
Sustainability Guidelines of the IBB Group

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Sustainability in the IBB Group

IBB Unternehmensverwaltung (IBB UV) has developed its first Sustainability Guidelines for the entire IBB Group which were approved on 5 January 2022 by IBB's Board of Management and IBB UV. These guidelines apply throughout the entire IBB Group.

Anchoring

Sustainability is a topic that is anchored at various levels. The foundation for this is the public mandate and the business model ([IBB Owner's Act „IBB Trägergesetz“](#)), where sustainability identified as a central component of business activity right from the start. Sustainability is implemented throughout the IBB Group by a sustainability management system that is centrally organised by Investitionsbank Berlin (IBB). IBB continues to deliver the most important input for all sustainability efforts, even though IBB UV is the responsible body.

The Board of IBB UV is responsible for sustainability. A Sustainability Officer has been appointed by the Board to lead the implementation of systematic sustainability management across the entire Group in cooperation with the specialist departments. This function is part of IBB's Strategy and Products unit and reports directly to the Chairman of the Board.

The Sustainability Officer is supported by the Sustainability Working Group, in which various departments are represented. The Sustainability Officer chairs the working group, which is firmly anchored in IBB's governance framework. In addition to the overall topics relevant to sustainability, responsibility for the specific, operational aspects of sustainability generally lies with the individual organisational units of the IBB Group. The Sustainability Officer thus acts as a central body within the Group, ensuring that the necessary framework conditions and rules are in place and accompanying the latest market developments in the sense of a coordination function that reaches into the divisions.

The sustainability strategy sets out key sustainability goals for a five-year period and is coordinated with the other strategies in the IBB Group in a structured strategy process. The IBB Group's business strategy is updated annually and can therefore also take into account current developments. Furthermore, this strategy is approved by the Administrative Board, i.e., the supervisory body of IBB-Unternehmensverwaltung. The IBB Group's goals are disclosed as part of its annual [Sustainability Reporting](#) (see Sustainable communication) and linked to relevant measures in order to drive the issue forward and measure goals. The Sustainability Report shows the progress and impact of our activities.

Steering tools

For the purpose of internal planning, management and control of the sustainability goals, various performance indicators according to GRI (Global Reporting Initiative) are collected by the relevant departments for each field of sustainable action and reported to the Sustainability Officer.

In addition, key performance indicators are collected for each of the business activities and regularly reported in the Management Information System (MIS) in order to monitor the achievement of the goals laid down in the business strategy.

The IBB Group has also adopted the UN Sustainable Development Goals (SDGs) and has worked out how our financing and work can make a sustainable contribution to the further development of our environment. Furthermore, the IBB Group intends to follow the UN Global Compact principles in its strategy and all of its activities.

Based on the information and key figures above, the Sustainability Officer prepares deviation analyses in cooperation with the Sustainability Working Group. The results are critically reviewed by the Working Group and needs for change are identified.

Framework conditions

Building on the anchoring and steering instruments, this Sustainability Guideline provides the framework for our sustainability efforts. The Guideline is divided into three main sections:

1. Fields of sustainable action (key topics from the stakeholder dialogue)
2. Mission statement (expectations for sustainability in the fields of action)
3. Principles (implementation of sustainability in the fields of action)

Fields of sustainable action

Sustainable approaches are promoted in all fields of action. The four fields of sustainable action are:

1. Business ethics and product responsibility
2. Social commitment, communication and compliance
3. Social responsibility for our employees
4. Corporate environmental protection and resource efficiency

Mission statement of the IBB Group

Business ethics and product responsibility

1. We support Berlin's economic development with our funding programmes. Our overarching goal is to support the economy by creating and securing jobs and to promote sufficient affordable housing for Berlin's growing population.
2. We are helping to ensure that Berlin's economic and population growth does not come at the expense of the environment and climate. The aim is to support Berlin's climate protection goals by increasing energy efficiency in Berlin's building sector.
3. With our funding, we provide an incentive to implement sustainable, resource saving investments in Berlin.
4. One focus of our business development activities is the sustainable development of Berlin as a centre for business. We achieve this by supporting small and medium-sized enterprises (SMEs) during their start-up phase, to finance innovation, and during the further course of their business.
5. When it comes to allocating funding, we consider economic, ecological and social criteria as well as client groups and projects that have limited access to funding due to credit rating, risk and return assessments.

Social commitment, communication and compliance

1. We fulfil our social responsibility by supporting social and cultural projects.
2. We support competitions for innovative projects and initiatives for a sustainable Berlin.
3. We provide the public with transparent and up-to-date information about our business development activities and about aspects of sustainability.
4. We have developed our own code of conduct that stands for the Group's integrity, impeccable reputation and good governance. We comply with laws and fight corruption and bribery.

Social responsibility for our employees

1. We promote the performance orientation of our employees and are committed to our social responsibility.
2. Highly qualified and motivated employees are at the core of our 'Working for Berlin' vision.
3. We create transparency for essential aspects of our remuneration policy.
4. We help our employees to achieve a good work-life balance.
5. We promote equal opportunities and diversity among our staff.
6. Occupational health and safety and the health of our employees are very important to us.

Corporate environmental protection and resource efficiency

1. We treat natural resources carefully and responsibly. Sustainable action is firmly embedded in the processes at all levels of our banking operations.
2. We persistently work to improve our contribution to climate protection.
3. We use internal and external input and are in close dialogue with our stakeholders.
4. Sustainability is an important factor for us when procuring services or products even beyond the requirements of the Berlin Tendering and Award Act (Berliner Ausschreibungs- und Vergabegesetz).

Principles of the IBB Group

1. Sustainable action

We are convinced that a responsible approach to sustainability means taking into account not just the economic dimension but also sustainable perspectives. The addition of ESG stands for:

- Environment
- Social
- Governance.

We take these sustainability dimensions into account in our funding and lending activities in order to achieve improvements in economic, ecological and social economic structures through support programmes (for instance, social housing).

These dimensions are integrated into our strategic business policy decisions, into how we design promotional products right through to how we implement specific financing and our activities on the capital market.

The focus is on integrating sustainability-relevant topics into tasks, products, rules and processes in the respective areas.

Through regular reporting, we aim to create transparency and enable comparability, seek dialogue with our stakeholders, document important results and drive sustainable development.

2. Implementing sustainable funding and lending business

Funding and general principles

Our funding programmes help to promote the economically sustainable development of our city with targeted and flexible funding offers:

- Our funding is based on revolving financial instruments, loans, mezzanine financing, investments, guarantees and grants as well as consultancy services.
- This funding is designed in an innovative, competent and responsible way to ensure non-discriminatory access to funding for all potential recipients. In this way, we can focus on the essential aspect of funding while adhering to the funding policies and guidelines of the federal state.
All our funding programmes must be commissioned by the Federal State of Berlin in order to be implemented. This process ensures the close involvement of our owner and allows us to accommodate a wide range of development goals.

It ultimately means that our funding programmes support projects that drive economic development and improve the environmental and social conditions in the city in line with the principles of sustainability.

Fundamentals of funding and lending business

Funding business is essentially divided into three areas: Housing and real estate promotion, business development and labour market promotion. Within the framework of the funding programmes, different focal points of sustainability are addressed in these business areas.

Labour market promotion in the form of grants focuses on priorities in labour market policy (i. e., securing skilled labour, education and social inclusion).

Within the scope of real estate promotion and business development, both grants and loans are awarded. We have also included the distinction between the grant and loan business in our sustainability principles in order to be able to flesh them out in more detail. In order to comply with the sustainability principles in lending business, we also distinguish between funding with the customer access mechanism (Hausbankverfahren) and direct business.

Grant-funding

When it comes to awarding grants, the IBB Group acts as a business agent for the Federal State of Berlin. The criteria according to which projects can be supported are specified by the Federal State of Berlin. The grant programmes are designed with sustainability in mind, for instance, to promote the replacement of heating systems or to provide rent allowances. This means that social and environmental aspects are also included in overall grant funding, helping to ensure the city's sustainable development.

Lending business

IBB grants loans directly to final borrowers or via the customer access mechanism. Working in partnership with local customer banks, IBB helps to ensure that existing funding programmes can be accessed by as many interested parties as possible.

Direct lending business

IBB's sustainability principles can be directly controlled and monitored through direct contact with our end customers.

IBB itself assesses the extent to which funding recipients fulfil the sustainability aspects specified in the funding programme. In addition, the extent to which the respective applicants engage in business practices or are active in sectors of business that have been classified as controversial and excluded is checked at the time the transaction is concluded (see 'Exclusion criteria of the IBB Group').

Customer access mechanism (Hausbankverfahren)

In the case of the customer access mechanism, IBB has no direct contact with customers. Loans are granted indirectly to recipients via their own bank. The customer's bank then refinances itself with a corresponding loan from IBB. However, these funding programmes are also tied to a defined funding purpose and also take sustainability aspects into account (such as innovation or SME funding).

Integration of ESG criteria

Over the course of 2022, ESG risks will also be assessed in the funding and lending process. In this context, applicants are screened for excluded, controversial business practices.

Existing or specifically requested information from applicants is used to check whether projects or business partners comply with the principles of these Sustainability Guidelines with regard to ESG aspects.

In addition, ESG-critical exposures are reviewed via the sustainability competence centre and assessed in greater depth with regard to ESG risks. Based on the existing decision-making rules, which are based on the volume of financing and credit rating, this sustainability vote may require a higher decision-making level even up to the point of escalating the decision to Management Board level.

The exclusion criteria set out in these Sustainability Guidelines are specified in more detail in the individual fact sheets for the respective funding programmes.

Business development is already geared towards a long-term, sustainable approach through its product terms and conditions. The IBB Group aligns key economic development goals with EU structural funds. The resultant funding products are compatible with the sustainability-oriented goals of the Europe 2030 Strategy and the subsequent EU programming periods.

This leads to specifications and rules, compliance with which is also monitored by independent bodies. Corporate financing is designed to increase innovative capacity and productivity, especially of SMEs.

The focus here is on companies operating in the clusters of the joint innovation strategy of the federal states of Berlin and Brandenburg. The IBB Group therefore offers special funding programmes to foster the transfer between academia and research in the clusters and the development and implementation of innovations by companies.

As part of 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.

Funding programmes that focus on new social housing serve to secure housing for households with low and medium incomes and contribute to the construction of new residential buildings under future-oriented efficiency standards. This is all part of efforts to achieve climate neutrality in the building stock.

Thus, housing promotion is already geared towards a sustainable approach through the product terms and conditions.

The funding aspects include social criteria, such as income limits for tenants. The promotion of new construction is also helping directly to build sustainable cities, which in turn leads to positive effects for both environmental and social criteria. By defining criteria for funding, binding requirements are laid down in consultation with relevant stakeholders, thus ruling out controversial business practices for IBB. The eligibility requirements are set by the Federal State of Berlin and are laid down in a corresponding procedure.

As outlined, controversies are comprehensively addressed from an ESG perspective for the entire field of housing promotion, because this funding is carried out with close stakeholder involvement. This means that controversial aspects, such as the financing of fossil fuel power plants, are often excluded from the outset.

Interaction between funding policy requirements and the implementation of sustainable funding can, under certain circumstances, lead to a conflict of goals in terms of the sustainability principles listed. However, by anchoring sustainability with the entire Board of Management, individual funding transactions can be weighed up against each other and viewed from all aspects.

A special need for funding for certain recipients due to economic dimensions, such as specific location effects in Berlin in principle conceivable. Even if critical aspects exist in terms of other sustainability criteria, this does not necessarily lead to exclusion in individual cases. Critical aspects are reduced within the framework of funding through active monitoring. IBB will make its own decisions for or against funding with a view to ESG aspects and document these decisions.

Application to new business

IBB wishes to continue to be seen as a long-term and reliable financing partner. Therefore, the Sustainability Guidelines will be applied to new business as soon as they have been adopted by the Management Board.

Exclusion criteria of the IBB Group

The business practices listed below are not in line with the values of the IBB Group and are detrimental to the transformation into a sustainable society. From our perspective, these business practices are controversial for various reasons and are therefore excluded from support provided through our lending and investment business as soon as a significant share of turnover, i.e., more than ten percent of total turnover, of all business areas is reached at borrower level:

Armament and weapons industry

The IBB Group does not provide funding to companies involved in the manufacture, trade, transport, repair or storage of prohibited or controversial weapons or major components thereof. This refers to cluster bombs, nuclear, biological or chemical weapons (ABC weapons), anti-personnel mines, radioactive munitions and enriched uranium, weapons of mass destruction and [sother weapons banned by international law](#).

However, this business practice is extremely complex, so that, due to a lack of transparency, it is often difficult to understand whether certain business areas are related to this. Given the aforementioned interdependencies, it is not always possible to reliably distinguish between controversial weapons and conventional types of weapons, which serve to defend state sovereignty and internal security or support goals, such as peace missions.

Power generation from fossil fuels

The public mandate requires that IBB actively contribute to achieving the climate protection goals of the Federal State of Berlin and thus implicitly support the goals of the Federal Republic of Germany. Against this background, it makes sense to actively accompany the energy transition and to contribute towards the reduction of relevant climate-damaging emissions. The goal of a climate-neutral society is a long-term development process. That's why we will ensure that borrowers can continue to be monitored in a constructive manner. With a view to the long-term positive continuation of the company, it is both appropriate and sustainable to fund the dismantling of fossil power generation plants. This opens up opportunities to reduce the proportion of borrowers in the field of fossil fuel and to finance measures that are beneficial to climate. Provided that the transformation to a more sustainable society is being supported, it is possible to support borrowers in the field of fossil fuels. In contrast to the individual case decisions for transition financing described above, financing is generally excluded in the following cases:

- **Nuclear power plants:** No financing is available for nuclear power plants or uranium mines. This also includes the production of or trade in radioactive material. This does not apply to the procurement of medical devices, quality control equipment or other uses for which the radioactive source is insignificant and/or adequately shielded.
- **Coal-fired power plants:** No financing is available for coal-fired power plants or the prospecting, exploration and mining of coal as well as related essential infrastructure.
- **Oil and gas:** No financing is available for projects that involve the prospecting, exploration and extraction of oil from oil shale, tar sands or oil sands. Furthermore, no financing is available for projects that involve the prospecting, exploration and extraction of gas.

Alcohol

No financing is available for projects involving the production or trade of products or activities involving distilled alcohol for personal consumption.

Tobacco

No financing is available for projects involving the production of tobacco.

Wildlife

No financing is available for projects whose purpose is to trade in wildlife or wildlife products that violate the provisions of CITES ([Convention on International Trade in Endangered Species of Wild Fauna and Flora](#)).

Pornography and prostitution

No financing is available for projects that involve the operation of brothels or similar prostitution businesses or the production of pornographic content.

Gambling

No financing is available for projects that have gambling as their main business purpose. This also includes controversial forms of gambling, such as the operation of (online) casinos, the production of devices or other equipment for casinos or betting offices or companies that generate revenue through online betting.

3. Sustainable capital market business

IBB supports the development of an ecological mindset by integrating this into its refinancing and investment activities. This helps to further develop the market and promote sustainable activities.

Current social discourse, such as new EU regulations related to sustainable finance, is increasing demands on issuers and business partners with regard to compliance with standards, documentation of relevant data, achievement of a positive ESG rating and investments in ESG bonds and their issuance.

In this dynamic environment, we aim to take sustainability criteria into account on the investment side and in our selection of business partners, and to document sustainability for our liabilities. We see this as a process.

Capital market business in detail

In order to support the development towards a sustainable finance location, IBB has decided to create its own ESG sub-portfolio as part of its liquidity investments. The portfolio currently comprises green, social and sustainability bonds. For bonds to be allocated to the ESG portfolio, a combination of criteria must be fulfilled by the specific bond, the issuer and partly also by the country of domicile. The criteria are reviewed and developed internally on an annual basis.

Treasury intends to include further sustainability criteria in the selection of investment decisions in order to foster sustainable further development of the financial markets, both in the evaluation of dedicated and for non-dedicated ESG investments.

On the liabilities side, when a consortium is formed to issue benchmark bonds, the sustainability ratings of the partners which are publicly available are used as a selection criterion.

In addition, irregularities are actively discussed with our business partners in order to emphasise the importance of the issue. This topic is also addressed in investor meetings.

IBB uses special refinancing opportunities for specific sustainable lending business. Especially when it comes to climate-efficient new buildings and energy-efficient refurbishment, IBB refinances itself through separate KfW programmes and passes on the refinancing advantages to its customers. IBB thus potentially contributes to the issuance of KfW's Green Bonds.

In order to further promote the development of specifically sustainable refinancing in Berlin, sustainable bonds, for instance, in the form of social bonds, are also to be issued in the future. Social bonds are used, for instance, to support projects that promote the sustainable development of the city of Berlin and ensure that access to affordable housing is maintained. In this way, IBB can also contribute to the UN's sustainable development goals.

4. Transparency, compliance and commitment

Sustainable communication

The most important instrument of our sustainability communication is the annual [Sustainability Report of the IBB Group](#) which informs our stakeholders regularly about developments. Our stakeholders have been defined as part of the strategy process. Stakeholders are, for instance, customers and cooperation partners, politicians, business associations and employees. IBB holds regular and structured dialogue every two years. The results obtained in the survey provide information about the most important expectations and serve as orientation for our strategic direction.

Legal requirements also lead to additional information requirements. In addition to the Sustainability Report, the IBB Group prepares a management report (annually), a non-financial report in accordance with the CSR Directive Implementation Act (reviewed annually by an independent auditing firm) and every two years a declaration of conformity with the German Sustainability Code (DNK, Deutscher Nachhaltigkeitskodex).

An additional sustainability programme is published to coincide with the Sustainability Report. The programme contains targets and measures for each of the four fields of action in relation to sustainability. The sustainable direction and goals are agreed in advance with the relevant stakeholders, adopted by the Management Board and their implementation is monitored by the Sustainability Officer. The Sustainability Balanced Scorecard is published in addition to this. The performance indicators are published in accordance with the GRI standard. Subsequently, development and target achievement can be compared with each other over several years on the basis of the programme and the key performance indicators.

Ensuring compliance

Compliance is also a central element of sustainability because standardised rules provide a sound framework for employees.

Guideline-compliant conduct is incorporated and taken into account in all phases of entrepreneurial activity. One basis for this is the [Berlin Corporate Governance Code](#), which is applied by the Administrative Board and the Management Board of the IBB Group.

In addition, rules for business processes have been set up with regard to compliance (minimum requirements for risk management (MaRisk, Mindestanforderungen an das Risikomanagement), German Securities Trading Act (WpHG, Gesetz über den Wertpapierhandel), information security, prevention of money laundering/prevention of terrorist financing and the prevention of other criminal acts as well as compliance with sanctions and embargo provisions and data protection. These rules are an integral part of our usual business processes. Permanent representatives have been appointed for these rules and can be contacted by staff if they have questions or need guidance.

This is an important part of our efforts to prevent corruption, bribery, financing of terrorism, money laundering and other criminal acts and to ensure data protection.

Demonstrating commitment

We are committed to people who have to overcome particularly difficult hurdles in order to participate in social life in Berlin. These include children from socially disadvantaged families and the elderly. IBB has established an internal decision-making process for selecting commitments so that decisions can be made in a comprehensible and transparent manner. Requests for donations and sponsorships are received centrally by the Corporate Communications staff and evaluated according to defined criteria. For example, commitments must correspond to the social or cultural objectives or fit in with the bank's range of tasks. Furthermore, only those projects are supported that stand up to an economic cost-to-benefit analysis and whose overall financing is secured.

Furthermore, the IBB Group does not make any donations to political parties or payments or benefits in kind to politicians. Memberships are only maintained if they are closely related to the tasks or business areas of the IBB Group, such as membership in the Association of German Public Banks (VÖB, Bundesverband Öffentlicher Banken Deutschlands). IBB is also a member of the Association for Environmental Management and Sustainability in Financial Institutions (VfU, Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten), the largest network of sustainability-oriented financial service providers from Germany, Austria, Switzerland and Liechtenstein.

5. Social responsibility for our employees

The IBB Group respects international standards such as human rights and the UN Convention on the Rights of the Child. Forced labour is also categorically rejected. This is just as self-evident as compliance with European and national laws on labour standards. What's more, the freedom of association of all employees is encouraged and active participation in the legal co-determination options ensured. The Personnel Committee, the Youth and Trainee Representation, the Women's and the Severely Disabled Representation of IBB represent the interests of the bank's staff. Their rights and duties are laid down in the Berlin Employee Representation Act, Berlin's State Equal Rights Act and the Social Code.

The different perspectives of employees are valued, because they are a guarantee for the bank's success. That is why we promote a diverse employee structure, creating a framework that gives fair consideration to the differences among employees. A fair approach to the company's own staff means living a corporate culture that is based on cooperation, rooted in partnership and characterised by openness and appreciation. Living values creates a positive and thus productive working environment, which also has an impact on our stakeholders.

On the basis of the General Act on Equal Treatment (AGG, Allgemeines Gleichbehandlungsgesetz) and the Federal State Gender Equality Act (LGG, Landesgleichstellungsgesetz), we are already obliged by federal state law to consistently observe non-discrimination.

Health in the workplace is another key point of social responsibility and aims to create a long-term, attractive working environment. Central points in health promotion are a health-conducive office environment, occupational health and safety, regular risk analyses with regard to mental stress and support in crises.

Human resources development is a core issue of social responsibility and the only way that women, men and diverse employees at all levels can be given equal professional opportunities. This also applies to training to give young people an adequate start to their working lives.

6. Using resources efficiently

We are already committed to sustainability in procurement and will continue applying sustainability as part of our business operations. When procuring goods and services, IBB is subject to the requirements of the Berlin Tender and Public Procurement Act (BerlAVG, Berliner Ausschreibungs- und Vergabegesetz) and the Administrative Regulation on Procurement and the Environment (VwVBU, Verwaltungsvorschrift Beschaffung und Umwelt). Beyond the EU threshold, we take into account EU public procurement law and consistently apply the above-mentioned regulations. Even beyond the legal requirements, we also check the inclusion of sustainability aspects in all relevant procurement processes, making these the basis selecting our service providers.

Aspects considered in procurement in addition to economic efficiency therefore include environmental protection, energy efficiency, the promotion of gender equality and other social aspects in line with the relevant legal regulations. The aim is to ensure uniform procurement standards throughout the IBB Group.

Besides procurement, the handling of natural resources is also part of the IBB Group's mission. For this reason, we use environmentally friendly or regenerative resources whenever and to the furthest extent possible. This core element relates particularly to paper, fuel, energy, water and climate-relevant emissions. For this purpose, consumption is recorded, analysed and, if necessary, measures are identified. The remaining climate-relevant emissions are neutralised.

We achieve this by working together with ClimatePartner, which has made our business operations climate-neutral since 2020.

Optimising banking operations extends to all business processes. The bank's own new building and conversion measures are reviewed according to the latest technical standards and sustainable materials are additionally used. Resource-saving bank operations are assigned to a central department dedicated to these topics. This central department is also responsible for continuously raising and improving awareness for these topics among staff.

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