

## SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer, Social Bond Framework and the Asset Pool

Berlin Hyp AG

19 March 2025

### VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Social bonds<sup>1</sup>

Relevant standards

- Social Bond Principles, ICMA, June 2023 (with June 2023 Appendix 1)

Scope of verification

- Berlin Hyp AG's Social Bond Framework and selection criteria (as of Mar. 19, 2025)
- Berlin Hyp AG's asset pool (as of Dec. 31, 2024, received on Jan. 22, 2025)

Lifecycle

- Post-issuance verification

Validity

- Valid as long as the cited Framework (as of Mar. 19, 2025) and the portfolio (as of Dec. 31, 2024, received on Jan. 22, 2025) remain unchanged

<sup>1</sup> In the form of social covered bonds (in particular Pfandbriefe), social senior unsecured debt (including social senior preferred and social senior nonpreferred), social subordinated debt (limited to social Tier 2 instruments) and social short-term debt (limited to social commercial papers).

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## SCOPE OF WORK

Berlin Hyp AG (“the Issuer,” “the Bank” or “Berlin Hyp”) commissioned ISS-Corporate to assist with its social bonds by assessing three core elements to determine the sustainability quality of the instruments:

1. Berlin Hyp’s Social Bond Framework (as of Mar. 19, 2025), benchmarked against the International Capital Market Association’s (ICMA) Social Bond Principles (SBP).
2. The asset pool (as of Dec. 31, 2024 and received on Jan. 22, 2025) — whether the project categories in the asset pool contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against ISS-Corporate’s proprietary issuance-specific key performance indicators (KPIs) (see Annex 1).
3. Consistency of social bonds with Berlin Hyp’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

## BERLIN HYP OVERVIEW

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 businesses, real estate debentures, real estate evaluations and mortgages. The company was founded in 1868 and is headquartered in Berlin.


### *ESG risks associated with the Issuer’s industry*

Berlin Hyp is classified in the mortgage and public sector finance industry, as per ISS ESG’s sector classification. Key sustainability issues faced by companies<sup>2</sup> in this industry are sustainability impacts of lending and other financial services/products, customer and product responsibility, statutory ESG standards linked to the geographical allocation of the lending portfolio, and employee relations and work environment.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer’s overall sustainability strategy.

<sup>2</sup> Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within this industry.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>3</sup>
<p><b>Part I:</b></p> <p><b>Alignment with SBP</b></p>	<p>The Issuer has defined a formal concept for its social bonds regarding the use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with the SBP.</p>	<p><b>Aligned</b></p>
<p><b>Part II:</b></p> <p><b>Sustainability quality of the asset pool</b></p>	<p>The social bonds will refinance eligible assets under the category Affordable Housing.</p> <p>100% of assets have a contribution to one or more of the following SDGs:</p>  <p>The environmental and social risks associated with the use of proceeds categories and the financial institution are managed.</p>	<p><b>Positive</b></p>
<p><b>Part III:</b></p> <p><b>Consistency of social bonds with Berlin Hyp's sustainability strategy</b></p>	<p>The key sustainability objectives and the rationale for issuing social bonds are clearly described by the Issuer. All the project categories considered are in line with the Issuer's sustainability objectives.</p>	<p><b>Consistent with Issuer's sustainability strategy</b></p>

<sup>3</sup> The evaluation is based on Berlin Hyp's Social Bond Framework and selection criteria (as of Mar. 19, 2025), and on the asset pool as of Dec. 31, 2024, received on Jan. 22, 2025.

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH THE SOCIAL BOND PRINCIPLES

This section evaluates the alignment of Berlin Hyp’s Social Bond Framework (as of Mar. 19, 2025) with the SBP.

SBP	ALIGNMENT	OPINION
<p><b>1. Use of proceeds</b></p>	<p>✓</p>	<p>The use of proceeds description provided by Berlin Hyp’s Social Bond Framework is <b>aligned</b> with the SBP.</p> <p>The Issuer’s social categories align with the project categories as proposed by the SBP. Criteria are defined clearly and transparently, and social benefits are described. Disclosure of distribution of proceeds by project category is provided. The net proceeds will be used exclusively to refinance eligible assets.</p>
<p><b>2. Process for project evaluation and selection</b></p>	<p>✓</p>	<p>The process for project evaluation and selection description provided by Berlin Hyp’s Social Bond Framework is <b>aligned</b> with the SBP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed appropriately. Moreover, the projects selected show alignment with Berlin Hyp’s sustainability strategy and clearly show the intended benefit to the relevant population. The Issuer defines exclusion criteria for harmful projects categories.</p> <p>Berlin Hyp has not issued social commercial papers yet and does not define a look-back period to retain flexibility given the varying financing dates of the asset in its social portfolio.</p> <p>The Bank has clearly outlined the composition of the Sustainable Finance Commission, which includes experts from various relevant departments and identifies the alignment of its Social Bond Framework and social projects with official or market-wide taxonomies, and</p>

SBP	ALIGNMENT	OPINION
		<p>references any social standards or certifications used, in line with best market practices.</p>
<p><b>3. Management of proceeds</b></p>	<p>✓</p>	<p>The management of proceeds provided by Berlin Hyp’s Social Bond Framework is <b>aligned</b> with the SBP.</p> <p>The net proceeds collected will equal the amount allocated to eligible projects. The net proceeds are tracked appropriately and attested in a formal internal process. Berlin Hyp has not yet issued social commercial papers but confirmed that in case of future issuance of this instrument, the social commercial papers will be distinctly marked and tracked in its internal system; monitoring and reporting frequency will be the same as currently applicable to green commercial papers. The Issuer’s eligible asset pool meets/exceeds the aggregate value of the outstanding commercial papers. The Issuer also has a mechanism in place to address events where the asset pool does not meet or exceed the net proceeds of the outstanding commercial papers. Backup projects are subject to the same eligibility criteria.</p> <p>The net proceeds are managed on an aggregated basis for multiple social bonds (portfolio level). Moreover, the Issuer discloses that proceeds are immediately allocated and there won’t be unallocated proceeds.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting proposed by Berlin Hyp’s Social Bond Framework is <b>aligned</b> with the SBP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report with appropriate frequency. The reporting will be publicly available on the Issuer’s website. Berlin Hyp has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the portfolio level. Moreover, the Issuer commits to report annually until maturity of the last social financing instrument. Additionally, the Issuer defines the</p>

SBP	ALIGNMENT	OPINION
		<p>reporting process and frequency for commercial papers.</p> <p>Furthermore, the Issuer is transparent on the level of impact reporting and the information that will be disclosed in the impact reporting, and defines the frequency and duration of impact reporting.</p>

## PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

### A. CONTRIBUTION OF THE SOCIAL BONDS TO THE U.N. SDGs<sup>4</sup>


The Issuer can contribute to the achievement of the SDGs by providing specific services/products that help address global sustainability challenges, and by being a responsible actor, working to minimize negative externalities in its operations along the entire value chain.

The assessment of UoP categories for refinancing products and services is based on a variety of internal and external sources, such as ISS ESG’s SDG Solutions Assessment, a proprietary methodology designed to assess the impact of an Issuer’s products or services on the U.N. SDGs, as well as other ESG benchmarks (the EU taxonomy Climate Delegated Act, the Green/Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a three-point scale:



Each of the social bonds’ use of proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Affordable Housing<sup>5</sup></b></p> <p><i>Loans for multi-family buildings owned by specific organizations in the following countries and meeting the following criteria:</i></p> <ul style="list-style-type: none"> <li><i>In Germany, loans to housing providers such as municipal housing companies, housing cooperations, or private housing companies and project developers that are publicly committed to social responsibility and offering affordable housing. The underlying</i></li> </ul>	<p><b>Contribution</b></p>	

<sup>4</sup> The impact of the UoP categories on U.N. SDGs is assessed with proprietary methodology and may therefore differ from the Issuer’s description in the Framework.

<sup>5</sup> Eligible social assets in the Affordable Housing category are loans for buildings that must primarily serve a residential purpose (please refer to the definition of “residential property” in the introduction to its Framework). These buildings may also include areas that are directly linked to the residential use (e.g., for property management). In addition, Berlin Hyp wants to facilitate access to basic social services and infrastructural provision through the property (e.g., to medical practices, daycare centers or stores for daily needs). Affordable Housing buildings may therefore also include areas for such types of use as long as the residential use of the property prevails.



USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><i>housing must pass Berlin Hyp's Housing Benefit Act Test.</i></p> <p><i>Target population: Lower-income groups and households with income above the basic social security level but who, without state support, may spend more than 30% of their disposable income on housing costs.</i></p> <ul style="list-style-type: none"> <li>▪ <i>In the Netherlands, loans to an authorized institution ("toegelaten instelling") in the context of the 2015 Public Housing Decree or private housing companies and project developers that are publicly committed to social responsibility and offering affordable housing. The average rental price in case of a multi-family building does not exceed the annually updated social housing (or liberalisation) threshold as defined in Article 13 of the Dutch Housing Benefit Act (in 2025: EUR 900.07).</i></li> </ul> <p><i>Target population: Households that are decoupled from wage development, such as low-income households, the unemployed or pensioners.</i></p>		

## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ASSET POOL

The table below evaluates the asset pool against issuance-specific KPIs. The entirety of the assets are located in Germany and the Netherlands.

### ASSESSMENT AGAINST KPIs

#### **Integration of ESG guidelines into financing process**

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 Europea 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, CO<sub>2</sub> 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 Issuer 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**



Berlin Hyp’s clients are all located in Germany and the Netherlands, 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 of the assets financed 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 Issuer 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**



The social categories target underserved communities (e.g., the low-income population) for social housing and lower-middle-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 Framework.<sup>6</sup> 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 the social categories as defined under the Social Bond Framework.

### **Data protection and information security**



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

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

### **Responsible treatment of customers with debt repayment problems**



The Issuer has implemented various measures to responsibly deal with clients having debt repayment problems. The Issuer has adopted a policy to deal with borrowers experiencing debt repayment problems based on the 18 good practices proposed by the European Banking Authority. As per the policy, Berlin Hyp implemented a monthly procedure for the early detection of at-risk customers. Relevant clients are then contacted by the Issuer's sales units. Solution-finding is carried out in cooperation with clients. Various options can be offered on a standalone basis or combined: extension of the term of the mortgage, change in the type of mortgage, complete or partial suspension of the installment payments for a certain period, consolidation of loans, adjustment of the interest rate, capitalization of default, granting of a deferral

<sup>6</sup> The properties to be financed are assessed on the basis of 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 I.1 in the Framework).

of payment, and assistance with the voluntary sale of the property. The Issuer states that all these options are offered under non-detrimental conditions.

### **Exclusion criteria**

The Issuer 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 Issuer conducts checks against sanctioned entities and embargoes.

## PART III: CONSISTENCY OF SOCIAL BONDS WITH BERLIN HYP'S SUSTAINABILITY STRATEGY

*Key sustainability objectives and priorities defined by the Issuer*

TOPIC	ISSUER APPROACH
<p><b>Strategic ESG topics</b></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.<sup>7</sup></p>
<p><b>ESG goals/targets</b></p>	<p>To achieve its strategic ESG topics, the Bank has set the following goals:</p> <ol style="list-style-type: none"> <li>1. Reduce CO<sub>2</sub> intensity in the portfolio and achieve a climate-neutral portfolio by 2050.<sup>8</sup></li> <li>2. Have one-third of loans designated to certified green buildings in loan portfolio by 2025.<sup>9</sup></li> <li>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.</li> <li>4. Enhance advice and financing for customers seeking a transition to energy-efficient properties.<sup>10</sup></li> <li>5. Have 40% of capital markets funding mix consist of ESG refinancing instruments by 2025.</li> </ol> <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><b>Action plan</b></p>	<p>To ensure effective implementation in line with its roadmap and enable the Bank to address issues that</p>

<sup>7</sup> As outlined in Berlin Hyp's [ESG strategy presentation](#).

<sup>8</sup> As outlined on Page 2 of the [ESG strategy presentation](#).

<sup>9</sup> As outlined on Page 4 of the [ESG strategy presentation](#).

<sup>10</sup> As outlined on Page 7 of the [ESG strategy presentation](#).

TOPIC	ISSUER APPROACH
	<p>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> <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><b>Climate transition strategy</b></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 CO<sub>2</sub> 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><b>Sustainability reporting</b></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><b>Industry associations, collective commitments</b></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</p>

TOPIC	ISSUER APPROACH
<p><b>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</b></p>	<p>of German Pfandbrief Banks and the German Property Federation.</p> <p>Berlin Hyp has annually published its Green Bond Framework on its <a href="#">website</a> 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 issuance*

The categories Berlin Hyp chose as eligible for the use of proceeds from its social bonds are presented in Section 2 of its Social Bond Framework. Berlin Hyp’s financing of social and affordable housing represents the part of its sustainability strategy that is closest to its core business: commercial real estate. By promoting affordable housing, Berlin Hyp aims to support low-income households, which are often disconnected from wage developments and at risk of spending more than 30% of their disposable income on housing.

**Opinion:** *The key sustainability objectives and the rationale for issuing social bonds are clearly described by the Issuer. All the project categories financed are in line with the Issuer’s sustainability objectives.*

## DISCLAIMER

1. Validity of the Second Party Opinion (“SPO”): Valid as long as the cited Framework and the portfolio analyzed remains unchanged.
2. ISS-Corporate, a wholly owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells, prepares, and issues Second Party Opinion, on the basis of ISS-Corporate’s proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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## ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary [methodology](#).

## ANNEX 2: QUALITY MANAGEMENT PROCESSES

### SCOPE

Berlin Hyp commissioned ISS-Corporate to compile a social bond SPO. The second-party opinion process includes verifying whether the Social Bond Framework aligns with the SBP and assessing the sustainability credentials of its social bonds, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant standards for this second-party opinion:

- Social Bond Principles, ICMA, June 2023 (with June 2023 Appendix 1)

### ISSUER'S RESPONSIBILITY

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

- Framework
- Asset pool and selection criteria
- Documentation of ESG risk management at the asset level

### 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.

This independent second-party opinion of the social bonds to be issued by Berlin Hyp has been conducted based on proprietary methodology and in line with the SBP.

The engagement with Berlin Hyp took place between January and March 2025.

### ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has 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 behavior 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 SPO

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.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. Following these three steps, we draw up an independent SPO so investors are as well-informed as possible about the quality of the bond/loan from a sustainability perspective.

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

For more information on SPO services, please contact [SPOsales@iss-corporate.com](mailto:SPOsales@iss-corporate.com).

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