

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Vonovia

17 February 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Sustainable Finance Instruments (including green, social and sustainability bonds, convertible bonds, commercial paper, loans, promissory notes (Schuldscheindarlehen))
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles, Social Bond Principles administered by the International Capital Market Association (ICMA), Green Loan Principles, Social Loan Principles (2021 versions) administered by the Loan Market Association (LMA); and the EU Taxonomy Climate Delegated Act (June 2021)
Scope of verification	<ul style="list-style-type: none">• Vonovia's Sustainable Finance Framework (as of February 2022)• Vonovia's selection criteria (as of February 2022)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as there is no material change to the Framework

CONTENTS

Scope of work	3
ISS ESG ASSESSMENT SUMMARY.....	4
ISS ESG SPO ASSESSMENT.....	5
PART I: SUSTAINABLE FINANCE FRAMEWORK LINK TO VONOVIA'S SUSTAINABILITY STRATEGY	5
A. ASSESSMENT OF VONOVIA'S ESG PERFORMANCE.....	5
B. CONSISTENCY OF SUSTAINABLE FINANCE FRAMEWORK WITH VONOVIA'S SUSTAINABILITY STRATEGY.....	8
PART II: ALIGNMENT WITH RELEVANT PRINCIPLES	10
PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE	16
A. CONTRIBUTION OF THE SUSTAINABLE BOND FRAMEWORK TO THE UN SDGs.....	16
MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA FOR THE ELIGIBLE SOCIAL ASSETS	18
B. ALIGNMENT OF THE GREEN ASSET SELECTION CRITERIA WITH THE EU TAXONOMY	20
ANNEX 1: Methodology	34
ANNEX 2: ISS ESG Corporate Rating Methodology	35
ANNEX 3: Quality management processes	37
About ISS ESG SPO	38

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable Finance Framework

Scope of work

Vonovia commissioned ISS ESG to assist with its Sustainable Finance Instruments (including green, social and sustainability bonds, commercial paper, loans, promissory notes (Schuldscheindarlehen) and convertible bonds by assessing three core elements to determine the sustainability quality of the instruments:

1. Link of the Sustainable Finance Instruments to Vonovia's sustainability strategy – drawing on Vonovia's overall sustainability profile and issuance-specific use of proceeds' categories.
2. Vonovia's Sustainable Finance Framework (February 2022 version) – benchmarked against ICMA's GBPs, SBPs, SBGs, LMA's GLPs, and the EU Taxonomy Climate Delegated Act (June 2021) on a best effort basis.
3. The selection criteria – whether the nominated project categories contribute positively to the UN SDGs and are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation and Do No Significant Harm Criteria) and Minimum Social Safeguards requirements as outlined in the EU Taxonomy Climate Delegated Act (June 2021).

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable Finance Framework

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Sustainable Finance Instruments link to issuer's sustainability strategy	<p>According to the ISS ESG Corporate Rating published on 26.01.2022, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the real estate sector. The issuer is rated 49th out of 385 companies within its sector.</p> <p>The use of proceeds financed with the Sustainable Finance Instruments are consistent with the issuer's sustainability strategy and material ESG topics for its industry. The rationale for issuing Sustainable Finance Instruments is clearly described by the issuer.</p>	Consistent with issuer's sustainability strategy
Part 2: Alignment with GBPs, SBPs, SBGs, GLPs and SLPs	<p>The issuer has defined a formal concept for its Sustainable Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBPs, SBPs, SBGs, GLPs and the SLPs.</p>	Aligned
Part 3: Sustainability quality of the selection criteria and asset pool	<p>The Sustainable Finance Instruments will (re-)finance eligible asset categories which include: green and social residential real estate.</p> <p>Those use of proceeds categories have a limited contribution to SDGs 1 "No Poverty", 7 "Affordable and clean energy", and 11 "Sustainable Cities and Communities", and also significant contribution to SDG 10 "Reduced Inequalities", and 13 "Climate action".</p> <p>The overall sustainability quality of the social assets in terms of sustainability benefits, risk avoidance and minimization is good based upon the ISS ESG assessment.</p>	Positive contribution to SDG 1, 7, 10, 11 and 13
Alignment of selection criteria with EU Taxonomy	<p>For the green assets, ISS ESG assessed the alignment of Vonovia's project characteristics, due diligence processes and policies against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis². Based on robust processes for selection, the nominated project categories are considered to be:</p> <ul style="list-style-type: none">• Aligned with the Climate Change Mitigation Criteria• Aligned with the Do No Significant Harm Criteria• Aligned with the Minimum Social Safeguards requirements	

¹ ISS ESG's evaluation is based on the Vonovia Sustainable Finance Framework (February 2022 version), on the analysed selection criteria as received in February 2022, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 29.09.2022).

² Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage ISS ESG evaluates the alignment with the EU Taxonomy on a "best efforts basis".

ISS ESG SPO ASSESSMENT

PART I: SUSTAINABLE FINANCE FRAMEWORK LINK TO VONOVIA'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF VONOVIA'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
VONOVIA	REAL ESTATE	2	VERY HIGH

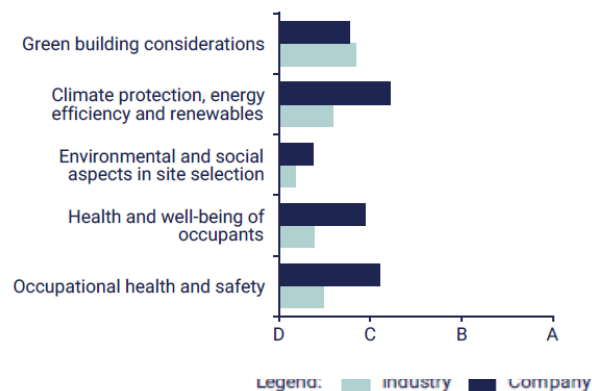
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the real estate sector and obtains a decile rank relative to the industry group of 2, given that a decile rank of 1 indicates the highest relative ESG performance out of 10.

ESG performance

As of 26.01.2022, this rating places Vonovia 49th out of 385 companies rated by ISS ESG in the real estate sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability opportunities

Vonovia's real estate portfolio consists of residential properties which the company acquires, develops and manages. The company has several social projects which contribute to sustainable development, including price-linked affordable housing, favourable lease conditions for tenants with a social focus, and projects that contribute to social infrastructure and local enhancement, such as the modernisation of elderly residential properties.

However, the percentage of the company's real estate portfolio considered to have a high social benefit is low. In 2019, regarding relevant environmental opportunities, some completed new development projects achieved the green building certification DGNB.

SECOND PARTY OPINION

Sustainability Quality of the Issuer and Sustainable Finance Framework

Sustainability risks

For a company active in real estate management and development, the main sustainability risks are the health and safety of employees, contractors and tenants, climate change, and the resource efficiency of buildings (i.e. energy, water and materials). Regarding health and safety, Vonovia has implemented important elements of health and safety management and collects group-wide data on employees on health and safety statistics.

Vonovia has also taken important steps to provide for tenants and customers by conducting regular inspections regarding the exposure to chemical (e.g. asbestos) and biological (e.g. legionella and mould) factors, and by implementing security measures. In addition, the company considers sociodemographic developments such as the ageing population in building design.

Regarding Vonovia's management of relevant environmental risks, the company has implemented energy-efficiency modernisation programs, which include the replacement of insulation, windows and heating systems and the use of renewable energy sources. The company has set a target to modernise 3% of its assets every year. Regarding climate change, the company compiles some relevant greenhouse gas emission inventories and has set a target to reduce emissions. Finally, regarding construction and refurbishment activities, the company refers to the consideration of ecological aspects in, for example, material selection. However, these guidelines are not binding and topics like the reduction of negative impacts on neighbourhoods do not appear to be strategically addressed.

Governance opinion

Regarding Vonovia's governance structure, nearly all of the company's board members are independent, including the chair of the board (Jürgen Fitschen). The board has established separate committees in charge of audit, nomination and remuneration, and the majority of the members of these committees are independent (all information as at March 31, 2021). Vonovia publicly discloses the remuneration of its CEO and the highest-paid members of the executive management team. Compensation is sub divided according to fixed amounts, variable performance-related components and long-term incentive components, which can incentivise sustainable value creation.


Regarding Vonovia's governance of sustainability, the company does not appear to have established an independent board committee in charge of sustainability matters. Regarding executive remuneration, Vonovia has introduced variable compensation components which are linked to non-financial performance criteria. Regarding business ethics, Vonovia's Code of Conduct addresses issues such as corruption, insider dealings and the validity of financial information in varying degrees of detail. To ensure compliance with the code, some procedures such as an employee acknowledgement of the code, employee training, compliance risk assessments and whistle-blower channels have been established.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Vonovia's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along Vonovia's production processes.

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable Finance Framework

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Non-luxury residential housing, social housing	50%	CONTRIBUTION	
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

The company is not facing any controversies.

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable Finance Framework

B. CONSISTENCY OF SUSTAINABLE FINANCE FRAMEWORK WITH VONOVIA'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Vonovia seeks to act in the interest of society for a sustainable future in the housing industry and the provision of affordable housing.

The real estate company has established the following ESG pillars for its business:

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Contribution to climate protection and carbon reduction	Social responsibility for its tenants, customers and employees	Reliable, transparent and trustworthy governance
<ul style="list-style-type: none">Environment and climateSustainable construction and development	<ul style="list-style-type: none">Society and contribution to urban developmentHomes and customersCorporate culture and employees	<ul style="list-style-type: none">Corporate governance and responsible business practicesFuture viability and capital market

In 2020, Vonovia conducted a materiality analysis, which is included in its sustainability report.³ Based on the analysis, Vonovia defines areas for action and outlines a sustainability roadmap.

Its seven action areas are to:

- Create neighbourhoods for harmonious co-existence;
- Become climate neutral by 2050;
- Be committed to diversity, team spirit and new ways of thinking;
- Use increasingly sustainable construction methods;
- Be on track for long-term success;
- Offer housing for all; and
- Take responsibility at all times.

In neighbourhoods of Vonovia's buildings, the company promotes the expansion of renewable energy like photovoltaics, the implementation of climate-friendly mobility concepts, such as EV charging stations, and innovative technologies and introduces energy sector coupling solutions.

Since 2017, Vonovia has set an average annual refurbishment target of around 3% of its building stock per year in Germany (compared to the refurbishment trend rate of 1%). Vonovia says that its tenants benefit directly from these measures, as electricity and heating savings result in lower expenses. Rental prices are based on local prices, and, if available, on certified rent indices. To create attractive living spaces and protect the economic value of its investments, Vonovia is committed to social

³ www.reports.vonovia.de/2020/sustainability-report/_assets/downloads/entire-vonovia-sr20.pdf

SECOND PARTY OPINION

Sustainability Quality of the Issuer and Sustainable Finance Framework

sustainability and also has social integration programmes in place. It offers ‘needs-based’ housing and, for example, modernises, constructs and renovates buildings senior friendly.

In metropolitan areas, Vonovia develops public areas with new playgrounds and green outdoor environments to increase well-being and security. It establishes collaborations with authorities, municipalities and NGOs in order to support local development and offers work opportunities to residents to increase employment, for example via its Environmental Caretaker Programme.

Rationale for issuance

This framework represents an update of Vonovia’s previous and first green bond framework published in March 2021 and supports the firm’s sustainability goals. The Sustainable Finance Framework replaces also a preceding framework of Deutsche Wohnen, a real estate firm which Vonovia acquired in 2021. The update will align the frameworks with EU Taxonomy eligibility criteria and include social categories, to enable Vonovia to issue various green, social and sustainability instruments. It is planned that invested assets will demonstrate climate and social benefits and contribute to the sustainability strategy of Vonovia and the UN SDGs.

Contribution of use of proceeds categories to sustainability objectives and priorities

ISS ESG mapped the use of proceeds’ categories financed with the Sustainable Finance Instruments to the sustainability objectives defined by the issuer and to the key ESG industry challenges, as defined by the ISS ESG Corporate Rating methodology for the real estate sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each use of proceeds’ category.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Buildings	✓	✓	Contribution to a material objective
Affordable Housing	✓	✓	Contribution to a material objective
Low-barrier Housing	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the use of proceeds financed with the Sustainable Finance Instruments are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Sustainable Finance Instruments is clearly described by the issuer.*

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable Finance Framework

PART II: ALIGNMENT WITH RELEVANT PRINCIPLES

1. Use of proceeds

Vonovia's Sustainable Finance Instruments will be used to finance and/or refinance, in whole or in part, new or existing assets. The amount or the percentage of new financing and refinancing will be defined in its allocation report in alignment with its framework.

ICMA GBP	Eligible Assets
Green Buildings	<ul style="list-style-type: none">▪ Buildings built before 31 December 2020 with EPC label \geq "A" or belonging to the top 15% of the national building stock based on primary energy demand (PED)⁴▪ Buildings built after 31 December 2020 with energy performance of at least 10% better than the threshold for Nearly Zero-Energy Buildings (NZEB) in the local market⁴▪ Buildings that have been refurbished meeting the criteria for major renovations under applicable building regulations⁵▪ Buildings that have been refurbished with renovations resulting in a reduction of primary energy demand of at least 30% within a maximum of three years in comparison to the energy performance of the building before the renovation

ICMA SBP	Eligible Assets	Target group
Affordable Housing	<p>Development and/or provision of affordable housing units that aim to help address or mitigate a specific social issue and to target vulnerable groups. Investments in this category are evaluated based on the local context where Vonovia operates, applying subsidised housing laws.</p> <p>Germany</p> <ul style="list-style-type: none">▪ Housing units which are let based on German law on social and subsidised housing, whereby the tenant must own a so-called "<i>Wohnberechtigungsschein</i>" (WBS), i.e. a certificate of eligibility for social housing.▪ Housing units which are let at a discount of 15% to the local comparable rent (<i>Ortsübliche Vergleichsmiete - OVM</i>), according to § 558 BGB. Evaluation criteria of this rent index are:	<p>Germany</p> <ul style="list-style-type: none">▪ Regarding WBS targeted people are those with low income, vulnerable young people and students, people with disabilities, seniors, unemployed people and foreigners in vulnerable situations▪ Regarding OVM and Berlin housing units targeted people are those with low to medium-income

⁴ Vonovia has engaged an external consultant to define the top 15% of the national building stock and NZEB-10% in Germany, Austria and Sweden. The study's conclusions will be published on Vonovia's website.

⁵ As set in the applicable national and regional building regulations for 'major renovations' implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.

<p>Affordable Housing</p>	<ol style="list-style-type: none"> 1. Year of construction 2. Location (popularity of the city district, traffic noise level, transportation, infrastructure, building density, etc.) 3. Size or living space 4. Quality of equipment (sanitary facilities, sound insulation, types of heating, renovation, floors, etc.) 5. Economical energy consumption (sealing, thermal insulation, thermal insulation glazing, etc.) <ul style="list-style-type: none"> ▪ Newly built housing units in Berlin let in the beginning at less than EUR11 square meter per month⁶ <p>Austria</p> <ul style="list-style-type: none"> ▪ Housing units which are let according to the Austrian federal non-profit housing act of 8 March 1979 (<i>Wohnungsgemeinnützigkeitsgesetz – WGG</i>) on subsidised housing (<i>Gemeinnütziger Wohnbau</i>) ▪ Housing units in the city of Vienna which are let according to Austrian federal law of 12 November 1981 (<i>Mietrechtsgesetz - MRG</i>), and publicly subsidised as regulated in <i>Wiener Wohnbauförderungs- und Wohnhaussanierungsgesetz</i> (WWFSG) or <i>Wiener Wohnbauinitiative</i> (WBI) <p>Sweden</p> <ul style="list-style-type: none"> ▪ Housing units which are let based on rent-regulated residential housing in Sweden. The rent is negotiated between the property owner and the Swedish Union of Tenants on an annual basis. Based on the principle of utility, apartments with the same utility shall have the same price. As a result of this system, the rent level in the largest cities in Sweden have substantially lower rents than the theoretical market rent. All residential contracts have regulated rents. Eligible assets will be located in ‘vulnerable areas’, ‘particularly vulnerable areas’, and ‘risk areas’ as identified by the Swedish police. In these areas, Vonovia has put in place initiatives to support integration and reduce unemployment among its tenants. 	<p>Austria</p> <ul style="list-style-type: none"> ▪ Targeted people are those with low to medium income⁷ <p>Sweden</p> <ul style="list-style-type: none"> ▪ Targeted people are those living in a vulnerable area, a particularly vulnerable area or a risk area, as defined by the Swedish police in a map⁸
<p>Housing adapted to people with reduced mobility</p>	<ul style="list-style-type: none"> ▪ Housing units that have been refurbished to remove barriers and make them accessible to people with mobility impairments, addressing the needs of an ageing population, including for example low-barrier equipment in bathrooms, door widening, low-barrier electrical systems and measures in communal areas (e.g. widening entrances or parking areas for walkers and similar equipment) 	<ul style="list-style-type: none"> ▪ People with reduced mobility

⁶ The threshold for the average rent of newly built and freely financed housing units in Berlin is based on a revised agreement concluded on 12 April 2021 by the state of Berlin with its six municipal housing associations and the housing provision Berlin (Kooperationsvertrag, section 2.1). Vonovia says that this rent limit represents to a public definition of what constitutes affordable access to newly built housing units for the low and middle income population in Berlin. The addendum for the agreement is available at www.stadtentwicklung.berlin.de/wohnen/wohnraum/wohnungsbaugesellschaften/download/Ergaenzung_KoopV_WBG2.pdf

⁷ Approximately 0.5% of the assets will be located in Austria. 'Low to medium income' within Austria was classified as the following: In a one - person household, the net income may not exceed €46,450 p.a. while in a two-person household, the upper limit is €69,220 p.a. The criteria must be valid at the time of renting the apartment only.

⁸ https://polisen.se/siteassets/dokument/ovriga_rapporter/lagesbild-over-utsatta-omraden-2021.pdf

SECOND PARTY OPINION

Sustainability Quality of the Issuer and Sustainable Finance Framework

Opinion: ISS ESG considers the use of proceeds' description provided by Vonovia's Sustainable Finance Framework as aligned with the ICMA and LMA standards. Environmental and social benefits are described. The amount or percentage of newly financed and refinanced assets will be defined in the allocation report.

2. Process for project evaluation and selection

Vonovia has established a dedicated Sustainable Finance Committee which meets annually. It is chaired by the Head of Treasury and Finance and consists of representatives of the finance, the sustainability department and the portfolio management team.

The Sustainable Finance Committee has numerous tasks and responsibilities, including to:

- Discuss and validate the evolution of the Framework due to developments in corporate strategy, technology, the market and in regulation;
- Evaluate and select eligible projects in accordance with the eligibility criteria; where assets are qualifying for inclusion among both green and social categories, they will be included in the Eligible Green Asset Portfolio;
- Consider receiving advice from external consultants (applying data research) in addition to its own assessment when identifying eligible green and social assets and their non-financial impacts;
- Hold at least annual meetings to review and approve the eligible green and social assets at least once a year;
- Reallocate net proceeds if a project no longer meets the eligibility criteria or was divested;
- Oversee, approve and publish the allocation and impact reporting, as well as manage external assurance statements; and
- Monitor internal processes to identify mitigants to material social and/or environmental risks associated with the eligible green and social asset portfolio.

Such mitigants may include clear and relevant trade-off analysis and monitoring where the issuer assesses the potential risks to be meaningful. Vonovia mitigates environmental and social risks of green projects in line with laws and regulations, as well as the following processes, policies and standards:⁹

- Code of Conduct
- Business partner code
- Human rights policy

Opinion: ISS ESG considers the process for project evaluation and selection provided by Vonovia's Sustainable Finance Framework as aligned with the ICMA and LMA standards. The Sustainable Finance Committee has clearly defined responsibilities and various internal stakeholders are involved in the process of selecting projects.

⁹ www.investoren.vonovia.de/en/corporate-governance/compliance-and-policies/attitude/

SECOND PARTY OPINION

Sustainability Quality of the Issuer and Sustainable Finance Framework

3. Management of proceeds

The proceeds of the Sustainable Finance Instruments issued under this Framework will be managed by the Sustainable Finance Committee with a portfolio approach.

The Sustainable Finance Committee oversees, approves and publishes the allocation and impact reporting and manages external assurance statements. It also monitors internal processes to identify mitigants to material social and/or environmental risks associated with the eligible asset portfolio.

Vonovia intends to allocate the proceeds from the Sustainable Finance Instruments to an eligible green and social asset portfolio that meets the use of proceeds' eligibility criteria.

Vonovia will strive, over time, to achieve a level of allocation to the eligible green and social asset portfolios which matches or exceeds the balance of proceeds from its outstanding Sustainable Finance Instruments. Additional assets will be added to the portfolios to the extent required.

Assets will be included in the portfolio at their current IFRS balance sheet value, which will be updated annually to reflect investment and depreciation under IFRS and will qualify for refinancing without a specific look-back period.

The assets in the eligible green and social asset portfolios will be reduced by an amount equal to any green- or social-labelled loans that Vonovia has received relating to such assets or expenditures. Any loans from multilateral agencies, national or supranational entities, such as the European Investment Bank (EIB) or KfW Development Bank – which are known to refinance their operations with sustainable financing instruments – will be considered as labelled loans.

All relevant information regarding the issuance of Sustainable Finance Instruments and the eligible green and social assets financed/refinanced will be monitored and stored in Vonovia's internal accounting systems.

Pending the allocation or reallocation of the net proceeds, Vonovia will invest the balance of the outstanding net proceeds at its own discretion in its liquidity portfolio in cash, cash equivalents and/or in other short-term and liquid instruments.

Vonovia intends to fully allocate the proceeds within 24 months after the issuance of a sustainable finance instrument.

Opinion: *ISS ESG finds that the management of proceeds proposed by Vonovia's Sustainable Finance Framework is well aligned with the ICMA and LMA standards and some best market practices, such as the commitment of allocating all proceeds within 24 months of issuance and disclosing the types of temporary investment instruments to be used for unallocated proceeds.*

4. Reporting

Vonovia will report annually on allocation and impact of its Sustainable Finance Instruments, at least until full allocation, and on a timely basis in case of material developments impacting the portfolio such as regulation. The allocation and impact reporting will be made available on Vonovia's website.¹⁰

Allocation reporting

¹⁰ <https://investoren.vonovia.de/>

SECOND PARTY OPINION

Sustainability Quality of the Issuer and Sustainable Finance Framework

The allocation report will provide:

- the list of outstanding Sustainable Finance Instruments and their total amount;
- the amount of net proceeds allocated to eligible assets split by category;
- the geographical distribution of the assets (at country level);
- the balance of unallocated proceeds; and
- the amount/percentage of newly financed and refinanced assets.

Impact reporting

Where feasible, Vonovia intends to report on the environmental and/or social impacts of the assets funded with the proceeds. Where relevant, information may be provided on data reporting and impact assessment methodologies to increase transparency. The impact report may provide a description of relevant eligible assets as well as environmental and/or social impact metrics of the eligible assets.

The impact reporting will be presented in line with ICMA's Handbook - Harmonised Framework for Impact Reporting (June 2021). Relevant impact calculation methodologies will be mentioned.

Impact metrics may include:

ICMA GBP Category	Potential Impact Indicators
Green Buildings	<ul style="list-style-type: none">▪ <i>Estimated ex-ante annual energy consumption in kWh/m²</i>▪ <i>Estimated avoided/reduced carbon emissions relative to an established baseline (in tCO₂ eq)</i>
ICMA SBP Category	Potential Impact Indicators
Affordable Housing	<ul style="list-style-type: none">▪ <i>Rental costs compared to the national/regional rent index</i>▪ <i>Number of housing units</i>▪ <i>Share of underserved tenants</i>▪ <i>Number of people with access to adequate, safe and sustainable housing</i>▪ <i>Average local comparable rent</i>▪ <i>Average portfolio rent</i>▪ <i>Swedish portfolio: number of residents employed over the reporting year and percentage of former resident employees who are gainfully employed elsewhere after 12 months of employment with Vonovia</i>
Housing adapted to people with reduced mobility	<ul style="list-style-type: none">▪ <i>Number of apartments benefiting from low-barrier modernisations</i>▪ <i>Number of buildings benefiting from low-barrier modernisations</i>

Opinion: ISS ESG finds that the reporting proposed by Vonovia's Sustainable Finance Framework is aligned with the ICMA and LMA standards. Vonovia will also provide impact reporting, where feasible, and make both allocation and impact reporting publicly available on its website.

5. External review

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable Finance Framework

Vonovia intends to request an external auditor to issue a limited assurance report to certify the annual allocation reporting on the eligible projects financed with the proceeds.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE





A. CONTRIBUTION OF THE SUSTAINABLE BOND FRAMEWORK TO THE UN SDGs

Based on the assessment of the sustainability quality of the Sustainable Bond Eligibility Criteria and using a proprietary methodology, ISS ESG assessed the contribution of the Vonovia’s Sustainable Bond framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Sustainable Bond Framework’s Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:



USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings <ul style="list-style-type: none"> ▪ Buildings built before 31 December 2020 with EPC label ≥ “A” or belonging to the top 15% of the national building stock based on primary energy demand (PED) ▪ Buildings built after 31 December 2020 with energy performance at least 10% better than the threshold for Nearly Zero-Energy Buildings in the local market 	Limited Contribution¹¹	
	Significant Contribution¹²	
	Limited Contribution¹³	
	Significant Contribution¹⁴	

¹¹ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology.

¹² This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDGs. This is due to the fact that the issuer has based its selection criteria on the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2021) and to account for differing national building legislation more accurately.

¹³ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology.

¹⁴ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDGs. This is due to the fact that the issuer has based its selection criteria on the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2021) and to account for differing national building legislation more accurately.

<p>Affordable Housing</p> <ul style="list-style-type: none"> Development and/or provision of affordable housing units that aim to help address or mitigate a specific social issue and to target vulnerable groups. Investments in this category are evaluated based on the local context where Vonovia operates and reference to subsidized housing laws. <i>(For information about the referenced laws and locales, please refer to the Framework)</i> 	<p>Limited Contribution</p>	
<p>Housing adapted to people with reduced mobility</p> <ul style="list-style-type: none"> Housing units that have been refurbished to remove barriers and make them accessible to people with mobility impairments, addressing the needs of an aging population, including for example through low-barrier equipment in bathrooms, door widening, low-barrier electrical systems, and measures in communal areas (e.g. widening entrances or parking areas for walkers and similar equipment) 	<p>Significant Contribution</p>	

MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA FOR THE ELIGIBLE SOCIAL ASSETS

Social Assets

As a Use of Proceeds category, the social assets have a positive contribution to the SDG 1 “No Poverty”, SDG 10 ‘Reduced inequalities’, SDG 11 “Sustainable cities and communities” and SDG 13 “Climate Action”. The table below presents the findings of an ISS ESG assessment of the selection criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

General Accessibility to common areas of buildings and whole residential buildings (only for the category Housing adapted to people with reduced mobility)

- The project selection criteria focuses on measures for low-barrier conversions of individual housing units, to allow especially older residents to stay in their apartments for as long as possible. In principle, the issuer’s new buildings are built with low barriers above and beyond the legal requirements. For existing buildings, the potential for removing barriers is examined in both common areas and individual apartments (upon lease expiry). Otherwise,
- the issuer does not focus on accessibility measures across entire existing buildings, because that is outside the scope of this eligibility criterion

The issuer explains that approximately 30% of the newly rented apartments in Germany are planned for renovation and modernization targeted toward people with mobility impairments. Over 90% of the assets are in Germany.

Affordable Housing and Housing adapted to people with reduced mobility

Site selection

- ✓ The majority of assets are located in Germany where the issuer has policies in place ensuring the respect of applicable national regulations, including the Federal Nature Conservation Act (Bundesnaturschutzgesetz, BNatSchG). Under the regulation, any new construction cannot take place on (a) arable land and (c) forest land (b) on undeveloped land (plots of land) on which endangered animal species settle and protected habitats
- ✓ The issuer has policies in place to ensure that a majority of the assets to be (re)-financed are located within 1 km from one or more modalities of public transport¹⁵.

Construction Standards

- Although sustainable sourcing is a consideration for Vonovia, there is no or little information on policies to ensure that all of the assets to be financed and refinanced are constructed using sustainable construction methods such as modular timber or hybrid methods which have a lower energy consumption and reduced carbon emissions over their entire life cycle..

¹⁵ <https://reports.vonovia.de/2019/sustainability-report/data/environment/development-and-new-construction.html>

- ✓ The assets to be (re-)financed under this Framework are located in Germany, Austria and Sweden, where high labour and health and safety standards are in place (e.g., ILO core conventions)

Energy Efficiency

- ✓ Vonovia has a record of the EPC labels for a majority of the buildings in its social portfolio. Some buildings have the DGNB Gold Label.

Standards for Affordable Housing

- ✓ Vonovia's selection criteria for affordable housing ensure a renting rate below average. Assets to be (re-)financed under this Framework are covered under Vonovia's policies on 'fair pricing', and 'Inclusion, diversity and social cohesion'. The policies ensure promotion of non-discriminatory access and subsidized participation of socially disadvantaged groups via rental caps, community engagement programs and hardship allowances.

Safety of building users

- ✓ All of Vonovia's assets are covered under measures for road safety and fire protection. This includes preparing fire protection concepts, regular checks on building safety in compliance with building regulations, or preventing and controlling mould growth. Furthermore, buildings have to meet standard legislative requirements at European and national levels.

B. ALIGNMENT OF THE GREEN ASSET SELECTION CRITERIA WITH THE EU TAXONOMY

ISS ESG assessed the alignment of Vonovia's asset selection process and company policies for the nominated use of proceeds project categories, with the relevant Climate Change Mitigation, Do Not Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act¹⁶ (June 2021), based on information provided by Vonovia and on a best efforts basis. Where Vonovia's processes and policies fully meet the Criteria requirements, a tick is shown in the table below, for the ISS ESG assessment against the Criteria requirements.

Vonovia's green asset selection criteria overlap with the following economic activities in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation.

7.1 Construction of new buildings

7.2 Renovation of existing buildings

7.7 Acquisition and Ownership of Buildings

Note: In order to avoid repetition, the evaluation of the alignment the selection criteria to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section B.4. They are applicable to all of the above activities.

¹⁶https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

B.1 7.1 Construction of new buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES ¹⁷	ALIGNMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>Constructions of new buildings for which:</p> <p>1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).</p> <p>2. For buildings larger than 5000 m², upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.</p> <p>3. For buildings larger than 5000 m², the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.</p>	<p>Vonovia has commissioned independent consultant reports to assess the building energy performance thresholds which equate to 10% lower than NZEB requirements in Germany, Austria and Sweden. Vonovia will apply these thresholds in its eligibility criteria.</p> <p>The buildings will typically be smaller than 5000 m². For buildings which are larger than this threshold size, Vonovia will be also incorporating this criteria into their selection process to ensure that the two criteria requirements are met, before they add them to the portfolio for EU Taxonomy alignment.</p>	
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (2)	See B.4	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA		
Where installed, except for installations in residential building units, the specified water use for the following water	The buildings are located in Germany, Sweden and Austria, where the EU	

¹⁷ This column is based on input provided by the issuer.

appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E (of the Delegated Act):

To avoid impact from the construction site, the activity complies with the criteria set out in Appendix B to this Annex

Water Framework Directive and the Environmental Impact Assessment Directive have been applicable for many years. The issuer confirms that the buildings located in these countries are compliant with the relevant legislative requirements set out in Appendix B.

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.

Operators limit waste generation in processes related to construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.

Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887 or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and

Vonovia confirms that its buildings comply with the relevant EU legislative requirement such as the Waste Framework Directive, which stipulates that by 2020, at least 70% by weight of the non-hazardous construction and demolition waste is prepared for reuse, recycling or other material recovery.

For example, in 2020, the recovery rate of construction and demolition waste stood at 90% in Austria, 93% in Germany, and 90% in Sweden¹⁸.

Outside of the relevant EU and national legislation, Vonovia intends to assess the compliance of the eligible assets with ISO 20887:2020 at the time of confirming the EU Taxonomy alignment in the allocation reporting.



¹⁸ https://ec.europa.eu/eurostat/databrowser/view/cei_wm040/default/table?lang=en

<p>dismantleable to enable reuse and recycling.</p>		
<p>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Building components and materials used in the construction comply with the criteria set out in Appendix C of the Annex of the Delegated Act. Building components and materials used in the construction that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011 or other equivalent standardized test conditions and determination methods. Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject to an investigation for potential contaminants, for example using standard ISO 18400. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	<p>Vonovia confirms that its buildings located in Germany, Sweden and Austria, comply with relevant EU and national legislative requirements for hazardous chemicals and pollutants. The buildings are located in Germany, Sweden and Austria, where there are regulations about noise, dust and pollutant emissions during construction or maintenance works.</p>	
<p>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>An Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented.</p> <p>For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other</p>	<p>Vonovia confirms that the buildings in its portfolio comply with relevant EIA legislation in Germany¹⁹, Austria²⁰, and Sweden²¹.</p> <p>For its buildings in Germany, Vonovia confirms its lending policies comply with legal requirements including the Nature Conservation and Landscape Management Act in Germany ((Bundesnaturschutzgesetz - BNatSchG)</p>	




¹⁹ <https://www.gesetze-im-internet.de/uvpg/>

²⁰ <https://www.bmk.gv.at/en/topics/climate-environment/environmental-protection-company/eia/eia-goals.html>

²¹ <https://www.naturvardsverket.se/en/laws-and-regulations/the-swedish-environmental-code/>

<p>protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.</p>	<p>under https://www.gesetze-im-internet.de/bnatschg_2009/).</p> <p>Similarly, Vonovia complies with the equivalent legislation in Sweden and Austria.</p> <p>For the sites located near biodiversity sensitive areas, appropriate assessments and permits are conducted in accordance with the EU Fauna – Flora – Habitat (FFH) Directive.</p>	
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B.2 7.2 Renovation of existing Buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES ²²	ALIGNMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>The building renovation complies with the applicable requirements for major renovations (As set in the applicable national and regional building regulations for ‘major renovation’ implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.)</p> <p>Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30%</p>	<p>Vonovia will be using an independent energy expert to assess the primary energy demand of the buildings before and after the renovation to ensure that the thresholds are respected in its selection processes.</p>	
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
<p>GENERIC CRITERIA FOR (2)</p>	<p>See B.4</p>	
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
<p>Where installed as part of the renovation works, except for renovation works in residential building units, the specified water use for the following water appliances is attested by product</p>	<p>The buildings are located in Germany, Sweden and Austria, where the EU Water Framework Directive and the Environmental Impact Assessment Directive have been applicable for</p>	

²² This column is based on input provided by the issuer.

datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E of the Delegated Act.

To avoid impact from the construction site, the activity complies with the criteria set out in Appendix B to this Annex

many years. The issuer confirms that the buildings located in these countries are compliant with the relevant legislative requirements set out in Appendix B.

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.

Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887302 or other standards for assessing the disassemblability or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.

Vonovia confirms that its buildings comply with the relevant EU legislative requirement such as the Waste Framework Directive, which stipulates that by 2020, at least 70% by weight of the non-hazardous construction and demolition waste is prepared for reuse, recycling or other material recovery.

For example, in 2020, the recovery rate of construction and demolition waste stood at 90% in Austria, 93% in Germany, and 90% in Sweden²³. Outside of the relevant EU and national legislation, Vonovia will assess the compliance of the eligible assets with ISO 20887:2020 at the time of confirming the EU Taxonomy alignment in the allocation reporting.



²³ https://ec.europa.eu/eurostat/databrowser/view/cei_wm040/default/table?lang=en

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

Building components and materials used in the construction complies with the criteria set out in Appendix C (of the Delegated Act).

Building components and materials used in the building renovation that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011304 or other equivalent standardised test conditions and determination methods.

Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.

Vonovia confirms that its buildings located in Germany, Sweden and Austria, comply with relevant EU and national legislative requirements for hazardous chemicals and pollutants. The buildings are located in Germany, Sweden and Austria, where there are regulations about noise, dust and pollutant emissions during construction or maintenance works.




6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

N/A

N/A

N/A

B.3 7.7 Acquisition and Ownership of Buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES ²⁴	ALIGNMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least</p>	<p>Vonovia will be using the EPC A in its selection criteria.</p> <p>Also, Vonovia has commissioned independent consultant reports to assess the building energy performance thresholds which equate to the top % 15 of the national building stock in Germany, Austria and Sweden. Vonovia will</p>	

²⁴ This column is based on input provided by the issuer.

distinguishes between residential and non-residential buildings.	apply these thresholds in its eligibility criteria.	
2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.	Criterion 3 is not applicable as the assets will only be residential buildings.	
3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.		
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (2)	See B.4	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A

B.4 Generic Criteria for DNSH to Climate Change Adaptation for all green assets

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES ²⁵	ALIGNMENT
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR DNSH TO CLIMATE CHANGE ADAPTATION The physical climate risks that are material to the activity have been	Vonovia has engaged an external consultant to conduct a risk assessment of potential physical climate risks to its portfolio, based on the geographical distribution of the buildings in its portfolio and four possible	✓

²⁵ This column is based on input provided by the issuer.

identified from those listed in the table in Section II (of the Delegated Act) by performing a robust climate risk and vulnerability assessment with the following steps:

(a) screening of the activity to identify which physical climate risks from the list in Section II (of the Delegated Act) may affect the performance of the economic activity during its expected lifetime;

(b) where the activity is assessed to be at risk from one or more of the physical climate risks listed in Section II (of the Delegated Act), a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity;

(c) an assessment of adaptation solutions that can reduce the identified physical climate risk.

The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:

(a) for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale;

(b) for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10

scenarios. The potential climate risks encapsulate 7 different drivers. The scenarios are modelled through to 2050 and . The assessment shows that the portfolio is at relatively low to medium risks.

Vonovia will explore solutions in case there are material physical risks to the buildings in its portfolio. Otherwise, Vonovia will also take guidance from the National Adaptation Plans developed by Germany²⁶, Sweden²⁷ and Austria²⁸.

For example, in Germany, the **German Strategy for Adaptation to Climate Change from 2008** specifies that the Federal Building Code and building regulations will take into account necessary climate adaptation provisions.

²⁶ <https://climate-adapt.eea.europa.eu/countries-regions/countries/germany>

²⁷ <https://climate-adapt.eea.europa.eu/countries-regions/countries/sweden>

²⁸ <https://climate-adapt.eea.europa.eu/countries-regions/countries/austria>

to 30 year climate projections scenarios for major investments.

For new activities and existing activities using newly-built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has implemented them before the start of operations. The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.

The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications, and open source or paying models. For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.

Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards as described in Article 18 of the Taxonomy Regulation²⁹. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
<p>Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</p>	<p>Germany, Austria and Sweden, the countries in which Vonovia's portfolio is located, are OECD countries and signatories of the OECD Guidelines. Therefore, these countries are obliged to ensure that companies operating in within their borders observe the OECD Guidelines on Multinational Enterprise.</p> <p>Vonovia has a public commitment to complying with the core standards of the ILO in its human rights policy³⁰.</p> <p>Regarding the UN Guiding Principles (UNGP):</p> <p>Vonovia makes an explicit commitment to the UN Global Compact and human rights policies in its public documents, and not the UN Guiding Principles.</p> <p>Vonovia is currently in a merger process with Deutsche Wohnen, which already has a public commitment to the UNGP³¹.</p> <p>Also, the Germany Supply Chain Due Diligence Act³², which will come into force in January 2023, requires companies to introduce additional due diligence considerations of human rights throughout their operations and supply chains, including those in other countries.</p> <p>In light of these developments, Vonovia is currently in the process of reviewing its</p>	<p style="text-align: center;">✓</p>

²⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

³⁰ <https://reports.vonovia.de/2020/sustainability-report/sustainable-corporate-governance/respect-and-promotion-of-human-rights.html>

³¹ <https://ir.deutsche-wohnen.com/websites/dewohnen/English/4200/declaration-on-corporate-governance.html>

³² <https://www.bmas.de/DE/Service/Gesetze-und-Gesetzesvorhaben/gesetz-unternehmerische-sorgfaltspflichten-lieferketten.html#:~:text=Das%20Sorgfaltspflichtengesetz%2C%20auch%20als%20Lieferkettengesetz,Lieferketten%20f%C3%BCr%20bestimmte%20Unternehmen%20festlegt.>

	<p>guidelines and processes in order to update its public Human Rights Policy. As part of this process, Vonovia expects to include an explicit reference to the UNGP in its public commitments.</p> <p>ISS ESG considers this as aligning with the MSS requirement on a best efforts basis for now. Vonovia will have the opportunity to explicitly show their public commitment to the UNGP as part of its allocation reporting one year after the first issuance under this Framework.</p>	
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1. Validity of the SPO: As long as there is no material change to the Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
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ANNEX 1: Methodology

EU Taxonomy

ISS ESG evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Sustainable Finance Framework meets the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021) on a best-efforts basis.

The evaluation shows to whether Vonovia's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Vonovia (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the issuer.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the selection criteria match the eligible project category and criteria listed in the Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Vonovia (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Vonovia's Sustainable Finance Instruments contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

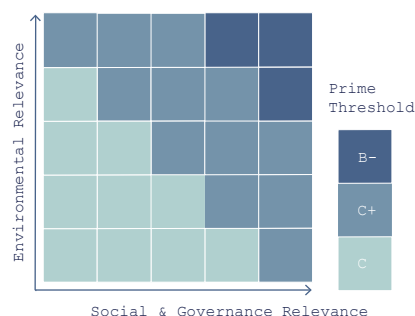
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

Vonovia commissioned ISS ESG to compile a Sustainable Finance Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the ICMA GBPs, SBPs, LMA GLPs and to assess the sustainability credentials of its Sustainable Finance Instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (June 2021), Social Bond Principles (June 2021)
- LMA Green Loan Principles (February 2021)
- EU Taxonomy Climate Delegated Act (June 2021)

VONOVIA'S RESPONSIBILITY

Vonovia's responsibility was to provide information and documentation on:

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

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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.

ISS ESG has conducted this independent Second Party Opinion of the Sustainable Finance Instruments to be issued by Vonovia based on ISS ESG methodology and in line with the ICMA GBPs, SBPs, LMA GLPs.

The engagement with Vonovia took place in January – February 2022.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour 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 ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA 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.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For information about SPO services, please contact: SPOsales@isscorporatesolutions.com

For Information about this Sustainable Finance Instruments SPO, contact: SPOOperations@iss-esg.com

Project team

Project lead	Project support	Project support	Project supervision
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