Green Bond Framework
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Deutsche Pfandbriefbank AG

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1 Introduction

Deutsche Pfandbriefbank AG (pbb) is a specialized bank for commercial real estate finance. Based in Germany, the bank is active in Germany but also in Western and Central Europe. pbb has a workforce of 830 employees from 37 different nationalities to offer financing solutions tailored to its clients' needs. pbb shares are listed on the Frankfurt Stock Exchange with a high percentage of free float. pbb is supervised by the Joint Supervisory Team consisting of the European Central Bank (ECB), Deutsche Bundesbank and the German Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, BaFin). With an outstanding volume of approx. € 20 bn Pfandbriefe, pbb is one of the ten largest Pfandbrief issuers in the market. Since the establishment of the Green Bond Framework in 2020, € 4.6 bn senior preferred bonds in green format have been placed in the market, making pbb one of the largest issuers in this segment in Germany.[1]

pbb is active as a lender in only one segment and therefore has a clearly defined business model.

- pbb offers loans for professional real estate investors to finance mainly office, multifamily, retail and logistics properties. The focus is on lower leverage (portfolio average approx. 55 % LtV) loans to special purpose companies. Besides existing properties, new constructions and refurbishments are also financed. Given the focused client base and very limited exposure to controversial activities, pbb achieves good ESG Ratings.

2 pbb's Sustainability Strategy

For pbb, sustainability means that its actions contribute to securing the future in the long-term, taking into account the consequences for all its stakeholders. To this end, pbb strives to combine long-term economic success and sustainability aspects in the best possible way. In doing so, pbb considers not only legal, regulatory, and supervisory requirements, but also the needs of its customers and the expectations of its investors, the public, and its employees. pbb wants to actively support the development towards sustainability. To make a positive contribution, pbb focuses its actions on ESG issues: climate and environment (E for Environmental), social and society (S for Social) and legal and factual aspects (G for Governance). Considering that approx. 40 % of all greenhouse gas (GHG) emissions are caused by the real estate sector, pbb, as a real estate financing institution, places a particular focus on ecological topics. Especially adapting buildings to become more energy-efficient makes a significant contribution to reducing GHG emissions. For this reason, pbb expressly committed to the Paris Agreement with the 1.5°C target to be reached by 2050 and wants to actively contribute to shape the green transformation of the real estate sector.

In order to align its loan portfolio with the 1.5°C target, pbb developed a long-term decarbonisation path in 2024 with a final target in 2050 and interim targets[2]. This is particularly necessary in order to steer towards the 1.5°C target.

As a result, pbb aims to be a transformation partner for its clients, and to continuously expand and strengthen this position. In addition, the strategic objective of sustainable (re-)financing is being pursued.

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[1] Please note that the data is as of the date of this document and may change over time.

[2] Please refer to pbb' Non-Financial Report for details.

pbb is therefore focusing on supporting the financing of the acquisition of "green" properties as well as "green" developments and transformation projects (manage-to-green), such as energy refurbishments and improvements in the energy efficiency of existing buildings. For this reason, pbb has developed the "Green Loan"[3] as a product where the bank and the borrower mutually agree to define and document the ecological benefit of the granted loan.

pbb has established an ESG ecosystem to better understand both the opportunities and challenges of its clients in the context of sustainability, and to act as an active partner in this transformation. During its sustainability due diligence, which is part of the regular processes, pbb is collecting environmental and climate information of financed properties from its customers. For example, this includes information about the energy consumption, CO_2-emissions and type of heating. pbb has expanded its data requirements with features derived from regulatory requirements such as Do No Significant Harm (DNSH) checks (e.g. air-tightness tests of properties, preservation of biodiversity or protection of water and marine resources). It is planned to make use of third-party providers to strive towards more standardisation in the data collection process. Based on collected data for the financed portfolio, the ongoing analysis of the existing portfolio is essential for pbb to obtain complete transparency and management options with regard to the sustainability criteria of its portfolios. For this purpose, pbb uses dedicated ESG analysis tools which range from sustainability scorings, taxonomy assessments, physical risk assessments to the application of a decarbonisation tool which measures the real estate performance against the CRREM[4] path. Each of the tools is applied in new lending, loan extensions and in the ongoing portfolio review. This forms the basis for its range of ESG (re-)financing products (Green Loan, Green CapEx/Development, Green Bond).

Apart from actively managing the existing portfolio, pbb is committed to seeking the client perspective. For this purpose, pbb maintains an ongoing dialogue with its clients and plans to establish a further intensified ESG-risk-driven client dialogue. This forms the basis of our joint efforts to shape long-term transformation.

pbb also tackles social and governance issues and therefore joined the 'UN Global Compact' in 2022 and has agreed to incorporate all ten principles that refer to Anti-Corruption, Environment, Labour and Human Rights into its business processes. This shows pbb's commitment to the UN Sustainability Development Goals (UN SDG) 5, 8, 11 and 13. Consequently, pbb has included criteria such as diversity, workplace safety, and other aspects in its code of conduct and expects its suppliers to act in accordance with them. These and other measures were acknowledged and rewarded by MSCI with a rating upgrade to AAA from AA and by ISS ESG confirming pbb a 'Very High' transparency level and a C/Prime Rating in 2026. Additionally, Sustainalytics rates pbb as 'Low Risk' in its ESG Risk Rating. It is pbb's ambition to retain or further improve these ratings, respectively.[5]

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[3] https://www.pfandbriefbank.com/en/customers/green-loan.html

[4] https://www.crrem.eu/

[5] Please note that the ESG ratings and transparency level are as of the date of this document and may change over time. For current information, please refer to pbb's ESG Ratings page.

3 Rationale for pbb to issue Green Bonds

The financial industry plays a special role in the climate transition due to the ability to support funding of climate-friendly projects. By issuing Green Bonds, pbb has the option to use the proceeds to refinance green assets as well as to finance refurbishments under the conditions elaborated in the Green Bond Framework. With Green Bonds, pbb's debt investor base has enlarged and pbb has gained the attention of international ESG investors. Therefore, Green Bonds further stabilise and diversify pbb's funding base and thus its capital market presence in a cost-efficient manner. pbb aims to establish ESG as a core part of the company in the long term and wants to be perceived as a transformation financier in the ESG context, which overall is the heart of pbb's comprehensive ESG strategy, which in turn has become a central part of pbb's business strategy.

Taking the first step with Green Bonds on the liability side in 2020, the success and attention led to a variety of ESG projects at pbb as described above. The Green Bond Framework is designed in such a way that enables pbb to raise green finance in various formats (registered or bearer bonds) as syndicated transactions or private placements. Depending on funding needs and investor demand, Tier 2 capital, senior non-preferred, senior preferred or Pfandbriefe can be issued.

4 Green Bond Framework

The Green Bond Framework is in line with the ICMA Green Bond Principles June 2025[6] edition. Therefore, it follows the four core components outlined below:

> Use of Proceeds
> Process for Project Evaluation and Selection
> Management of Proceeds
> Reporting

a) Use of Proceeds

> An amount equivalent to the proceeds of the Green Bonds shall be allocated exclusively to the financing of properties that meet the eligibility criteria described in this chapter. The purpose is to finance or refinance the following economic activities, with the overarching objective to contribute to the UN SDG 11 and UN SDG 13, as well as to the EU environmental objective "Climate Change Mitigation":

> Construction of new buildings
> Renovation of existing buildings
> Acquisition and ownership of buildings

[6] https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Green-Bond-Principles-GBP-June-2025.pdf

ICMA Green Bond Principles category	Eligibility criteria	Contribution to UN SDGs
Green Buildings	**New buildings** built after 31 December 2020 must meet one of the following criteria: > At least 10% lower primary energy demand than the requirements for the primary energy demand of the "Nearly Zero-Energy Building" standard (NZEB)[7] or > The property's most recent Green Building Certificate rating is of one of the following: BREEAM: Excellent or Outstanding DGNB: Gold or Platinum LEED: Gold or Platinum HQE: Excellent or Exceptional **Existing buildings** built before 31 December 2020 must meet one of the following criteria: > EPC level of at least 'A' or > Belong to the top 15% of the national building stock based on primary energy consumption (PEC)[8] **Renovation of existing buildings:** > Buildings may also be included if refurbishments result in a relative improvement in primary energy demand of at least 30 % in comparison to the performance before the renovation. Any reductions caused by renewable energy sources must not be taken into account.	 

To the extent possible, pbb aims to take the EU Taxonomy as adopted by the Commission on 4 June 2021 in the Delegated Act for Climate Change Mitigation[9] into consideration and monitors the market development of the European Green Bonds issued in accordance with the EU Green Bond Standard[10].

[7] NZEB (Nearly Zero-Energy Building) - 10% may be defined together with external consultants or can be based on external official studies as a best effort approach.

[8] Top 15% benchmark data provided by Deepki. pbb has access to more national top 15% benchmark data than the publicly accessible benchmark data.

[9] https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf

[10] EU Green Bond Standard (EU Reg 2023/2631), Regulation - EU - 2023/2631 - EN - EUR-Lex

Exclusion Criteria

pbb's Green Bonds respect the EU Paris Aligned Benchmark (PAB) exclusions[11] as of the time of publication of this framework. pbb will not use the net proceeds of any of its Green Bonds to finance or refinance the following:

- Buildings used for the production of
  controversial weapons,
  chemicals,
  nuclear energy,
  tobacco,
  fossil fuels;
- Buildings with a concentration of tenants with an unacceptable environmental impact or pornography / prostitution;
- Buildings with a substantial other negative impact on the environment (e.g. polluted areas, green field construction in protected areas, endangering biodiversity, hazardous waste);
- Buildings with a substantial vacancy rate, where energy consumption data may be skewed.

b) Process for Project Evaluation and Selection

pbb has established a Green Bond Committee to manage the process for project evaluation and selection as defined by the eligibility criteria above. The Green Bond Committee is composed of representatives from the following business areas: ESG Office, Property Analysis & Valuation and Treasury, which reflect the relevant stakeholders involved in the development of the Green Bond Framework. Green Bond Committee meetings are held on a quarterly basis.

The Green Bond Committee is responsible for the following:

- Review a list of potential Eligible Properties, which fulfil the criteria defined in the Use of Proceeds section, and decide whether any of the Exclusion Criteria listed above may apply. The Green Bond Committee must unanimously agree on the inclusion of an Eligible Property.

- Review and update the criteria for Eligible Properties and Exclusion Criteria defined in the Use of Proceeds section.

- Assess ESG controversies related to a potential Eligible Property or an existing Eligible Property in the portfolio and exclude the property if deemed appropriate.

- Monitor the portfolio of financed Eligible Properties against Green Bond funding. The Green Bond Committee shall ensure that the amount allocated to the financing of Eligible Properties exceeds or will exceed the amount of the funding by Green Bonds in the near future.

- Monitor relevant market developments, especially with regard to the EU taxonomy, and plan its further implementation in the framework.

- Coordinate the Green Bond Impact and Allocation reporting.

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[11] The European Securities and Markets Authority (ESMA) released guidelines on fund names, with the most recent update from 2024. The guidelines assess the compliance with the PAB exclusions for Green Bonds that are not marketed under the EU Green Bond Standard. The guidelines also outline specific requirements for ESG or sustainability-related terms in funds' names as well as application for use of proceeds instruments. These guidelines apply to investors who may invest in pbb's Green Bonds.

In addition, a clear structure to identify and mitigate ESG risks has been implemented in the group. The structure is in line with the "Three Lines of Defence" principle. Generally, the first line of defence is made up of the risk owners in those divisions that are particularly client/public-facing, i.e. for Green Bonds the heads of Treasury and Property Analysis & Valuation. The second line of defence comprises Financial Risk & Control, Legal and Non-Financial Risk & Control. Internal Audit is the third line of defence. pbb's risk management approach is described in detail in pbb's Non-Financial Report.

c) Management of Proceeds

pbb manages the proceeds of the Green Bonds on a portfolio basis. The loans for Eligible Properties can already exist on pbb's balance sheet at issuance of a Green Bond. They are not booked in a separate portfolio but the loan amount is allocated in the IT system to the Eligible Properties. The Treasury business area monitors that an amount equivalent to the proceeds is used to finance or refinance the portfolio of Eligible Properties and that the amount of such Eligible Properties within the portfolio is generally higher than the proceeds of the outstanding Green Bonds. Outstanding Green Bonds may exceed the financing volume of the Eligible Properties for a short period[12]. pbb's Green Bond Committee decides how to rebalance the disequilibrium: Either by investing in Green Bonds fulfilling the ICMA Green Bond Principals or by holding cash if no additional Eligible Properties are financed.

pbb regularly updates its Green Bond Framework and, therefore, enhances the eligibility criteria described in the Use of Proceeds section. This framework only applies to Green Bonds issued after its publication and it will not apply to Green Bonds issued before the update of the framework. However, if an Eligible Property no longer meets the eligibility criteria of its respective framework, has matured or is redeemed, it will be removed from the portfolio of Eligible Properties.

d) Reporting

Until the maturity of the bonds, the issuer commits to publish an annual impact report and also publishes a quarterly allocation report. Additionally, if material changes come to light regarding the Eligible Properties, that affect the estimated impact of the Green Bonds, a report will be published. The reports are available on pbb's website:

https://www.pfandbriefbank.com/en/investors/debt-investors/green-bonds.html

The allocation report, published shortly after each Green Bond Committee meeting, focuses on the following elements:

- The total amount of outstanding Green Bonds
- The total amount of loans financing Eligible Properties
- The total amount of unallocated proceeds (if any)
- The geographical distribution of the Eligible Properties

The impact report demonstrates the environmental benefits associated with the Eligible Properties based on relevant impact metrics. Furthermore, a list of all properties with relevant information provides

[12] A surplus of Green Bonds shall be reversed within the two next Green Bond Committee meetings (equals roughly six months).

transparency of the Green Bond portfolio for all interested stakeholders. Examples of relevant metrics include:

Output indicators

- Portfolio breakdown by year of construction / refurbishment (in %)
- Portfolio breakdown by EPC class or energy consumption in kWh/m² p.a.
- Portfolio breakdown by property type and regions

Impact indicators

- Estimated annual reduced / avoided green house gas emissions (t CO_2 equivalent) in comparison to a benchmark
- Estimated annual reduced / avoided green house gas emissions per every € one mn of issued green bonds (t CO_2 / € mn)
- Estimated annual reduced / avoided green house gas emissions per every € one mn financed (t CO_2 / € mn)

5 External Review

Second Party Opinion

pbb has appointed S&P Global to provide a Second Party Opinion on its Green Bond Framework and its alignment with the Green Bond Principles. This Second Party Opinion is available on pbb's website.

Annual Review

An independent external reviewer is requested to provide an annual independent review on pbb's Green Bond Impact Report including a review of the allocation of the Green Bond Proceeds, its alignment with pbb's Green Bond Framework, and the methodologies and assumptions used to evaluate the Green Bond impacts if relevant. The annual review is available on pbb's website.

6 Disclaimer

This document does not constitute an offer, or an invitation to offer, or a recommendation to enter into any transaction. Before entering into any transaction any investor should take steps to ensure that he or she understands the transaction and has made an independent assessment of the appropriateness of the transaction in the light of his or her own objectives and circumstances, including the possible risks and benefits of entering into such transaction. Any potential investor should also consider seeking advice from her or his own advisers in making this assessment.

No assurance is given by pbb that any of pbb's Green projects or Green Bonds will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or her / his investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates.

Furthermore, it should be noted that legal and regulatory prerequisites pertaining to the label "green" and "sustainable", in particular in the financial sector, are under constant evaluation and development by many law- and policymakers, so it cannot be assured that pbb's Green Bonds or Green projects comply with these. Furthermore, there is no market consensus as to what constitutes a "green" or "sustainable" or an equivalently-labelled project, or as to what precise criteria are required to be complied with for a particular project to be defined as "green" or "sustainable" or such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time and that pbb's Green Bonds and Green projects will comply with such definition or consensus. Accordingly, no assurance is or can be given to investors that any of pbb's Green Bonds, Green projects and the assets financed by pbb will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled objectives.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by pbb) which may be made available in connection with the issue of any Green Bonds and in particular with any Green projects to fulfil any environmental, sustainability, social and/or other criteria. Any such opinion or certification is not, nor should be deemed to be, a recommendation by pbb or any other person to buy, sell or hold any Green Bonds.

While it is the intention of pbb to finance Green projects in an amount at least equal to the proceeds of any Green Bond so specified for Green projects in, or substantially in, the manner described herein, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green projects will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Green projects. Nor can there be any assurance that such Green projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by pbb. Any such event or failure by the Issuer will not constitute an event of default under the terms and conditions of the Green Bonds.