

Framework for the Sustainable Mortgage Loan Programme – MünchenerHyp-Nachhaltigkeitsdarlehen – of Münchener Hypothekenbank

Framework

The Verification Framework helps to illustrate the sustainability quality and thus the social and environmental added value of the Sustainable Mortgage Loan Programme implemented by Münchener Hypothekenbank. It clearly defines the eligible categories and encloses specific sustainability performance criteria in order to verify the sustainability performance of the Sustainable Mortgage Loan Programme. With the use of quantitative indicators the sustainability performance can be measured, ambitious targets set and progress reported. In addition, impact indicators provide concrete information on environmental added value (e.g. energy consumption of residential buildings financed through the loans compared to the average energy consumption of residential buildings in Germany).

Use of Proceeds

MünchenerHyp-Nachhaltigkeitsdarlehen

Münchener Hypothekenbank has implemented a Sustainable Mortgage Loan Programme (MünchenerHyp-Nachhaltigkeitsdarlehen) for energy efficient residential buildings with preferential conditions. The mortgage loans can be granted for new builds as well as purchasing, modernisation and follow-up financing of existing buildings if the following criteria are met:

- The annual energy consumption for space heating and domestic water of the residential building to be financed does not exceed 70 kWh/m²a.
- The energetic quality of the building envelope (H⁺TW/m²K) needs to be quoted.
- The energy class is to be verified either by an energy consultant or through confirmation that the conditions from the respectively applicable KfW (German development bank) programmes are fulfilled.

The environmental benefits of the Sustainable Mortgage Loan Programme comprise climate protection and the efficient use of energy and resources. At the same time, it is important to ensure that the substantial positive impact is not impaired by adverse impacts and effects in other areas. Therefore potential risks, such as possible debt repayment problems of retail clients and adverse impacts on the environment, e.g. through insufficient energy / resource efficiency, need to be taken into account.

Sustainability Criteria and Quantitative Indicators for Use of Proceeds

A. Mortgage loans for energy efficient residential buildings

A.1. Achieved energy efficiency of buildings

Quantitative indicators:

- Percentage of loans allocated to residential buildings for which the annual energy consumption for space heating and domestic water is below 70 kWh/m²a.
- Percentage of loans allocated to residential buildings that obtained an energy performance certificate with a minimum energy performance labelled “B” (on a scale from H to A+).
- Percentage of home improvement loans allocated to residential buildings for which the energy efficiency improvement reaches or exceeds 20%.
- Percentage of loans allocated to residential buildings that comply with and/or exceed the requirements of the German Energy-Saving Ordinance 2014 (Energieeinsparverordnung 2014/ EnEV 2014).

A.2. Social standards for construction

Quantitative indicator:

- Percentage of loans allocated to residential buildings for which high labour and health and safety standards for construction work are in place (e.g. ILO core conventions).

A.3. Responsible treatment of customers with debt repayment problems

Quantitative indicators:

- Percentage of loans for which pre-emptive actions to prevent client debt repayment problems (e.g. covenants limiting indebtedness, conservative loan-to-value ratios, long-term fixed interest rates) are in place.
- Percentage of loans for which sustainable solutions for customers with debt repayment problems (e.g. debt counselling, foreclosure as a last resort) are in place.
- Percentage of loans for which the creditor excludes the selling of mortgage loan portfolios or has implemented measures to ensure clients do not face unfavourable conditions as a result of the sale (e.g. required customer consent in case of sale, written confirmation of non-detrimental conditions).

Impact indicators: Energy consumption and avoidance of CO₂ emissions

- Average energy consumption of residential buildings (in kWh/m²) financed through the loans compared to the average energy consumption of residential buildings in Germany.
- Average CO₂ emissions of residential buildings (in kg/m²) financed through the loans compared to the average CO₂ emissions of residential buildings in Germany (based on the carbon intensity of the German energy mix).