



**MBH Bank**  
**GREEN FINANCING FRAMEWORK**

*18<sup>th</sup> of September 2023*

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# 1. Introduction

## 1.1 MBH Overview

MBH Bank is one of the leading financial institutions in Hungary, as the result of the integration of the MKB Bank Group, Budapest Bank and Takarékszövetkezeti Bank Group. The aim of the modern, universal bank is to serve its retail, corporate and institutional clients with modern financial services and a continuously expanding product range that is accessible to all.

MBH Bank provides high-quality services to its retail clients. In addition to the retail segment, the bank gives priority to serving its corporate and institutional customers to a high standard. MBH Bank is a leading market participant in several areas, including corporate lending, lending to micro as well as small and medium enterprises (SMEs), the leasing market and the Agri-Food Business and is active in a variety of money, capital market and investment activities.

As of March 31<sup>st</sup>, 2023, MBH Bank has the most branches in Hungary, operating 560 branches nationwide with a total balance sheet of HUF 10 446 billion. The new banking group serves 2 million active retail and corporate customers and employs more than 9600 people.

MBH's aim is to become Hungary's prominent bank and to expand to international markets, including the countries of the Central and Eastern European region. To achieve this strategic goal, new processes, new structures, and a new strategy are being developed, which in the meantime provides the right momentum for MBH to prioritize sustainability and integrate it into the bank's daily operations.

## 1.2 MBH's Sustainability Strategy and Policies

### Sustainability strategy

MBH is committed to playing a key role in creating a sustainable economy in Hungary. To facilitate this, MBH Bank developed its ESG Strategy for all three of its member banks in 2022. The strategy defines MBH's sustainability vision, guidelines, materiality factors, and covers future goals to be achieved and tasks to be implemented. The realisation of its vision is supported by two strategic objectives, one stemming from MBH Bank's role as a financial institution and the other as a responsible corporate group.

In its role as a financial institution, bcyMBH Bank intends to be a partner to its customers in achieving their sustainability goals, has a key role and responsibility in supporting and financing sustainable and climate investments, and aims to raise awareness of sustainability issues among its customers.

In line with its corporate role, MBH Bank aims to make its internal operations sustainable, thereby setting an example for its partners and customers in terms of responsible operations. It aims to achieve de-carbonisation in its own operations, incorporating ESG aspects, training and ensuring the welfare of its employees.

Five strategic pillars and their corresponding action plans are identified to achieve the bank's strategic objectives:

1. Sustainability as a business opportunity and sustainability education;
2. Taking ESG risks into account in risk management decisions;
3. De-carbonisation commitments;
4. Responsible corporate governance, transformation, and transparency;
5. Employee welfare and change in approach;

MBH Bank sees sustainability as a business opportunity and awareness raising as its main task to adapt sustainability products and services with a fast response time and sees a medium-term opportunity in the launch

of social sustainability products that are not yet widespread in Hungary. In addition to product development, it also aims to contribute to enhancing the knowledge and understanding of its customers.

**By 2022 the bank has implemented sustainability aspects into its existing risk management framework,** because of which the bank has a sustainability risk assessment method corresponding to all lending processes and customer segments. MBH Bank also aims to leverage this framework to evaluate environmental and social risks related to the Eligible Green Projects of the Green Financing Framework. However, the bank acknowledges that the expectations of regulatory authorities related to sustainability risks are becoming increasingly stringent, and the usual risk management models and methodologies are not always suitable for identifying, quantifying, and monitoring climate risks. MBH Bank therefore considers the development of new models and methodologies a priority.

In addition, the sustainability-related regulatory requirements have been progressively tightening both on a national and a European Union level, especially since credit institutions have been given a prominent role in the EU's sustainable finance package. In line with EU regulation, the Magyar Nemzeti Bank - MNB (National Bank of Hungary) has issued a Green Recommendation for domestic credit institutions which aims to improve the banking sector's awareness and preparedness for climate change and environmental risks and new regulatory challenges. In response to this MBH has defined an Action Plan to ensure compliance. Therefore, in addition to the EU requirements MBH Bank's business and risk strategy also builds on the domestic legislative changes that are being implemented and those that already apply to financial sector participants. Like other areas, MBH Bank is committed to setting an example for all its relevant stakeholders in terms of regulatory compliance.

**About de-carbonization targets, MBH Bank aims to contribute as much as possible through its activities to the achievement of the targets laid down in the Paris Agreement** by reducing its greenhouse gas emissions (both the bank's own and the financed emissions) as quickly as possible. To accomplish this goal, the bank has already calculated its scope 1 and 2 emissions and scope 3 financed emissions and has started to formulate its Net Zero Strategy.

**MBH Bank aims to develop transparent external and internal operations that support sustainability,** based on its role as a responsible corporate citizen. It is committed to integrating sustainability considerations into its governance processes and its requirements towards its partners.

Furthermore, **the bank is also committed to the welfare and education of its employees.** It attaches particular importance to the physical and mental health of its employees and to raising their ESG awareness and knowledge within the bank.

To successfully achieve the vision and related strategic objectives described above, MBH Bank has aligned its Sustainability Strategy with its business strategy. In addition to that, MBH Bank has formulated a detailed action plan for the short, medium, and long term, with the areas responsible for the implementation of the actions. Moreover, digitalization efforts have been implemented to support, among others, de-carbonization goals and sustainability-related product and service development.

The monitoring of the ESG Strategy and the coordination of its implementation is carried out by the ESG Department, under the direction of the Deputy CEO in charge of this area. The Management Board and the Board of Directors monitor the implementation of the strategy through regular reports. The ESG strategy needs to be reviewed annually due to the changing legislative and market environment.

### **Green Loan Framework**

Conforming to its commitment to make sustainability products more widespread, MBH Bank has implemented an internal Green Loan Framework conforming to the criteria laid down in this Green Financing Framework.

With the help of the Green Loan Framework the bank aims to identify and finance transactions that have positive environmental impacts and contribute to achieving global and European Union sustainability goals. Through the framework several categories have been identified to define MBH's green lending activities, including renewable energy, clean transportation, green buildings, and sustainable agriculture. The eligibility criteria of the financed projects are in line with the LMA Green Loan Principles, the EU Taxonomy, and the Climate Bonds Initiative's Taxonomy. To ensure the reliability of MBH's Green Loan Framework Ernst & Young Könyvvizsgáló Kft. has provided a Second Party Opinion. The Green Loan Framework and the associated SPO report are publicly available and can be accessed on the bank's website<sup>1</sup>.

From the corporate lending side, MBH Bank's member bank MKB Bank has played a catalytic role in the field of green lending. Despite the economic difficulties, the bank managed to keep its green lending steady, with no decline, compared to other investment and project loans. The loans issued financed projects related to energy efficiency, including the installation of solar power plants and the modernization of heating systems. The bank was at the forefront of providing loans for the establishment of solar power plants. At the end of 2022, solar power plant financing in the bank's portfolio amounted to HUF 50.56 billion. Compared to 2021, this means an increase of about HUF 15.85 billion.

### **Climate risk assessment**

MBH Bank recognizes the risks associated with the impacts of climate change and that financial sector participants have a crucial role to play in the transition to a low-emission economy.

This is why MBH Bank seeks to tackle all categories of sustainability risks and aims to fully implement all relevant sustainability aspects in its risk management models and methodologies as well as integrating them into specific decision-making processes to enable the transition and to ensure regulatory compliance.

MBH believes that assessing the materiality of climate and environmental risks and the timeliness of the associated impacts is a prerequisite for responsible corporate governance and risk management practices. For this purpose, a materiality assessment has been performed, including an assessment of the materiality of credit, market, operational, liquidity, reputational and regulatory risks.

It is also a priority that these risks are incorporated into MBH's risk appetite framework and risk policy, and that sectoral strategies are developed accordingly.

In line with both European and Hungarian regulations MBH's member banks have already begun to identify sustainability risks and to develop their measuring methodology. The steps already accomplished are as follows:

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<sup>1</sup><https://www.mbhbank.com/esg>

#### MKB Group

- Addition of ESG aspects to the Risk Strategy
- Establishing ESG policies for large corporates and specialised clients: designation of non-preferred sectors: tobacco farming, tobacco products manufacturing, distilled spirits manufacturing, arms and ammunition manufacturing, military combat vehicle manufacturing, gambling, betting or related activities.
- ESG aspects are incorporated into the customer and transaction due diligence process (ESG Data Request Form).
- Scenario analysis for stress testing.

#### Budapest Bank

- Assessing environmental risks and quantify losses for own operations. Operational risks included total or partial destruction of bank branches, rendering the central building unusable.
- Sustainability aspects were incorporated into the collateral assessment process for residential real estate.

#### Takarékbank

- During the ICAAP self-assessment, environmental risks related to climate change were identified in the PESTEL analysis.
- Assessment of physical risks to own operations in the event of earthquakes, floods and estimation of losses from these events.

#### Takarék Jelzálogbank

- Establishment of a set of "Acceptable Green Mortgage" criteria for green mortgages and corresponding green mortgages in relation to the Green Mortgage Framework.

## MBH Bank's ESG results in 2022

### Increasing green finance activities:

- A solar power portfolio in the value of HUF 50.5 billion in 2022 compared to HUF 35 billion in 2021 (a 44% increase)
- Financing green certified offices in the value of HUF 54.83 billion in 2022 compared to HUF 30 billion in 2021 (an 82 % increase)

### Reducing our environmental footprint:

- Decreasing the bank's paper consumption by 8% in one year
- 10% of the bank's car fleet are environmentally friendly vehicles
- Using 843 m2 solar panel on the bank's buildings

### Ethical business conduct

- 88.56% of the MBH branches are handicapped accessible
- 100% of the MBH employees participated and completed GDPR trainings

### Attractive workplace

- MBH was awarded the Family-Friendly Place certificate, acknowledging the bank's effort as an employer in the interest of families
- The proportion of women in the management bodies is 25%, and 64% among the employees.
- 99.73% of the MBH employees are employed with permanent contracts
- MBH employs 350 trainees

### Corporate social responsibility

- Supporting 100 disadvantaged students with scholarships each year
- MBH donated HUF 10,500,000 to help refugees from Ukraine through the Bridge for Subcarpathian aid program

### 1.3 External Recognitions and Partnerships

Owing to its results and practices related to ESG, MBH has received several national and international recognitions.

The bank has been named the “Best Bank Hungary” in 2023 by CFI.co, acknowledging its transparent and ethical governance processes across internal and external operations, the integration of ESG factors in risk related and management decisions, and the projects it supported through its green finance instruments particularly in the areas of energy consumption and efficiency as well as energy modernization of residential properties. The award has also recognized the bank’s volunteering work and the MBH Forest project within the scope of which MBH Bank has planted 10,000 trees (to be repeated every year) with the aim of offsetting the bank’s own emissions and to raise customer awareness of the importance of nature conservation.

In 2023, MBH Bank has also received the “Zöld Kerék” award by IFUA Horváth, an international management consultancy, in the “Incorporating ESG aspects into product development” category. The recognition has highlighted how MBH transformed its core business by considering sustainability aspects and embedding ESG elements into its credit risk processes.

Furthermore, MBH Bank has been named “Most Loved Workplace” through the certification issued by the renowned Best Practice Institute. Thanks to the certification the bank has also been ranked as one of the “Top 100 Most Loved Workplaces” globally. The certification framework included, among others, factors such as employee satisfaction, the innovativeness and diversity of HR programs, organization development initiatives and processes and remuneration packages.

As part of its Sustainability Strategy, MBH Bank aims to be at the forefront of the Hungarian banking sector in the field of sustainability. One of the steps towards this goal is to join global initiatives that aim to achieve real results. MBH Bank has joined the Principles for Responsible Banking initiative established by the United Nations and was among the first Hungarian banks to sign the Environment Programme Finance Initiative. The aim of this international collaboration is to facilitate the shift of the financial sector towards sustainability. With this commitment, the banking group wants to take another step to establish responsible and green operations.

The United Nations (UN) is providing a network of banks, insurers and investors with tools and practical guidance to help them achieve their sustainability goals. These instructions include progressive reductions in greenhouse gas emissions, financial inclusion and other environmental efforts needed to achieve future prosperity. Banks that join the initiative commit to comply with their ESG strategies and to make sustainability a priority in their business activities.

### 1.4 Supporting the UN Sustainable Development Goals (“SDGs”)

At the 2015 UN Conference of the Parties, the 2030 Agenda was adopted. Agenda 2030 is a holistic framework that sets 17 global goals for developing and developed countries. These goals include mitigating climate change, reducing social inequalities and eliminating poverty. Adopted by 193 countries, the SDGs set a net universal benchmark for development by ensuring that global challenges are being addressed. The targets and indicators behind the SDGs provide a benchmark against which progress can be measured.

Through the establishment of its Green Financing Framework MBH Bank aims to contribute to the following UN SDGs:

- Goal 2: Zero hunger - End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.

- Goal 6: Clean water and sanitation - Ensure availability and sustainable management of water and sanitation for all.
- Goal 7: Affordable and clean energy - Ensure access to affordable, reliable, sustainable, and modern energy for all.
- Goal 9: Industry, Innovation, and Infrastructure - Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.
- Goal 11: Sustainable cities and communities - Make cities and human settlements inclusive, safe, resilient, and sustainable.
- Goal 12: Responsible consumption and production - Ensure sustainable consumption and production patterns.
- Goal 15: Life on land - Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.



## 2. Green Financing Framework

### Rationale for Establishing a Green Financing Framework

At MBH Bank, we are strongly committed to enhancing sustainability in our entire operations. This Green Financing Framework (the “Framework”) is an important step in aligning our financing strategy with our sustainability commitments. The Framework will also offer a further opportunity to communicate with investors and other market participants on our commitments to creating shared value for the business, society, and the environment. The aim will also be to diversify Issuer’s investor base and engage in a sustainable dialogue with socially responsible investors.

### Alignment with Market Principles and Standards

The Framework is:

- fully aligned with the Green Bond Principles (GBP) 2021 with the 2022 June appendix I<sup>2</sup> as administered by the International Capital Market Association (ICMA); and
- fully aligned with the Green Loan Principles 2023 (GLP)<sup>3</sup> as administered by the Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA)

The Framework therefore adopts the four core components of the ICMA GBP and LMA/LSTA/APLMA GLP, which include:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Framework is also:

- aligned - where feasible - with the technical screening criteria of the EU Taxonomy (Regulation (EU) 2020/852<sup>4</sup> of the European parliament and of the Council); and
- aligned – where feasible - with the Climate Bonds Initiative (2021): Climate Bonds Taxonomy<sup>5</sup>

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<sup>2</sup> [ICMA Green Bond Principles \(GBP\) 2021 \(with June 2022 Appendix 1\)](#)

<sup>3</sup> [LMA Green Loan Principles \(GLP\) 2023](#)

<sup>4</sup> [EU Taxonomy Delegated Act on Climate Change Mitigation and Adaptation published in April 2021 and adopted in June 2021](#)

<sup>5</sup> [Climate Bonds Initiative \(2021\): Climate Bonds Taxonomy](#)

## Alignment with the EU Taxonomy Regulation

Recognizing the importance of a common definition of sustainable activities, the Framework and the definition of its Eligibility Criteria takes into consideration where feasible the technical screening criteria of the EU Taxonomy Delegated Acts on Climate Change Mitigation<sup>6</sup> with the intention to apply them on a best-efforts basis.

Eligibility criteria defined in the Green Financing Framework is in alignment with the Green Loan Framework of MBH Bank which enables the bank to provide EU Taxonomy aligned financing, therefore where feasible MBH Bank is committed to finance projects with full EU Taxonomy alignment in accordance with its Green Loan Framework. Where full EU Taxonomy alignment is relevant, MBH Bank will follow internal screening procedures detailed in the Green Loan Framework which includes assessment of Substantial Contribution Criteria, do no significant harm (DNSH) and minimum social safeguards (MSS) criteria.

This Framework may be updated from time to time to ensure continued alignment with voluntary market practices, emerging standards, and classification systems. Any updated version of this Framework will either maintain or improve the current levels of transparency and reporting disclosures, including the corresponding External Review.

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<sup>6</sup> [EU Taxonomy Delegated Act on Climate Change Mitigation and Adaptation published in April 2021 and adopted in June 2021](#)


## 2.1 Use of Proceeds

An amount equivalent to the net proceeds from the issuance of Green Financing Instruments will be used to finance or refinance, in part or in full, Eligible Green Projects that meet the Eligibility Criteria set out in this Framework.

Eligible Green Projects are limited to those that are (i) outstanding in the current calendar/financial year and (ii) funded within 3 calendar years following issuance (look-forward period). MBH Bank will aim to allocate the proceeds of Green Financing Instruments such that a relatively high portion is kept in future financings that will support new, impactful green loans. The remainder will be allocated to refinance existing and ongoing loans that continue to align with our sustainability objectives and the Eligibility Criteria.

Under this Framework, MBH Bank can issue Green Financing Instruments, the proceeds of which may include covered bonds, senior bonds (preferred and non-preferred), subordinated bonds, medium-term notes, commercial papers, loans, and other financing instruments.

### a) Eligible Green Project Categories



Eligible Green Category	EU Taxonomy <sup>7</sup> Mapping (where feasible)	Technical Screening Criteria according to EU Taxonomy <sup>8</sup> / market best practice	Contribution to UN SDGs
<b>Renewable Energy<sup>9</sup></b>  <i>Contribution to EU Environmental Objective: Climate Change Mitigation</i>	Electricity generation using solar photovoltaic technology 4.1	Construction or operation of electricity generation facilities that produce electricity using solar photovoltaic (PV) technology,	
	Concentrated solar power 4.2	Construction or operation of electricity generation facilities that produce electricity using concentrated solar power	
	Installation and operation of electric heat pumps 4.16	Installation and operation of electric heat pumps with less than 675 Global Warming Potential and meeting energy efficiency requirements laid down in the implementing regulations under Directive 2009/125/EC <sup>10</sup>	
	Cogeneration of heat/cool and power from solar energy 4.17	Construction and operation of facilities co-generating electricity and heat/cool from solar energy	
	Production of heat/cool from solar thermal heating 4.21	Construction and operation of facilities producing heat/cool from solar thermal heating technology	
	Production of heat/cool using waste heat	Construction and operation of facilities that produce heat/cool using waste heat	

<sup>7</sup> [EU Taxonomy Delegated Act on Climate Change Mitigation published in April 2021 and adopted in June 2021](#)

<sup>8</sup> Technical Screening Criteria as specified under the relevant sections of the [EU Taxonomy Delegated Act on Climate Change Mitigation published in April 2021 and adopted in June 2021](#)

<sup>9</sup> Aligned - where feasible - with the technical screening criteria of the EU Taxonomy (Regulation (EU) 2020/8523 of the European parliament and of the Council)

<sup>10</sup> <https://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:285:0010:0035:en:PDF#:~:text=This%20Directive%20seeks%20to%20achieve,consumers%20and%20other%20end%2D%20users>

	4.25	Pumps and the kind of equipment used, is covered by Ecodesign and Energy labelling comply, where relevant, with the top-class requirements of the energy label laid down in Regulation (EU) 2017/1369, and with implementing regulations under Directive 2009/125/EC and represent the best available technology.	
<b>Green Buildings<sup>11</sup></b>  <i>Contribution to EU Environmental Objective: Climate Change Mitigation</i>	Construction of new buildings 7.1	Constructions of residential and non-residential buildings where the Primary Energy Demand (PED) is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements	  
	Renovation of existing buildings 7.2	Refurbishment of buildings leading to the fulfilment the reduction of Primary Energy Demand by at least 30% in comparison with the performance of the building before the renovation	
	Acquisition and ownership of buildings 7.7	Acquisition and ownership of buildings built before December 31 <sup>st</sup> , 2020, with an Energy Performance Certificate (EPC) class A, or with operational Primary energy Demand (PED) belonging to the top 15% of the national or regional building stock. For acquisition and ownership of buildings built after December 31 <sup>st</sup> , 2020, PED of at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements	
	Acquisition, construction, or refurbishment of buildings which meet recognised international standards	Buildings with a certification level of: <ul style="list-style-type: none"> <li>- LEED (Gold or above), or</li> <li>- BREEAM (Very Good or above), or</li> <li>- BREEAM in-use (Very Good or above)</li> </ul>	
	Installation, maintenance, and repair of energy efficiency equipment 7.3	Renovation measures consisting of installation, maintenance, or repair of energy efficiency equipment, provided that the individual measures comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU <sup>12</sup> and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with	



<sup>11</sup> Aligned - where feasible - with the technical screening criteria of the EU Taxonomy (Regulation (EU) 2020/8523 of the European parliament and of the Council)

<sup>12</sup> <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:153:0013:0035:en:PDF>

		Regulation (EU) 2017/1369 <sup>13</sup> and delegated acts adopted under that Regulation	
	Installation, maintenance, and repair of renewable energy technologies 7.6	Installation, maintenance, and repair of renewable energy technologies, on-site (e.g., solar PV systems and the ancillary technical equipment etc.)	
<b>Clean Transportation<sup>14</sup></b>  <i>Contribution to EU Environmental Objective: Climate Change Mitigation</i>	Infrastructure for personal mobility, cycle logistics 6.13	Infrastructure that is constructed and operated and is dedicated to personal mobility or cycle logistics: pavements, bike lanes and pedestrian zones, electrical charging and hydrogen refuelling installations for personal mobility devices	
	Infrastructure for rail transport 6.14	Construction, modernisation, operation and maintenance of railways and subways as well as bridges and tunnels, stations, terminals, rail service facilities that comply with the relevant technical screening criteria (e.g., electrified trackside infrastructure, infrastructure dedicated to transshipping freight, infrastructure and installations dedicated to the transfer of passengers from rail to rail or from other modes to rail etc.). The infrastructure will not be dedicated to the transport or storage of fossil fuels.	
	Infrastructure enabling low-carbon road transport and public transport 6.15	Construction, modernisation, operation and maintenance of Infrastructure that is required for zero tailpipe CO2 operation of zero-emissions road transport, as well as infrastructure dedicated to transshipment, and infrastructure required for operating urban transport, that comply with the relevant technical screening criteria (e.g. infrastructure dedicated to the operation of vehicles with zero tailpipe CO2 emissions, to transshipping freight, to urban and suburban public passenger transport etc.) The infrastructure will not be dedicated to the transport or storage of fossil fuels.	

<sup>13</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1369&qid=1692106984224>

<sup>14</sup> Aligned - where feasible - with the technical screening criteria of the EU Taxonomy (Regulation (EU) 2020/8523 of the European parliament and of the Council)

<p><b>Environmentally Sustainable Management of Living Natural Resources and Land Use<sup>15</sup></b></p>	<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<p>Investment in precision agriculture, e.g., investment in technologically advanced and innovative technologies which enable farmers to optimize their fertilizer, water, pesticide, and other input use, contributing to a more effective and responsible use of natural resources</p> <p>Water management, e.g., irrigation and water storage</p>	 
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## b) Exclusions

Financing related to the following activities are excluded from the financing by MBH Bank’s Green Financing Instruments:

- Fossil fuel energy
- Investments related to pure Internal Combustion Engines (ICE)
- Nuclear energy
- Gambling
- Tobacco
- Alcohol
- Weapons.

## 2.2 Process for Project Evaluation and Selection

Governance processes related to MBH Bank’s green financing operation is subordinated to the existing Management Committee (the “MC or Committee”) of the bank by extending their responsibilities with relevant processes to this Framework.

The Committee is chaired by the President – CEO of MBH Bank and consists of representatives from the top management of MBH Bank’s leadership team as well as not permanent members (subject to the agenda of the MC meeting). In its role as a decision-making body related to green financing, the Committee will meet on an annual basis, and as required for specific issuances.

For the evaluation and selection of Eligible Green Projects the bank appointed the Committee of Risk Methodologies (CRM) that is subordinated to the MC. The CRM is made up of permanent members, as well as permanent and occasional invitees. The members include, but are not limited to the representatives of the Deputy CRO, Head of Enterprise Risk Management, Director of AML, Head of Large corporations and Specialized Leading Risk Department, Director of ICAAP, Capital Requirements and Validation, Director of Market and Liquidity Risk Control.

The CRM is summoned quarterly to decide on new Eligible Green Projects for green financing. They have the oversight for reviewing, selecting, and validating the Eligible Green Projects. Prior to selecting Eligible Green Projects there is an ESG screening and pre-selection of potential green projects. The pre-selection is performed

<sup>15</sup> Aligned – where feasible - with the Climate Bonds Initiative (2021): Climate Bonds Taxonomy

based on the bank's Green Loan Framework and processes detailed there, including relevant ESG risk management procedures.

The CRM reports regularly to the MC about the allocation of proceeds in the given reporting period. The annual allocation is reviewed and verified by the MC.

For detailed explanation for selection and evaluation please see MBH Bank's Green Loan Framework.

### **Role of the Management Committee and Committee of Risk Methodologies regarding the Green Financing Framework**

Management Committee:

- Evaluation of the pre-selected projects and final selection of Eligible Green Projects financed under this Framework;
- Evaluation of the pre-selected KPIs related to green financing;

Committee of Risk Methodologies:

- Annual compliance monitoring of Eligible Green Projects;
- Annually reviewing the list of Eligible Green Projects against the eligibility and exclusionary criteria. If a project no longer meets the eligibility criteria set forth in this Framework, the Eligible Green Project will be removed from the register and replaced as soon as a substitute has been identified;
- Overseeing, approving and publishing the Allocation and Impact reporting, including external assurance statements;
- Monitoring the on-going market evolution, particularly in relation to disclosure and reporting, to ensure MBH Bank is in-line with market practices; and
- Defining KPIs related to green financing.

### **Identification and Mitigation of Environmental and Social Risks**

MBH Bank has put in place a strong evaluation and selection process, that leverages its existing sustainability and risk management framework, to ensure the mitigation of potential environmental and social risks associated with the Eligible Green Projects. This is in addition to ensuring that Eligible Green Projects meet applicable national and international environmental and social standards and regulations.

The below ESG policies of the bank set minimum requirements for all its activities, including those financed with the proceeds of the instruments issued under the Green Financing Framework.

- Code of Ethics
- Anti-corruption policy
- Anti-Money Laundering and Countering the Financing of Terrorism Policy

### **2.3 Management of Proceeds**

MBH Bank's Asset and Liability Management department will manage the allocation of an amount equivalent to the net proceeds of its Green Financing Instruments on an aggregated basis for multiple Green Financing Instruments (portfolio approach). To manage this process, MBH Bank will establish a Green Financing Register which will be reviewed annually by the bank

MBH Bank will strive to achieve a level of allocation to the Eligible Green Project Portfolio that matches or exceeds the balance of net proceeds of its outstanding Green Financing Instruments.

Pending full allocation of an amount equal to the net proceeds of outstanding Green Financing Instruments, the unallocated proceeds will be earmarked and held in accordance temporary investments such as cash, cash equivalents and / or other short-term liquid marketable investments<sup>16</sup> in line with MBH Bank’s Asset and Liability Management policies.

## 2.4 Reporting

For each Green Financing Instrument, MBH Bank commits to publish on its website an allocation and impact report annually, starting one year after issuance and for the life of the Green Financing Instrument(s).

### a) Allocation Reporting

MBH will provide information on the allocation of the net proceeds of its Green Financing Instruments on its website. The information will contain at least the following details:

- Net proceeds of outstanding Green Financing Instruments;
- Amount of net proceeds allocated to Eligible Green Projects as defined in the Use of Proceeds section of this Framework;
- Subject to confidentiality considerations, a list of the Eligible Green Projects financed through MBH’s Green Financing Instruments, including a description of the projects;
- The proportional allocation of proceeds between existing projects (refinancing) and new projects;
- The remaining balance of unallocated proceeds, if any.

### b) Impact Reporting

MBH Bank intends to align, on a best effort basis, with the reporting recommendations as outlined in ICMA’s “Handbook – Harmonized Framework for Impact Reporting (June 2022)<sup>17</sup> and (June 2023)<sup>16</sup>.

MBH Bank will provide impact reporting at the Eligible Green Project Category level, including project level information where possible, which may include the following estimated Impact Reporting Metrics:

Eligible Green Category	Potential Impact Indicators
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Annual CO<sub>2</sub> emissions reduced/avoided (in tCO<sub>2</sub> eq./year)</li> <li>• Annual connection of renewable energy generation in MWh/GWh (electricity)</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Certification Standards               <ul style="list-style-type: none"> <li>○ Type of scheme, certification level</li> </ul> </li> <li>• Annual GHG emissions reduced/avoided in tons of CO<sub>2</sub> equivalent/a</li> <li>• Final and/or Primary Energy Use (kWh/m<sup>2</sup>)</li> <li>• Annual energy use reduced/avoided (kWh/a)</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Passenger-kilometers (i.e., the transport of one passenger over one kilometer) and/or passengers; or tonne-kilometers (i.e., the transport of one ton over one kilometer) and/or tons</li> <li>• Annual GHG emissions reduced/avoided in tCO<sub>2-e</sub> p.a.</li> </ul>

<sup>16</sup> Such as cash, repurchase agreement with a credit institution for government securities that can be terminated on demand and without restrictions, quote-driven transferable government securities that can be terminated on demand and without restrictions, and any deposit that can be terminated on demand and without restrictions, furthermore, quote-driven debt securities offered to the public with a remaining maturity of up to one year, that can be terminated on demand and without restrictions cash, a repurchase agreement with a credit institution in respect of a sovereign debt instrument which is not redeemable at notice; a publicly negotiable debt instrument which is not transferable at notice; a deposit which is not redeemable at notice and a publicly negotiable debt security which is not transferable at notice and which has a remaining maturity of one year or less.

<sup>17</sup> [ICMA, Handbook – Harmonized Framework for Impact Reporting \(June 2022\)](#)

<sup>16</sup> [Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf \(icmagroup.org\)](#)



	<ul style="list-style-type: none"> <li>Reduction of air pollutants: particulate matter (PM), sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)</li> </ul>
<p><b>Environmentally sustainable management of living natural resources and land use</b></p>	<ul style="list-style-type: none"> <li>Area covered by sustainable land and water resources management practices (hectares)</li> <li>Annual absolute (gross) water uses before and after the project in m3 /a, reduction in water use in % based on at least a five-year olympic average</li> <li>Reduction in net GHG emissions, GHG intensity (e.g., tCO2e/unit of output) or energy intensity (e.g., GJ/ unit of output)</li> <li>Increase in area under management practices targeting improved ecosystem services provision (e.g., pollination) (ha and % of acreage farmed)</li> <li>Area cultivated by precision agriculture in km<sup>2</sup></li> </ul>

## 2.5 External Reviews

MBH's Green Financing Framework is supported by the following external reviews:

### a) Second Party Opinion (“SPO”)

MBH Bank has appointed ISS Corporate Solutions (ICS) to provide a Second Party Opinion on the Green Financing Framework, to confirm the framework’s full alignment with the ICMA GBP and LMA/LSTA/APLMA GLP and compliance with the technical screening criteria of the EU Taxonomy where feasible (Regulation (EU) 2020/852 of the European parliament and of the Council). The Second Party Opinion is available at [ESG \(mbhbank.com\)](https://mbhbank.com).

### b) Post-Issuance External Verification on Reporting

MBH Bank will request on an annual basis starting one year after issuance and for the life of the Green Financing Instrument(s), an assurance report on the allocation of Green Financing Instrument proceeds to Eligible Green Projects, provided by an external review provider.

### **3. Amendments to this Framework**

MBH Bank will review this Framework from time to time, including its alignment to updated versions of the relevant Principles as and when available in the market. Any major update will be subject to the review of ICS or any such other qualified provider of Second Party Opinion.

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