

DIC ■

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Green Bond Framework

September 2021

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1. Introduction

1.1 Background

DIC Asset AG (also “DIC” or the “company”) is Germany’s leading listed specialist for commercial real estate with more than 20 years of experience on the real estate market and access to a broad-based network of investors. The company was founded in year 1998 and is headquartered in Frankfurt, Germany. DIC’s business is based on a regional and inter-regional real estate platform with eight offices on the ground in all major German markets: Berlin, Cologne, Düsseldorf, Frankfurt am Main, Hamburg, Mannheim, Munich and Stuttgart. Having such a direct and regional presence on the ground regularly opens up buying, selling, letting and repositioning opportunities while also enabling the company to cover the entire real estate value chain in its management of real estate assets. DIC currently manages 234 assets with a combined market value of currently EUR 11.3 billion on site, always close to the properties and their occupiers. Thereof, assets with a market value of currently EUR 2.1 billion are held on the balance sheet (Commercial Portfolio excl. Warehousing).

Employing 286 professionals as at 30 June 2021, the company pursues an active asset management approach that realizes capital appreciation potential and increases earnings across the company. The company’s spectrum of deliverables includes the structuring of investment vehicles, acquisitions and financing, the ongoing management of the real estate inventory under its management, and the repositioning and disposal of selected properties.

In its two business divisions, it generates diversified and sustainable cashflows, including rental income, income from management fees, sales proceeds, and investment income:

- The Commercial Portfolio segment represents the proprietary real estate portfolio of DIC. Here, DIC generates steady cash flows from stable rent revenues on long-term leases while also optimising the value of its portfolio assets through active management and realising gains from sales.
- In the Institutional Business segment, DIC earns recurring fees from real estate services it provides to national and international institutional investors by structuring and managing investment vehicles that return attractive dividend yields.

1.2 DIC's commitment to sustainability¹

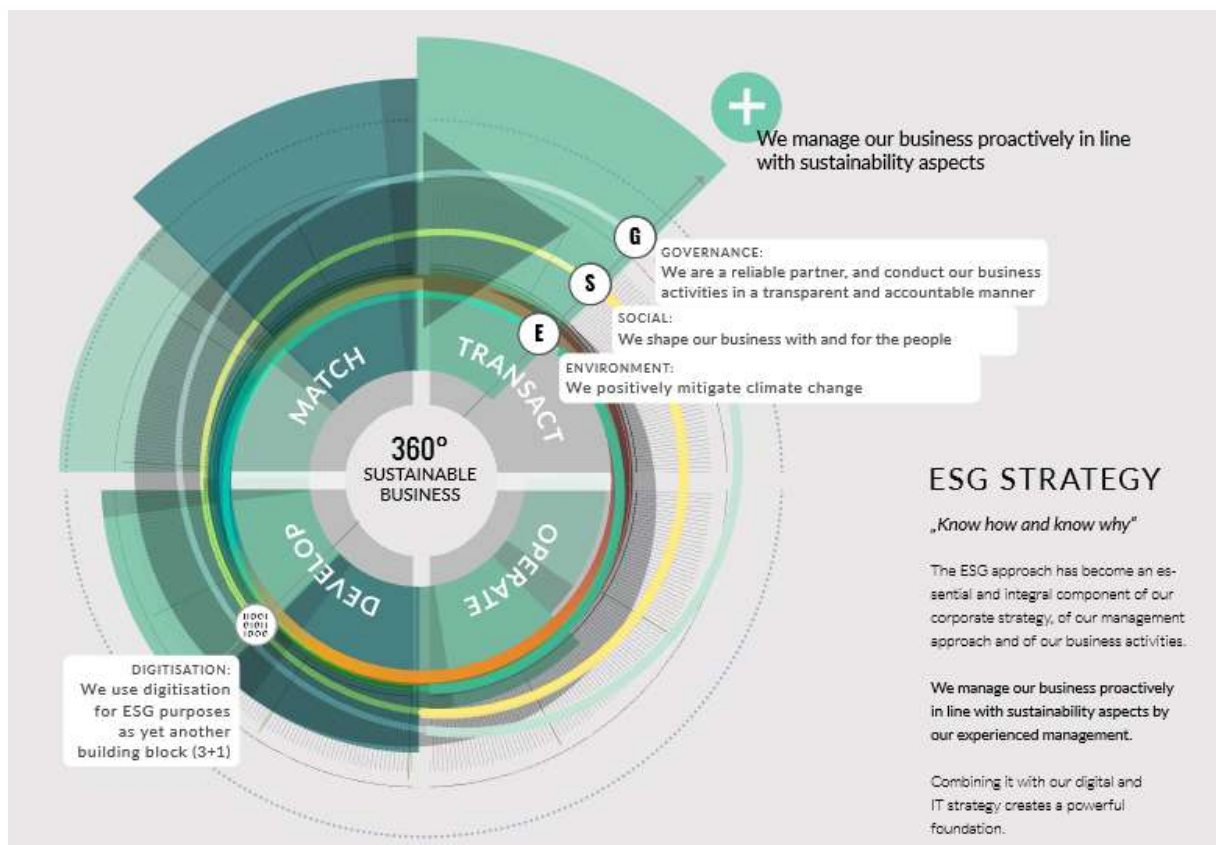
As one of Germany's leading listed real estate companies, DIC has committed to a sustainable development: To ensure its long-term financial success, the company's management board attaches great importance to ESG aspects ("environmental, social, governance") in addition to economic aspects. In dealing with these issues, the focus is on identifying, monitoring, mitigating and avoiding adverse consequences of its business activities, including for the properties under its care. DIC started defining its principles for the economic, environmental and social dimensions many years back, when DIC presented its first separate sustainability report for the 2011 financial year. Sustainability is a key component of DIC's corporate strategy and DIC intensified its ESG activities over the years. With the creation of the position "Head of Sustainability" in early 2021, the ESG topic has been reorganized and DIC initiated the process of continuous development to implement a more thorough sustainability strategy for all group entities. To "manage our business proactively in line with sustainable aspects by our experienced management", DIC has defined its four objectives:

Environment: We positively mitigate climate change

Social: We shape our business with and for the people

Governance: We are a reliable partner, and conduct our business activities in a transparent and accountable manner

Digitisation: We use digitisation for ESG purposes



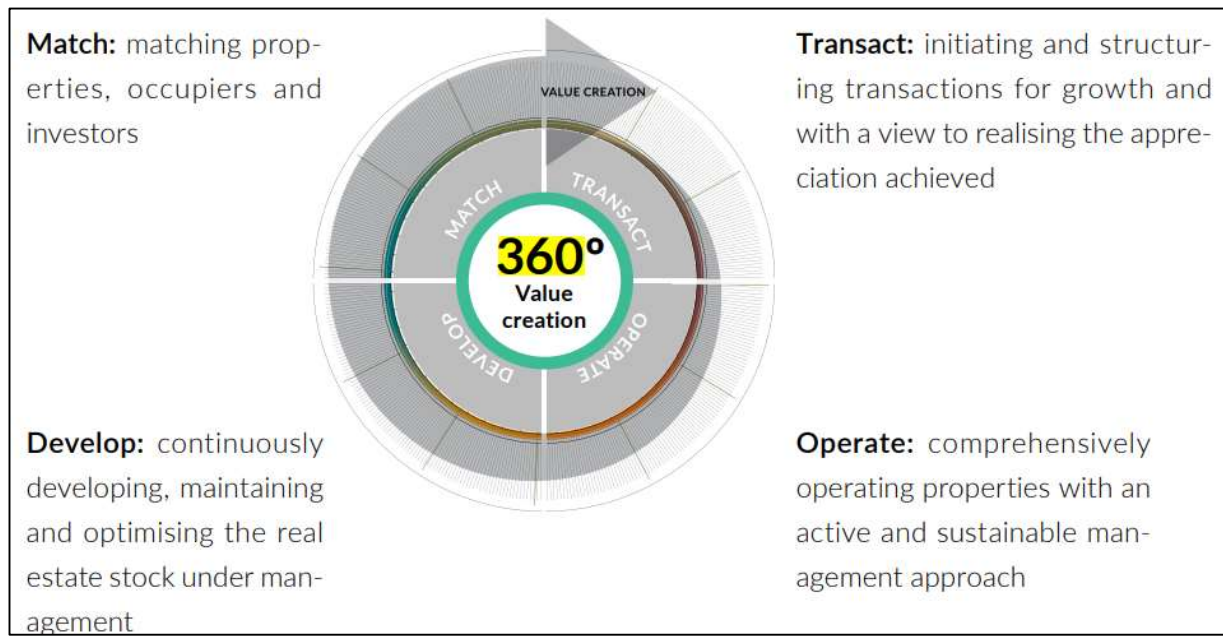
360° Sustainable Value Creation

DIC focus on the outlook inscribed in its dynamic ESG roadmap, which includes both near-term and medium-term goals, and which DIC keeps expanding continuously.

¹ DIC Sustainability Report 2020: https://www.dic-asset.de/download/publikationen/DIC_NB_2020_E.pdf

Assets under management of DIC Asset AG

DIC has a special focus on its buildings, its assets under management. DIC has integrated ESG aspects into all phases of its value-adding model, and uses it to exploit potential. The company pursues a 360-degree approach (MATCH – TRANSACT – OPERATE – DEVELOP) that takes advantage of its in-house management platform to cover almost the entire value chain of the real estate



Its objective being: to increase the sustainability of its real estate by identifying ESG potential and by implementing the corresponding upgrades of its portfolio buildings. DIC aims for a balanced relationship between return expectations and the necessity to invest sustainably. DIC sees this as an opportunity to use its knowledge and property data sources to transform its properties in line with sustainability aspects to ensure future usability.

DIC strives to contribute to a sustainable development and to the reduction of CO₂ emissions in its real estate properties by investing in energy-efficient and sustainable buildings, e.g. by acquisitions, and when initiating upgrade measures in its portfolio properties.

DIC, as a real estate industry player, assumes responsibility not just for environmental topics but also for many other sustainability aspects. This includes, in equal measure, employees, tenants, investors, business partners and society at all, which DIC takes into account in investment, project development and Capex decisions. The perception of the ESG paradigm among the general public and in the global investor landscape has shifted under the impact of the coronavirus pandemic.

Environment and Climate Change Mitigation

Showing responsibility for the environment forms an integral part of DIC's corporate strategy also with special focus on the DIC portfolio. The company intends to contribute actively to the decarbonisation of the European buildings sector. Rolling back carbon dioxide emissions and reducing the environmental impact and resource depletion are priorities of DIC. These measures DIC implements for both segments, the Commercial Portfolio as well as the managed assets in the Institutional Business segment.

The company's efforts focus on efficient management, on energy efficiency upgrades to buildings, and on sustainably operated and managed investments including the use of renewable energy.

For continuous contribution, DIC developed an ESG management approach based on the **360-degree approach**, which applies throughout the company and that DIC has implemented in the entire organisation. The ESG Management approach means that DIC will need to **develop** its Commercial Portfolio on the basis of DIC-specific criteria (MATCH), to **acquire** suitable properties while **disposing** of unsuitable ones (TRANSACT), to practice sustainable **letting and management** (OPERATE), and to **keep developing** it in structural, technical and innovative ways (DEVELOP).

In early 2021, DIC started its portfolio screening for the Commercial Portfolio using selected, recently prioritized ESG criteria and will continue to expand the process for its real estate platform. The annual review and the drafting of ESG action plans for the assets under management are important management measures.

Contribution to Climate Change Mitigation:

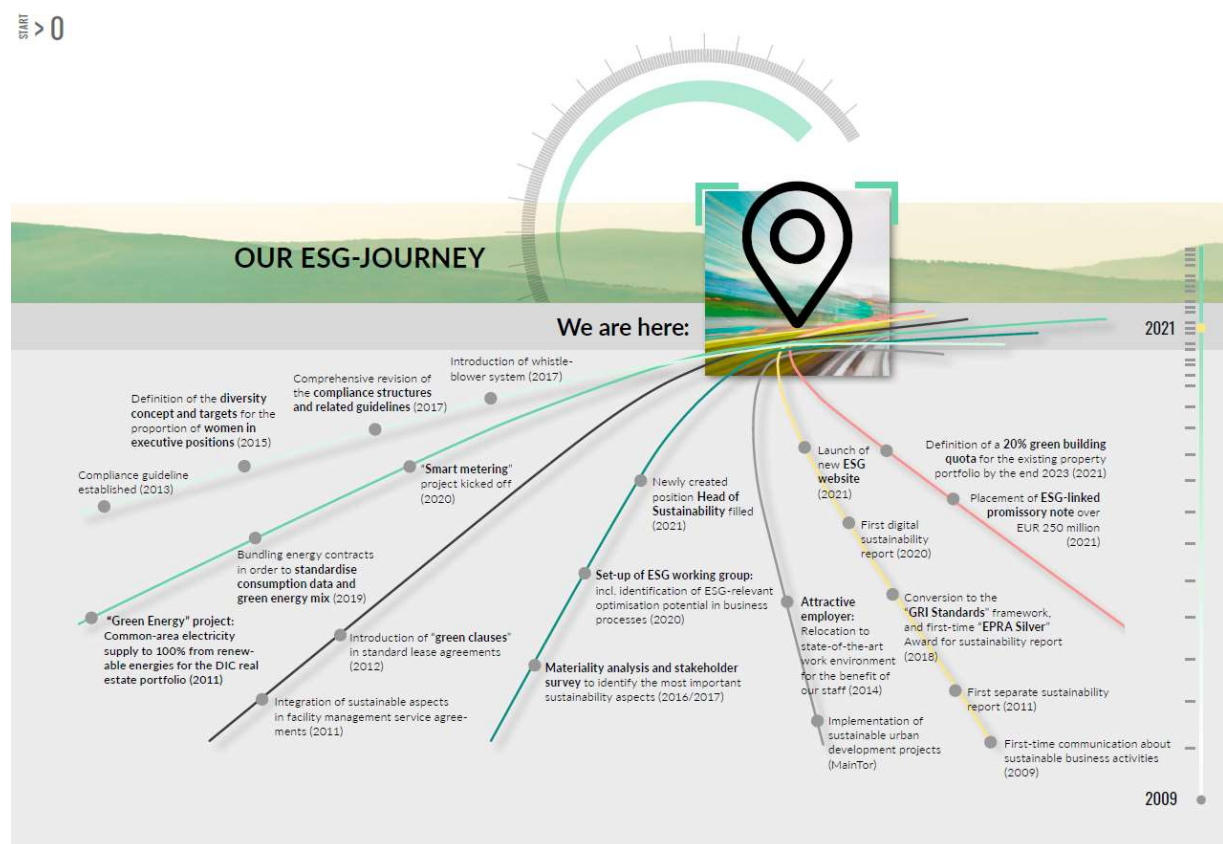
- **MATCH:**
The "Lincoln Offices II" in Wiesbaden and the "Deka Office Hub" in Frankfurt am Main were acquired as a forward deal. It is planned to seek a DGNB Gold sustainability certification for both projects. Both were acquired for DIC's biggest institutional fund to date.
- **TRANSACT:**
Completed in 2018 and acquired in 2020, the fully occupied "SAP-Turm" high-rise in Frankfurt/Eschborn boasts a modern architecture concept, a high building quality, and state-of-the-art technical specifications. The building, which is occupied by the SAP software company, was awarded an "LEED Gold" green building label. The average remaining lease term was around 8.0 years at the time of the acquisition.
- **OPERATE:**
DIC launched the "smart metering" project through DIC Onsite, its operating asset- and property management subsidiary, for the purpose of digitally capturing and electronically transmitting consumption data from the properties under its management, the objective being to further implement an energy-efficient management.
- **DEVELOP:**
DIC screens properties to explore a higher attractiveness by getting them ready for a green building certification.

Active Involvement in the Real Estate Sector & Industry Dialogue

DIC's involvement in the real estate industry is diverse. True to its leadership aspiration, it actively and fairly endorses the interests of its stakeholders. The company's efforts in this regard focus not least on making ESG manageable for industry practice, i.e.:

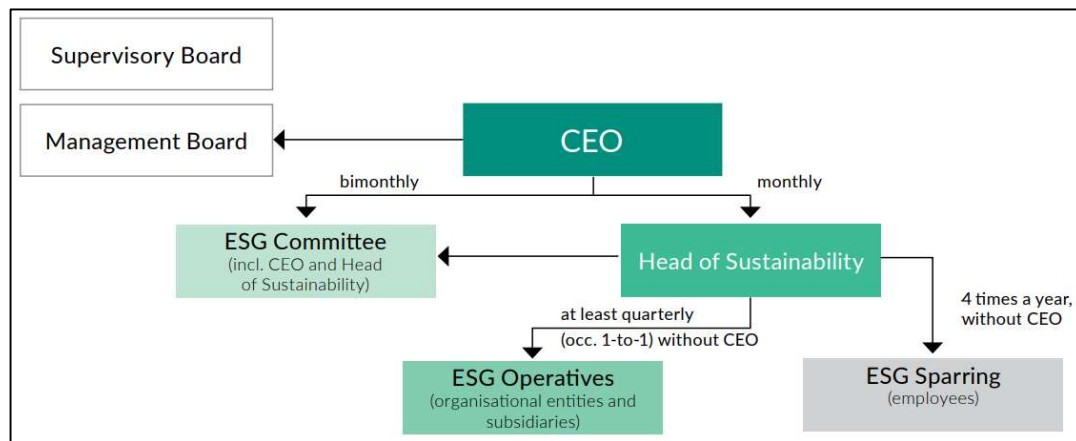
- To develop industry standards and to standardise ESG reporting
- To codify know-how-based benchmarks from within the industry (e. g. concerning CO₂ emissions) and scorings, and to support the initiatives of national industry associations toward this end
- To promote consistency in the ESG context, and to ensure the compatibility of the data from the corporate level to the building level, with the regulatory framework and with the scoring systems
- To establish digitisation as framework for creating transparency and efficient processes on all levels

DIC's ESG Journey



DIC ESG Committee

In 2021, an ESG Committee was set up staffed with the CEO, the Head of Sustainability as well as senior executives from the units Investor Relations & Corporate Communications, Human Resources, Investment, Portfolio Management, Development, and Corporate Finance, and whose purpose is to pass major decisions concerning the orientation of the ESG strategy and the ESG targets. It will be the ESG Committee's job to define ESG priorities, and to initiate ESG measures along the company's ESG Roadmap.



DIC ESG Committee

2. DIC Green Bond Framework

In order to meet the commitments described above, and finance projects that will deliver benefits to support DIC's business strategy and vision, DIC has elected to create a Green Bond Framework (the "Framework"), under which it can issue Green Bond(s). This Framework is in accordance with the ICMA Green Bond Principles² (GBP) 2021.

Where feasible, DIC has also taken into account the recently published 'EU Taxonomy Climate Delegated Acts'³ in determining the eligible Uses of Proceeds.

- Green Bond(s) – bonds where bond proceeds are used to finance 'Eligible green projects' as defined in section 2.1 'Use of Proceeds'


In alignment with these Principles, for each Green Bond(s), issued, DIC asserts that it will adopt the following, as set out in this Framework:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

2.1 Use of Proceeds

An amount equivalent to the net proceeds raised from any DIC's Green Bond issued under this Green Bond Framework will be allocated, in part or in full, to finance or re-finance⁴ the following eligible projects:

Eligible green projects:

Alignment with ICMA GBP ⁵	Eligibility criteria	Alignment with the EU Environmental Objective	Alignment with the UN SDGs ⁶
Green buildings	<ul style="list-style-type: none"> • New or existing residential and commercial buildings owned that meet specific energy performance thresholds, including: <ul style="list-style-type: none"> ○ Buildings built in accordance with the building Energy Code EnEV 2009, or fall in the top 15% most energy efficient buildings in the respective country⁷, or ○ Buildings that have obtained or expected to obtain one or more environmental certification or label: 	Climate Change Mitigation	 <p>SDG 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and</p>

² Green Bond Principles (GBP) 2021 - <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp>

³ EU Taxonomy Climate Delegated Acts: https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

⁴ Refinancing will be towards existing projects and expenditures done within last 3 years prior to the date of green bond issuance. For example, for a Green Bond issuance in 2021 DIC may include eligible green projects and expenditures starting from full year 2018

⁵ 2021 Green Bond Principles: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp>

⁶ UN Sustainable Development Goals: <https://sustainabledevelopment.un.org/?menu=1300>

⁷ Aligned with European Union, "Annex to the Commission Delegated Regulation", (2021), at: https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf

<ul style="list-style-type: none"> ▪ LEED Gold or above, ▪ BREEAM Very Good or above, ▪ DGNB Gold or above, ▪ ÖGNI Gold or above, ▪ SGNI Gold or above, ▪ HQE Excellent or above, or ▪ ENERGY STAR score of 85 or higher 	industrial processes, with all countries taking action in accordance with their respective capabilities
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2.2 Project Evaluation and Selection Process

The eligible green projects will be subject to the following due diligence, which ensures that they meet the criteria set out above in section 2.1 ('Use of Proceeds').

In 2020 DIC expanded its risk management for all its projects to also include ESG risks in addition to the regulatory risks. This ESG due diligence is conducted by (independent) experts appointed by DIC.

DIC set up its ESG committee (the "committee") in 2021. The committee is headed by the CEO and the Head of Sustainability, and is composed of representatives from the following departments:

- Corporate Finance
- Institutional Business
- Investments
- Asset & Property Management
- Portfolio Management
- Accounting & Finance
- Investor Relations
- HR

The committee will meet at least every six months to discuss and be responsible for the following:

- review the eligible green project list and assesses project eligibility for Green financing in accordance with the pre-determined Eligibility Criteria set out in '2.1 Use of Proceeds' of this Framework;
- monitor the eligible green projects portfolio, specifically, during the life of each Green Bond issued; the Committee can decide to exclude or replace select eligible green projects if an eligible project no longer meets the eligibility criteria, or if it is sold off;
- oversee the arrangements established to ensure the Green Bond(s) remain in alignment with the ICMA GBP;
- managing the allocation of Green Bond(s) proceeds as per section '2.3 Management of Proceeds' and facilitating reporting as per section '2.4 Reporting' of this Framework;
- manage any future updates of the Framework and corresponding Second Opinion;

2.3 Management of Proceeds

The net proceeds of each DIC Green Bond will be earmarked towards eligible green projects as stated in section 2.1 Use of Proceeds of this Framework. In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be held in line with DIC's general liquidity guidelines until allocation to Eligible Green Projects.

DIC intends to allocate the proceeds of a given Green Bond issuance to Eligible Green Projects originated no more than three years prior to the issuance. The proceeds will be allocated as soon as reasonably practical and latest within three years from the date of issuance.

The ESG Committee will be responsible for the management of proceeds and reporting processes.

2.4 Reporting

On an annual basis, DIC will publish, within its Annual Report, a Green Bond allocation and impact report as detailed below. This reporting will be updated annually until full allocation of the net proceeds of any Green Bond issued, or until the DIC Green Bond is no longer outstanding.

2.4.1 Allocation Reporting

DIC will provide information on the Eligible Green Projects Portfolio within its Annual Report and on the DIC's website. The information will contain at least the following details:

- I. The total amount of proceeds allocated to the Eligible Green Projects
- II. Breakdown of allocation by eligible project category
- III. Breakdown of allocation by project location
- IV. Refinancing versus new financing
- V. The balance of unallocated proceeds

2.4.2 Impact Reporting

Where feasible, DIC will provide reporting on relevant potential impact metrics for Eligible Green projects including the following. The impact reporting will also include methodology and assumptions used to calculate the impact metrics.

- Green buildings
 - Building Certification or Document verifying the accordance with Eligibility criteria (see 2.1 Use of Proceeds)
 - Level of Certification per sqm of building
 - Level of Certification per market value of building

3. External Review

3.1 Second-Party Opinion

DIC has appointed Sustainalytics to provide an external review on the DIC Green Bond Framework, and confirm its alignment with the ICMA GBP. This Second Party Opinion document will be made available on DIC's website.

3.2 Post issuance external verification

DIC's annual reporting will also be subject to external verification by its existing auditor. The auditor will verify:

- The compliance of assets financed by the Green Bond proceeds with eligibility criteria defined in the use of proceeds section in this Framework
- Allocated amount related to the eligible Green projects financed by the Green Bond proceeds

- The management of proceeds and unallocated proceeds amount

The external auditor's report will be published within DIC's annual report.

4. Amendments to this Framework

The ESG Committee will review this Framework on a regular basis, including its alignment to updated versions of the GBP as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of DIC and Sustainalytics. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. The updated Framework, if any, will be published on the DIC website and will replace this Framework.