
IBB Social Bond Framework

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1. Introduction

About IBB

Investitionsbank Berlin (“IBB” or “the bank”) is a regional German development bank that supports the federal state of Berlin in the performance of its public tasks. The bank is a public-law institution (Anstalt öffentlichen Rechts – AöR) which is wholly owned by the federal state of Berlin through IBB Unternehmensverwaltung (IBB UV). IBB UV, as the parent company, together with its subsidiaries, including IBB, forms the IBB Group.

The federal state of Berlin bears the indirect institutional liability (Anstaltslast) for IBB via the institutional liability for IBB UV¹, according to which the federal state of Berlin must indirectly secure the economic basis of IBB at all times via IBB UV for the duration of its existence. In addition, IBB has a direct refinancing guarantee from the federal state of Berlin.²

IBB’s credit worthiness is regularly examined by Fitch Ratings and awarded with a rating of AAA stable, the same as its guarantor the federal state of Berlin.

The bank’s insolvency is excluded by law³, as IBB is subject to state supervision by the federal state of Berlin.⁴

Mission and business model

IBB’s overarching mission is to implement support measures in compliance with EU state aid regulations, particularly in the fields of business as well as housing and real estate development, climate protection and infrastructure development primarily in the region of Berlin. In doing so, the bank operates in a competitively neutral manner in cooperation with commercial banks and venture capitalists. It has a promotional product portfolio consisting of revolving instruments in the form of loans, mezzanine capital as well as equity investments, grant programmes and consultancy services. In support of its promotional tasks, IBB is also engaging in municipal lending business.

The development business is focused on the following main sections:

- Business development: Promotion of Berlin’s economy, especially small and medium-sized enterprises (SME), start-ups and founders to stimulate employment and innovation
- Housing and real estate development: Promotion of residential properties and new residential construction to stimulate the creation of affordable living space in Berlin
- Labour market: Focuses on priority areas of labour market policy (securing skilled workers, education and social inclusion)
- Municipal lending business: Promotion of municipalities in the Federal Republic of Germany to stimulate the realisation of municipal projects

Within the framework of business as well as housing and real estate development, both grants and loans are awarded. In the lending business, the bank grants loans directly to the final borrowers or through the house bank principle. In the case of lending business with SMEs, the distribution channel is predominantly based on the house bank principle, whereby the house banks pass on IBB’s funding to their corporate customers.

¹ Pursuant to Section 3 (1) Investitionsbank Law (IBBG).

² Pursuant to Section 3 (2) IBBG.

³ Pursuant to Section 1 of the Berlin Act on the Insolvency of Legal Entities under Public Law (JurPersInsUfG BE).

⁴ Pursuant to Section 15 (1) IBBG.

IBB's lending to the municipalities and the entire affordable housing financing is done bilaterally. In this context, IBB's lending business is represented by both loans and promissory note loans. Even if the terms 'loans' or 'lending business' are used exclusively in the following, it also refers to promissory note loans.

2. IBB's sustainability approach

Sustainability is a top priority at IBB and fully integrated into the business model and corporate strategy. The bank's promotional business in particular reflects its commitment to improving economic, social and ecological living conditions in the capital. With the offers in the field of business development, IBB contributes to create and secure jobs in Berlin. In the field of housing and real estate development, the bank enables the construction of affordable housing in Berlin through funding offers and, against the backdrop of an ageing population, makes a promotional contribution to the creation of age-appropriate and barrier-free apartments. As a result of the labour market promotion, individuals are enabled to participate in the labour market, thereby also allowing for social inclusion. IBB also supports the federal state of Berlin in achieving its climate policy goals in reducing CO₂ emissions. The ultimate goal is to make Berlin a more sustainable city and support the transformation of enterprises forward into sustainability.

The most important medium-term sustainability goals for IBB include:

- ▬ be the main point of contact in Berlin on the subject of "sustainable funding opportunities" by 2030
- ▬ enable EUR 15 billion of sustainable funding based on the Sustainable Development Goals (SDGs) by 2030
- ▬ integration of the SDGs into all fields of action of IBB
- ▬ neutralisation of our emissions resulting from banking operations
- ▬ support "climate-neutral Berlin" by 2045

ESG⁵ Management and sustainability guidelines

In 2022, sustainability guidelines for the entire IBB Group were developed for the first time. These were adopted by the Board of Directors in January 2022. The latest version of the sustainability guidelines is available on the website⁶

Details on the exclusion criteria developed as part of the sustainability guidelines for the process for asset evaluation and selection and their application can be found in section 4.2.

These guidelines outline how the topic of sustainability is integrated at various levels into the IBB Group. The basis is the public mandate⁷ and the business model, in which sustainability is taken into account as a central component of the business activities right from the start. A central ESG Management, which is organisationally located in IBB, ensures implementation throughout the IBB Group. In this context, an ESG Officer has been appointed to lead the implementation of systematic ESG Management throughout the IBB Group in cooperation with the departments. The work of the ESG Officer is supported by the ESG Management and the Sustainability Working Group, in which representatives of various departments are present. The working group is chaired by the ESG Management and is firmly anchored in the governance framework of the IBB UV.

⁵ Environmental, Social and corporate Governance (ESG).

⁶ <https://www.ibb.de/en/about-us/sustainability/sustainability.html>.

⁷ See "IBB Trägergesetz", in eng. "IBB Owner's Act".

According to the sustainability guidelines, IBB promotes its sustainability efforts through four fields of action. The following sustainability guiding principles, which have been established for each of the four fields of action, form the basis for IBB's sustainable actions:

<p>Business ethics and product stewardship</p>	<ul style="list-style-type: none"> └ IBB supports Berlin's economic development with its promotional programmes. The overarching goal is to support the economy in creating and securing jobs and to promote sufficient affordable housing for a growing Berlin population. └ IBB helps to ensure that Berlin's economic and population growth does not occur at the expense of environmental and climate conditions. The aim is to support Berlin's climate protection goals by increasing energy efficiency in the Berlin building sector. └ With the funding offers, IBB provides an incentive for the implementation of sustainable, resource-saving investments in Berlin. └ One focus of IBB's business development is the sustainable location development of Berlin by supporting SMEs in the start-up phase and helping them with financing for innovations and sustainable growth. └ When it comes to loans and funding, IBB takes into account economic, ecological and social criteria as well as customer groups and projects that have limited access to funding due to credit rating, risk and return assessments.
<p>Social commitment, communication and compliance</p>	<ul style="list-style-type: none"> └ IBB fulfils its social responsibility by supporting social and cultural projects. └ IBB supports competitions for innovative projects and initiatives for a sustainable Berlin. └ IBB provides the public with transparent and up-to-date information about the promotional business and aspects of sustainability. └ IBB has adopted a code of conduct that stands for its integrity, impeccable reputation and good corporate governance. IBB complies with laws and combats discrimination, corruption and bribery.
<p>Social responsibility towards IBB's employees</p>	<ul style="list-style-type: none"> └ IBB promotes the performance orientation of its employees and is committed to its social responsibility. └ Well-qualified and motivated employees are at the centre of the Performance for Berlin (Leistung für Berlin) vision. └ IBB creates transparency on key issues relating to remuneration policy. └ IBB supports its employees in achieving a good work-life balance. └ IBB promotes equal opportunities and diversity among its employees. └ Occupational safety and the health of employees are very important to IBB.
<p>Operational environmental protection and resource efficiency</p>	<ul style="list-style-type: none"> └ IBB treats natural resources sensitively and responsibly. Sustainable action is firmly taken into account in processes at all levels of the banking operations. └ IBB continuously pursues an improvement of its contribution to climate protection. └ IBB uses internal and external impulses and maintains a close dialogue with its stakeholders. └ When procuring services or products, IBB pays attention to sustainability aspects that go beyond the legal framework of the Berlin Tender and Public Procurement Act (Berliner Ausschreibungs- und Vergabegesetz – BerIAVG).

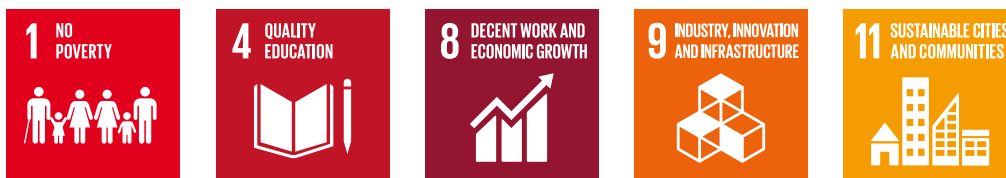
Sustainability strategy and reporting

IBB wants to make the bank's capital future-oriented and sustainable, but also to continuously improve in terms of sustainability. The sustainability strategy is a cross-cutting strategy that sets out key sustainability goals for a five-year period and is coordinated with the other strategies in the IBB Group in a regulated strategy process. The IBB Group's business strategy is updated annually and takes into account current developments.

The goals of the IBB Group are disclosed as part of the annual sustainability reporting and linked to corresponding measures in order to advance the topic and to be able to measure goal fulfilment. The sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) standard and shows the progress and impact of IBB Group's activities. In addition to the sustainability report, the IBB Group produces a management report (annually), a non-financial report in accordance with the CSR Directive Implementation Act (reviewed by an independent auditing company, annually) and a DNK Declaration of Compliance (German Sustainability Code, every two years).

Sustainability commitments

IBB is committed to the 17 global SDGs adopted by the United Nations (UN) in 2015. The SDGs are to be achieved by 2030 and aim to strengthen the social, economic and environmental dimensions of sustainable development. By referring to the SDGs, IBB can further show how its funding programmes can make a contribution to the sustainable development. The SDG mapping of the funding programmes are disclosed in the annual sustainability report. Furthermore, IBB has identified the following five SDGs, which are of main relevance to its business.



Implementation of a sustainable promotional and lending business

By its product terms, business development is already geared to a long-term, sustainable approach. IBB aligns key business development objectives with EU structural funds. The resulting promotional products are compatible with the sustainability-oriented goals of the Europe 2030 strategy and subsequent EU funding periods. This results in funding goals and rules, the compliance of which is also monitored by independent bodies. Corporate financing is intended to increase the innovative capacity and sustainable growth, especially of SMEs.

As part of the efforts to promote housing and real estate, support is available to owners of residential properties taking on energy-efficient building refurbishment, energy-efficient new construction, age-appropriate, barrier-reducing conversion and in the context of new social housing construction. Modernisation and refurbishment programmes help to sustainably reduce carbon emissions in existing buildings. Support programmes that focus on new social housing construction secure housing for low- and middle-income households and help ensure that new residential buildings are built to future-oriented efficiency standards. This thereby also contributes to the aim of climate neutrality in the existing housing supply. Therefore, housing subsidies are already geared to a sustainable approach by virtue of the product conditions.

Sustainable capital market business

By integrating and considering sustainability criteria in the bank's investment activities, IBB can support the development of the sustainable finance market and the promotion of sustainable activities. For the treasury portfolios, the IBB has derived the requirements in reference to the sustainability guidelines of the IBB Group and fixated them in its treasury guideline, the latest version of which is available on the website.⁸ The sustainability criteria for the selection of investments and counterparties is being developed continuously. An ESG sub-portfolio was established as part of the bank's liquidity investments, and currently covers Green, Social and Sustainability Bonds. To be eligible, a combination of criteria must be met by the specific bond, the issuer and, in part, by the country of residence. The criteria are reviewed and further developed internally on an annual basis.

IBB also screens the sustainability of issuers for all other bonds in the IBB liquidity portfolio. This is done using external ESG Ratings with pre-defined goals for portfolio averages and rating coverage.

Compensation of climate-relevant emissions in banking operations

IBB's aspiration is to minimise the bank's impact on climate and the environment. IBB focuses on avoiding emissions, but also on reducing resource consumption in banking operations to a necessary minimum.

As a climate-friendly company, IBB records the bank's greenhouse gas emissions. Because of the CO₂ emissions (Scope 1, Scope 2 and Scope 3, incl. business travel) generated annually by the bank's operations, investments are made in climate protection projects.⁹ Implementation takes place from 2023 onwards through an innovative approach with regional partnerships. The climate-relevant emissions are determined in cooperation with an external provider. The actual offsetting then takes place by supporting officially recognised regional climate protection projects in the Berlin-Brandenburg metropolitan region.

By doing so, IBB invests in sustainability in two respects. It supports sustainable climate protection projects as well as the economy, both of which takes place regionally. Hereby IBB sends out a clear signal for environmental and climate protection and supports the state of Berlin in its transformation toward climate neutrality by 2045. To this end, the bank aligns its actions with the triad of the Energy Transition Act¹⁰ "Avoid, Reduce, Compensate".

IBB has begun to bring its loan portfolio in line with the Paris Agreement wherever possible. The first step is to measure the CO₂ footprint of the loan portfolio and then take measures to reduce emissions from the bank's lending activities. This is done on the basis of a dedicated climate strategy, which includes a roadmap for the individual components. The bank will report regularly on the process. IBB will consider all relevant sub-portfolios separately in order to derive adequate measures to reduce emissions.

In addition, IBB aims to align its business with taxonomy compliance in order to contribute to climate protection and adaptation to climate change as well as the other four environmental objectives. This is to ensure that development does not take place at the expense of other environmental goals and the minimum social standards.

IBB is therefore authentically committed to climate protection, the sustainability strategy and at the same time contributes to the Paris Climate Agreement as well as the achievement of the global SDGs.

⁸ <https://www.ibb.de/en/about-us/sustainability/sustainability.html>.

⁹ Since 2023, the selection of projects is done by IBB. Previously, the selection was carried out by an external provider.

¹⁰ Berlin Climate Protection and Energy Transition Act (EWG Bln).

3. Rationale for issuance of Social Bonds

IBB acts as the extended arm of the federal state of Berlin tasked with implementing relevant steps to fulfil the state's strong commitment towards sustainability. Furthermore, as a development bank, it is in IBB's DNA to contribute to the sustainable development of Berlin with the bank's funding.

The issuance of Social Bonds therefore matches the nature and mission of IBB, and can help the bank to decrease disparities and harmonize living conditions primarily in Berlin.

Affordable housing in Berlin

The housing situation in Berlin has been under pressure for years with a high influx of people. This is amplified by the regression of building completions and a lack of available rental housing. From 2012 to 2021 alone, the population in Berlin grew by 302,250¹¹. However, no additional housing to the same extent was built during this time to meet the increasing demand, which consequently has created tensions and rising rents in the housing market. Compared with 1992, when the average rent was the equivalent of EUR 3.11/m², the rent index values have now more than doubled. Households whose income development do not keep pace with this rent development are forced to spend increasing shares of their net income on rent payments. In Berlin, up about 50% of the average net income is currently spent on rent. This imbalance is further expected to continue as rents have increased faster than average income for several years.¹²

In comparison with other major German cities, Berlin is also in the lower ranks in terms of household income. In 2021, households in Berlin had a median net monthly household income of EUR 2,350, far below the country-wide average of EUR 3,813.¹³ Additionally, only 60% of households in Berlin had a minimum of EUR 2,000 available per month. Of the remaining 40% with less than EUR 2,000 at their disposal per month, a fourth even had below EUR 1,500.¹⁴ In addition, with a share of 14.0% in 2021, Berlin has twice as many percent of the population entitled to basic benefits under the Second Book of the Social Security Code (SGB II) as Germany as a whole (7%).¹⁵ Finally, the under-employment rate of 12.1% in 2021 is also significantly higher than the federal level of 7.2%.¹⁶

In 2021, approximately a third of Berlin households were entitled to social housing, which corresponded to 630,300 households.¹⁷ However, the number of social housing units has fallen sharply in recent years and is expected to keep decreasing in the future (from 96,200 in 2021 to approx. 43,000 apartments by 2030) without new funding.¹⁸ In 2021, only 15,870 new apartments were completed, which are roughly the same amount as in the previous year (2020: 16,337).¹⁹ This is not sufficient as at least 20,000 new homes are needed per year to meet the growing demand from the influx of new residents.²⁰ Responsible for declining construction completions are the building permits, which have been issued less and less frequently each year since 2017. In 2021, the figure was 18,716, which is 8.5% less than in the previous year.²¹ One reason is the increasing shortage of easily developable land, which is difficult to find in the city.

¹¹ Cf. IBB Wohnungsmarktbericht 2022 p.83 (<https://www.ibb.de/media/dokumente/publikationen/berliner-wohnungsmarkt/wohnungsmarktbericht/ibb-wohnungsmarktbericht-2022.pdf>).

¹² Cf. Soziales Wohnen in Berlin (<https://www.ibb.de/media/dokumente/publikationen/positionspapier/ibb-positionspapier-soziales-wohnen.pdf>); Cf. IBB Wohnungsmarktbericht 2020, p. 83 (https://www.ibb.de/media/dokumente/publikationen/berliner-wohnungsmarkt/wohnungsmarktbericht/ibb_wohnungsmarktbericht_2020.pdf).

¹³ Cf. IBB Wohnungsmarktbericht 2022, p. 30.

¹⁴ Cf. IBB Wohnungsmarktbericht 2022, p. 29.

¹⁵ Cf. Statistic of the Bundesagentur für Arbeit: <https://statistik.arbeitsagentur.de>.

¹⁶ Cf. Statistic of the Bundesagentur für Arbeit: <https://statistik.arbeitsagentur.de/Statistikdaten/Detail/202112/ama/heft-arbeitsmarkt/arbeitsmarkt-d-0-202112-pdf.pdf>.

¹⁷ Cf. IBB Wohnungsmarktbericht 2022, p. 29.

¹⁸ Cf. IBB Wohnungsmarktbericht 2021, p. 53-54 (<https://www.ibb.de/media/dokumente/publikationen/berliner-wohnungsmarkt/wohnungsmarktbericht/ibb-wohnungsmarktbericht-2021.pdf>).

¹⁹ Cf. IBB Wohnungsmarktbericht 2022, p. 43.

²⁰ Cf. IBB Wohnungsmarktbericht 2021, p. 46.

²¹ Amt für Statistik Berlin-Brandenburg, <https://www.statistik-berlin-brandenburg.de/045-2022>.

This development in Berlin is a key driver for societal inequalities and spatial segregation. By lending to state-owned housing companies and housing cooperatives that offer affordable housing (see appendix for definitions), IBB can support low income households and/or other vulnerable populations (e.g. students, people with disabilities, seniors, unemployed, and foreigners) that tend to be decoupled from wage developments and face the risk of spending more than 27% of their disposable income for housing. Therefore, this lending activity is eligible for IBB's Social Bond programme.

Affordable basic infrastructure in Berlin

Infrastructure is key for development as it provides the services that enable society to function and economies to thrive, i.e. serves as an important basis for improved living conditions. Water, disposal and transport are, for example, the source, carrier and driver of this crucial development.

There are municipal companies in Berlin that are under public law (AöR), each assigned with a public task related to infrastructure services for the general interest of society. The respective task is legally assigned by the Berlin Business Act (Berliner Betriebe-Gesetz, BerlBG) and the relationship between the respective company and its users is regulated by a corresponding statute.²² According to the BerlBG, the municipal infrastructure companies have to fulfil their tasks within the scope of their business activities, taking into account social, environmental and structural principles. Furthermore, the execution of its tasks is carried out with the aim of providing services in a cost-effective, customer- and environmentally-friendly manner.²³ The Senate Department for Economics, Energy and Businesses reports to the House of Representatives, provides it with information, exercises legal supervision over these companies and monitors the ownership rights and obligations of the state of Berlin.²⁴

By providing loans to the municipal infrastructure companies (incl. its holding companies) in accordance with the BerlBG and/or other state-owned infrastructure companies with the (social) mission of affordable and environmentally friendly service provision set out in the mission statement, statute or law, IBB can contribute to improving the development of affordable infrastructure for the citizens of Berlin.

Access to essential services in Berlin: Healthcare

With the Health Action Programme (Aktionsprogramm Gesundheit, APG) the state of Berlin has been strengthening the area of health promotion and primary prevention since 2014. The aim of the APG is to give all Berliners, and especially vulnerable target groups (e.g. people with disabilities, single parents, the unemployed), better access to prevention and health promotion measures. In order for this to succeed, providers of prevention services are supported in tailoring their measures even more precisely to the individual resources and needs of the different population groups.

Furthermore, the state of Berlin has launched the Health City Berlin 2030 (Gesundheitsstadt Berlin 2030) strategy with the aim to develop Berlin into a medical metropolis. As a part of this strategy, major investments are due to be made in the modernisation of hospitals, ambulance stations and in the digitization of healthcare, which are crucial to ensure that citizens continue to enjoy high-quality health care services.

By lending to state-owned hospitals, IBB can support directly and indirectly the Health Action Programme and the Health City Berlin 2030 strategy with the aim of improving and modernising healthcare in Berlin. Therefore, considered an eligible loan category for IBB's Social Bonds.

²² *Senatsverwaltung für Wirtschaft, Energie und Betriebe Abteilung Betriebe, Anstalten öffentlichen Rechts*, <https://www.berlin.de/sen/betriebe/anstalten-oeffentlichen-rechts/>.

²³ BerlBG, <https://gesetze.berlin.de/bsbe/document/jlr-BetrGBE2006V8P3>.

²⁴ *Senatsverwaltung für Wirtschaft, Energie und Betriebe Abteilung Betriebe, Anstalten öffentlichen Rechts*, <https://www.berlin.de/sen/betriebe/anstalten-oeffentlichen-rechts/>.

Access to essential services in Berlin: Education

The Berlin Senate launched the Berlin School Building Offensive (BSO) in 2017 to reduce the renovation backlog at Berlin schools and to build new schools for the city in expansion. In the coming years, several schools will be renovated and rebuilt with the aim that the new Berlin schools meet the requirements of modern education, inclusion and all-day education.

In addition to the districts and the Senate Department for Urban Development, Construction and Housing, one of the six state-owned housing companies in Berlin has been commissioned by the federal state of Berlin as part of the BSO with the new construction and renovation of schools. This state-owned housing company is responsible for multiple major school renovations, the construction of new schools and the construction of timber construction schools.

By lending to these school projects, IBB can contribute in achieving the priority goal of the BSO, to create sufficient school capacities for the city and to provide all schoolchildren in Berlin with a qualitative and inclusive educational offer. Consequently, the IBB loan programme for the construction and/or renovation of Berlin schools represents an eligible loan category for IBB's Social Bonds.

Furthermore, if in the future other state-owned housing companies are commissioned as part of the BSO to carry out construction work and are provided with loans from IBB for this purpose, this financing also falls under this eligible loan category.

Small and medium-sized enterprises in Berlin

SMEs are the most important drivers of innovation and technology in Germany. As the most innovative and diverse part of the economy, SMEs have the potential to actively shape the transformation to a sustainable and future-proof economy. In this context, IBB promotes establishments, business takeovers, pre-financing of orders, investments and operating equipment of SMEs with the aim of ensuring improved access to financing for SMEs. By promoting SMEs, IBB also makes its contribution to stimulating growth and employment in Berlin. Strengthening the demand for labour contributes to a higher level of employment and a reduction in unemployment. Since Berlin has one of the highest unemployment rates among the German federal states, IBB's support for SMEs in Berlin is of great importance. Therefore, the majority of our SME loans qualify for (re-)financing through Social Bonds.

Within the scope of IBB's SME financing, the following borrowers with an operating facility, registered office or place of investment in Berlin are eligible for support:

- └ Start-ups
- └ Entrepreneurs
- └ Freelance professionals
- └ SMEs which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million (as currently defined by the EU Commission²⁵)

²⁵ Pursuant to Article 2 of the annex to Recommendation 2003/361/EC.

4. IBB Social Bond Framework







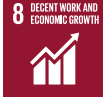
This IBB Social Bond Framework (the “Framework”), under which the IBB can issue Social Bonds, has been developed in accordance with the Social Bond Principles (“SBP”) as updated by the International Capital Markets Association (ICMA) in June 2023. In alignment with the SBP, the Framework is described by the following key pillars:

1. Use of proceeds
2. Process for asset evaluation and selection
3. Management of proceeds
4. Reporting
5. External review

IBB intends to follow best market practices and thus intends to review and update the Framework from time to time, on a best effort basis, to ensure compliance with voluntary market practices (e.g. ICMA Principles), but also with emerging standards and classification systems. New regulatory developments will be reflected in the future versions of the Framework on a best effort basis. Any updated and amended Framework will be published on IBB’s website and replace this Framework.

4.1 Use of proceeds

An amount equivalent to the net proceeds raised from any Social Bonds under this Framework will be exclusively allocated, in part or in full, to finance eligible loans that generate added social value (“Social Eligible Loans”) and/or to refinance existing Social Eligible Loans whose commitment occurred no earlier than 36 months prior to the issuance year of each Social Bond.

Eligible loan categories	Eligibility criteria	Social objective	SDGs
Affordable housing	<p>Loans to state-owned housing companies for rental housing in Berlin</p> <p>Target population:</p> <ul style="list-style-type: none"> ↳ Persons entitled to a WBS according to the Berlin income limits²⁶: <ul style="list-style-type: none"> ↳ One-person household: EUR 16,800 per annum ↳ Two-person household: EUR 25,200 per annum ↳ Plus for each further person who is counted as belonging to the household: EUR 5,740 per annum ↳ Surcharge for each child belonging to the household: EUR 700 per annum ↳ The net cold rent is not more than 27% of the income of a tenant (hardship case regulation)²⁷ ↳ Sections of the population with low and middle income 	Support access to housing supply	 
	<p>Loans to housing cooperatives declaring that the average rent is below the city average rent of Berlin²⁸ for rental housing in Berlin</p> <p>Target population: Sections of the population with low and middle income</p>		
Affordable basic infrastructure	<p>Loans to municipal and state-owned infrastructure companies in Berlin with the established (social) mission of affordable and environmentally friendly service provision to improve access to:</p> <ul style="list-style-type: none"> ↳ Public transport ↳ Water treatment and supply ↳ Waste management services <p>Target population: All population in Berlin</p>	Support access to basic infrastructure	
Access to essential services	<p>Loans to state-owned hospitals in Berlin with the aim of modernising and digitalising the healthcare system</p> <p>Target population: All population in Berlin</p>	Support access to healthcare and education	 
	<p>Loans to state-owned (housing) companies in Berlin for the construction and renovation of schools to improve access to education</p> <p>Target population: Participants in primary to tertiary education</p>		
SME financing and employment generation	<p>General loans for small and medium-sized enterprises with the purpose of creating and safeguarding jobs</p> <p>Target population: Small and medium-sized enterprises in Berlin (see definition under Section 3)</p>	Promote local economic development	 

²⁶ According to the Berlin income limits (Section 9 Para. 2 German Housing Promotion Act [Wohnraumförderungsgesetz – WoFG] + 40%), in exceptional cases exceeding of the income limits of the WoFG by +60% or +80% or +120% are also possible, <https://www.gesetze-im-internet.de/wofg/WoFG.pdf>

²⁷ Tenants have an entitlement, who fall short of the income limits for a WBS (Section 9 Para. 2 WoFG + 40%). The legal basis is Article 2 Sections 2,3 Berlin Housing Supply Act [Berliner Wohnraumversorgungsgesetz – WoVG Bln], to be found at: https://www.stadtentwicklung.berlin.de/wohnen/wohnraumversorgung/download/WoVG_Gesetzblatt_05.12.15.pdf

²⁸ Source for city average rent of Berlin: IBB Wohnungsmarktbericht (in Eng. IBB housing market report) and/or Berliner Mietspiegel (in Eng. Berlin rent index).

4.2 Process for asset evaluation and selection

Selection of Social Eligible Loans

All potential Social Eligible Loans must undergo IBB's regular credit process, including compliance with applicable national and international environmental and social standards and regulations, on a best effort basis. Since 2022, ESG risks will also be assessed in the funding and lending process, including for all Social Eligible Loans originated in 2022 and going forward. For example, existing or specifically requested information from the applicants are used to check whether projects or business partners are compatible with the principles of the IBB sustainability guidelines with regard to ESG aspects. In addition, ESG-critical commitments are reviewed via a Sustainability Competence Centre and assessed in depth with regard to ESG risks.

IBB's ESG Bond Committee (EBC) is an important cornerstone in the selection process, and responsible for reviewing and approving of the pool of Social Eligible Loans ("Eligible Loan Portfolio") in line with the criteria defined in this Framework and IBB's sustainability guidelines. The EBC will meet at least annually and is comprised of representatives from Treasury, Strategy and Products, Financial Controlling as well as the ESG Officer and ESG Management.

Other key responsibilities of the EBC include:

- Review and approval of the Social Bond Framework and any changes to the Social Bond Framework
- Review and approval of the Social Bond Report for investors
- Monitor any ongoing evolution related to Sustainable Bond market practices

Exclusion criteria

In 2022, IBB developed a list of exclusion criteria within IBB's sustainability guidelines, which are detailed in the sustainability guidelines of the IBB and continuously adapted. IBB currently commits itself for new business²⁹ to not knowingly be involved in financing any projects or activities, using the net proceeds of a Social Bond, in which the applicant utilises business practices or is active in fields of business which, in accordance with the exclusion criteria, are deemed to be controversial and excluded. The assessment whether the undertaking is compatible with the basic principles of the IBB sustainability guidelines takes place during the application process. Decisive are the lending terms valid at the commitment point of the loan. A retrospective check of Social Eligible Loans that have already been introduced to the Pool, as well as loans that are potentially still to be added to the Pool from previous commitment years, does not take place.

4.3 Management of proceeds

The Social Loan Pool of IBB Social Bonds is (partly) dynamic. Even if the lending activities in general are unchanged, the intra portfolio weights will change year by year. IBB is following a portfolio-approach for the management of Social Bond proceeds. Proceeds of any IBB Social Bond will be allocated to corresponding Social Eligible Loans within the Social Loan Pool. Given the dynamic composition of the Social Loan Pool, IBB is able to refinance the Social Loan Pool with Social Bonds in different tenors – independent from the loans maturities – as long as the Social Loan Pool exceeds the amount – in EUR equivalents – of the outstanding Social Bonds.

²⁹ The initial application of the exclusion criteria occurred in 2022. A retrospective examination of the existing business up to 2022 was not conducted.

IBB allocates the proceeds from the Social Bonds in accordance with the use of proceeds criteria and with the evaluation and selection process presented above. To manage and monitor the proceeds from the Social Bonds, IBB uses an internal information system. Information available in the internal information system will in turn serve as basis for regular reporting described in section 4.4.

Until maturity of the Social Bonds, IBB will keep track ensure that the volume of Social Eligible Loans in the portfolio exceeds the proceeds from the Social Bonds. If some Social Eligible Loans no longer comply with the definition provided in the 'Use of proceeds' section, IBB will reallocate the proceeds to other Social Eligible Loans on a best efforts basis and as soon as is reasonably practicable.

Pending the full allocation of the proceeds or in the unlikely event that there are insufficient Social Eligible Loans, unallocated proceeds will temporarily be invested in accordance with IBB's internal regulations for liquidity management, to ensure that the funds are invested in liquid and short-term investments (incl. cash, deposits and/or other money market instruments) until they can be allocated to Social Eligible Loans in the portfolio.

4.4 Reporting

As long as IBB has Social Bonds outstanding, the bank will report annually until full allocation, and in a timely manner in the case of material changes, on the use of proceeds from Social Bonds as well as, on a best effort basis, the expected or actual outputs and/or social impacts of the Eligible Loan Portfolio in a Social Bond Report. Where confidentiality agreements, competitive considerations or a large number of underlying assets limit the amount of detail that can be made available, information may be presented on an aggregated portfolio basis or in generic terms.

Allocation reporting

The allocation report will include, without limitation, the following information:

- └ A description of outstanding Social Bonds and the aggregate amount of proceeds allocated to Social Eligible Loans at end of the reporting period
- └ Share of proceeds respectively allocated to financing and refinancing
- └ Breakdown of total amount of proceeds allocated to Social Eligible Loans per category
- └ Aggregate amount of unallocated proceeds (if any)

Impact reporting

The Social Bond Report will also include impact reporting with an aim to disclose the outputs and/or social impact of the Eligible Loan Portfolio financed under this Framework where feasible and subject to data availability. The output and impact assessment is provided with the reservation that not all related data can be covered and that calculations will therefore be on a best effort basis. The output and impact assessment will, where found appropriate, be based on the Key Performance Indicators (KPIs) presented in the table below.

Eligible loan categories		Examples of Social KPIs
Affordable housing	State-owned housing companies	<p>Based on company and/or project and/or loan level:</p> <ul style="list-style-type: none"> └ Number of housing units rented to WBS households, and whereof allocated to special needs groups └ Number of applications for rent reductions approved to secure socially acceptable rents └ Rent increases per year for inventory rent └ Average (unadjusted) inventory rent per square metre in comparison to the local comparable rent
	Housing cooperatives	<p>Based on company and/or project and/or loan level:</p> <ul style="list-style-type: none"> └ Number of new housing units rented out or re-leased └ Average rent per square metre of the total number of housing units compared with the local comparable rent
Affordable basic infrastructure	State-owned and municipal companies	<p>Public transport:</p> <ul style="list-style-type: none"> └ Number of estimated beneficiaries └ Number of vehicles such as buses, trains or carriages
		<p>Water treatment and supply:</p> <ul style="list-style-type: none"> └ Capacity of the waterworks (million m³) └ Wastewater treatment (million m³)
		<p>Waste management services:</p> <ul style="list-style-type: none"> └ Treated waste (in t) % └ Capacity to generate energy by solid urban waste
Access to essential services	State-owned companies	<p>Healthcare services:</p> <ul style="list-style-type: none"> └ Number of estimated beneficiaries └ Number of hospital beds
		<p>Education:</p> <ul style="list-style-type: none"> └ Number of generated school places └ Number of refurbished or newly built education centres
SME financing and employment generation	Small and medium-sized enterprises	<ul style="list-style-type: none"> └ Number of micro-enterprises and/or SMEs financed └ Number of jobs created or secured

4.5 External review

Second Party Opinion

IBB has appointed a Second Party Opinion provider to provide an independent Second Party Opinion on this Framework in order to confirm its alignment with the ICMA Social Bond Principles. The Second Party Opinion together with this Framework will be made publicly available on IBB's website.

External audit

IBB will engage an independent third party to provide an external verification of the reporting on the allocation of net proceeds of the Social Bond, with respect to the criteria defined in the IBB Social Bond Framework. The result of this verification will be published.

5. Appendix

State-owned housing companies

The six state-owned housing companies in Berlin are important partners of the federal state of Berlin. They play a central role in the expansion of the affordable housing stock for broad sections of the population in Berlin as well for households in Berlin who are particularly disadvantaged in the housing market.³⁰ The mission of the six state-owned housing companies and its associated tasks are defined in the Berlin Housing Supply Act (WoVG Bln), which came into force in January 2016.

- (1) The task of the state-owned housing companies is both to secure and expand affordable rental housing in all districts for broad sections of the population (housing market task) as well as to assist in a sustainable and demand-oriented housing supply for households in Berlin who are particularly disadvantaged in the housing market and cannot provide themselves with adequate housing (supply task).³¹
- (2) The state-owned housing companies shall contribute to a sufficient housing supply with socially acceptable rents by building new dwellings, repairing, maintaining and modernising existing dwellings and by purchasing subsidised and unsubsidised dwellings.³²
- (3) The state-owned housing companies are also gearing their corporate objectives in particular to expanding and maintaining their housing stock in the long term by means of new construction and acquisitions. Housing companies purchase social housing in a targeted manner, usually at market value. The acquisition of other housing stock should primarily include inner-city housing.³³

³⁰ Report on the Cooperation Agreement 2020, <https://www.stadtentwicklung.berlin.de/wohnen/wohnraumversorgung/download/WVB-Bericht-KoopV2020.pdf>.

³¹ WoVG Bln Article 2 § 1 (1), https://www.stadtentwicklung.berlin.de/wohnen/wohnraumversorgung/download/WoVG_Gesetzblatt_05.12.15.pdf.

³² WoVG Bln Article 2 § 1 (2), https://www.stadtentwicklung.berlin.de/wohnen/wohnraumversorgung/download/WoVG_Gesetzblatt_05.12.15.pdf.

³³ WoVG Bln Article 2 § 1 (3), https://www.stadtentwicklung.berlin.de/wohnen/wohnraumversorgung/download/WoVG_Gesetzblatt_05.12.15.pdf.

The objectives of the six state-owned housing companies are further clarified in the cooperation agreement (Kooperationsvertrag, KoopV) as an extension of the regulations agreed in the WoVG Bln³⁴. The “Wohnraumversorgung Berlin AöR” reports in its annual report on compliance with the regulations laid down in the cooperation agreement. Some of the central regulations of the KoopV³⁵ are:

- └ 63% of the annual residences in the stock for re-letting shall be leased to those holding a housing entitlement certificate (Wohnberechtigungsschein, WBS) up to the local comparative rent taking into account the Berlin mixture. Of these 63%, 25% of these are rented to residents of special needs groups (women subject to or threatened by violence, transfer recipients, homeless, refugees, students and similar needs groups).
- └ For net cold rents of existing tenancy agreements above 27% of the net household income, there is a possibility for tenants of the state-owned housing companies to receive a reduction of the net cold rent to 27% of the eligible household income in case of hardship. There are three different options for securing socially acceptable rent levels (hardship case scheme):
 - (1) Rental reduction: The tenants can apply for a reduction of the current rent payment if the load limit is already exceeded.
 - (2) Hire cap: The tenants can apply for a reduction of an announced rent increase in the current lease if the load limit would then be exceeded.
 - (3) Modernisation levy cap: The tenants can apply for a reduction of the announced rent increase due to a modernisation measure if the load limit would then be exceeded.
- └ In the event of rent increases, it is ensured that the total rent for the existing leases does not increase by more than 2.9% per year.

Housing cooperatives

Housing cooperatives are housing companies legally based on the Cooperative Act (Genossenschaftsgesetz, GenG). The members of housing co-operatives are their shareholders and at the same time (at least partly) also the tenants of their flats. The members benefit from a lifelong right of residence. A housing cooperative cannot be sold and its sole interest is to provide housing at an affordable rate to its members while continuously investing in (new) buildings.³⁶

Last material revision: May 2024

³⁴ In the year 2017, the state of Berlin and its state-owned housing companies signed the Kooperationsvereinbarung (KoopV) “Leistbare Mieten, Wohnungsneubau und Soziale Wohnraumversorgung”. Following this, the KoopV was amended by three supplementary agreements, latest in December 2022, and its validity extended to the 31st December 2023. The new, subsequent KoopV was agreed upon in 2023, follows all previous agreements and resolutions and supercedes these. It is valid from 1st January 2024 up to the 31st December 2027. (Translated from) Kooperationsvereinbarungen mit den städtischen Wohnungsbaugesellschaften Berlins: <https://www.stadtentwicklung.berlin.de/wohnen/wohnraum/wohnungsbaugesellschaften/de/kooperationsvereinbarung.shtml>

³⁵ Cooperation agreement with the state-owned housing companies of Berlin, <https://www.stadtentwicklung.berlin.de/wohnen/wohnraum/wohnungsbaugesellschaften/download/kooperationsvereinbarung.pdf>

³⁶ According to the Cooperative Act (Genossenschaftsgesetz, GenG), <https://www.gesetze-im-internet.de/genG/>

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