



# Green Bond Framework

W&W Group  
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# 1 Introduction to W&W Group

## 1.1 Overview

The W&W Group came into existence in 1999 as a result of the merger of the two long-established companies Wüstenrot and Württembergische. Today, it develops and provides the four components of modern financial planning: financial security, residential property ownership, risk protection and savings and investment. It combines the Housing and Insurance divisions with the digital initiatives of W&W brandpool GmbH and offers customers the financial planning solution that meets their needs. In doing so, the W&W Group focuses

on omni-channel sales, ranging from its own mobile sales force to cooperation partners and sales agents, broker activities and digital initiatives. Today, approximately 13,000 people work for the Group as in-house employees or on the mobile sales staff. The W&W Group operates almost exclusively in Germany. **Wüstenrot & Württembergische AG (W&W AG)** based in Kornwestheim, is the strategic management holding company of the W&W Group. W&W AG is listed on the stock exchange. The main shareholder of W&W AG is the Wüstenrot Foundation.

In the **Housing division**, the focus is on the home loan savings business of **Wüstenrot Bausparkasse AG**, along with the building financing that it offers. Other areas include the property development business of Wüstenrot Haus- und Städtebau GmbH and real estate brokerage by Wüstenrot Immobilien GmbH.

In the **Insurance division**, the W&W Group offers a wide range of life and health insurance products, as well as property/casualty insurance products. The key companies in this division are **Württembergische Versicherung AG**, **Württembergische Lebensversicherung AG** and **Württembergische Krankenversicherung AG**.

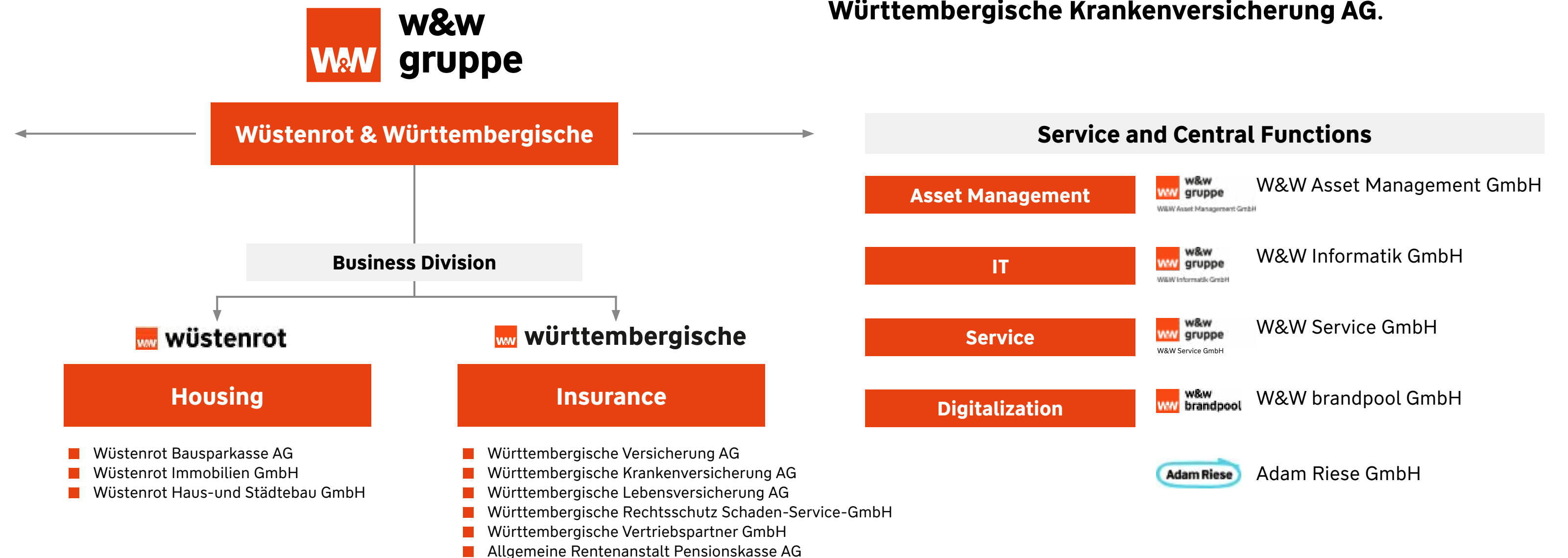
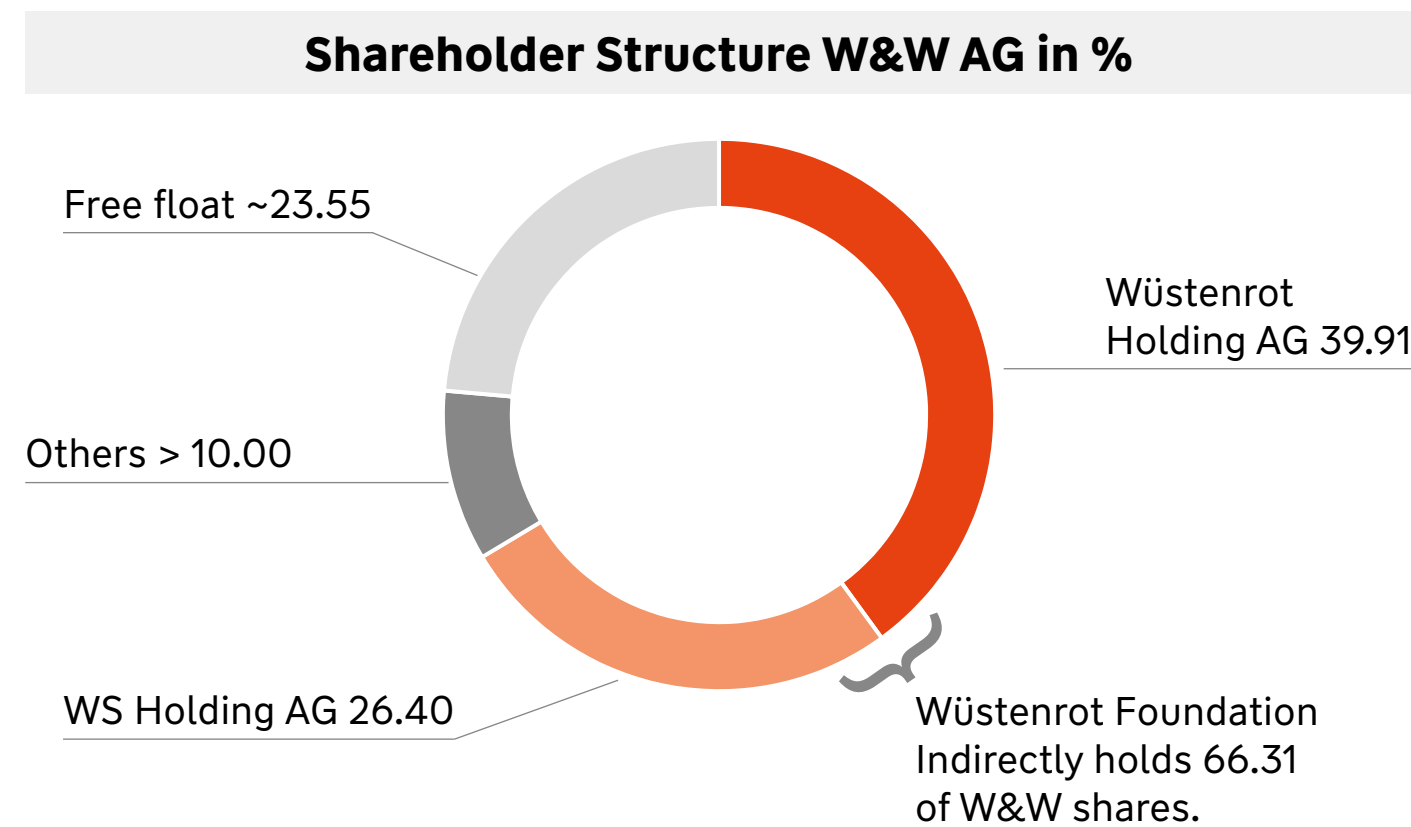


Figure 1: W&W Group Structure

## 1.2 Sustainability in the W&W Group

Acting responsibly and demonstrating a social commitment have a long tradition in the W&W Group and are core elements of its strategy. It is based on the understanding – derived from the foundation values of W&W AG’s primary shareholder – that corporate management should have a long-term perspective and be focused on stability. Offering holistic advice to customers and sales partners and providing them with assistance that they can always rely on are cornerstones of the business of the W&W Group.

We seek to conduct our business activities in a manner that is environmentally sound, socially responsible and economically successful; for both present and future generations. This has been embedded in the sustainability strategy of the W&W Group. It is aligned with ESG criteria and covers the following **six fields of action**: customers and products, own operations, investments and refinancing, employees, society and organisation.

With our products, we promote environmentally friendly housing and offer sustainable insurance products. We reduce our carbon footprint and resource consumption wherever possible and offset emissions where necessary. Since 2021, the **operation** of our corporate buildings and vehicle fleet has been **CO<sub>2</sub>-neutral** through the use of ecological energy sources and offsetting.

We have voluntarily joined initiatives, such as the **Principles for Sustainable Insurance (PSI)** and the **Principles for Responsible Investment (PRI)**, and we are committed to implement sustainable principles more strongly in our business activities and continue to enhance them. By signing the **“Charta der Vielfalt”** (“Diversity Charter”), the W&W Group has supplemented the measures it takes to promote diversity.



Signatory of:





With regard to our **Asset Management**, social and environmental aspects are important elements of our investment strategy. The aim is to continually reduce the CO<sub>2</sub> emissions of our investment portfolio and become **completely climate-neutral by 2050 at the latest**. In addition to environmental and social risks, we take into consideration risks that relate to corporate governance. Our portfolios are subject to the following **exclusion criteria**, which are continuously reviewed and adjusted to meet developments (updates are published on our website or in the sustainability report):

- Manufacturing companies that violate the UN conventions on the prohibition of controversial weapons, such as biological and chemical weapons, anti-personnel mines and cluster munitions
- Companies that generate more than 1% of their revenue from arms manufacturing or dealing
- Companies where 10% or more of their activity is related to coal
- Companies proven to have used forced labour
- Companies proven to have used child labour

In order to also meet our sustainability goals in our core business, the W&W Group finances **energy efficient properties**, and through home loan savings for our customers, we promote the creation of **affordable housing** in Germany. In addition, we make an important contribution to **financing the transition to clean energy** by strategically investing substantial funds of our customers in **renewable energies**.

The W&W Group intends to raise the funds necessary to finance energy efficient properties and renewable energy by issuing **green bonds** and **green German covered bonds**. The proceeds from the Green Bonds will be used in a targeted manner to implement projects in the area of the environment and climate protection that promote the Paris Climate Agreement, the climate objectives of the German Federal Government and, in particular, the following UN Sustainable Development Goals:

- Goal 7: Affordable and clean energy
- Goal 11: Sustainable cities and communities
- Goal 13: Climate action

On the one hand, this creates transparency on the environmental quality of the loan and investment portfolio. On the other hand, with its Green Bonds, the W&W Group can offer its investors the opportunity to both invest purposefully in the transformation of the real estate sector and the transition to clean energy, as well as contributing to a low-carbon economy.

## 2 Green Bond Framework

### 2.1 Introduction

Under this Green Bond Framework (hereinafter referred to as “Framework”), W&W AG and all of its subsidiaries listed in Figure 1 (e.g. Wüstenrot Bausparkasse AG, Württembergische Versicherung AG or Württembergische Lebensversicherung AG, together hereinafter referred to as “W&W”) may issue Green Bonds to finance and refinance Eligible Green Investments as defined in section 2.2 Use of Proceeds. Under this Framework W&W can issue any kind of green financing instruments, including green German covered bonds (“Grüner Pfandbrief”) under the German Pfandbrief Act (“Pfandbriefgesetz”), green senior unsecured bonds and green subordinated bonds.

In the future, W&W may update its Framework and include other Eligible Green Asset Categories or other types of debt securities.

The Framework is based on the Green Bond Principles (“GBP”) published in June 2021 (2021 edition with June 2022 Appendix 1), which are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond.<sup>1)</sup>

1) Green Bond Principles 2021 (with June 2022 Appendix 1) (International Capital Market Association acting as secretariat to the Principles). <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp>

The Framework has been established by a dedicated Green Bond Committee. It is presented through the GBP’s four core components plus its key recommendation for External Review:

- **Use of Proceeds**
- **Process for Project Evaluation and Selection**
- **Management of Proceeds**
- **Reporting**
- **External Review**

Furthermore, relevant sections of this Framework in relation to Green Bonds issued by Wüstenrot Bausparkasse are additionally in line with the minimum standards “Grüner Pfand-

brief” (green German covered bonds) of the Association of German Pfandbrief Banks (Verband Deutscher Pfandbriefbanken – vdp). The vdp has granted Wüstenrot Bausparkasse the right to issue its green German covered bonds under the brand “Grüner Pfandbrief”.

W&W is closely following the developments in the green bond market, the provisions for the European Green Bond Standard and the EU Taxonomy for environmentally sustainable economic activities. The Framework may, from time to time, be updated and will be applied to any Green Bond issued by W&W thereafter.





## 2.2 Use of Proceeds

An amount equivalent to the net proceeds of the Green Bond issue will be exclusively used to finance or refinance, in whole or in part, Eligible Green Investments: Eligible Green Assets and Eligible Green Funds.

**Eligible Green Assets** are prospective or existing loans or investments that fall under one of the following Eligible Green Asset Categories and meet the relevant Eligibility Criteria. In case of equity participations, eligible investments also include investments by W&W in private, non-listed companies for which at least 90% of turnover is attributable to projects meeting the Eligibility Criteria. **Eligible Green Funds** are future or existing investments into thematic investment funds managed by W&W or an external asset manager of which at least 90% is attributable to projects defined in the Eligible Green Asset Categories and as a consequence finance projects that meet the respective Eligibility Criteria.<sup>2)</sup>

The Eligibility Criteria for Eligible Green Assets are listed in Table 1 below:







Eligible Green Asset Category	EU Environmental Objectives <sup>3)</sup>	SDGs <sup>4)</sup>
<b>Green Buildings</b>	Climate change mitigation: b) Improving energy efficiency	 
<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;"></div> <div> <p><b>Description and Eligibility Criteria for Green Buildings</b></p> <p><b>Residential and Commercial buildings</b> (including existing buildings, renovated buildings and new constructions) that meet at least one of the following criteria:</p> <ol style="list-style-type: none"> <li><b>EPC-Label</b> <ul style="list-style-type: none"> <li><b>Residential buildings</b> are within the <b>Top 15%</b> of the local market, if <b>Energy Performance Certificate (EPC)</b> in terms of <b>Primary Energy Demand (PED) A+, A or B</b> is reached.</li> </ul> </li> <li><b>Energy consumption</b> <ul style="list-style-type: none"> <li><b>Residential buildings</b> with a <b>PED of 74 kWh/m<sup>2</sup>a or less</b> represent the <b>Top 15%</b> of the local market.</li> <li><b>Renovation of existing Residential and Commercial buildings:</b> The renovation complies with the requirements for major renovations or it leads to a reduction of PED of at least 30% in comparison to the performance of the building before renovation.</li> </ul> </li> <li><b>German energy efficiency standards<sup>5)</sup></b> <ul style="list-style-type: none"> <li><b>Residential buildings</b> complying with the Building Energy standard of <b>EnEV 2009 or newer</b> represent the <b>Top 15%</b> of the local market.</li> <li><b>Office or Retail buildings</b> complying with the Building Energy standard of <b>EnEV 2009 or newer</b> represent the <b>Top 15%</b> of the local market.</li> <li><b>Logistics buildings</b> complying with the Building Energy standard of <b>EnEV 2014 or newer</b> represent the <b>Top 15%</b> of the local market.</li> </ul> </li> <li><b>Green Building Certification</b> <ul style="list-style-type: none"> <li><b>DGNB</b> (Deutsche Gesellschaft für Nachhaltiges Bauen) Gold or better</li> <li><b>LEED</b> (Leadership in Energy and Environmental Design) Gold or better</li> <li><b>BREEAM</b> (Building Research Establishment Environmental Assessment Method) Excellent or better</li> </ul> </li> </ol> </div> </div>		
<b>Renewable Energy</b>	Climate change mitigation: a) Generating, transmitting, storing, distributing or using renewable energy	 
<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;"></div> <div> <p><b>Description and Eligibility Criteria for Renewable Energy</b></p> <p>Equipment, development, construction, operation, distribution, infrastructure and maintenance of <b>renewable energy</b> sources. This includes the production units and storage facilities, but also the transportation to and through the grid/network. Renewable energy sources include:</p> <ol style="list-style-type: none"> <li><b>Offshore and onshore wind energy</b></li> <li><b>Solar photovoltaic energy</b></li> </ol> </div> </div>		

Table 1: Eligible Green Asset Categories

The Eligible Green Asset Categories comply with the EU Taxonomy Regulation’s classification system for environmental objectives as published in the version from 18 June 2020<sup>6)</sup>.

In the case of Green Covered Bonds issued by Wüstenrot Bausparkasse, the mortgages on the Green Buildings serve as collateral for loans on Wüstenrot Bausparkasse’s cover pool. If they are used for green German covered bonds “Grüne Pfandbriefe”, the loans must be eligible for and included in, or to be included in, the bank’s mortgage cover pool. Furthermore, a new green German covered bond “Grüner Pfandbrief” can only be issued if there are Eligible Green Assets with a sufficient aggregated nominal value in Wüstenrot Bausparkasse’s mortgage cover pool that have not already been used for previous Green Bonds.

2) A split of investments in Eligible Green Funds between capital investment and management fee / transaction fee is only possible from financial year 2017. Therefore, a conservative discount of 5% is applied to investments made up to year 2016 to account for this potential share of the management fee. Investments, and therefore clearly definable capital investments, are allocated 100% to a Green Bond from the year 2017.

3) In alignment with overarching objectives as defined in Article 5 and 6 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020

4) Sustainable Development Goals (“SDG”) adopted by the United Nations in 2015 (in alignment with the ICMA “Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals” (June 2022 edition)

5) The year of construction determined by an expert is used as proof. On November 1, 2020, the “Energieeinsparungsgesetz” (EnEG), the “Energieeinsparverordnung” (EnEV) and the “Erneuerbare-Energien-Wärmegesetz” (EEWärmeG) were replaced by the “Gebäudeenergiegesetz” (GEG). [http://www.bgbl.de/xaver/bgbl/start.xav?startbk=Bundesanzeiger\\_BGBI&jumpTo=bgbl120s1728.pdf](http://www.bgbl.de/xaver/bgbl/start.xav?startbk=Bundesanzeiger_BGBI&jumpTo=bgbl120s1728.pdf)

6) Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.



### 2.3 Process for Project Evaluation and Selection

W&W has established an internal **Green Bond Committee** (hereinafter referred to as “W&W Committee”) in order to manage the initial set-up of the Framework, the external review and future updates including those necessary to reflect evolving standards and requirements in the green bond market. In addition, the W&W Committee manages the entire Green Bond process, including the evaluation, selection and monitoring of the Eligible Green Investments, management of proceeds and reporting on allocation and impact. In its regular meetings, the W&W Committee will also discuss and determine whether the Eligibility Criteria are still in line with best market practices and decide on how to adapt the Framework accordingly if needed. The W&W Committee will annually review the list of Eligible Green Investments against the Eligibility Criteria. If an investment no longer meets the Eligibility Criteria set forth in this Framework, the investment will be removed and replaced as soon as one or more Eligible Green Investments have been identified as a substitute. The W&W Committee consists of the representatives from the W&W Risk and Finance department, the business divisions Housing and Insurance, as well as Sustainability. The W&W Committee can add further representatives of other departments and / or delegate particular obligations to experts within W&W at its own discretion, whenever it seems appropriate.

**In the Project Evaluation and Selection Process** projects financed and/or refinanced through Green Bond proceeds are evaluated and selected based on compliance with the Eligibility Criteria. The W&W’s approval process intends to ensure, that all its investments and loans comply with internal environmental and social standards including those financed with the proceeds of the Green Bonds. The implementation of the exclusion criteria and adherence to national and international standards on a best-effort basis help to mitigate the environmental and social risks associated with the Eligible Green Assets. In addition to the exclusion criteria listed in Chapter 1.2 companies associated with arms manufacturing or dealing or activity related to coal are not eligible for Green Assets. W&W ensures that all selected Eligible Green Investments comply with official national and international environmental and social standards, as well as local laws and regulations, on a best effort basis.

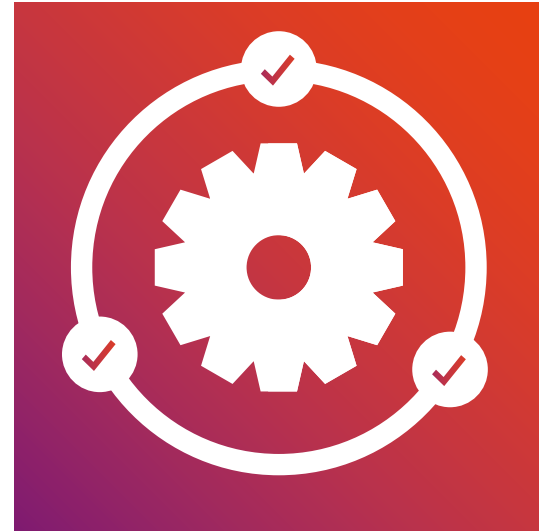
Loans in the Green Portfolio of each issuer are subject to the standards set out in the Group’s current credit risk strategy, as well as internal review processes, with regard to money laundering. For each project, environmental and social risks associated with the Eligible Green Assets are taken into account as part of the property valuation and credit assessment. In addition, sustainability risks are assessed as part of transitory and physical scenario analyses and appropriate measures are derived from them. The data basis for the identification of physical and transitory risks is the address and the energy efficiency, which are either recorded directly via energy performance certificates or determined via a

statistical method based on the building age classes, among other things. In case W&W’s Valuation and Credit assessment identifies any relevant E&S risks which violates national and international standards, the respective Green Investment will be excluded from the Eligible Green Asset Pool.

W&W has also defined binding exclusion criteria for lending/ investing that apply throughout the Group. The exclusion criteria listed in Chapter 1.2 are considered on a best effort basis and apply to all types of commercial financing. The Wüstenrot Bausparkasse AG offers housing finance activities as defined in the German Bausparkassen Act. The loans have to be used primarily for residential purposes like the construction, purchase, maintenance and improvement of buildings or the acquisition of building land. The loans are essentially limited to private customers and dedicated to long-term wealth accumulation and residential use especially owner-occupied houses and flats. On that basis the fulfilment of the exclusion criteria is covered through the housing finance activities as defined by the German Bausparkassen Act.

The Eligibility Criteria referenced in Table 1 are used for the green asset selection process. As part of the residential lending process, the submission of the Energy Performance Certificate has been requested from borrowers since 2022. This Energy Performance Certificate is assigned to the green asset to ensure unique identification of the asset and clear assignment to the green portfolio.





## 2.4 Management of Proceeds

W&W will manage the net proceeds of its Green Bonds on a portfolio basis on an issuer level. That means, that each legal entity will manage its own portfolio of Eligible Green Investments that are financed and refinanced by the respective Green

Bonds issued by the same entity. W&W intends to allocate proceeds of a Green Bond to Eligible Green Investments within three years from the date of issuance of the respective Green Bond.

Eligible Green Investments are not booked in a separate portfolio but will be earmarked in the issuer's monitoring system. Thus, they form a virtual sub-portfolio. The W&W Committee will monitor that the amount of Eligible Green Investments within the sub-portfolio is always higher than the net proceeds of outstanding Green Bonds issued by the respective issuing entity. In the unlikely case that the outstanding Green Bonds exceed the volume of Eligible Green Investments (e.g. due to early repayment or loss of eligibility of certain assets or investments), W&W intends to temporarily invest an amount equal to the balance between Eligible Green Investments and the net proceeds of outstanding Green Bonds in Sustainable/Green Bonds and/or hold it in cash.



## 2.5 Reporting

The GBP recommend that green bond issuers provide information on the allocation of proceeds. In addition, the GBP also recommend communicating on the expected impact of the financed assets.

W&W is dedicated to give sufficient transparency upon the issuance and during the lifetime of its Green Bonds to the investors. Therefore, each W&W entity that issues a Green Bond will publish individually on an annual basis, starting approximately one year after the first Green Bond transaction, a Green Bond Investor Report with a regular cut-off date [December 31] as long as it has Green Bonds outstanding.

The reporting basis for all W&W Green Bonds and other potential green funding is the respective sub-portfolio of Eligible Green Investments. The information will be provided separately by each issuing entity of W&W on an aggregated basis for the respective Eligible Green Asset Category for all its Green Bonds outstanding.

The Green Bond Investor Report will consist of an Allocation Reporting and Impact Reporting.

### 2.5.1 Allocation Reporting

Allocation Reporting is prepared on a portfolio basis for each calendar year and shows aggregated data. Allocation Reporting may include (excerpt):

- Total amount of outstanding Green Bonds issued
- Total amount of Eligible Green Investments
- Geographical distribution of Eligible Green Investments
- Distribution of types of Eligible Green Investments (e.g. type of technology for Renewable Energy, characterisations of the buildings for Green Buildings etc.)

Additionally, when appropriate and subject to confidentiality obligations, W&W may provide concrete examples of Eligible Green Investments refinanced through the proceeds of its Green Bonds.



### 2.5.2 Impact Reporting

On a best effort basis W&W intends to align Impact Reporting with the portfolio approach described in the June 2022 edition of the ‘Handbook - Harmonized Framework for Impact Reporting’<sup>7)</sup>.

Impact Reporting is prepared on a portfolio basis and shows aggregate data for each calendar year. Impact Reporting may include (excerpt):

Eligible Green Asset Category	EU Environmental Objectives
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>■ Capacity of renewable energy plants constructed or rehabilitated</li> <li>■ Estimated annual GHG emissions reduced / avoided (in tCO<sub>2</sub>e)</li> <li>■ Annual renewable energy generation in MWh</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>■ Number of green buildings/units financed</li> <li>■ Estimated annual GHG emissions reduced / avoided (in tCO<sub>2</sub>e)</li> <li>■ Estimated annual energy savings (in kWh/m<sup>2</sup>)</li> </ul>

Table 2: Impact Indicators

To facilitate further transparency for the investor, the Green Bond Investor Report may contain further explanations with respect to Allocation Reporting or Impact Reporting.

Each Green Bond Investor Report will be reviewed by the W&W Committee of the respective issuance entity [and includes a confirmation that the Green Bond Investor Report has been prepared in accordance with the reporting procedures and reporting requirements of the Green Bond Framework].

Each Green Bond Investor Report will be made available on W&W’s website.



### 2.6 External Review

W&W has commissioned Sustainalytics to conduct an external review of its Green Bond Framework. Sustainalytics has issued a Second Party Opinion (SPO) confirming the compliance with the GBP and the positive environmental impact of the Framework. The SPO is published on W&W’s website.

<sup>7)</sup> Handbook - Harmonized Framework for Impact Reporting: [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds\\_June-2022v2-020822.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022v2-020822.pdf)

### 3 Documents and Websites

W&W provides information regarding its green funding, such as:

- Green Bond Framework 2023
- Second Party Opinion on W&W's Green Bond Framework 2023
- Investor presentation
- Green Bond Investor Report

on the following website:

<https://www.ww-ag.com/de/investor-relations/anleihen>

Furthermore, W&W provides information on its sustainability approach on the following website:

<https://www.ww-ag.com/en/about-us/Sustainability>