

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Social Bond Framework

Investitionsbank Berlin

24 June 2024

VERIFICATION PARAMETERS

Type(s) of
instruments
contemplated

- Social Bonds

Relevant standards

- Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) (as of June 2023 with June 2023 Appendix 1)

Scope of verification

- Investitionsbank Berlin's Social Bond Framework (as of May 29, 2024)
- Investitionsbank Berlin's Eligibility Criteria (as of May 29, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

CONTENTS

SCOPE OF WORK.....	3
INVESTITIONSBANK BERLIN OVERVIEW	4
ASSESSMENT SUMMARY	5
SPO ASSESSMENT.....	6
PART I: ALIGNMENT WITH THE SOCIAL BOND PRINCIPLES.....	6
PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA.....	8
A. CONTRIBUTION OF THE SOCIAL BONDS TO THE U.N. SDGs.....	8
B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA.....	12
PART III: CONSISTENCY OF SOCIAL BONDS WITH INVESTITIONSBANK BERLIN'S SUSTAINABILITY STRATEGY.....	16
ANNEX 1: METHODOLOGY	20
ANNEX 2: QUALITY MANAGEMENT PROCESSES.....	21
About this SPO.....	22

SCOPE OF WORK

Investitionsbank Berlin (“the Issuer”, “the Company”, or “IBB”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Social Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. Investitionsbank Berlin’s Social Bond Framework (as of May 29, 2024); benchmarked against the International Capital Market Association’s (ICMA) Social Bond Principles (SBP).
2. The Eligibility Criteria — whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (see Annex 1).
3. Consistency of Social Bonds with Investitionsbank Berlin’s Sustainability Strategy; drawing on the key sustainability objectives and priorities defined by the Issuer.

INVESTITIONSBANK BERLIN OVERVIEW

Investitionsbank Berlin is a promotional bank owned by and active within the German federal state of Berlin. Property development and improvement of the local economy are two of its long-standing focus areas, with development of the labor market growing in prominence. IBB's property development segment targets real estate investors, owners and tenant-owner associations. Product offerings include loans, grants and advisory services for energy-efficiency improvements, modernization of accessible housing, and promotional loans for social housing. The promotion of local economy includes the provision of loans, grants, advisory services and equity investment to entrepreneurs and start-ups, Berlin-based corporations, and university and research institutes.


ESG risks associated with the Issuer Industry

Investitionsbank Berlin is classified in the Development Banks industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies¹ in this industry are Sustainability standards for financial products and services, Goal-oriented promotion of sustainability issues, Climate change and related risks, and Labor standards and working conditions.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer's overall Sustainability Strategy.

¹ Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part I:</p> <p>Alignment with SBP</p>	<p>The Issuer has defined a formal concept for its Social Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA).</p>	<p>Aligned</p>
<p>Part II:</p> <p>Sustainability quality of the Eligibility Criteria</p>	<p>The Social Bonds will (re)finance the following eligible asset categories:</p> <p>Social categories: Affordable housing, Affordable basic infrastructure, Access to essential services, SME financing and employment generation.</p> <p>Product and/or service-related use of proceeds categories individually contribute to one or more of the following SDGs:</p>  <p>The environmental and social risks associated with the use of proceeds categories and the financial institution are managed.</p>	<p>Positive</p>
<p>Part III:</p> <p>Consistency of Social Bonds with Investitionsbank Berlin's Sustainability Strategy</p>	<p>The key sustainability objectives and the rationale for issuing Social Bonds are clearly described by the Issuer. All project categories financed are in line with the Issuer's sustainability objectives.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p>Consistent with Issuer's Sustainability Strategy</p>

² The evaluation is based on Investitionsbank Berlin's Social Bond Framework (May 2024 version), on the analysed Selection Criteria as received on May 29, 2024.

SPO ASSESSMENT

PART I: ALIGNMENT WITH THE SOCIAL BOND PRINCIPLES

This section evaluates the alignment of the Investitionsbank Berlin’s Social Bond Framework (as of May 29, 2024) with the SBP.

SBP	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by Investitionsbank Berlin’s Social Bond Framework is aligned with the Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA).</p> <p>The Issuer’s social categories align with the project categories as proposed by the Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA). Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and social benefits are described.</p> <p>The Issuer defines a lookback period of three years and exclusion criteria for harmful projects categories, in line with best market practice.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Investitionsbank Berlin’s Social Bond Framework is aligned with the Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA).</p> <p>The project selection process is defined, and ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the Issuer’s Sustainability Strategy and clearly show the intended benefit to the relevant population.</p> <p>The Issuer involves various stakeholders in this process, in line with best market practice. The Issuer identifies alignment of their Social Bond</p>

		<p>Framework by referencing certifications used, in line with best market practice.</p>
<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by Investitionsbank Berlin’s Social Bond Framework is aligned with the Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA).</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Social Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds until full allocation.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by Investitionsbank Berlin’s Social Bond Framework is aligned with the Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA).</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report with appropriate frequency. The reporting will be publicly available on the Issuer’s website. IBB has disclosed the type of information that will be reported and explains that the level of expected reporting will be at project category. Moreover, the Issuer commits to report annually until the proceeds have been fully allocated.</p> <p>The Issuer is transparent on the level of impact reporting and the information reported and further defines the duration and frequency of the impact reporting, in line with best market practice. IBB discloses the location and link to the report(s), in line with best market practice and commits to get the allocation report verified by an external party, also in line with best market practices.</p>

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE SOCIAL BONDS TO THE U.N. SDGs³

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.


Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a three-point scale:



Each of the social bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Affordable Housing</p> <p><i>Loans to state-owned housing companies for rental housing in Berlin.</i></p> <p><u>Target population:</u></p> <ul style="list-style-type: none"> Persons entitled to a WBS according to the Berlin income limits.⁴ 	<p>Contribution</p>	

³ The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.

⁴ 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, see [link](#).

- *One-person household: EUR 16,800 per year*
- *Two-person household: EUR 25,200 per year*
- *For each additional person who is counted as belonging to the household: EUR 5,740 per year*
- *Surcharge for each child belonging to the household: EUR 700 per year*
- *The net cold rent is not more than 27% of the income of a tenant (hardship case regulation)⁵*
- *Sections of the population with low and middle income*

Loans to housing cooperatives declaring that the average rent is below the city average rent of Berlin for rental housing in Berlin.⁶

Target population:

Sections of the population with low and middle income.

Affordable basic infrastructure

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:

- *Public transport*

Target population:

All population in Berlin.

Affordable basic infrastructure

Loans to municipal and state-owned infrastructure companies in Berlin with the established (social) mission of affordable

Contribution



Contribution



⁵ 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.

⁶ Source for city average rent of Berlin: IBB Wohnungsmarktbericht (in eng. IBB housing market report) and/or Berliner Mietspiegel (in eng. Berlin rent index).

and environmentally friendly service provision to improve access to:

- Water treatment and supply

Target population:

All population in Berlin.

Affordable basic infrastructure

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:

- Waste management services

Target population:

All population in Berlin.

Access to essential services

Loans to state-owned hospitals in Berlin with the aim of modernizing and digitizing the healthcare system.

Target population:

All population in Berlin.

Access to essential services

Loans to state-owned (housing) companies in Berlin for the construction and renovation of schools to improve access to education.

Target population:

Participants in primary to tertiary education.

SME financing and employment generation

General loans for small- and medium-sized enterprises⁷ with the purpose of creating and safeguarding jobs.

Target population:

Contribution



Contribution



Contribution



Contribution



⁷ 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 Commission).

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Social Bond Framework

ISS-CORPORATE 

*Small- and medium-sized enterprises in
Berlin.*

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. The entirety of the assets are and will be located in Germany.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

IBB has their general Sustainability Guidelines in place, which are applicable to all borrowers and assets of the Issuer's promotional business. IBB's Sustainability Guidelines detail business fields and practices that are excluded due to the controversial/potentially harmful impacts they can entail. The Issuer's Sustainability Guidelines⁸⁹ are accompanied by an ESG Self Declaration¹⁰. In addition to this, the Issuer presents an ESG questionnaire,¹¹ to the entirety of their customers subject to individual scoring. The information the client shared in the questionnaire is used for the individual ESG scoring as part of the lending and surveillance process through a qualitative assessment of the responsible credit advisor. Additionally, assets located in the Issuer's Social Bond Pool are required to fulfill the criteria specified in the Issuer's Social Bond Framework.

Prior to the financing process, customers/projects are required to submit IBB's ESG Self Declaration, in which controversial business practices and fields are validated/examined as part of the Issuer's exclusion criteria. The loan is given a score with the Issuer's ESG scoring tool to identify the ESG-Risk potential of the loan. The Issuer's ESG Self Declaration and ESG scoring tool covers IFC Performance standards 1, 3 and 14. Furthermore, IBB will assess the loan and then map it to the SDGs. The SDG mapping is checked on a quarterly basis by the ESG Management Team.

When a loan does not respect the Issuer's Sustainability Guidelines or does not pass the initial assessment of ESG-Risk potential, the loan can undergo a loan-specific review that will be determined on a case-by-case basis. Case-by-case reviews apply to borrowers in controversial business areas or with poor ESG scores. In the case that a borrower engages in controversial business practices, the loan will be rejected and no case-by-case review will be undertaken. For borrowers engaging in controversial business areas, there will be a case-by-case review. Following a case-by-case review, loans can in specific cases still be approved as conventional

⁸ The Issuer has communicated that their Sustainability Guidelines are potentially subject to change in light of regulatory changes at the national and international level. This assessment is limited to the Issuer's current Sustainability Guidelines.

⁹ Sustainability Guidelines of the IBB Group, January 2024, Available at: <https://www.ibb.de/media/dokumente/ueber-die-ibb/nachhaltigkeit/ibb-gruppe-nachhaltigkeitsleitlinien-web-bf.pdf>

¹⁰ ESG Self Declaration (in German): <https://www.ibb.de/media/dokumente/foerderprogramme/uebergreifende-dokumente/esg-selbsterklaerung.pdf>.

¹¹ ESG questionnaire (in German): <https://www.ibb.de/media/dokumente/ueber-die-ibb/nachhaltigkeit/esg-fragebogen-muster-fuer-kundinnen.pdf>.

loans on the condition that the exclusion criteria of the Sustainability Guidelines are respected. However, these loans will not be eligible for the Social Bond Pool.

Municipalities and private applicants who do not run a business are exempt from the Issuer's ESG Declaration. As human rights according to the EU-Charter are an integrated component of German jurisdiction, municipalities cannot operate in controversial fields of business. Additionally, when private applicants demonstrate the existence of a business-oriented activity, an ESG self-declaration has to be submitted.

Labor, Health and Safety



All assets financed will be located in Germany, where high labor, health and safety standards are ensured by the relevant national legislation and the European Union's mandatory social standards.

Additionally, IBB accepts the ILO's core labor standards, representing social labor standards and decent working conditions.

Biodiversity



All assets financed will be in Germany. Thus, the Issuer ensures that its environmental impacts have been mitigated and reduced as it aligns with the standards of the European Union's Environmental and Social Impact Assessment.

Germany also has stringent environmental regulations, such as the Federal Nature Conservation Act¹², the Federal Soil Protection Act¹³ and the Federal Water Act.¹⁴ Permits for the construction and operation of buildings, systems and facilities may only be granted if the projects do not violate environmental protection laws. In Berlin, the provisions of the Berlin Law on Nature Conservation and Landscape Management¹⁵ ensures environmentally friendly selection of locations for buildings/infrastructure projects, further requiring permits that take into consideration the immediate vicinity of the site and environmental concerns.

Additionally, the Issuer excludes projects encompassing the trade of wildlife or wildlife products that violate the provisions of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Community dialogue

¹² Federal Nature Conservation Act, March 2010, Available at: https://www.bmuv.de/fileadmin/Daten_BMU/Download_PDF/Naturschutz/bnatschg_en_bf.pdf

¹³ Federal Soil Protection Act, February 2021, Available at: <https://faolex.fao.org/docs/pdf/ger89203Eng.pdf>

¹⁴ Federal Water Act, August 2002, Available at: <https://faolex.fao.org/docs/pdf/ger36430E.pdf>

¹⁵ Berlin Law on Nature Conservation and Landscape Management, May 2013, Available at: <https://faolex.fao.org/docs/pdf/ger125728.pdf>

All assets financed will be in Germany. Thus, the Issuer ensures that its impacts on the communities have been mitigated and reduced as it aligns with the standards of the European Union’s Environmental and Social Impact Assessment.

- ✓ Additionally, in Germany, community participation in construction projects is mandatory according to the Federal Building Code,¹⁶ and development plans must be publicised allowing engagement from all citizens. All citizens are allowed to voice their comments and/or objections in the following month. Public authorities will then process and consider all the comments before issuing a permit, final approval or denial for a construction project.

Inclusion

All products or programs must be commissioned by the Berlin government. In this process, government administrations, including those responsible for socially disadvantaged groups, are involved and must approve a bill for the implementation of the program. All access information and eligibility requirements are transparent and published in public guidelines and leaflets.

- ✓ The Issuer specifies target populations, ensuring universal access to the service. EU-cofinanced programs are implemented in partnership with economic and social stakeholders. The so-called Berlin Monitoring Committee reviews progress toward achieving the program’s objectives (inclusion and equal opportunities among others) on the basis of financial data, common and program-specific indicators, milestones set out in the performance framework and, where appropriate, the results of qualitative analyses. Furthermore, most grant programs and some loan/equity programs have an approval committee with regional and political stakeholders.

For programs that have certain qualifications as a prerequisite (e.g., loans), IBB cooperates with many local partners offering accompanying measures, advice and qualification for disadvantaged groups.

Responsible treatment of customers with debt repayment problems

- ✓ IBB has preemptive internal work instructions in place to prevent client debt problems, including but not limited to practices such as EBA guidelines and minimum requirements for risk management (Mindestanforderungen an das Risikomanagement – MaRisk). The issuer reviews the customer's ability to service debt as part of the creditworthiness check and uses flat rate approaches

¹⁶ German Federal Building Code (Baugesetzbuch), December 2023, Available at: <https://www.gesetze-im-internet.de/bbaug/BauGB.pdf>

and considers the use of loan collateral. The default risk of a borrower is also examined in the rating process and regular credit monitoring is performed.

An early warning system is in place to identify trigger factors for customer repayment difficulties and to be able to initiate appropriate countermeasures. Furthermore, the possibility for concessions to a debtor to avoid a deterioration of the debtor's financial situation, in particular a default on the debt concerned (e.g., a 90-day default), is also included in internal work instructions.

IBB's applicable risk strategy also includes a fixed interest rate period and compliance with the specified (product) limits such as risk limits, counterparty limits, large loan limits.

For the Social Loan Pool, all loans with negative credit events that have already resulted in individual value adjustments are excluded.

IBB has responsible policies in place around mortgage sale and foreclosure. The Bank's rehabilitation and liquidation processes are undertaken in the risk management department. As part of the rehabilitation process, the client receives counseling ("Problemkreditberatung"), and as part of the liquidation process before reaching mortgage sale and foreclosure, the Bank recovers accounts receivable from canceled loan engagements and called-back subsidies. Together with the clients, experts develop individual opportunities for recovery of the engagement as part of the rehabilitation process and individual opportunities for repayment of receivables under consideration of the justified interest of clients and the valorization of securities in the liquidation process. Rehabilitation and liquidation processes consider all relevant stakeholders and are undertaken by mutual agreement. IBB does not currently, nor currently plan to in the future, engage in the sale of receivables.

Exclusion criteria

The Issuer developed an exclusion criteria list for the first time in 2022, incorporating it within their Sustainability Guidelines.¹⁷ The Issuer's exclusion criteria are broken down into exclusion of controversial business practices and exclusion of controversial business areas.

IBB's controversial business practices include (i) human rights violations, (ii) child labor, (iii) systematic/discriminatory violations of labor law, (iv) controversial environmental behavior, (v) controversial business practices and (vi) animal testing.

IBB's controversial business areas include (i) arms and weapons industry; (ii) power generation from fossil fuels; (iii) substances that are subject to national or international phase-outs,

¹⁷ Sustainability Guidelines of the IBB Group, January 2024, Available at: <https://www.ibb.de/media/dokumente/ueber-die-ibb-nachhaltigkeit/ibb-sustainability-guidelines-ibb-group-en-bf.pdf>.

prohibition regulations or are subject to an international ban; (iv) wildlife; (v) pornography and prostitution; and (vi) gambling.

PART III: CONSISTENCY OF SOCIAL BONDS WITH INVESTITIONSBANK BERLIN'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
<p>Strategic ESG topics</p>	<p>The Issuer focuses on four strategic ESG topics. The topics include ESG management; business ethics and product responsibility; social commitment, communication and compliance; and social responsibility for employees.¹⁸ These sustainability pillars have been defined through an internal survey of clients, employees and experts. From 2024 onwards the materiality analysis will be in line with the CSRD requirements, including all relevant stakeholders.</p>
<p>ESG goals/targets</p>	<p>To achieve its strategic ESG topics, the Issuer has set five goals: become the most important reference for "sustainable funding opportunities" in Berlin by 2030, enable EUR 15 billion of sustainable funding based on the SDGs by 2030, integrate the SDGs into all fields of action, neutralize emissions from the bank's operations, and support a "climate-neutral Berlin" by 2045. The goals are public¹⁹ and monitored annually. IBB uses a set of indicators from the GRI Standard to measure and monitor progress.²⁰</p> <p>The Issuer doesn't have any verified science-based targets.</p>
<p>Action plan</p>	<p>IBB plans to achieve the goals through the implementation of the EU taxonomy, ESG in lending business and energy certificates for each transaction with commercial real estate development customers.</p>

¹⁸ https://www.ibbgruppe.de/media/dokumente/nachhaltigkeit/sustainability-report-2022-of-the-ibb-group_barrier-free.pdf

¹⁹ <https://www.ibb.de/en/about-us/sustainability/sustainability.html>

²⁰ https://www.ibbgruppe.de/media/dokumente/nachhaltigkeit/sustainability-program-and-balance-sheet-2022-of-the-ibb-group_barrier-free.pdf

	<p>Furthermore, the Issuer is currently drafting a climate strategy, which includes a multi-step transformation process to achieve its ESG goals and targets.</p> <p>IBB doesn't currently disclose the financial budget to achieve the ESG goals and targets.</p>
Climate Transition Strategy	<p>The Issuer aims to minimize its impact on the environment by focusing on avoiding emissions and reducing resource consumption in banking operations. Any necessary emissions (Scope 1 to 3) caused by the bank's operations were offset. IBB has formulated objectives to combat climate change: further develop the funding portfolio, increase energy efficiency in Berlin's building stock and reduce CO₂ emissions, grow its sustainable investment portfolio, neutralize the emissions from the bank's operations and screen for CO₂ emissions in the product portfolio.</p>
Top three areas of breaches of international norms and ESG controversies in the industry²¹	<p>Failure to mitigate climate change impacts, failure to respect indigenous rights, sexual harassment in the workplace, and failure to respect the right to an adequate standard of living.</p>
Breaches of international norms and ESG controversies by the Issuer	<p>At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.</p>
Sustainability Reporting	<p>The Issuer reports on its ESG performance and initiatives annually. The report is prepared according to the GRI Standard. In addition to the sustainability report, IBB prepares a management report and a non-financial report (following the CSR Directive Implementation Act), both annually, and a Declaration of Compliance (following the German Sustainability Code) every two years.</p>
Industry associations, Collective commitments	<p>The Issuer is a member of the "Initiative Mehrwert Berlin" since 2010 and "Verein für Umweltmanagement und Nachhaltigkeit" (VfU) since 2015. IBB is also a sponsor of the Bundesinitiative Impact Investing (BIII).</p>

²¹ Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Development Banks industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework

IBB has previously issued Social Bonds. The total amount of proceeds in the Social Bond Pool as of Dec. 31, 2022, is EUR 1.896 billion. The amount of the disposable loans is EUR 1.396 billion and the amount of outstanding social bond issuances is EUR 500 million. The sustainability quality of the Issuer and the Social Bond Framework²² as well as the Social Bond Report²³ were verified by ISS-Corporate.

Rationale for issuance

IBB is a publicly owned development bank supporting the federal state of Berlin in the performance of its public tasks. Corresponding to this sustainable business model, IBB established its first Social Bond Framework in June 2022.

IBB chose four project categories listed in their Framework for the following reasons:

The housing market in Berlin has been under pressure for years and contributes to inequality and segregation. IBB plans to lend to state-owned housing companies and housing cooperatives that offer affordable housing to address this issue and support low-income households and/or other vulnerable populations.

Affordable basic infrastructure (including water, energy and waste disposal) is key for sustainable development. Therefore, IBB included the category in its Framework and aims to contribute improving the affordability of basic infrastructure in Berlin.

The Issuer wants to make a contribution to the improvement and modernization of healthcare in Berlin by lending to state-owned hospitals. The state of Berlin came up with a Health Action Program and the "Health City Berlin 2030" strategy, which IBB supports directly or indirectly through lending. The Issuer will also lend to school projects to contribute to sufficient school capacities and qualitative and inclusive educational offerings in Berlin.

SMEs drive innovation and technology and can therefore also drive transformation. Additionally, SMEs offer employment opportunities, which are needed in Berlin as it has one of the highest unemployment rates in Germany. By lending to SMEs, IBB aims to ensure improved access to financing.

Opinion: *The key sustainability objectives and the rationale for issuing social bonds are clearly described by the Issuer. All project categories financed are in line with the Issuer's sustainability objectives.*

²² <https://www.iss-corporate.com/file/documents/spo/spo-20220614-investitionsbank-berlin.pdf>

²³ <https://www.iss-corporate.com/file/documents/spo/report-review-20230814-investitionsbank-berlin.pdf>

DISCLAIMER

1. Validity of the Second Party Opinion (“SPO”): Valid as long as the cited Framework remains unchanged.
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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary methodology.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Investitionsbank Berlin commissioned ISS-Corporate to compile a Social Bonds SPO. The Second Party Opinion process includes verifying whether the Social Bond Framework aligns with the Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) and to assess the sustainability credentials of its Social Bonds and the Issuer's Sustainability Strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA)

ISSUER'S RESPONSIBILITY

Investitionsbank Berlin's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation of ESG risks management at the asset level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is a part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent Second Party Opinion of the Social Bonds to be issued by Investitionsbank Berlin has been conducted based on a proprietary methodology and in line with the Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA).

The engagement with Investitionsbank Berlin took place from February to June 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

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

About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g., the Green/Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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