



# Sustainable Finance Framework City of Munich



Geplant.  
Gerechnet.  
Gestaltet.



**Cover:**

For anyone travelling in the north of Munich, the signs of the energy turnaround in Munich cannot be missed. 21 years after the first wind turbine on Fröttmaninger Berg, Stadtwerke München has erected the second highly visible symbol of its commitment to green energy. In January 2021, the "big sister" of Munich's first wind turbine commenced operation and is located at the Nord-West landfill site in Freimann, in immediate vicinity of the Allianz Arena. It supplies green electricity for more than 2,800 households - approximately 7.1 million kilowatt hours per year.

A total of three rotor blades, each 69 metres long, turn the wind turbine from the manufacturer Enercon. The highest point of the turbine is 687 metres above sea level. At 80 metres, the tower is around 13 metres taller than the existing turbine on the other side of the motorway and its rotor blades more than twice as long.

Also the foundation, which was cast in concrete on the hilltop of the Munich waste management company's (AWM) waste disposal site is special. It has eight separate, hollow chambers inside. If necessary, these can be individually filled with liquid to compensate for minimal movement in the subsoil.

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This framework is a further development of the first Social Bond framework of the City of Munich from 2020. The 2020 Social Bond framework of the City of Munich continues to apply to the Social Bond issued in 2020.

# 1. The City of Munich

The City of Munich (Landeshauptstadt München, hereafter Munich or City of Munich) is an independent city and the capital of the Free State of Bavaria. With approximately 1.6 million inhabitants, Munich is the most populous city in Bavaria and the third largest city in Germany.

The City of Munich belongs to the District of Upper Bavaria (Regierungsbezirk Oberbayern) and is the location of the administrative authority. The Munich Metropolitan Region has a population of around 6.3 million and is one of the most successful economic areas in Germany and Central Europe. It extends from Eichstätt in the north to Garmisch-Partenkirchen in the south, from Kaufbeuren in the west to Altötting in the east. It includes 27 districts and six independent towns of southern Bavaria and has a total area of about 26,000 km<sup>2</sup>, which corresponds to approximately the size of Belgium.

The combination of economy and living space in a special geographical location on the edge of the Alps makes Munich unique and, due to its central location in Europe, its economy is well networked. Munich Airport is the second largest international airport in Germany, and Munich Central Station<sup>1</sup> has more than 250 long-distance and 500 local trains which transport more than 450,000 passengers per day. Munich's economy is characterised by a broad and balanced mix of industries. The high-tech, innovation and cross-cutting sectors have a special position. The main industries in Munich include the information and communication sector, with the world's largest tech companies such as Apple, Google Germany or Microsoft; the automotive and mobility sector, with large OEM companies BMW and MAN; the biotechnology and pharmaceutical sector, with companies such as Bristol-Myers Squibb GmbH & Co. KGaA or Amgen GmbH; and the financial industry, with seven international DAX groups (more than any other German city) including Allianz SE and Munich RE AG. Munich is a creative and media hub which houses numerous television and radio stations such as Bayerischer Rundfunk, as well as film studios, music producers, publishing houses and other media companies such as Warner Bros. Discovery Germany. In addition, Munich is also at the top level in the design industry, nationwide and internationally.

The City of Munich is also an important venue for congresses and trade fairs: Bauma is the world's leading trade fair in the construction sector, ISPO Munich is the world's leading trade fair for sporting goods and sports fashion, and IFAT is one of the world's largest trade fairs for environmental technology and environmental

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<sup>1</sup> <https://www.muenchen.de/verkehr/hauptbahnhof>

protection. This diversity, stability and innovative strength allow Munich to maintain its competitiveness. Munich's start-up scene is booming and the well-developed labour market attracts national and international skilled workers.

Munich is one of the largest educational and research centres in Germany, around 140,000 students, are enrolled at the two Universities of Excellence, Ludwig-Maximilians-Universität München and Technische Universität München, as well as in numerous other universities. Munich also serves as the headquarter for numerous renowned research institutions, such as the Leibniz Association, the Helmholtz Centre Munich, the Max Planck Society, and the Fraunhofer Society.

Munich stands out for its unique offer in the areas of culture, leisure and recreation. This quality of life makes the city popular for its residents and visitors alike. Friendliness and openness characterise the people of Munich. With the Oktoberfest, Munich attracts millions of tourists from all over the world every year. In addition to popular attractions such as Frauenkirche, Marienplatz, and Englischer Garten, Munich is also home to museums of world fame, architectural masterpieces, as well as renowned theatre and concert stages, living traditions and local delicacies.



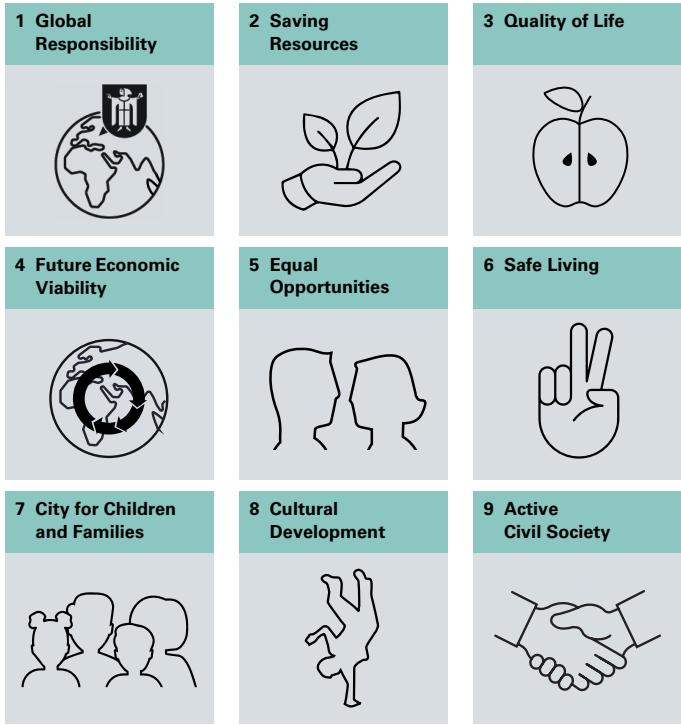
The new building of the Munich Volkstheater was opened on 15 October 2021 on the former cattle yard site in Ludwigsvorstadt and offers space for 100 to 600 guests with its three stages in different sizes.



# 2. Sustainability at the City of Munich

The ambition of Munich’s urban policy is to use urban space in a climate- and environment-friendly, ecologically meaningful, economically value-adding, socially just and culturally diverse way. On its path to becoming a sustainable city, the following milestones have been implemented or set in motion, aiming to promote a socio-ecological transformation.

In 2003, the city council of Munich adopted nine qualitative Sustainable Development Goals (see figure), intended to meet the challenges associated with global and regional sustainability developments. The nine goals define milestones to fulfil the mission statement of a “city in equilibrium” (the leitmotif of the program “Perspective Munich”<sup>2</sup>).



Munich’s nine sustainability goals

<sup>2</sup> <https://stadt.muenchen.de/infos/stadtentwicklung-perspektive-muenchen.html>

To improve the measurability of the progress of the Sustainable Development Goals, the city council created 25 meaningful and impact-orientated indicators in July 2006<sup>3</sup>, the development of which is reported in the Sustainability Report<sup>4</sup> of the City of Munich.

In June 2016, Mayor Dieter Reiter signed the resolution of the German Council of Cities "Agenda 2030 for Sustainable Development: Shaping sustainability at the municipal level"<sup>5</sup>. With it, the City of Munich declares its commitment to sustainable development and makes its own measures more visible both internally and externally. This is an important step towards implementing the 2030 Agenda for Sustainable Development and the 17 United Nations Sustainable Development Goals (UN SDGs).

On 18 December 2019, the city council of Munich<sup>6</sup> joined the global coalition of cities and states that have declared a climate emergency and commissioned all departments and municipal holding companies to draw up an action plan with the involvement of the public. This aims to transform Munich into a climate-neutral city by 2035 (the previous target was climate neutrality by 2050). The city administration itself shall be climate-neutral by 2030. At the same time, the city council adopted important measures and instruments to achieve this goal.

With its Perspective Munich, the City of Munich has an integrated urban development concept, which sets the framework for sustainable urban development in the sense of a "city in balance," together with strategic and technical guidelines and the new urban development plan "STEP2040". The objectives and strategies listed therein on all subject areas of Munich's sustainable development have led to the creation of numerous concepts, programmes and measures. First decided in 1998, the Perspective Munich has been continuously developed ever since<sup>7</sup>.

The current update includes the re-alignment of objectives (in particular with regard to sustainability and community orientation) as well as the development of management functions. First results were presented to the city council in 2022<sup>8</sup>.

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<sup>3</sup> Project Compass Sustainability: Indicators for Sustainable Development as part of the Local Agenda 21 Munich. Session Document Nr. 02-08/V08361, Plenary Assembly Resolution of 26.07.2006

<sup>4</sup> [https://stadt.muenchen.de/dam/jcr:5a5e8e26-7796-4662-ad95-2f5b32d977bf/Nachhaltigkeitsbericht-Muenchen-2022\\_barrierefrei.pdf](https://stadt.muenchen.de/dam/jcr:5a5e8e26-7796-4662-ad95-2f5b32d977bf/Nachhaltigkeitsbericht-Muenchen-2022_barrierefrei.pdf)

<sup>5</sup> <https://stadt.muenchen.de/infos/nachhaltige-entwicklung-muenchen.html>

<sup>6</sup> <https://risi.muenchen.de/risi/sitzungsvorlage/detail/5663322?dokument=v5780408>

<sup>7</sup> <https://stadt.muenchen.de/infos/stadtentwicklung-perspektive-muenchen.html>

<sup>8</sup> <https://risi.muenchen.de/risi/sitzungsvorlage/detail/6779548>

In addition to the implementation of the UN SDGs in the municipal target system, this also involves better tying the goals to the city budget, optimising the measurement and evaluation of the goal achievement, and the permanent involvement of the urban society. In addition, process and committee structures will be adapted.

## 2.1 Social Sustainability

While the overarching notions of a sustainable (and thus socially just) city are anchored in the strategic goals of the “Perspective Munich”, the technical guidelines on all important topics of urban development build the bridge into operational business.

With regard to social aspects, the technical guideline “Social affairs” should be emphasised. It includes, among other things, the technical guideline “Housing in Munich” (“Wohnen in München” - WiM)<sup>9</sup>, which, as a housing policy action programme, lays down the strategic framework for Munich to ensure affordable, future-oriented and sustainable housing. In addition, the Social Affairs Unit’s “Global Plan IV” (“Gesamtplan IV”) covers, as an update, the entire range of accommodation options and measures to get people into housing and to support people in keeping their homes.

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<sup>9</sup> [https://stadt.muenchen.de/dam/jcr:6d1777ff-2ffa-4914-ab8b-8233aab76795/LHM\\_Flyer\\_WiM\\_2023\\_Web.pdf](https://stadt.muenchen.de/dam/jcr:6d1777ff-2ffa-4914-ab8b-8233aab76795/LHM_Flyer_WiM_2023_Web.pdf)



With the “Munich Model”, the City of Munich offers middle-income households and families with children the opportunity to find flats at affordable rents.



The Education Guideline addresses the key challenge of tackling educational inequalities through appropriate measures. Part of the access to basic social services is to ensure an appropriate and adequate education infrastructure. The city guarantees a demand-orientated, sustainable municipal and public education offer. In addition to the early promotion of children in day care facilities, this also includes high quality education and vocational training, which is supported by the largest municipal education building campaign in Germany for schools, kindergartens, and sports facilities as part of the current school building programme<sup>10</sup>.

The City of Munich actively shapes the school landscape. In order to ensure the best possible educational opportunities, it provides sufficient spots at school and appropriate equipment in public schools. School is a learning and living space and is designed accordingly. The City of Munich supports all-day education in its own facilities. The City of Munich is committed to gender equality, integration, and inclusion in the field of education. The City of Munich opens up and guarantees access to educational opportunities, especially for migrants.

## 2.2 Ecological Sustainability

Since 1989, the City of Munich has been actively pursuing environmental and climate protection with numerous programmes and initiatives. In March 2001, the city council adopted basic goals for the protection of natural resources such as soil, water and air, for the conservation of species-rich flora and fauna, and for the conservation of energy and for noise protection in its technical guideline "Ecology"<sup>11</sup>. Since then, the technical guideline, with its formulated objectives and strategies, has been supplemented and updated with the focus on climate change and climate protection in March 2012<sup>12</sup>, as a citywide guideline for the ecologically sustainable administrative action of the city. In order to meet current developments in the field of ecological sustainability, the extension of the ecological guideline was started in 2023.

With its biodiversity strategy<sup>13</sup>, the City Council of Munich sets out fundamental, long-term goals for the conservation of biological diversity and indicates ways in which these can best be integrated into sustainable urban development.

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<sup>10</sup> <https://stadt.muenchen.de/infos/schulbau-kitabau.html>

<sup>11</sup> <https://risi.muenchen.de/risi/sitzungsvorlage/detail/37467>

<sup>12</sup> <https://risi.muenchen.de/risi/sitzungsvorlage/detail/2463966>

<sup>13</sup> <https://stadt.muenchen.de/infos/muenchen-biodiversitaet.html>



On the site of the former Prinz Eugen barracks, a new neighborhood with approximately 1,800 flats have been created, nearly 600 of which are part of an ecological model housing estate.

The “Special Programme for Climate Protection 2021”<sup>14</sup> (“Sonderprogramm Klimaschutz 2021”) and the “Principle Decisions I - III for a climate-neutral Munich” (“Grundsatzbeschlüsse I - III für ein klimaneutrales München”) will set further course for achieving the city’s climate targets.

In 2021, the City of Munich was the first German municipality to create a binding framework for climate-friendly action with a municipal climate protection-guideline. With the establishment of a Climate Council, the City of Munich is closely involving civil society as a critical and constructive companion to the Munich Climate Strategy (Principle Decision I<sup>15</sup>).

In Principle Decision II<sup>16</sup>, the key results from the action plan<sup>17</sup> developed in the context of the expert report “Climate-neutral Munich 2035”<sup>18</sup> (“Klimaneutrales München 2035”) were presented. From this, strategic goals and priorities in five areas of action and three other fields of action were set. Based on the findings of

<sup>14</sup> <https://risi.muenchen.de/risi/sitzungsvorlage/detail/6683149>

<sup>15</sup> <https://risi.muenchen.de/risi/sitzungsvorlage/detail/6624427?dokument=v6668464>

<sup>16</sup> <https://risi.muenchen.de/risi/sitzungsvorlage/detail/6895803?dokument=v6934386>

<sup>17</sup> <https://risi.muenchen.de/risi/dokument/v/6934326>

<sup>18</sup> <https://risi.muenchen.de/risi/sitzungsvorlage/detail/7303710?dokument=v7337573>

the expert opinion, a total of 68 individual measures were launched from the following areas and fields of action:

- Heat, cold, electricity
- Mobility
- Climate adaptation
- Economics
- Lifestyles & Education
- Municipal administration
- Monitoring & Accounting
- Overarching measures

In 2022, the Munich City Council decided, with the resolution "Munich on the Way to a Circular City"<sup>19</sup>, to commission the creation of a Circular Economy Coordination Centre. Its task is to develop a comprehensive circular economy strategy for Munich, encompassing all areas of urban society and enabling a shift from a linear throwaway society to a circular economy.

## **2.3 Rationale for the Issuance of Sustainable Financing Instruments**

As a financial market participant, the City of Munich has been working on the topic of sustainable finance for many years. As one of the first municipalities in Germany, it laid the foundation for sustainable investments back in 2007 and supplemented its investment strategy with sustainability criteria.

In 2020, the City of Munich became the first European Metropolitan municipality to issue a social financing instrument in form of a social bond and thus took a pioneering position in sustainable municipal bond issuances. The issuer regards sustainable (re-) financing opportunities as an important tool in the transition to a more sustainable economy. In doing so, it aims to make its contribution to an accelerated shift of capital investments into sustainable investments. The City of Munich therefore also wants to respond to the increased need of investors to invest into sustainable financial assets. As the market for sustainable financing continues to evolve, the City of Munich intends to make future updates of this framework available to account for changes in investor expectations, best market practices and regulatory developments.

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<sup>19</sup> <https://risi.muenchen.de/risi/sitzungsvorlage/detail/7366212>

# 3. Sustainable Finance Framework

In 2020, the City of Munich created a “Social Bond Framework”<sup>20</sup>. This framework has been updated accordingly to allow for the issuance of other sustainable financial instruments (e.g. bonds, notes, loans and similar instruments). The proceeds of the issuance are allocated to corresponding eligible social and / or green expenditures.

Expenditures under this framework are labelled as “social” if the proceeds are allocated to expenditures with social benefits, “green” for expenditures with environmental and climate benefits, and “sustainable” for expenditures being a combination of both.

The City of Munich has developed this framework in accordance with voluntary guidelines that promote the integrity of the market for sustainable financing and encourage transparency and disclosure by issuers of such instruments:

- Green Bond Principles 2021 (“GBP”), Social Bond Principles 2023 (“SBP”), und Sustainability Bond Guidelines 2021 (“SBG”) of the International Capital Markets Association (“ICMA”)<sup>21</sup>
- Green Loan Principles 2023 (“GLP”) und Social Loan Principles 2023 (“SLP”) der Loan Market Association (“LMA”)<sup>22</sup>

The framework consists of the following components:

- (1) Use of Proceeds
- (2) Process for Project Evaluation and Selection
- (3) Management of Proceeds
- (4) Reporting
- (5) External Reviews and Verification

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<sup>20</sup> [https://stadt.muenchen.de/dam/jcr:5be86fee-65bc-47c3-a393-f7e515d0f2d3/rahmenwerk\\_stadtanleihe.pdf](https://stadt.muenchen.de/dam/jcr:5be86fee-65bc-47c3-a393-f7e515d0f2d3/rahmenwerk_stadtanleihe.pdf)

<sup>21</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>22</sup> <https://www.lma.eu.com/sustainable-lending/resources>

The City of Munich is committed to further strengthen Germany's sustainable finance market. In the formulation of this framework, aspects of the EU Taxonomy are included to also take the EU environmental objectives into account.

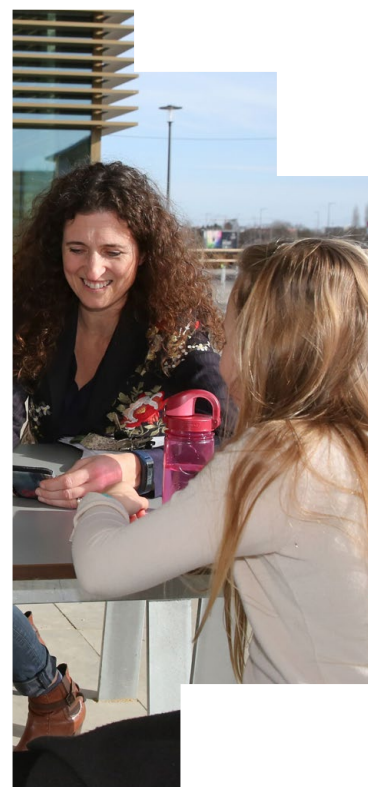
The issuer will closely monitor the further development of the ICMA principles, the EU Taxonomy for sustainable finance and the European Green Bond Standard and will take them appropriately into account in future developments of the Sustainable Finance Framework.

### 3.1 Use of Proceeds




The City of Munich will allocate an amount corresponding to the net proceeds of sustainable financing under this framework exclusively to expenditures that provide a clear environmental and / or social benefit.






The school construction initiative from 2013 to 2030 sets nationwide standards in Germany. The Freiham educational campus includes a primary school, a special needs centre, a campus centre with a cafeteria, library, creative areas, and a secondary school.



### 3.1.1 Eligible Social Expenditures





Social Bond Principles (ICMA) Categories	Description of Eligible Social Expenditures and Examples	UN SDGs	Target groups
<p><b>Affordable Housing</b></p>	<p><b>Expenditure for the expansion, preservation and promotion of affordable, high-quality and sustainable housing</b></p> <p><b>Examples of eligible social projects:</b>            Action program "Housing in Munich (WiM)"<sup>23</sup>: (Definition of a strategic framework for housing supply and securing housing with the aim of implementing the urban development concept Perspective Munich)</p> <ul style="list-style-type: none"> <li>» Expenditure for the four areas of action: Target group-oriented housing, land policy and new construction, securing and promoting existing housing stock, climate protection and quality                e.g. Creating affordable housing for target groups, purchasing occupancy rights, creating barrier-free living space</li> </ul> <p>Composition of the resident population, protection against displacement:</p> <ul style="list-style-type: none"> <li>» Exercise of pre-emptive rights or purchase of housing stock by private treaty, e.g. in conservation areas (so-called "milieu protection")</li> <li>» Protection against luxury refurbishment, conversion of rental apartments into owner-occupied apartments, rent and occupancy restrictions</li> </ul> <p>Concept "Global Plan IV" of the Social Affairs Unit/ Department for Living and Migration ("Handlungskonzept Gesamtplan IV, Sozialreferat/Amt für Wohnen und Migration"):</p> <ul style="list-style-type: none"> <li>» Expansion and standardisation of emergency accommodation and emergency shelters for overnight protection</li> <li>» Measures to get people into housing and help people keep their homes</li> <li>» Continuation and development of existing housing for target groups of the Social Affairs Unit</li> <li>» Expanding and maintaining the capacity of accommodation facilities for refugees</li> </ul>	  	<ul style="list-style-type: none"> <li>» lower- and middle-income groups</li> <li>» homeless people</li> <li>» young adults</li> <li>» small households</li> <li>» family households with children</li> <li>» elderly people</li> <li>» people with care needs and disabilities</li> <li>» refugees</li> </ul>

<sup>23</sup> <https://stadt.muenchen.de/infos/wohnungsbaupolitik-stadt-muenchen.html>


Social Bond Principles (ICMA) Categories	Description of Eligible Social Expenditures and Examples	UN SDGs	Target groups
<p>Access to Essential Services</p> <p><b>(Education Infrastructure)</b></p>	<p><b>Expenditure for schools, daycare centres , sports facilities and other educational and childcare facilities.</b></p> <p><b>Examples of eligible social projects:</b></p> <p>Expansion of the city’s education infrastructure. In 2014, the Munich City Council approved the school construction initiative (“Bildungsbauoffensive”)<sup>24</sup></p> <ul style="list-style-type: none"> <li>» New construction, expansion, and renovation of schools</li> <li>» New construction, expansion, and renovation of daycare centres for the expansion of childcare places</li> <li>» New construction, expansion and renovation of sports halls and sports facilities</li> </ul>	  	<ul style="list-style-type: none"> <li>» Pupils</li> <li>» Family households with children and young people</li> </ul>

<sup>24</sup> <https://stadt.muenchen.de/infos/schulbau-kitabau.html>

### 3.1.2 Eligible Green Expenditures

Green Bond Principles (ICMA) Categories	Description of Eligible Green Expenditures and Examples	UN SDGs	EU Environmental goal
<b>Renewable Energy</b>	<p><b>Expenditure for the construction and promotion of renewable energy installation</b></p> <p><b>Examples of eligible green projects:</b></p> <ul style="list-style-type: none"> <li>» Photovoltaic systems (municipal buildings)</li> <li>» Funding objects from the funding program for climate-neutral buildings, e.g. photovoltaics, heat pumps, solar collector systems</li> </ul>	 	<p>Climate protection</p> <p>Protection goal:</p> <p>To contribute substantially to stabilizing greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals and storage, including through process or product innovation, in accordance with the long-term temperature goal of the Paris Agreement.</p>
<b>Clean Transportation</b>	<p><b>Expenditure on improving and promoting sustainable and environmentally friendly transportation systems and reducing the CO2 intensity / emissions of vehicles</b></p> <p><b>Examples of eligible green projects:</b></p> <ul style="list-style-type: none"> <li>» Expansion and improvement of infrastructure for cyclists and pedestrians</li> <li>» Expansion, modernisation and maintenance of local public transport (e.g. subway networks, streetcar networks)</li> <li>» Electrification of bus services (electric buses and infrastructure e.g. charging stations, upgrading bus stations etc.)</li> <li>» Conversion of municipal vehicle fleets to climate-neutral drives</li> <li>» Funding objects from the funding program for climate-neutral drives e.g. cargo pedelecs, electric vehicles, charging infrastructure</li> <li>» Funding program for E-taxis</li> </ul>	 	



Green Bond Principles (ICMA) Categories	Description of Eligible Green Expenditures and Examples	UN SDGs	EU Environmental goal
<b>Green Buildings</b>	<p><b>Expenditure on buildings (e.g. administrative buildings, schools, daycare centres and other accommodation facilities, building support programs)</b></p> <p><b>Examples of eligible green projects:</b></p> <ul style="list-style-type: none"> <li>» City-owned buildings constructed after December 31, 2020<sup>25</sup>: Buildings with primary energy demand being at least 10 % lower than the threshold set for the nearly zero-energy building standard (NZEB)<sup>26</sup>. Based on the “Energy Performance of Buildings Directive (EPBD)”, the nearly zero-energy building standard was implemented in the requirements of the GEG 2020 (Building Energy Act)<sup>27</sup>.</li> <li>» City-owned buildings constructed before December 31, 2020<sup>28</sup>: Buildings with a primary energy performance of at least 10 % below the legal requirements applicable at the time of the building application (EnEV 2016 or GEG 2020)<sup>29</sup>.</li> </ul>	 	

<sup>25</sup> Date of application of Building Permit

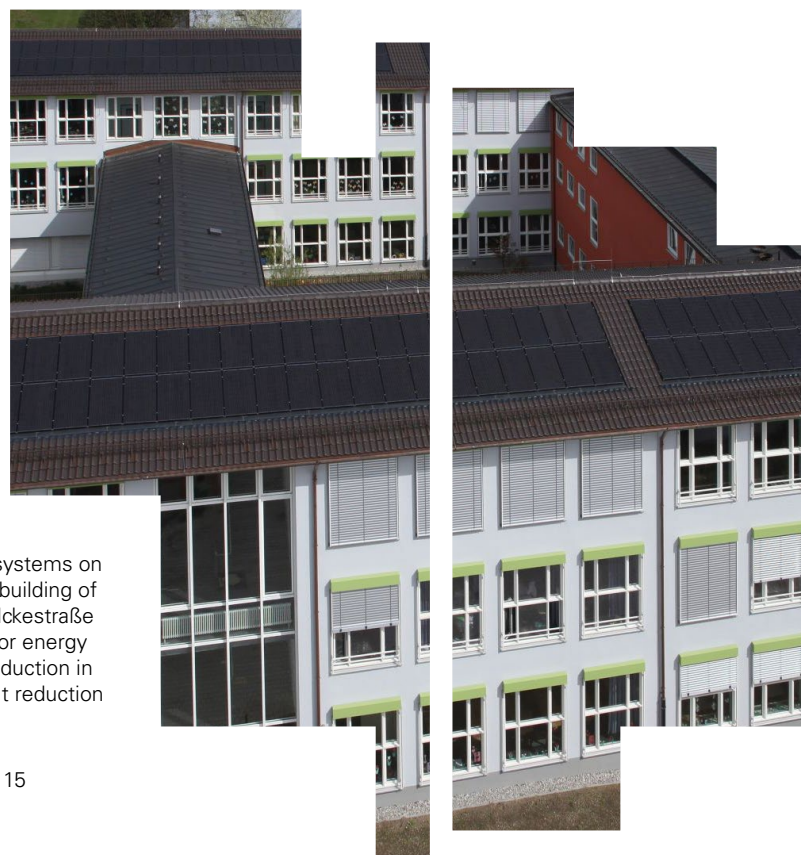
<sup>26</sup> Corresponds to Efficiency GEG 2020 (before 01.01.2023) and an efficiency building value = EG 65 according to GEG 2020 (from 01.01.2023) an efficiency building value = EG 45

<sup>27</sup> In addition, the following additional sustainability criteria may apply: (i) New buildings are constructed taking into account ecological criteria (e.g. timber construction, increased use of renewable, recycled or reused materials) and taking the entire life cycle into account, and (ii) New buildings contain measures for climate adaptation and improvement of the microclimate such as facade and/or roof greening

<sup>28</sup> Date of application of Building Permit

<sup>29</sup> The Verband deutscher Pfandbriefbanken (VDP) and the consulting firm Drees & Sommer conducted an analysis in October 2023 to establish evaluation criteria for selecting properties that belong to the top 15 % of the most energy-efficient real estate in Germany. Regarding primary energy demand, office and retail properties complying with the EnEV 2009 are considered part of the top 15 % within existing nationwide building stock. This analysis does not cover school and daycare buildings.

Green Bond Principles (ICMA) Categories	Description of Eligible Green Expenditures and Examples	UN SDGs	EU Environmental goal
	<ul style="list-style-type: none"> <li>» Renovation of existing city-owned buildings               <ul style="list-style-type: none"> <li>- Building refurbishment complies with the applicable requirements for major refurbishments as defined in the Energy Performance of Buildings Directive (EPBD), based on the cost-optimal level defined in the EnEV 2016.</li> <li>- Holistic refurbishment measure leads to a relative improvement in the primary energy demand of the existing building by at least 30 % compared to the primary energy demand before the refurbishment.</li> </ul> </li> <li>» Funding objects from the climate-neutral buildings funding program, e.g. passive house standard, energy standards in new or existing buildings</li> <li>» Subsidy programs for timber housing construction in Munich (e.g. subsidy program for ecological model housing estate in Prinz-Eugen-Park, subsidy program for the use of renewable raw materials in rental housing in timber construction or timber hybrid construction)</li> </ul>		



The number of planned photovoltaic systems on municipal roofs is to be doubled. The building of the primary and special school at Paulckestraße 10 has been completely refurbished for energy efficiency, resulting in a 40 percent reduction in energy requirements and a 30 percent reduction in electricity consumption.

## **3.2 Process for Project Evaluation and Selection**

The process for project evaluation and selection ensures that the net proceeds from sustainable financing are allocated exclusively to the projects described in sections 3.1.1 and 3.1.2.

The following evaluation criteria were defined:

### **Sustainability criteria:**

- The social and green expenditures must be attributable to an ICMA project category.
- It is possible to qualitatively describe and also quantify the sustainability impact of eligible projects at the level of the ICMA project categories.
- Eligible projects contribute to at least one of the UN Sustainable Development Goals.
- The sustainable expenditures are aligned with the sustainability concepts of the City of Munich.

### **Budget criteria:**

- Appropriate social and / or green expenditures are allocated to the net proceeds received from sustainable financing, taking into account the principle of overall budget coverage. The cash outflows can be quantified as part of the respective annual financial statements.
- These are disbursements for investments and investment promotion measures.
- Only net expenditures from the state budget of the City of Munich are taken into account. Third-party funds (e.g. subsidies from the state, federal government, EU) or subsidized loans used for (partial) financing are excluded.
- Investment outflows for suitable social and green projects are only allocated once to sustainable financing; double counting is excluded.

Selection process:

The mayor issues the General Business Instructions of the City of Munich (GBIM) to establish a uniform framework for basic administrative procedures within the administration of the City of Munich.

The GBIM applies to the entire city administration, including the municipal enterprises. In accordance with the allocation of responsibilities and the task structure plan of the City of Munich, the responsibility for credit and interest rate management lies with the Debt Management Department of the City Treasurer's Office. As part of debt portfolio management, the (re-)financing of the municipal budget and the municipal enterprises is carried out using suitable debt financing instruments.

The "Sustainable Finance" project group ("Nachhaltige Finanzierungen") consisting of the head of financial management department ("Abteilungsleitung Finanzmanagement"), the head of financial investments and debt management division ("Sachgebietsleitung Finanzanlagen- und Schuldenmanagement") and debt management officers ("Sachbearbeiter\*innen des Schuldenmanagements") was established in the Debt Management department ("Fachbereich Schuldenmanagement"). It is responsible for the following activities:

- Creation and further development of the framework for sustainable financing (including obtaining a second party opinion)
- Identifying suitable social and green expenditure based on the defined criteria
- Preparation of allocation and impact reports
- Documentation of the project evaluation and selection process and the allocation of net proceeds from sustainable financing to appropriate social and green expenditures

This is carried out with the involvement and cooperation of the following departments within the City Treasurer's Office:

- Office of the Head of Department of the City Treasurer's Office ("Büro der Referatsleitung der Stadtkämmerei")
- Budget Department, Central Accounting (investment planning and controlling, grants, financial equalisation, annual budget management, accounting) ("Fachbereich Haushalt, zentrales Rechnungswesen")

Depending on the focus of the project, representatives from other specialist departments, municipal enterprises or municipal companies are consulted (e.g. Social Department, Building Department, Department for Climate and Environmental Protection, Mobility Department, Department for Education and Sport, Department for Urban Planning and Building Regulation, Stadtwerke München GmbH, Münchner Wohnen GmbH, etc.). In addition, topic-related working groups are established and involved (e.g. climate protection / finance working group).

The specific project selection is determined by the "Sustainable Finance" project group in a multi-stage selection and coordination process. The suitability in terms of use of funds, amount of funds invested, contractual commitments, third-party funds received, etc. are examined and agreed upon. The project selection is sub-

mitted to the head of the city treasury department for approval. An exchange on the suitability of projects and the design of the framework for sustainable financing takes place regularly with the involvement of the head of the City Treasurer's Department.

The City of Munich is bound to comply with national legislation as well as international principles and conventions that require a minimum standard of environmental protection and social norms as part of the administration's legal obligation under Article 20 (3) of the German Basic Law. These principles are taken into account when budget expenditures are made. The project and selection process described in this framework is subject to the internal specifications and guidelines of the City of Munich. This means that the City of Munich's Audit Office can carry out internal assessments. The Audit Office operates exclusively internally and acts as an expert consultant to the City Council. In performing its tasks, it is autonomous and subject only to the law (Art. 104 Para. 2 of the Municipal Code for the Free State of Bavaria (GO)).

### **3.3 Management of Proceeds**

The City of Munich will present the use of proceeds in a comprehensible and transparent manner. Internally, all projects are given a clear allocation criterion on which the allocated expenditure can be booked and tracked. The use and tracking of funds are based on the budget and the corresponding outflow of funds for the appropriate social and green expenditures. In accordance with Section 18 of KommHV-Doppik, the principle of total coverage applies, according to which all income serves to cover all expenses and all incoming payments serve to cover all outgoing payments. The allocation of proceeds to suitable social and green projects is carried out by the "Sustainable Finance" project group and recorded in an internal tabular overview. This takes into account suitable social and/or green expenditures that were incurred in the three financial years before, in the current financial year of the issue and up to a maximum of one financial year after the year of issue.

Proceeds from sustainable financing instruments that have not yet been allocated are managed by the City Treasury's liquidity management until the funds have been fully utilized in accordance with the requirements of the City of Munich's general liquidity management. The City of Munich undertakes to disclose this as part of its reporting.

Reporting takes place annually until proceeds are fully allocated, and on an ad hoc basis if significant changes occur. Proceeds are managed individually for each sustainable financing instrument, although disclosure can also be made in a joint report.

Full allocation of the proceeds takes place no later than two financial years after the issue. If the suitable projects to which the proceeds are allocated are not realized or no longer meet the requirements of this framework, the issuer will allocate proceeds to other suitable expenditures for these issues as soon as possible, but at the latest by the maturity of the respective sustainable financing instrument.

### **3.4 Reporting**

The City of Munich is fully committed to report transparently every year on all sustainable financing instruments issued under this framework until the proceeds are fully allocated. Responsibility for reporting lies with the “Sustainable Finance” project group in the City Treasury’s debt management department.

In the future, the reports will be available to investors and the interested public on the city’s website no later than the following financial year after the issue. Where possible, the underlying methods and / or assumptions used will be disclosed. Before that, other parties involved, e.g. specialist departments, municipal enterprises or municipal companies, provide information and data required to determine the necessary disclosures. The requirements of the ICMA manual “Harmonized Framework for Impact reporting” are taken into account in reporting<sup>30</sup>.

#### **3.4.1 Allocation report**

As part of the reporting, the allocation report provides information on the allocation of the net proceeds to the appropriate social and green expenditures. It contains the following information:

- Description of the projects
- Amount of sustainable financing
- Amount of allocated and unallocated amounts of issue proceeds
- Share of refinancing

#### **3.4.2 Impact report**

Measurable impacts are evaluated and published as part of the reporting. The impact reporting contains relevant impact indicators and / or performance indicators on an aggregated basis per ICMA category, depending on the type of project or type of output. The impact report can be valid for several years and updated as necessary.

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<sup>30</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf>

The following information may be included in the impact report (examples):

ICMA Category	Examples of impact indicators
Affordable housing	<ul style="list-style-type: none"> <li>» Number of apartments or living space affected</li> <li>» Number of residents</li> <li>» Rent level compared to a comparable rent index</li> <li>» Number of new lettings</li> <li>» Number of subsidized apartments</li> <li>» Number of occupancy commitments</li> </ul>
Access to Essential Services (Education Infrastructure)	<ul style="list-style-type: none"> <li>» Number of schools, daycare centres and other facilities</li> <li>» Number of pupils, children cared for</li> <li>» Usable space created in sqm</li> <li>» Types of school and type of childcare</li> <li>» Proportion of all-day care</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>» (Expected) reduction or avoidance of CO2 emissions</li> <li>» Number of photovoltaic systems (municipal buildings)</li> <li>» (Planned) output of photovoltaic systems</li> <li>» Number of subsidy program applications paid out</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>» (Expected) reduction or avoidance of CO2 emissions</li> <li>» Number of electric vehicles purchased</li> <li>» Number of (planned) passengers using new environmentally friendly means of transport</li> <li>» Number of measures for the construction and expansion of cycle paths</li> <li>» Number of applications paid out for funding programs</li> </ul>
Green Buildings	<ul style="list-style-type: none"> <li>» (Expected) reduction or avoidance of CO2 emissions</li> <li>» Overview of new buildings, number of areas (m<sup>2</sup>)</li> <li>» Overview of refurbishment of existing buildings, number, area (m<sup>2</sup>)</li> <li>» Primary energy demand in kWh/m<sup>2</sup></li> <li>» Avoidance or reduction of primary energy demand in kWh/m<sup>2</sup></li> <li>» Number of subsidy program applications paid out</li> </ul>

### 3.5 External Review and Verification

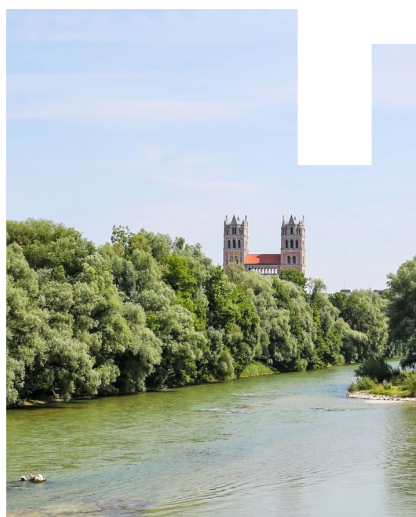
The City of Munich has set itself the goal of observing the highest standards in the external review of the framework. A two-step approach has been developed, comprising the following steps:

#### 3.5.1 Second Party Opinion (SPO)

The City of Munich has appointed imug rating GmbH as an independent institution for the verification of the framework for its sustainable character and compliance with the ICMA and LMA principles. The results are set out in a second party opinion (SPO) in addition to this framework. The SPO for the Sustainable Finance Framework of the City of Munich is published on the website: [www.muenchen.de/green-bond](http://www.muenchen.de/green-bond).

#### 3.5.2 Post Issuance Independent Verification

The City of Munich intends to have the reporting listed under point 3.4 verified by an independent institution in future and to publish this verification of the reporting on the website ([www.muenchen.de/green-bond](http://www.muenchen.de/green-bond)).



The Isar steps with view on the river island, which is turning into a refuge for animals and flora and fauna, have emerged as a popular spot to spend time by the water following the natural redesign of the Isar.



## **Legal Information:**

The framework for sustainable financing provided by the City of Munich is for information purposes only. The information contained in this Framework is based on own data and carefully selected sources that are considered reliable, but the accuracy, completeness and timeliness of these sources cannot be guaranteed. The SPO is not part of this framework and should not be seen as such.

This framework shall not constitute a contract or any other agreement and shall not be based on a contract or any other agreement. The framework is not an offer or invitation to sell or an invitation to submit an offer to take over, subscribe to or otherwise acquire sustainable financing or other securities of the City of Munich and is not to be understood as such.

The framework is not an investment recommendation. It does not serve as a basis for investment decisions. Investors must make their own independent investment decisions.

The City of Munich assigns the proceeds from the sustainable financing to appropriate social and / or green expenditures, taking into account the principle of overall budget coverage. There can be no guarantee that the impact or results that were originally expected will be achieved and that the use of the proceeds from sustainable financing for appropriate social and/or green expenditure will meet the investors' requirements for investment criteria or policies in whole or in part.

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