

FRAMEWORK EXTERNAL REVIEW SUSTAINABLE FINANCE FRAMEWORK

Berlin Hyp AG
02 May 2023

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 Sustainable Finance Framework (as of April 26 2023)Berlin Hyp Sustainable financing classification system (as of April 26, 2023)Berlin Hyp Eligibility criteria (as of April 26, 2023)
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 (hereafter ‘Berlin Hyp’ or ‘the Bank’) commissioned ISS Corporate Solutions (‘ICS’) 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 lending activities and the sustainability quality of the eligibility criteria:

- Sustainable Finance Framework - benchmarked against market practices and guidelines² that enables for loan markets to contribute to environmental and social sustainability (see Annex 1)
- Berlin Hyp’s sustainable financing classification system - the soundness of the eligibility parameters to identify eligible sustainable financing activities - whether the eligible project categories contribute positively to the UN SDGs and whether the nominated eligible categories are eligible for alignment with the EU Taxonomy Technical Screening Criteria of the Report on EU Taxonomy and associated Technical Annex (EU Taxonomy - Climate Delegated Act 2021), Do Not Significant Harm (DNSH) and Minimum Safeguards (MS) criteria on a best effort basis (see Annex 1).
- ESG Risk Management - assessment of Berlin Hyp’s overarching risk management procedures considered relevant in the context of the Bank’s sustainable finance activities (see Annex 1)
- The Sustainable Finance Framework and Berlin Hyp’s overall ESG profile - drawing on the Bank’s overall ESG profile and financing activities integrating ESG considerations (see Annex 2)

Berlin Hyp’s Sustainable Finance Framework aims to set forth clear criteria for the definition and review of sustainable lending activities for its Green and Social Loan Portfolios. The Framework applies to Green and Social Loans portfolios featuring sustainability objectives. The Bank published its Sustainable Finance Framework on 7 April 2022, aligning its Green Loan Portfolio with the Bank’s sustainability claim and regulatory standards. The Bank introduces a Social Loan Portfolio with the 2023 Update of the Sustainable Finance Framework.

Berlin Hyp AG

Berlin Hyp AG provides real estate financing and banking services. The firm offers financing solutions to professional investors and housing societies. Its products include syndicate business, real estate debentures, real estate evaluation, and mortgages. The company was founded in 1868 and is headquartered in Berlin, Germany. It is classified in the Mortgage & Public Sector Finance, as per ISS ESG’s sector classification.

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 scope of the verification procedures.

² The assessment is based on current market practices for sustainable loan markets referring to different market standards and voluntary guidelines including but not limited to the Loan Market Association’s (LMA) [Green Loan Principles](#), [Social Loan Principles](#), [Sustainability-Linked Loan Principles](#), the [UNEP-FI PRB](#), and the [Climate Bonds Initiative Standard Version 3.0](#) (version December, 2019), [Guidelines proposed by the European Banking Authority \(EBA\) with respect to environmentally-sustainable lending](#).

ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY
<p>PART I:</p> <p>Review of Berlin Hyp's Sustainable Finance Framework</p>	<p>The Sustainable Finance Framework reflects market practices. Berlin Hyp has set forth a formal methodology for defining and classifying financing transactions as sustainable, applying a set of environmental and social eligibility criteria. The Bank has set forth quantitative and qualitative targets in a specific timeframe on the amount or share of financing activities integrating environmental or social considerations by committing by 2025 that at least one third of its loan portfolio to be composed of green buildings. An ESG scoring is carried out, enabling the identification and monitoring of potential and material environmental and social risks associated with the project categories and the borrowers' environmental and social risks, a mitigation process is in place through active exchange with the client in case of increased risks.</p> <hr/> <p>The sustainability strategy and objectives defined by Berlin Hyp are credible and relevant to its sector and business model (as outlined in Part IV.A of this report). In its Sustainable Finance Framework, Berlin Hyp puts forth a definition of sustainability objectives in line with the wider company strategy.</p> <p>Eligibility parameters have been defined to classify the Bank's products as sustainable if the use of proceeds is dedicated to satisfying green and social eligibility criteria mapped to the United Nations Sustainable Development Goals (SDGs) or eligible for the purpose of financing EU Taxonomy-aligned activities.</p> <p>Further, the Bank applies exclusion criteria.</p> <p>The evaluation and selection process are described based on the eligibility criteria. The classification process is initiated with the loan application through a decision-making path with guiding questions and involves different stakeholders. The Bank relies on manual and automated controls. An ESG scoring is carried out, enabling the identification of potential and material environmental and social risks associated with the project categories and the borrowers' environmental and social risks. However, complementary information on the processes by which the Bank collects information on how borrowers identify mitigants to known or potential material risks of negative social and/or environmental impacts from the relevant project(s) could be provided.</p> <p>The Bank monitors whether financial transactions remain eligible during their lifecycle through a systematic and annual process. This includes a reclassification process for transactions that cease to meet the eligibility criteria.</p> <p>Reporting on the development and share of sustainable financing occurs on an annual basis and is made publicly available being included in Berlin Hyp's non-financial annual reporting. The Bank reports annually on the Allocation and Impact of its Green and Social Bonds in line with market standards. As data availability in terms of impact reporting improves, further developing tracking of the expected and/or achieved impact of the Banks' sustainable financing activities on environmental and social objectives is encouraged.</p>
<p>PART II:</p> <p>Assessment of Berlin Hyp's sustainable</p>	<p>The Bank's sustainable financing classification system reflects market practice.</p> <hr/> <p>Berlin Hyp has put forth multiple sets of eligibility parameters for its financing activities to be classified as sustainable:</p> <p>Parameter 1 (Dedicated Purpose Financing)</p>

financing products classification system

- **Activities that meet the EU Taxonomy requirements for Climate Change Mitigation³**
- **Activities that meet green or social eligibility criteria.**

According to Berlin Hyp’s Sustainable Finance Framework, transactions classified dedicated- purpose Financing belong to two main categories - Green Loans and Social Loans. Berlin Hyp has outlined its methodology/criteria for each of these products. For Green Loans it requires the activities to be EU Taxonomy aligned, contribute to one of the six objectives⁴ and the Technical Screening Criteria set forth by the EU Taxonomy, met the DNSH and MS criteria, or to be aligned with the sustainable eligibility criteria for energy efficient and environmentally friendly buildings set forth in the Sustainable Finance Framework, respectively denominated ‘Energy efficiency loan’ and ‘Taxonomy loan’. If the Green Loans serve to finance measures to improve the energy and climate performance of buildings, they can also be structured as transformation loans. The aim of the Bank is to phase out the share of ‘Energy efficiency loans’ with ‘Taxonomy loans’ until 2026. For Social Loans Berlin Hyp requires the activity to be aligned with the sustainable eligibility criteria for Affordable Housing, defined as making a targeted contribution to supporting low-income households in society. Finally, Berlin Hyps commits to alignment with LMA Green and Social Loan Principles for the above transactions through an annual asset verification provided by an external third-party provider.

PART III:

ESG risks relevant in the context of the Bank’s sustainable financing activities are considered to be well managed.

Assessment of Berlin Hyp’s ESG Risk Management procedures

Berlin Hyp has defined ESG risk assessment procedures, the ESG Scoring system, applicable to its sustainable financing activities at project and at Borrower’s level. 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 group level.

PART IV:

The Sustainable Finance Framework is consistent with Berlin Hyp group’s sustainability strategy.

The Sustainable Finance Framework’s link to Berlin Hyp’s overall ESG profile

The Sustainable Finance Framework is considered consistent with the Bank’s sustainability strategy. The rationale for developing a Sustainable Finance Framework is described by Berlin Hyp.

At the date of publication and leveraging ISS ESG Research, no controversies in which the Bank would be involved have been identified.

³ Technical Screening Criteria for substantial contribution to Climate Change Mitigation 7.2 - Construction of new Buildings, 7.2 - Renovation of existing Buildings, and 7.7 - Acquisition and ownership of Buildings, DNSH criteria and MS.

⁴ Currently Objective 1, Climate Change Mitigation, Technical Screening Criteria for EUT objectives 3-6 are under development by the regulatory bodies.

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 classifying eligible transactions as sustainable for the purpose of tracking and disclosing its performance. Berlin Hyp has set forth a formal concept and proposes parameters for sustainable financing, structuring and arranging transactions under its Framework.

These processes are reviewed against current market practices for sustainable loan markets derived from market standards and voluntary guidelines. The assessment is therefore based on derived key principles for transparency, disclosure and non-contamination of sustainable labelled-products, e.g., from the Loan Market Association (LMA) Green and Social Loan Principles (GLP and SLP), the TEG final report on the EU Taxonomy and Technical Annex.

CRITERIA	OPINION
1. Targets, Objectives & Progress	<p>In its Sustainable Finance Framework, Berlin Hyp puts forth a definition of the sustainability objectives aligned with the group's sustainability strategy. The Sustainable Finance Framework provides a holistic view of Berlin Hyp's sustainable financing product positioning.</p> <p>In August 2020, the Bank published a sustainability agenda, which was further expanded in October 2021 with the publication of the ESG target picture. One dimension of the ESG target picture relates to the 'Sustainable Business Portfolio'. Berlin Hyp sees the sustainable business portfolio as a lever for achieving the climate goals as per Paris Climate Agreement and EU and German state commitments. Berlin Hyp has set itself the goal of supporting customers in the transformation to more energy-efficient, sustainable buildings and has defined the following strategic ESG dimensions for this purpose:</p> <ul style="list-style-type: none"> ▪ Expansion of financing for energy-efficient real estate in accordance with the EU Taxonomy Regulation ▪ Creation of 100 percent portfolio transparency ▪ Reduction of CO₂ intensity in the portfolio⁵ ▪ Climate-neutral portfolio by 2050 at the latest ▪ Advising and financing clients in the transition to energy-efficient properties ▪ Consideration of ESG factors in borrower and real estate valuations ▪ Further development of the leading position in the ESG capital market <p>The sustainability strategy is expressed by referring to the UN Global Compact, the UN Sustainable Development Goals, and the EU Taxonomy.</p> <p>Berlin Hyp has set internal sustainable financing targets. By 2025, at least one third of the Bank's loan portfolio is to be composed of green buildings and 40% of the capital market</p>

⁵ Reducing the carbon intensity of the entire loan portfolio by 40% between 2020 and 2030. 1st intermediate target: 14% reduction by 2025
2nd intermediate target: 27% reduction by 2028. Furthermore, Berlin Hyp is currently involved in a project that further develops of the current decarbonization path of the financed portfolio and the associated control mechanism.

funding mix is to be covered by sustainable refinancing instruments⁶. The Bank states that they are also planning to add quantitative targets' definition for their social loans.

The Bank published its Sustainable Finance Framework on 7 April 2022, aligning its Green Loan Portfolio with the Bank's sustainability claim and regulatory standards. For its Green Loan Portfolio, the aim is to gradually increase the proportion of EU taxonomy-aligned loans. The Bank introduces a Social Loan Portfolio with the 2023 Update of the Sustainable Finance Framework.

Opinion: *The sustainability strategy and objectives defined by Berlin Hyp at group level and its financing, structuring, and arranging activities integrating ESG considerations are relevant to its sector and business model (as outlined in Part IV.A of this report). The sustainability strategy is expressed by referring to alliances such as the UN Global Compact, the UN Sustainable Development Goals, and other relevant national frameworks. Berlin hyp has disclosed quantifiable targets for sustainable financing, focusing on expanding its green buildings portfolio by 2025 and sets clear qualitative targets at the inception of the overall sustainability strategy. The achievement of these targets is supported by a time-bound action plan. In its annual report, the Bank provides transparency on the share of EU Taxonomy-eligible assets⁷. The Bank has policies in place to encourage sustainable practices with its clients.*

2. Definition of sustainable financing activities

In its Sustainable Finance Framework Berlin Hyp sets out types of eligible financing integrating ESG considerations, which include:

- **Dedicated purpose Financing** where the use of proceeds satisfies either
 - EU Taxonomy aligned activities for substantial contribution to Climate Change Mitigation.
 - Green or social eligibility criteria set forth in the Framework

Berlin Hyp's eligibility parameters are reviewed in Part II of this report.

For its Sustainable product range, the Bank provides a set of eligibility parameters. The Framework applies at group level. The product offering includes:

PRODUCT ⁸	DESCRIPTION	CRITERIA
Green Loans ('Energy efficiency loan' and 'Taxonomy loans' or 'Transformation Loans')	Eligible to use of proceeds loans complying with green eligibility criteria and/or EU Taxonomy-aligned activities	<ul style="list-style-type: none"> ▪ LMA Green Loan Principles ▪ Berlin Hyp Eligibility criteria ▪ EU Taxonomy Climate Delegated Act

⁶ Berlin Hyp, 'PRB Progress Report', April 2023, <https://www.berlinhyp.de/en/media/newsroom/further-publications/progress-report-prb-2022?file=files/media/corporate/newsroom/weitere-publikationen/en/2022/fortschrittsbericht-prb-en.pdf>

⁷ Berlin Hyp, Report for the short financial year from 1 July 2022 to 31 December 2022, <https://www.berlinhyp.de/en/media/newsroom/financial-reports/report-for-the-short-financial-year-from-1-july-2022-to-31-december-2022>

⁸ In the event of the loan's suitability for a sustainable classification, this loan can be refinanced through the issuance of Green Bonds or Social Bonds.

	for substantial contribution to Climate Change Mitigation ⁹	
	Transformation loans, if the Green Loans, 'Energy Efficiency' and 'Taxonomy Loans' serve to finance measures to improve the energy and climate performance of buildings	
Social Loans	Eligible to use of proceeds loans complying with social eligibility criteria	<ul style="list-style-type: none"> ▪ LMA Social Loan Principles ▪ Berlin Hyp Eligibility criteria

Table 1 Berlin Hyp's Sustainable Financing Product Scope

In the event of the loan's suitability for a sustainable classification, which includes all of Berlin Hyp's operations and subsidiaries, this loan can be refinanced through the issuance of Green Bonds or Social Bonds.

For years, Berlin Hyp has focused on financing energy-efficient and environmentally friendly buildings, the Green Loans. The structure of the Green Loans follows the Bank's own sustainability standards and regulatory standards. An ESG scoring is carried out for all financings, which takes into account information about the project to be financed as well as sustainability aspects of the Borrower.

Berlin Hyp has created extensive exclusion criteria for ecologically non-sustainable real estate financing in the sustainability guideline, which are continuously adapted. The allocation of a financing to the Banks sustainable financing products is only possible if the purpose is clearly defined and the sector-specific exclusions in accordance with the Sustainability Guideline¹⁰ are taken into account

Opinion: Berlin Hyp presents a clear definition of what it considers sustainable financing products and refers to relevant market principles as developed by the Loan Market Association (LMA). The allocation of a financing to the Banks sustainable financing products is only possible if the purpose is clearly defined and the sector-specific exclusions in accordance with the Sustainability Guidelines are taken into account. Eligibility criteria have been defined to classify transactions as sustainable, including UN SDGs contributing activities, if the use of proceeds is dedicated to satisfying green or social categories, EU-Taxonomy aligned activities and an ESG Scoring. Sustainable Financing products include Energy efficiency loans, EU Taxonomy loans¹¹, Transformation loans, and Social loans. Sustainable Financing products can be refinanced through the issuance of Green or Social Bonds and/or pay towards the respective ESG target defined in the Sustainability-Linked

⁹ 7.2 - Construction of new Buildings, 7.2 - Renovation of existing Buildings, and 7.7 - Acquisition and ownership of Buildings. Further sustainable activities for individual renovation measures corresponding to sections 7.3, 7.4, 7.5, or 7.6 of the EU Taxonomy Regulation can be added successively and according to need.

¹⁰ Berlin Hyp, Sustainability Guideline, <https://www.berlinhyp.de/files/media/corporate/ueber-uns/nachhaltigkeit/berichterstattung-und-richtlinien/2022-12-09-bhyp-br-nachhaltigkeitsrichtlinie-englisch.pdf>

¹¹ As of 31 December 2021, the share of taxonomy-eligible assets out of total assets amounts to 13%, Berlin Hyp Annual Report 2021 <https://www.berlinhyp.de/en/media/newsroom/annual-report-2021-14671>

	<p><i>Bond. A detailed assessment of the eligible parameters and of the sustainability quality of the eligibility criteria can be found in Part II A and B of this report.</i></p>
<p>3. Evaluation & Selection Process</p>	<p>Berlin Hyp makes sure that the eligible sustainable loans comply with national and international environmental and social standards as well as local laws and regulations. For this purpose, the Bank has established a Sustainable Finance Commission (SFC), which is made up of various representatives of the Bank. Among them are all units involved in the financing value chain: Sales, Portfolio Management, Credit, Valuation and Treasury. In addition, Risk Controlling and Corporate Strategy are also part of the SFC. In its ordinary meetings, the SFC discusses, among other things, whether the measures described in sections Use of Proceeds of the Framework described eligibility criteria still comply with best market practice and the relevant regulations.</p> <p>Berlin Hyp has designed a decision-making path with guiding questions:</p> <ul style="list-style-type: none"> ▪ These questions lead to a clear classification of the loan, either as sustainable or as non-sustainable. However, 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. ▪ At the beginning, the loan is checked for strategy conformity and compliance with the minimum requirements for financing defined by Berlin Hyp. ▪ An ESG scoring is carried out for all financings, which considers information about the project to be financed as well as sustainability aspects of the Borrower. ▪ For the ESG scoring Berlin Hyp does not consider external ESG ratings. The Bank rates on a project-by-project level, composing the final score of 67% on project level and 33% on client level. Berlin Hyp commits to an ESG score for the entire financing portfolio by 30 June 2024. ▪ The ESG risks are continuously monitored and if any increased ESG risks are identified during the loan lifecycle, the risks are discussed in an active exchange with the client in order to find a joint solution and address the risk by setting relevant measures in place. If the eligibility criteria for the green or social loan are not met, these financings are immediately removed from the sustainable financing portfolio and in the event of a breach of legal requirements, a decision is made on the necessary measures with the involvement of our Governance department. ▪ The allocation of a financing to the sustainable financing products is only possible if the purpose is clearly defined and the sector-specific exclusions in accordance with the Sustainability Guideline¹² are considered. ▪ The essential core of the decision-making process is formed by the questions surrounding the list of eligibility criteria for the sustainable financing products in accordance with section Use of Proceeds of the Framework which are promoted by Berlin Hyp. In the event of the loan's suitability for a sustainable classification, this loan can be refinanced through the issue of Green Bonds or Social Bonds and/or pay towards the respective ESG target defined for the Sustainability-Linked Bond. Thus, the loan directly or indirectly supports Berlin Hyp's objectives (Section 2 Berlin Hyp's sustainable business portfolio).

¹²Berlin Hyp, Sustainability's Guideline, <https://www.berlinhyp.de/files/media/corporate/ueber-uns/nachhaltigkeit/berichterstattung-und-richtlinien/2022-12-09-bhyp-br-nachhaltigkeitsrichtlinie-englisch.pdf>.

The verification of the existence of the prerequisites of the taxonomy loan is partly based on confirmations by the Borrower. The Borrower undertakes to provide the underlying evidence in a timely manner, if required.

- The Valuation Unit carries out an indicative assessment of eligibility for one of the two Green Loans and the Social Loan in terms of energy efficiency or the technical assessment criterion on primary energy demand according to EU taxonomy. From this, it can be derived which loan conformity is possible, according to energy efficiency, EU taxonomy or affordable housing.
- In addition, the Valuation Department collects and documents ESG data on the property, while the Sales Department determines ESG data on the Borrower (ESG analysis tool). An overall ESG score¹³ is determined from the result of both ESG data.
- Portfolio management determines the contribution of the financing application to the development of the business portfolio for the New Business Committee. This also includes the contribution to the fulfilment of the ESG target.
- The New Business Committee also assesses the credit application by taking into account the results of the SFF's indicative eligibility criteria review and the overall indicative ESG score.
- Since Berlin Hyp provides incentives for eligible sustainable financing products through reduced conditions compared to other loans, a preliminary analysis of the eligibility criteria must be carried out prior to pricing in accordance with Section Use of Proceeds of the Framework shall be carried out. For this purpose, the Borrower must submit a report for loans that meet the criterion on primary energy demand in accordance with section Taxonomy credit confirmation of compliance with the criteria of the significant contribution to the environmental goal of climate protection, the DNSH criteria, and the minimum safeguards. The sales department shall verify the completeness of the fulfillment of the eligibility criteria.
- The credit department assesses the ESG factors as part of the financing application. The overall ESG score is incorporated into the credit decision proposal.
- The Data Management division documents the award of a sustainable financing product in the bank's credit monitoring system.
- For the use of financing under the Green Bond or Social Bond issue, the Treasury determines whether the financing meets one of the criteria set out in sections Use for Proceeds of the Framework described suitability criteria and 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 criteria of the Valuation and Sales divisions are classified by Data Management as Green Bond or Social Bond suitable or taxonomy-compliant in the Bank's credit system.

Opinion: *Berlin Hyp has a documented process in place to ensure that sustainable financing products align with the eligibility criteria set forth in the Framework. Following the financing*

¹³ Based on the regulatory changes by the EBA (Guideline on Loan Origination and Monitoring), Berlin Hyp has developed its own analysis tool to analyze sustainability risks, which focuses on the sustainability of the project to be financed and also includes sustainability aspects of the Borrower. The ESG score is determined on a project-by-project basis and not for the general client level. The ESG scoring considers the project and client level. Currently, the project level is scored at 67% and the client level at 33%. The score including a qualitative assessment is part of the credit submission and to that extent part of the credit decision process. Berlin does not currently disclose the evaluation criteria. By 30 June 2024, all existing financing will also be assessed with the ESG score, which means that the entire financing portfolio will be assessed for sustainability risks.

	<p><i>request process, borrowers of a Green or Social loans 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 projects categories. The Bank puts forth a clear process to assess EU Taxonomy eligibility. An ESG score is carried out, enabling the identification and mitigation of potential and material environmental and social risks associated with the project categories and the Borrowers' environmental and social risks.</i></p>
<p>4. Governance & Monitoring</p>	<p>Berlin Hyp confirms that each of these loans is traceable to:</p> <ul style="list-style-type: none"> ▪ The Borrower ▪ The financing object for taxonomy loans ▪ The collateral object for energy efficiency loans and/or taxonomy loans and/or social loans ▪ A Green Loan (energy efficiency loan and/or taxonomy loan) and Social Loan ▪ For taxonomy loans, additionally on the economic activity (new construction, acquisition/ownership and renovation) <p>Taxonomy loans that serve to finance several economic activities, for example "acquisition" and "renovation", are recorded in separate loan accounts to ensure transparency requirements. The eligibility test is subject to the same requirements as described in section 'Process for Project Evaluation and Selection' of the Framework and the result is stored in Berlin Hyp's credit monitoring system. All verification documents and confirmations from the Borrower are archived in the electronic financing file. Compliance with relevant social eligibility criteria is assessed at least once per year while compliance with the relevant green eligibility criteria is assessed on an ad hoc basis when the energy performance certificates expire. In the event of a negative review result, the fulfilment criteria are adjusted in the credit monitoring system and the review may lead to the cancellation of the classification as a green loan or social loan.</p> <p>Opinion: <i>Governance mechanisms are in place to ensure that the products classified as sustainable remain in line with the criteria for sustainable lending instruments throughout their lifecycle, including a process to deal with products that cease to meet the eligibility criteria. Further, as part of the credit evaluation, the credit division checks that all disbursement requirements are met. This also includes that the credit valuation is only carried out in accordance with the binding purpose agreed in the credit agreement. As described in Section 3.2. 'Process for Project Evaluation and Selection' of the Framework governance procedures pertaining to sustainability, assigning clear roles and responsibilities, and segregating duties are in place. The client has an internal policy ESG guideline in place providing a framework on the board and committee oversight on ESG risks and opportunities.</i></p>
<p>5. Reporting</p>	<p>The Borrower undertakes, via the purpose of use in the loan agreement or corresponding supplementary agreements, to use the Green Loans and Social Loans granted during the term of the loan agreement only in accordance with the conditions set out in section Use of Proceeds of the Framework to use the defined suitability criteria. Berlin Hyp's website reports on the Green Loan and Social Loan portfolio, included in its Annual Reporting Green</p>

	<p>Bond¹⁴ and Social Bond¹⁵, Sustainability-Linked Bond Report¹⁶, the non-financial statement, and the GRI Report¹⁷.</p> <p>Opinion: Reporting occurs on a regular basis and is made publicly available partially being included in Berlin Hyp's publicly available non-financial annual reporting, communicating the impact and progress of the sustainable lending and financing strategy. The Bank reports annually on the Allocation and Impact of its Green and Social Bonds, in line with market standards as well on its achieved impact through calculation of its overall lending portfolio's carbon intensity¹⁸.</p>
<p>6. Verification</p>	<p>The Sustainable Finance Product and the Framework are reviewed by Berlin Hyp annually or on an ad hoc basis and its strategic design is adjusted accordingly. The timing and scope depend on strategic and regulatory developments (e.g., EU Taxonomy). The event-related revisions include, for example, new product launches or the revision of suitability criteria for sustainable financing.</p> <p>Opinion: Berlin Hyp commissioned ICS to review its Sustainable Finance Framework against market practices and guidelines and assess the Sustainability quality of the eligibility criteria. The external review will be made available to relevant stakeholders.</p>

¹⁴ Berlin Hyp Annual Green Bond Report, <https://www.berlinhyp.de/en/investors/green-bonds>

¹⁵ Berlin Hyp Annual Social Bond Report, <https://www.berlinhyp.de/en/investors/social-bonds>

¹⁶ Berlin Hyp Annual Sustainability-Linked Bond Report, <https://www.berlinhyp.de/en/investors/sustainability-linked-bonds>

¹⁷ Berlin Hyp Sustainability Reporting, <https://www.berlinhyp.de/en/sustainability/reportings>

¹⁸ Berlin Hyp Annual Sustainability-Linked Bond Report, <https://www.berlinhyp.de/en/investors/sustainability-linked-bonds>

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

A. ASSESSMENT OF THE CRITERIA OUTLINED IN BERLIN HYP'S SUSTAINABLE LENDING CLASSIFICATION SYSTEM

To provide an opinion on the sustainability credentials of each of the key sets of criteria defined by Berlin Hyp, we evaluate the prevalence and robustness of the selection parameters, taking into account market practices across different sustainable finance asset classes.

Berlin Hyp has set forth the following sets of eligibility criteria for transactions considering ESG integration to be classified as sustainable:

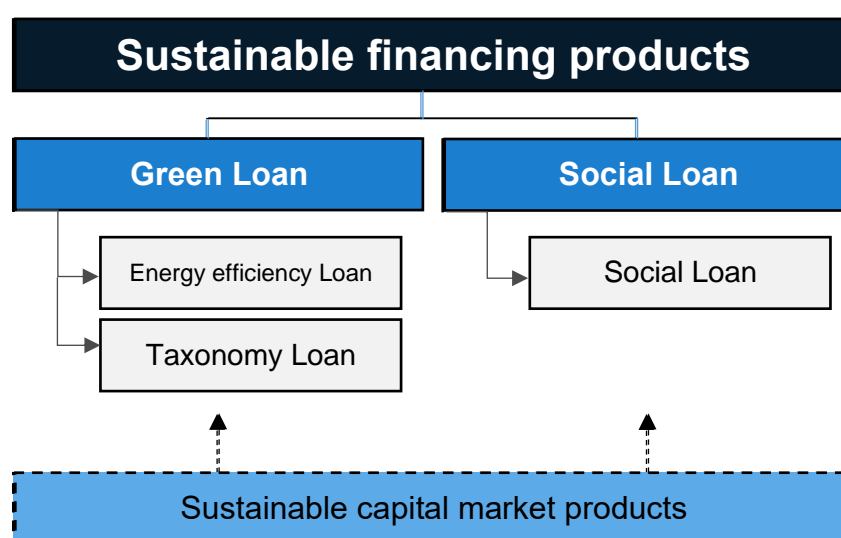


Figure 1 Berlin Hyp Classification of Sustainable Financing products

In the below table, the parameters outlined in Berlin Hyp's Sustainable Finance Framework as 'Dedicated-Purpose Financing' are assessed. The evaluation has been conducted based on criteria, derived from market practices¹⁹.

PARAMETER	CRITERIA	ASSESSMENT OF BERLIN HYP'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM
Dedicated Purpose Financing (standard approach)	Dedicated Purpose Financing contributes to sustainability objectives if the proceeds are exclusively allocated to activities that are subject to specific and credible ESG-related eligibility criteria.	According to Berlin Hyp's Sustainable Finance Framework, transactions classified dedicated- purpose Financing belong to two main categories – Green Loans and Social Loans. Berlin Hyp has outlined its methodology/criteria for each of these products. For Green Loans it requires the activities to be EU Taxonomy aligned, contribute to one of the six

¹⁹ These include but are not limited to the GLP and SLP guidelines for sustainable lending as administered by the LMA.

		<p>objectives²⁰ and the Technical Screening Criteria set forth by the EU Taxonomy, met the DNSH and MS criteria, or to be aligned with the sustainable eligibility criteria for energy efficient and environmentally friendly buildings set forth in the Sustainable Finance Framework, respectively denominated “Energy Efficiency Loan” and “Taxonomy Loan”. If the Green Loans serve to finance measures to improve the energy and climate performance of buildings, they can also be structured as transformation loans. The aim of the Bank is to phase out the share of “Energy Efficiency Loans” with “Taxonomy Loans” until 2026.</p> <p>For Social Loans, Berlin Hyp requires the activity to be aligned with the sustainable eligibility criteria for Affordable Housing, defined as making a targeted contribution to supporting low-income households in society.</p> <p>For eligible criteria definition the Bank refers to market guidelines such as LMA Green and Social Loan Principles, and the Technical Screening Criteria set forth by the EU Taxonomy.</p> <p>The classification of a transaction to sustainable financing products is only possible if the purpose is clearly defined and the sector-specific exclusions²¹ in accordance with the Sustainability Guideline are taken into account.</p> <p>Loans can be refinanced through the issuance of Green Bonds or Social Use of Proceeds Bonds.</p> <p>Opinion: <i>A detailed EU Taxonomy Technical Screening Criteria for Climate Change Mitigation and United Nations Sustainable Development Goals (UN SDG) Assessment of the contribution of the eligibility criteria presented in the Sustainable Finance Framework can be found in Part II.B and C of this report. Based on a proprietary methodology 90% (at 90%²²) of the eligible categories have either a limited or a significant contribution to the UN SDGs with one category being assessed as having ‘No Net Impact’, limiting the contribution to sustainability objectives for this category. 100% of the environmental activities are in</i></p>
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²⁰ Currently Objective 1, Climate Change Mitigation, Technical Screening Criteria for EUT objectives 3-6 are under development by the regulatory bodies.

²¹ Berlin Hyp Nachhaltigkeitsrichtlinie, <https://www.berlinhyp.de/files/media/corporate/ueber-uns/nachhaltigkeit/berichterstattung-und-richtlinien/2022-12-09-bhyp-br-nachhaltigkeitsrichtlinie-englisch.pdf>

²² It is noted that at least 90% of the eligible categories considered under the underlying Framework (i.e., 100% that are classified as contributing to sustainable objectives) should contribute positively to the SDGs, in conformity with the ISS ESG SDGA methodology.

		<p><i>line with the Technical Screening Criteria for Climate Change Mitigation as defined by the EU Taxonomy. At Framework level, no information is available on the future share of sustainable financing transactions to the eligible categories.</i></p> <p><i>Finally, it is noted that an independent third-party provider is systematically providing a pre-issuance asset verification ensuring alignment of the transactions with the LMA Green and Social Loan Principles, and when relevant with the EU Taxonomy. Berlin Hyp confirms that they will continue to do so in the future.</i></p>
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B. CONTRIBUTION OF ELIGIBLE CATEGORIES TO THE UN SDGs

Financial Institutions can contribute to the achievement of the SDGs by financing and arranging eligible services/products/activities addressing global sustainability challenges, and by being responsible actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the eligible categories in two different ways, depending on whether the proceeds are used to (re)finance:

- products/services,
- improvements of operational performance.

Products and services

The assessment of eligible categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of a Borrower’s products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Act, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of the eligible categories for (re)financing is displayed on 5-point scale (see Annex 1 for methodology):



Each of the dedicated purpose financing transactions use of proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

GREEN CATEGORIES²³

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings <i>Buildings belonging to the top 15% of the German building stock²⁴</i>	Contribution	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
Green Buildings <i>Residential and Non-Residential Buildings with an EPC label A.</i>	Contribution	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
Green Buildings <i>LEED Gold, BREEAM Excellent, DGNB Gold, HQE Excellent</i>	Contribution	7 AFFORDABLE AND CLEAN ENERGY, 11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION

²³ For green eligibility criteria that strictly align with the full EU Taxonomy Technical Screening Criteria for a substantial contribution to climate change mitigation, a significant contribution to SDG 13 is provided.

²⁴ Based on the methodology determined by Drees & Sommer on behalf of the Association of German Pfandbrief Banks 2022.

Green Buildings

Building built before 31 December 2020 with an EPC label A in line with EUT activity 7.7

Building larger than 5000m² with energy performance lower of at least 10% than the threshold set for nearly zero-building (NZEB) requirements, and are in line with the EUT economic activity 7.1

Non-residential buildings that have a nominal output of > 290 KW, proof of energy efficiency monitoring and assessment is required.

Contribution



Green Buildings

Building renovation with a reduction of the primary energy demand by at least 30 %²⁵

Contribution



Green Buildings

EPC-labelled buildings with the following energy-efficiency (aggregated heating + electricity) thresholds:

- Residential ≤ 60kWh/(m²*a)
- Office ≤ 140kWh/(m²*a)
- Retail ≤ 135kWh/(m²*a)
- Hotels ≤ 155kWh/(m²*a) •
- Logistics ≤ 65kWh/(m²*a) •
- Light industrial ≤ 170kWh/(m²*a)



And that do not belong to the categories above

No Net Impact²⁶

²⁵ Percentage calculated comparing the last energy certificate before the renovation with the energy certificate after the renovation.

²⁶ This category was assessed with a limited contribution to SDG 11 in [Berlin Hyp's 2022 Sustainable Financing Framework External Review](#). Since then, we have updated our methodology, thus the assessment cannot be replicated.

SOCIAL CATEGORIES

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Social Housing <i>Financing of social housing provided to underserved communities exclusively with low-income²⁷.</i></p>	<p>Contribution</p>	
<p>Affordable Housing <i>Financing of or investments in affordable housing to lower medium income communities²⁷.</i></p>	<p>Contribution</p>	

²⁷ Additionally, two other criteria are applied: The monthly gross cold rent per flat may not exceed the maximum permissible gross cold rent per flat (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 underlying Framework)) and the building must belong to the energetically best 70% of the national housing stock (threshold values determined on behalf of Berlin Hyp in October 2021 in a report by Drees & Sommer on the energy efficiency of the German residential building stock).

PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACTS

The alignment of Berlin Hyp's project characteristics, due diligence processes and policies for the nominated dedicated purpose financing transactions use of proceeds categories have been assessed with the relevant Climate Change Mitigation, Do No Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act²⁸ (June 2021), based on information provided by Berlin Hyp. Where Berlin Hyp's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below. Assets classified under this Framework are located in Germany.

Berlin Hyp's project selection criteria overlap with the following economic activities in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation:

7.1 – Construction of new Buildings

7.2 – Renovation of existing Buildings




7.7 – Acquisition and ownership of Buildings

Note: In order to avoid repetition, the evaluation of the alignment of Berlin Hyp's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section d).

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

²⁸ EU Taxonomy Climate Delegated Act (June 2021), https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-2_en.pdf

a) 7.1. Construction of new buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁹	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
<p>Berlin Hyp confirms that the proceeds for the relevant part of the portfolio will only be allocated to buildings where the Primary Energy Demand is at least 10% lower than the thresholds set for Nearly Zero-Energy Building (NZEB) requirements in national measures implementing Directive 2010/31/EU. The bank intends to verify this through an Energy Performance Certificate (EPC), or before the reception of such an EPC, any document provided to building authorities proving the building’s energy performance.</p> <p>With respect to buildings larger than 5000 m²:</p> <ol style="list-style-type: none"> Berlin Hyp commits that the building resulting from the construction undergoes testing for airtightness and thermal integrity potential which is carried out in accordance with EN13187 (Thermal Performance of Buildings - Qualitative Detection of Thermal Irregularities in Building Envelopes - Infrared Method) and EN 13829 (Thermal performance of buildings. Determination of air permeability of buildings. Fan pressurization method) or equivalent standards accepted by the respective building control body where the building is located. Berlin Hyp also ensures that the client will carry out the verification of the life-cycle Global Warming Potential (GWP) of the building through a Life cycle assessment according to DIN EN 15978 and DGNB sustainability certificate (ENV1.1 criterion) or equivalent proof. <p>Berlin Hyp will include in its annual reporting information on how its Borrowers’ buildings comply with the requirements mentioned above.</p>	
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See d)	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
<p>Berlin Hyp confirms that as part of the taxonomy credit check, the Borrower is queried on the scope of the economic activity for commercial buildings for the requirement on the maximum flush volume and water flow rate, including the technical specifications for sanitary appliances via Berlin Hyp’s individual questionnaire. The client must confirm compliance with this criterion. The completeness of the criteria to be confirmed is ensured by the sales department. A review of the content by third parties is currently not planned.</p>	

²⁹ This column is based on input provided by the issuer.

Risks of environmental degradation related to the maintenance of water quality and the prevention of water scarcity will, according to Berlin Hyp, be identified and addressed in accordance with Annex B of the Delegated Regulation on EU taxonomy.

Berlin Hyp will include in its annual reporting information on how its Borrowers' buildings comply with the requirements mentioned above.

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

Berlin Hyp confirms that as part of the taxonomy credit check, the Borrower is queried on the recycling quota and the limitation of waste generation according to Directive 2008/98/EC of 19 November 2008 on waste (so-called Waste Framework Directive), which stipulates that by 2020, at least 70% by weight of the non-hazardous construction and demolition waste is prepared for reuse, recycling or other material recovery. The client must confirm compliance with this criterion. The completeness of the criteria to be confirmed is ensured by the sales department. A review of the content by third parties is currently not planned.



Berlin Hyp also confirms that the Borrower ensures that the building design is adapted to the circular economy considering the ISO 20887 standard or comparable standards.

Berlin Hyp will include in its annual reporting information on how its Borrowers' buildings comply with the requirements mentioned above.

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

Berlin Hyp confirms that as part of the taxonomy credit check, the Borrower is queried on the prevention of pollution by chemicals as set out in Annex C of the Delegated Regulation on EU taxonomy and the emission limit values according to Section 7.1 of the Delegated Regulation on EU Taxonomy, related to formaldehyde and carcinogen volatile organic compounds in building components and building materials with which occupants may come into contact, are complied with for the economic activity.



Berlin Hyp asks the Borrower to confirm that if new buildings are located on a potentially polluted site, the site was subjected to an investigation for potential pollutants and that measures will be taken to reduce noise, dust and pollutant emissions during construction.

Berlin Hyp will include in its annual reporting information on how its Borrowers' buildings comply with the requirements mentioned above.

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

Berlin Hyp confirms that where compensatory measures are prescribed within the framework of a required environmental impact assessment, they have been or will be implemented by the Borrower. Directive 2011/92/EU was transposed into German Law (Umweltverträglichkeitsprüfungsgesetz). Furthermore, the Bank confirms that the site exclusions according to Section 7.1 of the Delegated Regulation on EU Taxonomy on arable land, cultivated land, uncultivated land and forest land are complied with for the new development.



b) 7.2 Renovation of existing buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁰	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – <i>Technical Screening Criteria</i>	
Berlin Hyp confirms that the proceeds for the relevant part of the portfolio will only be granted to the renovations which lead to a reduction of the primary energy demand by at least 30 percent, comparing the last energy certificate before the renovation with the energy certificate after the renovation.	✓
2. CLIMATE CHANGE ADAPTATION – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See d)	✓
3. WATER AND MARINE RESOURCES – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See III. a) 3.	✓
4. CIRCULAR ECONOMY – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See III. a) 4.	✓
5. POLLUTION – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See III. a) 5.	✓
6. BIODIVERSITY AND ECOSYSTEMS – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See III. a) 6.	✓

c) 7.7. Acquisition and ownership of buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³¹	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – <i>TECHNICAL SCREENING CRITERIA</i>	
For relevant loans for the acquisition and ownership of commercial and residential buildings built before 31 December 2020 Berlin Hyp confirms that the buildings having an energy certificate that is at least class A and/or the buildings belonging to the top 15 percent of the national or regional building stock in terms of primary energy demand ³² .	✓

³⁰ This column is based on input provided by the issuer.

³¹ This column is based on input provided by the issuer.

³² Based on the methodology determined by Drees & Sommer on behalf of the Association of German Pfandbrief Banks 2022.

For relevant loans for the acquisition and ownership of commercial and residential buildings built after 31 December 2020 Berlin Hyp commits that the criteria set out in III. a) 1. are met by the Borrowers.

For completed non-residential buildings that have a nominal output of > 290 KW, Berlin Hyp asks the Borrowers to commit to providing the required proof of energy efficiency monitoring and assessment. Berlin Hyp ensures compliance through the provision by their clients of an energy efficiency monitoring and assessment. The customer must document how they carry out the control (customer's own energy monitoring, energy performance or savings contract/contracting contract or similar contracts, contract regarding building automation, energy management system according to ISO 50001, EMAS certification).

2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

See d)



3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no DNSH TSC on this objective for this activity

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no DNSH TSC on this objective for this activity

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no DNSH TSC on this objective for this activity

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no DNSH TSC on this objective for this activity

d) Generic Criteria for DNSH to Climate Change Adaptation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES³³

Berlin Hyp commits to ensuring that the climate risk analysis is carried out by the client. Within the framework of the taxonomy questionnaires, the Bank ascertains whether the client has prepared a climate risk and vulnerability assessment report for the identification and, if applicable, an adaptation plan for the material risks. This expert opinion must meet the qualitative requirements of Annex A. The specification of the concrete planned adaptation measures with the respective planned implementation dates are part of Berlin Hyp's taxonomy questionnaire.



The climate risk and vulnerability assessment must include a time horizon for climate projection scenarios corresponding to the expected lifetime, at least 10-30 years due


³³ Ibid.

to the long remaining useful life. Consideration below 30 years is only applicable if this correlates with the remaining useful life.

Berlin Hyp assesses all collateral properties in terms of climate risks, but do not yet use these in the context of the DNSH criterion assessment, as the climate projection scenarios do not yet meet its quality requirement.

Minimum Safeguards

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation³⁴ have been assessed. The results of this assessment are applicable for every eligible project category financed under this Framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁵	ELIGIBLE FOR ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>Berlin Hyp has in place a code of conduct with a commitment of international standards for human rights, diversity and inclusion – in particular:</p> <ul style="list-style-type: none"> ▪ The United Nations Universal Declaration of Human Rights ▪ The United Nations Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) ▪ The United Nations International Convention on the Elimination of All Forms of Racial Discrimination (ICERD) ▪ The International Covenant on Economic, Social and Cultural Rights (ICESCR) ▪ The International Covenant on Civil and Political Rights (ICCPR) ▪ The four fundamental principles of the International Labour Organisation (ILO), and the ILO’s core labour standards ▪ European Convention for the Protection of Human Rights and Fundamental Freedoms <p>To make its commitment to human rights, diversity and inclusion outwardly visible, Berlin Hyp has joined the UN Global Compact and signed the Diversity Charter.</p> <p>Berlin Hyp’s ESG-scoring, which is conducted before granting a loan, evaluates ESG-factors such as the business ethics of the client, if the client has a whistle blower mechanism in place, violations in connection with ethical/moral conduct, data protection regulations, if the real estate project is socially controversial for legitimate reasons. In case of social controversy,</p>	

³⁵ This column is based on input provided by the Bank.

wrongdoing in terms of business ethics or similar a loan would not be granted. Some of Berlin Hyp's clients are subject to the Supply Chain Due Diligence Act, which regulates the handling of supply chain issues.

In case of the event of violations, Berlin Hyp reserves the right to agree to mutual plans of action or ultimately terminate contracts. In terms of the ESG-Scoring the Bank would be alerted regarding a social controversy of the real estate project, wrongdoing in terms of business ethics etc. even before a loan was granted. In addition to that Berlin Hyp's whistle blower mechanism follows a determined procedure. On the borrower level ESG criteria is tracked through a questionnaire which is filled out with the information provided by the client. After the loan was issued the ESG risks of the financing are continuously monitored during the financing period. Increased risks can be identified by Berlin Hyp for various reasons, for example from public sources, in the context of the disclosure of economic circumstances, from the client's sustainability reporting or also from ongoing client contact. Berlin Hyp discusses any increased risks in an active exchange with the client with the aim of finding joint solutions and addressing measures. In case of violation of law or the UN principles for human rights, the Compliance Officer will file criminal charges against the entity or submit a report to the entity (whistleblowing). In addition, Berlin Hyp will terminate the business relationship. To monitor Berlin Hyps service providers and suppliers the Bank uses the RepRisk tool, which focusses on the ten service providers and suppliers with the highest turnover on a six-monthly basis for compliance with ESG criteria. Any significant violations of the principles and requirements, both those committed within the Bank itself or along the upstream supply chain, must be immediately and voluntarily reported.

Employees of suppliers may use Berlin Hyp's whistleblower system to directly inform the Compliance Officer or the Bank's external Whistleblower Hotline of any violations. In the event of violations, Berlin Hyp reserves the right to agree to mutual plans of action or ultimately terminate contracts. Any violations against the Code of Conduct are remedied as part of an action plan. Continued infractions of the criteria can lead to termination of the contractual relationship.

Berlin Hyp annually publishes an GRI report, which inter alia contains the outcome of the RepRisk analysis. The Bank also has their Code of Conduct publicly available on their website³⁶ as well as their whistleblower mechanism³⁷.

³⁶ Berlin Hyp Code of Conduct, <https://www.berlinhyp.de/files/media/corporate/newsroom/weitere-publikationen/de/2016/code-of-conduct.pdf>

³⁷ Berlin Hyp Whistleblowing - Whistleblower System, <https://www.berlinhyp.de/en/about-us/whistleblower-system>

PART IV: ASSESSMENT OF BERLIN HYP'S ESG RISK MANAGEMENT PROCEDURES

The table below evaluates Berlin Hyp's ESG-specific risk management measures and policies that are considered relevant at group level and that are considered relevant in the context of its sustainable financing activities. The KPIs emphasize sustainability-related risks considered relevant to the banks' operations. The KPIs are derived leveraging the ISS ESG 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 Disclosure³⁸. 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 Berlin Hyp's departments.

ASSESSMENT AGAINST KPIs

Berlin Hyp has an ESG scoring process in place. Since 2021, all new business opportunities are screened and assigned an overall 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 for Borrowers are, as an example, 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 focuses on energy efficiency, vulnerability to climate change, pollution and waste, demographic risk (such as aging population, depopulation), social relevance (e.g. buildings used for healthcare services or social housing). Berlin Hyp plans to extend this ESG Score to all its portfolio in the long term. Borrowers and financed buildings are assessed on a 3-point risk scale. For its portfolio A (own investments), Berlin Hyp uses an external database to monitor controversies on securities and issuers. Topics covered are such as risks related to the destruction of the environment, human rights violations, child labour, forced labour, fraud and corruption. Berlin Hyp cannot invest in securities from controversial issuers. Should controversies arise after the investment's measures, ranging from engagement to divestment, are to be taken.

Labour, Health and Safety

- ✓ Berlin Hyp's clients are all located in Belgium, France, Germany, the Netherlands, Luxembourg, Poland and the Czech Republic, which have signed the ILO core convention agreement and are Equator Principles designated countries. High labour, health and safety standards are ensured by the relevant national legislation and the European Union mandatory social standards.

Biodiversity and Community dialogue

- ✓ Berlin Hyp's clients are located in Equator Principles designated countries³⁹, as such high standards with regard to environmental impacts and impacts on the communities are considered to be ensured by national legislation and European Union legislation. In

³⁸ Task force on Climate-related Financial Disclosures, 2022 Status report, <https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf>

³⁹ Equator Principles Designated countries (as at 13 February 2023), <https://equator-principles.com/about-the-equator-principles/>

addition, the Bank explicitly excludes financing in certain protected areas (List of Wetlands of International Importance- the Ramsar List, UNESCO World Heritage List within the context of the UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage, the UNESCO Biosphere Reserves List within the context of the UNESCO programme “Man and the Biosphere (MAB)”).

Inclusion

- ✓ The social categories are aimed at the target population underserved communities (e.g., low-income population) for social housing and lower medium income communities 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 Framework⁴⁰. For the process of choosing eligible clients for the social loan, Berlin Hyp has an internal audit trail in place that examines the social loan ability of the residential property before an offer to the client is made. Thereby Berlin Hyp ensures that vulnerable or disadvantaged populations are not excluded from the social categories as defined under the Sustainable Finance Framework.

Financed emissions

- ✓ Berlin Hyp commits to a climate-neutral portfolio by 2045⁴¹. The Bank measures its financed emissions in line with the Partnership for Carbon Accounting Financials (PCAF) methodology to publish greenhouse gas emissions data for relevant asset classes in its portfolio. In the future, Berlin Hyp will for their sustainability-linked bond measure its emissions in line with the PCAF methodology. Apart from that Berlin Hyp will use the Science Based Target Initiative (SBTi) to calculate their portfolio emission intensity.

Carbon related financing

- ✓ The Bank does not provide financing to fossil fuel-based projects. They exclusively procure and promote green electricity.

Exclusion criteria

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 (CITES) 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.

⁴⁰ The properties to be financed are assessed on the basis of individual parameters from the Housing Subsidy Act (WoGG). 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).

⁴¹ Berlin Hyp Sustainability strategy, <https://www.berlinhyp.de/files/media/corporate/nachhaltigkeit/strategie/en/bhyp-esg-nachhaltigkeitsziel-englisch.pdf>

PART V: THE SUSTAINABLE FINANCE FRAMEWORK'S LINK TO BERLIN HYP'S OVERALL ESG PROFILE

A. CONSISTENCY OF SUSTAINABLE FINANCE FRAMEWORK WITH BERLIN HYP'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Bank

Since 2013 Berlin Hyp has incorporated various ESG criteria into their policies and practices in order to create a sustainable management system. Part of that develop was to set a Strategic Performance Target (SPT) of expanding its Green Finance Portfolio to 20 percent by year-end 2020 – which was achieved a year ahead of schedule. In 2021 Berlin Hyp extended on its Sustainability Agenda, the so-called 'ESG Target Visions', which is organized in four different dimensions, as shown in the graph below⁴².

The key elements of the ESG Target Vision's sustainable business portfolio dimension are:

1. Reduction of CO₂ intensity in the portfolio and climate-neutral portfolio by 2050 at the latest
2. A portion of 1/3 of loans is designated for energy efficient green buildings (according to the criteria defined in the Green Bond Framework) in Berlin Hyp's loan portfolio by 2025
3. Establishment of 100 percent portfolio transparency by 2023 – prerequisite for a systematic determination 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 who seek the transition to energy-efficient properties
5. 40 percent of Berlin Hyp's capital markets funding mix to consist of ESG refinancing instruments by 2025

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.

With a focus on financing energy-efficient and environmentally friendly buildings Berlin Hyp publishes on an annual or case by-case basis a Sustainable Finance Framework. With the aim to expand their sustainability activities by integrating taxonomy loans into its Green Loan portfolio in 2022. Disclosing the planned proportion of new 'Energy efficiency loans' and new 'Taxonomy loans' to be included in the Bank's Green Loan portfolio per year.

Year	Maximum percentage of new energy efficiency loans (until year-end)	Minimum percentage of new taxonomy credits (until year-end)
2023	85 %	15 %
2024	70 %	30 %
2025	40 %	60 %
2026	0 %	100 %

⁴² [Sustainability strategy - Berlin Hyp AG](#)

To ensure effective implementation in line with their roadmap and enable Berlin Hyp to address issues that may arise in the future, their ESG Board is the central platform for information and the exchange of knowledge on companywide ESG issues.

Berlin Hyp publishes in conformity with the systematic structure of the Global Reporting Initiative (GRI) annual reports since 2016. This is an international standard for sustainability reporting which discloses on key management initiatives, measures and performance indicators.

In line with its environmental commitments, as of year-end 2022, Berlin Hyp extended loans for EUR 8,855 million in Green Buildings in order to finance buildings certified to a comprehensive sustainable building standard.

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.*

B. BERLIN HYP'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the BERLIN HYP is exposed through its business activities, providing additional context to the Sustainable Finance Framework assessed in the present report.

ESG risks associated with the Bank's industry

Berlin Hyp is classified in the Mortgage & Public Sector Finance, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company-specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Statutory ESG-standards linked to the geographical allocation of the lending portfolio
Employee relations and work environment
Sustainability impacts of lending and other financial services/ products
Customer and product responsibility
Sustainable investment criteria



ESG performance of the Bank

Leveraging ISS ESG's Corporate Rating research, further information about the BERLIN HYP's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the Sustainable Finance Framework proposed in this report and the BERLIN HYP's sustainability strategy is further detailed in Part III.B of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Berlin Hyp current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the financial institution's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ⁴³	DIRECTION OF IMPACT	UN SDGS
Financing of buildings certified to a comprehensive sustainable building standard	19.3%	CONTRIBUTION	
Financing of affordable housing (for low- to median-income households)	5.8%	CONTRIBUTION	

Breaches of international norms and ESG controversies

At Bank level

At the date of publication and leveraging ISS ESG Research, no severe controversy in which the Bank would be involved has been identified.

At Industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Mortgage & Public Sector Finance industry are as follows: Failure to prevent money laundering, Failure to pay fair share of taxes, and Anti-competitive behavior.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

⁴³ Percentages presented in this table are not cumulative.

DISCLAIMER

1. Validity of the External Review ('External Review'): Valid as long as the Framework remain unchanged.
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ANNEX 1: Methodology

PART I: REVIEW OF THE SUSTAINABLE SUSTAINABLE LENDING FRAMEWORK

We consider 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 International Capital Market Association’s Green, Social Bond Principles⁴⁴, the Loan Market Association’s Green Loan Principles, Social Loan Principles⁴⁵, the UNEP-FI PRB⁴⁶, and the Guidelines proposed by the European Banking Authority with respect to environmentally-sustainable lending. The application of the LMA principles, comprising voluntary guidelines is limited to the assessment of characteristics of a specific transaction.

SECTION	ASSESSMENT CRITERIA
1. Objectives, Targets & Progress	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 UN Sustainable Development Goals, the Paris Climate Agreement, or national or regional frameworks.
2. Definition of Sustainable Financing Activities	The sustainable financing strategy should define clearly and comprehensively what financing products are deemed as sustainable based on precise parameters. Ideally, the Bank should provide an exhaustive list of eligible sustainable activities. Those 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 threshold, or impact indicators) while ensuring that other objectives are not harmed.
3. Evaluation & Selection Process	Banks should have a comprehensive and documented process in place to ensure that the funded projects align with the eligibility criteria for sustainable financing instruments. Moreover, where applicable, information about climate and sustainability-related business objectives of the borrowers and/or investors should be collected. 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 projects 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).
4. Governance & Monitoring	Clear governance mechanisms should be in place to ensure that the products classified as sustainable remain in line with the criteria for

⁴⁴ International Capital Market Association, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks>

⁴⁵ Loan Market Association, Sustainable Finance, Principles, <https://www.lma.eu.com/sustainable-lending/documents>

⁴⁶ United Nations Environmental Programme – Finance Initiative Principles for Responsible Banking, <https://www.unepfi.org/banking/bankingprinciples/>

	<p>sustainable investment, lending, or financing instruments throughout their lifecycle. This should 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 are in place to promote sustainable business practices. With respect to borrowers and dedicated financing transactions, Banks should ensure that they diligently monitor the allocation of proceeds toward sustainable projects and activities.</p>
5. Reporting	<p>Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate on the allocation of proceeds, as well as the impact and progress of the sustainable financing 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. Issuers of Green, Social or Sustainability Bonds should make, and keep, readily available up-to-date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments. The annual report should include a list of the projects to which Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact. Until the loan is fully drawn or until the loan maturity in the case of a revolving credit facility, the bank ensures, that its borrowers make and keep readily available up-to-date information on the use of proceeds and a brief description of the projects, and their expected impact using qualitative performance indicators and, where feasible, quantitative performance measures. Information needs only be provided to those institutions participating in the loan.</p>
6. Verification	<p>It is recommended that the sustainable financing strategy for specific issuances should be reviewed by an external independent third party. The external reviews should be made available to the respective stakeholders involved.</p>

PART II: ASSESSMENT OF BERLIN HYP'S CLASSIFICATION SYSTEM

This section examines the sustainability quality of each of the parameters included in Berlin Hyp's classification process and discusses the sustainability quality of the products complying with those. To corroborate this assessment and using a proprietary methodology, ISS ESG identifies the extent to which Berlin Hyp's eligibility criteria contribute to the UN SDG and meet the criteria listed in relevant activities in the EU Taxonomy Climate Delegated Act (June 2021).

EU Taxonomy

Whether the details of the nominated projects and assets or project selection eligibility criteria included in the Corporate Lending Framework meet the criteria listed in relevant activities in the EU Taxonomy Climate Delegated Act (June 2021) has been evaluated. The evaluation shows if Berlin Hyp's eligible categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex. The evaluation was carried out using information and documents provided to ICS on a confidential basis by Berlin Hyp. Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the bank.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which Berlin Hyp's sustainable corporate lending products contribute to related SDGs has been identified.

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 social and/or environmental 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 then assessed positively. Those 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 financing operations of the Bank. The evaluation was carried out based on information and documents provided on a confidential basis 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 sustainability quality of the Bank and how the underlying Sustainable Finance Framework contributes to its sustainability strategy. Drawing on the ISS ESG Corporate Rating, a focus is put on the Bank's overarching sustainability policies as well as the management of related ESG risks.

ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 3: Quality management processes

SCOPE

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

CRITERIA

Relevant standards for this external review stem from key principles for transparency and non-contamination of sustainable labelled products, including:

- Loan Market Association's (LMA) Green Loan Principles, Social Loan Principles
- UNEP-FI PRB
- Guidelines proposed by the European Banking Authority (EBA) with respect to environmentally sustainable lending
- EU Taxonomy Climate Delegated Act (June 2021)

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 ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in sustainable capital markets for over 25 years. Since 2014, ISS ESG 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 ESG has conducted this independent External Review of the Sustainable Finance Framework by Berlin Hyp based on a proprietary methodology and in line with market practices and relevant market standards for sustainable finance.

The engagement with Berlin Hyp took place from February to April 2023.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS 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 ISS ESG

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & 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 to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and financing frameworks and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent External Review so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

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

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on External Review services, contact: SPOsales@isscorporatesolutions.com

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