

## Social Bond Framework 2022

### I Introduction

The Hamburgische Investitions- und Förderbank (IFB Hamburg) is the promotional bank of the city of Hamburg. Founded in 1953 as Hamburgische Wohnungsbaukreditanstalt, the organization expanded its tasks and was renamed Hamburgische Investitions- und Förderbank in 2013.

IFB Hamburg is 100% owned by the State and the City of Hamburg bears the unlimited responsibility for its financial obligations and liabilities. The City of Hamburg is also directly liable for loans from IFB Hamburg and for loans directly guaranteed by IFB Hamburg.

The programs and activities include the promotion and support of the development and dissemination of housing, environmentally friendly technologies and processes as well as innovation and urban development. In addition to awarding low-interest loans and grants, IFB Hamburg offers advice on the City of Hamburg's, the Federal Government's and the European Union's public funding opportunities.

The tasks of the IFB Hamburg are defined by the political agenda and priorities of the City of Hamburg. Loans and grants to promote access to private housing as well as to build and modernize tenement houses are the core of the Bank's business activities.

The rental housing market in the Hanseatic city of Hamburg is under pressure due to demographic changes and increased demand for smaller housing units. This makes it more difficult for certain population groups to find affordable rental space. Based on these requirements, the Senate is committed to a program that in new housing units requires a 30% share of social housing. IFB Hamburg has the direct mandate to enable this goal and to support the development of social housing by offering low-interest loans and grants (one-off or ongoing) for the construction, expansion or modernization of new and existing apartment houses.

## II System of the Social Bond Framework

The Social Bond Framework describes the procedure and the selection of refinanceable loans as basis for the issuance of social bonds of the Hamburgische Investitions- und Förderbank.

### United Nations Sustainability Goals – Sustainable Development Goals (SDGs)

The United Nations (UN) set up 17 goals for sustainable development, that shall contribute to sustainable development at an economic, social and ecological level. The goals entered into force on 1 January 2016 with a term of 15 years (until 2030) and apply to all states.



Graphic: Sustainable Development goals of the United Nations (<https://www.un.org/sustainabledevelopment/news/communications-material/>)

The promotion programs of the Hamburgische Investitions- und Förderbank address almost all of the United Nations' sustainability goals. This social bond framework considers only loans from the social housing sector, which can be assigned to the sustainability goals (1) no poverty, (10) reduced inequalities and (11) sustainable cities and communities.

### Social Bond Principles (SBPs) of ICMA

In the Social Bond principles the International Capital Market Association (ICMA) published voluntary process guidelines on the issuance of social bonds. The purpose of these guidelines is to promote integrity in the social bond market through transparency, disclosure and reporting policies to increase by providing information the capital allocation to social projects. The Social Bond principles provide examples of project categories for classifying loans with added social value and of target groups for which the loans alleviate social problems and/or have positive effects.

The IFB Hamburg selects the refinanceable loans with added social value based on the project categories of the Social Bond Principles. Within this social bond framework, only loans for social housing are taken into account, which are assigned to the project categories of affordable Housing for the target group of people and children affected by poverty.


The Social Bond principles provide issuers with a clear recommendation on the procedure and disclosure to enable a deeper understanding of the specific social bond characteristics for other market participants (investors, banks, consortium banks, brokers and others). The four core components of the Social Bond principles are:

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

which are discussed in detail in this framework below.

**1. Use of Proceeds**

The proceeds from this framework for social bonds are fully allocated to the refinancing of existing liabilities from IFB Hamburg's promotion programs for social housing projects according to the eligibility criteria listed below.

Promotion program of the IFB	Social Bond Principles Category	Target Group	Sustainable Development Goals
Apartment Building	Affordable Housing	People threatened or affected by poverty	  

**2. Process for Project Evaluation and Selection**

The loans from the corresponding projects are eligible according to the following criteria:

The construction or expansion of existing or new tenement apartments is

- (i) Intended for use by the target groups for at least 15 years after completion of the construction; and
- (ii) Subject to pre-determined rental prices for the target groups<sup>1</sup>.

Promotion Programs

IFB Hamburg awards loans and grants for the construction or development of tenement apartments, which are eligible according to the criteria defined above, within two promotion programs (1. Förderweg + 2. Förderweg) These two promotion programs (i) define two different target groups by two different income classes and (ii) define

<sup>1</sup> the duration of the rental price and occupancy obligations is usually the same as the duration of the support.

different levels of pre-determined rental prices for the two defined target groups. See Table 1 for more details on the two programs. The respective funding will be provided over a period of at least 15 years, optionally over 20 or 30 years.

The aim of the rental housing promotion is to support households that cannot adequately provide themselves with housing on the market; in particular, support is given to families and other households with children, people with disabilities, the elderly and students, as part of the HmbWoFG<sup>2</sup>.

### Target Groups

Target groups are individuals with an annual household income within a certain income limit. These are determined by legal regulation by the City of Hamburg within the scope of §8 HmbWoFG 3 (HamburgerWohnungsbauFörderungsgesetz).

This results in two income classes – one for low-income groups, the other for middle-income groups. The program framework, including the income levels, is determined by the City of Hamburg.

Persons within the income groups defined in the IFB promotion programs receive a residence permit from the respective district office. In order to rent social housing subsidized by IFB Hamburg, these target groups must submit the permit for subsidized housing, which shows that their annual household income falls within the defined income limits of the individual programs. All rental agreements must state the eligibility requirements that are the basis for the certification of the respective tenants.

### Pre-defined rental prices for target groups

Pre-defines rental prices for eligible apartments are fixed in the following structure:

1. Hamburg sets an initial rent per square meter. The amount of the initial square meter rent for residential units, which are funded by the Hamburg IFB from public funds, is determined annually by the Hamburg Senate. The initial rent differs according to the target groups described (see Table 1 for details). The initial rent is below the market price of the rents in Hamburg<sup>4</sup>.
2. The funding guideline defines a maximum rent increase per square meter, which can be carried out every 2 years. The application of this rent increase begins only after the apartment has been ready to move in.

---

<sup>2</sup> <https://www.landesrecht-hamburg.de/bsha/document/jlr-WoFGHArahmen>

<sup>3</sup> the current income limits according to § 8 of the Hamburgische Wohnraumförderungsgesetz are

1. For a one-person budget of 12,000 euros per annum,
  2. For a two-person budget of 18,000 euros per annum,
- Plus 4,100 euros for each additional person belonging to the household.

<sup>4</sup> In year 2021, the initial rent level for new social housing is EUR 6.80,- per square meter, while the normal market rent for new units is around EUR 10.92 to 17.08 per square meter (rental level 2021). In 2017, the initial rent amounted to EUR 6.40 per square meter, compared to EUR 9.79 to EUR 15.22 per square meter (rent level 2017).

**Table 1**

**Promotion Program: 1. Förderweg**

**Target group: Low income**

Year	Rent Per square meter	Rent Increase Per square meter
2017	6.40 €	0.30 €
2018	6.50 €	0.30 €
2019	6.60 €	0.20 €
2020	6.70 €	0.20 €
2021	6.80 €	0.20 €

**Promotion Program: 2. Förderweg**

**Target group: Middle income**

Year	Rent Per square meter	Rent Increase Per square meter
2017	8.50 €	0.30 €
2018	8.60 €	0.30 €
2019	8.70 €	0.20 €
2020	8.80 €	0.20 €
2021	8.90 €	0.20 €

From the loans granted and promised under the above-mentioned Promotion programs, the active/passive management in cooperation with the credit department selects suitable projects and the associated loans.

In order to avoid replacing projects/loans during the term of the social bond, the nominal loan capital allocated to the social bond significantly exceeds the proceeds of the issuance. The detailed selection of projects / loans is made under the following specifications:

Residual capital at maturity of the bond exceeds the proceeds of the issuance

If possible, loans already fully disbursed

Recent grants are selected first

Only loans that have not been allocated elsewhere can be allocated

The identified loans are identified in the inventory system.

**3. Management of Proceeds**

The allocation of the proceeds from the social bond to eligible projects and loans is carried out internally by IFB between the departments of active and passive management and the credit departments. The loans allocated are identified in the

inventory system and kept in an internal reporting system.  
The loans selected for this project were approved between 2017 and 2021.

If the proceeds of the issue cannot be fully allocated due to payment obligations, this part will flow into IFB's overall bank management until the loans are paid out. The disbursement and thus the allocation is usually made within 12 to 18 months according to construction progress. The assigned loans have a binding period beyond the term of the bond and the proceeds are allocated to fully existing financing obligations. The portfolio of eligible projects and loans selected by IFB Hamburg, with apparent nominal over-allocation, ensures that the proceeds of the issuance are used for the refinancing of the selected financing during the entire term of the social bond issued.

#### **4. Reporting**

All promotion program loans are included in the balance sheet of IFB Hamburg, which is publicly available on its homepage ([www.ifbhh.de](http://www.ifbhh.de)).

IFB Hamburg will publish a separate report on the proceeds from the social bond on its website, listing all the underlying selected loans and liabilities.

This report is published annually during the term of each bond or until the proceeds are fully allocated.

The report includes:

- Use of the proceeds of the issuance by binding period of the loan (15 or 30 years)
- Use of the proceeds by customer group
- Use of the proceeds until the last year of the binding period
- Projects financed in the various city districts
- Size of the constructed units
- Type of construction

The initial presentation of the allocation of the proceeds of the issuance to the selected eligible projects and loans as well as the annual reporting is prepared in the department of active and passive management.

Subsequently internal audit reviews the reporting.

In the event of significant changes, separate reporting is carried out.

An example report of the IFB Social Bond DE000A2LQZ00 is shown on the following pages.

## Reporting für den IFB-Nachhaltigkeitsbond DE000A2LQZ00

Stichtag 31.12.2021



### Über uns:

Als Hamburgische Investitions- und Förderbank (IFB Hamburg) sind wir im öffentlichen Auftrag für Privatpersonen, Unternehmen und Institutionen aktiv. Unsere Fördertätigkeiten umfassen die Wohnraum- und Wirtschaftsförderung sowie den Umweltschutz und die Innovationsentwicklung. Neben zinsgünstigen Darlehen und Zuschüssen bieten wir neutrale Beratung zu allen öffentlichen Fördermöglichkeiten der Stadt Hamburg, des Bundes und der EU an.

### Ihr Bond:

Der IFB-Nachhaltigkeitsbond DE000A2LQZ00 hat ein Emissionsvolumen von 250 Mio EUR und ist am 11.10.2029 fällig.

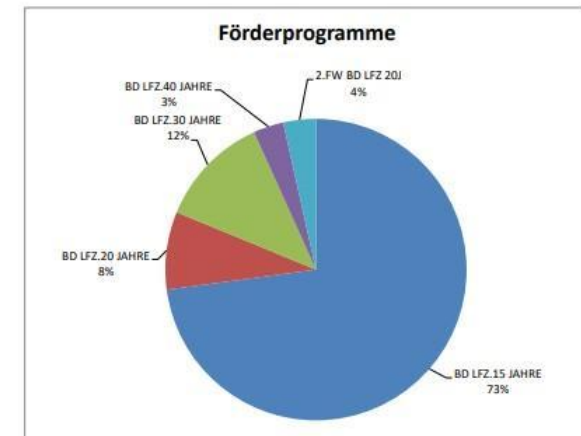
### Verwendung des Emissionserlöses:

#### nach Förderprogramm

Förderprogramm Name	Darlehens Art	Förderweg	Vertragskapital	davon Auszahlungs- verpflichtung	davon aktuelles Restkapital
Summe			330.215.400,00	9.253.540,00	302.864.711,91
BD LFZ.15 JAHRE	Baudarlehen	1. Förderweg	240.617.700,00	7.450.522,00	219.982.411,67
BD LFZ.20 JAHRE	Baudarlehen	1. Förderweg	27.556.700,00	0,00	25.915.151,58
BD LFZ.30 JAHRE	Baudarlehen	1. Förderweg	39.723.800,00	952.028,00	36.490.684,87
BD LFZ.40 JAHRE	Baudarlehen	1. Förderweg	10.775.600,00	451.420,00	9.904.444,16
2.FW BD LFZ 20J	Baudarlehen	2. Förderweg	11.541.600,00	399.570,00	10.572.019,63

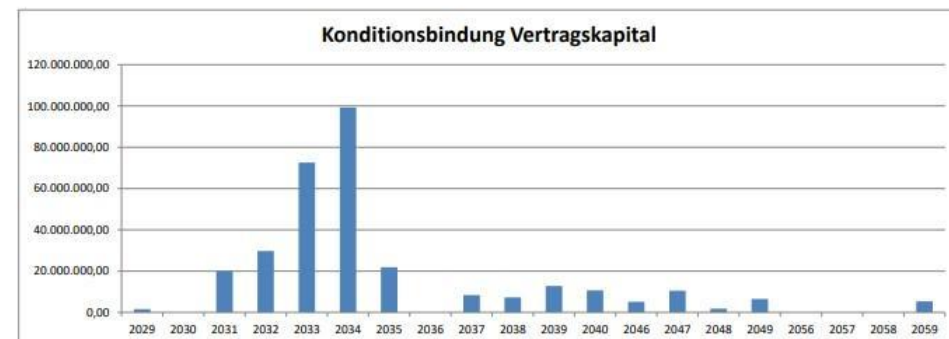
#### nach Kundengruppen

Kundengruppe	Vertragskapital	davon Auszahlungs- verpflichtung	davon aktuelles Restkapital
Summe	330.215.400,00	9.253.540,00	302.864.711,91
Wohnungsunternehmen	232.402.500,00	3.642.630,00	216.314.050,79
Off.Invest. oh.Geldm	40.279.600,00	5.122.400,00	33.237.225,93
Organi.o.Erwerbszw.	22.950.700,00	303.420,00	21.467.728,55
öffentl. Verw./Vert.	17.523.500,00	185.090,00	16.569.549,49
Gastronomie	14.489.100,00	0,00	12.958.956,78
wirt.unselbst.Privp.	1.543.700,00	0,00	1.404.054,72
Eigene Vermögensverw	1.026.300,00	0,00	913.145,65



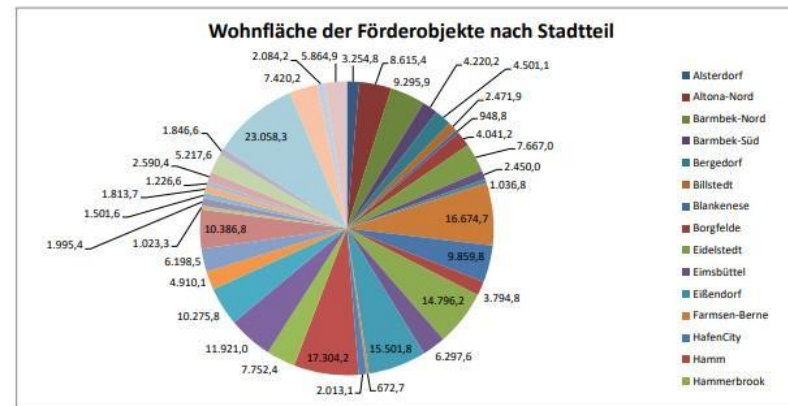
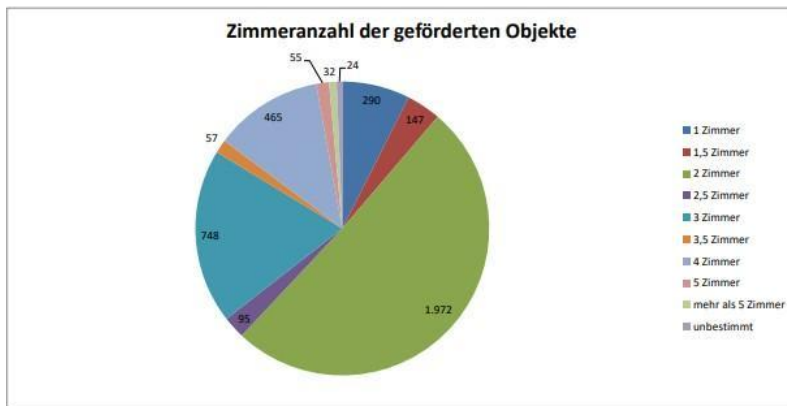
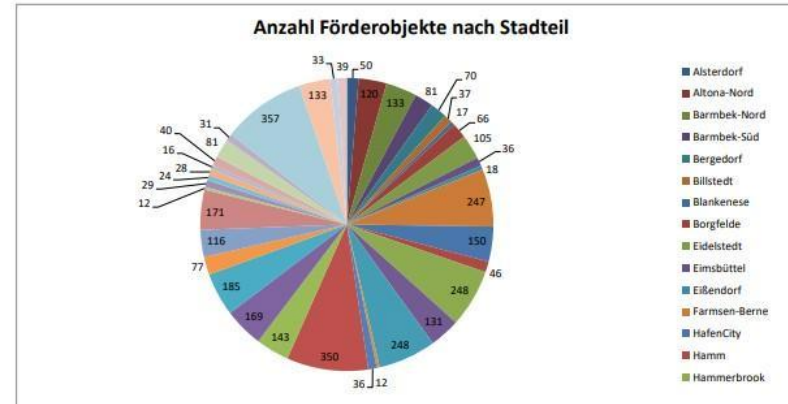
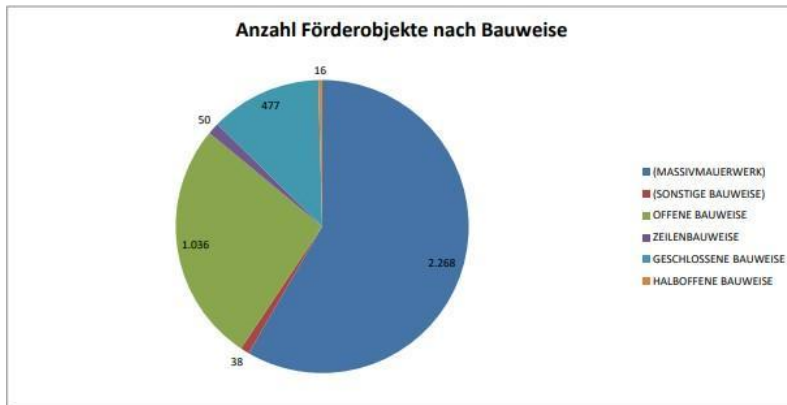
#### nach Konditionsbindung

Jahr	Vertragskapital
Summe	330.215.400,00
2029	1.592.900,00
2030	0,00
2031	19.942.500,00
2032	29.733.500,00
2033	72.574.000,00
2034	99.272.200,00
2035	21.882.000,00
2036	0,00
2037	8.431.800,00
2038	7.266.200,00
2039	12.751.800,00
2040	10.648.500,00
2046	5.152.400,00
2047	10.489.100,00
2048	1.850.900,00
2049	6.545.600,00
2056	0,00
2057	0,00
2058	0,00
2059	5.357.600,00





geförderte Objekte



Wohnungsanzahl und Wohnflächen nach planerisch bezugsberechtigten Personen

Anzahl Personen	Summe von Wohnfläche	Anzahl von Antrag
1 Person	63.242	1.442
2 Personen	26.325	474
2 Personen in 2 1/2 Zi WE	1.430	23
2 Personen in 2 Zi WE	32.011	528
3 Personen	55.829	765
4 Personen	46.652	516
5 Personen	7.843	77
6 Personen	1.321	11
8 Personen	132	1
11 Personen	186	1
12 Personen	2.234	11
13 Personen	2.305	11
Nicht zugeordnet	2.996	25
<b>Summe</b>	<b>242.505</b>	<b>3.885</b>