of funding recipients by dwelling and in EUR</li> </ul>
ISB	Affordable Housing - Rental housing and owner-occupied housing	<ul style="list-style-type: none"> <li>▶ Use of the proceeds according to promotional purposes</li> <li>▶ Use of the proceeds according to promotion programmes</li> <li>▶ Regional distribution of loans granted in Rhineland-Palatinate</li> <li>▶ Regional distribution of loans granted according to promotional purposes</li> </ul>



### 3. ISSUERS

#### SUSTAINABILITY PERFORMANCE/STRATEGY

The business models of the Development Banks are to finance public tasks in the form of loans and liabilities. The issuance of the Joint Social Bond is in line with the Social Bond Principles (SBP) and contributes to supporting the strategies of the Development Banks and thus the promotion of social housing in the respective federal states.

##### *Sustainable targets of the IFB*

IFB is the investment and Development Bank of the City of Hamburg. The promotional tasks include, in particular, housing promotion, urban development promotion, infrastructure promotion, environmental promotion and the promotion of business, technology and innovation in Hamburg. The public tasks are concretised by the Senate's funding policy goals and IFB's funding guidelines based on them. IFB's business strategy is based on these funding guidelines.

The current sustainability strategy is anchored in IFB's business and risk management strategy. In 2021, IFB identified the following key topics as part of a materiality analysis: Promotion in the real estate sector, strengthening the innovation location, promotion in the area of environment and energy, sustainable corporate governance, digitalisation and strategic human resources development. Strategic sustainability goals were defined for each of the material topics. In 2022, measures have already been initiated in accordance with the goals. IFB will develop a sustainability management system in the future.

##### *Sustainable targets of the ILB*

The ILB promotes sustainable development in the state of Brandenburg. The Development Bank supports the state and other public administration agencies in the fulfilment of public tasks. In doing so, the principles and objectives of the state's funding policy are followed. With the state promotion programmes and the ILB promotion programmes, the Issuer contributes to the development of the economy and the labour market, promotes research and innovation, public transport and education infrastructures, social housing and lifelong learning.

In 2020, the ILB adopted the concept for expanding sustainability management. It refers to the Paris Climate Agreement and the Sustainable Development Goals of the United Nations as well as the sustainability goals of the State of Brandenburg. The sustainability concept identifies ILB's four main fields of action: banking business, banking operations, employer and transparency. ILB has anchored its sustainability goals in its 2022+ business strategy.

*Sustainable targets  
of the ISB*

The ISB is the main promotional institution of the federal state of Rhineland-Palatinate. The Development Bank has the state mandate to support the federal state in various policy areas (e.g. financial, economic and housing policy) in accordance with EU state aid rules. Aid is an economic advantage granted to a company or sector from public funds. As a subsidiary, the ISB pursues the sustainability strategy of the state of Rhineland-Palatinate and is subject to its own obligations as a credit institution. On this basis, the ISB has developed its own sustainability strategy.

The ISB stands for the improvement of the economic, ecological and social living conditions of the federal state in the sense of sustainable development. This is achieved by promoting the economy, financing infrastructure measures and offering financing for Affordable Housing. In addition, advisory services on the topics of environmental protection, energy saving and resource efficiency are financed. The ISB has initiated initial measures based on its sustainability strategy.

The strategies of the Development Banks are in line with the issuance of the Joint Social Bond.

## CONTROVERSIAL BUSINESS AREAS AND CONTROVERSIES

imug rating has examined the Issuers in relation to a total of 10 controversial business areas<sup>5</sup>. Due to the public mandate of the banks, which includes supporting the respective federal state and its municipal corporations in the fulfilment of their public tasks, financing of controversial business fields cannot be excluded.

Up to the reporting date of 22 August 2022, there was no information available to suggest that the Issuers are involved in controversies.<sup>6</sup>

---

<sup>5</sup> The controversial business areas are defined in the methodology section (p. 47).

<sup>6</sup> The controversial business activities are defined in the methodology section (p. 47).



## 4. OPINION

As institutions under public law, the core business of the Development Banks lies in the promotional mandate of the respective state to support projects in the areas of structural, economic, social and housing policy. imug rating regards the contribution the Development Banks make to sustainability as positive.

The Development Banks' Frameworks intended to support the Issuers' financing activities have been thoroughly analysed and assessed as appropriate to support the issuance of the Joint Social Bond in general. Within this scope, Development Banks can refinance eligible projects that are fully in line with the Social Bond Principles (SBP) (June 2021).

### **The Frameworks for the Joint Social Bond of IFB, ILB and ISB are in line with the Social Bond Principles (SBP) 2021.**

By refinancing loans and grants, the Development Banks' projects contribute to creating affordable and adequate housing for people at risk of or affected by poverty. Refinancing social housing makes a positive sustainability contribution that promotes three of the United Nations Sustainable Development Goals (UN SDGs): Goal 1 "No Poverty", Goal 10 "Reduced Inequalities" and Goal 11 "Sustainable Cities and Communities".

imug rating confirms that the strategies of the Development Banks are in line with the issuance of the Joint Social Bond. The core business of the Development Banks is the financing of public tasks in the form of loans and liabilities. There is no evidence to suggest that the Issuers are involved in controversies or controversial areas of business.

## APPENDIX: SECOND PARTY OPINIONS FOR THE DEVELOPMENT BANKS IFB, ILB AND ISB

imug rating has separately assessed the three Frameworks of the Development Banks (IFB, ILB and ISB) for the Joint Social Bond. The results are described below in individual versions of the Second Party Opinions.

The order of the Second Party Opinions in this Appendix is as follows:

- ▶ Hamburgische Investitions- und Förderbank (IFB)
- ▶ Investitionsbank des Landes Brandenburg (ILB)
- ▶ Investitions- und Strukturbank Rheinland-Pfalz (ISB)



## 5. HAMBURGISCHE INVESTITIONS- UND FÖRDERBANK (IFB)

### 5.1. Use of Proceeds

imug rating confirms that the definition of the project categories is clearly defined and in line with the Social Bond Principles (SBP) 2021. The refinanced Affordable Housing projects demonstrate a clear social benefit, which is quantified by the Issuer. The projects positively contribute to three United Nations Goals (UN SDGs): Goal 1 “No Poverty”, Goal 10 “Reduced Inequalities” and Goal 11 “Sustainable Cities and Communities”.

#### PROJECT FINANCING

- No refinancing
- Refinancing
  - >36 months
  - 24 months
  - 12 months
- Financing

The issuance proceeds are used to refinance existing long-term liabilities from IFB's promotion programmes for social rental housing projects. A differentiation is made between the promotion programme 1 for people with low incomes and the promotion programme 2 for people with medium incomes. With the Joint Social Bond, the Issuer refinances loans granted between 2017 and 2021. imug rating recommends shortening the refinancing horizon.

The net proceeds from the Joint Bond will be used to refinance projects in the following area:

#### Affordable Housing – Social Rental Housing

##### Target group

- People at risk of or affected by poverty and children (within the target group according to § 16 (5) of the Hamburg Housing Promotion Act (HmbWoFG, Hamburgisches Wohnraumförderungsgesetz)<sup>7</sup> preference is given to pregnant women, families and households with children including single parents, people over 60 years of age, severely disabled people and people identified by the competent district office with an urgent request such as homelessness)

##### Goals and benefits

<sup>7</sup><https://www.landesrecht-hamburg.de/bsha/document/jlr-WoFGHArahmen>



- Ensuring the availability of affordable housing
- ▶ Loans and grants for the construction of new rental flats
- ▶ Loans and grants for the extension of existing rented dwellings

The projects refinanced by the Joint Bond make a positive contribution to sustainability by ensuring access to adequate and affordable housing. In the refinanced promotion programmes, middle-income households are also supported. The Issuer is able to quantify the social benefit.



## 5.2. Process for Project Evaluation and Selection

imug rating confirms that the process for project evaluation and selection is in line with the Social Bond Principles (SBP) 2021.

The issuance of the Joint Social Bond helps the IFB to achieve its corporate objectives. The Issuer has implemented structured processes by which it is able to identify suitable projects with a clear social benefit. The underlying process is transparent, structured and divided among several levels of responsibility. Furthermore, the Issuer has a process in place to identify and manage material risks associated with the projects.

### SELECTION AND EVALUATION

In order to ensure a structured process for project selection and evaluation, IFB has defined responsible areas for the issuance of the Joint Social Bond:

- ▶ Asset/Liability Management
- ▶ Credit Department

- The process is clearly defined and documented/ appropriately structured.
- The selection and evaluation of projects is based on clearly defined responsibilities.
- There is a responsible team.
- The audit and traceability of the projects is ensured.

In cooperation between the Asset/Liability Management and the Credit Department, eligible loans are selected that have been granted under promotion programmes 1 and 2. The detailed selection of loans is done according to different measures: The remaining capital at maturity of the Joint Bond exceeds the proceeds, where possible the loans have already been fully disbursed, recent approvals are selected first and only loans that have not already been allocated elsewhere can be assigned. To avoid substitution of loans during the life of the Joint Social Bond, the nominal loan capital allocated to the Joint Social Bond significantly exceeds the issue proceeds.

## ELIGIBILITY CRITERIA

For the refinancing of the loans of the Joint Social Bond, IFB refers to the Hamburg Housing Promotion Act (HmbWoFG)<sup>8</sup> of February 2008, which includes both the promotion programme 1 for people with low incomes and the promotion programme 2 for people with medium incomes. The promotion programmes refinance rental housing construction in the area of Affordable Housing.

The Issuer has defined the following eligibility criteria for the selection and evaluation of projects:

PROJECT CATEGORY	CRITERIA
Affordable Housing - Rental housing construction	<p><i>Eligibility</i></p> <ul style="list-style-type: none"> <li>▶ Use for the target group for at least 15 years after completion of the construction</li> <li>▶ The term of the rent and occupancy obligation generally corresponds to the duration of the promotion<sup>9</sup></li> <li>▶ Compliance with the criteria from the 1st and 2nd promotion path for the IFB's new rental flat construction<sup>10</sup></li> </ul>
	<p><i>Income limits according to § 8 HmbWoFG</i></p> <ul style="list-style-type: none"> <li>▶ 12,000 EUR p.a. for a single-person household</li> <li>▶ 18,000 EUR p.a. for a two-person household</li> <li>▶ Plus EUR 4,100 p.a. for each additional person belonging to the household.</li> </ul> <p>The income limits applicable in the promotion programmes are above these limits to a certain percentage, depending on the target group addressed:</p> <ul style="list-style-type: none"> <li>▶ Promotion path 1: Low income, 30-50 percent above the income limit according to § 8 HmbWoFG.</li> <li>▶ Promotion path 2: Medium income, 60 percent above the income limit according to § 8 HmbWoFG</li> </ul> <p>Regardless of the promotion programme, only persons who have been issued a housing entitlement certificate by the respective district office are eligible for funding. This ensures that the defined income limits are adhered to.</p>
	<p><i>Living space ceilings</i></p> <ul style="list-style-type: none"> <li>▶ Single person household up to 50 m<sup>2</sup></li> <li>▶ Two-person household up to 60 m<sup>2</sup></li> <li>▶ Three-person household up to 75 m<sup>2</sup></li> <li>▶ Four-person household up to 90 m<sup>2</sup></li> </ul> <p>If there are more than four persons in the household, the living space is increased by 15 m<sup>2</sup> per person.</p> <p>Exceeding the living space is granted in the case of:</p> <ul style="list-style-type: none"> <li>▶ barrier-free flats by 5 m<sup>2</sup></li> <li>▶ flats for wheelchair users by 10 m<sup>2</sup></li> </ul>
	<p><i>Predefined rents by the City of Hamburg for promotion path 1<sup>11</sup>:</i></p> <ul style="list-style-type: none"> <li>▶ 2017: 6.40 EUR per m<sup>2</sup> living space</li> <li>▶ 2018: 6.50 EUR per m<sup>2</sup> living space</li> <li>▶ 2019: 6.60 EUR per m<sup>2</sup> living space</li> </ul>

<sup>8</sup><https://www.landesrecht-hamburg.de/bsha/document/jlr-WoFGHArahmen>

<sup>9</sup> According to § 19 HmbWoFG

<sup>10</sup> According to the funding guidelines for rental flats in apartment buildings in Hamburg in the 1st funding path (<https://www.ifbh.de/api/services/document/760>) as well as in the 2nd funding path (<https://www.ifbh.de/api/services/document/761>).

<sup>11</sup> An initial rent per m<sup>2</sup> is set annually by the Hamburg Senate. The initial rent differs in the two funding programmes and is below the market price for rents in Hamburg.

---

- ▶ 2020: 6.70 EUR per m<sup>2</sup> living space

- ▶ 2021: 6.80 EUR per m<sup>2</sup> living space

*Predefined rents by the City of Hamburg for promotion path 2:*

- ▶ 2017: 8.50 EUR per m<sup>2</sup> living space

- ▶ 2018: 8.60 EUR per m<sup>2</sup> living space

- ▶ 2019: 8.70 EUR per m<sup>2</sup> living space

- ▶ 2020: 8.80 EUR per m<sup>2</sup> living space

- ▶ 2021: 8.90 EUR per m<sup>2</sup> living space

As soon as the flats are ready for occupancy, the IFB guidelines allow for a rent increase of 0.30 EUR per m<sup>2</sup> of living space for the 2017 and 2018 approval years and 0.20 EUR per m<sup>2</sup> of living space for the approval years from 2019 onwards, in a regular cycle of two years.

---

#### **Additional assessment aspects**

Eligibility criteria are subject to external review

Internal audit

Compliance with the eligibility criteria is checked via the internal audit.

#### **EXCLUSION CRITERIA**

No exclusion criteria have been defined by the Issuer. Due to the public mandate of the development banks, which includes supporting the respective federal state and its municipal corporations in the fulfilment of their public tasks, financing of controversial business areas cannot be excluded.

## ESG RISK MANAGEMENT

imug rating is of the opinion that the IFB has some policies and processes in place to manage the material ESG risks associated with the projects. The Issuer has implemented a moderate risk management system to identify and manage potentially material ESG criteria.

In addition to the positive sustainability impacts, the projects refinanced with the net proceeds of the Joint Social Bond also have certain ESG risks (environmental, social and governance). As a financial services company, the strategic as well as process-related integration of ESG risks into the business areas “proprietary business/deposit A”, “lending business” and “deposit business” is of particular importance.

In addition to the overarching strategic measures and regulations, such as the sustainability policy, the management of ESG risks is taken into account in the business units as follows:

- ▶ **Proprietary business/Depot A:** One of IFB's strategic sustainability goals is the integration of sustainability issues into the business and risk strategy, which should be taken into account in future investments in proprietary business. Currently, the requirements according to the investment strategy and the Deutsche Bundesbank are taken into account, which aim to build up a liquid investment portfolio. Here, requirements are placed on the creditworthiness of the Issuers; sustainability aspects do not play an active role. The own portfolio mainly contains securities issued by public institutions.
- ▶ **Lending business:** All lending businesses are only permitted if it is in line with the principles and objectives of the government's promotion policy. IFB implements the City of Hamburg's climate plan with sustainable promotion programmes, which include, for example, the promotion of efficient use of energy, water and raw materials as well as CO<sub>2</sub> savings. In the area of housing promotion, there is an increased consumption of resources despite the consideration of ecological aspects in construction promotion. The Issuer takes into account relevant sustainability criteria in the promotion programmes, such as reducing the energy demand of buildings, improving energy efficiency, increasing the share of renewable energies and reducing waste. No overarching exclusion lists are used in the lending business. The sustainability activities of the beneficiaries are not assessed and actively promoted in an overarching manner.
- ▶ **Deposit business:** IFB's refinancing is mainly divided between capital market refinancing, KfW Global refinancing, KfW pass-throughs and money market transactions (overnight and term money as well as ECB open market transactions). The investors in IFB liabilities are mainly to be found in the German-speaking countries in the banking, insurance and pension fund sectors. IFB placed a social bond on the capital market in both 2016 and 2019.

In addition, IFB has taken various measures to manage ESG risks:

- ▶ **Climate measures:** The largest emissions result from employee consumption (e.g. electricity, water and heat). The Issuer implements various energy efficiency measures, including: purchase of 100 percent green electricity, conversion of the vehicle fleet to environmentally friendly engine and use of own photovoltaic systems on the company building.
- ▶ **Environmental management:** IFB does not have an environmental management system. Procurement and equipment are carried out in accordance with the environmental guidelines of the City of Hamburg. IFB plans to include sustainability criteria in future tenders.
- ▶ **Circular economy:** In internal bank operations, IFB pays attention to resource conservation, among other things by reducing paper consumption as part of digitalisation measures (e.g. introduction of the e-file and digital funding application process). A waste concept has been set up, leftovers from the canteen are disposed of via ReFood and recycled into environmentally friendly energy, and the crown caps from the canteen are collected for the "eco-projects.global" project.
- ▶ **Protection of biodiversity:** As a Development Bank, IFB Hamburg is not a manufacturing company. The Issuer's business activities are subject to the requirements of the City of Hamburg and its authorities.
- ▶ **Human and labour rights standards:** IFB does not enter into investment agreements with organisations outside the EU, especially those based in risk countries. The possible risks, such as human rights violations, are assessed by the Issuer as very low. IFB's main service and supply companies are contractually obliged to comply with the applicable legal regulations. IFB has a single branch office in Hamburg and does not operate internationally. As such, it is subject to German labour and health standards, which also include the UN human rights standards and the ILO core labour standards. All IFB employees sign the General Equal Treatment Act<sup>12</sup>. The extension of the "Total E-Quality" rating for equal opportunities in the workplace until 2025 was achieved. The sustainability report shows various measures to promote gender equality.
- ▶ **Dialogue with local stakeholders:** During the preparation of the sustainability report, a detailed stakeholder analysis was carried out in 2021 and the key stakeholder (groups) for IFB were identified. IFB is in regular dialogue with all stakeholders.
- ▶ **Compliance:** IFB is subject to legal standards in the area of corruption prevention, such as the German Banking Act (KWG) and Money Laundering Act (GwG)<sup>13</sup>. The internal compliance officer is responsible for compliance. This is monitored by a Compliance Committee. General compliance risks are recorded and reviewed via a risk radar. The functions of the money laundering officer and data protection officer are ensured by external partners. Mandatory training sessions on corruption prevention and money laundering are held annually for managers and employees. A process for the confidential reporting of legal violations has been established.

---

<sup>12</sup> German: Das Allgemeine Gleichbehandlungsgesetz (AGG)

<sup>13</sup> German: Das Kreditwesengesetz (KWG) und das Geldwäschegesetz (GwG)



### 5.3. Management of Proceeds

imug rating confirms that the rules put in place for managing proceeds are in line with the Social Bond Principles (SBP) 2021.

The IFB has established internal rules that facilitate a transparent allocation process.

#### TRACKING OF PROCEEDS

- Sub-account
- Sub-portfolio
- Is adequately tracked by other means

The net proceeds remain in a cash account of IFB until allocation.

- The Issuer has an internal process to ensure that the proceeds are used exclusively for the selected Affordable Housing projects.

The tracking of the proceeds from the Joint Social Bond is done by marking the allocated loans in the inventory-management system.

- The Issuer will, as long as the Joint Social Bond is outstanding, periodically allocate the balance of net proceeds to the projects.

The net proceeds from the Joint Social Bond are periodically allocated to the projects.

- The Issuer will disclose the planned (temporary) placement to investors.

Unallocated revenues are allocated within 12 to 18 months. If the proceeds have not yet been allocated, they are deposited in a cash account. Funded projects have a commitment period beyond the term of the bond.

- The Issuer undertakes to allocate the proceeds to the projects within a defined period.

The proceeds are allocated to suitable projects within 12 to 18 months at the latest.

- External verification



## 5.4. Reporting

imug rating confirms that the reporting process is in line with the Social Bond Principles (SBP) 2021.

The Issuer undertakes to report on the allocation of funds as well as the social benefits of the projects. The underlying process of data collection and consolidation is clearly defined.

imug rating assesses the Issuer's commitment to future regular reporting on the use of proceeds and the social benefit of the Joint Social Bond as convincing and reliable.

### LEVEL OF REPORTING

- On a project portfolio basis
- On a project level

### REPORTING INDICATORS

#### Allocation of funds

- Amount of the total proceeds of the issuance
- Amount allocated
- Share of refinancing
- Information on any unallocated proceeds of the issuance
- Project description

#### Sustainability information

- Demonstration of the sustainability benefits (quantitative)
- Demonstration of the sustainability benefits (qualitative)

#### Further information

- Reporting on material changes
- Reporting on risk management
- External verification of reporting (impact reporting)
- External verification of reporting (allocation reporting)

IFB undertakes to publish the report at least once a year for the entire term of the Joint Social Bond.



**REPORTING TAKES PLACE VIA**

- Website
- Annual Report/Sustainability Report
- Internal channels, exclusively to investors

**FREQUENCY**

- Annually
- Semi-annually
- Other

**REPORTING PERIOD**

- Until the proceeds are fully allocated and in the event of significant changes (e.g. asset disposals)
- As long as the Joint Social Bond is outstanding

**DATA COLLECTION AND CONSOLIDATION PROCESS**

- The underlying process of data collection and consolidation is clearly structured  
The initial presentation of the allocation of the issue proceeds to the selected eligible projects and loans as well as the annual reporting is prepared in the Asset/Liability Management department.
- Subject to external control

**SOCIAL REPORTING INDICATORS**

The selected social reporting indicators are considered relevant and significant by imug rating. The Issuer will demonstrate the expected positive impact of the financing activity using quantitative output indicators:

PROJECT CATEGORY	OUTPUT INDICATORS
Affordable Housing – Social rental housing	<ul style="list-style-type: none"> <li>▶ Number of subsidised properties by construction method</li> <li>▶ Number of subsidised properties by district</li> <li>▶ Distribution of subsidised properties by number of rooms</li> <li>▶ Distribution of subsidised properties by living space</li> </ul>



## 6. INVESTITIONSBANK DES LANDES BRANDENBURG (ILB)

### 6.1. Use of Proceeds

imug rating confirms that the definition of the project categories is clearly defined and in line with the Social Bond Principles (SBP) 2021. The refinanced Affordable Housing projects demonstrate a clear social benefit, which is quantified by the Issuer. The projects positively contribute to three United Nations Goals (UN SDGs): Goal 1 “No Poverty”, Goal 10 “Reduced Inequalities” and Goal 11 “Sustainable Cities and Communities”.

#### PROJECT FINANCING

- No refinancing
- Refinancing
  - 36 months
  - >24 months
  - 12 months
- Financing

The net proceeds will be used to refinance existing loans for the housing assets of the State of Brandenburg. These housing assets are a revolving fund administered by ILB in trust, to which federal and state funds are added in addition to refinancing on the capital market. As a dependent special fund for refinancing housing promotion, the housing fund can borrow both from the ILB and the capital market. The proceeds from the issuance of the Joint Social Bond will be used to refinance loans granted by the ILB to the housing fund in December 2020 and 2021.

The net proceeds from the Joint Social Bond will be used to refinance projects in the following area:

#### Affordable Housing - Social Rental Housing

##### Target group

- People at risk of or affected by poverty (households with children, senior citizens, people with disabilities, students, trainees and people in social hardship)

##### Goals and benefits

- Ensuring the availability of affordable housing
- ▶ The adaptation of rental housing through modernisation and restoration suitable for all generation
- ▶ The restoration, extension and change of use of buildings, resulting in the creation of new living space or making buildings suitable for permanent residential purposes again

- ▶ The construction of new rental housing at socially acceptable rents
- ▶ The installation or extension of lifts, including the creation of barrier-free access to flats.

The projects refinanced by the Joint Social Bond make a positive contribution to sustainability by ensuring access to adequate and affordable housing. The Issuer is able to quantify the social benefit.



## 6.2. Process for Project Evaluation and Selection

imug rating confirms that the process for project evaluation and selection is in line with the Social Bond Principles (SBP) 2021.

The issuance of the Joint Social Bond helps the ILB to achieve its corporate objectives. The Issuer has implemented structured processes by which it is able to identify suitable projects with a clear social benefit. The underlying process is transparent, structured and divided among several levels of responsibility. Furthermore, the Issuer has a process in place to identify and manage material risks associated with the projects.

### SELECTION AND EVALUATION

In order to assure a structured process for project selection and evaluation, ILB has defined responsible departments for the issuance of the Joint Social Bond:

- ▶ Sustainability Manager
- ▶ Treasury Department

- The process is clearly defined and documented/ appropriately structured.
- The selection and evaluation of projects is based on clearly defined responsibilities.
- There is a responsible team.
- The audit and traceability of the projects is ensured.

ILB's Sustainability Manager checks the selection results for compliance with the exclusion and selection criteria, as well as for possible ESG controversies. The Sustainability Manager is part of ILB's Strategy and Communication Department and therefore acts independently from the Treasury department. The results of the Sustainability Manager's review are documented.

## ELIGIBILITY CRITERIA

For the refinancing of the loans of Joint Social Bond, the ILB refers to the Brandenburg Housing Promotion Act (BbgWoFG)<sup>14</sup> of June 2019. The construction of social rental housing in the area of Affordable Housing is refinanced via the promotion programmes.

The Issuer has defined the following eligibility criteria for the selection and evaluation of projects:

PROJECT CATEGORY	CRITERIA
Affordable Housing - Social rental housing	<p><i>The funding ceilings</i></p> <ul style="list-style-type: none"> <li>▶ A maximum of EUR 1,800 per m<sup>2</sup> of living space for up to 100 m<sup>2</sup> of living space per rented flat for modernisation and restoration suitable for all generations.</li> <li>▶ A maximum of EUR 2,500 per m<sup>2</sup> of living space for the construction of new rental housing and the renovation and extension of housing. A subsidy of 350 EUR per m<sup>2</sup> of living space is granted for tenancy and occupancy commitments of more than 25 years.</li> <li>▶ Maximum EUR 25,000 per developed dwelling for the installation of lifts.</li> </ul>
	<p><i>Site conditions</i></p> <ul style="list-style-type: none"> <li>▶ In the structural areas of the Berlin environs, at least 75 percent of the subsidised flats are subject to a 20-year rent and occupancy commitment. Subsidies in the form of grants even require a commitment of 25 years.</li> <li>▶ In the other Brandenburg regions outside the Berlin environs, where the housing situation is less strained, a lower limit of at least 50 percent rent and occupancy commitment applies.</li> </ul>
	<p><i>Occupancy commitment</i></p> <ul style="list-style-type: none"> <li>▶ At least half of the flats to be committed are to be made available to persons entitled to them and to persons designated by the competent body who comply with the income limits of § 22 paragraphs 2 to 4 of the BbgWoFG and provide evidence of a corresponding housing entitlement certificate<sup>15</sup>.</li> <li>▶ The remaining tied flats are to be made available to entitled persons who exceed the income limits of § 22 paragraphs 2 to 4 BbgWoFG by a maximum of 20 percent and who prove this by means of a correspondingly issued certificate.</li> </ul>
	<p><i>Income limits</i></p> <p>The current annual income limits of § 22 paragraph 2 BbgWoFG:</p> <ul style="list-style-type: none"> <li>▶ 15,600 EUR for a single-person household</li> <li>▶ 22,000 EUR for a two-person household</li> <li>▶ plus EUR 4,900 for each additional person belonging to the household</li> </ul>
	<p><i>Rent limits</i></p> <p>In the case of the first letting of flats subject to rent and occupancy regulations to the relevant group of persons with a housing entitlement certificate in accordance with § 14 BbgWoFG after completion of construction of a new building or after completion of modernisation and restoration, the maximum permissible net cold rent may not exceed:</p> <ul style="list-style-type: none"> <li>▶ 5.50 EUR per m<sup>2</sup> of living space in the municipalities of the Berlin environs and</li> <li>▶ 4.90 EUR per m<sup>2</sup> of living space in the other municipalities.</li> </ul> <p>For the group of persons exceeding the income limits by a maximum of 20 percent, the net cold rent must not exceed:</p>

<sup>14</sup> German: das Brandenburgische Wohnraumförderungsgesetz (BbgWoFG) - <https://bravors.brandenburg.de/gesetze/bbgwofg>

<sup>15</sup> German: Wohnberechtigungsschein

- ▶ 7.00 EUR per m<sup>2</sup> of living space in municipalities in the Berlin environs and
  - ▶ 6.00 EUR per m<sup>2</sup> of living space in the other municipalities
- In deviation from § 558 of the German Civil Code<sup>16</sup>, rent increases within three years are limited to 10 percent each during the earmarking period, at most up to the amount of the local comparative rent.

#### Additional assessment aspects

- Eligibility criteria are subject to external review
- Internal audit

The selection process by the Treasury Department and the review of the selection results by the Sustainability Manager are periodically checked by internal audit as part of its risk-oriented audit planning in accordance with BT 2.3 of the Minimum Requirements for Risk Management of the German Federal Financial Supervisory Authority<sup>17</sup>.

#### EXCLUSION CRITERIA

The Issuer excludes the financing of investment projects in areas that violate the law and internal compliance requirements. These include: illegal drug trafficking, human trafficking, sexual exploitation, child labour, forced labour, slavery, smuggling of migrants, organ trafficking, product piracy and the dissemination of inhuman, racist, extremist or sexist ideas.

Furthermore, neither the promotion programmes nor the Treasury finance investments in companies with the following business model:

- ▶ **Manufacture of and trade in defence products** accounting for more than 5 percent of the Group's turnover.
- ▶ **Coal mining and operation of coal-fired power plants**, with the exception of enabling or transitional activities for the realisation of structural change.

<sup>16</sup>German: Bürgerliches Gesetzbuch (BGB)

<sup>17</sup>German: Mindestanforderungen an das Risikomanagement (MaRisk) der Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

## ESG RISK MANAGEMENT

imug rating is of the opinion that ILB has appropriate policies and processes in place to manage the material ESG risks associated with the projects. The Issuer has implemented a good risk management system to identify and manage potentially material ESG criteria.

In addition to the positive sustainability impacts, the projects refinanced with the net proceeds of the Joint Social Bond also have certain ESG risks (environmental, social and governance). As a financial services company, the strategic as well as process-related integration of ESG risks into the business areas “proprietary business/deposit A”, “lending business” and “deposit business” is of particular importance.

In addition to the overarching strategic measures and regulations, such as the sustainability policy, the management of ESG risks is taken into account in the business units as follows:

- ▶ **Proprietary business/Depot A:** ILB plans to incorporate sustainability aspects even more specifically into investment decisions and to further optimise the portfolio with regard to sustainability aspects. ILB has its portfolio assessed annually by an external provider based on ESG criteria in order to improve the sustainability of its proprietary business. In the past two years, the external ESG score has improved. The aim is to achieve a high proportion of sustainable investments by 2030 through an increase of social and green bonds. There is an exclusion criteria list that is publicly available on the ILB website.
- ▶ **Lending business:** Through the Business Strategy 2022+, concrete measures are taken to increase sustainability activities in the promotional and lending business. For example, the establishment of new promotional programmes, among others for financing the energy transition, and the conception of an interest rate subsidy for sustainable borrowers have been strategically anchored. An exclusion criteria list for the lending business is in operational use and a qualitative assessment of borrowers is made in the decision-making process. The exclusion criteria list and sector guidelines of KfW Bankengruppe apply in KfW co-financed promotional programmes. Further impacts on the promotional and lending business, including from the UN SDGs, current climate legislation, the EU taxonomy and other regulatory initiatives, are being examined in the ongoing strategy process.
- ▶ **Deposit business:** ILB's deposit business is largely covered by loans from the Kreditanstalt für Wiederaufbau (KfW), the Landwirtschaftliche Rentenbank (LR), the Europäischen Investitionsbank (EIB) and the Entwicklungsbank des Europarats (CEB), which prescribe important minimum ESG requirements and exclusion criteria for the use of the funds in their contractual terms. In addition, on the liabilities side, the ILB is to act as a regular Issuer of sustainable bonds. The scope of these bonds is still small. Assets that can serve as cover funds for social or green bonds are to be identified and a corresponding data budget is to be prepared.

In addition, ILB has implemented various measures to address ESG risks:

- ▶ **Climate measures:** ILB conducts regular energy audits and has taken measures to reduce its negative impact on the climate. Measures include, for example: use of 100 percent green electricity, switching to e-mobility, subsidising tickets for public transport and promoting the use of bicycles by employees in cooperation with JobRad. In 2022/2023, it is planned to develop a concept for a climate-neutral bank operation that follows the principle of "avoid before reduce before compensate".
- ▶ **Environmental management:** ILB does not have its own environmental management system. Nevertheless, ILB states that the consumption of energy and resources is designed to be as environmentally friendly as possible. To this end, the issuer undertakes to use natural resources sparingly, to avoid waste and to protect air, water and soil. As a bank, ILB's core resources are primarily computers and other hardware, paper, electricity, water and fuel for operating the ILB vehicle fleet. The consumption data are listed in the sustainability report.
- ▶ **Circular economy:** In its internal banking operations, ILB pays attention to the conservation of resources. All waste is recycled, old computers were partially upgraded and donated to schools. ILB only uses recycled paper. Where possible, work is done in the e-file. Newspaper subscriptions are reduced as much as possible.
- ▶ **Protection of biodiversity:** As a Development Bank, ILB is not a manufacturing company. Currently, there is no measurement of the (negative) impact of ILB's business activities on biodiversity. To send a signal for the protection of biodiversity, ILB has set up beehives on its premises.
- ▶ **Human and labour rights standards:** ILB does not operate internationally. It is therefore subject to German labour and health standards, which also include the UN human rights standards and the ILO core labour standards. Since 1 January 2022, the funding programmes and treasury business have been subject to the ILB exclusion criteria list, which, among other things, excludes financing and investments that violate human rights. ILB values and promotes diversity and equal opportunities in the professional environment, regardless of gender, religion, nationality, disability, age, sexual orientation and identity.
- ▶ **Dialogue with local stakeholders:** In its Sustainability Report 2021, ILB reports on its stakeholder participation programme "Promoting sustainability, investing sustainably". The Issuer also incorporates the findings from the stakeholder dialogues into proposals for reducing bureaucracy and optimising the ILB customer portal. ILB has expanded existing channels and introduced new channels for better access to information. The Issuer is in regular contact with stakeholders.
- ▶ **Compliance:** As a public law institution, ILB is subject to state supervision and, as a credit institution, to supervision by the Federal Financial Supervisory Authority<sup>18</sup> and the Deutsche Bundesbank. ILB is therefore also subject to the provisions of the German Banking Act<sup>19</sup> and the German Money Laundering Act<sup>20</sup>. For this reason, regulatory requirements are placed on its organisation, which also relate to the prevention of criminal offences, including corruption prevention. The prevention of corruption at ILB aims to exclude both active and passive corruption. The ILB counteracts criminal acts in a risk-oriented manner through preventive measures, awareness-raising, controls and audits. To this end, it regularly conducts training and workshops for all employees, including ILB managers, on the prevention of criminal acts. Participation is documented by the Compliance Office.

---

<sup>18</sup>German: die Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)

<sup>19</sup>German: Kreditwesengesetz (KWG)

<sup>20</sup>German: Geldwäschegesetzes (GwG)





### 6.3. Management of Proceeds

imug rating confirms that the rules put in place for managing the proceeds are in line with the Social Bond Principles (SBP) 2021.

The ILB has established internal rules that facilitate a transparent allocation process.

#### TRACKING OF PROCEEDS

- Sub-account
- Sub-portfolio
- Is adequately tracked by other means

When issuing the Joint Social Bond, ILB ensures that the allocation of proceeds is guaranteed by underlying loans. The volume of the loan pool should cover or exceed the net proceeds at all times. The loans for allocating the financial resources of the Joint Social Bond are marked separately.

- The Issuer has an internal process to ensure that the proceeds are used exclusively for the selected Affordable Housing projects.

The loan pool is reviewed at least once a year both by the Treasury Department and independently by ILB's Sustainability Manager with regard to compliance with the defined eligibility criteria and the overall coverage of the issued Joint Social Bond.

- The Issuer will, as long as the Joint Social Bond is outstanding, periodically allocate the balance of net proceeds to the projects.

If the review of the loan pool shows that the loans no longer meet the eligibility criteria, they are removed from the loan pool and replaced by other eligible loans of the same quality and purpose. This also applies if the loans to the housing fund expire or are terminated before the maturity of the issued Joint Social Bond. In this case, they are replaced at the latest upon expiry by other loans already issued to finance social housing promotion in the State of Brandenburg and the reporting is adjusted accordingly. The rental housing promotion guideline for social housing that is then applicable in each case may differ from the eligibility criteria presented, for example by adjusting the rent ceilings or income limits.

- The Issuer will disclose to investors the planned (temporary) placement.  
As the Joint Social Bond is a full refinancing, there will be no temporary placement.

- The Issuer undertakes to allocate the proceeds to the projects within a defined period.  
As this is a full refinancing, the proceeds are allocated immediately.

- External verification



## 6.4. Reporting

imug rating confirms that the reporting process is in line with the Social Bond Principles (SBP) 2021.

The Issuer commits to report on the allocation of proceeds as well as the social benefits of the projects. The underlying process of data collection and consolidation is clearly defined.

imug rating assesses the Issuer's commitment to future regular reporting on the use of proceeds and the social benefit of the Joint Social Bond to be convincing and reliable.

### LEVEL OF REPORTING

- On a project portfolio basis
- On a project level

### REPORTING INDICATORS

#### Allocation of funds

- Amount of the total proceeds of the issuance
- Amount allocated
- Share of refinancing
- Information on any unallocated proceeds of the issuance
- Project description

#### Sustainability information

- Demonstration of the sustainability benefits (quantitative)
- Demonstration of the sustainability benefits (qualitative)

#### Further information

- Reporting on material changes
- Reporting on risk management
- External verification of reporting (Impact Reporting)
- External verification of reporting (Allocation Reporting)

The ILB undertakes to report at least once a year for the entire term of the Joint Social Bond and, in the event of material changes in the loan pool, the reporting will be adjusted without delay.

**REPORTING TAKES PLACE VIA**

- Website
- Annual Report/Sustainability Report
- Internal channels, exclusively to investors

**FREQUENCY**

- Annually
- Semi-annually
- Other

**REPORTING PERIOD**

- Until the proceeds are fully allocated and in the event of significant changes (e.g. asset disposals)
- As long as the Joint Social Bond is outstanding

**DATA COLLECTION AND CONSOLIDATION PROCESS**

- The underlying process of data collection and consolidation is clearly structured  
The report is prepared by the Treasury Department and reviewed, documented and approved for publication by ILB's Sustainability Manager.
- Subject to external control

**SOCIAL REPORTING INDICATORS**

The selected social reporting indicators are considered relevant and significant by imug rating. The Issuer will demonstrate the expected positive impact of the financing activity using quantitative output indicators:

PROJECT CATEGORY	OUTPUT INDICATORS
Affordable Housing – Social rental Housing	<ul style="list-style-type: none"> <li>▶ Number of subsidised new or modernised dwellings</li> <li>▶ Regional distribution of housing promotion</li> <li>▶ Number of flats by occupancy and total</li> <li>▶ Breakdown of funding measures by dwellings and by funding commitments in EUR</li> <li>▶ Breakdown of funding recipients by dwelling and in EUR</li> </ul>



## 7. INVESTITIONS- UND STRUKTURBANK RHEINLAND-PFALZ (ISB)

### 7.1. Use of Proceeds

imug rating confirms that the definition of the project categories is clearly defined and in line with the Social Bond Principles (SBP) 2021. The refinanced Affordable Housing projects demonstrate a clear social benefit that is quantified by the issuer. The projects positively contribute to three United Nations Goals (UN SDGs): Goal 1 “No Poverty”, Goal 10 “Reduced Inequalities” and Goal 11 “Sustainable Cities and Communities”.

#### PROJECT FINANCING

- No refinancing
- Refinancing
  - 36 months
  - > 24 months
  - 12 months
- Financing

The ISB undertakes to use the issuance proceeds in full to refinance existing liabilities from its "rental housing" and "home ownership" promotion programmes. The social rental housing projects and social home ownership promotion programmes were committed between May 2020 and December 2021. During this period, the administrative regulations from 2020 and 2021 respectively applied, with validity until June 2022.

The net proceeds from the Joint Social Bond will be used to refinance projects in the following area:

#### Affordable Housing – Social Rental Housing and Construction of Owner-Occupied Housing

##### Target group

- People at risk of or affected by poverty and children (especially households with children, senior citizens, people with disabilities, students and trainees, people in social hardship)

##### Goals and benefits

- Ensuring the availability of affordable housing
- ▶ Construction of rental flats and owner-occupied housing
- ▶ Extension or modernisation of existing rented flats and owner-occupied residential property

The projects refinanced by the Joint Bond make a positive contribution to sustainability by ensuring access to adequate and affordable housing. The Issuer is able to quantify the social benefit.



## 7.2. Process for Project Evaluation and Selection

imug rating confirms that the process for project evaluation and selection is in line with the Social Bond Principles (SBP) 2021.

The issuance of the Joint Social Bond helps the ISB to achieve its corporate objectives. The Issuer has implemented structured processes by which it is able to identify suitable projects with a clear social benefit. The underlying process is transparent, structured and divided among several levels of responsibility. Furthermore, the Issuer has a process in place to identify and manage material risks associated with the projects.

### SELECTION AND EVALUATION

In order to ensure a structured process for project selection and evaluation, the ISB has defined responsible areas for the issuance of the Joint Social Bond:

- ▶ Treasury Department
- ▶ Department responsible for promotion programmes
  
- ☒ The process is clearly defined and documented/ appropriately structured.
- ☒ The selection and evaluation of projects is based on clearly defined responsibilities.
- ☒ There is a responsible team.
- ☒ The audit and traceability of the projects is ensured.

There are different procedures for granting loans for social rental housing and owner-occupied housing. When applying for loans in social rented housing, the entitlement to a state-subsidised flat is proven by a housing entitlement certificate. This is issued by the public authorities. To apply for loans in the home ownership sector, confirmation must be provided by a lower administrative authority. This authority checks whether an application is possible. For this purpose, the district administration or city administration (independent cities) confirms the income as well as family and household situation and checks the property-related eligibility requirements. In addition, the ISB has set up a Social Bond Team, which is based in the ISB Treasury and, among other things, receives support and assistance from the Department responsible for promotion programmes. In joint coordination, the approved contracts were selected and criteria for an underwriting portfolio were defined. The Issuer undertakes to hold the contracts applied for and approved between 01.01.2022 and 14.06.2022 as a reserve fund in case an increase in the underwriting portfolio should become necessary.

## ELIGIBILITY CRITERIA

For the refinancing of the loans of Joint Social Bond, the ISB refers to the State Housing Promotion Act (LWoFG)<sup>21</sup> of 22 November 2013 and the administrative regulations of 2020 and 2021. New construction as well as the expansion and modernisation of affordable housing is refinanced via the promotion programmes for home ownership and rental housing.

The Issuer has defined the following eligibility criteria for the selection and evaluation of the loans:

PROJECT CATEGORY	CRITERIA
Affordable Housing - Rental housing	<p><i>Earmarking</i></p> <p>For the construction and expansion of rental housing:</p> <ul style="list-style-type: none"> <li>▶ 20 or 25 years occupancy and rent control for dwellings intended for low-income households and</li> <li>▶ 15 years for households with income above the income threshold (plus 60 percent)</li> </ul> <p>For the modernisation of rental housing:</p> <ul style="list-style-type: none"> <li>▶ 15 years occupancy and rent control</li> <li>▶ Plus 5 years for rented flats not occupied by tenants with a current housing entitlement certificate</li> </ul>
	<p><i>Funding period</i></p> <ul style="list-style-type: none"> <li>▶ intended for use by the target groups in rental housing promotion for at least 15, 20, 25 years after occupancy or completion of construction</li> </ul>
	<p><i>Rent limits via subsidised rent levels<sup>22</sup></i></p> <ul style="list-style-type: none"> <li>▶ Subsidy rent level 1: from 4.40 EUR per m<sup>2</sup></li> <li>▶ Subsidy rent level 2: from 4.90 EUR per m<sup>2</sup></li> <li>▶ Subsidy rent level 3: from 5.40 EUR per m<sup>2</sup></li> <li>▶ Subsidy rent level 4: from 5.70 EUR per m<sup>2</sup></li> <li>▶ Subsidy rent level 5: from 6.40 EUR per m<sup>2</sup></li> <li>▶ Subsidy rent level 6: from 6.80 EUR per m<sup>2</sup></li> </ul>
	<p><i>Living space ceilings</i></p> <p>For the construction/extension of rental housing:</p> <ul style="list-style-type: none"> <li>▶ One-room flats up to 50 m<sup>2</sup></li> <li>▶ Two-room flats up to 60 m<sup>2</sup></li> <li>▶ Three-room flats up to 80 m<sup>2</sup></li> <li>▶ Four-room flats up to 90 m<sup>2</sup></li> <li>▶ They increase by 15 m<sup>2</sup> for each additional room</li> </ul> <p>No upper limit for the modernisation of rental housing</p>
	<p><i>Type and amount of funding - basic loan in EUR per m<sup>2</sup> of living space</i></p> <ul style="list-style-type: none"> <li>▶ Subsidy rent level 1: up to a maximum of 1,450 EUR</li> <li>▶ Subsidy rent level 2: up to a maximum of 1,650 EUR</li> <li>▶ Subsidy rent level 3: up to a maximum of 1,775 EUR</li> <li>▶ Subsidy rent level 4: up to a maximum of 1,900 EUR</li> <li>▶ Subsidy rent level 5: up to a maximum of 1,975 EUR</li> <li>▶ Subsidy rent level 6: up to a maximum of 2,200 EUR</li> </ul>

<sup>21</sup> <https://fm.rlp.de/de/themen/bauen-und-wohnen/wohnraumfoerderung/landeswohnraumfoerderungsgesetz/>

<sup>22</sup> Further information can be found in the ISB framework (August 2022).

	<p><i>Income limits</i></p> <ul style="list-style-type: none"> <li>▶ Persons with an annual household income, the limits of which are based on the income limits of § 13 paragraph 2 LWoFG or Section 13(2) LWoFG plus 60 percent.</li> </ul> <p>The target group for the modernisation of rental flats is defined exclusively by the latter limit.</p>
	<p><i>Earmarking/interest commitment</i></p> <ul style="list-style-type: none"> <li>▶ A fixed interest rate of at least ten years</li> <li>▶ Appropriate use for the entire duration of the promotion period</li> </ul> <p><i>Promotion period</i></p> <ul style="list-style-type: none"> <li>▶ Intended for use by the target group in property promotion for at least 10, 15, 20 or even the entire term of the loan</li> </ul> <p><i>The funding ceilings - (according to six promotion rent levels of the federal state)</i></p> <ul style="list-style-type: none"> <li>▶ in municipalities of promotion rent levels 6 and 5 at a maximum of 175,000 EUR,</li> <li>▶ in municipalities of promotion rent levels 4 and 3 at a maximum of 160,000 EUR and</li> <li>▶ in all other municipalities at a maximum of 135,000 EUR</li> </ul> <p>The maximum promotion amount is increased by 10 percent for the third and each additional child for households with at least three children to be considered.</p>
<p>Affordable Housing - Owner-occupied housing (new construction)</p>	<p><i>Living space ceilings</i></p> <ul style="list-style-type: none"> <li>▶ Maximum 145 m<sup>2</sup> for newly built properties (plus 15 m<sup>2</sup> for each additional person after 4 persons).</li> <li>▶ Maximum 160 m<sup>2</sup> when purchasing used real estate (plus 15 m<sup>2</sup> for each additional person after 4 persons).</li> <li>▶ For households with severely disabled persons (degree of disability ≥ 50) or persons with care degree 2 or higher, the household size is increased by one person.</li> </ul>
	<p><i>Income limits</i></p> <ul style="list-style-type: none"> <li>▶ Eligible applicants are supported if their income and that of the household members does not exceed the income limit of § 13 paragraph 2 LWoFG by more than 10 percent and 60 percent respectively.</li> </ul> <p>The current annual income limits of the income limit according to § 13 LWoFG plus 10 percent are:</p> <ul style="list-style-type: none"> <li>▶ 17,710 EUR for a one-person household</li> <li>▶ 25,300 EUR for a two-person household without child</li> <li>▶ 39,380 EUR for a four-person household with two children</li> </ul>
<p>Affordable Housing - Owner-occupied housing (modernisation)</p>	<p><i>Earmarking/interest commitment</i></p> <ul style="list-style-type: none"> <li>▶ A fixed interest rate of at least ten years</li> <li>▶ Appropriate use for the entire duration of the funding period</li> </ul> <p><i>Eligibility in the case of structural changes</i></p> <ul style="list-style-type: none"> <li>▶ sustainable end-use energy</li> <li>▶ non-renewable primary energy</li> <li>▶ saving water consumption</li> <li>▶ sanitary facilities that enable barrier-free living</li> <li>▶ housing environment measures</li> <li>▶ restoration measures</li> </ul>
	<p><i>Income limits</i></p> <ul style="list-style-type: none"> <li>▶ Eligible applicants are supported if their income and that of the household members does not exceed the income limit of §13 paragraph 2 LWoFG by more than 60 percent</li> </ul>



As proof of the earmarked refinancing, housing entitlement certificates are used to ensure eligibility for permanent and adequate housing.

#### **Additional assessment aspects**

- Eligibility criteria are subject to external review
- Internal audit

As part of the internal audit, the annual procedure audit is carried out, which independently examines the use of the loans for the Joint Social Bond. Upon request, the Executive Board will make the audit results available to interested parties on a case-by-case basis as well as to the banks involved in the placement of the Joint Social Bond.

#### **EXCLUSION CRITERIA**

No exclusion criteria have been defined by the Issuer. Due to the public mandate of the banks, which includes supporting the respective federal state and its municipal corporations in the fulfilment of their public tasks, financing of controversial business areas cannot be excluded.

## ESG RISK MANAGEMENT

imug rating is of the opinion that ISB has some policies and processes in place to manage the material ESG risks associated with the projects. The Issuer has implemented a moderate risk management system to identify and manage potentially material ESG criteria.

In addition to the positive sustainability impacts, the projects refinanced with the net proceeds of the Joint Social Bond also have certain ESG risks (environmental, social and governance). As a financial services company, the strategic as well as process-related integration of ESG risks into the business areas “proprietary business/deposit A”, “lending business” and “deposit business” is of particular importance.

In addition to the overarching strategic measures and regulations, such as the sustainability policy, the management of ESG risks is taken into account in the business units as follows:

- ▶ **Proprietary business/Depot A:** The investment strategy of the ISB aims to take sustainability aspects into account when making investments. There is not yet an explicit sustainability investment strategy.
- ▶ **Lending business:** The ISB fulfils its promotional mandate in accordance with European (state aid) law and the requirements of the European Union for the business activities of independent promotional institutions. The ISB has decided to introduce the ESG scoring procedure (the “Sparkassen-Rating”) to assess the sustainability of financing transactions and to derive sustainability risks at portfolio and individual exposure level. The KfW Bankengruppe exclusion list applies to ISB's economic development lending business.
- ▶ **Deposit business:** ISB refinances itself in the medium and long term through the federal promotional institutions KfW and Landwirtschaftliche Rentenbank as well as through the money and capital markets.

In addition, the ISB has taken various measures to manage ESG risks:

- ▶ **Climate measures:** In its sustainability guidelines, the ISB commits to the careful use of all resources in order to contribute to climate and environmental protection. The Issuer is currently developing a basis for determining a corporate carbon footprint.
- ▶ **Environmental management:** No information was provided by the Issuer. imug rating recommends the implementation of internal processes and measures as well as the establishment of responsibility levels and external certification in order to establish a systematic approach.
- ▶ **Circular economy:** The ISB has a digitalisation process of the processing procedures to avoid paper and further material consumption. The Issuer uses rainwater and separates waste.
- ▶ **Protection of biodiversity:** No information was provided by the Issuer. imug rating recommends the implementation of internal processes and measures as well as the establishment of responsibility levels and external certification in order to establish a systematic approach.
- ▶ **Human and labour rights standards:** As an institution under public law, the ISB is subject to the legality of the administration and is thus also directly bound by the Constitutional Law. The Issuer is thus subject to German labour and health standards, which also include the UN human rights standards and the ILO core labour standards. The ISB requires external service providers to sign declarations on the avoidance of the purchase of products from exploitative child labour, on minimum wage and on undeclared work.

- ▶ **Dialogue with local stakeholders:** In order to involve local stakeholders, events such as bank roundtables, chamber days and exchanges with regional business promoters are organised. Furthermore, the ISB has a service hotline and a complaint management system.
- ▶ **Compliance:** The ISB has a company directive on compliance, a company directive on other criminal offences and a company directive on money laundering and the financing of terrorism that meets the banking supervisory requirements in the area of combating corruption, fraud and bribery. The ISB has a Compliance Officer, an Anti-Money Laundering Officer and an Economic Crime (Fraud) Officer. In addition, there is an ombudsman to whom suspicious cases can also be reported anonymously. The employees of the ISB regularly receive training on compliance topics.



### 7.3. Management of Proceeds

imug rating confirms that the rules for managing the proceeds are in line with the Social Bond Principles (SBP) 2021.

The ISB has established internal rules that facilitate a transparent allocation process.

#### TRACKING OF PROCEEDS

- Sub-account
- Sub-portfolio
- Is adequately tracked by other means

The proceeds from the Joint Social Bond are managed in the ISB's cash account.

- The Issuer has an internal process to ensure that the proceeds are used exclusively for the selected Affordable Housing projects.

The tracking of the proceeds from the Joint Social Bond is done in an internal reporting system using an Excel spreadsheet.

- The Issuer will, as long as the Joint Social Bond is outstanding, periodically allocate the balance of net proceeds to the projects.

The ISB undertakes to temporarily deposit the unallocated proceeds in a cash account within a maximum of 12 months. The ISB confirms that the eligible projects have a commitment period that extends beyond the term of the Joint Bond and that the proceeds will be fully allocated to existing funding commitments.

- The Issuer will disclose the planned (temporary) placement to investors.

As the Joint Social Bond is a full refinancing, there will be no temporary placement.

- The Issuer undertakes to allocate the proceeds to the projects within a defined period.

As this is a full refinancing, the proceeds are allocated immediately. The loans applied for between 01.01.2022 and 14.06.2022 are available as back-up funds.

- External verification



## 7.4. Reporting

imug rating confirms that the reporting process is in line with the Social Bond Principles (SBP) 2021.

The Issuer undertakes to report on the allocation of funds as well as the social benefits of the projects. The underlying process of data collection and consolidation is not defined.

imug rating assesses the Issuer's commitment to future regular reporting on the use of proceeds and the social benefit of the Joint Social Bond as convincing and reliable.

### LEVEL OF REPORTING

- On a project portfolio basis
- On a project level

### REPORTING INDICATORS

#### Allocation of funds

- Amount of the total proceeds of the issuance
- Amount allocated
- Share of refinancing
- Information on any unallocated proceeds of the issuance
- Project description

#### Sustainability information

- Demonstration of the sustainability benefits (quantitative)
- Demonstration of the sustainability benefits (qualitative)

#### Further information

- Reporting on material changes
- Reporting on risk management
- External verification of reporting (Impact Reporting)
- External verification of reporting (Allocation Reporting)

The ISB undertakes to publish the report at least once a year for the entire term of the Joint Social Bond and to report on the use of the proceeds as well as the regional distribution. In the event of material changes, a separate report shall be issued.

**REPORTING TAKES PLACE VIA**

- Website
- Annual Report/Sustainability Report
- Internal channels, exclusively to investors

**FREQUENCY**

- Annually
- Semi-annually
- Other

**REPORTING PERIOD**

- Until the proceeds are fully allocated and in the event of significant changes (e.g. asset disposals)
- As long as the Joint Social Bond is outstanding

**DATA COLLECTION AND CONSOLIDATION PROCESS**

- The underlying process of data collection and consolidation is clearly structured  
The responsibility and the technical implementation of the reporting are currently still being finalised internally by the Issuer.
- Subject to external control

**SOCIAL REPORTING INDICATORS**

The selected social reporting indicators are considered relevant and significant by imug rating. The Issuer will demonstrate the expected positive impact of the financing activity using quantitative output indicators:

PROJECT CATEGORY	OUTPUT INDICATORS
Affordable Housing - Social rental housing and construction of owner-occupied housing	<ul style="list-style-type: none"> <li>▶ Use of the issue proceeds according to promotion purposes</li> <li>▶ Use of the issue proceeds according to promotion programmes</li> <li>▶ Regional distribution of loans granted in Rhineland-Palatinate</li> <li>▶ Regional distribution of loans granted according to promotional purposes</li> </ul>

## 8. METHODOLOGY

The present report was prepared by qualified imug rating analysts. Our sustainability research is carried out exclusively in accordance with recognised and methodically secured procedures. We have defined strict quality standards for all research activities and customer processes. As early as 2002, imug rating adopted a Code of Conduct which guarantees the independence, traceability and quality of sustainability assessments. In order to align its research and work processes even more closely with recognized standards, imug rating underwent an external audit in June 2019 and received certification in accordance with the quality management standard ISO 9001:2015. The initial certifications are reviewed in regular monitoring audits, the last of which took place in April 2022.

Following a detailed examination of the framework, imug rating confirms whether an issuance complies with the Social Bond Principles (SBP) 2021, the Green Bond Principles (GBP) 2021 and the Sustainability Bond Guidelines (2021), as well as the Social Loan Principles (SLP) 2021 and Green Loan Principles (GLP) 2021.

For a positive assessment, the issuer must report on the following points transparently and implement them in a comprehensible manner: (1) Use of the proceeds, (2) process selection and evaluation, (3) management of the proceeds and (4) reporting. In addition to the framework, discussions with relevant employees of the issuer and publicly available information form the information basis for the present expert opinion. These sources were only used if the information is comprehensible and documented. In addition, imug rating sends a questionnaire to the issuer in order to thoroughly examine the issuer's ESG risk management in the areas of environmental, social and governance issues.

In addition, imug rating examines whether an issue is in line with the issuer's corporate strategy or whether appropriate environmental measures have already been implemented in the absence of a strategy.

imug rating analyses the activities of the issuer in the following controversial business areas: Fossil fuels (including thermal coal or unconventional oil and gas production), production of nuclear energy and strategic products/services for the operation of nuclear power plants, production of conventional and controversial weapons and armaments, factory farms/animal testing, green genetic engineering, gambling, tobacco, alcohol, pornography, and hazardous chemicals. All controversial business activities are listed regardless of a sales threshold.

imug rating also screens every issuer for other controversial business activities. This includes potential controversies such as violations of internationally recognized sustainability standards, such as the UN Global Compact or the ILO core labor standards. Only those controversial business activities are listed that can be verified by reliable and resilient public sources. The analysis covers the following areas: Environmental damage (loss of biodiversity, etc.), society (human rights, social standards, occupational safety, health protection, etc.) and corporate governance (corruption, tax evasion, cartels, money laundering, fraud, etc.). imug rating categorizes controversies according to their degree of severity (insignificant, significant and critical). In addition to the severity of a controversy, the frequency of its occurrence is also taken into account.

#### Transparency & Disclaimer

Disclosure of the relationship between imug rating and the Issuer: imug rating has not performed any audit or advisory work for IFB and ISB to date. In 2020, imug rating has carried out a Second Party Opinion for ILB. This activity is not related to the present report. There is no relationship, financial or otherwise, between imug rating and the Issuer.

imug rating has prepared this independent Second Party Opinion in accordance with imug rating's methodology and in strict compliance with its Code of Conduct to avoid conflicts of interest and to meet requirements of objectivity and transparency, independence, integrity and professional conduct.

imug rating GmbH ("imug rating") is an independent sustainability rating agency and a wholly owned subsidiary of imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH ("imug Beratungsgesellschaft"). imug rating cannot exclude that the division imug | csr of the parent company imug Beratungsgesellschaft may have provided consulting services for the framework of the issuer prior to the preparation of a Second Party Opinion. In order to avoid any conflict of interest, imug rating and imug Beratungsgesellschaft have implemented appropriate policies and effective information barriers to prevent any exchange between the consulting and the auditing organizations and employees. Neither imug Beratungsgesellschaft nor any of its employees are informed about the content of the imug rating Second Party Opinion prior to its publication or dissemination.

In providing the external review, imug rating adheres to the ethical and professional principles as well as to transparency standards and independency in line with ICMA's Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews.

In providing its research and rating services, imug rating acts with due skill, care and diligence and undertakes all reasonable efforts to ensure the accuracy of the information provided.

Based on data provided by the issuer, imug rating prepares a Second Party Opinion on the sustainability credentials of the Joint Social Bond. The information contained herein therefore is provided "as is", without warranty, either expressed or implied, of any kind, including as to the accuracy, completeness, timeliness, merchantability or fitness for any particular purpose.

The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by imug rating neither focuses on the financial performance of the Joint Social Bond, nor on the effective allocation of its proceeds. imug rating is not responsible for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

The information contained herein does not constitute any assessment of the Issuer's economic performance or creditworthiness, nor any financial or investment advice, nor any statement about the suitability of an investment for any particular investors or any groups of investors. All results and value judgments provided by imug rating do not in any way constitute an investment advice or any other purchase or investment recommendations. To the extent permitted by law, imug rating disclaims liability to the client and to any other person or entity for any losses or damage directly or indirectly arising from or related to the use of its research and rating results.

imug rating reserves full rights of, including but not limited to intellectual property rights on the information, methodologies and opinions contained or reflected herein. The Second Party Opinion is provided to the issuer by imug rating and may be used by the issuer as agreed between the issuer and imug rating. Any further publication, in its entirety or in extracts, or any other disclosure to or by third parties requires the prior written consent of imug rating.



## imug | rating

---



imug rating is a subsidiary of imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH in Hannover, which was founded in 1995. We have been present as a rating agency on the sustainable financial market for over 20 years and are the leading independent player on the German-speaking market for sophisticated ESG information and ratings. Our quality management is certified with ISO 9001, which is unique in the industry.

imug rating GmbH  
Postkamp 14 a  
30159 Hanover  
Phone: +49 511 12196-50  
E-Mail: [info@imug-rating.de](mailto:info@imug-rating.de)  
Web: [www.imug-rating.de](http://www.imug-rating.de)

#### Analysts

- ▶ Christina Tyca
- ▶ Alexander Thole
- ▶ Daria Ezhkova
- ▶ Gökhan Vatansever