

Sustainability in the financial system

The issue of sustainability currently dominates the agenda in all its different aspects – Environment, Social and Governance.

Against the backdrop of the 2015 Paris Climate Agreement climate protection, mitigation of climate change and adaptation to its consequences have become a focus for the financial services sector. At the end of 2019, the European Commission presented the European Green Deal – a growth strategy that aims to make Europe the first climate-neutral continent by 2050. In this context, Sustainable Finance or sustainability within the financial system aim to make a contribution to this by including ESG aspects in financial stakeholders' decisions and steering investments towards climate-neutral use. We want to contribute actively and have defined Sustainable Finance as a key pillar of our ESG strategy.

Green Loans

In this respect and in the context of our holistic ESG strategy, we are looking at how we can support Sustainable Finance in our core lending and funding business. As to our business model, "green" properties are paramount and we are systematically collecting sustainability criteria of the financed properties.

On this basis, in 2020 pbb laid the groundwork for issuing green bonds – and successfully conducted a first issue in the first quarter of 2021.

Furthermore, pbb has been offering green loans as a new credit product since the fourth quarter of 2021, supporting our clients with their "green" investments and providing positive value for their positioning. As a result, pbb and its customers significantly contribute to a more climate-efficient real estate sector and the achievement of the sustainability and climate goals.

Contacts

Real Estate Finance Germany

Gerhard Meitinger
+49 89 2880 161 00

Region South
Dirk Jakubiak
+49 89 2880 111 88

Region Central
Peter Miller
+49 6196 9727 153

Region North-East
Martin Gimber
+49 30 9927 376 21

Region North
Andreas Wärner
+49 40 3688 114 14

Region West
Michael Schmidt-Russnak
+49 211 5455 48 10

International &
Institutional Clients
Markus Wehnelt
+49 89 2880 110 07

Analysis & Underwriting
Peter Herberger
+49 89 2880 101 23

Real Estate Finance Continental Europe

Dr. Walter Hampel
+49 89 2880 282 40

Benelux
Aart Visser
+49 89 2880 1060

Mail
vorname.name@pfandbriefbank.com

Deutsche Pfandbriefbank AG
Parkring 28
85748 Garching
Germany
pfandbriefbank.com

CEE
Dieter Knittel
+49 89 2880 28270

France
Olivier Katan
+33 1 5305 7433

Nordics
Tomas Coldor
+46 8 4401 063

Spain
Alicia Alvarez
+34 91 3493 219

Real Estate Finance UK & USA

Charles Balch
+44 20 7743 7739

UK
Michael Kenney
+44 20 7743 7734

USA
David McNeill
+1 212 333 2699

International Underwriting
Frank Steffen
+49 89 2880 108 82



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pbb Green Loan Framework



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pbb Green Loan Framework

pbb Scoring Model



Energy efficiency

- Energy demand/consumption [kWh/(m²·a)] **or**
- Energy reduction [kWh/(m²·a)]*

Maximum score

50 points



Building certification

- "Green" building certification

Maximum score

20 points



Additional factors

- Surface sealing (green field vs. brown field)
- Type of/distance to public transportation
- Local supply
- Materials recycling**
- Type of heating
- Consumption of green energy
- Biodiversity**
- Existing energy/environmental management**

Maximum score

30 points

or

EU Taxonomy

Compliance with EU Taxonomy

pbb Green Loan

pbb Green Loan Framework and Scoring Model

As yet, there is no established standard for green loans on the market. pbb has therefore developed a Green Loan Framework based on two elements: a standalone **scoring model or the EU Taxonomy**. The pbb Scoring Model allows for the assessment of real estate using specific criteria; when a real estate property achieves points above a set minimum score it qualifies for green lending. As an alternative, pbb grants green loans to buildings compliant with the EU Taxonomy.

pbb's scoring model takes into account three dimensions: the **energy efficiency** of a building, **building certificates**, and further **sustainability factors**. The latter include factors such as surface sealing or the availability of, and distance to, the public transportation network, as well as the use of recycled materials for construction or the type of heating and use of green electricity.

The pbb Scoring Model – how it works

The scoring model awards a maximum of 100 points, of which 50 points max. are awarded for energy efficiency and up to 20 points for certification. In total, a further 30 points max. can be awarded for the additional sustainability factors. If a building reaches a total of **at least 60 points**, investors can obtain a Green Loan from pbb to finance the real estate.

With its Green Loan Framework, pbb deliberately includes more than just the energy efficiency of a building as a prerequisite for a green loan. As a result low energy consumption is also a necessary criterion, but not the only factor.

For detailed information on the Green Loan Framework, please refer to:
<https://www.pfandbriefbank.com/en/customers/green-loan.html>

*In accordance with the EU Taxonomy

**Takes into account the EU Taxonomy's "Do No Significant Harm" principle