

SECOND PARTY OPINION (SPO)

Re-verification of the Sustainability Quality of the Issuer and Green Asset Pool

Münchener Hypothekenbank eG
30 October 2020

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bond Programme
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles
Scope of verification	<ul style="list-style-type: none">• Münchener Hypothekenbank Green Bond Framework (as of 03.09.2020)• Münchener Hypothekenbank Green Asset Portfolio (as of 30.06.2020.)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• For issuances between 30/10/2020 and 31/01/2022

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Overall Evaluation of the Green Bond

Münchener Hypothekenbank (MünchenerHyp) commissioned ISS ESG to assist with its Green Bond Programme by assessing three core elements to determine the sustainability quality of the instrument:

1. MünchenerHyp's sustainability performance, according to the ISS ESG Corporate Rating.
2. MünchenerHyp's Green Bond Framework – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs).
3. The green asset pool – whether the projects contributes positively to the UN SDGs and perform against ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Issuer sustainability performance	<p>The issuer itself shows a good sustainability performance and has been given a rating of B- which classifies it as 'Prime' by the methodology of the ISS ESG Corporate Rating.</p> <p>It is rated 4th out of 130 companies within its sector as of 30.10.2020. This equates to a high relative performance, with a Decile Rank² of 1.</p>	<p>Status: <i>PRIME</i></p> <p>Rating: B-</p> <p>Decile Rank: 1</p>
Part 2: Alignment with GBPs	<p>The issuer has defined a formal concept for its green bond program regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.</p>	<p>Positive</p>
Part 3: Sustainability quality of the green asset pool	<p>The overall sustainability quality of the green asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Bond will (re-)finance eligible asset categories which include: green commercial buildings and energy efficient private mortgage loans.</p> <p>Those use of proceed categories have respectively a significant and limited contribution to SDG 11 'Sustainable cities and communities'. The environmental and social risks associated with those assets have been well managed.</p>	<p>Positive</p>

¹ ISS ESG's evaluation is based on MünchenerHyp's Green Bond Framework, on the analysed green asset pool as received on the 25.08.2020, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 27.04.2020). ISS ESG underwent a controversy screening of the asset pool on the 29.10.2020.

² Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.

ISS ESG SPO ASSESSMENT

PART I: ASSESSMENT OF MÜNCHENER HYP'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments. The overall analysis is graded on a twelve-point scale from A+ (the company shows excellent performance) to D- (the company shows poor performance or fails to demonstrate any commitment to appropriately address the topic). "Prime" status is granted to industry leaders who fulfill demanding performance expectations. Industry leaders are considered the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

COMPANY	STATUS	RATING	DECILE RANK	TRANSPARENCY LEVEL
MÜNCHENER HYPOTHEKENBANK	PRIME	B -	1	VERY HIGH

This means that the company sustainability performance is good both compared against industry peers as well as in terms of the industry-specific requirements defined by ISS ESG.

ESG performance

As of 30.10.2020, this Rating places MünchenerHyp 4th out of 130 companies rated by ISS ESG in the Financials/Mortgage & Public Sector Finance sector.

Key Challenges faced by companies in term of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Sustainability Opportunities

The bank provides financing with a high social value through the issuance of ESG covered bonds which proceeds are used for local housing cooperatives. Furthermore, the bank offers green mortgages and promotional loans on preferential terms to private customers. The loans primarily target energy efficiency construction of new buildings and eco-friendly refurbishments for existing ones. In addition, Münchener Hypothekenbank increasingly finances commercial real estate with green building certificates. Although green and social financing has been growing substantially over the last years, they still do not constitute the majority of the bank's portfolio.

Key Issue Performance



Sustainability Risks

The company's mortgage (and public sector) loan portfolio is located almost entirely in countries with fairly good environmental and social minimum standards, with more than 80 per cent of the portfolio to be attributed to Germany. Münchener Hypothekenbank considers some social and environmental factors in the loan origination process (e.g. on resource efficiency) for both its commercial and private client business and has developed capacities to manage these risks, despite the fact that it remains unclear to what extent the requirements are obligatory to its clients. In addition, certain controversial aspects are precluded from commercial loans, including armaments, and the bank has formulated a policy in responsible investments for its own account (largely a liquidity portfolio). Customer-risk issues are adequately addressed through reasonable measures concerning responsible debt repayment and aspects of conscientious marketing. Also, it has taken some steps to maintain responsible sales practices. Staff-related issues are well-managed throughout the company. Münchener Hypothekenbank has comprehensive measures in place for maintaining the work-life balance and health of its employees while having increased its headcount over the last years. With regard to internal governance processes, Münchener Hypothekenbank applies several policies addressing relevant compliance issues, most notably on insider trading, money laundering and issues of corruption. Appropriate implementation is sufficiently secured through trainings, risk assessments and anonymous reporting channels in case of misconduct.

Governance opinion

Münchener Hypothekenbank's governance design ensures separation of managerial and supervisory function and separate persons hold the positions of CEO and chairman of the board of directors, which is occupied by independents only (as at October 30, 2019). The company has established committees on audit, remuneration and nomination affairs, however their composition is not published and therefore their independence cannot be assessed. The compensation of the executive management team is only published as a combined figure and not split up according to long-term incentives, fixed and variable amounts. Regarding the company's governance of sustainability, a committee on sustainability works under the auspices of the executive management. In line with some general lack of transparency regarding management compensation, it remains unclear whether executives are rewarded also upon relevant ESG criteria.

Policies on almost all relevant compliance topics are implemented, with detailed emphasis on issues of insider dealings, money laundering and gifts and favours. Application of the rules is ensured by, inter alia, employee trainings, compliance risk assessments and adequate whistleblowing procedures.

Breaches of international norms and ESG controversies

The company is not facing any controversy.

PART II: ALIGNMENT WITH THE GREEN BOND PRINCIPLES

1. Use of Proceeds

The Use of Proceeds of any MünchenerHyp sustainable funding product will be applied to new or existing lending through MünchenerHyp's Green Mortgage Loan programme or certified environmental loans for commercial mortgages.

In November 2015, MünchenerHyp implemented a green loan for the retail mortgage lending which is distributed via the Cooperative Financial Network within Germany. This loan has been verified by ISS ESG (formerly oekom research AG). The assets for MünchenerHyp's sustainable funding products meet the following criteria:

Eligibility criteria:

For buildings to qualify as Green Buildings – as defined by MünchenerHyp – they have to meet the following requirements:

For retail mortgage loans:

- Residential buildings with a maximum annual energy demand of 70kWh/m². From 2020 onwards, residential buildings with a maximum annual energy performance of 55kWh/sqm.

or

- Residential buildings that obtained an energy performance certificate of "B" or higher (on a scale of H to A+). Grandfathering for green loans granted since November 2015. Since May 2020 residential buildings with a maximum annual energy demand of 55kWh/sqm.

For commercial buildings:

- DGNB (min. Gold or Platinum)
- BREEAM (min. Very Good, Excellent or Outstanding)
- LEED (min. Gold or Platinum)
- HQE (min. Excellent or Exceptional)
- BREEAM NL (min. 40% or better)
- Energy Performance Certificate (EPC) (min. Level A or better) or top 15% of national building stock by energy performance.

Opinion: ISS ESG finds that the Use of Proceeds description provided by MünchenerHyp aligns with the GBPs. The project categories are aligned with the issuer's broader sustainability strategy and the expected environmental and social benefits are clearly stated. ISS ESG endorses the more stringent eligibility criteria for private mortgage loans from 2020 onwards.

2. Process for Project Evaluation and Selection

The internal Project Evaluation and Selection Process will ensure that the proceeds of all MünchenerHyp sustainable funding products are allocated to new lending or existing loans that meet the criteria set out above.

The Green Bond Working Group (GBWG), a subgroup of the MünchenerHyp sustainability committee, will lead the process. The GBWG will verify the eligibility and data quality of existing loans in regards to potential issuance of green funding products. The GBWG consists of members from the following MünchenerHyp departments:

- Treasury
- Sustainability
- Controlling/Risk Management (as data provider)

MünchenerHyp's Head of Treasury or a Treasury colleague will chair the GBWG. The final decision to issue a green bond is in the field of responsibility of the treasury team by harmonizing the funding needs, cover pool management and implementation of measures to meet regulatory liquidity ratios.

On a quarterly basis, the data quality of sustainable retail and commercial loans will be checked by the loan department to verify the clearly defined product category and the aforementioned sustainability performance criteria. Data will be verified by:

- Information from an energy certificate (Energieausweis) with a maximum primary energy demand of 70kWh/sqm per year; or from May 2020 onwards with a maximum energy demand of 55kWh/sqm per year
- Confirmation that the building meets the conditions from the respectively applicable KfW programme; or
- The year of construction for new buildings (according to national regulation (German EnEV), minimum energy performance criteria must be met for new buildings)

Commercial loans will only qualify as certified environmental loans if there is applicable evidence in form of an energy performance certificate or documentation of Green Building certification which meets the minimum requirements stated above.

By the end of every quarter the process will show the balance between the proceeds of sustainable funding products and MünchenerHyp's green lending book. The sustainability manager and the treasury team will receive the data from the Transaction Management department and will inform the sustainability committee accordingly.

Additionally, the Risk Controlling department and Transaction Management will conduct a quality check of the loan data on a regular basis in order to verify that the green loans (retail and commercial) are compliant with the MünchenerHyp Green Bond Framework. Based on the above evaluation the GBWG will review on at least an annual basis the allocation of the proceeds to the Eligible Use of Proceeds and approves these loans as Eligible Loans. The GBWG is also responsible for future changes to the framework or criteria. These will only be applicable for future issuance and the new version will be published via the issuer's website.

Opinion: ISS ESG finds that the Process for Evaluation and Project Selection description provided by MünchenerHyp aligns with the GBPs. Various departments are involved in the Project Evaluation and Selection Process. Additionally, a quality check of the loan data is conducted on a regular basis to ensure compliance with the Green Bond Framework.

3. Management of Proceeds

The Green Loans and Certified Environmental Commercial Loans - to which the proceeds of all MünchenerHyp sustainable funding products will be allocated - can be registered up to a maximum of 60% loan-to-value ratio within the cover pool of MünchenerHyp's loans for residential and commercial real estate. The Pfandbrief Act does not permit a separation of green loans outside the legal cover pool. The percentage above 60% loan-to-value ratio will be monitored within a green portfolio. The non-cover-pool eligible part remains as well on the balance sheet in will be disclosed separately. The GBWG will decide on the allocation of Eligible Assets to the proceeds of the bonds on a portfolio basis.

As described in the introduction, the MünchenerHyp business model supports a permanent cycle of green loan granting and the issuance of sustainable funding products. In contrast to green project financing all green assets are part of a dynamic pool of assets. While granting green loans on a regular/daily basis the overall situation is providing a buffer of eligible assets versus outstanding sustainable bonds. In the event of prepayment of loans, amortization, loans sold or otherwise becoming ineligible, MünchenerHyp commits to replace these assets with other Eligible Loans. In the unlikely event of a shortfall in the green loan cover pool section, appropriate investments of the unallocated proceeds in sustainable assets will be made until the volume of green loans will be sufficient again. Regarding the refinancing of green and sustainable loans, which are not yet booked into the cover pool or its non-cover-pool eligible part, Treasury will use the quarterly reporting as a guidance. The reporting will disclose the volume of loans in the cover pool and the non-cover-pool eligible part versus the volume of issued sustainable funding products.

The Management of Proceeds is governed by the Treasury department as part of the daily steering of liquidity ratios and all legal regulations involved. Pending allocation, the proceeds of each MünchenerHyp sustainable funding product will be subject to MünchenerHyp's normal liquidity policy (Treasury Handbuch).

Opinion: ISS ESG finds that the Management of Proceeds description provided by MünchenerHyp aligns with the GBPs. Earmarking is ensured and Intended types of temporary investment instruments for unallocated proceeds are disclosed, while back-up options are subject to sustainable criteria, which is an added plus.

4. Reporting

In its annual sustainability report, MünchenerHyp informs in detail about the company's corporate responsibility strategy and presents how sustainability aspects are anchored in the Bank's core business of financing private and commercial property. MünchenerHyp is committed to a high degree of transparency.

With the publication of its sustainability report including the GRI disclosures, MünchenerHyp informs in detail about activities and results in its four corporate responsibility areas (responsibility towards employees, responsibility for society, responsibility for the environment and responsibility in business activities). Key performance indicators make its non-financial performance transparent. The requirements of the Global Reporting Initiative (GRI) were taken into account when selecting MünchenerHyp's focus areas and key figures.

In the future MünchenerHyp will provide further information with regards to sustainable funding products:

Allocation Reporting

On a quarterly basis, MünchenerHyp will provide information on the allocation of the net proceeds of its sustainable funding products on its website. Such information will be provided until all the net proceeds have been allocated and beyond. The information will contain at least the following details:

- I. Details (e.g number and volume) of green loans financed through MünchenerHyp's sustainable funding products separated into retail and commercial lending in the cover pool (ESG Pfandbrief quarterly reporting in the style of §28 Pfandbrief Act); and
- II. The remaining balance of unallocated proceeds.
- III. The reporting will disclose the volume of loans inside and outside of the cover pool versus the volume of all sustainable funding products outstanding. Regarding the sustainable funding of green and sustainable loans not yet in the cover pool or its non-cover-pool eligible part, Treasury will use the quarterly reporting as a guidance.

The quarterly green reporting and ESG Pfandbrief reporting is available on the website³.

Impact Reporting

MünchenerHyp will provide an annual impact reporting on a portfolio basis using the metrics recommended under the Harmonized Framework for Impact Reporting, namely:

Certified Green Buildings and green private real estate

- CO2 emission avoided
- Average energy demand (where available)

The comprehensive, scientific analysis for the impact reporting was conducted for the first time in 2019 by an external verifier. The report is available on the website of MünchenerHyp.

Opinion: ISS ESG finds that the transparency on the level of expected reporting and on the type of information to be reported is aligned with the GBPs. The allocation reporting on a quarterly basis is

³ https://www.muenchenerhyp.de/sites/default/files/downloads/2020-07/green%20reporting_30_06_2020.pdf
https://www.muenchenerhyp.de/sites/default/files/downloads/2020-07/ecological%20ESG%20Pfandbrief%20quarterly%20reporting_30_06_2020.pdf

seen positively as it is more frequent than market standards. Also, positively assessed are the already defined and stated metrics that will be included in the impact reporting.

External review

MünchenerHyp Bank has obtained a Second Party Review from ISS ESG to confirm the alignment of this Green Bond Framework with the 2018 Green Bond Principles.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BOND PROGRAMME TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the MünchenerHyp's Green Bond Programme to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Bond Programme's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Commercial Green Buildings	Significant contribution	
Private mortgage loans for energy efficient buildings	Limited contribution	

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE GREEN BOND ASSET POOL

Commercial green real estate

As a Use of Proceeds category, commercial green real estate has a significant contribution to the SDG 11 “Sustainable cities and communities”. The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Energy Efficiency prerequisites

- ✓ 100% of the assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.

Site selection

- ✓ 100% of the assets are developed in urban areas and excluded from protected areas.
- ✓ 96% of the assets are located within a maximum of 1km from one or more modalities of public transport.

Construction standards

- ✓ 80% of the assets are located in countries where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions). The remaining 20% of the assets are located in a country that does not provide for such high standards.
- No information is available on the sustainable procurement regarding building materials (e.g. recycled materials).

Water use minimization in buildings

- ✓ 92% of the assets provide for measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

Safety of buildings users

- ✓ 79% of the assets provide for measures to ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems) as provided by national legislation.

Sustainability labels / Certificates

- ✓ 92% of the assets obtained a (or an equivalent of) BREEM “Very Good”, DGNB “Gold”, LEED “Gold”, HQE “excellent”, BREEM NL “40%” certificate or better certification.

Controversy assessment

A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to the building projects.

Private mortgages for energy efficient buildings

As a Use of Proceeds category, private mortgages for energy efficient buildings has a limited contribution to the SDG 11 “Sustainable cities and communities”. The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Energy Efficiency prerequisites

- ✓ 100% of the assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.

Construction standards

- ✓ 100% of the assets are located in countries, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).

Responsible treatment of customers with debt repayment problems

- ✓ For 100% of projects, pre-emptive actions to prevent client debt repayment problems are in place (e.g. covenants limiting indebtedness, conservative loan-to-value ratios, long-term fixed interest rates).
- ✓ For 100% of projects, sustainable solutions for customers with debt repayment problems are in place (e.g. debt counselling, foreclosure as a last resort).
- ✓ For 100% of projects, the creditor excludes the selling of contractually serviced loans (e.g. required customer consent in case of sale).

Controversy assessment

Due to a low controversy risk, ISS ESG does not carry out a controversy assessment for private mortgage loans.

DISCLAIMER

1. Validity of the SPO: This SPO is valid for issuances between 30/10/2020 and 31/01/2022.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from MünchenerHyp's 2020 ISS ESG Corporate Rating.

Münchener Hypothekenbank eG

Corporate ESG Performance

Prime

RATED BY ISS ESG

Company Information

Country
Germany

ISIN
DE000MHB0139

Industry
Financials/Mortgage & Public Sector Finance

Key Results

Rating
B-

Decile Rank
1

Transparency Level
Very High

Performance score
66.16

Status
Prime

Prime Threshold
C

Absolute Rating

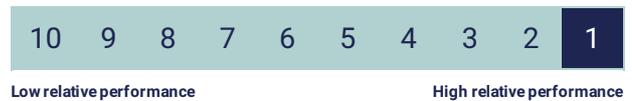


The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

Transparency Level



Decile Rank

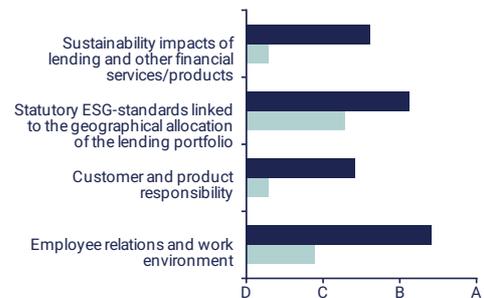


Industry Leaders

Company name (in alphabetical order)	Country	Grade
Berlin Hyp AG	DE	B-
Nederlandse Waterschapsbank N.V.	NL	B
de Volksbank N.V.	NL	B

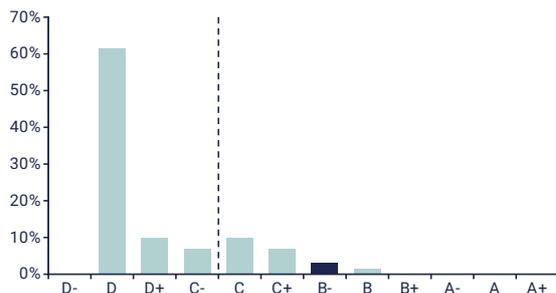
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance



Distribution of Ratings

130 companies in the industry



Rating History



Münchener Hypothekbank eG

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Controversial Business Practices - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
 - Degree of verification of allegations and claims
 - Severity of impact on people and the environment, and systematic or systemic nature of malpractices
- Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

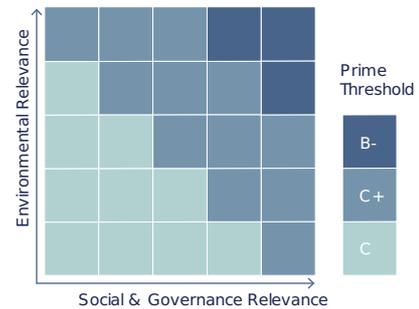
Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Münchener Hypothekbank eG

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 2: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of MünchenerHyp's Green Bond Programme.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Asset evaluation methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by MünchenerHyp (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which MünchenerHyp's Green Bond Programme contributes to related SDGs.

ANNEX 3: Quality management processes

SCOPE

MünchenerHyp commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the ICMA Green Bond Principles and to assess the sustainability credentials of its Green Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- ISS ESG KPI set: - Commercial Buildings - Private mortgage loans

ISSUER'S RESPONSIBILITY

MünchenerHyp's responsibility was to provide information and documentation on:

- Framework
- Asset pool
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond Programme issued by MünchenerHyp based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with MünchenerHyp took place in September 2020.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, contact:

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