

FRAMEWORK EXTERNAL REVIEW

SUSTAINABLE FINANCE FRAMEWORK

Berlin Hyp AG
12 March 2025

VERIFICATION PARAMETERS

- | | |
|-----------------------|---|
| Covered Instruments | <ul style="list-style-type: none">Green and social loans |
| Type of Framework | <ul style="list-style-type: none">Sustainable Finance Framework |
| Scope of verification | <ul style="list-style-type: none">Berlin Hyp AG's Sustainable Finance Framework (as of Feb. 25, 2025)Berlin Hyp AG's sustainable finance classification system (as of Feb. 25, 2025) |
| Validity | <ul style="list-style-type: none">Valid as long as the Framework remains unchanged |

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SCOPE OF WORK

Berlin Hyp AG (“Berlin Hyp” or “the Bank”) commissioned ISS-Corporate to assist with its Sustainable Finance Framework (“SFF” or “the Framework”) by assessing four core elements to determine the quality of its classification system¹ for identifying sustainable financing activities and the sustainability quality of the eligibility criteria:

1. Berlin Hyp’s Sustainable Finance Framework, benchmarked against market practices and guidelines² for capital and loan market approaches to environmental and social sustainability (see Annex 1).
2. Berlin Hyp’s sustainable finance classification system — the soundness of the eligibility parameters for identifying eligible sustainable financing activities (see Annex 1).
3. ESG risk management — an assessment of Berlin Hyp’s overarching risk management procedures considered relevant in the context of the Bank’s sustainable finance activities and the underlying Framework (see Annex 1).
4. Consistency of the Sustainable Finance Framework with Berlin Hyp’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Bank.

¹ The methodology of external reviews provided for sustainable financing, lending and investment strategies has been developed based on our expertise in assessing a range of sustainable finance-related instruments and frameworks. In general, these types of external reviews are not to be treated as a pass or fail assessment of the sustainability quality of sustainable financing, lending or investment strategies but rather as an overall assessment. Thus, obtaining an external review of an overarching financing framework does not imply a detailed assessment of the sustainability quality of each underlying transaction. A qualitative assessment of sampled eligible ESG products is not in the scope of the verification procedures.

² The assessment is based on current market practices for sustainable capital and loan markets, referring to different market standards and voluntary guidelines including but not limited to the International Capital Market Association’s [Green Bond Principles](#), [Social Bond Principles](#) and [Sustainability Bond Guidelines](#); the Loan Market Association’s [Green Loan Principles](#) and [Social Loan Principles](#); UNEP FI’s [Principles for Responsible Banking](#); the [Climate Bonds Standard Version 4.0](#); and the European Banking Authority’s [guidelines](#) with respect to environmentally sustainable lending.

BERLIN HYP OVERVIEW

Berlin Hyp AG provides real estate financing and banking services. The Bank offers financing solutions to professional investors and housing societies. Its products include syndicate business, real estate debentures, real estate evaluation and mortgages. The Bank was founded in 1868 and is headquartered in Berlin.

ESG risks associated with Berlin Hyp AG's industry

Berlin Hyp AG is classified in the mortgage and public sector finance industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies³ in this industry are sustainability impacts of lending and other financial services/products, customer and product responsibility, customer and product responsibility, statutory ESG standards linked to the geographical allocation of the financing portfolio, and employee relations and work environment.

This report focuses on the sustainability credentials of the classification system. Part IV of this report assesses the consistency between the Framework and the Bank's overall sustainability strategy.

³ Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

| SECTION | SUMMARY EVALUATION ⁴ |
|---|--|
| <p>Part I:</p> <p>Review of Berlin Hyp's Sustainable Finance Framework</p> | <p>The Sustainable Finance Framework partially reflects market practices. The scope of the Framework includes all of Berlin Hyp's business operations and locations. Where feasible, the Framework may be further improved by:</p> <ul style="list-style-type: none"> ▪ <i>Disclosing the sustainable financing target in value</i> ▪ <i>Defining the social target and the associated action plan/strategy/tools</i> <ol style="list-style-type: none"> 1. Objectives, targets and progress: The Bank clearly disclosed the purpose of its sustainable finance framework. 2. Definition of sustainable financing activities: Berlin Hyp set forth a formal methodology for defining and classifying financing as sustainable and proposes clear parameters under its Framework. 3. Evaluation and selection process: Internal procedures defined for selection and evaluation are appropriately documented and transparent. Responsibilities and accountabilities are defined, and duties are segregated. Additionally, the Bank implemented a process to identify and mitigate risks of negative environmental and/or social impacts. 4. Governance and monitoring: The Bank tracks the sustainable financing transactions appropriately. The monitoring is carried out annually for the eligible asset pool. 5. Reporting: Relevant reporting is conducted frequently and made publicly available. |
| <p>Part II:</p> <p>Assessment of Berlin Hyp's sustainable finance classification system</p> | <p>The Bank's sustainable finance classification system reflects market practice.</p> |
| <p>Part III:</p> | <p>ESG risks relevant in the context of the Bank's sustainable financing activities are considered to be managed.</p> |

⁴ The evaluation is based on Berlin Hyp's Sustainable Finance Framework (Feb. 25, 2025, version), on the analyzed selection criteria as received on Feb. 25, 2025.

| SECTION | SUMMARY EVALUATION ⁴ |
|---|---|
| <p>Assessment of Berlin Hyp’s ESG risk management</p> | <p>Berlin Hyp defined an ESG risk assessment process based on an ESG checklist and an ESG scoring system, applicable to its sustainable financing activities. Sectoral exposures are considered. The Bank has guidelines in place to address the main ESG risks faced by its sector. The Bank measures its financed emissions in line with the Partnership for Carbon Accounting Financials (PCAF) methodology. The Bank does not provide financing to fossil fuel-based projects. The Bank implemented several exclusion criteria applicable at the Group level.</p> |
| <p>Part IV:</p> <p>Consistency of the Sustainable Finance Framework with Berlin Hyp’s sustainability strategy</p> | <p>The Sustainable Finance Framework is consistent with the Group’s sustainability strategy.</p> <p>The Sustainable Finance Framework is considered consistent with the Bank’s sustainability strategy. Berlin Hyp describes the rationale for developing a Sustainable Finance Framework.</p> |

FRAMEWORK EXTERNAL REVIEW ASSESSMENT

PART I: REVIEW OF BERLIN HYP'S SUSTAINABLE FINANCE FRAMEWORK

In its Sustainable Finance Framework, Berlin Hyp defines its methodology for the classification of eligible financing transactions as sustainable for the purpose of tracking and disclosing the performance against its sustainable finance targets.

This External Review assesses the Framework against current market practices for sustainable capital and loan markets derived from market standards and established guidelines. The assessment focuses on key principles for transparency, public disclosure and non-contamination of sustainable-labeled products, set out in, among other standards, the Loan Market Association's Green Loan Principles and Social Loan Principles and the TEG final report on the EU taxonomy and technical annex for ESG factor integration in equity and fixed income.

| CRITERIA | SUMMARY AND OPINION |
|---|---|
| <p>1. Objectives, targets and progress</p> | <p>Berlin Hyp's Sustainable Finance Framework is used as a tool to provide the methodology to earmark sustainable capital market products that generate positive environmental and social benefits. The Framework and targets cover all the Bank's business operations, instruments and locations.⁵</p> <p>By following the Carbon Risk Real Estate Monitor trajectory, Berlin Hyp aims to reduce emissions by 40% by 2030 from the base year of 2020, supporting its customers in the transformation into more energy-efficient, sustainable buildings. In addition to the ecological goals, Berlin Hyp aims to support low-income households with the targeted promotion of affordable housing.⁶</p> <p>In line with this strategy, the Bank set its sustainable financing target for certified green buildings to account for at least one-third of its loan portfolio by 2025. The social financing target is not yet defined. In 2024, the amount dedicated to green financing was EUR 10.995 million, corresponding to a 41% share of the total loan portfolio, while the social financing was EUR 3.056 million, corresponding to an 11% share of the total loan portfolio (34% for residential asset class).⁷</p> <p>Berlin Hyp is a member of several German and international organizations in the real estate sector,⁸ including the Climate Bonds Initiative, the German Sustainable Building Council, the German Savings Bank Association, the</p> |

⁵ The Bank's business area is commercial real estate financing, operating in Germany and the Netherlands.

⁶ Further information on Berlin Hyp's sustainability strategy and ESG goals is available in Part IV of this document.

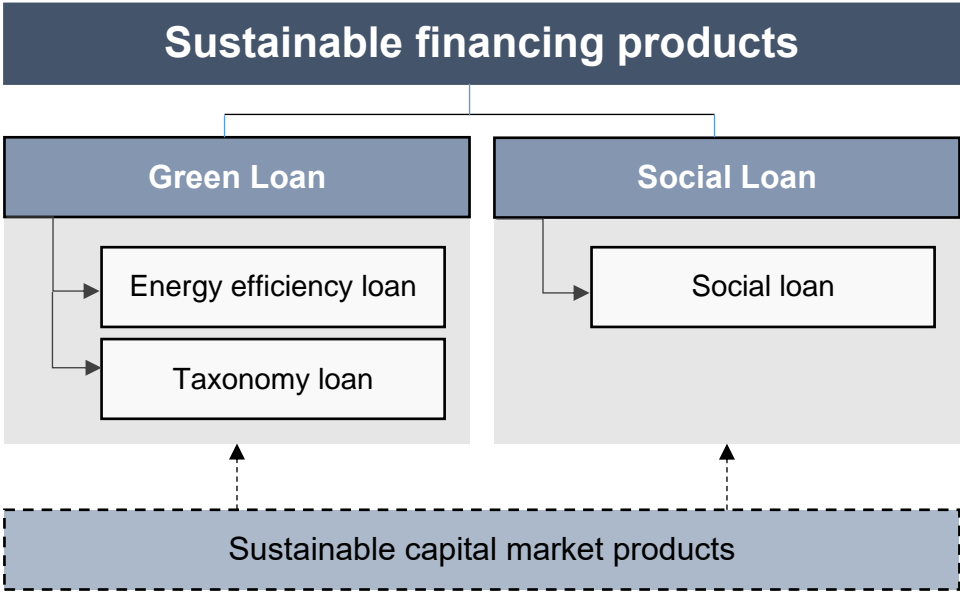
⁷ The Bank publishes green and social financing figures in its ESG Bond Report annually. Berlin Hyp shared these figures with ISS-Corporate and informed that these figures will be presented in the upcoming ESG Bond Report.

⁸ As outlined on Page 87 of Berlin Hyp's [Annual Report 2023](#).

| CRITERIA | SUMMARY AND OPINION |
|---|---|
| | <p>Chamber of Industry and Commerce, the Climate Initiative, the Urban Land Institute, the United Nations Environment Programme Finance Initiative (UNEP FI), the United Nations Global Compact, and the German Association of Environmental Management and Sustainability in Financial Institutions. Moreover, the Bank is committed to the OECD Guidelines, the U.N. Sustainable Development Goals, the EU taxonomy and the principles defined by the German Property Federation.⁹¹⁰</p> <p>Opinion: <i>The Bank clearly disclosed the purpose of its Sustainable Finance Framework. Berlin Hyp is a member of various industry associations and has committed to disclosing long-term and intermediate targets to support meeting the temperature goals of the Paris Agreement. In addition, it regularly reviews targets to ensure consistency with current climate science, the EU taxonomy and the Climate Bonds Taxonomy.</i></p> <p><i>Where feasible, the Framework may be further improved by:</i></p> <ul style="list-style-type: none"> ▪ <i>Disclosing the sustainable financing target in value</i> ▪ <i>Defining the social target in value, percentage of total financing portfolio and timeframe</i> ▪ <i>Listing the action plan/strategy/tools to reach the social target</i> |
| <p>2. Definition of sustainable financing activities</p> | <p>Under Berlin Hyp’s Sustainable Finance Framework, sustainable finance includes green and social loans and refers to lending of expenditures tied to a specific purpose.</p> <p>Berlin Hyp bases its definition of sustainable financing on established national and international standards, frameworks and principles. These include the Loan Market Association’s Green Loan Principles and Social Loan Principles, and the EU taxonomy’s technical screening criteria when defining its dedicated purpose financing eligibility criteria.</p> <p>Eligible types of financing</p> <p>For tracking and disclosing its performance against its public targets, Berlin Hyp’s Sustainable Finance Framework sets out dedicated purpose financing as the eligible sustainable financing. For this type of financing, the use of proceeds satisfies either the green or social eligibility criteria.</p> <p>In addition to the above requirements, lending will not be eligible as sustainable financing for the purpose of its targets if (i) the sector of the</p> |

⁹ As outlined in Berlin Hyp’s [Sustainability Guideline](#).

¹⁰ [Principles defined by the German Property Federation](#).

| CRITERIA | SUMMARY AND OPINION | | | |
|----------|---|----------|-------------|----------|
| | <p>corporate client is excluded from Berlin Hyp’s Sustainability Guideline,¹¹ or (ii) the transactions are not in conformity with Berlin Hyp’s climate agreements¹² and/or involve other increased sustainability risks.¹³</p> <p>Classification of sustainable financing</p>  <p style="text-align: center;"><i>Figure 1. Berlin Hyp's classification system</i></p> <p>Instrument scope</p> <p>The Framework applies to all of Berlin Hyp’s operations and its business area, commercial real estate financing, including new facilities and relending of existing facilities. For its green and social financing, the Bank provides a list of products originated and managed in different business units.¹⁴ All the Bank’s operations are located in Germany and the Netherlands. All products must meet Berlin Hyp’s exclusion criteria. The product offering includes:</p> <table border="1" data-bbox="411 1570 1362 1632"> <thead> <tr> <th data-bbox="411 1570 667 1632">PRODUCT</th> <th data-bbox="671 1570 927 1632">DESCRIPTION</th> <th data-bbox="932 1570 1362 1632">CRITERIA</th> </tr> </thead> </table> | PRODUCT | DESCRIPTION | CRITERIA |
| PRODUCT | DESCRIPTION | CRITERIA | | |

¹¹ Excluded sectors include illegal logging, agricultural practices that endanger biodiversity, coal and nuclear power, petroleum and natural gas, mining, armaments, pornography, tobacco and alcohol, and fur.

¹² Berlin Hyp is committed to the Paris Agreement and Germany’s Climate Paths. Further information is available on Berlin Hyp’s [website](#).

¹³ Berlin Hyp developed qualitative and quantitative [methods for measuring and controlling ESG risks](#) in accordance with the principles from the European Central Bank’s guide on climate-related and environmental risks.

¹⁴ A description of the business units is provided in the section below on evaluation and selection process.

| CRITERIA | SUMMARY AND OPINION | |
|--|---|--|
| | <p>Green loans (energy efficiency loan and taxonomy loan)</p> | <p>Eligible to use of proceeds loans complying with green eligibility criteria and/or EU taxonomy-aligned activities</p> <ul style="list-style-type: none"> ▪ Green Loan Principles ▪ EU taxonomy technical screening criteria |
| | <p>Social loans</p> | <p>Eligible to use of proceeds loans complying with social eligibility criteria</p> <ul style="list-style-type: none"> ▪ Social Loan Principles |
| <p><i>Table 1. Berlin Hyp's product scope</i></p> | | |
| <p>Following the definition displayed above, as of Dec. 31, 2024, Berlin Hyp has a total financing volume of EUR 31.371 million, of which EUR 10.995 million is for green loans and EUR 3.056 million is for social finance.¹⁵ The Bank has an internal verification process to ensure the eligibility of each transaction.¹⁶ Verification against market standards (Loan Market Association principles) is performed either internally or externally by third-party providers. EU taxonomy alignment is generally confirmed through an internal assessment/review process unless the customer provides a taxonomy certificate issued by a third-party provider.</p> | | |
| <p>Opinion: <i>The Sustainable Finance Framework presents a clear definition of Berlin Hyp's classification system, including transparent criteria for each financing approach, and refers to relevant market principles. Part IIA of this report further analyzes the sustainability quality of the eligibility parameters used to identify eligible sustainable financing activities. The Bank's Sustainability Guideline explicitly excludes certain activities and sectors with high ESG risks.</i></p> | | |
| <p><i>Where feasible, the Framework may be further improved by:</i></p> <ul style="list-style-type: none"> ▪ <i>Disclosing an estimated share of each instrument mentioned in its Framework</i> | | |
| <p>3. Evaluation and</p> | <p>Berlin Hyp ensures that eligible sustainable loans comply with national and international environmental and social standards, as well as local laws and regulations. The Bank established a Sustainable Finance Commission</p> | |

¹⁵ The Bank publishes green and social financing figures in its ESG Report annually. Berlin Hyp shared these figures with ISS-Corporate and informed that these figures will be presented in the upcoming ESG Report.

¹⁶ During the verification process, Berlin Hyp checks the alignment of the green/social loan against the internal loan documentation. The loan documentation includes a set of standards developed by the Bank's legal department, supported by the portfolio management, product management and corporate strategy departments. It applies to all loans and defines the eligibility basis for their classifications, in accordance with the Loan Market Association's principles.

| CRITERIA | SUMMARY AND OPINION |
|---------------------------------|--|
| <p>selection process</p> | <p>composed of various operational representatives of the Bank. Among them are all units involved in the financing value chain: Sales, Portfolio Management, Credit, Valuation, and Treasury. Risk controlling and corporate strategy are also part of the commission. The commission meets every three months to discuss, among other things, whether the measures described in the Framework’s use of proceeds section still comply with best market practices and the relevant regulations, then amends the eligibility criteria if necessary.</p> <p>Berlin Hyp designed a decision-making path for the classification of the loan as either sustainable or non-sustainable.¹⁷ When selecting and evaluating eligible sustainable loans, an analysis on the conformity and compliance with the minimum requirements for lending is performed, covering (i) alignment with Berlin Hyp’s exclusion criteria, (ii) compliance with the Bank’s risk strategy, (iii) ESG scoring on the sustainability of the project as well as the borrowers, (iv) verification of the prerequisites for eligibility carried out by the Valuation team, and (v) review by the Sales department.</p> <p>The ESG scoring model is based on ESG data for property and borrower and applies to each financing, also in the form of partial scores in the e-physical, e-transitory, social and governance categories. If increased ESG risks are identified during the loan lifecycle via the ESG score, the ESG central functions (consisting of representatives from the Corporate Strategy and Risk Controlling departments) are involved separately and their opinion is incorporated into the credit decision. Particularly, high risks are discussed with the client to find a joint solution and address the risk. For medium risks, the financing is granted but a lower score is attributed. The ESG score aims to fulfill the requirements of the European Banking Authority’s guidelines on loan origination and monitoring and applies to all financing. The valuation and sales department carries out the eligibility assessment for the green and social loans. The New Business Committee considers the results of the assessment for the evaluation of the loan application. If the eligibility criteria for the green or social loan are not met, these loans are immediately removed from the sustainable financing portfolio. For the use of financing under the green or social bond issuance, the treasury team determines whether the financing meets one of the criteria set out in the Framework’s use of proceeds section, determining whether it should be included in Berlin Hyp’s green loan portfolio or social loan portfolio. This ensures a dual control principle in the identification process. Only loans that have been confirmed by the treasury division after the assessment of the suitability</p> |

¹⁷ This classification does not exclude non-sustainable financing, which means that, in principle, non-sustainable loans can also be financed though not classified as sustainable.

| CRITERIA | SUMMARY AND OPINION |
|--|---|
| | <p>criteria of the valuation and sales divisions are classified by data management as a suitable or taxonomy-compliant green or social bond in the Bank's credit system.¹⁸</p> <p>Furthermore, the Bank runs annual climate risk analyses that enable the assessment of the effects of transitory and physical risks on Berlin Hyp. First, a scenario analysis assesses the effect of physical and transitory risks on the credit risk, which constitutes Berlin Hyp's most important risk. A materiality analysis is regularly executed with the support of vdpResearch to determine the influence of physical risks. Berlin Hyp also performs a natural hazard analysis using Köln Assekuranz Agentur's K.A.R.L. System. The analysis examines risk damage caused by storms, tornadoes, floods, heavy rains, storm tides, earthquakes, hail, tsunamis and volcanoes.¹⁹</p> <p>Opinion: <i>The process for evaluating and selecting sustainable finance transactions is defined based on the eligibility criteria and structured in a congruous manner. Responsibilities across different departments are described in Berlin Hyp's Sustainable Finance Framework and Annual Report. Berlin Hyp used both its eligibility criteria outlined in this Framework and an enhanced due diligence process for sensitive sectors to consider which products are eligible. ESG risks associated with sustainable activities to be financed are identified and managed appropriately. Moreover, the Bank has guidelines in place to mitigate climate risks associated with the eligible transactions, including asking for clients' strategies in managing physical and transitional risks. Berlin Hyp defines exclusion criteria for controversial sectors and has clear guidelines in place to conduct enhanced due diligence processes when financing controversial sectors. Finally, the Bank clearly discloses the sources of transaction data such as K.A.R.L.²⁰ when acquiring data for prescreening purposes.</i></p> |
| <p>4. Governance and monitoring</p> | <p>Berlin Hyp's management of climate-related issues is embedded within its governance structure.²¹ The risk control division supports the board of management in all risk policy issues, in the development and implementation of the risk strategy and in the design of the system for measuring and limiting risks. The risk control division is responsible for the ongoing monitoring of the risk situation, risk-bearing capacity, compliance with risk limits, and the regular reporting of the risk situation to the board of management and governing bodies. As part of a risk inventory, the Bank identifies the main risks annually, creates an overall risk profile for the Bank</p> |

¹⁸ More information can be found in Berlin Hyp's Sustainable Finance Framework.

¹⁹ As outlined in Berlin Hyp's [Annual Report 2023](#).

²⁰ The [K.A.R.L. System](#) is a climate risk assessment tool whereby every single required physical climate hazard is examined on the spot regarding its relevance according to the EU taxonomy.

²¹ For more information, please refer to Berlin Hyp's [Annual Report 2023](#) and [Management Report](#).

| CRITERIA | SUMMARY AND OPINION |
|----------|--|
| | <p>and reviews the methods used in the risk management system. The internal audit division regularly reviews the risk management system. The Bank has also a credit system that collects the data from each transaction, ensuring that the information is appropriately and annually tracked through an internal process.</p> <p>The Bank’s governing bodies include the Supervisory Board, the board of management, the Financial Steering Committee, the New Business Committee and the Market Assessment Committee. Berlin Hyp’s Supervisory Board is responsible for monitoring and reviewing (at least annually) the ESG strategy and takes note of Berlin Hyp’s risk appetite. By reviewing the portfolio annually, the board ensures that the environmental and social loan portfolio is up to date and in compliance with the Framework’s use of proceeds section. It is supported by four committees: the Audit Committee, the Loans Committee, the Presiding and Nomination Committee, and the Remuneration Control Committee.</p> <p>Furthermore, the board receives regular updates on cross-divisional ESG issues, briefings, and regular reports on ESG performance by the board of management, the Management Committee and the ESG Board. The measuring and controlling of ESG risks are conducted in accordance with the principles from the European Central Bank’s guide on climate-related and environmental risks. In addition, all the Bank’s suppliers are required to comply with the requirements of the Ten Principles of the United Nations Global Compact. The Bank reviews its key suppliers semiannually in terms of compliance with Berlin Hyp’s CSR and ESG requirements (via query in the RepRisk tool).</p> <p>If high ESG risks are identified, the ESG central functions are involved and must issue a statement. Resolutive measures focus on reducing the identified risk(s) in general through transformation/renovation of the building. All lending must comply with the Bank’s risk strategy. Loans that are non-compliant with the green or social loan eligibility criteria or whose characteristics cease to apply (e.g., the time limit for an energy performance certificate expires and new evidence is not provided within one year) are not included in the sustainable finance portfolio.</p> <p>Opinion: <i>All eligible financial instruments are subject to the Bank’s overarching sustainability criteria, which considers Berlin Hyp’s wider sustainability risk management processes and is reviewed annually. Berlin Hyp clearly describes how the board and dedicated committees provides oversight of ESG-related issues, specifically the sustainable finance classification system. Berlin Hyp clearly describes the process to annually monitor if a financial transaction remains eligible during its life cycle. The</i></p> |

| CRITERIA | SUMMARY AND OPINION |
|----------------------------------|---|
| | <p><i>Bank clearly describes the data collection, tracking and reporting mechanisms of the past sustainable finance instrument transactions, as well as the declassification mechanisms, including penalty and communication guidelines with client should the sustainable finance instrument fall out of scope.</i></p> |
| <p>5. Reporting</p> | <p>Berlin Hyp reports on progress against its financing targets in the annual ESG Bond Report and non-financial reporting, which are publicly available on its website on an annual basis. Borrowers undertake the use of green and social loans granted during the term of the loan agreement only in accordance with the conditions set out in the Framework’s use of proceeds section.</p> <p>Opinion: <i>Berlin Hyp commits to reporting on its sustainable financing publicly and annually. Moreover, the Bank discloses the impact of its banking activities following robust guidelines such as the Principles for Responsible Banking.</i></p> <p><i>Where feasible, the Framework may be further improved by:</i></p> <ul style="list-style-type: none"> ▪ <i>Disclosing the total reporting time of the instruments listed in the Framework until all the financed products have been repaid/issued</i> |
| <p>6. External Review</p> | <p>The sustainable finance products and the Framework are reviewed and verified annually by an ESG rating agency or auditing firm that assesses the Framework’s sustainability. The Bank gets the reported data of the Sustainable Finance Framework verified by an external auditor annually. The results are published in an external review on Berlin Hyp’s website. Moreover, the transactions that fulfill the eligibility criteria will be validated annually with a second-party opinion of the Green Bond and Social Bond Framework.</p> <p>Opinion: <i>Berlin Hyp sought an external review of the Sustainable Finance Framework at its launch, in line with best market practices. The Framework will be publicly available on the Bank’s website. A new external review will be sought upon any subsequent update.</i></p> |

PART II: ASSESSMENT OF BERLIN HYP'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

To provide an opinion on the sustainability credibility of each of the key sets of criteria defined by Berlin Hyp, this review evaluates the prevalence and robustness of the selection parameters, considering market practices across different sustainable finance asset classes.

Berlin Hyp set forth the following sets of eligibility criteria for its financing activities to be classified as sustainable:

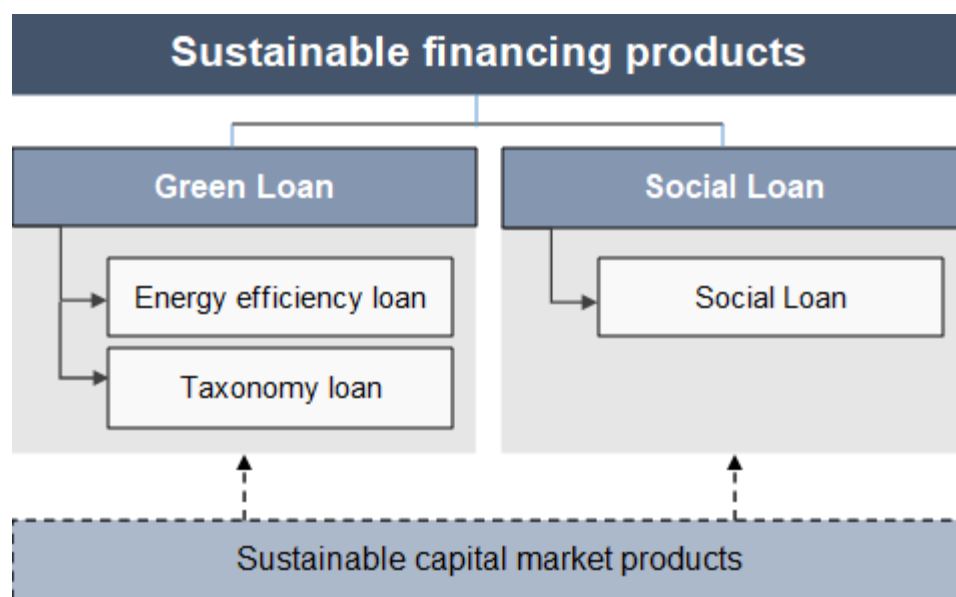


Figure 1: Berlin Hyp's sustainable finance classification system

The assessment process and criteria implemented under Berlin Hyp's Sustainable Finance Framework are outlined below. The evaluation is based on criteria derived from market practices.²²

| PARAMETER | CRITERIA | ASSESSMENT OF BERLIN HYP'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM |
|--|---|---|
| Dedicated purpose financing (standard approach) | Dedicated purpose financing contributes to sustainability objectives if proceeds are exclusively allocated to | Under the dedicated purpose approach, the Bank classifies green and social loans as sustainable. Under green loans, Berlin Hyp will finance energy efficiency and taxonomy loans (for activities aligned with the EU taxonomy sections 7.1, 7.2 or 7.7 of the Climate Delegated Act). Under social loans, the Bank will finance affordable housing. |

²² These include but are not limited to the Loan Market Association's Green Loan Principles, Social Loan Principles and Sustainability-Linked Loan Principles; UNEP FI's Principles for Responsible Banking; and the European Banking Authority's guidelines with respect to environmentally sustainable lending.

| PARAMETER | CRITERIA | ASSESSMENT OF BERLIN HYP'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM |
|-----------|---|---|
| | <p>activities that are subject to specific and credible ESG-related eligibility criteria.</p> | <p>The criteria are clearly described under Section 3.1.1 Green Loans and Section 3.1.2. Social Loans in the Framework. According to the Framework, for lending transactions, the Bank checks the alignment with the Green/Social Loan Principles either externally (through external certifiers) and/or internally. In addition, the Framework relies on the EU taxonomy, and the assessment of compliance with the taxonomy is performed either externally (by external providers who issue taxonomy certificates) or internally. The Bank will consider financing as sustainable only if the assets qualify as green or social according to the eligibility criteria defined in the Framework.</p> <p>The transactions that fulfill the criteria under Section 3.1. Use of Proceeds of the Sustainable Finance Framework will be validated annually with a second-party opinion of the Green and Social Bond Framework.</p> <p>Opinion: <i>In this report, ISS-Corporate did not conduct a comprehensive assessment of the sustainability impact of the Bank's eligibility criteria. This may or may not result in the classification of financing as sustainable while the underlying asset does not positively contribute to environmental and social objectives. However, the Bank has a comprehensive internal alignment check with the Green/Social Loan Principles. Where feasible, the selection process may be further improved by setting measures to ensure that borrowers regularly report on the allocation of the proceeds and by ensuring the alignment of private instruments with market standards (i.e., Green Loan Principles/Social Loan Principles) through an external verification process.</i></p> |

PART III: ASSESSMENT OF BERLIN HYP'S ESG RISK MANAGEMENT

The table below evaluates Berlin Hyp's ESG-specific risk management measures and policies that are considered relevant at the Group level and in the context of its sustainable financing activities. The KPIs emphasize sustainability-related risks considered relevant to the Bank's operations. The KPIs are derived leveraging ISS ESG's [Corporate Rating](#) to identify the relevant topics based on its industry; these KPIs are then further integrated with additional elements derived from market principles such as the [Task Force on Climate-related Financial Disclosures](#). The minimum requirements for a positive assessment are based on the number of sub-indicators (specific to each KPI) that are satisfied as part of any KPI.

The Framework covers all of Berlin Hyp's operations.

ASSESSMENT AGAINST KPIs

Integration of ESG investment guidelines for financial institutions

Berlin Hyp screens all new business opportunities using its ESG checklist, which assesses potential ESG risks in credit exposures in accordance with the requirements of the European Banking Authority's guidelines on loan origination and monitoring. This involves assessing borrowers' exposure to physical and transition ESG risks, incorporating ESG criteria in credit decisions and monitoring during the loan lifecycle.

Each new opportunity is also awarded an ESG score. Relevant risks are considered both at the company and the property level. In addition, borrowers are requested to provide information on ESG factors and sustainability documentation. ESG factors may include information on the environmental footprint, on human resources and workers' rights practices, and on topics such as lobbying and tax compliance. At the property level, the analysis differentiates between physical risks (e.g., extreme weather events, contaminated sites and building contaminants) and transitory risks (e.g., energy efficiency, carbon footprint and water consumption). Borrowers and financed buildings are assessed on a five-point risk scale and the classification is available for Berlin Hyp's entire portfolio. For Portfolio A (its own investments), Berlin Hyp uses an external database to monitor controversies on securities and issuers. Topics covered include risks related to the destruction of the environment, human rights violations, child labor, forced labor, fraud and corruption. The Bank cannot invest in securities from controversial issuers. Should controversies arise after the investment, measures ranging from engagement to divestment are to be taken.

Labor, health and safety



All eligible transactions are and will be located in Germany, France, Luxembourg, the Netherlands, Poland, the Czech Republic and the U.K., which follow the International Labour Organization's Conventions and are Equator Principles Designated Countries. High labor, health and safety standards are

ensured by the relevant national legislation and the European Union’s mandatory social standards.

Biodiversity and community dialogue



All eligible transactions under the Framework are located in Equator Principles Designated Countries; as such, high standards regarding environmental impacts and impacts on the communities are ensured by national and EU legislation. In addition, the Bank explicitly excludes financing in certain protected areas (e.g., the List of Wetlands of International Importance, UNESCO’s World Heritage List, and UNESCO’s World Network of Biosphere Reserves).

Inclusion



Berlin Hyp’s social loans target underserved communities (e.g., the low-income population) for affordable housing. For the property to be financed, Berlin Hyp ensures that the actual monthly gross cold rent per flat may not exceed the maximum rent permissible. The maximum rent permissible is defined in Berlin Hyp’s Framework.²³ To choose eligible clients for the social loan, Berlin Hyp has an internal audit trail that examines the social loan ability of the residential property before making an offer to the client, ensuring that vulnerable or disadvantaged populations are not excluded from social loans under this Framework.

Carbon-related financing



The Bank does not provide financing to fossil fuel-based projects. It exclusively procures and promotes green electricity.

Data protection and information security



Berlin Hyp’s information security management system is based on ISO 27001. The Bank conducts IT and cybersecurity risk assessments, has clear structure and responsibilities, and conducts training and awareness initiatives. When using artificial intelligence applications, the Bank observes the provisions contained in the EU’s Artificial Intelligence Act.

When contracting external providers to which IT information is outsourced, the Bank requires them to prove they have at least the same level of information security standard as those applied internally.

Financed emissions

²³ The properties to be financed are assessed based on individual parameters from the Housing Subsidy Act. Berlin Hyp refers to this as the Housing Allowance Act Test. For this, the actual monthly gross cold rent per flat may not exceed the maximum permissible monthly gross cold rent per flat (according to Table 5 in the Framework).



Berlin Hyp commits to a climate-neutral portfolio by 2045. The Bank measures its financed emissions in line with the PCAF methodology to publish greenhouse gas emissions data for relevant asset classes in its portfolio. In the future, Berlin Hyp will measure its emissions in line with the PCAF methodology for its sustainability-linked bond. Apart from that, Berlin Hyp will use the Science Based Targets initiative to calculate its portfolio emissions intensity.

Exclusion policy

The Bank has several exclusions in place for all financed properties, debt instruments and strategic investments:

- Trade in wild animals and products made from wild animals that are protected under the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora, as well as activities that impact endangered, threatened, critically endangered and/or protected species.
- Pesticides, GMOs, uncertified palm oil and soy production.
- Coal and nuclear power production, extraction of petroleum and natural gas.
- Production of lignite, hard coal production and uranium mining.
- Facilities for the production of armaments, companies involved in nuclear weapons, biological weapons, chemical weapons, anti-personnel mines, cluster bombs, weapons that are especially designed to cause excessive injury in general and injuries among civilian populations, and depleted uranium munitions.
- Pornography and prostitution.
- Tobacco and alcohol.
- Fur.

Furthermore, Berlin Hyp created ethical criteria for financing. These are derived from the Bank's compliance requirements and the Ten Principles of the United Nations Global Compact. Finally, the Bank conducts checks against sanctioned entities and embargoes.

PART IV: CONSISTENCY OF THE SUSTAINABLE FINANCE FRAMEWORK WITH BERLIN HYP'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by Berlin Hyp

| TOPIC | BANK'S APPROACH |
|------------------------------------|---|
| <p>Strategic ESG topics</p> | <p>Berlin Hyp has defined a sustainability agenda that focuses on four topics: (i) sustainability in business operations, (ii) sustainable business portfolio, (iii) ESG risk management, and (iv) transparency and ESG capabilities.²⁴</p> |
| <p>ESG goals/targets</p> | <p>To achieve its strategic ESG topics, the Bank set the following goals:</p> <ol style="list-style-type: none"> 1. Reduce CO₂ intensity in the portfolio and achieve a climate-neutral portfolio by 2050.²⁵ 2. Have one-third of loans designated to certified green buildings in loan portfolio by 2025.²⁶ 3. Establish 100% portfolio transparency by 2023 — prerequisite for a systematic measurement of energy performance as well as carbon and climate risks within Berlin Hyp's overall loan portfolio by 2025. 4. Enhance advice and financing for customers seeking a transition to energy-efficient properties.²⁷ 5. Have 40% of capital markets funding mix consist of ESG refinancing instruments by 2025. <p>Berlin Hyp's ESG policy expands beyond the environmental goals. The Bank acknowledges the increasing social significance of the real estate sector and aims to strengthen its relevance in its core lending business.</p> |
| <p>Action plan</p> | <p>To ensure effective implementation in line with its roadmap and enable the Bank to address issues that may arise in the future, its ESG Board is the central platform for information and the exchange of knowledge on company-wide ESG issues. Sustainability is embedded across all divisions, with clear responsibilities assigned to the board of management, ESG corporate functions, the Management Committee and the Sustainable Finance Commission.</p> |

²⁴ As outlined in Berlin Hyp's [ESG strategy presentation](#).

²⁵ As outlined on Page 2 of the [ESG strategy presentation](#).

²⁶ As outlined on Page 4 of the [ESG strategy presentation](#).

²⁷ As outlined on Page 7 of the [ESG strategy presentation](#).

| TOPIC | BANK'S APPROACH |
|--|--|
| | <p>Chaired by the CEO, the ESG Board oversees the review and implementation of ESG measures, working closely with corporate strategy and risk control. The Sustainable Finance Commission integrates sustainability into financing decisions, aligning ESG ambitions with financial targets. Comprising key divisions such as credit, portfolio management, treasury, sales and valuation, it meets quarterly to refine and monitor sustainability strategies.</p> |
| <p>Climate transition strategy</p> | <p>Berlin Hyp aims to be carbon neutral in its own business operations by 2025. To achieve this goal, the Bank defines annual targets to reduce its emissions, especially by increasing the use of renewable energy and compensating for any remaining CO₂ emissions that cannot be reduced. In addition, Berlin Hyp aims to make its portfolio climate neutral by 2050 and reduce its emissions by 40% by 2030 (compared to base year 2020).</p> |
| <p>Sustainability reporting</p> | <p>The Bank reports on its ESG performance and initiatives annually. The report is prepared according to the Global Reporting Initiative's guidelines.</p> |
| <p>Industry associations, collective commitments</p> | <p>Berlin Hyp has been a member of the United Nations Environment Programme Finance Initiative since October 2022 while being a signatory of its Principles for Responsible Banking. In addition, the Bank has been a member of the Urban Land Institute since 2014 and is a member of the DGNB. Berlin Hyp is also involved in the following associations: the German Savings Banks Association, the Association of German Pfandbrief Banks and the German Property Federation.</p> |
| <p>Previous sustainable or sustainability-linked issuances or transactions and publication of sustainable financing framework</p> | <p>Berlin Hyp has annually published its Green Bond Framework on its website since 2016, and its Social Bond Framework since 2022.</p> <p>Berlin Hyp regularly monitors its Green/Social Bond Framework, green/social bond asset portfolio and sustainability performance, and verifies their sustainability quality by involving an external party (ISS-Corporate).</p> |

Rationale for establishing the Framework

By publishing the Sustainable Finance Framework, Berlin Hyp aims to contribute to the global challenge of ecological and social sustainability. The Bank sees a sustainable business portfolio as the greatest lever for achieving the climate targets. Berlin Hyp seeks to reduce the carbon

intensity of its portfolio and become carbon-neutral by 2050. To achieve this, the Bank wants to provide advice and financing to customers in the transition to more energy-efficient properties.

Opinion: *The Sustainable Finance Framework is consistent with the Bank's sustainability strategy. The rationale for establishing a Sustainable Finance Framework is clearly described by the Bank.*

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ANNEX 1: Methodology

PART I: REVIEW OF THE SUSTAINABLE LENDING FRAMEWORK

ISS-Corporate considers relevant market guidelines in the assessment of sustainable finance strategies. The analysis considers criteria from a set of different market standards, voluntary guidelines and market practices (e.g., the [Loan Market Association’s Green Loan Principles](#) and [Social Loan Principles](#), UNEP FI’s [Principles for Responsible Banking](#), and the European Banking Authority’s guidelines with respect to environmentally sustainable lending). The application of the Loan Market Association’s principles, comprising voluntary guidelines, is limited to the assessment of the characteristics of a specific transaction.

| SECTION | ASSESSMENT CRITERIA |
|---|---|
| <p>1. Objectives, targets and progress</p> | <p>For a financing strategy to be classified as sustainable, banks should embed these within the context of their overarching sustainability objectives. The institutions should further include relevant qualitative and, where feasible, quantitative targets to measure the progress on its commitments. Banks provide transparency on how to increase positive impacts, reduce negative impacts and mitigate ESG risks. The sustainability strategy is expressed by referring to alliances such as the U.N. Sustainable Development Goals, the Paris Agreement or national or regional frameworks.</p> |
| <p>2. Definition of sustainable lending activities</p> | <p>The sustainable lending strategy should clearly and comprehensively define what transactions are deemed sustainable based on precise parameters. Ideally, banks should provide an exhaustive list of eligible sustainable activities. The criteria should ensure a positive contribution to relevant sustainability objectives and be sufficiently precise to ensure a minimum level of contribution to those objectives (e.g., clear definition, quantified thresholds or impact indicators) while ensuring that other objectives are not harmed.</p> |
| <p>3. Evaluation and selection process</p> | <p>Banks should have a comprehensive and documented process in place to ensure that the classified projects align with the eligibility criteria for sustainable financing instruments. The borrower of a green/social loan should clearly communicate the environmental/social objective(s) of the projects, the process by which the borrower determines how the project(s) to be funded fits within the eligible project categories, and complementary information on the processes by which the borrower identifies and manages perceived, actual or potential environmental and social risks associated with the relevant project(s).</p> |
| <p>4. Governance and monitoring</p> | <p>Clear governance mechanisms should be in place to ensure that the products classified as sustainable remain in line with the criteria for sustainable lending instruments throughout their lifecycle. This should</p> |

| SECTION | ASSESSMENT CRITERIA |
|------------------------|--|
| | include a process to deal with products that cease to meet the eligibility criteria. Effective governance procedures pertaining to sustainability, assigning clear roles and responsibilities, and segregating duties should be in place to promote sustainable business practices. Management of proceeds should be attested to by the borrower in a formal internal process linked to the borrower’s lending and investment operations for green or social projects. The borrower should make known to the lenders any intended types of temporary placement for the balance of unallocated proceeds. Where appropriate, it is recommended that borrowers appoint (an) external review provider(s) to assess the alignment of their green loan or green loans program with the four core components of the Loan Market Association’s principles. |
| 5. Reporting | Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate the classified sustainable transactions, as well as the impact and progress of the sustainable lending strategy. Elements to be reported on should be communicated clearly at the inception of the strategy and capture the most significant areas of impact on environmental and social topics. |
| 6. Verification | It is recommended that in connection with the establishment of a sustainable lending framework, banks obtain external reviews. External reviews should be made publicly available. |

PART II: ASSESSMENT OF BERLIN HYP’ SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

This section examines the sustainability quality of each of the parameters included in Berlin Hyp’s sustainable finance classification system and discusses the sustainability quality of the compliant products.

PART III: ASSESSMENT OF BERLIN HYP’S ESG RISK MANAGEMENT

ESG risk management KPIs

The risk management KPIs serve as a structure for evaluating the sustainability quality (i.e., the social and environmental added value) of the proposed selection criteria, as well as the Bank’s overall financing operations.

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

If a majority of the criteria fulfill the requirement of an indicator, this indicator is assessed positively. The indicators may be tailor-made to capture the context-specific environmental and social risks. In addition, the KPIs assess sustainability-related risks considered relevant to the Bank's financing operations. The evaluation was carried out based on information and documents provided confidentially by the Bank (e.g., due diligence procedures).

PART IV: SUSTAINABLE FINANCE FRAMEWORK'S LINK TO BERLIN HYP'S SUSTAINABILITY STRATEGY

This section provides an assessment of the Group's sustainability and how the underlying Sustainable Finance Framework contributes to its sustainability strategy. Drawing on ISS ESG's Corporate Rating, a focus is put on the Group's overarching sustainability policies and the management of related ESG risks.

ANNEX 2: Quality management processes

SCOPE

Berlin Hyp commissioned ISS-Corporate to compile a Sustainable Finance Framework External Review. The External Review process includes verifying whether the Sustainable Finance Framework aligns with market practices for sustainable finance and assessing its sustainability credentials, as well as the credibility of the Bank's sustainable financing classification system.

CRITERIA

Relevant standards for this External Review stem from key principles for transparency and non-contamination of sustainable-labeled products, including:

- The International Capital Market Association's Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Sustainability-Linked Bond Principles,
- The Loan Market Association's Green Loan Principles, Social Loan Principles and Sustainability Linked Loan Principles
- UNEP FI's Principles for Responsible Banking
- The Climate Bonds Standard Version 4.0
- The European Banking Authority's guidelines with respect to environmentally sustainable lending

CLIENT'S RESPONSIBILITY

Berlin Hyp's responsibility was to provide information and documentation on:

- Sustainable Finance Framework
- ESG impact and risk management
- Governance procedures

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

ISS-Corporate conducted this independent External Review of Berlin Hyp's Sustainable Finance Framework based on proprietary methodology and in line with market practices and relevant market standards for sustainable finance.

The engagement with Berlin Hyp took place from January to March 2025.

ISS-CORPORATE'S BUSINESS PRACTICES

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

About this External Review

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

As part of our sustainable (green and social) bond services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed, and help them define ambitious criteria.

ISS-Corporate provides external review services for sustainable financing and responsible investment strategies by assessing the robustness of its client's frameworks.

Please visit ISS-Corporate's [website](#) to learn more about our services for bond issuers.

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