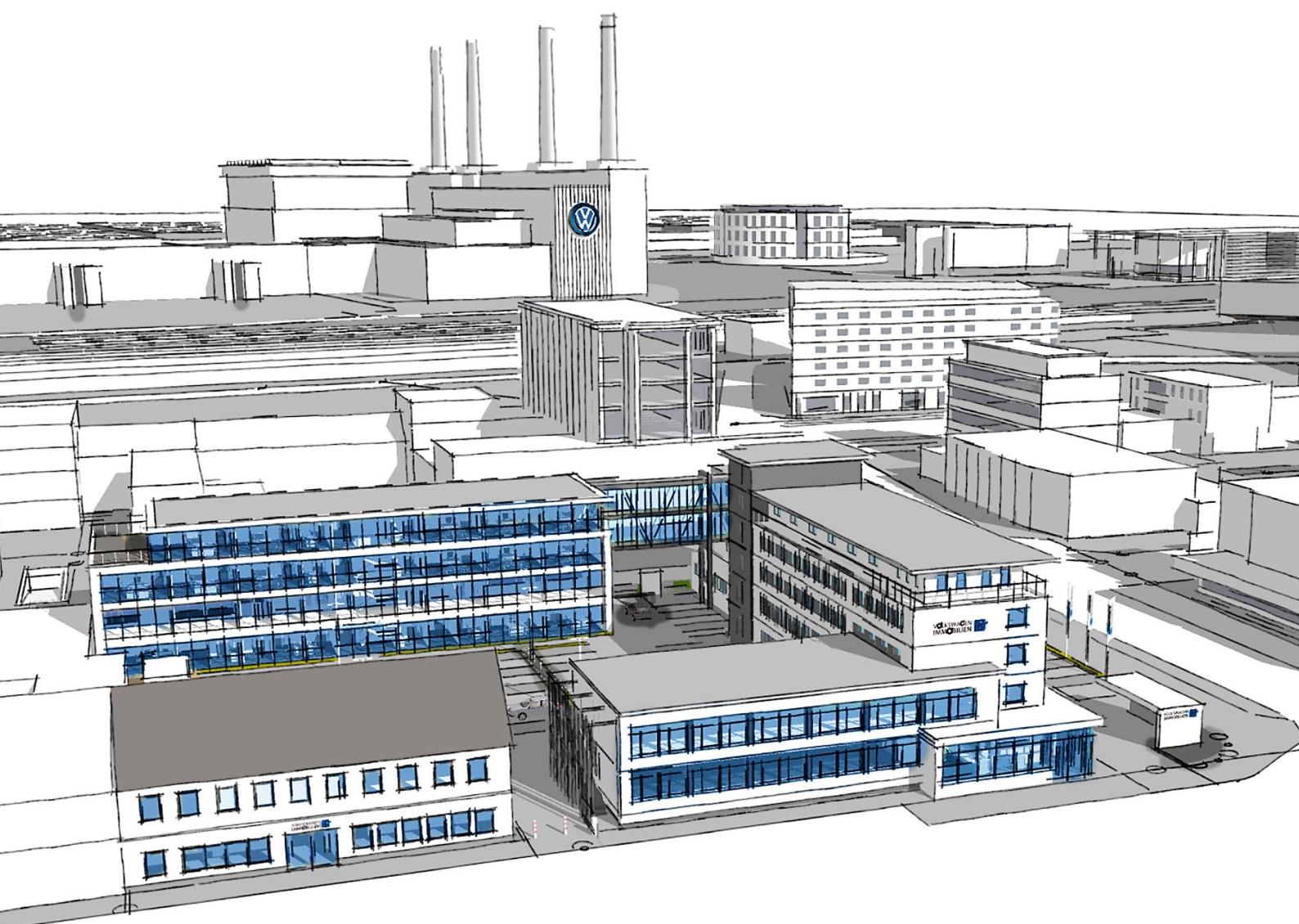


BLUE LIVING

SUSTAINABILITY REPORT 2019
GREEN BOND REPORT 2019



**VOLKSWAGEN
IMMOBILIEN**



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links to Volkswagen's Sustainability Report 2019

Download at <https://www.volkswagenag.com/en/sustainability/reporting.html>

Letter from Senior Management

◆ [GRI 102-14, 102-15](#)

Dear readers,

Urbanization, individualization, New Work, digitalization and climate change are all signs of deep-seated societal shifts which present us with considerable challenges. In particular, we are confronted with ever-changing requirements from both users and regulators to limit global warming. This has become a key objective – especially for the real estate sector.

In this, our third, sustainability report we have set ourselves the goal of further improving the comparability, credibility and manageability of our corporate social responsibility activities. Thus, we have oriented our report on the internationally established GRI Standards (Global Reporting Initiative) for the first time.

Our commitment to sustainability is driven by our corporate strategy, "VWI 2025", which forms the basis for our actions and reconciles economic, ecological and social considerations. A newly adopted materiality matrix serves to identify key sustainability issues and integrate them into strategic processes. Continuously reviewing the way in which our sustainability activities are perceived is crucial for us, so we have an ISS ESG sustainability rating performed annually.

Taking responsibility for actions is, and remains, our ethos. We support the United Nations Sustainable Development Goals (SDGs) and the 2030 Agenda to make the world fairer and more sustainable. With this in mind, we have identified the goals which we want to make the greatest possible contribution to achieving.

To help implement the Paris Agreement, we want to contribute towards keeping the global average temperature increase below 2 °C through a comprehensive decarbonization program. We also plan to use offsetting to become climate-neutral by 2050. By 2030, we aim to reduce CO₂ emissions by at least 35% based on the intensity for our property portfolio, using the 2015 figures as a baseline.

We have been implementing our holistic sustainability concept BLUE LIVING consistently since 2019. With our BLUE family of brands, which has been registered with the German Patent and Trade Mark Office (BLUE BUILDING, BLUE FINANCE and BLUE LEASE), we are gearing all stages of a property's life cycle towards sustainability aspects – from construction and financing to use and disposal. This makes us a pioneer in the real estate sector.

Today, we already have a "green" property portfolio with a market value of approximately €640 million. [📄 > GREEN BOND REPORT](#) It comprises 129 properties and is constantly being expanded. We have decided to publish our sustainability report and our green bond report together in the future to make the links between the two clearer.

*) Environmental, social, governance

Both our commercial success and our future viability rest largely on the satisfaction of our clients and staff. For that reason, we regularly ascertain customer satisfaction in the residential and commercial sectors and gear our offerings towards our tenants' needs. Our latest survey of residential tenants identified a current customer satisfaction score of 95.3%, which shows that our efforts are bearing fruit.

There is no doubt that we cannot achieve our sustainability goals without our staff. We want to be an attractive employer for them and promise them that we will continue to promote a corporate culture based on trust and shaped by feedback and dialog; a healthy work-life balance by offering flexible working hours; health and safety in the workplace; training and continuing professional development; and diversity.

Our sustainable activities met with wide acclaim once again in 2019, with accolades again including the FaMi badge for family-friendly employers and the Immobilienmanager Award in the "Financing" category.

In 2020, we plan to make our objectives even more precise and hone our KPIs. By rolling out smart meters at our commercial properties, we intend to enhance transparency concerning our consumption. Optimizing this plays a crucial role in our ongoing decarbonization efforts. A planned climate awareness day will help us to further raise environmental consciousness within our workforce. In addition to this, we will produce a tree register for our portfolio, which will pave the way for offsetting our CO₂ emissions.

We hope you find the report interesting and informative, and we look forward to hearing your thoughts and discussing forward-looking issues with you.

The Volkswagen Immobilien senior management team

Meno Requardt
Michael Leipelt
Dr. Ralph Sawalsky



Flagship Projects

Weidenplan: the District of the Future

◆ GRI 203-1

Green, modern and eco-friendly – these forward-looking attributes are all part of Steimker Gärten, one of the largest and most innovative private housing development projects in Germany. Initiated and developed by Volkswagen Immobilien, this new district of Wolfsburg is being constructed in a desirable, central location yet surrounded by green. On the 22-hectare site, 1,250 rental and owner-occupied apartments, high-quality multiple dwellings, detached and terraced homes, and a day nursery, retirement home, shops and a café are being built in two phases. The project is part of Wolfsburg's 2025 home-building offensive, which aims to create a minimum of an additional 10,000 residential units by 2025.



At the heart of Steimker Gärten, the new-build project Weidenplan was completed in 2019, consisting of 31 apartments in two modern, four-story multiple dwellings. All of the apartments have already been let. The group of buildings boasts elegant architecture characterized by a rough, broom-finished façade combined with smooth plaster around the window frames. Ornamental aluminum balcony balustrades and an easily accessible foyer round out the overall picture. All 31 apartments are bright and cozy thanks to underfloor heating. The pleasant indoor climate is further enhanced by thermally insulating triple glazing. Eco-

friendly, wood-effect designer flooring adds a warm, natural flair.

The apartments use highly resource-efficient district heating, which is produced using 95% cogeneration. This is waste heat from power plants, which would otherwise go unused. With this project, Volkswagen Immobilien and its tenants are benefiting from the proximity and expertise of the Volkswagen Group. The tiered buildings will feature partial living roofs, on which photovoltaic panels are being installed to generate environmentally friendly energy. In the future, both buildings will be surrounded by harmoniously planted outdoor spaces. With Weidenplan, Volkswagen Immobilien is already smoothing the way for climate-friendly transport: for instance, each apartment in the energy-efficient buildings has a parking space with a 230-volt socket for charging an electric car or bike. Later on, residents will also be offered wallboxes.

Holistic Sustainability Concept Becomes Reality

With Weidenplan, we were able to implement our holistic sustainability concept for the first time. This consists of the elements BLUE BUILDING, BLUE FINANCE and BLUE LEASE. It centers on the key objectives of energy efficiency, environmental awareness, cost-effectiveness and user-friendliness. First, our construction standard BLUE BUILDING fulfills the criteria for efficient energy use: this makes the primary energy demand – and

therefore the energy costs – some 45% lower than in a comparable conventional newbuild. Carbon emissions are also much lower as a result. Second, the development meets the highest economic, ecological and social requirements for sustainable planning and management.



Sustainability in any phase:
Holistic Approach

We see responsible financing as a natural part of any sustainability concept – this is backed by our BLUE FINANCE concept. The tenancy agreements at Weidenplan feature an additional clause (BLUE LEASE) which leads to a shared understanding of sustainability. Tenants benefit from tips and suggestions on sustainable living and agree to make sustainable choices themselves.

Porsche in Stuttgart: Aiming High with Sustainability

Sports car maker Porsche is set to build a Porsche Design Tower complete with a new Porsche center at Pragsattel, an important transport hub in northern Stuttgart, thereby making a clear brand statement. The firm

expects construction of the Porsche center to take two and a half years, with the tower being completed about a year later. With a height of approximately 90 meters, the Porsche Design Tower will be one of Stuttgart's tallest office and residential buildings. Its timeless architecture will enrich the cityscape.

The Porsche Design Tower will have a floor area per level of some 20,000 square meters, while the showroom, gallery and workshop construction site will span 9,100 square meters in total. There are also plans for a large underground garage with two levels and around 340 parking spaces. The tower is to house office space, an exclusive hotel, eateries and terraces.

With its new Stuttgart center, Porsche is creating an exclusively designed space for its clients in a high-profile location in the heart of the city. Interactive, digital presentations of products and services will enable visitors to

experience the legendary brand, its technology and its design first-hand.



BLUE BUILDING Standard Prescribes Clear Criteria

As the site owner, Volkswagen Immobilien is also prioritizing sustainability in this project and applying its own Blue Building standard to the development. This means that a photovoltaic system will be installed on the roof comprising 236 panels and PV generators covering an area of 390 m² with an energy yield of 61,000 kWh and a peak performance of 77 kWp. A special thermal insulation concept will ensure that energy consumption falls well below the statutory limit and that the center complies with the BLUE BUILDING standard, which requires

the primary energy demand to be 45% lower than that of conventional buildings. There will also be an extensive fast-charging infrastructure for electric vehicles at the new Porsche center. Two DC chargers and two AC chargers are planned in the customer area.

Furthermore, we are paying close attention to accessibility and the use of zero-emission materials which contain a low level of harmful substances. The useful space has been designed without integrated load-bearing elements for utmost flexibility. This also makes it easy to dismantle for the purpose of new architectural features and building services. The Porsche center is being constructed in line with the DGNB criteria and is due to be awarded gold certification after its completion. As well as environmental aspects, this takes a holistic view of a building's entire life cycle.



The DGNB is producing a tailored list of specifications for the Porsche newbuild and testing these criteria for other comparable uses in a pilot application. This should make it possible to apply the recognized certification system as flexibly as possible to other newly built car showrooms as well. With their construction of the Porsche Design Tower Stuttgart, Volkswagen Immobilien and Porsche are also taking the issue of bird strikes very seriously. A bird strike report was produced as part of the planning process, and means of designing the façade to actively protect birds were identified. The same process was completed during the planning of the Porsche center.

BLUE LIVING

SUSTAINABILITY REPORT 2019



Volkswagen Immobilien at a Glance

◆ [GRI 102-1 to 102-7](#)

Volkswagen Immobilien has been part of Wolfsburg ever since it was established in 1953. It has not only accompanied the city's development and growth, but has also had the privilege of actively shaping it in crucial ways. Now, with over 9,300 residential units, Volkswagen Immobilien is a major apartment provider in Wolfsburg and a leading provider of property services within the Volkswagen Group all over the world. In 2019, the company and its 357-strong workforce (excluding trainees) generated annual sales of €166 million.


Originally established to provide apartments for Volkswagen employees, we have also been offering our apartments on the free housing market since 1994. In the commercial property sector, we support Volkswagen AG, its brands and its subsidiaries with a wide range of products and services relating to property management.


Our portfolio comprises everything from project planning to turnkey construction plus day-to-day operational management: project management, facility management, tenancy agreement and leasing management, and asset management. Furthermore, Volkswagen Immobilien acts as an investor and general contractor and advises the Volkswagen Group globally on construction and property projects.

The real estate experts from Volkswagen Immobilien are not just active locally in Wolfsburg. They also support the Volkswagen Group internationally with property projects – or services – for almost all of the Group's brands. We have our own subsidiaries in Poland, the Czech Republic and Slovakia for this purpose.

Strategic Approach: Decarbonization to Protect the Climate

◆ [GRI 201-2](#)

Climate change is one of the biggest challenges faced by mankind. The speed of global warming has increased rapidly over the last three decades. All of us have a duty to stop it. With this in mind, the Volkswagen Group has initiated a far-reaching decarbonization program with which it intends to contribute towards achieving the two-degree goal contained in the Paris Agreement and – if possible – ensure that the increase in temperature remains well below this. The Volkswagen Group as a whole is striving to become a carbon-neutral company by 2050 at the latest. The company has set itself the aim of improving the carbon footprint of its cars throughout their entire life cycle by 30% compared with 2015 levels as soon as 2025.  > [CHAPTER "DECARBONIZATION"](#)

These targets demonstrate how firmly embedded environmental responsibility is at the Volkswagen Group. For instance, the Group's strategy states that it strives to be a "role model for the environment", while climate protection is a key action area within the environmental mission statement "goTOzero", which was adopted in 2019.  > [CHAPTER „THE ENVIRONMENT“](#)

The decarbonization program is backed by concrete, verifiable targets and measures which are managed by the Group's steering committee on sustainability. It rests on three key principles, which are listed in order of priority: first come measures to prevent or reduce carbon emissions. Second are steps which enable the energy supply throughout the value chain to be switched to less carbon-intensive or renewable sources. Lastly, the company

offsets unavoidable carbon emissions by supporting climate protection projects which meet highest international standards and contribute towards achieving the United Nations Sustainable Development Goals (SDGs).

With its decarbonization index (DKI), the Volkswagen Group has a meaningful measurement tool that makes progress and interim results in this field visible and comprehensible to the public. In 2019, all of the production sites along with the brands, companies and regions drew up decarbonization road maps, which were then incorporated into a corresponding Group road map.

Buildings: Key Lever for Reducing Carbon Emissions


◆ GRI 102-15

To implement the Paris Agreement, Germany adopted national climate protection targets in 2019 aimed at a reduction of at least 55% in greenhouse gas emissions by 2030, compared to 1990 levels, and greenhouse gas neutrality by 2050.

In Germany, real estate accounts for around a third of total CO₂ emissions. Direct emissions from properties make up 14% of this. Climate policy is therefore placing a particular focus on the real estate sector. As part of its climate protection program, the German government has set a savings target of 39% by 2030 for the building sector, with the 2018 figures serving as a baseline. To help achieve this – while simultaneously reducing the EEG surcharge – a price is also being introduced for CO₂, which will initially be set at €25 per tonne in 2021. At the same time, the energy-efficient refurbishment of buildings will be subsidized and there will be a ban on installing oil-fired heating systems as of 2026.

The Volkswagen Immobilien Climate Protection Strategy

◆ GRI 201-02

As a wholly owned subsidiary of the Volkswagen Group, we, too, are committed to the two-degree goal contained in the Paris Agreement and want to take what action we can to contribute towards achieving the company-wide climate protection targets. By doing so, we are not merely joining the other brands and companies in the Volkswagen Group: we also want to meet our stakeholders' high expectations. For us, decarbonization means enhancing enterprise value with a future-proof property portfolio. It is also an important means of guarding against climate-related risks which could jeopardize the business model.  > [CHAPTER „DECARBONIZATION“](#)

Even now, it is clear that unsustainable buildings will be worth less when they are sold in the future because they will be unable to comply with statutory energy efficiency requirements or simply no longer meet people's expectations. Infringing new environmental legislation or requirements could make our properties significantly less attractive and harder to let, or could result in higher compliance costs due to surcharges or penalties. Last but not least, extreme weather events such as heat waves, storms and flooding will increase drastically without a timely change of direction on climate issues. This would expose the properties in our portfolio to potential damage which could limit their use and shorten their life span.

We have set ourselves the goal of reducing by 2025 carbon emissions for all new and existing residential and commercial buildings by at least 35% based on intensity using the 2015 figures as a baseline. We select measures based on the three hierarchical elements of the Volkswagen Group's decarbonization program:



Our goal for 2025:
-35 % CO₂ intensity

1. Reduction: Lowering CO₂ Emissions Effectively and Lastingly

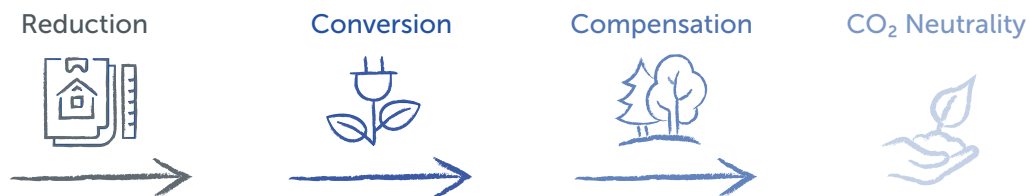
With BLUE BUILDING, we have introduced our own standard for newly built residential and commercial properties which is geared towards sustainability and climate protection. This requires them to comply with the KfW 55 standard and have a 45% lower primary energy demand. We are forging ahead with the energy-efficient modernization of existing properties, ensuring materials efficiency and recyclability, and using innovative products to optimize the supply of heat, such as smart thermostats. At the same time, we are promoting the switch to low-carbon heating systems. With BLUE LEASE, we are designing our tenancy agreements to encourage users to conserve resources in the day-to-day running of properties. Meanwhile, BLUE FINANCE safeguards financing for a climate-friendly real estate portfolio. We also minimize the climate impact of our own corporate processes (logistics, fleet, business trips).

2. Transformation: Switch to Renewable Energies


We are switching from gray energy to Volkswagen Naturstrom® green power for the common areas and landlord-to-tenant electricity at properties utilized by Volkswagen. In addition, we are implementing infrastructure solutions that make it possible to charge electric vehicles at the properties in our portfolio. These are also to be based on energy from renewable sources supplied by Volkswagen Naturstrom®.

3. Offsetting: Compensating for the Remaining Emissions

We are producing a tree register for our properties to enhance transparency and pave the way for offsetting via our green space management. At the same time, we are promoting land restoration and measures to enhance biodiversity.



Efficient Sustainability Management

Our commitment to sustainability is driven by our corporate strategy, "VWI 2025", which is embedded in the Volkswagen Group's "TOGETHER 2025+" strategy.  > **CHAPTER „GOALS AND STRATEGIES“** This Group strategy is based on four key target dimensions: excited customers, excellent employer, role model for environment, safety and integrity, and competitive profitability.

With our strategy, we are pursuing a vision of being the leading real estate partner of the Volkswagen Group and its employees in Wolfsburg as well as around the world. To achieve this, we have defined four target areas:



Key Issues Systematically Identified

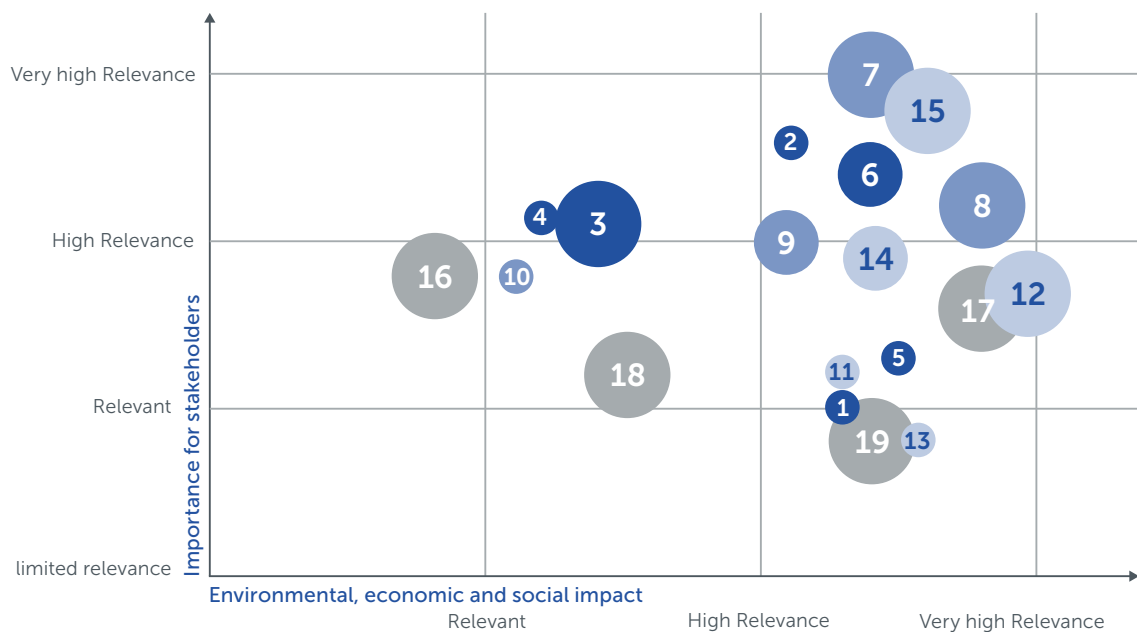
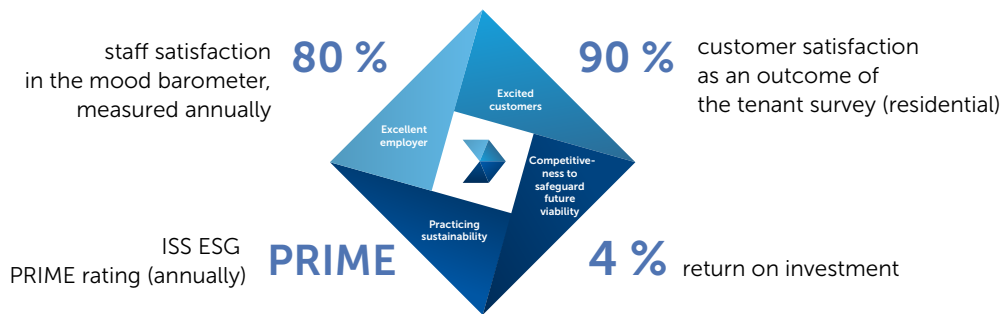
◆ **GRI 102-46, 102-47**

In 2019, we further developed the materiality analysis to identify key sustainability issues. By doing so, we do not just want to set strategic priorities and derive suitable measures. We also want to meet the requirements of the reporting standards set out by the Global Reporting Initiative (GRI) and the CSR Directive Implementation Act in Germany, which also apply to the Volkswagen Group.

In this process, which we completed with external assistance from a consultancy firm, relevant issues were assessed in three dimensions:

- > The impact of the company's operations on the environment, economy and society
- > The stakeholders' perspective
- > The significance for Volkswagen Immobilien's business activities

Based on this, we identified 19 issues of material relevance for us, which were transferred to a matrix and assigned to the four target areas laid out on our corporate strategy, "VWI 2025". This approach ensures that sustainability is linked as closely as possible with the company's strategic objectives and core business activities. In the future, we will associate with these issues targets, measures and programs, which we will roll out gradually. Progress will be measured using key performance indicators which also relate to the four strategic target areas:



Excited Customers	Future-proof competitiveness	Practicing Sustainability	Excellent employer
<ul style="list-style-type: none"> 1 Sustainable materials 2 Open dialogue 3 Customer satisfaction 4 Customer health and safety 5 Social commitment 6 Infrastructure solutions for e-mobility 	<ul style="list-style-type: none"> 7 Long-term economic stability and growth 8 Future-proof, sustainable corporate strategy 9 Affordable rents, moderate prices 10 Preserving the portfolio 	<ul style="list-style-type: none"> 11 Life cycle assessment 12 Energy efficiency and GHG reduction 13 Improving resource efficiency 14 Strengthening biodiversity 15 Compliance 	<ul style="list-style-type: none"> 16 Modern corporate structure and culture 17 Protection of health 18 Employee development through further training 19 Compatibility of work and family, work-life balance

Importance for stakeholders: Environmental, economic and social impact

Contribution to Achieving Global Sustainability Goals

◆ GRI 102-12

Like the Volkswagen Group, VWI is committed to the 17 Sustainable Development Goals (SDGs) adopted by the United Nations in connection with the 2030 Agenda. We are striving to dovetail the SDGs even more closely with our sustainability strategy in the future and to gear our measures towards achieving these goals. In 2019, we took an important step towards this by identifying the SDGs which we believe we have the greatest scope to influence both within our company and with our property-specific products and services. We allocated these to four strategic target areas.



Furthermore, we can document the substantive contribution which we are already making to achieving the corresponding SDGs. These aspects are described in greater detail below:

Our Buildings



3: GOOD HEALTH AND WELL-BEING

The well-being and productivity of building users depend largely on the quality of interior spaces: as well as using materials which contain a low level of harmful substances, we ensure our properties provide a healthy indoor climate with natural light, fresh air and the right temperature.



7: AFFORDABLE AND CLEAN ENERGY

The majority of energy supplied to our buildings already comes from renewables. Our target is 100%. We encourage corresponding investments – both directly and indirectly – and also reduce operating costs.



8: DECENT WORK AND ECONOMIC GROWTH

Our building concepts are resource-efficient and innovation-driven: as well as using fewer materials and less space, we can respond flexibly to new requirements. There is no correlation between our economic growth and our consumption of resources.



9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

We integrate modern, smart mobility solutions into our building concepts which make more efficient use of resources and help building users to choose clean, eco-friendly technologies.



11: SUSTAINABLE CITIES AND COMMUNITIES

We use environmental footprint assessments to measure our properties' impact on the environment, take ecological effects into account and integrate modern mobility solutions into our building concepts. By doing this, we help to reduce the environmental impact of towns and cities.



12: RESPONSIBLE CONSUMPTION AND PRODUCTION

We ensure that the materials used for new-build and maintenance projects are as recyclable as possible to conserve natural resources. To achieve this, sortable, recyclable solutions are considered even in the early stage of planning and construction.



13. CLIMATE ACTION

The more energy-efficient a building is, the greater its positive contribution towards climate protection during use. We reduce emissions and energy consumption with the aid of state-of-the-art technology and innovative building services and by constantly optimizing our processes.



15. LIFE ON LAND

Our building concepts aim to have the smallest possible impact on natural flora and fauna. Choosing the right plants in and around our buildings also enhances the value of our properties by reducing secondary costs and boosting well-being.

Our Company



4. QUALITY EDUCATION

We invest in training for young people, support traineeships in the region and help with the integration of socially disadvantaged youths. As part of this work, we explicitly try to break down traditional gender stereotypes.



5. GENDER EQUALITY



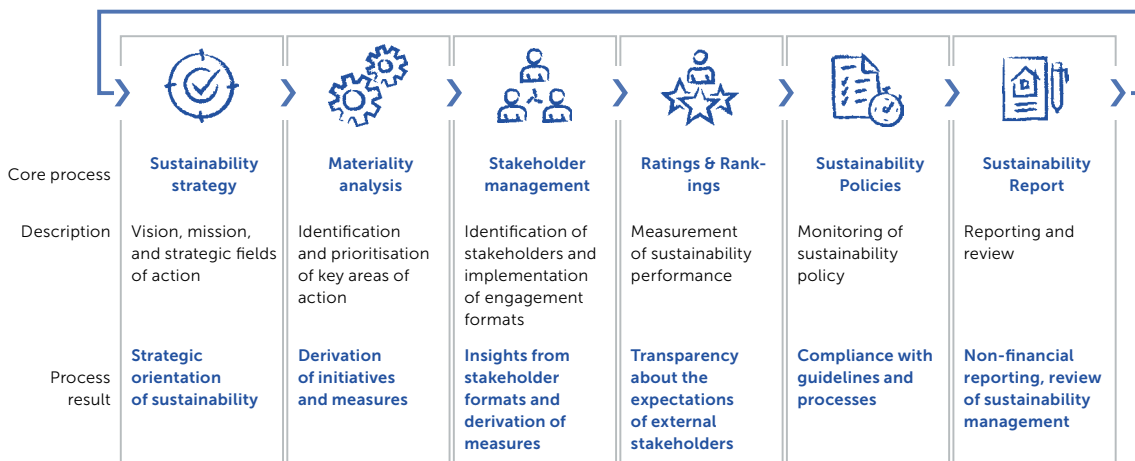
10. REDUCED INEQUALITIES

Volkswagen Immobilien is synonymous with treating people respectfully in a spirit of partnership and advocates diversity and tolerance. We endorse the Volkswagen Group's Code of Conduct and offer equal opportunities for all. We do not discriminate against anyone, nor do we tolerate any discrimination on the basis of ethnicity or nationality, gender, religion, world view, age, disability, sexual orientation, skin color, political affiliation, social background or other legally protected characteristics. Employees are selected, hired and developed based on their qualifications and skills.

Sustainability Management: Processes and Structures

◆ GRI 102-18

We have defined clear rules, structures and responsibilities based on six defined core processes to make our corporate governance sustainable.

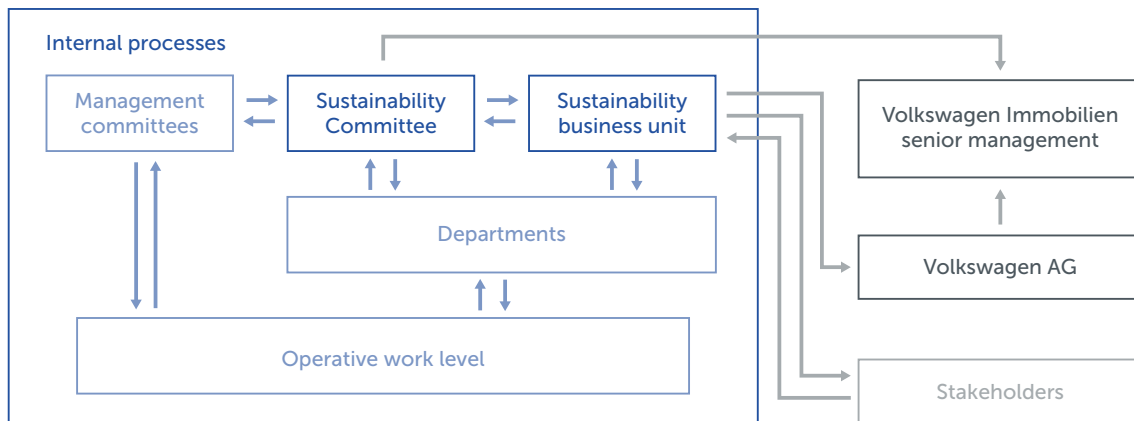


In addition to the components set out above – the sustainability strategy and the materiality analysis – these are stakeholder management, major ratings and rankings, establishing sustainability policies and reporting our associated activities.

In the concrete implementation of our sustainability strategy, we align our activities with the Volkswagen Group guidelines, adopt their principles and formulate company directives which are specifically tailored to Volkswagen Immobilien. These regulations cover a broad range of areas, including data protection, procurement, the environment, corporate governance, occupational health and safety, human resources, public affairs and sponsorship. In this report, the various sections include a reference to any Group guidelines which apply, including the relevant section of the Group sustainability report. If special actions are associated with the implementation of these guidelines which are relevant in the context of our sustainability strategy, we elaborate on these in the corresponding passages of text.

Our Sustainability Committee is responsible for coordinating sustainability issues. It consists of one executive from each of the central divisions – Housing, Corporate Real Estate Management and Finance. The committee members maintain ongoing dialog with working groups from the various departments to define concrete strategic targets, measures, action areas and statements concerning sustainability. The Chairman of the Sustainability Committee keeps the senior management team informed about sustainability-related issues.

The Sustainability Committee is supported by the Sustainability business unit. It acts as an interface for all sustainability-related activities and is responsible for overseeing and coordinating all ratings associated with sustainability. The business unit is responsible for producing the sustainability report and supports the Sustainability Committee and its work meetings.



Open Dialog with Our Stakeholders Based on Partnership

◆ GRI 102-40, 413-1

Maintaining a partnership-based dialog with stakeholders is immensely important to VWI. Actively engaging with them helps the company to understand expectations, identify potential improvements at an early stage and utilize input for innovations. In addition, dialog helps to identify important issues and derive objectives and areas for action in connection with the sustainability strategy. As a provider of wide-ranging property services for the Group and one of the largest landlords of residential space in Wolfsburg, Volkswagen Immobilien has multifaceted relationships with all sorts of stakeholders who have specific interests and spheres of influence. The spectrum ranges from residential and commercial clients, our parent company the Volkswagen Group, investors and business partners to staff, policymakers, public authorities and societal groups in the various regions.

Tenants and clients



We have set out how important clients are for our company in our “VWI 2025” strategy and defined “excited customers” as a strategic target area. To find out how satisfied they are, we conduct regular surveys and maintain direct dialog via various channels, such as local customer service centers, telephone helplines and our tenant magazine. Additionally, green tenancy agreements strengthen the partnership between our company and its clients in the interests of sustainability.

Volkswagen AG

On behalf of the Volkswagen Group, Volkswagen Immobilien offers clients a comprehensive range of services to do with residential and commercial property: from investment and concept development to construction, letting and maintenance. We are heavily integrated into the Volkswagen Group’s sustainability activities and make a substantial contribution towards its targets, such as reducing CO₂ emissions as part of the decarbonization program. We are in direct contact with the relevant Group units concerning both this topic and all other sustainability initiatives, using tools such as the digital knowledge-sharing network Group Connect and event formats such as Group summits to maintain this dialog. In addition, we contribute information to various newsletters and are present at the canteens via features on TV.



Employees



We want to be an excellent employer in order to retain staff and attract external applicants. For this reason, staff satisfaction is at the heart of our human resources strategy. Staff surveys and internal feedback processes involving managers and employees show us how we are currently performing and how we can make further improvements. We also actively inform our employees at staff meetings and via the intranet.

Policymakers and public authorities

◆ GRI 102-13

At our sites, we are involved in dialog with political actors and decision-makers at local authorities. Our company has particularly strong roots in Wolfsburg, where it carries significance and weight in the economy, policy-making and society. We support municipal interests primarily by means of our activities in the construction of new housing and modernization. For instance, we are part of the alliance “Bündnis für Wohnen und Leben in Wolfsburg” and play a major role in the city’s home-building offensive, which aims to create approximately 10,000 additional residential units by 2025. At national level, we are involved in the industry associations ZIA, VdW and GdW. As a member of these bodies, we are involved in drafting statements concerning developments in policy.



Society

As one of the biggest landlords in Wolfsburg, we take responsibility for the region and support numerous activities which promote social cohesion, good health and education. This includes supporting the local open triathlon and the Wolfsburg Marathon. In conjunction with the charity ready4work e. V., we back the creation of additional traineeships in the region and the integration of socially disadvantaged young people. We also co-organize the food bank Wolfsburger Tafel.



Business partners and investors


We have long-standing business relationships with our suppliers and service providers which are founded on trust. We also give them a great deal of responsibility for sustainable behavior and expect them to comply with the required environmental and social standards. On top of this, we are intensifying our regular dialog with important capital market operators, rating agencies and initiatives in the field of sustainable finance to develop and optimize our green bond activities. We share ideas with our partners at conferences and inform them about our projects and initiatives with the aid of specialist articles and our annual and sustainability reports.




Compliance and Integrity Ensure Appropriate Behavior

◆ GRI 102-11

Integrity and ethical behavior are an utmost priority at Volkswagen Immobilien. The Volkswagen Group's Code of Conduct is the central means of strengthening employees' awareness of how they should behave, guide staff and direct them to people who can provide help if it is needed.

We are firmly integrated into the compliance and risk management systems of the Volkswagen Group.  › [CHAPTERS „COMPLIANCE“ AND „RISK MANAGEMENT“](#) In the reporting year, numerous Group guidelines were adopted in this regard which also apply to Volkswagen Immobilien. We have implemented these by means of corresponding organizational regulations. They cover topics such as dealing with gifts, avoiding conflicts of interest and corruption, preventing money laundering and strengthening the Volkswagen whistleblower system as a central point of contact for serious misconduct. A new Group guideline on governance and integrity, risk management, compliance and legal affairs covers organizational issues, the setup and functions of compliance, integrity, risk and the law. Integrity checks for business partners have also been expanded with the addition of the Business Partner Due Diligence (BPDD) process and the Code of Conduct for Business Partners.


At Volkswagen Immobilien, the Chief Compliance Officer coordinates interdisciplinary collaboration between departments with the aim of recognizing and avoiding misconduct. The CCO is also responsible for the topic of integrity and for implementation of the Group-wide "Together4Integrity" (T4I) program.  › [CHAPTER „INTEGRITY“](#) Numerous initiatives and measures are pooled within this overarching program to deliver on the Volkswagen Group's promise of being a role model for integrity. T4I serves as a guiding framework for acting in compliance with regulations and the law and as an impetus for cultural changes which resonate with employ-

ees and motivate them to act with integrity. At all Group companies – including Volkswagen Immobilien – the roll-out of T4I was accompanied by a host of training and communication measures along with workshops involving staff. This process will continue until 2025.

Due to our flat hierarchies, each employee's line manager is their first point of contact if they have queries or aspects of integrity and compliance which they are unsure about. The employee representative body is also on hand to support any member of staff. Both the Chief Compliance Officer and a dedicated compliance assistant who can be contacted by email are also available to handle more in-depth questions. If employees become aware of a possible violation of the Code of Conduct or any other form of misconduct by a member of their team, they can report it – anonymously, if they wish – using the Volkswagen Group's whistleblower system.

Information is provided to our workforce by means of online compliance and integrity training, the compliance handbook, addresses by the Chief Compliance Officer, intranet posts and staff meetings. VWI employees are trained in line with Group standards and sensitized to both legal and ethical issues. All members of staff are required to obtain an anti-corruption certificate and a certificate relating to the Code of Conduct by completing the relevant training.

Risk Management Focusing on Prevention

The lasting success of our company rests on taking a responsible approach to the risks arising from our business activities and the changing political, environmental and economic landscape. As a subsidiary of the Volkswagen Group, we are incorporated into its extensive risk management and internal control system (RMS/ICS) and covered by corresponding guidelines.  > [CHAPTER „RISK MANAGEMENT“](#) We implement these requirements by means of a company directive at VWI.

We are extending this methodology via property-specific risk analyses to further improve our internal processes. In the real estate industry, project development can take years. However, speed is of the essence when a suitable site is found. Contracts have to be negotiated quickly and compliance guidelines must be adhered to. In practice, the need to balance timing and client care on the one hand with compliance risks and due diligence on the other can lead to conflicts of aims.

We intensified our property-specific risk assessments in 2019, in particular with regard to the organization of processes and structures and the growth in international business. In close collaboration with the Supervisory Board and the Integrity and Legal Division, we hired the auditing firm PricewaterhouseCoopers to conduct a compliance risk analysis. Using interviews, this examined the potential dangers associated with non-compliance on the basis of ten risk categories. On completion of the work, recommended steps and prioritized measures were derived. These include, for example, a more precise definition of tasks and responsibilities in corporate real estate management, transparent documentation processes, the structural strengthening of compliance, the intensification of training and communication to raise staff awareness, the development of guidelines and handbooks, and specialized knowledge management.



2019 first external
Compliance
Risk Analysis

We also see it as our duty to prevent violations of human rights principles and to minimize corresponding risks. Volkswagen Immobilien is dedicated to treating people respectfully in a spirit of partnership and is committed to diversity, tolerance, equal opportunities and equal treatment. In accordance with the Code of Conduct, we do not tolerate any discrimination on the basis of ethnicity or nationality, gender, religion, world view, age, disability, sexual orientation, skin color, political affiliation, or social background. To safeguard human rights, we observe international, European and national standards and treaties along with the various charters and declarations signed by the Volkswagen Group and the European and global Group works councils.

 > [CHAPTER „HUMAN RIGHTS“](#)

Employees

Our Aim: Excellent Employer

The knowledge, skills and engagement of our staff members lay the foundations for our success. For this reason, being an attractive employer for all staff members is extremely important to us. Keeping the promise we make to our staff as an employer is the only way to safeguard our workers' long-term commitment, satisfaction and motivation. The foundations for this are laid by an open, positive and partnership-based culture, varied career and development pathways, equal opportunities, exemplary and inspirational leadership, and a safe working environment which promotes good health. These elements help us to retain staff at Volkswagen Immobilien and to attract top talent even in a digitalized world.

Our current corporate strategy, "VWI 2025", and the strategic target area "excellent employer" are aimed at ensuring our company can adapt to challenges which are changing at an ever-increasing pace. This strategic alignment forges a link with the target dimension "excellent employer", which is also embedded in the Volkswagen Group strategy "TOGETHER 2025+".

Our actions are always guided by clear values. The Volkswagen Group Essentials form the shared set of values for all brands and companies within the Group, including Volkswagen Immobilien. Seven simple sentences starting with "We" set out what the company stands for: "We take on responsibility for the environment and society", "We are honest and speak up when something is wrong", "We break new ground", "We live diversity", "We are proud of the work we do", "WE not me", "We keep our word".



Volkswagen Group Essentials:
7 simple „WE“s

Careers and Training in an Attractive Working Environment

In a constantly changing competitive environment, we, too, need to keep evolving. We will only be successful if we bring our employees on board, train them and prepare them in the best possible way for forthcoming changes. We offer both applicants and employees a wide range of entry opportunities, attractive career paths and qualifications which help to ensure we remain competitive in a landscape dominated by digitalization. The innovative roles for staff at Volkswagen Immobilien range from lettings and our estate agent service to the development, financing, realization and management of residential and commercial properties.

We also support the principle of cooperative education in the field of vocational training. With its high standards for skills and training and its combination of theory and practice, this approach lays the foundations for sound professional skills and excellent performance. Our trainees – who are working towards a qualification in real estate – spend time in various parts of our organization, where they have the opportunity to gain experience and apply what they have learned.

Major technological shifts and societal changes call for lifelong learning and continuous professional development (CPD). Our employees and managers can access a wide range of training from the Volkswagen Group

Academy, which is responsible for both training and CPD. Courses are delivered in person or online. In-house training by staff and external service providers extend the offering as necessary. When planning and managing measures, we allocate a specific CPD budget to each member of staff.

We also foster our employees' creativity, knowledge and initiative by means of our ideas management program and motivate them to take responsibility for improving processes and products using this facility as well. Furthermore, approximately 30 VWI employees were involved in the strategic initiative on employer attractiveness. At a brainstorming workshop, they discussed their own ideas and developed possible measures which will help to make our company a more attractive place to work.



Initiative "Employer Attractiveness":
Brainstorming

Strengthening Diversity as a Success Factor

We firmly believe that progress, inventiveness and performance are driven primarily by diversity. This means it plays an important role in preserving and strengthening our competitiveness.

We value mixed teams of women and men, young and older people, and welcome staff with different professional backgrounds and qualifications at our company divisions. Employees are selected, hired and developed based on their qualifications and skills. We employ staff with a wide range of nationalities at Volkswagen Immobilien. Integrating people with disabilities is of particular importance to us.

As one of the seven Group Essentials, the pledge "We live diversity" is an essential part of the Volkswagen Group's DNA. The importance of equal opportunities and great diversity within the workforce is also embedded firmly in the Group strategy "TOGETHER 2025+". As a subsidiary of the Volkswagen Group, we follow its Code of Conduct and offer equal opportunities for all. We do not discriminate against anyone or tolerate discrimination of any kind.

The "HR compliance" Group guideline adopted in 2019 sets out minimum standards to foster and safeguard diversity and equal opportunities long-term. They are largely based on the Group Essentials. Each company is required to have at least one contact person who can provide information about diversity and equal opportunities for managers and staff. This also applies to Volkswagen Immobilien. We established a permanent position for a diversity manager at our company in 2019. This role will be performed by the HR director. She will be responsible for this field and has already received appropriate training on the Group-wide sensitization program, "DiversityWins @Volkswagen". The aim of the training is to enable managers to recognize new perspectives and skills within their teams, thereby fostering more efficient, innovative collaboration. Interactive exercises and the joint development of measures motivate them to integrate inclusive behavior into day-to-day management. The program is scheduled to be rolled out throughout Volkswagen Immobilien in 2020.

In addition to this, we are seeing a lively discussion about diversity within our industry and will be guided by the outcome of this. This includes, for example, the approval of a code for the real estate industry by the ZIA, which is intended to provide an operational framework on diversity for property companies.



ZIA's self-commitment Code of the Real Estate Industry

Dialog and Feedback for Staff Satisfaction

We regularly analyze how staff, managers and applicants perceive us as an employer. This helps us to understand what makes Volkswagen Immobilien attractive (from an internal and external perspective), relevant (candidates' preferences) and special (compared to its competitors). We are increasingly using Kununu, the workplace review platform, to do this.

Staff satisfaction – and therefore the status of internal employer attractiveness – is measured at all companies in the Volkswagen Group each year using the "Stimmungsbarometer" (mood barometer) staff survey. The results of this survey are used to identify room for improvement and to deliver insights to managers concerning action that needs to be taken at their organizational units. Using defined follow-up processes, managers take suitable steps in dialog with their staff, supported by the "Stimmungsbarometer" Group team.

Being open to dialog and fostering a strong feedback culture are important to us as this enables our employees to become actively involved in processes and ensures that their views and criticisms are heard. At Volkswagen Immobilien, we maintain regular interaction between line managers and their teams, e.g. via staff appraisals and team or departmental meetings. With external assistance, we continued a special dialog at managerial level in 2019 to improve our feedback culture. This centered around the principle of 360-degree feedback which strengthens collaboration within the management team at VWI, makes it easier to scrutinize our self-image and public image, and enhances our ability to incorporate feedback into workflows in a structured, appreciative fashion.



Dialog at Managerial Level
360° Feedback

All employees are given prompt, comprehensive information on overarching issues at staff meetings. Our staff magazine reports on the latest news from the company, provides background information and publishes staffing updates two or three times a year. Meanwhile, the intranet portal of Volkswagen Immobilien gives employees daily updates on company issues.

Fostering Work-Life Balance

◆ GRI 401-1, 401-3

As part of our efforts to be an attractive employer, we are closely examining forward-looking forms of work organization and developing new working-hour models which cater for workers' desire for greater flexibility. By doing so, we want to make it easier for our staff to balance their personal and professional lives and, for instance, meet the needs of groups such as young parents, lone parents and family carers. To do this, we have taken steps enabling us to offer some staff flexitime, mobile working and working from home.

In 2019, we were once again awarded the “FaMi” badge for family-friendly companies by the industry-wide association Frau + Wirtschaft Lüneburg.Uelzen. We see this as confirmation that we are on the right track. A score of 87% indicates that we offer attractive conditions which help employees to achieve a work-life balance.



Family-Friendly Company
87 % achieved

Safe, Healthy Working Environment

◆ GRI 403-4

We associate holistic health management with the aim of keeping as many staff members as possible healthy until retirement age. To help staff cope with stresses and strains associated with work, we see protecting and preserving health as a self-evident social obligation and an expression of our corporate culture. More than that, though, it is also immensely important in the context of our HR strategy.

A Group guideline provides uniform information about who is responsible for health care and occupational safety at all companies within the Group. We have taken up these specifications and incorporated them into a company guideline for Volkswagen Immobilien. They include, for example, the position of occupational safety officer. Other key requirements for systematic health and safety management include a risk assessment of each workplace.

Possible risks arise, for example, from the operating environment, office work and business trips. They can also result from the way in which workflows are designed and materials are selected, used and handled – especially substances, machines, devices and systems. Moreover, insufficient training and instruction of staff can increase the risks further.

Risk assessments are intended to identify risks at an early stage and help to reduce workplace accidents and work-related illnesses. At Volkswagen Immobilien, a risk assessment is also conducted for the psychological pressures associated with work.

We register and report every accident at work. In addition, we calculate the amount of lost time and the percentage of the workforce and working time affected. In 2019, we registered five notifiable workplace accidents. This corresponds with the number of workplace accidents in 2018 (five notifiable workplace accidents). We analyze the causes of each accident in detail and take steps to prevent them in the future.

We often work with specialist firms on newbuild, modernization and maintenance projects. As a result, we believe we also have a responsibility to require a high level of occupational safety from the external contractors we hire. We do this by using specifications developed by VWI which set out how the collaboration will be documented, how information about risks on each side will be shared and how safety measures will be put in place. The contractor undertakes to inform its staff about the risks and agreed safety precautions before they start work and to provide the same information to any subcontractors it hires. We reserve the right to monitor compliance with the requirements.

A standard Group process has been introduced at Volkswagen to ensure that information about serious or fatal accidents involving employees or staff from partner companies is disseminated throughout the company. This ensures that specific steps can be taken at all sites to prevent similar accidents.

Accidents are not the only adverse event which our health management system sets out to prevent. With the option of regular medical check-ups, we offer staff a free, comprehensive, preventive service. Tailored health promotion measures are presented to employees at an appointment to discuss the results of the check-up. Our employees value the high diagnostic quality and the broad range of prevention and training programs we offer. Our health activities include a partnership with Injoy gym and supporting our company running group with their preparations for events, such as a half-marathon. With our health calendar, we have a budget to invite speakers from the health sector.

BLUE BUILDING: Constructing and Preserving Sustainable Buildings

◆ CRE 8

We want to create attractive and sustainable housing, living environments and workspace and reduce our properties' carbon emissions in line with the targets we have set ourselves. To ensure strict compliance, Volkswagen Immobilien has adopted its own sustainability standard for newbuilds which is based on externally established energy efficiency standards and certification requirements for sustainable buildings. At the same time, we are refurbishing our existing properties to make them more energy-efficient and updating them to offer our clients modern levels of comfort and cost-effectiveness. In our view, a sustainable construction and modernization concept also includes the use of environmentally friendly, long-lasting and recyclable materials. Here and throughout the supply chain, we rely primarily on a partnership with our suppliers and service providers. In particular, we count on them to deliver on sustainability and want to avoid risks from the outset by putting in place transparent processes and clear requirements.

Sustainability Standard with Clear Stipulations

A forward-looking, sustainable real estate industry centers on four key objectives: energy efficiency, environmental awareness, cost-effectiveness and user-friendliness. We have firmly embedded these in our Group's own sustainability standard, BLUE BUILDING, which we expanded in 2019 with DGNB Gold certification. This focuses on the construction of new residential and commercial properties and thereby creates a crucial prerequisite for the sustainable life cycle of buildings. BLUE BUILDING goes far beyond the legal requirements and is based on sound science and tried and tested in practice. It also follows the methodology used for recognized property certification systems. The criteria at its heart are efficient energy usage and other stringent economic, ecological and social requirements for sustainable planning and management. Adherence to the KfW 55 energy efficiency standard and DGNB Gold certification are required as a minimum.

Compliance with this standard is compulsory for all planned newbuild projects at Volkswagen Immobilien and is ensured via a detailed list of specifications. This is set out in an internal company directive, "BLUE BUILDING". An energy efficiency expert (KfW auditor) and our internally qualified DGNB auditors must be involved in the realization of newbuild projects to ensure that they meet the KfW criteria for financial assistance and successfully pass the DGNB conformity assessment.

The most important element of this BLUE BUILDING concept is a low primary energy demand. The less power a building needs, the lower its CO₂ emissions and energy costs. Planned buildings must comply with the KfW Efficiency House 55 standard. The KfW has developed various standards which are used to determine the level of financial support which refurbishment and construction projects can receive. A KfW 55 building has an annual primary energy demand which is 45% lower than that of a comparable newbuild which complies with the requirements of the German Energy Saving Ordinance (EnEV). For a KfW Efficiency House 55



Lower energy costs



Pollutant-free building products



Optimal indoor air climate



Low maintenance costs



Increased sound insulation



Increased housing security



High quality outdoor facilities







Barrier-free buildings

to meet the required standard, various steps are taken during construction which enable the property to use less energy. These include optimum insulation in the external walls and roof along with an energy-efficient supply of heat and electricity.

However, our approach to sustainability goes far beyond the aspects of energy efficiency and carbon reduction by including additional environmental, economic and social criteria. We follow the guidance provided by the DGNB here. The DGNB system does not assess individual measures. Instead, it looks at the overall performance of a building using criteria relating to environmental quality, economic quality, sociocultural and functional quality, technical quality, process quality and site quality. Projects which perform exceptionally well in these areas are pre-certified or awarded Platinum, Gold or Silver certification. Existing properties may qualify for Bronze. Buildings with a total performance index of at least 65% are awarded DGNB Gold certification, which we have chosen as the basis for the BLUE BUILDING standard.

BLUE BUILDING = KfW 55 energy efficiency standard plus "DGNB Gold" standard

 energy efficient	CO₂ reduction / energy efficiency > Energy efficiency standard KfW 55 > CO ₂ reduction (energy)	Energy standard KfW 55 > 45 % Primary energy > 25 % CO ₂ emission		
 environmentally conscious	Protection of natural resources > Drinking water consumption and waste water > Responsible material procurement	Protection of the ecosystem > Surface sealing / natural microclimate > Promotion of biodiversity > Life cycle assessment / CO ₂ reduction (buildings) > Low-emission building > Sustainable construction process > Immission control	+ Catalogue of requirements / minimum technical requirements Specifications BLUE BUILDING = Basis for certification "DGNB Gold"	
 economic	Reduction of life cycle costs > Life cycle costs (LCC) > Maintenance-friendly building construction and TGA > Area efficiency > Easy to clean	Capital / value retention > Flexibility and third-party usability > Marketability		
 user-oriented	Health, safety, comfort > Room air quality > Thermal comfort > Visual comfort > Sound insulation > Security > Quality of stay	Functionality > Barrier-free accessibility > Mobility		Design / urban development quality > Urban integration

BLUE BUILDING Standard: Standards and Requirements

Forging Ahead with Modernization

At the same time as planning newbuilds, we are continuously modernizing our existing portfolio of approximately 9,300 units. This brings our properties' energy performance up to date and also makes our residential districts more attractive. Volkswagen Immobilien invests some €25 million a year in modernization projects. One



Investments in Modernization
 €25 million p.a.

of the most important projects recently was the modernization of 72 apartments in four multiple dwellings within the “Im Nordring” development in Fallersleben. As part of this work, three old, disused buildings were also demolished, which will be replaced by three modular buildings. This innovative method of building significantly reduces the overall construction schedule. It is expected to enable the mass construction of affordable housing in the future. Elsewhere, modernization work focused on the use of thermal insulation composite systems, renewing roofs and overhauling sewers.

Whenever we complete modernization work, we pay close attention to fairness and a socially ethical approach. We take our tenants’ needs seriously and involve them in modernization projects at an early stage of planning. The “Im Nordring” project was no exception: VWI put dialog in place early on, provided the 72 tenant households with transparent information about the planned work and offered tailored relocation management for tenants who had to move out temporarily.

Resource-Efficient Usage of Materials

◆ GRI 301-01

The real estate industry has a responsibility to develop building concepts in a resource-efficient, forward-looking way in order to reduce the usage of materials and land and to enable it to respond flexibly to changing needs. A functional, flexible choice of construction and the use of secondary raw materials – such as recycled ones – can significantly limit the flows of materials in a building’s overall balance, from construction and use to dismantling. This reduces the environmental impact and material costs.

Volkswagen Immobilien will appraise, optimize and document the materials usage of future construction projects with the aid of a project-specific environmental footprint assessment. This environmental footprint assessment will allow us to quantify the global environmental impact of our properties and define optimization targets in the future. With it, we undertake to integrate the environmental impact into our building concepts as a decision-making criterion alongside design considerations and economic aspects.

A material-efficient building structure and a high degree of flexibility are already key factors for us so that we can adapt the portfolio to changing usage requirements without undertaking major construction work, dismantling structures or constructing newbuilds. The circular economy will also become more important in the planning and realization of structures in the future. This means focusing on sortable, recyclable solutions even in the early stage of planning, such as selecting curtain wall façades which allow the load-bearing structure, insulation and cladding to be sorted into separate materials.

Both resource efficiency and the environmentally and socially responsible sourcing of raw materials are prime considerations for us. For that reason, we only use FSC- or PEFC-certified timber for wooden structures and products which carry the CE label for constructions made from natural stone.


It is also prudent – and possible – to use sustainable materials in areas other than the building structure. One example is the FERRADIX® root pole, which enables VWI to lessen its environmental impact because it does not need to be set in concrete. The production of concrete is attracting criticism because it accounts for approximately 6–9% of all global CO₂ emissions and leads to a shortage of sand, which is an important

resource. This alternative installation method considerably reduces the time and work involved in each base. At the same time, it enhances flexibility in the case of structural modifications because the root poles can be removed easily and used elsewhere. We use this system for small bases in our residential neighborhoods, for instance to install road traffic and information signs, street furniture such as benches, waste-paper bins, bollards, bicycle stands, railings and fences.

Sustainable Approach to Supplier Management

◆ GRI 102-9

We recognize that much of our environmental and social impact results from upstream processes which do not form a direct part of our business activities. Our sustainability performance therefore also depends heavily on our suppliers, service providers, advisers and construction companies. Effectively involving these groups is the only way to ensure sustainability throughout the value chain.

Our approach to awarding corresponding contracts is closely linked with the Volkswagen Group's processes and in line with its stipulations. The Group takes a three-pronged approach to the establishment of sustainable supply chains (prevent, detect, react).  > [CHAPTER „SUPPLY CHAIN“](#) Focal areas include decarbonization, human rights, the responsible sourcing of raw materials, and anti-corruption.

The "Volkswagen requirements for sustainability in relations with business partners" (Code of Conduct for Business Partners) play a key role in our supplier management process. This Code underwent a thorough update in 2019. It sets out how business partners are expected to behave with regard to crucial environmental, social and compliance standards and forms part of a binding contract. The requirements are based on recommendations including the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the relevant Conventions of the International Labor Organization (ILO). However, the Code of Conduct is not just aligned with international standards: it also rests on the objectives, rules and guidelines of the Volkswagen Group. All suppliers to the Volkswagen Group must complete a questionnaire to assess their sustainability performance. This obligatory self-disclosure covers the issues of sustainability management, the environment, human rights and working conditions, ethics and compliance, and the responsible sourcing of raw materials. The requirements are contractually binding and apply to all suppliers to the Volkswagen Group, regardless of the products or services they provide.

A Group-wide sustainability rating (S rating) was introduced in 2019 as a key means of risk prevention. This examines suppliers' sustainability performance and highlights opportunities for ongoing improvement. Even before potential service providers and suppliers are hired, the Group procurement team conducts integrity checks of business associates, known as business partner due diligence (BPDD). This assessment is completed as part of a risk-based, transparent process which is documented carefully. With its BPDD tool, the Group uses an application which takes a risk-based approach to checking whether existing and potential new, direct business partners act with integrity and whether their business activities comply with all relevant legislation, regulations and requirements.



Group-wide Due Diligence:
S-Rating for Prevention

BLUE FINANCE: Sustainable Properties as a Capital Investment

To date, the real estate industry has placed its sustainability focus on the construction, operation and disposal of property. Little attention has so far been paid to green or sustainable finance. However, the financial sector has a key role to play in sustainable development. This role calls for “patient capital” with a long-term investment horizon. Simply funding the EU’s climate and energy policy would require additional investments of around €180 billion a year in transport, water, waste management and energy.

With this in mind, we see finance as a natural part of any sustainability concept and want to use “green capital” for “green assets”. At the same time, we want to meet our binding target of reducing carbon emissions for all new and existing residential and commercial buildings by at least 35% based on intensity, using the 2015 figures as a baseline, and to achieve this in a comprehensible, measurable way.

Leading the Way with Green Bonds

As a subsidiary of Volkswagen AG, Volkswagen Immobilien is the first firm in the German real-estate sector – and therefore the first company in the Volkswagen Group – to offer green bonds in the form of borrower’s note loans and registered bonds. We have adopted new and innovative approaches in the selection and assessment of projects and defined criteria which are easy for investors, issuers and other stakeholders to understand. By doing so, we have assumed a pioneering role in the real estate industry, which earned us the renowned Immobilienmanager Award in 2019.



Innovation awarded:
im award 2019

Our long-term objective is to establish Volkswagen Immobilien on the capital market as a sustainable investor and green issuer. Green bonds show the capital market how sustainable a company’s operations really are, which concrete environmental measures the organization has taken and what the impact of these steps is. All of this is disclosed in an obligatory green bond report, which we published for the first time in 2019.

[📄 > GREEN BOND REPORT](#)

Another aim of the green bond program is to diversify our investor base and tap a new source of finance. Discussions with traditional green bond investors highlighted the need for an easy-to-understand, transparent standard for all capital market players, especially with regard to determining “greenness”. In response, we worked hard to set a corresponding standard which complies with the EU Sustainability Taxonomy and will remain valid throughout the term of our bonds.

Two-Tier Process Launched

With that in mind, we decided to utilize a two-tier process which is based on the ESG rating. We believe that green bonds should only be issued by companies which truly act sustainably and have established a corresponding sustainability governance system within their organization. In 2019, we successfully confirmed our Prime ISS ESG rating. We rank 25th among the 326 real estate companies rated worldwide, placing us in the top 10%.



ESG Rating „PRIME“:
“Top 10 %”

Secondly, we followed and implemented the ICMA* Green Bond Principles and the guidelines issued by the Climate Bonds Initiative. To assist with the selection and assessment of projects, we hired an external, independent energy consultant (Drees & Sommer) who analyzed the energy efficiency of the existing properties in Germany in the usage categories of residential, office space and logistics. With this assessment by Drees & Sommer, we created a data basis which did not previously exist in this form. Based on this data, Volkswagen Immobilien supported the Climate Bonds Initiative in its efforts to establish a globally valid standard for residential properties and for green bonds to finance energy-efficient housing in Germany.

*) International Capital Market Association

Property Selection Based on Green Criteria

It is important to us that our properties are among the most energy-efficient in their market throughout the term of the bond and we realize that CO₂ targets are likely to become more and more stringent from year to year.

We use a matrix based on the EnEV standard and usage type for the property selection criteria. This means we are extremely transparent vis-à-vis investors and future issuers. Using this matrix, we have grouped our existing properties into a “green” and a “non-green” portfolio.  [GREEN BOND REPORT](#) The bonds serve solely to finance and refinance our “green” portfolio.



External rating:
Climate Bond Certified

As an external review, we deliberately chose to seek a second-party opinion from ISS ESG and certification by the Climate Bonds Initiative to underline the credibility of our approach as a debut issuer.

BLUE LEASE: Client Care as a Success Factor

“Excited customers” are a key element of our corporate strategy. Customer satisfaction is crucial in ensuring our commercial success and our future viability as a property company. We want to offer our clients attractive, environmentally sound, and safe housing and living space. With this in mind, we invest in both the quality of our apartments, buildings and complexes as well as in our services. Regular surveys and direct dialog with our clients provide feedback on our efforts. We also take responsibility for social balance within the residential neighborhoods and in the city of Wolfsburg. It is particularly important to us to bring our tenants on board as partners for a more sustainable world. With BLUE LEASE, we enter into joint agreements which aim to make it easier for them to conserve resources as much as possible in their use of the apartments and buildings.

High Customer Satisfaction at All Levels

Fairness, transparency and engagement are the most important principles in our dealings with clients – from allocating apartments to fulfilling tenants’ wishes and supporting neighborhood initiatives. Within the company, the Customer Service Department for Housing has overall responsibility for client satisfaction and quality management. VWI operates a customer service center in Wolfsburg’s Poststrasse and temporary local facility managers’ offices in Detmerode, Fallersleben, Westhagen, Teichbreite and, in future, Steimker Gärten. Our customer service team can be contacted easily over the telephone, by post or online and takes care of issues raised by tenants quickly. Clients can always count on a named contact person.

Our tenant newsletter, Zuhause, provides information about offerings and developments at our residential districts. In 2018, our publication was named “Germany’s best tenant magazine” for its wide range of information and strong service ethos. The accolade was awarded by the Federal Association of German Housing and Real Estate Companies (GdW).



Award: VWI delivers Germany’s Best Tenant Magazine

Volkswagen Immobilien regularly conducts tenant surveys to find out how satisfied our clients are with their apartments and our services. Around half of tenants participated in the most recent survey in fall 2019. They had the option of responding in writing or online. All responses were anonymized so that completed questionnaires could not be associated with a specific individual. The questions focused on two areas. One was customer service, including staff contactability and demeanor, the approach to defects, or safety and cleanliness in the residential district. The second was satisfaction with the apartment’s condition and fixtures and the appearance of the building and outside spaces.

All in all, the tenants were very positive about Volkswagen Immobilien: overall satisfaction stood at 95.3%, representing an increase on the 94% recorded in the 2016 survey. This meant we achieved our strategic target of customer satisfaction exceeding 90%. Furthermore, 88.9% would recommend their housing development and 96.4% would recommend VWI as a landlord. There were clear improvements compared to 2016 in the contactability of the right staff member (+7.7%), the condition of the apartment (+7.3%) and the planting of green spaces



Raised again in 2019: in total 95,3 % Overall Satisfaction

(+6.9%). Satisfaction was lower in relation to the appearance of the foyer (–3.3%), waste disposal (–3.5%) and the cleanliness of the bin store (–12.3%).

We have defined a clear process for dealing with the outcome of tenant surveys. The concrete results are analyzed and optimized by our staff at district-specific workshops. Particular attention is paid to changes since the previous tenant survey. Measures are derived from the analysis then input into an IT tool which tracks their implementation.

Customer Satisfaction in the Commercial Sector

Here, too, we are striving to make client satisfaction more measurable and to develop and implement improvements in dialog with our customers. To this end, we rolled out a dedicated process in the reporting year after holding a number of internal workshops. Due to the specific features of the individual properties in the various regions, we are not using client surveys aimed at quantification. Instead, we are using one-to-one, personal dialog. A new interview guide has been developed with this in mind, which focuses on the client's satisfaction with the property's condition, the status of maintenance work, desired improvements and the quality of their contact with VWI. Our staff prepare thoroughly for these meetings and the responses are analyzed in a structured fashion.

Prioritizing Safe and Secure Housing

Tenants' safety and security are also part of offering high-quality housing and quality of life in our districts. We therefore stipulate clear criteria when we plan newbuild and modernization work. Two VWI residential developments have now been awarded the "Lower Saxony Seal of Quality for Secure Living": the "Wohnen am Glockenberg" project and the "Drömlingshöhe" residential district. In February 2019, Lower Saxony's Minister of Justice, Barbara Havliza, visited the award-winning residential areas and the large-scale construction site at Steimker Gärten to see the commended districts for herself.

The seal of quality is awarded for both technical, objective security precautions and aspects relating to the subjective, perceived sense of security. These include fostering functioning neighborhoods, the design and cleanliness of indoor and outdoor spaces, and incorporating access and links to amenities and local transport.

The "Drömlingshöhe" residential district in north-east Wolfsburg, for instance, ensures good lines of sight into outside spaces with its loose structure, transparent stairwells and windows on all sides of the building. The private and public/semipublic zones are easily recognizable and illuminated by bollard lamps. The outdoor space is striking in its inviting design. It features private and public areas, room for young and old to play, and areas with benches where people can relax. All of the buildings can be accessed through an underground garage at the entrance to the campus and there are generous short-term parking spaces by the road. The bin areas are close to the access road and are visible and lit. High-quality material finishes are used for the buildings and outdoor spaces, in part to discourage vandalism.

Paying Attention to Senior Citizens' Needs and Accessibility

◆ GRI 203-1, 413-1

Many older people want to live independently in their own home for as long as possible. With the "Wohnen Plus" program, Volkswagen Immobilien helps them to do this by offering small-scale additions and alterations which make it easier and safer for them to stay in their own four walls. This includes, for example, fitting handrails along walls, lowering door handles, adding or repositioning light switches, installing bathroom doors with an emergency opening mechanism or raising up the toilet. If more extensive alterations are needed, Volkswagen Immobilien pays a percentage of the costs. It is often also possible for the resident to apply for a subsidy from their health insurance company or public funding from the state of Lower Saxony and the city of Wolfsburg.

Accessible buildings have no thresholds or steps and have special safety features on stairs as well as easily accessible controls.

Improvements have been made at one of VWI's few remaining service centers where accessibility was an issue – the Fallersleben customer center. As part of the modernization project, surfacing work was completed to create a step-free entrance, sanitary facilities were adapted to the needs of the disabled, additional parking spaces were created and the external lighting was renewed.

Fairness and Social Responsibility in Wolfsburg

◆ GRI 203-1, 413-1

VWI is dedicated to being an innovative, fair landlord and offers affordable housing for its target groups. We develop and realize a wide range of newbuild projects and support for our hometown of Wolfsburg by offering moderate rental rates. This is illustrated by the fact that almost 80% of our apartments fall within the socially ethical category, with net basic rents of up to €7.00 per square meter. VWI has been an active member of the alliance "Bündnis für Wohnen und Leben in Wolfsburg" right from the start. In connection with this, it has adopted a strategic approach endorsed by all members of the alliance to primarily construct high-end apartments to meet the additional demand for quality housing and ease the housing market. At the same time, however, social housing will account for 25% of the units in phase two of the Steimker Gärten project.



Moderate Loans:
80 % below 7 € per m²

Whenever we undertake modernization work, we ensure that a socially ethical approach is taken and observe the four principles of social letting:

- › **1. VWI increases rent by a maximum of 15% over three years; a 20% rise is permitted under the German Civil Code (BGB).**
- › **2. VWI only increases rent by 7% following modernization work, instead of the 8% permitted by law.**
- › **3. When increasing the rent for existing properties, VWI is guided by the rate of inflation as per the consumer price index.**
- › **4. VWI makes individual arrangements for those facing financial hardship.**

For our existing properties, we are increasingly working with waiting lists instead of allowing tenants to make private arrangements to pass on apartments when they move out. This makes the letting process fairer. Our tenant selection process gives equal weight to standard considerations – such as income, employment status, credit score or length of time on the waiting list – for all applicants. Customer data such as nationality or gender is used for the purpose of contract formation, but such details are not criteria for the allocation of housing. We also take specific circumstances into account to enable us to react to particularly urgent applications, for example.

BLUE LEASE: Tenancy Agreements Promote Sustainability

To implement a sustainable real estate concept, landlords and tenants need to enter into a partnership. So-called “green” tenancy agreements are considered a key means of doing this in the property sector. In them, both parties agree to use and/or manage the building sustainably. The advantages of such agreements include lower costs thanks to resource-efficient behavior, reductions in emissions, water and energy usage, less waste, living conditions which promote good health, enhanced transparency and trust between the two parties, and more attractive properties if sustainability-oriented measures pave the way for corresponding certification.

In the commercial sector, the majority of our tenants are certified in line with DIN 14 001 (environmental management) and/or DIN 50 001 (energy management). This means that our clients have undertaken to align their processes with environmentally conscious, climate-neutral and eco-friendly principles and to have compliance with these audited. We succeeded in rounding out our product range by introducing “green” tenancy agreements with corresponding criteria for resource-efficient behavior in the commercial sector back in 2018.

In the housing segment, we are piloting “green” tenancy agreements with associated additional clauses in connection with our Weidenplan newbuild project at Steimker Gärten. The agreements are based on the recommendations of the association ZIA e. V. Tenants benefit from tips and suggestions on sustainable living and agree to make environmentally friendly choices themselves. These include, for example, airing their apartment correctly, traveling by public transport or bicycle, reducing waste and sorting garbage. There is a special focus on conserving resources such as energy and water and reducing emissions.

Examples of our activities include using green power for the property’s common areas, as we do for our whole portfolio, and we are also planning to install photovoltaic cells on the buildings’ roofs. Tenants agree to consider using green electricity when they choose their own provider as well. We equip the rental property and its outside spaces with energy-saving light bulbs and switchable sockets. Tenants agree to consider energy efficiency when choosing new electrical appliances, if this is technically and financially viable.



General and VWI Tenant’s Electricity:
100 % climate neutral

With triple glazing and optimum thermal insulation compliant with the KfW 55 standard, the property needs much less heating energy than conventional dwellings. To reduce water use, Volkswagen Immobilien installs toilet cisterns with a water-saving button and taps with aerators as standard. Here, too, tenants agree to act responsibly so as to avoid using water unnecessarily.

Biodiversity in Our Residential Areas

◆ GRI 304-2, 304-3

Biodiversity safeguards the basis of our existence: healthy food, clean water, fertile soil and a balanced climate. Plants in and around buildings and a respectful approach to animals also make for positive perceptions of a residential district and contribute towards a property being viewed as higher-quality. It is therefore very important to Volkswagen Immobilien to foster the establishment, preservation or broadening of biodiversity immediately around its buildings or in adjacent outside spaces.

To reduce the negative effects of land use, we have set ourselves the goal of continually increasing planting at our sites. We ensure that the plants chosen are suitable for the site and easy to look after. At least four indigenous plant species are selected. At our properties, we can also relieve pressure on the ecosystem by making disused green spaces as natural as possible, without impacting on the site's primary function.

The Steimker Gärten development in particular is ideally suited to the creation of seminatural spaces. There are sizable open spaces with retention ponds bordering on woodland and fields, small to medium-sized green spaces alongside or between the building complexes, marginal areas by roads and parking spaces, plantings at tree bases, roofs and façades, and access routes with permeable surfacing, such as roads, parking spaces and paths. Volkswagen Immobilien is working with the Heinz-Sielmann-Stiftung to design a seminatural space. The foundation provided initial advice on the potential and opportunities for the seminatural landscaping of the development based on the available planning documents.

We will soon start the implementation process at Weidenplan, where we will establish green spaces with a variety of trees and shrubs, climbing plants, perennials and grasses around both multiple dwellings. Wildflower meadows have also been sown at various points around the neighborhood and outside spaces have been designed to offer creatures such as butterflies and bees sufficient food and protection.

A 70-meter-long dead hedge has been created near our Lange Stücke development in Fallersleben using cuttings from trees and shrubs. It provides a sheltered place for many types of bird to nest, such as blackbirds, wrens and robins. There is also a nesting tower for house martins, barn swallows and swifts. VWI takes biodiversity into account whenever it modernizes existing properties and builds nesting boxes underneath every modernized roof if necessary.

Proactively Boosting Resource Efficiency

Volkswagen Naturstrom

The electricity for our common areas is 100% renewable energy, consisting of Volkswagen Naturstrom® supplied by VW Kraftwerk GmbH. This is green power certified by TÜV from hydroelectric plants operated by the Viennese energy supplier Verbund AG in Germany, France, Switzerland and Austria. A guarantee of origin is entered in the register held by the German Environment Agency (UBA). Verbund AG has been collaborating with VW Kraftwerk GmbH since 2011; the partnership was recently extended until 2025.

Heating Energy

We give preference to low-carbon heating systems for our portfolio and use district heating whenever possible.

Smart Meters for Optimization

Installing suitable smart meters will enable us to monitor usage at the properties in our portfolio in real time and consequently tap new potential savings. In 2019, we decided to roll out smart meters at all our commercial properties from 2020 onward. By doing so, we want to gain a deeper insight into the buildings' performance in relation to both internal and external factors such as climate fluctuations, occupation and power loads. At the same time, this step helps us to identify how we can move closer to the targets pertaining to buildings set out in the German government's Climate Action Plan. The plan states that the primary energy demand must be reduced to just under 40 kWh/m² (2008: 227 kWh/m²) for residential buildings and around 52 kWh/m² (2008: 265 kWh/m²) for non-residential buildings by 2050.

The majority of energy consumed by our portfolio of residential properties is used by our tenants. At 130 kWh/m² per annum, we are well below the average usage figures for Germany's housing stock, according to studies by ENTRANZE (-22%) and DENA, the German Energy Agency (-30%). All of our residential properties are connected to the city of Wolfsburg's district heating network, which has a positive effect on carbon emissions. Due to the high energy standard of our housing, at 91 kWh/m² the average heating energy used is also well below the average German figure of 137 kWh/m² (-34% compared to ENTRANZE).



Energy Consumption at Residentials

130 kWh/m²
-30 % acc. to DENA

Annual energy consumption at our self-occupied office properties stands at 107 kWh/m². Heating accounts for 47% of this, while electricity makes up the remaining 53%. Compared with the average total consumption of existing office space in Germany, our figures are likewise much lower than those quoted in the studies by ENTRANZE (-37%) and DENA (-24%).



Energy Consumption at Offices

107 kWh/m²
-37 % acc. to ENTRANZE

Our self-occupied offices are also connected to Wolfsburg's district heating network and display a high level of energy efficiency. This enables us to post a figure which is 69% lower than the average heating energy consumption reported for office space in Germany by ENTRANZE.

Ensuring Cost-Effective, Eco-Conscious Water Usage

The real estate industry faces various challenges with regard to the use of water. On one hand, the use of land and soil sealing prevent rainwater from seeping away and disrupt the soil's natural water balance. On the other hand, as well as protecting the ecosystem, there are financial considerations associated with the responsible use of fresh water and the reduction of wastewater as simple structural measures to save water and limit wastewater can reduce operating costs during the building's useful life.

At buildings, much of the need for fresh water can be reduced by using water-saving fittings (flow limiters, toilets with a flush-stop feature) or substituting it with unpolluted rainwater or gray water (car washes, irrigation). This is kinder to the environment because less water is extracted and less wastewater is produced. It can also cut costs.

For its building projects – in addition to the use of water-saving fittings – Volkswagen Immobilien requires a report examining the use of rainwater/gray water for the site's irrigation and the use of process water (e.g. for car washes). Rainwater should largely seep away at the site to prevent it from entering the wastewater drains.

In 2019, our residential properties used a total of 649,963 m³ of water or 1,038 l/m² per annum. Water consumption at our commercial properties averaged 4.9 m³ a day in 2019. Measured per employee or per job, the daily water usage stood at 13.7 liters per capita or 12.35 liters per job.



Water Consumption
at Residential Properties

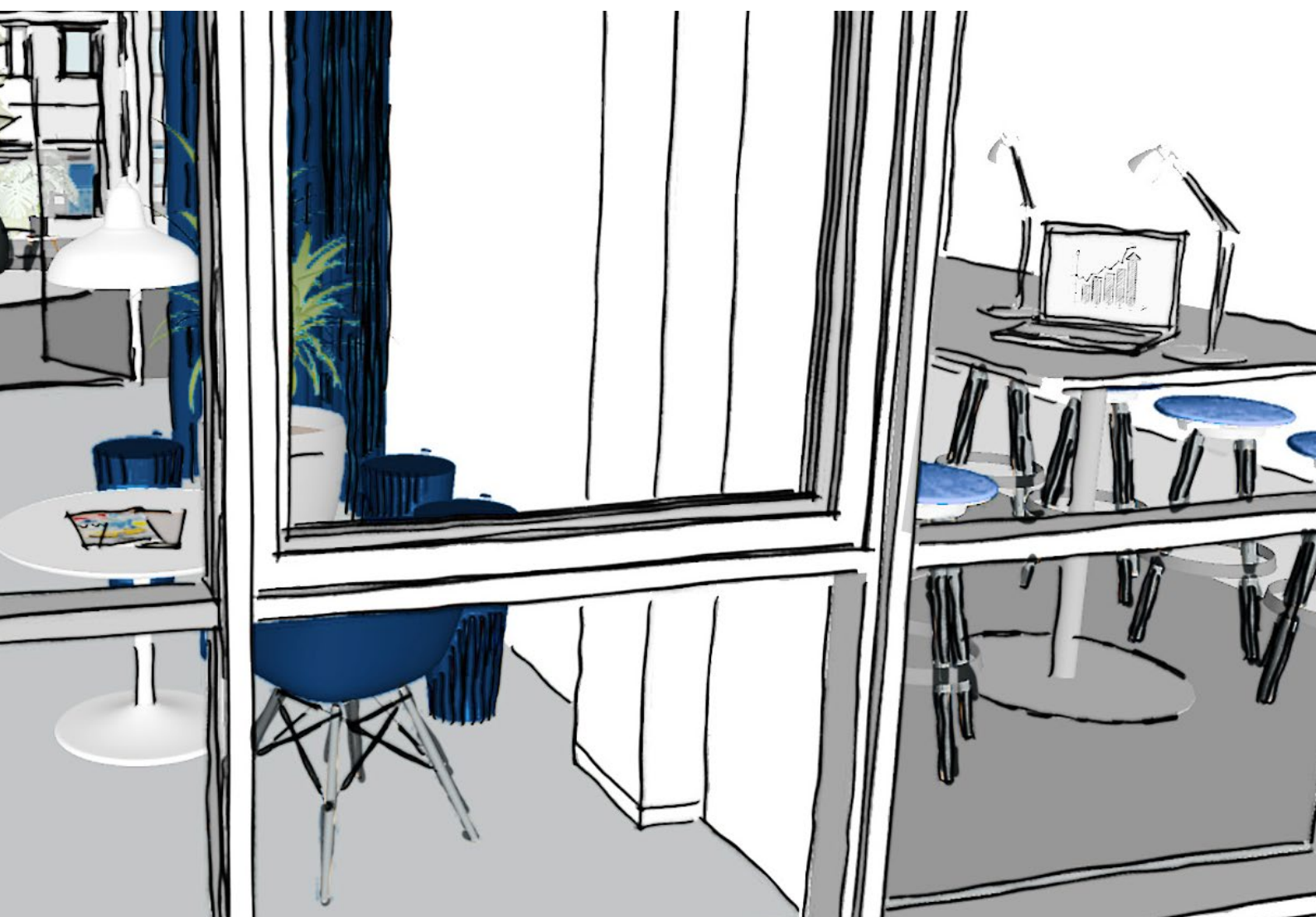
1038 l/m²

Water Consumption
at Commercial Properties

13,7 l/employee

BLUE LIVING

GREEN BOND REPORT 2019



Letter from the Green Bond Department

Dear investors and stakeholders,

Sustainable finance and sustainable financial market policymaking are important means of supporting the shift towards climate neutrality in the real economy. According to the German government's Climate Action Program 2030 for implementation of the Climate Action Plan 2050, sustainable finance means taking sustainability aspects (ESG criteria) into account when making decisions about financing.

In Germany, real estate accounts for around a third of total CO₂ emissions, with buildings being directly responsible for 14% of the CO₂ emissions. By 2030, buildings may not emit more than 72 million tonnes of CO₂. This is equivalent to a decrease of 39% compared with 2018. In order to achieve these ambitious targets, additional, effective measures are needed to steer investments in the buildings sector. Green bonds are a suitable way of funding these investments.

In May 2018, Volkswagen Immobilien GmbH became the first German real estate company to launch a green bond program. It has successfully placed two transactions to date. The innovative approach to project selection and appraisal was commended with the immobilienmanager Award in the "Financing" category in February 2019.

With a volume of over €225 billion in 2019 and a forecast total volume of €310 billion in 2020, the steep upward trend in the green bond market continues. We expect more German real estate companies to share in this success in the future.

Our second green bond report contains information about our activities, allocation and the impact of our measures.

We hope you enjoy reading it.

Dr. Fabian Lander



Overview

Our green bond portfolio is worth approximately €640 million – based on internal and external market value reports – and comprises 129 properties: 3 logistics properties, 2 office properties, 1 industrial property and 123 residential properties. Of the 123 residential properties, 22 are newbuilds and 101 are refurbished dwellings. As per the selection criteria for our green bond framework, 28 properties conform to the German Energy Saving Ordinance (EnEV) and the refurbished properties comply with energy efficiency classes A+, A or B.

The BLUE BUILDING standard is met by 22 of our properties.

Apart from a logistics center in Slovakia, our properties are in Germany. All of our green commercial properties in Germany are in Lower Saxony, while the green residential portfolio is located in Wolfsburg for historical reasons.

	Breakdown by usage type	Breakdown by market value
Logistics	5	27.60%
Office space	4	15.10%
Residential	3,043	52.50%
Industry	7	4.80%
Total	3,059	100.00%

	Breakdown by building standard		Breakdown by market value
	Commercial	Residential	
Refurbished portfolio	0	2,461	29.50%
EnEV 2009	12	94	26.40%
EnEV 2014	4	130	28.90%
EnEV 2016	0	358	15.20%
Total	16	3,043	100.00%

Allocation Report

Portfolio Allocation

Based on internal and external market values, the value of our green properties stands at €639.5 million. This is offset by allocated finance totaling €253 million, with our green bonds making up €167 million of this. The green assets are offset by unallocated liabilities of €386.5 million.

Allocation: As of December 31, 2019

Assets		Liabilities	
Green assets (fair value)	639,532,000.00 €	Allocated to mortgage loans	41,703,000.00 €
		Allocated to KfW loans	44,306,130.11 €
		Allocated to green BNL/RB*	167,000,000.00 €
		Unallocated amount of green assets	386,522,869.89 €
Total green assets	639,532,000.00 €	Total max. green funding	639,532,000.00 €

*) Borrower's note loans/registered bonds

Impact Report

Reduction in CO₂ Emissions

Calculating the difference between the final energy performance figures for our portfolio based on their energy certificates (housing: energy used; commercial properties: energy needed) and the ENTRANZE study and "Average EU building heat load for HVAC*" results in savings of 33.1 million kWh.

On the basis of the selected emission factors, our properties cause CO₂ emissions of 9,818 tonnes. The underlying reference figures assume CO₂ emissions of 21,424 tonnes. This results in savings of 11,606 tonnes of CO₂ for 2019. Broken down by usage type, this equates to 9,617 tonnes for residential, 465 tonnes for office space, 1,411 tonnes for logistics and 113 tonnes for industrial properties.

*) Heating, ventilation and air-conditioning

Energy savings

	Final energy consumption of the portfolio (kWh)	Final energy consumption by ref. figure (kWh)	Final energy savings (kWh)	Final energy savings (%)
Logistics	15,273,206	19,186,860	3,913,654	20.4%
Office space	3,368,474	5,277,732	1,909,258	36.2%
Residential	12,942,260	39,880,293	26,938,033	67.5%
Industry	765,510	1,107,738	342,228	30.9%
Total	32,349,449	65,452,623	33,103,174	50.6%

Savings of CO₂

	CO ₂ emissions by our portfolio	CO ₂ emissions by reference figure	CO ₂ emission savings	CO ₂ emission savings (%)
Logistics	4,916	6,327	1,411	22.3%
Office space	1,276	1,740	465	26.7%
Residential	3,374	12,991	9,617	74.0%
Industry	252	365	113	30.9%
Total	9,818	21,424	11,606	54.2%

Average weighted energy performance figure kWh/m²a

Logistics	Office space	Residential	Industry
87.56	108.63	54.36	169.00

“Greenness” of the Portfolio

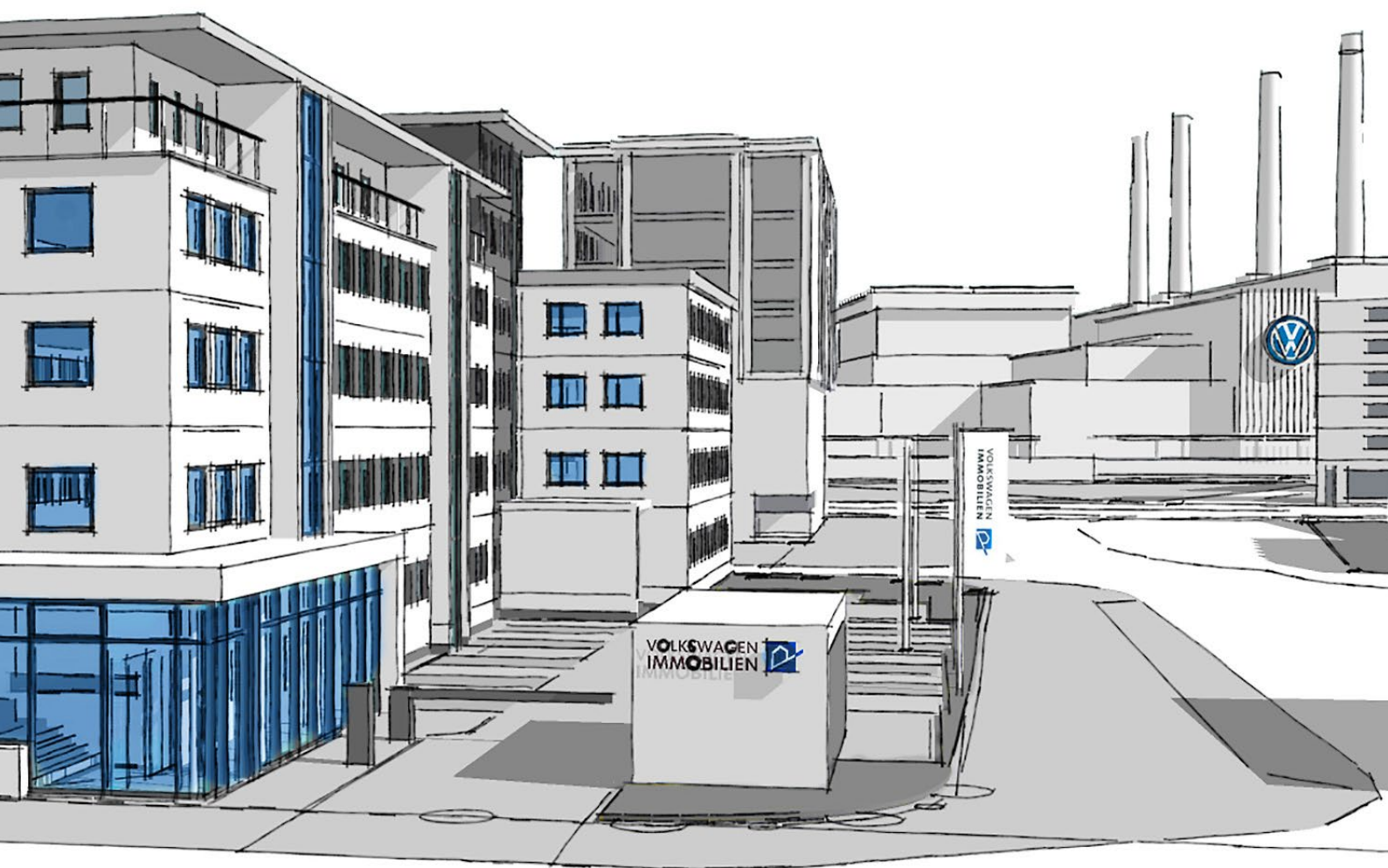
To self-assess our portfolio, we calculated the average weighted final energy performance figure in kWh/m²a. The result for the residential area was a figure of 54.36 kWh/m²a, while the logistics and office space sectors stood at 87.56 kWh/m²a and 108.63 kWh/m²a, respectively.

A comparison with our framework criteria shows that each figure is well below our selection criteria. This means that our portfolio is very green and also ensures that our properties will be among the most energy-efficient in Germany’s building stock throughout the long term of our bonds.

Based on our actual CO₂ emissions, the savings total around 3,800 tonnes compared to our framework.

BLUE LIVING

APPENDIX



About this Report

◆ *GRI 102-49 to 102-52, 102-54, 102-56*

With this report, Volkswagen Immobilien GmbH is informing its stakeholders about its sustainability activities for the third consecutive year. It is based on the "VWI 2025" corporate strategy with its four central strategic target areas and the identification of key sustainability issues via a materiality analysis which was updated in 2019.

The reporting period was January 1 to December 31, 2019. The editorial deadline was March 31, 2020. The report was published in German and English on the company's website on April 14th, 2020 at www.vwimmobilien.de/nachhaltigkeit. It will continue to be published annually in the future.

This sustainability report was produced oriented on the GRI Standards: Core option. Furthermore, we were guided by the relevant GRI sector supplements, "G4 Construction and Real Estate Sector Disclosures" (CRE). A table with all relevant key performance indicators in the context of sustainability reporting by Volkswagen Immobilien forms part of the report (p. 47). This sustainability report is not subject to a separate external audit.

A system of references and corresponding symbols helps readers to navigate within the report, access relevant sections of the Volkswagen Group's sustainability report and use external sources of information.

KPI Tables

Employees

Workforce		GRI 102-8	
	Unit	2019	2018
Total number of employees (temporary and permanent)		357	353
Female		171	167
Male		186	186
Total number of permanent employees		351	347
Female		167	163
Male		184	184
Total number of temporary employees		6	6
Female		4	4
Male		2	2
Total number of part-time employees		45	43
Female		43	41
Male		2	2
Total number in passive phased retirement		11	17
Female		3	5
Male		8	12
Total number of apprentices		9	10
Female		6	8
Male		3	2
New hires and staff turnover		GRI 401-1	
Total number of new employees		22	18
Female		10	10
Male		12	8
Total staff turnover		11	6
Female		3	4
Male		8	2
Staff turnover rate	%	3.1 %	1.7 %
Female	%	1.8 %	2.4 %
Male	%	4.3 %	1.1 %
Parental leave		GRI 401-3	
Total number of employees who have taken parental leave		35	30
Female		21	21
Male		14	9
Total number of employees who returned to work in the reporting period at the end of their parental leave		19	17
Female		5	8
Male		14	9
Continuing professional development		GRI 401-3	
Percentage of employees with a regular performance review, per year	%	100 %	100 %
Female	%	100 %	100 %
Male	%	100 %	100 %
Occupational safety¹		GRI 403-2	
Working days lost due to occupational accidents		188	133
Number of occupational accidents reported		5	5
Frequency of accidents		10.2	10.2
Number of occupational fatalities reported		0	0
Diversity among management		GRI 405-1	
Female	%	11.1	11.1
Age <30	%	0	0
Age 30–50	%	100	100
Age >50	%	0	0
Male	%	88.9	88.9
Age <30	%	0	0
Age 30–50	%	75	87.5
Age >50	%	25	12.5

Employees

Diversity and age breakdown among employees			GRI 405-1
	Unit	2019	2018
Female employees	%	47.6	47
Age <30	%	14.7	15.6
Age 30–50	%	68.8	70.5
Age >50	%	16.5	13.9
Male employees	%	49.9	52.1
Age <30	%	4.5	5
Age 30–50	%	71.9	72.5
Age >50	%	23.6	22.5

¹⁾ The figures for 2018 were subsequently restated because the final values were only available after publication of the 2018 report.

Environment

Portfolio overview				
	Unit	2019	2018	Change
Number of residential properties		9,334	9,163	1.87 %
Total area of residential properties	m ²	626,000	613,000	2.12 %
Number of commercial properties		98	98	0.00 %
Total area of commercial properties ²	m ²	468,000	421,000	11.16 %

²⁾ The values reported here differ from those reported in the annual report due to the values here being derived from the number of buildings (remained constant from 2018 to 2019). The values listed in the annual report, however, relate to the number of rental agreements. The increase in area attributable to commercial properties in 2019 resulted from the paving of an area now used as a parking lot.

Energy				
	Unit	2019	2018	Change
Own energy consumption by Volkswagen Immobilien³	kWh	955,139	947,286	0.83 %
Heating energy	kWh	581,200	602,970	-3.61 %
Electricity	kWh	373,939	344,316	8.60 %
Total energy consumption at residential properties⁴	kWh	81,390,843	83,448,250	-2.47 %
Heating energy	kWh	57,390,000	56,613,000	1.37 %
Landlord-to-tenant electricity	kWh	22,356,070	25,176,022	-11.20 %
Electricity for common areas	kWh	1,644,773	1,659,228	-0.87 %
Total energy consumption at commercial properties⁵	kWh	122,726,650	122,697,049	0.02 %
Heating energy	kWh	44,399,948	44,399,970	0.00 %
Of which district heating	kWh	40,097,476	40,097,476	0.00 %
Of which natural gas	kWh	4,302,472	4,302,472	0.00 %
Electricity	kWh	33,926,753	33,897,131	0.09 %

³⁾ The figures for properties utilized by Volkswagen Immobilien were calculated on the basis of actual consumption data.

⁴⁾ The coverage for landlord-to-tenant electricity is approx. 90 %, and 100 % for heating energy and electricity for common areas. The data is taken from consumption figures provided by the local energy supplier LSW. Electricity is supplied to the remaining approx. 10 % of rental apartments on the basis of individual contracts between the tenants and energy suppliers.

⁵⁾ The figures do not include consumption data for the spaces utilized by MAN. The coverage is approx. 95 %. The figures were calculated with the aid of the energy used and energy needed (for properties let to Volkswagen Group companies) as stated on the relevant certificates. Data from the following sources was used: actual consumption 0–1 %, energy used 60–86 %, energy needed 13–40 %.

Environment

Greenhouse gas emissions – business operations

	Unit	2019	2018	Change
Fleet at Poststraße ⁶	Tonnes of CO ₂ e	48.48	27.75	74.69 %
Fleet at depot ⁶	Tonnes of CO ₂ e	105.65	Not recorded	
Printing ⁷	Tonnes of CO ₂ e	1.49	Not recorded	
Emissions from paper consumption ⁷	Water in m ³	149	Not recorded	
Business travel ⁸	Tonnes of CO ₂ e	394	391	0.77 %

⁵ The emissions were calculated using the quantities of fuel filled into the vehicles and the emission factors quoted in GEMIS 4.95 for regular petrol and diesel. Emissions from company cars made available to an individual for personal use were not recorded.

⁶ The emissions stated were estimated as follows: 1 sheet of paper corresponds to 2 grams of CO₂ and 0.2 l of water, cf. the following sources:

<https://www.papiernetz.de/informationen/nachhaltigkeitsrechner/>

http://www.papiernetz.de/wp-content/uploads/ifeu-studie_langfassung.pdf

<https://www.umweltbundesamt.de/papier-druckerzeugnisse#vorteile-von-recyclingpapieren>

⁷ Data from the Volkswagen Group's travel organization

Greenhouse gas emissions – properties

	GRI	Unit	2019	2018	Change
Own emissions, Volkswagen Immobilien⁹	GRI 305-5	tonnes CO₂e	151.69	276.16	-45.07 %
Scope 1: direct emissions	GRI 305-1	tonnes CO ₂ e	0	0	
Scope 2: indirect emissions	GRI 305-2	tonnes CO ₂ e	151.69	276.16	-45.07 %
Total emissions, residential properties¹⁰	GRI 305-5	tonnes CO₂e	22,646.92	23,633.70	-4.18 %
Scope 1: direct emissions	GRI 305-1	tonnes CO ₂ e	0	572.43	
Scope 2: indirect emissions	GRI 305-2	tonnes CO ₂ e	22,646.92	23,061.27	-1.80 %
Total emissions, commercial properties¹¹	GRI 305-5	tonnes CO₂e	23,866.33	23,923.96	-0.24 %
Scope 1: direct emissions	GRI 305-1	tonnes CO ₂ e	1,764.01	1,764.01	0.00 %
Scope 2: indirect emissions	GRI 305-2	tonnes CO ₂ e	22,102.32	22,159.95	-0.26 %

⁹ Volkswagen Immobilien does not operate any power generation facilities of its own to supply the properties it utilizes. Electricity and district heating are sourced from LSW. Since Jan. 1, 2019, Naturstrom® electricity with an emission factor of 0 kg CO₂/kWh has been used at the properties utilized by VWI. An emission factor of 0.345 kg CO₂/kWh is quoted for 2018. The emission factor for district heating is 0.261 kg CO₂/kWh (2018 and 2019).

¹⁰ Volkswagen Immobilien does not operate any combustion plants of its own to supply the residential properties. Since Jan. 1, 2019, Naturstrom® electricity with an emission factor of 0 kg CO₂/kWh has been used for common areas at the residential properties. An emission factor of 0.345 kg CO₂/kWh is quoted for 2018. The tenants source their electricity from LSW with emission factors of 0.345 kg CO₂/kWh for 2018 and 0.343 kg CO₂/kWh for 2019. Details of coverage can be found in the energy consumption table.

¹¹ The supply of electricity to the commercial properties is organized by the tenants, most of whom use LSW. The emissions are calculated using the emission factor provided by LSW, i.e. 0.345 kg CO₂/kWh (2018) and 0.343 kg CO₂/kWh (2019). A small proportion of the heat is supplied by own gas-fired heating systems. The emissions were calculated using an emission factor of 0.41 kg CO₂/kWh (cf. GEMIS 4.95) and reported under Scope 1. The emissions associated with the district heating supply were established using the emission factor quoted by LSW, i.e. 0.261 kg CO₂/kWh (2018 and 2019), and reported under Scope 2.

Water

	Unit	2019	2018	Change
Total water, Volkswagen Immobilien	m ³	1,081	972	11.21 %
Total water, residential properties	m ³	649,963	641,370	1.34 %

Waste¹²

	Unit	2019	2018
Volume of non-recyclable waste, Volkswagen Immobilien ¹³	m ³	267	Not recorded
Total volume of waste, residential properties ¹⁴	m ³	50,869	Not recorded
Recycling rate for waste from residential properties ¹⁵	%	49	Not recorded
Total waste, commercial properties ¹³	m ³	4,098	Not recorded

¹² The volume of waste is consistently quoted in m³. This figure is derived from the number of containers provided, their volume and the frequency with which they are emptied.

¹³ Only includes non-recyclable waste.

¹⁴ Includes non-recyclable waste, organic waste and paper.

¹⁵ Organic waste and paper are recycled.

Other KPIs

Financial KPIs			
	Unit	2019	2018
Sales revenue	€ million	166.04	163.69
Total area of properties (absolute)	m²	1,094,000	1,034,000
Green assets	m ²	493,474	473,155
Of which BLUE BUILDINGS	m ²	49,995	49,995
Of which BLUE LEASES (16)	m ²	51,726	–
Total area of properties (relative)			
Green assets	%	45.11 %	45.76 %
Of which BLUE BUILDINGS	%	4.57 %	4.84 %
Of which BLUE LEASES (16)	%	4.73 %	–
Return on sales revenue before taxes	%	18.00 %	20.30 %
Balance sheet total	€ million	879.95	790.00

¹⁶⁾ We have been promoting the resource-efficient usage of properties via our BLUE LEASE program since 2019.

Vetting of suppliers¹⁷⁾: percentage of sales revenue for main suppliers			
	Unit	2019	2018
Percentage of suppliers whose environmental credentials were vetted	%	65 %	76 %

¹⁷⁾ Data from the Volkswagen Group's procurement organization.

CO₂ emissions			GRI 305-3
	Unit	2019	2018
Total	tonnes CO₂e	47,214.53	48,653.03
Of which Scope 1	tonnes CO₂e	1,918.13	1,791.76
Fleet at Poststraße	tonnes CO ₂ e	48.48	27.75
Fleet at depot	tonnes CO ₂ e	105.65	not recorded
Self-generated heating energy at commercial properties (natural gas)	tonnes CO ₂ e	1,764.01	1,764.01
Of which Scope 2	tonnes CO₂e	44,900.91	46,470.27
Electricity for common areas at residential properties	tonnes CO ₂ e	0	572.43
Electricity at properties used by VWI	tonnes CO ₂ e	0	118.79
Heating consumption at properties used by VWI	tonnes CO ₂ e	151.69	157.38
Landlord-to-tenant electricity (residential)	tonnes CO ₂ e	7,668.11	8,685.73
Landlord-to-tenant heating (residential)	tonnes CO ₂ e	14,978.79	14,775.99
Landlord-to-tenant electricity (commercial)	tonnes CO ₂ e	11,636.88	11,694.51
Landlord-to-tenant heating (percentage of district heating for commercial properties)	tonnes CO ₂ e	10,465.44	10,465.44
Of which Scope 3	tonnes CO₂e	395.49	391.00
Business travel	tonnes CO ₂ e	394.00	391.00
Employees' commutes	tonnes CO ₂ e	not recorded	not recorded
Waste	tonnes CO ₂ e	not recorded	not recorded
Printing	tonnes CO ₂ e	1.49	not recorded

GRI Index

◆ GRI 102-55

GRI Standard	GRI Standard	Disclosure	Page	Explanation or Omission
General Disclosures				
GRI 102: General Disclosures	101	Foundation 2016		
	102	General Disclosures 2016		
	102-1	Name of the organization	9	
	102-2	Activities, brands, products, and services	9	
	102-3	Location of headquarters	9	
	102-4	Location of operations	9	
	102-5	Ownership and legal form	9	
	102-06	Markets served	9	
	102-07	Scale of the organization	9	
	102-08	Information on employees and other workers	47	See also the Volkswagen AG Diversity Charter and Charter on Labor Relations (www.volkswagenag.com/en/sustainability/policy.html).
	102-09	Supply chain	29	See also the Volkswagen Group Sustainability Report, p. 38–42.
	102-10	Significant changes to the organization and its supply chain		There were no significant changes in the organization and supply chain of Volkswagen Immobilien in the 2019 reporting year. Changes at Group level are disclosed in the Group Annual Report 2019: Structure and Business Activities.
	102-11	Precautionary Principle or approach	18-19	See also the Volkswagen Group Annual Report 2019: Report on Risks and Opportunities.
	102-12	External initiatives	14	
	102-13	Membership of associations	17	
	102-14	Statement from senior decision-maker	3	
	102-15	Key impacts, risks, and opportunities	3, 10	
	102-16	Values, principles, standards, and norms of behavior		See also the Volkswagen Group values, Sustainability Model and Code of Conduct (www.volkswagenag.com/en/sustainability/policy.html).
	102-17	Mechanisms for advice and concerns about ethics		See also the Volkswagen Group Sustainability Report 2019, p. 26–29.
	102-18	Governance structure	18-19	
	102-19	Delegating authority		
	102-20	Executive-level responsibility for economic, environmental, and social topics		
	102-21	Consulting stakeholders on economic, environmental, and social topics		
	102-22	Composition of the highest governance body and its committees		
	102-23	Chair of the highest governance body		
	102-24	Nominating and selecting the highest governance body		
	102-25	Conflicts of interest		
	102-26	Role of highest governance body in setting purpose, values, and strategy		
	102-27	Collective knowledge of highest governance body		
	102-28	Evaluating the highest governance body's performance		
	102-29	Identifying and managing economic, environmental, and social impacts		
	102-30	Effectiveness of risk management processes		
	102-31	Review of economic, environmental, and social topics		
	102-32	Highest governance body's role in sustainability reporting		
	102-33	Communicating critical concerns		
	102-34	Nature and total number of critical concerns		
	102-35	Remuneration policies		
	102-36	Process for determining remuneration		
	102-37	Stakeholders' involvement in remuneration		
	102-38	Annual total compensation ratio		
	102-39	Percentage increase in annual total compensation ratio		
	102-40	List of stakeholder groups	16-18	
	102-41	Collective bargaining agreements		See also the Volkswagen Group Sustainability Report 2019, p. 78–80.
	102-42	Identifying and selecting stakeholders		See also the Volkswagen Group Sustainability Report 2019, p. 32–33.
	102-43	Approach to stakeholder engagement		See also the Volkswagen Group Sustainability Report 2019, p. 34.
	102-44	Key topics and concerns raised		See stakeholder expectations (www.volkswagenag.com/en/sustainability/reporting.html).
	102-45	Entities included in the consolidated financial statements		See the Volkswagen Group Annual Report 2019: Structure and Business Activities.

	102-46	Defining report content and topic Boundaries	12	
	102-47	List of material topics	12	
	102-48	Restatements of information		Any restatements of information are clearly highlighted by means of footnotes.
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	103-2	The management approach and its components	9-10	
	103-3	Evaluation of the management approach	9-10	
GRI 201: Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	9	
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GRI 103: Management approach	103-1	Explanation of the material topic and its Boundary	10-11	See also the Volkswagen Group Sustainability Report 2019, p. 30–32.
	103-2	The management approach and its components	10-11	
	103-3	Evaluation of the management approach	11	
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported Additional Sector Disclosures: <ul style="list-style-type: none"> › Affordable and social housing › Preservation and restoration of historic assets › Publicly accessible open/recreation space; and › Community education and health facilities. 	5, 34	
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GRI 103: Management approach	103-1	Explanation of the material topic and its Boundary		See also the Volkswagen Group Sustainability Report 2019, p. 26.
	103-2	The management approach and its components		See also the Volkswagen Group Sustainability Report 2019, p. 27–28.
	103-3	Evaluation of the management approach		See also the Volkswagen Group Sustainability Report 2019, p. 28–29.
GRI 205: Anti-corruption	205-3	Confirmed incidents of corruption and actions taken		See the Volkswagen Group Annual Report 2019: Corporate Governance Report, Whistleblower system.
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	103-3	Evaluation of the management approach	24-25	
GRI 403: Occupational Health and Safety 2018	403-2	Hazard identification, risk assessment, and incident investigation	47	
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	CRE6	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	24-25	
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Acknowledgments and Legal Notice

◆ GRI 102-53

Contact details

Dr. Fabian Lander
Head of Corporate Finance and Sustainability
Fabian.Lander@vwimmobilien.de
Phone: +49 5361 264-700

Melanie Linke
Corporate Finance and Sustainability
Melanie.Linke@vwimmobilien.de
Phone: +49 5361 264-374

Concept:

Scholz & Friends Reputation

Design and Layout:

Kilovolt Digital Arts, Braunschweig
www.kilovolt.net

Images:

Volkswagen Immobilien, Kilovolt

Details of the Organization

Published by:

Volkswagen Immobilien GmbH
Poststrasse 28
38440 Wolfsburg
Germany
Phone: +49 5361 264-0
www.vwimmobilien.de

Sustainability website:

www.vwimmobilien.de/nachhaltigkeit.html

Senior Management

Senior management/Board of Management:
Meno Requardt (spokesman),
Michael Leipelt
Dr. Ralph Sawalsky

Chairman of the Supervisory Board:

Frank Witter

As of: April 2020

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www.vwimmobilien.de