



# Second Party Opinion

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Münchener Hypothekenbank –  
Green Funding Framework 2025



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# General Opinion

EthiFinance considers Münchener Hypothekenbank’s “Green Funding Framework 2025” to be fully aligned with the ICMA’s Green Bond Principles (GBP) of June 2025 and minimum standards for Green Pfandbriefe of the Association of German Pfandbrief Banks (vdp), valid as of January 2025, with three of the four ICMA components achieving a best practice assessment.

The Framework is consistent with the Issuer’s overall business strategy, and the ESG risk management is substantial.

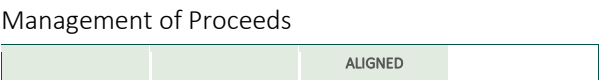
The project category “Green Buildings” is expected to have a high green impact. The refinancing of energy-efficient (new) constructions and renovations is central to achieving the Issuer’s as well as national and European climate targets. The eligibility criteria are largely based on the thresholds of the Substantial Contribution Criteria (SCC) of the EU Taxonomy, promoting high energy efficiency and lasting environmental benefits.

## Issuer ESG Assessment



## Alignment with the ICMA Principles

### Overall Score



# Impact of the Projects



CATEGORY	OBJECTIVE	IMPACT
1. Green Buildings	Climate change mitigation; reduction of CO <sub>2</sub> emissions; improvement of energy efficiency	HIGH

# Scope

EthiFinance has been commissioned to provide an independent Second Party Opinion on the Green Funding Framework of Münchener Hypothekenbank (hereafter referred to as “MHB”, “the Bank” or “the Issuer”). Our assessment consists of three parts: an evaluation of the ESG performance of the Issuer (“Issuer ESG Assessment”), a verification of the compliance of the document with the ICMA Principles (“Alignment with the ICMA Principles”), namely ICMA’s Green Bond Principles (GBP) of June 2025, and an assessment of the expected impact of the projects (“Impact of the Projects”). In addition, compliance with the minimum standards for the use of the wordmarks ‘Green Pfandbrief’ / ‘Grüner Pfandbrief’ (for Mortgage Pfandbriefe, referred to here as ‘Green Covered Bonds’) of the Association of German Pfandbrief Banks (vdp), valid as of January 1, 2025, is assessed. We also conduct a brief analysis of the alignment of the project categories described in the Framework with the Substantial Contribution Criteria (SCC) set out in the relevant delegated regulations supplementing the EU Taxonomy Regulation (EU) 2020/852.

This Framework document allows the Münchener Hypothekenbank to issue sustainable debt or loans to finance eligible projects within the green categories.

Our analysis is based on the most recent version of the Münchener Hypothekenbank Green Funding Framework 2025, received on 25 September 2025 and to be published in September 2025. It reflects our assessment of the information contained in this document, as well as public and confidential data provided by the Issuer.

The analysis is grounded in our latest methodology, published in April 2025. It represents a point-in-time opinion derived from the information made available to us at the time of the review, including the Issuer’s Framework, corporate documents and relevant policies.

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## Issuer Profile

Münchener Hypothekenbank eG, founded in 1896, is a German credit institution specialising in residential and commercial real estate financing for retail and commercial (corporate and institutional) customers. The Bank funds these assets on capital markets by issuing covered bonds (“Pfandbriefe”) and unsecured bonds, as well as on the money market. MHB’s core business areas are residential real estate financing, commercial real estate financing and capital markets and funding.

Headquartered in Munich, the Bank operates both domestically and internationally, with offices in eleven German cities and financing activities in several European countries and the United States<sup>1</sup>. With total assets of €54.5 billion and 664 employees as of 31.12.2024, MHB is classified as a “significant” credit institution and is, therefore, directly supervised by the European Central Bank (ECB).

Münchener Hypothekenbank is owned by around 55,000 members and is part of the Genossenschaftliche FinanzGruppe (Cooperative Financial Network), one of the largest banking groups in Germany. Within this system, the Bank serves as one of the real estate financiers for the cooperative sector, partnering closely with local Volksbanken and Raiffeisenbanken to offer mortgage products across the country. This integration provides MHB with a stable and diversified distribution platform.

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<sup>1</sup> In the USA, no new financing business is being conducted, yet existing business is being continued.

# Issuer ESG Assessment

CONSISTENT
PARTIALLY CONSIST.
NOT CONSISTENT

## 1. Strategic Consistency

Münchener Hypothekenbank’s business model, a central feature of which is the linked process between sustainable lending and sustainable refinancing for energy-efficient properties, is consistent with its Green Funding Framework 2025, including acquisitions of buildings, new constructions and renovations that meet ambitious environmental criteria.

The Issuer’s approach to sustainability is embedded in the business strategy and linked to relevant strategic and measurable goals. It derives from the results of the double materiality analysis 2024 and its update in 2025. Based on these findings, MHB has defined strategic action fields: climate protection and adaptation to climate change, its own employees, external stakeholders and corporate culture. In addition, a sustainability roadmap supports the operational implementation of measures. ESG objectives are integrated into both operational management and financing decisions, with climate action forming a core pillar, including a net-zero-by-2050 commitment. Reflected in the credit portfolio, MHB provides green loans for energy-efficient residential and commercial properties. Strict eligibility criteria ensure that financed projects deliver measurable sustainability outcomes. According to the 2024 Impact Report, average annual CO<sub>2</sub> savings amounted to 3.8 tonnes per €1 million invested.

The Bank’s long-term experience with green covered bonds further strengthens this strategic consistency. As a specialist in real estate financing through the Pfandbrief model, MHB has been a pioneer in this particular market issuing its first such instrument in 2014<sup>2</sup> and strengthening its position with two benchmark €500 million Green Mortgage Pfandbriefe in 2024<sup>3</sup>, bringing it to five green benchmark Pfandbriefe outstanding. The Green Funding Framework, now in its second update since 2019, builds on this track record and demonstrates the Issuer’s deliberate and evolving focus on climate change mitigation through the financing of green buildings.

HIGH
SUBSTANTIAL
MODERATE
LIMITED

## 2. ESG Risk Management

### Sector Risks

The banking sector is exposed to several significant ESG risks. The most material exposition comes from their core business activities, i.e. lending and investment. The composition of a bank’s portfolio ultimately determines the most prominent risks. *Environmental risk* for real estate investment (mortgage) banks primarily involves the exposure of financed properties to negative environmental impacts such as climate change, air and water pollution, and biodiversity loss. Physical risks include increased vulnerability to extreme weather events, rising sea levels, or heatwaves, which may damage assets and make certain properties less habitable or valuable. There are also risks of land degradation, soil and groundwater contamination, and reduced biodiversity as a result of construction, land transformation, and urban sprawl. *Social risks* primarily concern the gender pay gap, and to a lesser extent, the skills profile of employees. Regarding customers, banks need to pay particular attention to risks associated with sales and marketing practices, which are a common source of controversy in the sector. Social risks also include limited support for affordable and inclusive housing, and the need for transparent and fair lending. The highly regulated environment in which banks operate exposes those

<sup>2</sup> <https://sustainabonds.com/munchenerhyp-esg-covered-bond-first-uncovers-new-buyers/>

<sup>3</sup> <https://www.mhb.de/sites/default/files/Muenchener%20Hypothekenbank%20Geschaef%20tsbericht%202024.pdf>

with weak *governance* processes to risks related to corruption, bribery or money laundering. Due to reliance on digitalisation, there is also an increasing exposure to cyber security risks, also comprising safeguarding client data privacy.

### Corporate Level

The Issuer has a robust system for managing identified ESG risks, which is based on international agreements and guidelines (Universal Declaration of Human Rights, ILO core labour standards, UN Global Compact) and ensures integration into its own business activities. MHB has identified all of the aforementioned sectoral ESG risks and reports on them for the upstream and downstream value chain as well as its own operations. The ESG risk identification is part of the double materiality analysis, which was carried out for the E (including the areas of climate protection & energy and adaptation to climate change), S (including employee related areas, fair remuneration, and demand for residential housing) and G (including inadequate implementation of internally set guidelines, corruption and consumer protection). MHB has identified climate change mitigation as a key issue for the bank, integrated it into its business strategy and defined it as a basis for action for financing decisions and product offerings. MHB's resilience to climate and environmental risks was first assessed in 2024 in a business environment analysis based on ECB guidelines. It is to be repeated annually. In addition to physical risk drivers such as floods and heat waves, transitional risks such as CO<sub>2</sub> pricing and changes in demand were considered. Data from Köln Assekuranz (K.A.R.L.) was also used to examine the portfolio's exposure to physical risks. The sustainability strategy clearly outlines how risks are to be mitigated, and which organisational level is responsible for measures and monitoring the achievement of targets. The Executive Board is ultimately responsible for compliance with the sustainability strategy/roadmap and is regularly informed about this.

### Operational Level

The overarching strategies are translated into operational measures by MHB. MHB has identified the bank's core business as the greatest lever for effectively combating climate change. Therefore, in addition to decarbonization measures for its own operations and its capital market/funding activities, measures aligned with the target of the Carbon Risk Real Estate Monitor (CRREM) decarbonization pathways are being defined for the loan portfolio. Examples of implemented and planned measures are monitoring and managing GHG intensity and energy efficiency of the portfolio or exclusion of particularly energy-inefficient properties from financing. MHB emphasises the cycle between sustainable lending and sustainable refinancing for its business model. In its core business areas of retail business (private residential property financing) and commercial real estate financing, the aim is to increase the modernization and renovation rate and the proportion of climate-friendly financing. MHB has developed sustainability loans for private customers that incorporate both environmental and social aspects. Since 2015, energy-efficient construction has been promoted with Green Loans. In 2024, 12.12 % of financing of new business in its retail business segment was sustainable, exceeding its target of 10%. A value of 37.8 % was achieved in MHB's commercial real estate financing portfolio (target 30%). The lending process in retail banking is handled by MHB's business partners, while commercial real estate financing is also handled directly. Standardized guidelines and procedures for lending and risk management are set out in a credit manual. The exclusions applied to borrowers relate to several controversial sectors or issues and are defined based on revenue thresholds, which means that a partial exposure to these sectors may remain. When determining the value of the financed properties and assessing creditworthiness, energy-related property data (energy performance certificate, KfW standards for energy-efficient construction, sustainability certificates) must be obtained. In lending and credit monitoring, a comprehensive ESG score for each property in the business of private residential real estate and a scoring system including ESG pricing in the commercial business should contribute to reducing the identified risks.

The core business area "Capital Markets and Funding" comprises MHB's refinancing and issuing activities (funding) and lending activities on the capital market, for which ESG risks are reduced using exclusion criteria. The treasury uses its own exclusion criteria, based on the Freedom House and Democracy Index. Regarding climate risk, positions in the asset classes of banks, government bonds, municipal loans, funds, and equity investments are managed in line with the planned net-zero pathways to 2050, with MHB following the methodological guidelines of the Partnership for Carbon Accounting Financials (PCAF). MHB has implemented an environmental management system in accordance with ISO 14.001 since April 2025. Currently, there is no biodiversity policy, however, MHB plans to analyse biodiversity in greater depth and expand its business environment analysis to include biodiversity-related risks.

Regarding its employees, MHB has a diversity strategy and integrated the issue of fair remuneration into its risk analysis. Ensuring the necessary staffing levels is pursued through a human resources strategy and regularly monitored using

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specific KPIs. Retail customer contact is mainly handled by the cooperative partner banks. The Responsible Marketing in Private Real Estate Financing guideline stipulates that aggressive advertising should be avoided and that customers should not be given incentives to take out unreasonably high loans. The Bank reports on financing affordable housing for students, however, the topic seems to only be pursued at the level of individual projects.

Requirements relating to money laundering and corruption are regulated in the Code of Conduct and in the Supplier Guideline and corresponding organizational directives für employees are in place. All employees of Münchener Hypothekenbank are required to complete training courses on fraud prevention, money laundering and terrorist financing— in various formats such as in-person, online, and external training. Violations of compliance requirements can be reported anonymously via a whistleblower system, and there is a process in place for dealing with these reports. Cybersecurity risks are mitigated through an information security system compliant with ISO 27001:2022, which implements the applicable regulatory standards, including the Digital Operational Resilience Act (DORA). Compliance and effectiveness are regularly reviewed, and employees are made aware of these issues through training courses.

The green refinancing products issued in the “Green Buildings” project category are covered by real estate financing that follows the processes described above when granted. A working group regularly reviews eligible projects and adapts the criteria to regulatory developments.



# Alignment with the ICMA Principles

## Overall Alignment

NOT ALIGNED	PARTIALLY ALIGNED	ALIGNED	BEST PRACTICE
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## 1. Use of Proceeds

EthiFinance considers the use of proceeds as outlined in the Framework to be fully aligned with the ICMA Green Bond Principles and vdp minimum standards. The project category is clearly defined, with relevant eligibility criteria specified. The objectives and anticipated environmental benefits are clearly presented, and applicable exclusion criteria are disclosed. A look-back period is not specified. Overall, EthiFinance considers the Issuer’s use of proceeds to follow best practice.	BEST PRACTICE
	ALIGNED
	PARTIALLY ALIGNED
	NOT ALIGNED

## Project Categories

Clarity of Description	The Issuer clearly describes its green refinancing products. Proceeds from the project category ‘Green Buildings’ refinance new or existing loans in the green portfolio that meet vdp minimum standards. The projects focus on residential and commercial real estate with strong environmental performance, supported by relevant standards.
Objectives	The Issuer’s primary objective is to contribute to the reduction of CO <sub>2</sub> emissions and the improvement of energy efficiency through the refinancing of real estate loans.
Environmental Benefits	The environmental benefits are clearly defined, measurable and quantified. The Issuer states that the projects aim to reduce greenhouse gas emissions and improve energy efficiency, thereby making a direct contribution to climate change mitigation objectives. The quantified benefits are disclosed in terms of avoided CO <sub>2</sub> emissions and energy savings.
Exclusion Criteria	For controversial sectors, such as coal and fossil fuels, as well as tobacco, exclusions apply only when companies exceed certain revenue thresholds (30 % and 5 % respectively), meaning a partial exposure to these sectors may remain. Investments in the defence, gambling or adult entertainment sector are ruled out entirely. Human rights and environmental violations also result in an exclusion. These exclusions extend to the borrower, beneficial owner, divergent owner or main tenant (rental income >50%) in predominantly commercial properties, while private individuals are categorically deemed non-controversial.
Refinancing Disclosure	The Issuer intends to allocate the proceeds exclusively for refinancing purposes. In line with the vdp criteria for Green Mortgage Pfandbriefe, these will be used solely for real estate financing.
Look-Back Period	The Issuer does not specify a look-back period.

Münchener Hypothekenbank is expected to contribute to Sustainable Development Goal 11 and 13. Further details can be found in Appendix 1.

## 2. Project Evaluation & Selection

EthiFinance considers the project evaluation and selection process as outlined in the Framework to be fully aligned with the ICMA Green Bond Principles and vdp minimum standards. The process features clear procedures and responsibilities and is supported by the expertise of the relevant business units. An external reviewer will be mandated to assess both the sustainability quality of the cover pool and adherence to the defined selection criteria. EthiFinance considers the Issuer’s project evaluation and selection process to follow best practice.	BEST PRACTICE
	ALIGNED
	PARTIALLY ALIGNED
	NOT ALIGNED

### Processes & Governance

Committee Composition & Responsibilities	The selection of eligible project categories is carried out by the ‘Green Finance Working Group’, which assesses their suitability, ensures data quality and adjusts criteria in line with regulatory developments. This interdisciplinary group includes professionals from residential and commercial real estate financing, treasury and sustainability.
Selection Process & Traceability	Based on certifications, technical evidence and risk assessments, an internal process ensures proceeds from green refinancing products are used to refinance loans meeting defined criteria. Eligibility is assessed according to vdp-standards. Final issuance decisions rest with Treasury. Regarding process traceability, the ESG Committee was provided with ESG data definitions and related green filters. For documentation purposes, the session was recorded in a protocol. The Issuer will appoint an external reviewer to verify the sustainable quality of the entire green portfolio and the compliance with the selection criteria.
Identification & Mitigation of ESG Risks	MHB assesses its resilience to ESG risks through annual business environment analyses based on the ECB Guide, evaluating physical (e.g. flooding, heatwaves) and transitional risk drivers (e.g. carbon pricing, declining demand) and using data sources such as Köln Assekuranz and a CO <sub>2</sub> calculator developed in accordance with the PCAF standard. In addition, ESG scoring and ESG pricing approaches in residential and commercial real estate lending help mitigate identified risks and enable adaptation to changing conditions.

### 3. Management of Proceeds

EthiFinance considers the management of proceeds as outlined in the Framework to be fully aligned with the ICMA Green Bond Principles and vdp minimum standards. Proceeds are tracked within the green portfolio for immediate allocation, with portfolio volumes continuously monitored and replenished as needed. No unallocated proceeds are expected, but the Framework provides for their temporary placement.	BEST PRACTICE
	ALIGNED
	PARTIALLY ALIGNED
	NOT ALIGNED

#### Processes

<b>Traceability of Proceeds</b>	Proceeds from green refinancing products are managed on a portfolio basis, with all eligible green assets tracked within the green portfolio to ensure sufficient coverage for outstanding green covered bonds.
<b>Segregation of Funds</b>	Due to the nature of German green covered bonds, a segregation of green assets is not allowed. The allocation of proceeds occurs directly upon issuance of the bond.
<b>Periodic Adjustment</b>	The volume and composition of green assets in the cover pool are continuously monitored. Once a year an audit with limited assurance is carried out by the auditor of the Cooperative Association ("Genossenschaftsverband"). The Issuer's portfolio is replenished as needed to maintain adequate coverage.

#### Allocation of Proceeds

<b>Allocation Period</b>	Green funding products are only issued when sufficient eligible assets are already available in the green portfolio. This allows for immediate allocation.
<b>Unallocated Proceeds</b>	No unallocated proceeds are expected, as the structure of a "Pfandbrief" and other senior products enables immediate allocation of the funds. In the unlikely event that any unallocated proceeds do occur, they are temporarily invested in green money market instruments or suitable sustainable bonds until they can be allocated to eligible assets.

## 4. Reporting

<p>EthiFinance considers the reporting as outlined in the Framework to be fully aligned with the ICMA Green Bond Principles and vdp minimum standards. The Issuer commits to annual reporting on allocation and impact, with the calculation methodology underlying the impact indicators published. The allocation report is subject to external review, while the impact report is produced by the Wuppertal Institute. The Issuer's overall reporting process is considered to follow best practice.</p>	BEST PRACTICE
	ALIGNED
	PARTIALLY ALIGNED
	NOT ALIGNED

### Report Details

<b>Frequency</b>	The Issuer commits to reporting annually, following the annual general meeting.
<b>Reporting Period</b>	The Issuer commits to reporting until bond maturity.
<b>Disclosure</b>	Reports are made publicly available on the Issuer's website, with the allocation report also included in the annual report.
<b>Scope</b>	The reporting includes both an allocation report and an impact report at portfolio level.
<b>Allocated Proceeds</b>	The Issuer has committed to include volumes, asset types, maturity profiles and a split between residential and commercial financing inside and outside the cover pool.
<b>Unallocated Proceeds</b>	The Issuer has committed to report volumes of potentially unallocated proceeds <sup>4</sup> .
<b>Share of Refinancing</b>	The share of refinancing is 100%.
<b>Impact</b>	A detailed impact report is updated annually by the Wuppertal Institute and published by the MHB. The Issuer will report impact indicators based on the relevant ICMA category and in accordance with the <i>Harmonised Framework for Impact Reporting</i> . Measurable reporting indicators are presented in the Framework ('CO <sub>2</sub> emissions saved' and 'tons of CO <sub>2</sub> avoided per million Euros lent').
<b>Material Changes</b>	The Issuer commits to updating its Framework in the event of material changes, such as an update of vdp criteria. Changes are to be highlighted in the reporting.
<b>ESG Risks &amp; Controversies</b>	The Issuer does not intend to report on ESG risks or controversies. However, if any controversial business activity is identified following a yearly review of controversial business practices, the loan will automatically lose its designated status.
<b>Disclosure of Methodology</b>	The Issuer commits to disclosing the applied methodology in the impact report.
<b>External Verification</b>	The allocation report, as part of the annual report, is subject to a limited assurance audit by an independent external auditor. The impact reporting is not externally verified in a strict sense as no explicit mandate of this kind is given. However, the methodology is developed, and the impact calculation is performed by the Wuppertal Institute, an implementation-oriented scientific research institution. EthiFinance therefore considers the overall procedure to constitute best practice.

<sup>4</sup> The prior granting of a sustainable loan allows for direct allocation at the time of issuance, making unallocated proceeds highly unlikely.

# Impact of the Projects

## 1. Green Buildings – Green Impact

EthiFinance considers the projects to be refinanced in the 'Green Buildings' category to have a high overall impact, as energy-efficient new construction and renovations are central to achieving climate goals defined on national and European level. The selected criteria and thresholds should lead to the financing of environmentally beneficial projects. The projects are aligned with the current goals and strategies of MHB.	HIGH
	SUBSTANTIAL
	MODERATE
	LIMITED

### Materiality

The materiality of the project category is assessed as high, with MHB planning to refinance new construction, renovation and acquisition of energy-efficient buildings using criteria closely based on the SCC thresholds of the EU Taxonomy and aligned with vdp standards — helping drive long-term climate impact and build a green asset base consistent with climate mitigation goals. This high materiality is underscored by the fact that in Germany, the building sector accounts for about 35% of total final energy consumption and was responsible for 15.2% of total national greenhouse gas emissions in 2023. Despite significant reductions in the recent years, building-related emissions remain substantial—amounting to 101 million metric tons of CO<sub>2</sub> equivalent in 2024. Most energy in buildings is used for heating and hot water, and the sector is central to Germany’s climate and energy transition efforts<sup>5</sup>.

The approach is geographically appropriate and well embedded in the Issuer’s sustainability strategy. MHB combines expertise in green covered bonds and strong cooperative integration, giving it the capacity and institutional set-up to implement and expand green impact projects effectively.

The Framework stipulates that 100% of proceeds are allocated to the refinancing of eligible green buildings already included in the Issuer’s balance sheet or mortgage cover pool. The criteria for the refinanced assets are based on national standards such as the Nearly Zero-Energy Building (NZEB) and established benchmarks that indicate alignment with regional and national energy efficiency strategies. Compliance with the vdp minimum standards further reinforces this orientation within the German context. The support of these assets through refinancing is directly aligned with the core sustainability strategy of MHB and contributes to its climate policy goals.

<sup>5</sup> BMW E - Efficient buildings: <https://www.bundeswirtschaftsministerium.de/Redaktion/EN/Dossier/enhancing-energy-efficiency-in-buildings.html>

## Ambition

The level of ambition of the 'Green Building' project category is assessed as substantial. MHB plans to refinance energy-efficient buildings, with criteria partially based on the thresholds of the SCC of the EU Taxonomy and in line with vdp standards in an effort to contribute both to the long-term impact and green assets that are consistent with climate mitigation goals.

For new buildings, MHB applies the EU Taxonomy criteria, requiring buildings under 5,000 m<sup>2</sup> to meet strict energy performance thresholds. However, for buildings exceeding 5,000 m<sup>2</sup>, alignment appears only partial. While there is a requirement for primary energy demand to be at least 10% below the national nearly zero-energy building (NZEB) standard for buildings constructed after 1 January 2021, the Issuer does not explicitly address the Global Warming Potential (GWP) disclosure mandated by the Taxonomy for this size segment. This represents a gap, raising questions about the comprehensiveness of the environmental assessment for larger developments - the importance of this point is relativised by the fact that the main cause can be attributed to data availability problems all market participants face. Furthermore, the allocated commercial share of the overall green portfolio is small, and not all commercial buildings surpass the relevant floor space threshold.

Moreover, the approach could be strengthened by mandating a full life cycle assessment (LCA) for new buildings, aimed at reducing embodied emissions through more sustainable material choices and enhanced environmental transparency. This aspect is particularly important given that embodied carbon from construction materials contributes approximately 11% of global energy-related carbon emissions and can account for up to 50% or more of the total carbon footprint of new buildings over their lifetime. As operational emissions decline due to improved energy performance standards, the relative share of embodied emissions becomes increasingly significant. Without robust LCA requirements and reporting, substantial emission sources at the construction stage may remain unaddressed, potentially limiting the overall climate impact of the initiative.

Regarding the SCC of the EU Taxonomy for the activity "Renovation of existing buildings," the criteria specified in the Issuer's Framework comply with the requirement of achieving at least a 30% reduction in energy consumption or demand, and stipulate that the final energy level must meet EU climate targets. However, this 30% improvement threshold alone does not adequately guarantee the environmental benefits of the financed buildings, as it can allow for renovations to low-performing buildings that remain below acceptable energy efficiency standards even after improvement. In Germany, the average energy performance certificate (EPC) rating for residential buildings is around 125 kWh/m<sup>2</sup> per year (energy efficiency class D).

Finally, regarding the activity "Acquisition and Ownership of Buildings," the criteria specified in the Issuer's Framework demonstrate only partial compliance with the SCCs. The Issuer intends to acquire both commercial and residential buildings as part of its financing activities. According to the vdp minimum standards, the Issuer classifies financing the acquisition of buildings constructed before 31.12.2020 as existing business, while buildings constructed after 01.01.2021 are considered new business (see analysis for financing of new buildings).

For residential buildings built before 31.12.2020, MHB's Framework is aligned with EU Taxonomy requirements by stipulating, in accordance with vdp minimum standards, that residential properties financed must either have an Energy Performance Certificate (EPC) class A or be within the top 15 % most energy-efficient buildings as determined by national or regional benchmarks. These criteria are consistent with the Taxonomy's requirements for buildings in this category. The Issuer confirmed that only those KfW funding programmes are considered which also meet the Top 15 % threshold (KfW 55, KfW 40 and KfW 40+). With this practice, the Issuer limits the risk of a potential discrepancy between broader vdp minimum standards and the EU Taxonomy.

For commercial properties built before 31.12.2020, the Framework does not fully meet EU Taxonomy standards. MHB's Framework is aligned with EU Taxonomy requirements by stipulating, in accordance with vdp minimum standards, that commercial properties financed must either have an Energy Performance Certificate (EPC) class A or be within the top 15 % most energy-efficient buildings as determined by national or regional benchmarks. These criteria are consistent with the Taxonomy's requirements for buildings in this category. However, the reference to sustainability certificates that ranks the commercial property in one of the provider's top categories allows requirements in this project category to be met while bypassing the EU Taxonomy criteria. Additionally, the Framework currently does not address the

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Taxonomy's operational requirement for energy performance monitoring and assessment in large non-residential buildings with heating or cooling systems rated above 290 kW, leaving a key compliance aspect unfulfilled. However, for existing properties in Germany, which account for most mortgages in the portfolio, this condition can be considered fulfilled, as the GEG (§71a) stipulates that heating or cooling systems larger than 290 kW must be automated in non-residential buildings by the end of 2024.

The Issuer's approach of excluding highly inefficient properties by setting maximum ESG scores<sup>6</sup> and ESG score limits is to be viewed positively. Also positively evaluated is the CO<sub>2</sub> quota allocation in new commercial business as well as the quarterly impact monitoring regarding climate target pathway achievement.

In summary, MHB's Framework takes important steps toward sustainability and demonstrates strong tendencies towards complete alignment with the EU Taxonomy. Particularly for certain aspects of new and renovated building financing, gaps remain regarding life cycle assessment and embodied carbon for new buildings, as well as full compliance with technical screening and operational monitoring criteria for commercial and large non-residential buildings outside of Germany. Overall, the Framework demonstrates substantial, though not yet complete, alignment with EU Taxonomy standards.

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<sup>6</sup> MHB's ESG Score for the retail properties is calculated based on acute **site risks** (e.g., earthquakes, flooding, storms, tornadoes, hail, heavy rainfall), **Chronic site risks** (e.g., heatwaves, rising sea levels), risk reduction measures as well as energetic performance and development of a building.

# Appendix 1: UN Sustainable Development Goals (SDGs)

The refinanced green projects are expected to contribute to the achievement of the following UN Sustainable Development Goals (SDGs):

PROJECT CATEGORY		SDG
Green Buildings		This project category is expected to contribute to SDG 11 on sustainable cities and communities.
Green Buildings		This project category is expected to contribute to SDG 13 on climate action.



# Appendix 2: Substantial Contribution Criteria Check

## Green Buildings

MHB's criteria are based on the minimum standards for use of the wordmarks "Green Pfandbrief" / "Grüner Pfandbrief", valid from January 1, 2025, of the Association of German Pfandbrief Banks (vdp).

The Issuer provided information to demonstrate the compliance of the refinanced projects in the category "Green Buildings" with the Substantial Contribution Criteria (SCC) of the EU Taxonomy.

EthiFinance analyses the alignment of the project categories described in the Framework with the Substantial Contribution Criteria (SCC) for the first environmental objective (climate change mitigation) is as follows:

### Activity: 7.1 Construction of New Buildings (CCM)

**Environmental objective pursued:** Climate Change Mitigation

ELIGIBILITY CRITERIA MINIMUM STANDARDS VDP	SUBSTANTIAL CONTRIBUTION CRITERIA	COMPLIANCE
(i) Financing for new buildings constructed from 1.1.2021 onwards in Germany and other EU countries _The property must have a primary energy demand that is at least 10% below the national standard for nearly zero energy buildings (NZEB). _For real estate properties located in non-EU countries, the nationally applicable standards must be observed.	Constructions of new buildings for which: 1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).	compliant
	2. For buildings larger than 5000 m <sup>2</sup> , upon completion, the building resulting from the construction undergoes testing for airtightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative, where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.  3. For buildings larger than 5000 m <sup>2</sup> , the life-cycle Global Warming Potential (GWP) <sup>1</sup> of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.	not compliant

## Activity: 7.2 Renovation of existing buildings (CCM)

**Environmental objective pursued:** Climate Change Mitigation

ELIGIBILITY CRITERIA MINIMUM STANDARDS VDP	SUBSTANTIAL CONTRIBUTION CRITERIA	COMPLIANCE
<p>(iv) When financing renovations / refurbishments, a reduction in energy consumption or demand of at least 30% is achieved.</p> <p>In addition, the energy efficiency measures must lead to energy consumption / demand reaching levels consistent with EU climate objectives.</p>	<p>The building renovation complies with the applicable requirements for major renovations.</p> <p>(As set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.)</p> <p>Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30 %.</p> <p>(The initial primary energy demand and the estimated improvement is based on</p> <ul style="list-style-type: none"> <li>_a detailed building survey,</li> <li>_an energy audit conducted by an accredited independent expert or</li> <li>_any other transparent and proportionate method and validated through an Energy Performance Certificate.</li> </ul> <p>The 30 % improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through renewable energy sources are not taken into account) and can be achieved through a succession of measures within a maximum of three years.</p>	compliant

## Activity: 7.7 Acquisition and Ownership of Buildings (CCM)

**Environmental objective pursued:** Climate Change Mitigation

ELIGIBILITY CRITERIA MINIMUM STANDARDS VDP	SUBSTANTIAL CONTRIBUTION CRITERIA	COMPLIANCE
<p>(ii) When financing existing commercial properties [built before 31 December 2020], the property must meet at least one of the following criteria:</p> <p>a. The commercial property can be assigned to energy efficiency class A or better.</p> <p>b. A sustainability certificate has been issued by an established provider that ranks the commercial property in one of the provider's top categories.</p> <p>c. The commercial property is in the top 15 % of the national or regional commercial property stock with regard to energy consumption/demand.</p> <p>(iii) When financing residential properties [built before 31 December 2020], the property must meet at least one of the following criteria:</p> <p>a. The residential building can be assigned to energy efficiency class A or better.</p> <p>b. The residential building is in the top 15 % of the national or regional residential property stock with regard to energy consumption/demand.</p> <p>c. The project is co-financed by KfW funding programmes for energy-efficient construction and renovation.</p>	1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15 % of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.	compliant
	2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.	Partially compliant (see 7.1)
	3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment. (This can be demonstrated, for example, through the presence of an Energy Performance Contract or a building automation and control system in accordance with Article 14 (4) and Article 15 (4), of Directive 2010/31/EU.)	Partially compliant

# Methodology

This Second Party Opinion (SPO) was prepared according to the recognised and methodically established procedures developed by Ethifinance. We adhere to strict quality standards for all research activities and customer processes. The SPO is an independent external analysis of debt instruments (e.g. Green Bond/Loan, Social Bond/Loan, Sustainability Bond/Loan or Sustainability-linked Bond/Loan) aimed at financing sustainable development projects.

In order to produce a Second Party Opinion, Ethifinance examines the following three modules:

- Issuer ESG Assessment
- Alignment with the ICMA/LMA Principles
- Impact of the Projects

For a detailed explanation of the methodology, please visit our [website](#).

## Issuer ESG Assessment

The ESG Assessment consists of the following components:

**Strategic Consistency:** This is assessed by comparing an issuer's overall business and sustainability goals with the projects financed through sustainable bonds or loans, ensuring alignment with the broader corporate strategy rather than isolated CSR initiatives and verifying consistent reporting metrics.

**Assessment Scale:** *consistent, partially consistent, not consistent.*

**ESG Risk Management:** A customised and detailed assessment of ESG risk management in line with current sustainability requirements. In the SPO, the results of the assessment of the policies and processes as well as the quality of the risk management system are presented.

**Assessment Scale:** *high, substantial, moderate, limited.*

## Alignment with the ICMA/LMA Principles

Following a detailed examination of the Framework of the Issuer, Ethifinance confirms whether an issuance complies with relevant market standards. For bonds, this includes ICMA's Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG) and Sustainability-Linked Bond Principles (SLBP). For loans, the relevant principles include the Green Loan Principles (GLP), Social Loan Principles (SLP) and, and Sustainability-Linked Loan Principles (SLLP). These are collectively referred to as "the Principles".

For a positive assessment, the Issuer must transparently provide information on and fully implement the core components: (1) use of proceeds, (2) process for project evaluation and selection, (3) management of proceeds and (4) reporting.

Alignment is evaluated for each core component and at the aggregate level for the whole Framework.

**Assessment Scale:** *best practice, aligned, partially aligned, not aligned.*

## Impact of the Projects

To assess the impact level of each project identified by the Issuer, Ethifinance provides an opinion on two components:

- **Materiality:** Assessment based on the extent to which the projects are relevant to their respective sector, geographical context and the overall sustainability strategy of the Issuer.

- **Ambition:** Assessment based on the alignment with sector standards or taxonomy criteria to determine durability. For social projects, the target population and AAAQ dimensions (Availability, Accessibility, Acceptability, Quality) from the EU Social Taxonomy are considered.

Assessment Scale: *high, substantial, moderate, limited*.

## Substantial Contribution Criteria Check

To assess the alignment of the project categories described in the Framework with the Substantial Contribution Criteria (SCC) of the relevant delegated regulations supplementing the EU Taxonomy Regulation (EU) 2020/852, EthiFinance analyses whether the eligibility criteria defined in the Issuer's Framework are consistent with the SCC of the respective activity.

Assessment Scale: *compliant, not compliant*.

## Disclosure of the Relationship between Ethifinance and the Issuer:

Ethifinance has not carried out any evaluation or consultancy service for the analysed entity to date. Ethifinance Ratings SL, a credit rating agency wholly owned by Ethifinance SAS, has not provided credit rating services for the analysed entity. There is no relationship, financial or otherwise, between Ethifinance and the analysed entity.

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Ethifinance provides an independent sustainability assessment. To avoid any conflict of interest, Ethifinance has implemented appropriate policies and effective information barriers to prevent any exchange between its separate business units and employees. Ethifinance has prepared this independent SPO in accordance with its methodology and in strict compliance with its Code of Ethics and Conflict-of-Interest Policy to prevent any conflicts of interest and to meet requirements of objectivity and transparency, independence, integrity and professional conduct.

In providing the external review, Ethifinance adheres to the ethical and professional principles as well as to transparency standards and independency in line with ICMA's Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews and the Harmonised Framework for Impact Reporting (June 2024).

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## Validity of the SPO

The validity period of the SPO matches the duration of the underlying financing Framework, provided that the Framework remains unmodified; however, if any modifications occur, the SPO may no longer be valid and a new assessment might be required.

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