



## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Social Finance Framework

HOWOGE Wohnungsbaugesellschaft mbH  
11 July 2023

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>▪ Social Finance Instruments</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>▪ Social Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2023)</li><li>▪ Social Loan Principles, as administered by the Loan Market Association (LMA) (as of February 2023)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>▪ HOWOGE Social Finance Framework (as of May 11, 2023)</li><li>▪ HOWOGE selection criteria (as of May 11, 2023)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>▪ Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>▪ Valid as long as the Framework remains unchanged.</li></ul>

## CONTENTS

SCOPE OF WORK .....	3
HOWOGE BUSINESS OVERVIEW .....	3
ASSESSMENT SUMMARY .....	4
SPO ASSESSMENT.....	5
PART I: ALIGNMENT WITH SOCIAL BOND PRINCIPLES AND SOCIAL LOAN PRINCIPLES.....	5
PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE .....	7
A. CONTRIBUTION OF THE SOCIAL FINANCE INSTRUMENTS TO THE UN SDGs.....	7
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA.....	9
PART III: LINKING THE TRANSACTIONS TO HOWOGE’S ESG PROFILE.....	12
A. CONSISTENCY OF SOCIAL FINANCE INSTRUMENTS WITH HOWOGE’S SUSTAINABILITY STRATEGY.....	12
B. HOWOGE’S BUSINESS EXPOSURE TO ESG RISKS.....	14
ANNEX 1: Methodology .....	18
ANNEX 2: Quality management processes .....	19
About this SPO .....	20

## SCOPE OF WORK

HOWOGE Wohnungsbaugesellschaft mbH (“the Issuer” or “HOWOGE”) commissioned ISS Corporate Solutions (ICS) to assist with its Social Finance Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. HOWOGE’s Social Finance Framework (as of May 11, 2023) – benchmarked against the ICMA Social Bond Principles (SBP) and LMA Social Loan Principles (SLP).
2. The selection criteria – whether the project categories contribute positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transactions to HOWOGE’s overall ESG profile – drawing on the issuance-specific Use of Proceeds categories.

## HOWOGE BUSINESS OVERVIEW

Howoge Wohnungsbaugesellschaft mbH is a municipal housing company. It is involved in the development, management, leasing, and acquisition of housing properties. Additionally, the company also constructs new housing properties. As part of Berlin’s school building campaign, HOWOGE is building and carrying out refurbishments of school properties for the State of Berlin.

HOWOGE is directly owned and controlled by the State of Berlin, which acts as a sole shareholder. The company’s properties are located in Berlin, Germany, and the neighboring state of Brandenburg. As of 31<sup>st</sup> December 2022, the HOWOGE Group real estate portfolio comprised 75,419 residential units.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1: Alignment with SBP/SLP</b>	The Issuer has defined a formal concept for its Social Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA Social Bond Principles and the LMA Social Loan Principles.	<b>Aligned</b>
<b>Part 2: Sustainability quality of the Selection Criteria</b>	<p>The Social Finance Instruments will (re-)finance eligible project categories which include: Social Housing and Affordable Housing.</p> <p>The use of proceeds categories have a contribution to SDGs 1 'No Poverty', 10 'Reduce Inequality', and 11 'Sustainable Cities and Communities'.</p> <p>The environmental and social risks associated with those use of proceeds categories are well managed.</p>	<b>Positive</b>
<b>Part 3: Social Finance Instruments' link to HOWOGE's overall ESG profile</b>	The key sustainability objectives and the rationale for issuing Social Finance Instruments are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.	<b>Consistent with Issuer's sustainability strategy</b>

<sup>1</sup> The evaluation is based on the HOWOGE's Social Finance Framework (as of May 11, 2023), and on the ISS ESG Indicative Corporate Rating and applicable at the SPO delivery date.

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH SOCIAL BOND PRINCIPLES AND SOCIAL LOAN PRINCIPLES

This section evaluates the alignment of the HOWOGE's Social Finance Framework (as of May 11, 2023) with the Social Bond Principles, promoted by the ICMA and the Social Loan Principles, promoted by the LMA.

ICMA SBP LMA SLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by HOWOGE's Social Finance Framework is <b>aligned</b> with the ICMA Social Bond Principles and the LMA Social Loan Principles.</p> <p>The Issuer's social categories align with the project categories as proposed by the ICMA Social Bond Principles and the LMA Social Loan Principles, Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided and social benefits are described.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by HOWOGE's Social Finance Framework is <b>aligned</b> with the ICMA Social Bond Principles and the LMA Social Loan Principles.</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer and clearly show the intended benefit to the relevant population.</p> <p>The Issuer involves various stakeholders in this process, in line with best market practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds proposed by HOWOGE's Social Finance Framework is <b>aligned</b> with the ICMA Social Bond Principles and the LMA Social Loan Principles.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Social</p>

		<p>Finance Instruments (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer has defined an expected allocation period of 24 months and set a reallocation period of 24 months. Further, the Issuer discloses the portfolio balance of unallocated proceeds, in line with best market practice.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting proposed by HOWOGE’s Social Finance Framework is <b>aligned</b> with the ICMA Social Bond Principles and the LMA Social Loan Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. HOWOGE explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer defines the reporting frequency of the impact reporting and the duration of the impact reporting, in line with best market practice. Further, the Issuer discloses the location and link of the report(s), in line with best market practice. The Issuer commits to an external review of the allocation report by an external party, in line with best market practices.</p>

## PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

### A. CONTRIBUTION OF THE SOCIAL FINANCE INSTRUMENTS TO THE UN SDGs<sup>2</sup>



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

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

The assessment of UoP categories for (re)financing specific products and services is displayed on 3-point scale (see Annex 1 for methodology):

<b>Obstruction</b>	<b>No Net Impact</b>	<b>Contribution</b>
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Each of the Social Finance Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Social Housing</b></p> <p><i>Housing units which are directed at tenants with a WBS<sup>3</sup> (Wohnberechtigungsschein or housing entitlement certificate) and therefore qualify as social subsidized apartments with rent control</i></p> <p><i>Portfolio purchases on which every second new letting is carried out at a net cold rent of a maximum of EUR 6,50/m<sup>2</sup>/mth to households entitled to a WBS<sup>4</sup></i></p>	<b>Contribution</b>	
<p><b>Affordable Housing</b></p> <p><i>Housing units which are on average let below the customary local comparable rent (ortsübliche Vergleichsmiete) and their rents in total rise by no more than 2% per annum</i></p>	<b>Contribution</b>	

<sup>2</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

<sup>3</sup> Website of Subsovereign Berlin on WBS (in German): <https://service.berlin.de/dienstleistung/120671/>; the rental rates depend on the policies according to the Wohnungsbauförderungsbestimmungen (housing subsidies policies).

<sup>4</sup> See footnote 3 for information on WBS; the rental rate for portfolio housing units is 90% of the local comparable rent.

*Non-subsidized housing units which on average are let for the first time to the amount agreed within the current cooperation agreement (EUR 11,50/m<sup>2</sup>/mth as of April 2023) in order to exercise a rent-controlling effect on the Berlin housing market*

**Contribution**





## B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

### Social and Affordable Housing

The table below evaluates the selection criteria against issuance specific KPIs. Assets financed under this Framework are and will be located in Germany exclusively.

#### ASSESSMENT AGAINST KPIs

##### Social and Affordable Housing

###### Site selection



The Issuer has no policies in place systematically ensuring, that assets financed under this Framework are located within a maximum of 1km from one or more modalities of public transport. However, assets financed under this framework are located in the city of Berlin with a well-developed public transport network.

##### Conservation and biodiversity management



The Issuer ensures that environmental impact assessments are conducted during the planning stage of its assets, as required by the EU directive in Germany for Environmental Impact Assessment.

##### Environmental impact



Policies are in place systematically ensuring the reduction of potential negative environmental impacts. HOWOGE applies the criterion of "low emission", which is at least equivalent to the standard of the "Blue Angel" eco-label. The Issuer's goal<sup>5</sup> is to increasingly take sustainability criteria into the planning and implementation of new construction and renovation projects and to consider the entire life cycle. Forward-looking planning also includes taking into account the recycling of the resources used and enabling easy deconstruction. HOWOGE makes use of a range of ecologically sensible alternatives to conventional alternatives, such as mineral isolation, energy-saving lighting and roof tiles that bind nitrogen oxides.

##### Environmental aspects of construction (or production) and operation



HOWOGE designs the procurement and awarding process based on legal requirements stipulated by the public procurement law<sup>6</sup>. This means that service providers must, for example, provide the following information: Commitment to

<sup>5</sup> HOWOGE Sustainability strategy, <https://www.howoge.de/unternehmen/nachhaltigkeit.html>

<sup>6</sup> Federal Ministry of Housing, Urban Development and Construction, Award and Contract Regulations for Construction Work (Bundesministerium fuer Wohnen, Stadtentwicklung und Bauwesen, Vergabe- und Vertragsordnung für Bauleistungen (VOB) - Parts A and B, <https://www.fib-bund.de/Inhalt/Vergabe/VOB/>

refrain from using certain building materials<sup>7</sup> as well as to the proper disposal of non-hazardous and hazardous waste. Measures for the advancement of women and for the reconciliation of work and family life (for service providers with more than 250 employees, we require three measures in these areas). Declaration on compliance with the core labour standards of the International Labour Organisation (ILO) when using certain products. Declaration on compliance with a minimum wage above the statutory minimum wage.

### Inclusion



According to the Issuer flats are offered and let on the market in a non-discriminatory letting process<sup>8</sup>. Due to the requirements of the cooperation agreement and in accordance with HOWOGE corporate purpose, flats are rented below usual market levels in Berlin. HOWOGE's internal compliance and value standards<sup>9</sup> are followed to prevent corruption. All employees complete an annual compliance training.

### User safety



The operational safety of buildings in Berlin is regulated by the Berlin Building Code and the associated inspection authorities and their specifications/guidelines/laws<sup>10</sup>. The implementation of planning and construction is also checked by these authorities. Examples of this are the fire protection concept and the test of statics. In addition, HOWOGE defines the applicable standards, legislation and rules of technology via the FLB (funktionale Leistungsbeschreibung) and in the contracts with the construction parties. Maintenance and operational safety in the portfolio are ensured by regular maintenance intervals and inspections by experts.

### Water



The Issuer does not make use of water reduction targets or makes use of reduction target plans. However, the Issuer confirms to not use unnecessary water taps in order to reduce drinking water consumption. In general, water-saving taps, hand showers with flow limitation and toilets with dual flush are standard features.

### Safety of consumers



Germany is signatory partner of the ten ILO core labor conventions<sup>11</sup>, thus entering an obligation under international law to transpose the ILO standards into national law. In addition, Germany is an Equator Principles<sup>12</sup> designated country.

### Labour, health and safety

<sup>7</sup> Federal Ministry for the Environment Nature Conservation Nuclear Safety and Consumer Protection - Recycling Management Act (Bundesministerium für Umwelt Naturschutz Nukleare Sicherheit und Verbraucherschutz - Kreislaufwirtschaftsgesetz) <https://www.bmu.de/gesetz/kreislaufwirtschaftsgesetz>

<sup>8</sup> HOWOGE Leasing process, <https://www.howoge.de/wohnungen-gewerbe/vermietungsprozess.html>

<sup>9</sup> HOWOGE Werte und Compliance, <https://www.howoge.de/unternehmen/werte-und-compliance.html>

<sup>10</sup> Berliner Bauordnung, <https://gesetze.berlin.de/bsbe/document/jlr-BauOBE2005V8IVZ>

<sup>11</sup> ILO Core Conventions, <https://www.humanrights.ch/de/ipf/grundlagen/rechtsquellen-instrumente/uno/ilo-konventionen/>

<sup>12</sup> Equator Principles, <https://equator-principles.com/about-the-equator-principles/>

- ✓ Germany is signatory partner of the ten ILO core labor conventions<sup>13</sup>, thus entering an obligation under international law to transpose the ILO standards into national law. In addition, Germany is an Equator Principles<sup>14</sup> designated country.

#### Quality management

- ✓ HOWOGE's shareholder agreement defines that the Issuer's mission is to create affordable housing, requiring HOWOGE's rents to remain consistently below Berlin average rent.

Residential rental contracts are concluded for an indefinite period including. Exceptions are stipulated by the German Civil Code (Bürgerliches Gesetzbuch) §575<sup>15</sup>.

<sup>13</sup> ILO Core Conventions, <https://www.humanrights.ch/de/ipf/grundlagen/rechtsquellen-instrumente/uno/ilo-konventionen/>

<sup>14</sup> Equator Principles, <https://equator-principles.com/about-the-equator-principles/>

<sup>15</sup> German Civil Code (Bürgerliches Gesetzbuch) §575, [https://www.gesetze-im-internet.de/bgb/\\_575.html](https://www.gesetze-im-internet.de/bgb/_575.html)

## PART III: LINKING THE TRANSACTIONS TO HOWOGE'S ESG PROFILE

### A. CONSISTENCY OF SOCIAL FINANCE INSTRUMENTS WITH HOWOGE'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the Issuer*

In 2020, HOWOGE developed a sustainability strategy that includes a roadmap for the period to 2035<sup>16</sup>. The main objective of this sustainability strategy is to align climate and environmental protection targets with socially responsible development of rents in Berlin. To meet their target of being climate neutral in their portfolio by 2045, in 2022 HOWOGE conducted a new materiality analysis and revised their sustainability targets based on the outcome. Four action areas were identified:



Within those four action areas seven material topics have been put into focus. To put those targets into practice HOWOGE used those seven focus points to define sub-targets with specific measures and schedules.

As part of those focus points HOWOGE focusses on climate-friendly buildings. For that HOWOGE has set the CO<sub>2</sub> target both for existing building stock and new buildings to reduce the emissions from their portfolio to 7 kg CO<sub>2</sub> per m<sup>2</sup> per year by 2045. New buildings are built in accordance with the KfW Efficiency House 40 or 55 standard and the materials used need to satisfy the requirements of Germany's Blue Angel ecolabel. HOWOGE also follows a landlord-to-tenant electricity concept based on renewable energy. In HOWOGE's portfolio around 90% of the existing buildings are refurbished or partially refurbished since 1990.

The Group's portfolio is focused on creating affordable and accessible housing as well as social engagement in neighborhoods.

HOWOGE discloses those targets in an annual Sustainability Report, which is structured according to the German Sustainability Code<sup>17</sup>. Howoge is a founding member of the Initiative Wohnen 2050 ("Initiative Living 2050")<sup>18</sup>.

HOWOGE has established a Sustainable Finance Team. The team consists of the Head of the finance and controlling department, the Head of the finance team, the Head of strategic portfolio management and the Sustainability Officer of HOWOGE and will meet at least once a year. The team is responsible for:

<sup>16</sup> HOWOGE Sustainability Strategy, <https://www.HOWOGE.de/unternehmen/nachhaltigkeit.html>

<sup>17</sup> <https://www.deutscher-nachhaltigkeitskodex.de/>

<sup>18</sup> Initiative: [Partner - Initiative Wohnen.2050 \(iw2050.de\)](https://www.initiative-wohnen-2050.de/).

- the evaluation and selection of assets (upon proposal by strategic portfolio management) in accordance with the eligibility criteria,
- the deduction of an amount equal to any green- or social-labelled loans that HOWOGE has received relating to such assets. Any subsidized loans from local, regional, federal or supranational entities or agencies, such as KfW or Investitionsbank Berlin will be considered as “Labelled Loans”,
- validation and approval of the resulting portfolio of Eligible Social Assets,
- the examination of the content of the Social Finance Framework of HOWOGE and its updating in order to consider changes in corporate strategy, technology, regulatory evolution and market developments,
- the exclusion and replacement of certain assets and/or projects, which no longer fulfil the eligibility criteria or were liquidated, on a best-efforts basis,
- overseeing, approving, and publishing the allocation and impact reporting, including external assurance statements,

### *Rationale for issuance*

HOWOGE operates sustainably and is a financially stable housing company. In addition to equity, KfW loans and traditional financing through bank loans, HOWOGE also has the option of issuing bonds as an additional means of debt financing under the Debt Issuance Program, supporting the State of Berlin with the creation of housing with affordable rents for all generations and population groups. The issuance of Social Finance Instruments constitutes a tool to highlight investments in affordable housing assets and provide additional transparency on the associated social outcomes. Under this first Social Finance Framework, HOWOGE Wohnungsbaugesellschaft mbH may issue Social Finance Instruments, which may include bonds, private placements, commercial paper, bonded loans (Schuldscheindarlehen) and other debt instruments, for the financing and/or refinancing of assets with a social benefit.

**Opinion:** *The key sustainability objectives and the rationale for issuing Social Finance Instruments are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.*

## B. HOWOGE'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the Issuer's industry*

The Issuer is classified in the Real Estate, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company-specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Green building considerations
Climate protection, energy efficiency and renewables
Environmental and social aspects in site selection
Occupational health and safety
Health and well-being of occupants

### *ESG strengths and points of attention related to the issuer's disclosures*

Leveraging ISS ESG's Research, ISS ESG identified the following strengths and points of attention<sup>19</sup>:

STRENGTHS	POINTS OF ATTENTION
The company has disclosed its measures for minimization of water use in buildings such as the use of water metering, dual-volume flush, and rainwater harvesting. The company makes use of renewable, recycled, and natural material such as timber in its developments.	The company has disclosed limited information on raising environmental awareness among tenants including the implementation of green lease agreements covering green targets, provisions on data sharing, and metering.
The company has disclosed information on measures for construction and demolition waste that include removing various hazardous waste, and a system for waste handling and disposal.	The company's headquarter is certified to the DGNB sustainable building standard. However, the remaining properties are not certified to any sustainable building standards such as LEED and BREEAM.
The company has disclosed its position on climate change. The company has set energy use reduction targets and has also implemented energy efficiency measures in its buildings, such as thermal insulation, green roofing, and LED lighting.	The company has set a goal of becoming carbon neutral by 2045 but has not set clearly defined target for reducing greenhouse gas emissions.

<sup>19</sup> Please note that HOWOGE Wohnungsbaugesellschaft mbH is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Real Estate sector. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

<p>Additionally, the company also invests in renewable energy through the installation of photovoltaic systems across its portfolio.</p>	<p>The company has not disclosed information on its energy management system certified to international standard-ISO 50001.</p>
<p>The company has a health and safety management system in place that covers aspects such as the presence of occupational health management officers and includes data compilation on accident rate and fatalities of employees.</p> <p>The company has measures in place to prevent the mental health of employees that include raising awareness on mental health issues through online platforms and providing access to employees to different mental health and stress management courses. Additionally, the company also provides psychological support to the employees.</p>	<p>The company has not reported on a strategy to reduce negative impacts (e.g., pollution, noise, and dust) from construction, refurbishment, and closure activities on neighborhoods. Further, the company has not disclosed any commitment <i>to refrain from operating in areas of high biodiversity value such as protected areas and to make use of brownfield sites instead of greenfield sites in the development.</i></p> <p>The company has not publicly disclosed information on its biodiversity management which includes conducting biodiversity risk and impact assessment studies, setting biodiversity targets and objectives, implementing mitigation measures, and monitoring biodiversity.</p>
<p>The company has taken measures to protect the tenant's/customer's health from various chemical and biological factors that include asbestos, polycyclic aromatic hydrocarbons, mold, and testing of the water for legionella.</p> <p>The company has implemented measures for the well-being of tenants that include maintaining thermal comfort and the availability of outdoor spaces for tenants. Additionally, the company also has a strategy in place relating to the well-being of tenants. Furthermore, the company has implemented measures for tenant's safety and security that include fire safety prevention and the presence of mobile caretakers in the company's properties.</p>	<p>The company has not disclosed information on the integration of contractors into the health and safety management system and no data has been disclosed on contractor accident rate and fatalities for three consecutive years.</p> <p>The company's supplier standard complies with the ILO core standards, which include regulations against child labour, forced labour, discrimination, and ensures freedom of association. However, in terms of procedures to ensure compliance with the supplier standards, apart from conducting supplier audits, information on other aspects such as the establishment of reporting channels for suppliers, corrective actions in case of non-compliance, and training of employees in the purchasing department is missing.</p>

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

#### *Sustainability impact of products and services portfolio*

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the Issuer'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 the Issuer's production process.

### *Social impact of the product portfolio*

The company is primarily involved in the development, management, leasing, and acquisition of housing properties. Additionally, the company is also involved in the development of social housing, thereby, positively contributing to the sustainable development goals of sustainable cities and communities. However, there is limited information available to estimate the size of the product portfolio that contributes to different social SDGs. Thus, the impact of the product portfolio on social sustainable development goals (SDG) is considered neutral.

### *Environmental impact of the product portfolio*

The company is primarily involved in the development, management, leasing, and acquisition of housing properties. The company's products have no positive or negative contribution to achieving environmental sustainability objectives. Thus, the impact of the product portfolio of the company on environmentally Sustainable Development Goals is considered neutral.

### *Breaches of international norms and ESG controversies*

#### *At Issuer level*

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

#### *At industry level*

Based on a review of controversies over a 2-year period, the top four issues that have been reported against companies within the Real Estate industry are as follows: Accounting/ disclosure standards, Failure to respect the right to just and favorable conditions of work, Anti-competitive behavior, Failure to pay fair share of taxes.

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



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## ANNEX 1: Methodology

### Green and Social KPIs

The Social Finance Instruments KPIs serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value – of the use of proceeds of HOWOGE’s Social Finance Instruments.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets, and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

### Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Social Finance Instruments 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 or that the information provided did not fulfil the requirements of the Social Finance Instruments KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by HOWOGE (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, the extent to which HOWOGE’s Social Finance Instruments contributes to related SDGs has been identified.

## ANNEX 2: Quality management processes

### SCOPE

HOWOGE commissioned ICS to compile a Social Finance Instruments SPO. The Second Party Opinion process includes verifying whether the Social Finance Framework aligns with the ICMA Social Bond Principles and the LMA Social Loan Principles and to assess the sustainability credentials of its Social Finance Instruments, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA's Social Bond Principles
- LMA's Social Loan Principles

### ISSUER'S RESPONSIBILITY

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

- Framework
- Selection Criteria
- Documentation of ESG risk management at corporate 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.

This independent Second Party Opinion of the Social Finance Instruments to be issued by HOWOGE has been conducted based on a proprietary methodology and in line with the ICMA Social Bond Principles and the LMA Social Loan Principles.

The engagement with HOWOGE took place in March and May 2023.

### ISS' 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 behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About this SPO

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.

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 more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

For more information on this specific Social Finance Instruments SPO, please contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

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