

# TAKING SUSTAINABILITY TO NEW DIMENSIONS

---



# VIB Vermögen AG – TAKING SUSTAINABILITY TO NEW DIMENSIONS

VIB Vermögen AG has been focusing on sustained and profitable growth since the company was formed. Our growth strategy not only focuses on economic factors such as maximizing profits, rising share prices or dividend increases. We are much more interested in the triad of economy, ecology and good corporate governance and social issues. We are convinced that only if these three pillars work together, VIB's long-term and sustainable corporate growth can be achieved.



*VIB sustainability strategy: triad of economy, ecology and good corporate governance / social issues*

As a long-term oriented property owner with a focus on the areas of logistics / light industry and retail, we are particularly aware of our ecological responsibility. That is why we are constantly working on measures to reduce our CO<sub>2</sub>-consumption in our properties wherever possible, also in cooperation with our tenants.

Particularly noteworthy here are regular building renovation and modernisation measures to improve energy efficiency, such as conversion to LED lighting, roof renovation to improve thermal insulation or the installation of photovoltaic systems for sustainable energy generation. The generation of clean solar power in particular has become significantly more important at VIB in recent years. As a part of our sustainability strategy, we want to present the subject of photovoltaics at the VIB in more detail this year.

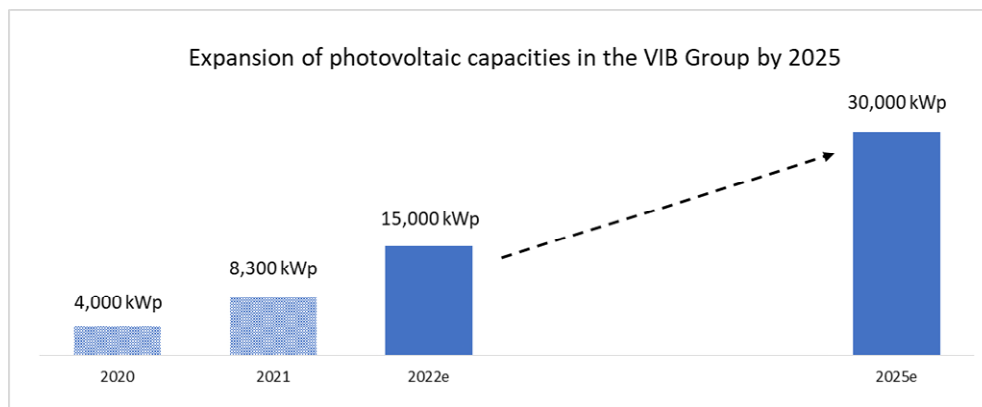
## Photovoltaics - a component of ecological sustainability at VIB

Germany is leaving the fossil-nuclear energy age behind. In the context of a sustainable energy future, photovoltaics will play a central role. In order to convert the power supply almost completely to renewable energies by 2035 as planned, a massive expansion of PV capacities in Germany will be necessary in the coming years.

As a component of its sustainability strategy, the VIB Group has been increasingly focusing on the expansion of its photovoltaic capacities for years. And against the background of the ambitious climate goals, we want to intensify our efforts in the coming years!

At the end of 2021, the PV capacity installed in the VIB Group was 8,300 kWp and has therefore more than doubled compared to the previous year. While PV systems can be implemented relatively easily in new construction projects, the retrofitting of existing properties is increasingly coming into focus. Just a few years ago, however, it was technically difficult to retrofit solar modules in existing buildings, since the load capacity of the roofs was usually not designed for this. Due to the further development of module technology, especially in the area of weight reduction, solar modules can now also be installed on roofs with a lower load capacity. An advantage that we have also recognized and want to use in the coming years for our portfolio properties.

Ambitious goals of the VIB in terms of sustainability: Significant expansion of photovoltaic capacities planned by 2025



By using additional roof areas on our existing properties, we will increase the targets we communicated last year for the expansion of PV capacities by 50% until 2025! In concrete terms, this means that we want to increase the output planned by the end of 2025 from the previous 20,000 kWp to 30,000 kWp now! Mathematically, this corresponds annually up to 2025:

- A CO<sub>2</sub> saving of 8,000 tons
- 30 million kWh solar power produced in an environmentally friendly way
- Supply of electricity to 7,000 four-person households
- Energy equivalent to 4 million liters of heating oil

## Sustainability – a dialogue with our stakeholders

As a publicly traded company, we maintain relations with a variety of stakeholder groups. By virtue of our many years of experience, we know these stakeholders very well indeed. Regular communication with these groups helps us understand their views and expectations, identify room for improvement and devise specific courses of action.

Our most important stakeholders are our shareholders and analysts, tenants, service providers and financing banks, as well as public interest groups and, last but not least, our employees. They all make an important contribution to the successful development of the company.

VIB stakeholder approach: 5 categories



### Shareholders and analysts

On the one hand, it is important to institutional and private investors that they are invested in a company whose business model is geared towards sustainable and long-term value creation. As owners and investors, they wish to ensure that their capital commitment is invested both securely and profitably. On the other hand, in addition to economic factors, ESG-relevant topics are increasingly moving into the focus of investors. In addition to the most attractive returns possible, aspects such as sustainable and resource-saving building, reducing the CO<sub>2</sub> footprint and good corporate governance are also part of our day-to-day business. And we live up to this claim.

We have recorded continuous growth in both revenue and earnings over the past 25 years – a positive trend that is also reflected in the dividend. The VIB Vermögen AG share is now one of Germany's most reliable dividend-paying stocks.

Alongside shareholders, our analysts represent a key stakeholder group as opinion leaders for the financial markets. By systematically collecting, collating and analysing company-related information, they provide transparency for our investors in terms of evaluating VIB Vermögen AG.

We are in direct and open contact with both stakeholder groups – investors and analysts. Alongside the publication of financial reports and company news, information is also exchanged, for instance, at capital market conferences and roadshows, where we present both our property portfolio and our corporate strategy.

### Tenants

Reliable tenants with excellent credit ratings constitute another important stakeholder group for the company. Our tenant base includes both medium-sized, regional companies and multinational corporations. We maintain lasting business relations, based on a spirit of trust, with our tenants, which is reflected in long-term rental agreements and, consequently, predictable rental incomes.

In order to foster and maintain strong customer relations, we are particularly committed to managing our properties in-house. With an experienced team of property managers, we work closely with our tenants and know their requirements inside out. As a result, we not only gain a clear picture of the condition of our properties, but are also in a position to find tailored solutions. And this is exactly what our tenants value. It is also reflected in the vacancy rate, which has been very low for many years and which stood at a mere 2.5% as of the end of 2020.

Our tenants in the logistics/light industry segment include companies such as the Rudolph Group, Audi and Continental. In the retail segment, our tenants include companies such as REWE, Edeka, garden centre chain Dehner and Baywa Gartenmärkte GmbH & Co. KG.

### **Service providers and financing banks**

Our service providers expect transparent business relations in a spirit of partnership and trust, in which the interests of both parties are given sufficient weight. We are particularly reliant on close partnerships with our general contractors, especially when it comes to developing our own logistics properties. In addition to the use of high-quality materials, construction methods that are as resource-efficient and sustainable as possible, the certification of real estate (BREEAM / DGNB) or increasing biodiversity through an ecological design of the outdoor areas also play an important role for us. In partnership with the general contractor, ecological aspects are already taken into account in the planning phase of the projects.

Financing is pivotal to any real estate project. Thanks to our close ties to the financial and capital markets, we are always able to strike just the right balance between equity and debt financing. On the debt financing side, we work successfully with regional savings banks and mutual banks from the outset. On a national scale, selected state banks and major property financiers complete our financing portfolio. Annuity loans are a key pillar of our sustainable financing strategy. Due to the stable repayment amounts, this classic form of financing is not only extremely predictable over its term, but the ongoing repayments also increase the net asset value of the company. However, promissory note loans and short-term variable loans, such as those based on EURIBOR, are also used and represent a sensible addition to our debt financing mix.

On the equity side, we use the entire spectrum of available capital measures as required, such as the issuance of mandatory convertible bonds and the carrying out of traditional capital increases.

### **The public**

As a business partner for regional and national companies, VIB Vermögen AG also finds itself in the public eye. We are expected to comply with laws and social norms and meet high ethical and moral standards that go beyond laws and regulations.

As regards the planning and development of new construction projects, both close cooperation with future tenants and close consultation with local authorities and communities play an important role. After all, economic interests run parallel not only to location development and the safeguarding and creation of jobs in a region, but also a need to avoid any potential impacts for local residents and the environment due to construction work.

As a commercial enterprise, we are also conscious of our obligations to the society in which we have been able to grow so successfully for more than 25 years. We want to give something back. Alongside our support in establishing a real estate teaching programme at Ingolstadt University of Applied Sciences, we regularly help charitable centres and initiatives in the region. We also increasingly look towards regional companies and tradespeople when awarding contracts connected to our core business, such as the maintenance and modernisation of our properties.

As a publicly traded company, VIB Vermögen AG is expected to maintain exceptionally open and transparent communication with the media. This still very much applies in terms of questions that throw a critical light on our company and our business operations. We attach great importance to a transparent information policy and conduct regular discussions and interviews with press representatives and other multipliers, at both, regional and national level.

## Employees

Our employees are one of the key success factors of our business model and play a significant role in our positive course of business on account of their knowledge, dedication and loyalty.

We therefore do everything in our power as an employer to ensure that our employees are happy at the company, can make the most of their talents and deploy their experience and specialist knowledge on our behalf for a long time to come. We offer our workforce an attractive and motivational working environment at our modern office space in Neuburg. We are delighted by the long average length of service and low staff turnover, which we also see as evidence of the excellent working environment at VIB Vermögen AG. We also help employees safeguard their future, which is why we support all members of staff with an occupational pension scheme.

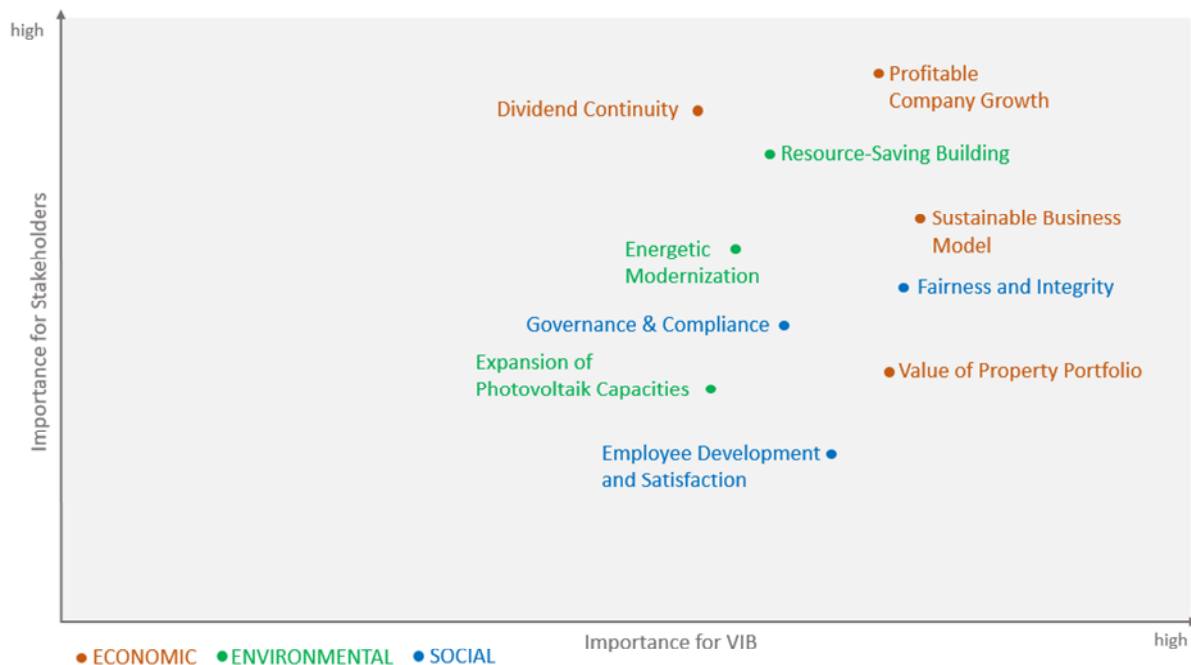
Furthermore, we also attach great importance to the training and professional development of our people. Alongside the range of trainee programmes and needs-based training and professional development events it offers, VIB Vermögen AG is also certified as an apprenticeship provider for property professionals by the Industrie- und Handelskammer (IHK, German Chamber of Industry and Commerce). Equal opportunities and diversity also play a role at the company. Alongside a balanced ratio of younger and more experienced colleagues, the share of female employees in the total workforce stood at 62 per cent as of year end 2021.

When it comes to the remuneration of our employees, we also ensure that there is as good a balance as possible between male and female employees. In relation to the entire VIB workforce, the remuneration ratio of male to female employees in 2021 was 1.05:1. For senior managers (excluding members of the Management Board and Supervisory Board), we even recorded a balanced ratio of 1:1. In direct comparison with the German gender-specific gap of 1.22:1, the VIB performs significantly better in all categories.

## Sustainability issues of material importance

As an experienced property developer and portfolio management company, we have built up a close-knit network with our key stakeholder groups. On the basis of our day-to-day work and our long-standing dialogue with them, we have identified various issues that have a notable influence on the sustainable development of VIB. We have presented the most significant of these issues in the form of a materiality matrix. In order to take the differing levels of significance of the individual issues into account, we have performed individualised weighting of the issues for each stakeholder. The materiality matrix comprises what we regard as the most important economic, environmental and social issues; these play a material role in both, the sustainable business success of VIB and the acceptance of VIB on the part of our stakeholders.

### The materiality matrix of VIB Vermögen AG



### Three dimensions of sustainability

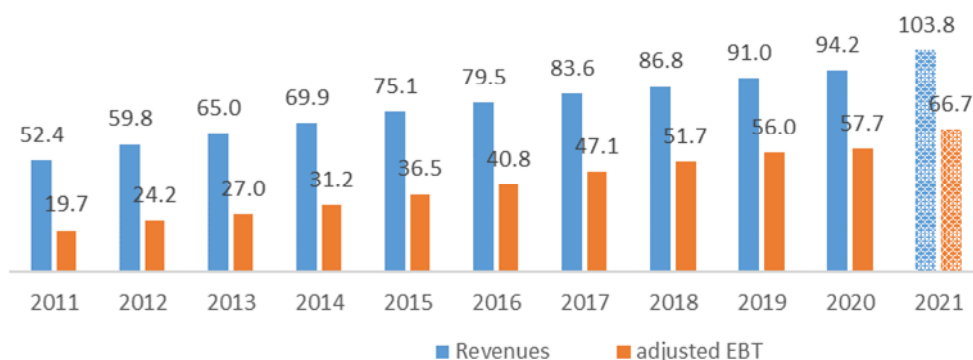
#### Economic sustainability

In our opinion, the cornerstone of sustainable company development is always built on economic factors, as there can be no lasting positive development in environmental and social issues without economic success.

Profitable growth represents one of the main economic criteria in this regard. Growth in the revenue (i.e. income) that we generate by letting our properties plays a central role in this area. After all, only companies that post continuous and profitable growth can hold their own in the long term. Ever since the company was founded, we have always attached great importance to healthy growth, which is why our development and acquisition decisions are always taken against the background of profitable individual properties that fit seamlessly into our portfolio as a whole. Over the past five years, our property portfolio has grown to the tune of some EUR 50 million per annum, which equates to “healthy” growth of about five to six per cent.

This selective growth strategy is also important to us in terms of meeting our ambitious profitability targets, as our development yields average around six per cent. When efficient cost management (including the in-house administration of our properties) is factored in, we have thus recorded increases in profit year after year – to the delight of our shareholders.

### Growth in revenue and adjusted EBT (in EUR millions)

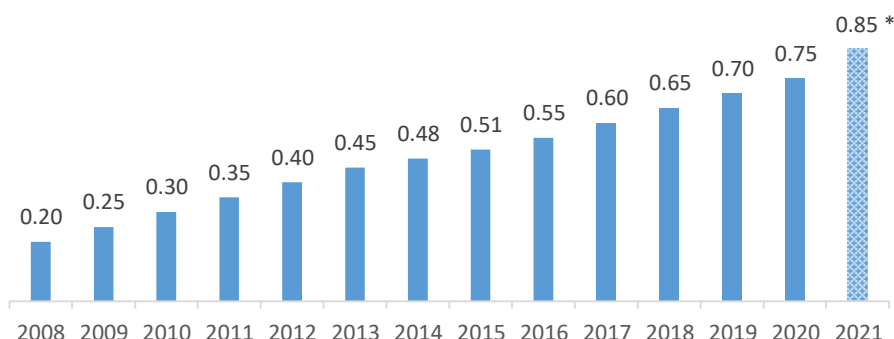


Our investors can also look forward to dividend payments that have been increasing for years. In addition to the fact that a dividend has been paid every year since the IPO in 2005, there will also be an increase in the dividend payment for the 2021 financial year. Due to the company's positive earnings situation, the Management Board is proposing a dividend of EUR 0.85 per share. This corresponds to an increase of EUR 0.10 or around 13% compared to the previous year and thus is the largest dividend increase since the IPO!

#### Continuity

13th dividend  
increase in a row

### Dividend growth per share (in EUR)

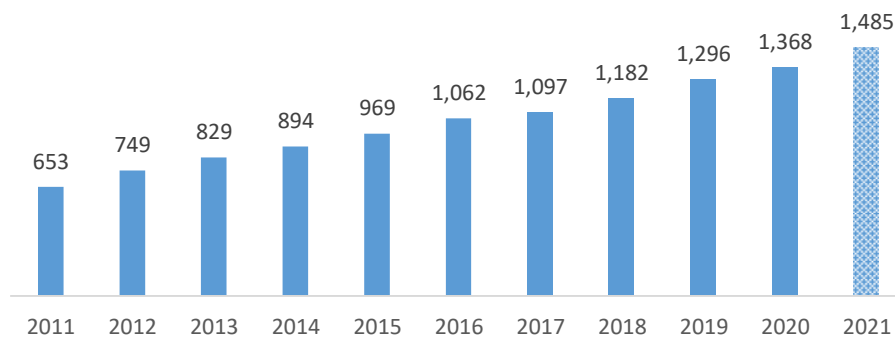


\* Management proposal

Our properties represent our largest and most important asset item, with a total value of some EUR 1.5 billion as of December 31, 2021. Alongside the development and acquisition of new properties, it is no less important for us to maintain the quality standard of existing properties. On average, around EUR 3 - 4 million go into modernization and maintenance measures every year.











## Development of investment properties (in EUR millions)



## VIB ESG-RATINGS

ESG-ratings have become increasingly important as a decision-making criterion for investors in recent years. VIB Vermögen AG would also like to ensure even more transparency in this area and has been evaluated by agencies such as EPRA, GRESB or Sustainalytics with regard to generally accepted ESG criteria for several years.

	 GRESB Real Estate Sustainability Benchmarking	 EPRA EUROPEAN PUBLIC REAL ESTATE ASSOCIATION	 SUSTAINALYTICS a Morningstar company
2021	„B“ 	„Gold“ 	21.3 Medium Risk 
2020	„D“ 	„Gold“ 	No Rating
2019	„D“	No Award	No Rating
	categories: „A“ to „E“	categories: gold / silver / bronze / no Award	Risk-categories: negligible / low / medium / high / severe
	GRESB is a leading, investor-initiated rating system to present the sustainability performance of real estate companies and funds	EPRA evaluates the ESG Reporting of listed property companies using the EPRA Best Practice Sustainability Recommendations (sBPR).	Sustainalytics is an independent service provider in the field of ESG solutions for investors, banks and companies. The global company creates ESG risk ratings for around 20,000 companies in over 172 countries worldwide.

## Environmental sustainability

VIB's real estate portfolio offers numerous starting points in terms of ecological sustainability, regardless of whether they are logistics, light industry, retail or office spaces. Both in terms of our new builds and our existing properties, we take into account ecological aspects such as resource-saving construction methods and good alternative usability.

Environmental standards can be implemented particularly efficiently on new-build projects. The development of new, state-of-the-art logistics properties has always been a core competency of VIB Vermögen AG and, in light of rising property prices, one that has grown in significance in recent years. Even when selecting the site, we consider important factors such as emission control and soundproofing, optimum use of the infrastructure and the creation of any necessary compensation areas.

During the construction phase, we are able to implement a series of measures that meet high environmental standards while still being cost-effective. Against a background of increasing electricity prices, for instance, it is becoming ever more important to minimise energy consumption, which is why our development projects generally exceed all requirements of the German Energy Saving Ordinance (*Energieeinsparverordnung*).

And when it comes to the topic of energy efficiency itself, we are keenly aware of our responsibility as a portfolio manager. As mentioned at the beginning, around 8,300 kWp of photovoltaic capacity is now installed on the roofs of the VIB properties, which corresponds to around 8 million kilowatt hours of environmentally friendly produced electricity.

In addition, sustainable building technologies are used in our construction projects, such as:

- efficient insulation systems and heat pump-based air conditioning
- cutting-edge lighting systems and solar installations for electricity generation
- rainwater harvesting, roof lights to enable the use of daylight
- charging stations for electric vehicles

Together, all these measures ensure high standards in terms of environmental sustainability and CO<sub>2</sub> emissions, deliver environmental benefits for our tenants and, last but not least, offer us – as the property owner – good alternative usability.

Environmental sustainability also plays a central role in the more than 100 properties in our portfolio, with “maintenance”, “modernisation” and “redensification” the watchwords in this regard. With these measures, we not only safeguard the value of the properties themselves but also maintain the long-term usability and attractiveness of the site for our tenants. Measures include the retrofitting of modern lighting systems with dynamic light control and LED technology, with the resulting energy savings frequently exceeding the 80 per cent mark. The total costs of these investments are usually amortised within two to three years.

In total, we invest around EUR 3 - 4 million annually in appropriate maintenance and refurbishment measures to ensure the consistently high quality standard of our properties. A significant proportion of this is attributable to energy-related measures such as efficient LED lighting systems, roof renovations to optimize insulation performance, modernization of heating systems, the installation of energy-efficient high-speed doors (low heat loss due to fast opening and closing speeds) but also the modernization of fire protection technology. These measures were funded either directly from the VIB capital expenditure budget or through improvement grants paid to our tenants.

#### Value retention

€ 3-4 million annually for the modernization of the real estate portfolio

#### Building certification

With a view to making sustainable construction in the development of new properties measurable, building certification in accordance with internationally recognised standards is becoming more important. Alongside BREEAM certification, certification pursuant to the criteria of DGNB (the German Sustainable Building Council) is particularly widespread in Germany and has reached market coverage of 80% of new builds.

In 2021, VIB obtained certification for three new development projects in the areas of logistics and office space, with each building awarded the second highest category, DGNB Gold. DGNB certification not only encompasses environmental aspects, but instead adopts a holistic approach to analysing the entire life cycle of a property. Alongside environmental aspects, other criteria – such as long-term cost-effective use of the property, pollution control, ease of demolition and recycling, transport links and building accessibility – play a pivotal role.



Regardless of whether they are renting a newly developed or an existing property, our tenants are keenly aware that economic and environmental aspects are inextricably linked. Whether high-performance heat pumps, high-quality building insulation or energy-efficient lighting systems – anyone who thinks carefully about

the sustainability of properties today can transform current cost drivers, such as high energy costs, into the profitability factors of the future.

Social sustainability

Within the scope of our business operations, we come into contact with a vast array of social groups. As part of the shared interaction, the focus is not only on economic and environmental issues, but also on social considerations. Our business relations, which are geared towards the long term, are always characterised by mutually responsible and fair dealings.

Diversity

Share of female employees:  
  
Workforce as a whole: 62%  
Senior Management: 25%

In the project development segment, which is so vital for VIB and which often involves handling investment volumes up to EUR 100 million for a single property, a trusting relationship with the general contractor responsible for construction is absolutely imperative. Wherever it is within our sphere of influence to do so, we – as the principal – ensure that our general contractors comply with all legally required standards, including in terms of their employees/subcontractors.

In addition to statutory regulations, our agreements with general contractors contain the following provisions as standard:

- The general contractor may only use approved and tested substances, materials, technical equipment and methods that are neither hazardous nor harmful to health. At the request of VIB, the general contractor undertakes to supply proof of the origin and composition of the materials and components used, as well as their quality control and construction approval.
- The general contractor will deploy all necessary equipment, issue all necessary instructions and take all necessary measures in accordance with German accident-prevention regulations in order to prevent accidents in connection with their services. The general contractor undertakes to comply with the generally accepted rules of safety and occupational health. In particular, the general contractor will observe the obligations imposed by the *Baustellenverordnung* (German construction site directive).
- The general contractor undertakes to require the personnel deployed on the construction site by the general contractor to wear the personal protective equipment (e.g. hard hats, protective footwear) stipulated by the relevant employers' liability insurance association. The general contractor must provide sufficient quantities of personal protective equipment. Employees of the general contractor who fail to meet their obligation to wear personal protective equipment may be expelled from the construction site.
- The general contractor undertakes to pay at least the statutory minimum wage to all employees working on the building site. This also applies to employees of subcontractors used by the general contractor.

For us, applicable legislation (particularly company and capital market law), the company's articles of incorporation and the rules of procedure of the Supervisory and Managing Boards form the foundation in terms of devising and practising sustainable corporate governance. In addition, there are a raft of internal guidelines and processes that apply across the VIB Group and that require each and every employee to conduct themselves in a legally and ethically upstanding fashion. The central element in this regard is the VIB Code of Conduct, which sets out explicit rules on fair competition and the avoidance of conflicts of interest, the non-discrimination of minorities and the prevention of corruption, as well as data protection and the conduct of VIB employees in public.

We also take the view, however, that good corporate governance includes the application of principles that go above and beyond statutory requirements. With this in mind, the ability of both the management and workforce to act in a proactive and committed fashion, and to respond flexibly and promptly to changes and challenges, is the cornerstone of sustainable company success. This requires a high degree of personal initiative and expertise, as well as a willingness to embrace change, on the part of our employees. Our executives treat their employees with great respect and courtesy and always strive to inspire the necessary confidence. In day-to-day operations, individuality is respected and diversity of opinion fostered. Decisions are implemented with purpose and resolve in an atmosphere characterised by mutual acceptance and appreciation.

<b>Employee Loyalty</b>
Average seniority of employees:
<b>8.1 years</b>

## Conclusion

Ever since VIB Vermögen AG was founded more than 25 years ago, sustainability has been a core component of the company's day-to-day operations and its values. Our aim is not only to generate added value for our shareholders and tenants; indeed, we are also committed to the general public, our business partners and, last but not least, our employees in everything we do. For us, responsible and transparent corporate governance is essential for the long-term success of our company.

Sustainability aspects are not only taken into consideration in dealings with our stakeholders, but are also at the heart of our growth strategy. Sustainable and profitable growth, on the basis of environmental and social aspects, will continue to shape our actions in the years to come.

### ESG Contact Person

Michael Blankenhorn

Michael.Blankenhorn@vib-ag.de

Tel.: +49 (0)8431 9077 949

### VIB Vermögen AG

Tilly-Park 1

86633 Neuburg / Danube

Germany

[www.vib-ag.de](http://www.vib-ag.de)