

oekom Corporate Rating

Berlin Hyp AG

Industry Financials/Mortgage & Public Sector
Finance

Status Prime

Corporate
Responsibility

Prime

Country Germany

Rating B-

rated by
oekom research

ISIN DE000A1EWN89

Prime Threshold C

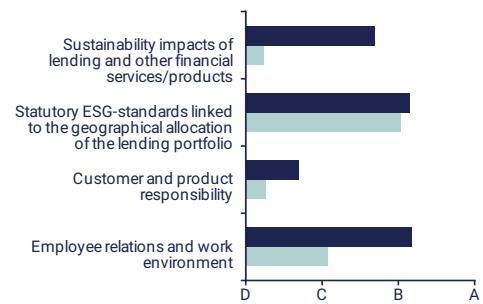


Industry Leaders

Company name (in alphabetical order)	Country	Grade
Bayerische Landesbodenkreditanstalt	DE	C+
Berlin Hyp AG	DE	B-
Muenchener Hypothekenbank eG	DE	C+

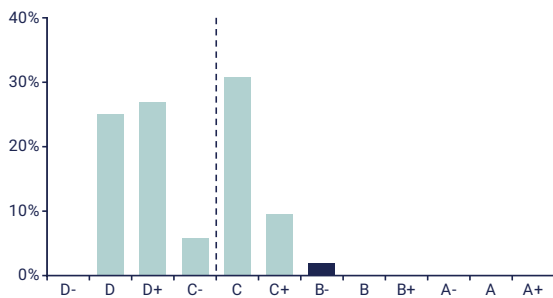
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance

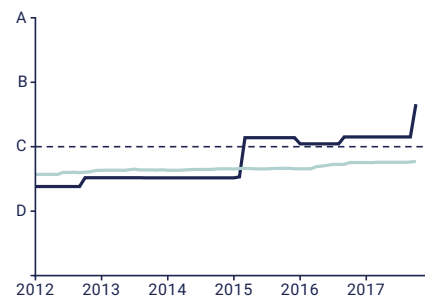


Distribution of Ratings

52 companies in the industry

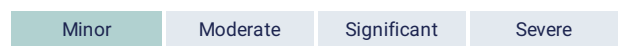


Rating History



Controversy Monitor

Company		Industry	
Controversy Score	0	Maximum Controversy Score	0
Controversy Level	Minor	Controversy Risk	Minor



Berlin Hyp AG

Analyst Opinion

Hendrik Leue
Sector specialist



Sustainability Opportunities

With regard to the company's main sphere of activities, large-volume real estate financing, there is potential for the provision of funding to social housing. Albeit some loans of that kind were granted to charitable housing cooperatives, volumes are not publicly disclosed and thus such finance is estimated to remain still modest. In the environmental domain the company endeavoured to promote environmentally friendly commercial real estate by already issuing three green bonds in two assets classes (Pfandbrief; senior unsecured). Underlying assets qualify for the mortgage covered pool through certain green building standards, such as BREEAM, LEED or DGNB and through energy-efficiency certificates. Two out of approximately 18 billion in the company's mortgage portfolio account for such sustainable buildings, hence accounting for over 10% of the loan book. Although financing sustainable real estate is still not the main market for the company compared to total assets, it aims at increasing this share to 20 percent by 2020.

Sustainability Risks

The company's covered pool claims are mainly distributed throughout Germany, France and the Netherlands, countries with fairly good environmental and social minimum standards. Hence, risks from Berlin Hyp's financing activities appear moderately low. Moreover, for managing its social and environmental risks stemming from loan origination, Berlin Hyp applies comprehensive guidelines concerning its real estate financing segment. Guidelines include client-related stipulations in various environmental and social areas, from resource efficiency, pollution, biodiversity aspects and climate change impacts to human and labour rights, community matters such as noise and traffic, and regarding vulnerable population groups. Although BerlinHyp is pioneering the sector with such sophisticated guidelines, there is room for improvement for the institute to establish a more elaborated system for compliance in that area. With regard to its own (liquidity) investment portfolio, the bank uses a set of exclusion criteria concerning controversial business sectors and practices. These are followed through with an appropriate management approach. Since the company does not engage in retail finance and deals with professional real estate developers only, customer-related risks appear manageable. However, only initial steps are taken on responsible sales practices as well as towards the treatment of clients with debt repayment problems.

A policy covering workplace security is in place and there is no evidence on redundancies over the last years. Various working time models ensure adequate work-life balance of its employees and the company addressed health and safety issues with a company-wide management system, which covers also aspects of psychological well-being.

With regard to its governance processes, Berlin Hyp applies policies covering various important compliance issues, like corruption, insider trading and money laundering, antitrust, gifts and favours. Necessary procedures to ensure application of the rules are present through employee trainings, compliance risk assessments and whistleblowing procedures.

Governance Opinion

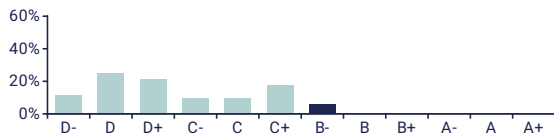
Berlin Hyp is a wholly-owned subsidiary of Landesbank Berlin Holding, ultimately possessed by Sparkassen-Finanzgruppe, the umbrella organisation of German savings banks. The company's governance structure allows for an appropriate separation of managerial and supervisory functions with the entirety of members of the board qualifying as independent, including the board's chairman Mr Georg Fahrenschoen. However, Mr Fahrenschoen, a former Bavarian finance minister, is also active in various other boards associated to the German home loan and savings landscape. Furthermore, the board has established committees concerning audit, nomination and remuneration, all composed of likewise independent members. A committee dedicated to sustainability appears to be missing. Compensation for the executive management team is reported for each individual, split up according to fixed and variable amounts as well as long-term incentives. While economical sustainability is reflected in the long-term incentives, ESG criteria apparently are not incorporated into the banks' remuneration scheme.

Berlin Hyp's code of conduct covers all relevant aspects of business ethics, such as corruption, insider trading, conflicts of interest, antitrust, gifts and favours, of which some are reflected on in more detail. Application of the rules is ensured by employee trainings, compliance risk assessments and adequate whistleblowing procedures.

Berlin Hyp AG

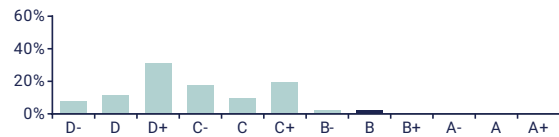
A. Social and Governance Rating 50.0% | B-

Weight Rating



B. Environmental Rating 50.0% | B

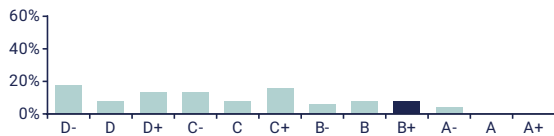
Weight Rating



A.1. Staff and Suppliers 15.0% | B+

Weight Rating

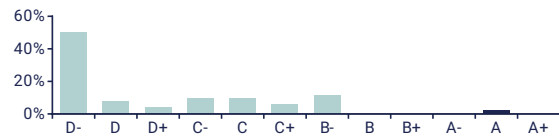
- staff
 - freedom of association
 - equal opportunities
 - health and safety
 - work-life balance
 - employment security
 - training and education
- suppliers



B.1. Environmental Management 5.0% | A

Weight Rating

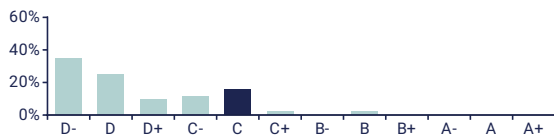
- environmental policy
- environmental management system
- climate change strategy
- travel and transport
- green procurement



A.2. Society and Product Responsibility 25.0% | C

Weight Rating

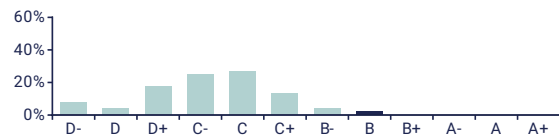
- society
 - human rights
 - community
 - gov. relations/influence on publ. pol.
 - stakeholder dialogue
- customer and product responsibility
 - social impact of prod. and services
 - social aspects along the value chain



B.2. Products and Services 42.5% | B

Weight Rating

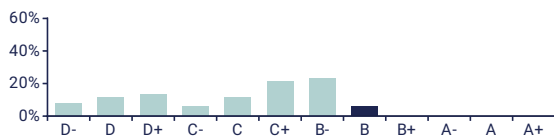
- env. impact of products and services
- env. aspects along the value chain
 - climate impact of corp. value chain
- lending and investment banking
- asset management and own investment



A.3. Corporate Governance and Business Ethics 10.0% | B

Weight Rating

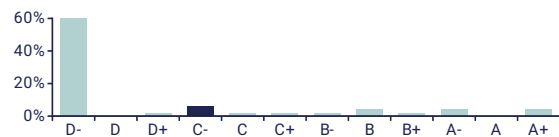
- corporate governance
 - board independence
 - shareholder democracy
 - executive compensation
 - shareholder structure
- business ethics



B.3. Eco-efficiency 2.5% | C-

Weight Rating

- energy efficiency
- carbon efficiency
- business travel
- operating and raw material efficiency
- water efficiency



Berlin Hyp AG

Controversial Business Practices

	Risk Exposure (0 no / 8 yes)	Potential Controversy	Moderate Controversy	Severe Controversy	Very Severe Controversy	Comments
Human Rights Controversies	0	0	0	0	0	
Company		0	0	0	0	
Supplier		0	0	0	0	
Financiers		0	0	0	0	
Labour Rights Controversies	0	0	0	0	0	
Company: Freedom of association		0	0	0	0	
Company: Forced labour		0	0	0	0	
Company: Child labour		0	0	0	0	
Company: Discrimination		0	0	0	0	
Company: Other areas		0	0	0	0	
Supplier: Freedom of association		0	0	0	0	
Supplier: Forced labour		0	0	0	0	
Supplier: Child labour		0	0	0	0	
Supplier: Discrimination		0	0	0	0	
Supplier: Other areas		0	0	0	0	

Berlin Hyp AG

Controversial Business Practices

	Risk Exposure (0 no / 8 yes)	Potential Controversy	Moderate Controversy	Severe Controversy	Very Severe Controversy	Comments
Controversial Environmental Practices	0	0	0	0	0	
Company	0	0	0	0	0	
Supplier	0	0	0	0	0	
Financier	0	0	0	0	0	
Business Malpractice	0	0	0	0	0	
Company: Corruption	0	0	0	0	0	
Company: Financial accounting	0	0	0	0	0	
Company: Competition	0	0	0	0	0	
Company: Taxes	0	0	0	0	0	
Company: Money transfers	0	0	0	0	0	
Company: Other/Miscellaneous	0	0	0	0	0	

Berlin Hyp AG

Controversial Business Areas

	Risk Exposure (<input type="radio"/> no / <input checked="" type="radio"/> yes)	Net Sales: ≥ 0%	Net Sales: ≥ 5%	Net Sales: ≥ 10%	Other Categories	Comments
Alcohol	<input type="radio"/>	no	no	no		
Producer: beer/wine		-	-	-		
Producer: high-proof beverages/foodstuffs		-	-	-		
Trader: beer/wine		-	-	-		
Trader: high-proof beverages/foodstuffs		-	-	-		
Animal Testing	<input type="radio"/>				no	
Tests beyond legal requirements					-	
Tests within and/or beyond legal requirements					-	
Chlorinated Hydrocarbons	<input type="radio"/>	no	no	no		
Producer		-	-	-		
Embryonic Research	<input type="radio"/>				no	
Specialised companies					-	
Marginally involved companies					-	
Fossil Fuels	<input type="radio"/>	no	no	no		
Total coal-related activities		-	-	-		
Total oil-related activities		-	-	-		
Total natural gas-related activities		-	-	-		
Hydraulic fracturing		-	-	-		
Oil Sands		-	-	-		

Berlin Hyp AG

Controversial Business Areas

	Risk Exposure (<input type="radio"/> no / <input checked="" type="radio"/> yes)	Net Sales: ≥ 0%	Net Sales: ≥ 5%	Net Sales: ≥ 10%	Other Categories	Comments
Furs	<input type="radio"/>	no	no	no		
Producer		-	-	-		
Trader		-	-	-		
Gambling	<input type="radio"/>	no	no	no		
Particularly controversial forms of gambling		-	-	-		
Other forms of gambling		-	-	-		
GMOs	<input type="radio"/>	no	no	no		
Producer		-	-	-		
User		-	-	-		
Trader		-	-	-		
Military	<input type="radio"/>	no	no	no		
Producer: weapons (systems) – non-banned		-	-	-		
Producer: weapons (systems) – banned		-	-	-		
Producer: other armaments		-	-	-		
Trader: weapons (systems) – non-banned		-	-	-		
Trader: weapons (systems) – banned		-	-	-		
Trader: other armaments		-	-	-		

Berlin Hyp AG

Controversial Business Areas

	Risk Exposure (<input type="radio"/> no / <input checked="" type="radio"/> yes)	Net Sales: ≥ 0%	Net Sales: ≥ 5%	Net Sales: ≥ 10%	Other Categories	Comments
Nuclear Power	<input type="radio"/>	no	no	no		
Producer: nuclear power		-	-	-		
Producer: uranium		-	-	-		
Producer: key components for nuclear power stations		-	-	-		
Trader: nuclear power		-	-	-		
Trader: uranium		-	-	-		
Trader: key components for nuclear power stations		-	-	-		
Pesticides	<input type="radio"/>	no	no	no		
Producer		-	-	-		
Pomography	<input type="radio"/>	no	no	no		
Producer		-	-	-		
Trader		-	-	-		
Tobacco	<input type="radio"/>	no	no	no		
Producer: end products		-	-	-		
Producer: components/accessories		-	-	-		
Trader: end products		-	-	-		
Trader: components/accessories		-	-	-		

Berlin Hyp AG

Additional Company Information

Company Profile

* Copyright © 2017, S&P Capital IQ (and its affiliates, as applicable). All rights reserved.

Berlin Hyp AG is a German mortgage bank that offers traditional mortgage lending, principally for housing companies, construction companies, property developers and investors in real estate. The company's mortgage lending operations encompass lending for the construction of commercial premises and residential real estate, predominantly in Germany's major metropolitan areas. It also acts as a partner to public authorities, providing local government financing operations, as well as developing new instruments for infrastructure financing, including short-term financing solutions. A further service offered by the company is the issue of covered bonds (Pfandbriefe) for private and institutional investors. With effect from 1 January 2015, Berlin Hyp is now an independent real estate financing company within the Sparkasse Finance Group.

Company Contact

Berlin Hyp AG

Matthias Arnheiter
Bereichsleiter Unternehmensstrategie
Budapester Straße 1
DE - 10787 Berlin

Tel.:

E-Mail: matthias.arnheiter@berlinhyp.de

Web: www.berlinhyp.de

Berlin Hyp AG

Methodology - Overview

oekom Corporate Rating - The oekom Universe comprises more than 3,800 companies (mostly companies in important national and international indices, but also small and mid caps drawn from sectors with direct links to sustainability as well as significant non-listed bond issuers).

The assessment of a company's social and environmental performance is based on approximately 100 environmental, social and governance criteria, selected specifically for each industry. All criteria are individually weighted and evaluated and the results are aggregated to yield an overall score (rating), in which the key issues account for at least 50 per cent of the total weight. In case there is no relevant or up-to-date company information available on a certain criterion and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the criterion is graded with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company itself as well as information from independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

An external rating committee assists the analysts at oekom research with the content-related design of industry-specific criteria and carries out a final plausibility check of the rating results at the end of the rating process.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Controversial Business Practices and Areas - In addition to the rating, oekom research undertakes a comprehensive analysis of relevant controversies with respect to numerous business practices and areas for each company. Thereby, our clients have the possibility to consider, either separately or in addition to the rating, the behaviour and the activities of a company in areas they view as especially critical.

With regard to business practices, each controversial case is examined and categorised based on whether it can be clearly attributed to the company. Additionally, the extent of the company's responsibility and the severity of the case are assessed. For the classification of the severity of the misconduct, the concrete negative effects are systematically evaluated. In addition, it is considered whether, to what extent and with what success the company has taken steps to mitigate the impact, to compensate it and to prevent similar incidents from occurring in the future.

To account for the varying levels of severity of the controversies, these are classified into the following three categories: moderate controversies, severe controversies and very severe controversies. Additionally, potential controversies are presented. These constitute issues which could be reclassified into one of the three controversy categories in case new information is reported. The classification follows a clear and uniform methodology for which oekom research has defined specific evaluation parameters and their possible manifestations along a scale, based on international norms and standards and its own understanding of sustainability.

In the Business Practices section, the number of relevant and active cases is displayed in the respective cells. For each criterion, the sum of all corresponding cases for each sub-category is shown in the first line. In the Business Areas section, the activity is marked "x" and summarised as "yes" or "no". The percentage thresholds in the column headers generally refer to the Net Sales of the assessed company. As Net Sales are not an adequate reference value for all companies, these thresholds can refer to other values in individual cases (e.g. for different financial service providers).

Current cases are summarised in the "Comments" field. Irrespective of active cases, criteria marked as "Risk Exposure" indicate the company's risk exposure to controversies based on its business activities.

For the assessment of cases only those sources that have been classified by oekom research as reliable are used. In addition to proven misconduct or activities of companies, alleged misconduct or activities are also assessed when the facts and circumstantial evidence provided by those sources, taking into account the experience of specialised analysts for each topic, is estimated to be sufficiently reliable. This applies not only to alleged practices, but also to the alleged serious negative effects of such practices.

Berlin Hyp AG

Methodology - Overview

Controversy Monitor - The oekom Controversy Monitor is a tool for assessing and managing reputational and financial risks associated with companies' negative environmental and social impacts.

The controversy score is a unit of measurement for the number and severity of a company's current controversies. All controversial business areas and business practices receive a negative score, which can vary depending on the significance, number and severity of the controversies. Both the company's score and the maximum score obtained in the industry are displayed.

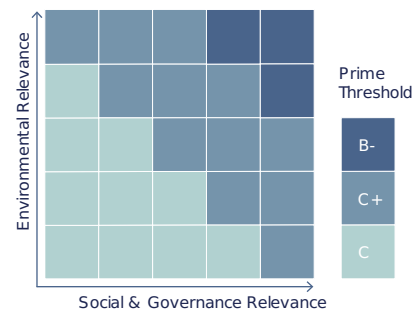
For better classification, the scores are assigned different levels: minor, moderate, significant and severe. The industry level relates to the average controversy score.

Only controversies for which reliable information from trustworthy sources is available are recorded. In addition to proven misconduct and activities of companies, alleged misconduct and activities are also assessed when the facts and circumstantial evidence provided by those sources, taking into account the experience of specialised analysts for each topic, is estimated to be sufficiently reliable. It should be noted that large international companies are more often the focus of public and media attention. Thus, the information available on those companies is often more comprehensive than for less prominent companies.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the oekom Universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analysed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the oekom Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the oekom Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the oekom Universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Major Shareholders & Ownership Summary - Overview of the company's major shareholders at the time of generation of this report. All data as well as the categorisation system for the investor types is based on information from S&P Capital IQ.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorised as Prime if they achieve/exceed the minimum sustainability performance requirements (Prime threshold) defined by oekom for a specific industry (absolute best-in-class approach) in the oekom Corporate Rating. Prime companies rank among the sustainability leaders in that industry.

Berlin Hyp AG

Annex

Information Sources – Company Sources

Publicly available company documentation, such as annual reports, social and environmental reports and sustainability reports, as well as company web pages. In addition, internal documents or other company information (e.g. obtained through interviews with company representatives), if provided.

Information Sources – External Sources (examples only)

Amazon Watch	Human Rights Watch
Amnesty International	Institute for Global Labour and Human Rights
Asahi Shimbun	International Labor Organization (ILO)
BankTrack	International Rivers
BBC	International Trade Union Confederation (ITUC)
Business & Human Rights Resource Centre	Organisation for Economic Co-operation and Development (OECD)
CDP Responses	Oxfam
Centre for Research on Multinational Corporations (SOMO)	Principles for Responsible Investment
China Labour Watch	Responsible Investor
Competition Authorities (e.g. US Federal Trade Commission)	Reuters
CorpWatch	S&P Capital IQ
ECA Watch	Taipei Times
Electoral Commissions (e.g. UK Electoral Commission)	The Economist
Environmental Agencies (e.g. European Environment Agency)	The Guardian
Environmental Defense Fund	The Washington Post
Equator Principles	Transparency International
Erklärung von Bern	UK Financial Conduct Authority
European Restructuring Monitor	UN Global Compact
European Union institutions (e.g. European Commission)	UNEP Financial Initiative
Facing Finance	urgewald
Fair Labor Association	US Consumer Financial Protection Bureau
Financial Times	US Department of Justice
Freedom House	US Equal Employment Opportunity Commission
Friends of the Earth	US Securities and Exchange Commission
GlassLewis	Wall Street Journal
Greenpeace	World Health Organization
Handelsblatt	World Wildlife Fund (WWF)

Participation in Rating Process

The rating report based on publicly available company documentation and external sources such as NGOs, authorities, trade unions and the media was submitted to the company for consideration and feedback. The company actively participated in the rating process and provided additional information. Berlin Hyp is a customer of oekom research AG and uses its research services. This business relationship had no influence on the rating.

Contact oekom research AG

Sector Specialist

Hendrik Leue
Goethestrasse 28
DE - 80336 Munich
Tel.: +49 89 544184 90
E-Mail: leue@oekom-research.com
Web: www.oekom-research.com

Contributing Analyst

Karoline Wagner
Goethestrasse 28
DE - 80336 Munich
Web: www.oekom-research.com

Disclaimer

1. oekom research AG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide.
2. We would, however, point out that we do not warrant that the information presented in this Rating Report is complete, accurate or up to date. Any liability on the part of oekom research AG in connection with the use of these pages, the information provided in them and the use thereof shall be excluded.
3. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations.
4. We would point out that this Rating Report, in particular the images, text and graphics contained therein, and the layout and company logo of oekom research AG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of oekom research AG. Use shall be deemed to refer in particular to the copying or duplication of the Rating Report wholly or in part, the distribution of the Rating Report, either free of charge or against payment, or the exploitation of this Rating Report in any other conceivable manner.

Please note that all data in this report relates to the point in time at which the report was generated.