

# Second-Party Opinion

## S IMMO Sustainable Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the S IMMO AG Sustainable Bond Framework is credible and impactful and aligns with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Renewable Energy, Affordable Housing – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 7 and 11.



**PROJECT EVALUATION / SELECTION** S IMMO AG's Sustainable Bond Committee (the "Committee") will be responsible for the project evaluation and selection. The Committee will meet at least annually to review proposed allocations and ensure that the allocation is in line with the eligibility criteria. Sustainalytics considers the project selection process in line with market practice



**MANAGEMENT OF PROCEEDS** S IMMO AG's Controlling & Finance Department will be responsible for the management of proceeds. S IMMO AG intends to reach full allocation within 24 months after issuance. Pending allocation, S IMMO AG will hold unallocated proceeds in cash or cash equivalent instruments. This is in line with market practice



**REPORTING** S IMMO AG intends to report allocation proceeds on its website on an annual basis until full allocation. Allocation reporting will include the total amount of proceeds allocated per category and the balance of unallocated proceeds. In addition, S IMMO AG is committed to reporting on relevant impact metrics. Sustainalytics views S IMMO AG's allocation and impact reporting as aligned with market practice.

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**Evaluation date** January 5, 2021

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**Issuer Location** Vienna, Austria

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### Report Sections

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## Introduction

S IMMO AG (“S IMMO”, or the “Company”) is a real estate group that engages in letting, buying, selling and developing commercial and residential real estate as well as in revitalising and renovating properties in Austria, Germany and CEE countries (including Slovakia, the Czech Republic, Hungary, Croatia and Romania). The property portfolio consists of office buildings, retail properties, hotels, and residential properties.

S IMMO has developed the Sustainable Bond Framework (the “Framework”) under which it intends to issue multiple green, social or sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that contribute to the shift to a low-carbon economy and aim at expanding access to affordable housing for underserved communities. The Framework defines eligibility criteria in four areas:

1. Green Buildings
2. Energy Efficiency
3. Renewable Energy
4. Affordable Housing

S IMMO engaged Sustainalytics to review the Sustainable Bond Framework, dated January 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines.<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

### Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of S IMMO’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. S IMMO representatives have confirmed (1) they understand it is the sole responsibility of S IMMO to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and S IMMO.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible

<sup>1</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>2</sup> The Sustainable Bond Framework is available on S IMMO AG’s website at: [www.simmoag.at/greenbond2021](http://www.simmoag.at/greenbond2021)

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that S IMMO has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Sustainable Bond Framework

Sustainalytics is of the opinion that the Sustainable Bond Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP). Sustainalytics highlights the following elements of S IMMO's Sustainability Bond Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Energy Efficiency, Renewable Energy, Affordable Housing – are aligned with those recognized by the GBP and SBP. Sustainalytics notes that the proceeds of the bonds issued under the Framework could increase the energy performance of the building stock in the countries where S IMMO operates<sup>4</sup> and expand access to affordable housing in Germany and Austria.
  - In the Green Buildings category, S IMMO may finance the acquisition, construction or refurbishment of buildings that obtain the following minimum certification levels: BREEAM 'Excellent', LEED 'Gold', and DGNB 'Gold'. For Sustainalytics' assessment of these schemes, please refer to Appendix 1. Sustainalytics considers the eligibility criterion to be credible and expects the projects to improve the overall energy performance and efficiency of buildings.
  - Within the Energy Efficiency category, S IMMO may use the proceeds to renovate or refurbish existing buildings to lower energy consumption through increased energy efficiency. S IMMO may install LED lighting and charging stations for electric vehicles and improve ventilation systems. Sustainalytics notes that ventilation systems run on electric motors and that no fossil fuels are used. Sustainalytics encourages S IMMO to report on estimated or achieved energy efficiency, on a portfolio basis, where feasible.
  - As for the Renewable Energy category, S IMMO may finance onsite renewable energy generation by photovoltaic power generation and the purchase of renewable energy in the form of renewable energy certificates ("RECs"). The RECs certify that the Company purchases power generated from renewable energy sources, including solar, wind, and hydro. Sustainalytics notes that the RECs are trackable to specific individual projects. Sustainalytics further notes that electricity produced from natural gas is excluded.
  - In the Affordable Housing category, S IMMO may finance the construction, renovation, maintenance and acquisition of affordable housing, as well as investments in corporations with a focus on affordable housing, in particular affordable housing associations that meet the statutory definitions of affordability<sup>5</sup> established by the Federal Act on Charitable Housing (WGG)<sup>6</sup> and the relevant German legislation and/or companies focussing on providing affordable housing in the context of governmental residential building support. S IMMO may acquire (stakes in) such corporations and further contribute to the development of affordable

<sup>4</sup> S IMMO operates mainly in Austria, Germany, and Central and Eastern Europe.

<sup>5</sup> Defined in § 39 (18) 6 of WGG: The state governments have to determine by ordinance the conditions under which persons are to be regarded as beneficiaries for buildings located in their state territory within the meaning of this paragraph. The housing needs, including the urgency, the size of the household and the level of income, must be taken into account.

<sup>6</sup> Legal Information System of the Republic of Austria, "Bundesrecht konsolidiert: Gesamte Rechtsvorschrift für Wohnungsgemeinnützigkeitgesetz, Fassung vom 26.11.2020", at: <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10011509>

homes as (co-)owner of such entities. Sustainalytics notes that, in the event of an acquisition of an affordable housing association/company that consists of a mix of affordable housing and other use-types, or that engage in other activities, S IMMO commits to using a pro-rata approach to allocation to ensure that the proceeds are allocated strictly to affordable housing assets that align with the affordable housing criteria. Affordable housing will be provided to eligible target populations, such as low-income households.

- S IMMO has defined a 24-month lookback period for refinancing activities.
- Project Evaluation and Selection:
  - S IMMO's Sustainable Bond Committee (the "Committee") will be responsible for the internal project evaluation and selection process. The Committee will comprise the Heads of Asset Management, Development, Corporate Communications/Sustainability and Finance & Controlling. The Committee will meet at least annually to review proposed allocations and ensure that the allocation is in line with the eligibility criteria. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - S IMMO's Controlling & Finance Department (the "Department") will be responsible for the management of proceeds. The Department will establish a register for eligible projects and track allocation to the projects. S IMMO intends to reach full allocation within 24 months after issuance. Pending allocation, S IMMO will hold unallocated proceeds in cash or cash equivalent instruments. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - S IMMO intends to report allocation proceeds on its website on an annual basis until full allocation. Allocation reporting will include the total amount of proceeds allocated per category and the balance of unallocated proceeds. In addition, S IMMO is committed to reporting on relevant impact metrics, including the level of green building certificates, estimate of annual CO<sub>2</sub> emissions avoided, and the number of affordable housing units made available. Based on these elements, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Sustainability Bond Guidelines 2018**

Sustainalytics has determined that the Sustainable Bond Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of S IMMO**

### **Contribution of Framework to S IMMO AG's sustainability strategy**

S IMMO has integrated sustainability considerations into its business operations and decision-making processes, and the Group is committed to minimizing its environmental and social impact. As part of this commitment, S IMMO has set the goal to use energy and resources efficiently and in an environmentally conscious way.<sup>7</sup>

Since 2014, S IMMO has been gradually seeking green building certification for its existing properties. By the end of 2019, the Group has achieved BREEAM certification for 22.2% of its total portfolio.<sup>7</sup> To further strengthen its certification efforts, S IMMO is committed to certifying all its on-going and future development projects according to international green building standards.<sup>7</sup> Moreover, during the selection of office buildings for purchase, S IMMO puts a high emphasis on the existence of green building certifications. Sustainalytics notes that some of the projects financed under the Framework, such as environmentally certified buildings, could further assist the Group in reducing the environmental impacts of its buildings' portfolio.

In addition, the Group aims to reduce its environmental footprint through sustainable construction and energy efficiency improvement. S IMMO actively sources regional and renewable material for construction, such as FSC certified wood, solvent-free coatings and adhesives or zero-halogen cables.<sup>7</sup> In addition, S IMMO collects data on heating demand, water and electricity usage to monitor the consumption of its portfolio.<sup>7</sup> Furthermore,

<sup>7</sup>S IMMO Non-financial report 2019, at: [https://www.simmoag.at/fileadmin/redakteur/Investor\\_Relations/Berichte/2019/S-IMMO-AG-Non-financial-report-2019.pdf](https://www.simmoag.at/fileadmin/redakteur/Investor_Relations/Berichte/2019/S-IMMO-AG-Non-financial-report-2019.pdf)

the Group intends to leverage energy efficiency solutions to reduce its energy consumption throughout its operations, planning, and construction.

S IMMO intends to increase the share of renewables in its buildings' portfolio power consumption.<sup>7</sup> In 2019, renewable energy sources such as hydro and wind, accounted for 53.6% of S IMMO's global portfolio. In Germany and Austria, S IMMO sources 100% of its buildings' portfolio energy consumption from renewables. By 2022, the Company commits to eliminating non-renewable power from its entire portfolio.<sup>2</sup> Sustainalytics notes that the conversion of S IMMO's operations to green electricity included in the Framework could further support the Company in meeting this target.

Regarding the social aspects of the Framework, S IMMO has communicated to Sustainalytics that it may acquire affordable housing associations. Therefore, Sustainalytics notes that the projects funded under the Framework align with S IMMO's intention to acquire affordable housing companies.

Sustainalytics is of the opinion that the Sustainable Bond Framework is aligned with S IMMO's overall sustainability strategy and initiatives and will further the Group's action on its key environmental priorities.

### **Well-positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the Green Bond Principles (2018) and Social Bond Principles (2020) to have a positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, emissions, effluents, and waste generated in construction.

Sustainalytics is of the opinion that the above-mentioned risks can be managed and addressed by S IMMO's risk mitigation processes, as followed:

- Social and environmental risks identified by the Group are incorporated into its risk management process, which falls under the responsibility of the Management Board.<sup>8</sup> S IMMO strives to reduce environmental risks by performing thorough location analyses and obtaining written guarantees when making acquisitions and investments. As part of its efforts to manage environmental risks, S IMMO monitors carbon emissions. Furthermore, S IMMO is committed to minimizing noise and dust pollution while disposing of waste effectively during construction.<sup>8</sup>
- S IMMO ensures the safety of its construction sites by exercising care when selecting contractors, only choosing those who adhere to high-quality standards. To guarantee that contractors maintain strict worker safety standards and protect the environment, S IMMO seeks to contract external partners who have been certified by ISO in environmental, energy, and quality management areas.<sup>8</sup>
- Additionally, the projects financed under the Framework will take place in Designated Countries under the Equator Principles, ensuring robust environmental and social governance legislation systems and institutional capacity in those countries.<sup>9</sup>

Based on these policies, standards, and assessments, Sustainalytics is of the opinion that S IMMO has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

## **Section 3: Impact of Use of Proceeds**

All four use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

### **Importance of energy efficiency and low-carbon buildings in the EU**

As part of the European Green Deal, the EU has set the goal to be climate-neutral by 2050.<sup>10</sup> The EU has also set intermediary targets to achieve that goal. By 2030, it aims at reducing GHG emissions by 40% compared to 1990 levels and increasing energy efficiency by 32.5%.<sup>11</sup> In the EU, the buildings sector accounted for approximately 40% of total energy consumption and 36% of CO<sub>2</sub> emissions, making it the single largest energy

<sup>8</sup> S IMMO Annual report 2019, at: [https://www.simmoag.at/fileadmin/redakteur/Investor\\_Relations/Berichte/2019/S-IMMO-AG-Annual-report-2019.pdf](https://www.simmoag.at/fileadmin/redakteur/Investor_Relations/Berichte/2019/S-IMMO-AG-Annual-report-2019.pdf)

<sup>9</sup> Equator Principles, "Designated Countries", (2020), at: <https://equator-principles.com/designated-countries/>

<sup>10</sup> European Commission, "European Climate Law", (2020), at: [https://ec.europa.eu/clima/policies/eu-climate-action/law\\_en](https://ec.europa.eu/clima/policies/eu-climate-action/law_en)

<sup>11</sup> Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009, at: <https://eur-lex.europa.eu/eli/dir/2009/28/oj>

consumer in 2018. Therefore, the buildings sector can play an important role in achieving the EU's short-term and long-term climate goals.<sup>12</sup>

97% of the EU building stock is energy inefficient,<sup>13</sup> demonstrating the need for constructing buildings that integrate higher climate and energy requirements, such as the ones financed under this Framework. However, given that it is projected that 94% of today's buildings will still be standing by 2050,<sup>13</sup> renovations have a major role in decarbonizing the buildings sector. Estimations suggest that the renovation of existing buildings could reduce the total energy consumption and CO<sub>2</sub> emissions by approximately 5% to 6%.<sup>14</sup> Nevertheless, the current renovation path is slow, with only 0.2% of the EU's residential buildings subject to deep renovations annually.<sup>13</sup> The renovation speed must triple from 1% to 3% annually to achieve a low-carbon building stock.<sup>15</sup>

Sustainalytics is of the opinion that the projects financed under the Green Buildings and Energy Efficiency category are impactful and could help to reduce the environmental footprint of the buildings sector, as well as assisting the EU in meeting its short and long-term targets

### Importance of affordable housing in the EU, Austria, and Germany

During the last ten years, rents increased by 14.2% and house prices by 25% in the EU, rising faster than income for a majority of European citizens in the last ten years.<sup>16,17</sup> The share of disposable income spent on housing exceeds 40% for over 10% of European citizens or around 82 million people.<sup>18</sup> In 2018, 38% of households at risk of poverty spent over 40% of their disposable income on housing, highlighting that low-income households are more vulnerable to high housing prices than the general population.<sup>19</sup> As such, the deterioration of housing affordability increases the risk of poverty for low-income households.<sup>19</sup> Furthermore, housing is unaffordable for an increasing number of Europeans, which led to waiting lists for social housing reaching record highs.<sup>20</sup> In addition, since 2009, investments in social infrastructure, including social housing, have decreased by 20% despite the crucial need for such infrastructures.<sup>21</sup> In 2018, the investment gap in affordable and social housing was estimated to be EUR 57 billion per year.<sup>22</sup>

In addition, housing prices in Austria have increased by 35% in the last ten years, making housing increasingly unaffordable for many Austrians.<sup>23</sup> Each year, around 15,000 affordable housing units are built in the country, however, the demand for subsidized accommodation is 22,000 units.<sup>24</sup> In other words, Austria lacks approximately 7,000 affordable housing units each year. Therefore, investment in limited-profit housing associations is essential to foster the development of a sustainable housing market in Austria.

The housing cost overburden rate was at 14% in Germany in 2019.<sup>25</sup> German cities have seen an incredible rise in housing prices. For instance, in Berlin and Munich, housing prices increased by more than 50% during the last decade.<sup>26</sup> While housing prices have increased, the social housing stock has decreased from approximately 2.6 million in 2002 to 1.2 million units in 2018.<sup>27</sup> Affordable housing has become a critical issue for Germany as cities are struggling to keep up with the demand for affordable and social housing

<sup>12</sup> European Commission, "EU Science Hub: Buildings", at: <https://ec.europa.eu/jrc/en/energy-efficiency/buildings>

<sup>13</sup> European Parliament, "Report on maximizing the energy efficiency potential of the EU building stock", (2020), at: [https://www.europarl.europa.eu/doceo/document/A-9-2020-0134\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.html)

<sup>14</sup> European Commission, "New rules for greener and smarter buildings will increase quality of life for all Europeans", (2019), at: [https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15\\_en](https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en)

<sup>15</sup> European Commission, "Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU", (2019), at: [https://ec.europa.eu/energy/sites/ener/files/documents/1.final\\_report.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/1.final_report.pdf)

<sup>16</sup> European Commission, "Urban agenda for the EU", at:

[http://ec.europa.eu/futurium/en/system/files/ged/policy\\_guidelines\\_for\\_affordable\\_housing\\_2018.pdf](http://ec.europa.eu/futurium/en/system/files/ged/policy_guidelines_for_affordable_housing_2018.pdf)

<sup>17</sup> Eurostat, "Since 2007 rents up by 21%, house prices by 19%", at: <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20200116-1>

<sup>18</sup> Eurostat, "Housing costs a challenge to many households", at: <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20200520-1>

<sup>19</sup> European Parliament, "Policies to Ensure Access to Affordable Housing", at:

[https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652729/IPOL\\_STU\(2020\)652729\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652729/IPOL_STU(2020)652729_EN.pdf)

<sup>20</sup> European Commission, "Urban Population", at: [https://knowledge4policy.ec.europa.eu/foresight/topic/continuing-urbanisation/developments-and-forecasts-on-continuing-urbanisation\\_en](https://knowledge4policy.ec.europa.eu/foresight/topic/continuing-urbanisation/developments-and-forecasts-on-continuing-urbanisation_en)

<sup>21</sup> European Commission, "Background Paper EUJA Housing Partnership", at: <https://www.iut.nu/wp-content/uploads/2018/12/Background-Paper-EUJA-Housing-Partnership-12-2018.pdf>

<sup>22</sup> European Commission, "Housing Partnership Action Plan", at:

[https://ec.europa.eu/futurium/en/system/files/ged/folder\\_action\\_plan\\_of\\_the\\_euja\\_housing\\_partnership.pdf](https://ec.europa.eu/futurium/en/system/files/ged/folder_action_plan_of_the_euja_housing_partnership.pdf)

<sup>23</sup> GBV, "Kluft bei Mietpreisen zwischen Stadt und Land weiter aufgegangen", (2020), at:

<https://www.gbv.at/AktuelleMeldungen/2020/Kluft%20bei%20Mietpreisen%20zwischen%20Stadt%20und%20Land%20weiter%20aufgegangen/>

<sup>24</sup> GBV, "Limited-Profit Housing Associations in Austria, Overview", at: [www.gbv-aktuell.at](http://www.gbv-aktuell.at)

<sup>25</sup> Eurostat, "Housing cost overburden rate", at: <https://ec.europa.eu/eurostat/databrowser/view/tespm140/default/table?lang=en>

<sup>26</sup> The Guardian, "Berlin tops the world as city with the fastest rising property prices", at: <https://www.theguardian.com/world/2018/apr/10/berlin-world-fastest-rising-property-prices>

<sup>27</sup> Housing Europe, "The State of Housing in the EU 2019", at: <https://www.housingeurope.eu/resource-1323/the-state-of-housing-in-the-eu-2019>

units.<sup>28</sup> The construction of new social and affordable accommodation is essential to improve the state of housing in Germany.

Sustainalytics considers the projects funded under the Framework as impactful. Sustainalytics notes that by financing social housing associations and affordable housing projects, S IMMO may support the EU in closing the investment gap in affordable and social housing and increase the number of affordable housing units available in Germany and Austria.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDGs and targets:

| Use of Proceeds Category | SDG                                    | SDG target   |
|--------------------------|--|--|
| Green Buildings          | 11. Sustainable Cities and Communities | 11.3 By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries. |
| Energy Efficiency        | 7. Affordable and Clean Energy         | 7.4 By 2030, double the global rate of improvement in energy efficiency  |
| Renewable Energy         | 7. Affordable and Clean Energy         | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix   |
| Affordable Housing       | 11. Sustainable Cities and Communities | 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums.  |

#### Conclusion

S IMMO has developed the Sustainable Bond Framework under which it intends to issue green, social or sustainability bonds and use the proceeds to finance renewable energy, energy efficiency, green buildings, and affordable housing projects. Sustainalytics considers that the projects funded by the bonds' proceeds are expected to contribute to the shift to a low-carbon economy and to expand access to affordable housing for underserved communities

The Sustainable Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Sustainable Bond Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics is of the opinion that S IMMO has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.




Based on the above, Sustainalytics is confident that S IMMO AG is well-positioned to issue green, social or sustainability bonds and that that Sustainable Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020).

<sup>28</sup> Reuters, "Germany sets out measures to tackle affordable housing shortage", at: <https://fr.reuters.com/article/us-germany-politics-housing/germany-sets-out-measures-to-tackle-affordable-housing-shortage-idUSKCN1M11YA>

## Appendices

### Appendix 1: Sustainalytics' Assessment of Green Buildings Certification

|   | LEED  | BREEAM  | DGNB   |
|---|---|---|--|
| <b>Background</b>   | Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.                  | BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.                | The German Green Building Certification or DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building. |
| <b>Certification levels</b>   | Certified<br>Silver<br>Gold<br>Platinum   | Pass<br>Good<br>Very Good<br>Excellent<br>Outstanding   | Bronze<br>Silver<br>Gold<br>Platinum   |
| <b>Areas of Assessment: Environmental Project Management</b>          | Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.  | Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.  | Technically, any project can be applied anywhere in the world through a tailored process of making appropriate local adaptations on a case-by-case basis.  |
| <b>Areas of Assessment: Environmental Performance of the Building</b> | <ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul> | <ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul> | <ul style="list-style-type: none"> <li>• Environment</li> <li>• Economic</li> <li>• Sociocultural and functional aspects</li> <li>• Technology</li> <li>• Processes</li> <li>• Site</li> </ul>   |
| <b>Requirements</b>   | Prerequisites (independent of level of certification) + Credits with associated points<br><br>These points are then added together to obtain  | Prerequisites depending on the levels of certification + Credits with associated points   | Percentage-based performance index<br><br>The total performance index (expressed as a percentage) is calculated by adding the six key areas  |

|                                   |  |  |  |
|-----------------------------------|--|--|--|
|                                   | <p>the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p> | <p>This number of points is then weighted by item<sup>29</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREAAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p> | <p>of assessment. The environmental, economic, socio-cultural and functional aspects and technical quality each account for 22.5% of the total, process accounts for 10% and the site quality is given a separate grade.</p> <p>Depending on the total performance index, a DGNB award will be given to the project, starting from Silver (at least 50%), then Gold (at least 65%) and finally Platinum (at least 80%). Bronze is awarded for already existing buildings and is conferred as the lowest rank with a total performance index of at least 35%.</p> |
| <p><b>Performance display</b></p> |   |    |   |

## Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

|  |                            |
|--|----------------------------|
| <b>Issuer name:</b>  | S IMMO AG                  |
| <b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b> | Sustainable Bond Framework |
| <b>Review provider's name:</b>   | Sustainalytics             |
| <b>Completion date of this form:</b>   | 29/12/2020                 |
| <b>Publication date of review publication:</b>   |                            |

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

<sup>29</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

**ROLE(S) OF REVIEW PROVIDER**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify)</i> :                        |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

**EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)***

Please refer to Evaluation Summary above.

**Section 3. Detailed review**

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

**1. USE OF PROCEEDS**

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds - Green Buildings, Energy Efficiency, Renewable Energy, Affordable Housing - are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 7 and 11.

**Use of proceeds categories as per GBP:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings  |

- |  |  |
|--|--|
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |
|--|--|

If applicable please specify the environmental taxonomy, if other than GBPs:

**Use of proceeds categories as per SBP:**

- |   |   |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure  | <input type="checkbox"/> Access to essential services                                   |
| <input checked="" type="checkbox"/> Affordable housing  | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):  |

If applicable please specify the social taxonomy, if other than SBP:

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

S IMMO’s Sustainable Bond Committee (the “Committee”) will be responsible for the project evaluation and selection. The Committee will meet at least annually to review proposed allocations and ensure that the allocation is in line with the eligibility criteria. Sustainalytics considers the project selection process in line with market practice

**Evaluation and selection**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer’s social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):  |

**Information on Responsibilities and Accountability**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

S IMMO's Controlling & Finance Department will be responsible for the management of proceeds. S IMMO intends to reach full allocation within 24 months after issuance. Pending allocation, S IMMO will hold unallocated proceeds in cash or cash equivalent instruments. This is in line with market practice

#### Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

#### Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

S IMMO intends to report allocation proceeds on its website on an annual basis until full allocation. Allocation reporting will include the total amount of proceeds allocated per category and the balance of unallocated proceeds. In addition, S IMMO is committed to reporting on relevant impact metrics. Sustainalytics views S IMMO AG's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

#### Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify): balance of unallocated proceeds

**Frequency:**

- Annual
  Semi-annual  
 Other (please specify):

**Impact reporting:**

- Project-by-project
  On a project portfolio basis  
 Linkage to individual bond(s)
  Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
  Energy Savings  
 Decrease in water use
  Number of beneficiaries  
 Target populations
  Other ESG indicators (please specify): level of green building certificates, and number of affordable housing units made available

**Frequency:**

- Annual
  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report
  Information published in sustainability report  
 Information published in ad hoc documents
  Other (please specify):  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

|  |
|--|
| <a href="http://www.simmoag.at">www.simmoag.at</a> |
|--|

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)
  Certification  
 Verification / Audit
  Rating  
 Other (please specify):

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

## Disclaimer

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



**Named**  
2015: Best SRI or Green Bond Research or Rating Firm  
2017, 2018, 2019: Most Impressive Second Opinion Provider

