



Gewobag
Die ganze Vielfalt Berlins.

Social Finance Framework



Gewobag
Wohnungsbau-Aktiengesellschaft Berlin

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1. Introduction

1.1 Profile of Gewobag

As one of the largest municipal housing associations in Berlin, pursuant to its statutes, the main tasks of Gewobag Group ("Gewobag" or "the Group") include the creation and management of affordable housing in all of Berlin's districts for the population at large (housing market task). Ever since the Group was founded over 100 years ago, its goal has been to reconcile social, ecological and economic requirements. This challenge has become more complex and more urgent over time and Gewobag commits itself to respecting all three dimensions in its actions.

Excerpt from the Gewobag statutes (§ 2 Purpose of the company):

- 1 The objective of the company is to conduct real estate transactions of all kinds, in particular the creation and management of apartments for large portions of the population, including households with low income, with bearable burdens for these.
- 2 The task of the company is both, to secure and extend reasonably priced rented housing in all districts for large portions of the population (housing market task) as well as assistance with providing sustainable housing suitable for the needs of households in Berlin, particularly those which are at a disadvantage on the housing market and cannot obtain by themselves adequate housing (provision task).
- 3 The contribution of the company in providing a sufficient quantity of housing, with socially acceptable rents and to advance the urban development of Berlin, can be achieved through the new building of housing, repair, maintenance and modernisation of existing housing as well as through purchases. In pursuing these alternatives, attention will have to be paid to the requirements of environmental protection.

1.2 Commitment to Sustainability

Owing to its commitment to sustainability, Gewobag Wohnungsbau Aktiengesellschaft Berlin (Gewobag) has implemented the Social Finance Framework. By means of this framework, the awareness for sustainability both in the housing industry as well as in the company itself is to be further strengthened and, at the same time, access to Social Finance Instruments is made possible. The proceeds generated from these instruments shall be used for the financing or refinancing of assets of Gewobag classified as social. This will contribute to further strengthen the sustainability profile of Gewobag and to supplement the diverse sustainability initiatives of the group, which Gewobag introduced in the past already.



1.3 Dimensions of Sustainability

In 2018, Gewobag implemented a systematic sustainability management system. An analysis of the various aspects and dimensions of sustainability was conducted and a sustainability programme was drawn up. This is based on an analysis of how certain essential sustainability topics have an impact on the company. The sustainability programme includes targets as well as specific measures for the achievement of those targets in three dimensions of sustainability (economy, social affairs and environment). The sustainability programme will be reviewed annually and further developed over time. It serves as both the standard presentation of stipulated targets, as well as a tool to document the progress. You can find further information on Gewobag's Sustainability Programme at: www.gewobag.de/nachhaltigkeit.

As indicated, the three dimensions of sustainability are based on social, economic and ecological aspects. Therefore, the prime aim should continue to be to balance these three dimensions, with an emphasis on Gewobag's major social responsibility towards its tenants. The growing importance of the ecological dimension into this existing balance can be seen as an additional challenge, in particular, as Gewobag's housing portfolio consists of a multitude of different building types from various years of construction. Therefore, the environmental aspects must be evaluated depending on the respective condition of the buildings.

However, Gewobag is convinced that with its sustainability management system it will continuously improve in all three sustainability dimensions and will thus be among the pioneers of the development of sustainability within the European housing industry.

1.4 Certified Sustainable Housing Label

In order to reinforce the awareness for sustainability both in the housing sector as well as in the company itself and to finally gain access to Sustainable Financing Instruments, Gewobag decided to have an independent external assessment carried out, becoming one of the first housing associations to be awarded the Certified Sustainable Housing Label.

RITTERWALD Consulting B.V. is a consulting company that uses a pan-European approach to holistically address the needs and challenges of housing companies, real estate companies and government authorities. Owing to its continuing strong track record of the housing industry, RITTERWALD Consulting B.V. identified the growing demand for a pan-European Label. In this way, RITTERWALD Consulting B.V. has developed pan-European indicators for sustainability applicable for the housing industry working together with qualified companies (Gewobag Wohnungsbau-Aktiengesellschaft Berlin from Germany, Ymere Stichting from the Netherlands, Vilogia Société Anonyme d'HLM from France and Clarion Housing Group from Great Britain). Thirty individual social and ecological criteria of the housing industry form the basis for the Certified Sustainable Housing Label. The Label helps to advance the UN Sustainable Development Goals (UN SDGs) 1, 9 and 11.

The Certified Sustainable Housing Label should give qualified companies the possibility to be able to guide themselves towards a sustainable European housing sector and to reinforce the awareness for sustainability both in the housing sector as well as in their companies themselves. The Certified Sustainable Housing Label is designed to document the activities and the commitment of the housing associations with regards to sustainability actions towards all relevant stakeholders and interested players in the financial markets and therefore enable access to Sustainable Financing Instruments. RITTERWALD Consulting B.V. has confirmed that Gewobag is a sustainable housing company that takes appropriate measures both on a social as well as an ecological level.



2. Gewobag

Social Finance Framework

Gewobag has implemented this Social Finance Framework under which the company intends to issue Social Finance Instruments, which may include bonds, private placements, Commercial Paper, bonded loans and other Social Finance Instruments, for the financing and/or refinancing of social assets with a positive social benefit.

The Social Bond Principles ("SBP") 2020 version as published by the International Capital Markets Association ("ICMA")¹ constitute voluntary guidelines, which recommend transparency and disclosure and promote integrity with the development of Social Finance Instruments. The Gewobag Social Finance Framework is aligned with the Social Bond Principles, which are comprised of four core components:

- 1 Use of proceeds
- 2 Process of the project evaluation and selection
- 3 Management of the proceeds
- 4 Reporting

For each issued Social Finance Instrument issued, Gewobag assures that it will apply the guidelines regarding (i) the use of proceeds, (ii) the process for project evaluation and selection (iii) the management of proceeds and (iv) the reporting, as stipulated in these Principles.

The Gewobag Social Finance Framework also aligns with the recommendations of the Social Bond Principles with regard to an external review. This Framework shall apply to all Social Finance Instruments issued by Gewobag and the validity is oriented to the term of the Social Finance Instruments. This Framework can be updated in the future in order to take changes to the Social Bond Principles or to the developing market practice in the field of Social Finance Instruments into consideration.

¹ To be found at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Social-Bond-PrinciplesJune-2020-090620.pdf>




3. Use of proceeds

The Gewobag Group intends to allocate an amount equal to the net proceeds from the Social Financing Instruments issued under this framework towards social assets that are eligible and contribute to the creation of affordable housing.

Eligible Social Assets:

An amount equal to the net proceeds raised by the issuance of the social finance instrument will be used to finance or re-finance, in whole or in part, the Eligible Social Assets of Gewobag.

Table 1 shows the Eligible Social Assets in the balance sheet of Gewobag.

ICMA SBP	Eligibility Criteria	Assets	Eligible for promotion?	Explanation	Target population	UN SDGs	
Affordable housing	<ul style="list-style-type: none"> - All housing units, which according to the cooperation agreement with the municipal housing companies (KoopV)² are directed at tenants with a WBS (housing entitlement certificate) and therefore qualify as social subsidised apartments - Housing units, which are let under the customary local comparable rent³ and their rents in total rise by no more than 2% per annum⁴ - Freely financed newly built apartments, which on average are let for the first time at less than EUR 11 / m² / mth in order to exercise a rent-controlling effect on the Berlin housing market⁵ - Portfolio purchases, with which every second new letting is carried out at a net cold rent of a maximum of EUR 6.50 / m² / mth. to households entitled to a WBS¹² - Modernised housing units, the net cold rents of which will be increased by a maximum of 6% of the spent modernisation costs and may not exceed the customary local comparable rent¹⁵ by more than 10%¹⁴ 	Property, plant and equipment					
		Properties and rights equivalent to land with residential buildings ⁶	Yes	Construction of residential buildings for social housing purpose	- Persons entitled to a WBS ¹⁰ according to the Berlin income limits ¹¹ : - 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		
		Technical equipment and machinery ⁷	Partly	Office equipment in connection with activities for social housing			
		Factory and office equipment ⁸	Partly	Connected rental furniture in connection with activities for social housing construction			
		Properties without buildings ⁹	Yes	Future constructions for the letting of subsidised apartments	- The net cold rent is more than 30 per cent of the income of a tenant (hardship case regulation) ¹⁸		
		Assets under construction	Yes	Constructions for the letting of subsidised apartments	- Broad segments of the population ¹⁹ with low and average incomes in order to retain the value of a socially diverse city ²⁰		
		Pre-construction costs	Yes	Constructions for the letting of subsidised apartments			
		Down payments made	Yes	Constructions for the letting of subsidised apartments			
		Intangible assets	Partly	Software and licences			
		Current assets ^{15, 16}	Partly	Warehouse stocks, receivables, cash and cash equivalents			
Accruals ¹⁷	Partly	Money procurement costs and other expenses paid in advance					

- 2 Cooperation agreement can be found at: <https://www.stadtentwicklung.berlin.de/wohnen/wohnraum/wohnungsbaugesellschaften/download/kooperationsvereinbarung.pdf>
- 3 The valuation basis is the representative list of rents for Berlin, that can be found at: <https://www.stadtentwicklung.berlin.de/wohnen/mietspiegel/de/download/Mietspiegel2021.pdf>
- 4 Contained in 4.2 KoopV, socially compatible rents should be secured, one-off rent increases by up to 4% within 2 years are possible. Exceptions exist with rents, which are below 75% of the average rent of Gewobag
- 5 Contained in 2.1 KoopV, obligation of the housing association to inexpensive building and reasonable price differentiation
- 6 Properties and rights equivalent to land with residential buildings are only eligible for promotion if the housing units are let to households with a WBS or the average rent is less than the customary local amounts of comparable rents.
- 7 Technical equipment and machinery are only eligible for promotion if they are used for support of activities in the field of affordable housing.
- 8 Factory and office equipment are only eligible for promotion within social rented housing
- 9 Properties without buildings are only eligible for promotion if the building plan is available for affordable housing
- 10 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% are also possible
- 11 To be found at: https://www.stadtentwicklung.berlin.de/wohnen/mieterfibel/de/mf_wbs.shtml
- 12 Contained in 2.3 KoopV, applies to purchased residential buildings insofar as the net cold rent is more than EUR 6.50 / m² / mth.
- 13 The assessment basis is the representative list of rents for Berlin, that can be found at: <https://www.stadtentwicklung.berlin.de/wohnen/mietspiegel/de/download/Mietspiegel2021.pdf>
- 14 Contained in 4.3 KoopV, contributes to the fact that socially compatible rents are secured in case of modernisation
- 15 Cash and cash equivalents are not eligible for promotion
- 16 Accruals and current assets may be eligible for promotion if they are closely associated with the activities in the field of the affordable housing
- 17 Accruals and current assets may be eligible for promotion if they are closely associated with the activities in the field of the affordable housing
- 18 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 Birn), to be found at: https://www.stadtentwicklung.berlin.de/wohnen/wohnraumversorgung/download/WoVG_Gesetzblatt_05.12.15.pdf
- 19 Special offers for groups with special requirements such as students, persons who receive transfer payments, refugees and senior citizens offer an additional social value to the letting to persons entitled to a WBS
- 20 Object of the company pursuant to § 2 of the statutes; social task of the reasonably-priced provision of inexpensive housing is therefore a central purpose of the company

4. Process of the Project Evaluation and Selection

In 2017 the Senate of Berlin signed a cooperation agreement "Affordable rents, new housing construction and social housing supply" with Berlin's six municipal housing companies. The aim of the agreement is to ensure the availability of affordable housing in Berlin. Gewobag is one of the six state-owned housing associations and therefore part of this agreement.

All Social Assets of Gewobag have a direct or indirect connection with its main activity, the provision of affordable housing in Berlin in order to offer tenants socially compatible apartments at reasonable rents, without impairing its own economic efficiency. Tenants can therefore expect affordable housing in all districts - in particular households with low income.

A Sustainable Finance Team was formed that assesses and selects assets, which are financed and/or refinanced from the proceeds of the Social Finance issuance on the basis of their fulfilment of the aforementioned eligibility criteria. The team consists of the Head of the Financing Department, the Financial Services Officer and the Sustainability Officer of Gewobag.

The Sustainable Finance Team monitors the Eligible Social Assets after each reporting period and is also responsible for:

- The examination of the content of the Social Finance Framework of Gewobag and its updating in order to take into consideration on a “Best Effort” basis changes in corporate strategy, technology and market developments;
- on a “Best Effort” basis the exclusion and replacement of certain assets and/or projects, which no longer fulfil the eligibility criteria or were liquidated;

The Sustainable Finance Team will meet at least once a year.

The process for the evaluation and selection of the assets is carried out in line with the corporate and sustainability targets of Gewobag as well as with the applicable national, European and international sustainability standards and regulations in order to ensure a strict handling of possible negative ecological/ social implications. The internal sustainability management of Gewobag represents the minimum standard for all business processes and proceeds raised from issuances through Social Finance Instruments.

Gewobag also applies measures of risk management with its business decisions, which are supported by company-wide planning, reporting and controlling systems.

Policies and guidelines, which minimise ecological / social risks potentially associated with Eligible Social Assets are:

- State of Berlin Corporate Governance Code²¹
- Risk and Compliance Management Handbook²²
- State of Berlin Tendering and Award Act [Berliner Ausschreibungs- und Vergabegesetz - BerlAVG]²³
- Sustainability Report 2019²⁴
- DNK Declaration 2018²⁵
- Cooperation agreement “Affordable Rents, New Housing Construction and Social Housing Supply”²⁶
- Statutes of Gewobag Wohnungsbau-Aktiengesellschaft Berlin

21 To be found at: <https://www.berlin.de/sen/finanzen/vermoegen/downloads/artikel.7236.php>

22 To be found at: [Internal Document Risk and Compliance Management Handbook]

23 To be found at: https://www.berlin.de/vergabeservice/vergabeleitfaden/rundschreiben/assets/berlavg_2020.pdf

24 To be found at: <https://berichte.gewobag.de/2019/nachhaltigkeitsbericht>

25 To be found at: https://www.gewobag.de/wp-content/uploads/2019/09/DNK_2018_Gewobag_Wohnungsbau-Aktiengesellschaft.pdf

26 To be found at: <https://www.stadtentwicklung.berlin.de/wohnen/wohnraum/wohnungsbauengesellschaften/download/kooperationsvereinbarung.pdf>

5. Management of the Proceeds

Gewobag will use an amount equal to the net proceeds from Social Finance Instruments for financing Eligible Social Assets on its balance sheet pursuant to the eligibility criteria presented above and the evaluation and selection procedure.

The proceeds from Social Finance Instruments are managed by the Financing department of Gewobag on the basis of the valuations of the Eligible Social Assets shown on the balance sheet.

Gewobag will, on a best-efforts basis, achieve and maintain an allocation level for the Eligible Social Assets, which matches or exceeds the balance of the net proceeds from the outstanding Social Finance Instruments. Should the amount of the net proceeds of the outstanding Social Finance Instruments exceed the amount of the Eligible Social Assets, additional Eligible Social Assets will be selected and added by Gewobag to the extent necessary in order to retain the level of allocation until the maturity of the Social Finance Instruments.

As long as proceeds from social finance instruments cannot be allocated, Gewobag will transfer these at its own discretion to its Treasury-Liquidity portfolio, (cash on hand, securities and/or other short-term liquid instruments). Moreover, the proceeds raised from social finance instruments may be used for the repayment of debts or other capital management activities pending full allocation.



6. Reporting

In line with the recommendations from the Social Bond Principles, Gewobag intends to create and make available a report on Eligible Social Assets and/or on its Social Finance Instruments. The reporting will be carried out at least annually or until full allocation of outstanding Social Finance Instruments.

The report will be published on Gewobag’s website.

6.1 Allocation Reports

The Allocation Report will include:

- The total amount of proceeds, which is allocated to Eligible Social Assets
- The amount of additions, the amount of sold and liquidated assets, as well as the amount of depreciation of Eligible Social Assets during the year
- The balance of the non-allocated proceeds
- The total amount of Gewobag’s outstanding Social Finance Instruments

6.2 Impact Reporting

Gewobag intends, within the scope of an annual Impact Report, to report on the social contribution of the assets or projects financed with the proceeds from Social Finance Instruments. If applicable, information regarding the methods of the Data Reporting and the impact assessment can be made available in order to improve transparency. The Impact Reporting may, on a “Best Efforts” basis, comprise the following points:

Eligible category	Matrix for the Impact Reporting
Affordable housing	<ul style="list-style-type: none"> • Number of housing units, which are let pursuant to the rent stipulations of the WoVG Bln and the KoopV (“Cooperation-relevant portfolio”) • Number of housing units, which are newly let or re-let to persons entitled to a WBS • Average customary local comparable rent • Average portfolio rent

The allocation and the Impact Reports will be made available via Gewobag’s website. Gewobag intends to align its reporting to the “Handbook for Harmonized Framework for Impact Reporting – April 2020”²⁷.

²⁷ To be found at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-December-2020-151220.pdf>

7. External Review

7.1 Second Party Opinion (before issue)

ISS-ESG has reviewed the alignment of the Gewobag Social Finance Framework with the Social Bond Principles 2020, as published by ICMA. The ISS-ESG Second Party Opinion (SPO) will be made available on the website of Gewobag.

7.2 Verification (after issue)

Gewobag intends to commission an independent review at after the full allocation of any Social Bond proceeds, with the intention of confirming that the Social Bond proceeds have been allocated in accordance with the Use of Proceeds specified in this framework document. This report will be made available on Gewobag's website.



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