

Green Bond Framework

March 2023



Information on Framework Update 2023

The Green Bond Framework is regularly revised in order to adequately take into account regulatory developments as well as new requirements and findings in the ESG capital market. In 2022, the member institutions of the Association of German Pfandbrief Banks (vdp) have had been provided by Drees & Sommer with a study on the energetic top 15 percent of the German real estate market in the asset classes residential, office, retail and logistics.

BerlinHyp is taking this as an opportunity to further emphasise the technical screening criteria of the EU taxonomy requirements for buildings/construction activities in its eligibility criteria for loans for energy-efficient green buildings (Chapter 4.1.1). Furthermore, the minimum surplus of eligible green assets to be held at issuance of a new green bond over outstanding green bonds plus the new issue is capped at EUR 800 million.

Changes to the framework are highlighted in italic.

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1) Berlin Hyp's Sustainability Strategy

Climate change is one of the biggest challenges of our times – maybe even the biggest. To combat this change is not an exclusive task for real estate related businesses; however, this sector plays a significant role in order to achieve the Paris Agreement's goal of reducing global warming to less than 2° Celsius above pre-industrial levels by 2050. Berlin Hyp AG ("Berlin Hyp") aims to play an active part in the necessary green transformation within the European building sector. Therefore, the bank integrated ESG (Environmental, Social, Governance) in the core of its corporate strategy and business operations.

In 2013, the bank resolved to incorporate its existing approaches and processes in a sustainability management system covering numerous ESG aspects. Financing energy-efficient green buildings represents the part of Berlin Hyp's ESG measures that is closest to its core business: commercial real estate lending. Since 2015, when the bank issued its inaugural Green Pfandbrief, the first green covered bond to be issued worldwide, Berlin Hyp's loans for energy-efficient green buildings are refinanced by issuing green bonds. To enhance its green finance franchise, the bank introduced pricing incentives for eligible business in 2016. In 2017, to have a leading position in green finance was included to Berlin Hyp's overall strategic goals. An expansion of its Green Finance Portfolio to 20 percent of its overall loan portfolio was set as a strategic performance target. The bank achieved this target, a year in advance, at the end of 2019. As of 30 June 2021, the bank's Green Finance Portfolio amounts to EUR 7.0bn representing 25 percent of its total loan book.

In August 2020, Berlin Hyp published its far-reaching and ambitious Sustainability Agenda, in line with the 2050 climate neutrality goal of the Paris Agreement and the Federal Republic of Germany, which includes ambitious climate protection targets for the building sector. Depending on the respective calculation, buildings account for 30 to 40 percent of total carbon emissions in Germany.

In April 2021, Berlin Hyp was the world's first bank to link its sustainability and climate targets directly to its refinancing when the bank issued its inaugural Sustainability-Linked Bond.

Due to the major impact of the real estate sector to reach the German and European climate neutrality goals, building developers, owners and financing banks are currently seeing a completely new dimension of evaluation criteria and standards arising in order to meet the challenges associated with achieving the climate targets. The high relevance of the sector and the disruptive nature of new standards such as the EU Taxonomy's buildings and construction criteria are key reasons why Berlin Hyp has not only set another new sustainability target for itself, but also a far-reaching Sustainability Agenda in August 2020, which has been extended in October 2021. By this extension the bank defined its ESG Target Vision. The ESG Target Vision represents a comprehensive set of measures enabling Berlin Hyp to proceed with its own green transformation and to play an important role in its core business sector's necessary ESG transformation. It addresses, among others, the following environmental goals in relation to a sustainable business portfolio:

Reduction of CO₂ intensity in the portfolio and climate-neutral portfolio by 2050 at the latest

→ In accordance with the Paris Agreement and the Climate Protection Plan of the Federal Republic of Germany Berlin Hyp chooses to play an active role in reaching the Paris and national German targets. To achieve this, the bank not only seeks to achieve climate neutrality in its own operations but also links carbon reduction targets to buildings it finances. The bank seeks to make its entire loan portfolio completely climate neutral not later than by 2050. On the path to achieve this goal, the bank in the first instance aims to reduce the carbon footprint of its loan portfolio by 40 percent between 2020 and 2030.

→ Paris Agreement: Reduce global temperature increase to less than 2° C above pre-industrial levels, targeting 1.5° C

→ Climate Protection Plan of the Federal Republic of Germany¹: national set of measures to achieve the objectives of the Paris Agreement. This includes a path towards climate neutrality of the building sector and defines interim targets.

The climate paths' legal basis is the German Climate Protection Act (Klimaschutzgesetz, KSG), which came into force in December 2019 and was revised in August 2021.

1/3 portion of loans for energy efficient green buildings in Berlin Hyp's loan portfolio by 2025

→ Eligible business is defined in this Green Bond Framework and takes into account the EU Taxonomy's buildings and construction criteria.

→ The 1/3-target ensures continued consideration of energy efficiency in Berlin Hyp's future lending decisions and demonstrates the growing importance of financing green buildings within its portfolio.

Establishment of 100 percent portfolio transparency – prerequisite for a systematic determination of energy performance, carbon and climate risks within Berlin Hyp's entire loan portfolio

→ Recording of all energy performance certificates (EPC) in Berlin Hyp's loan monitoring system and their analysis. Due to its achievements as a regular green bond issuer, the bank's loan monitoring system already contains energy efficiency data of all constituents of its Green Finance Portfolio. Until year-end of 2023, it also aims to complete the collection of EPCs for all financed buildings that are not included in the Green Finance Portfolio.

→ Based on loan-book-wide EPC-based energy efficiency data, Berlin Hyp thereafter will be enabled to calculate its entire loan portfolio's carbon emissions more precisely. Precise knowledge of CO₂ emissions is a vital prerequisite for an accurate determination of transitory and physical risks via scenario analyses.

→ In addition, the bank aims to achieve full transparency regarding the physical and transitory risks of the properties it finances by 2025.

Advice and financing for customers who are seeking to make the transition to energy-efficient properties

→ Berlin Hyp offers customers specially designed financing solutions such as the Transformationskredit (transformation loan).

→ The Transformationskredit intends to enable the financing of ESG real estate transformation measures. These include among others renovations leading to a decrease of energy demand by at least 30 percent, in line with the EU Taxonomy's requirement.

→ Berlin Hyp will incentivize this product and support its borrowers to transform their properties towards 'green'.

40 percent of Berlin Hyp's capital markets funding mix to consist of ESG refinancing instruments by 2025

→ ESG refinancing instruments include green bonds and sustainability-linked bonds, and may be extended prospectively to social bonds.

→ In order to demonstrate the ambition of this target, please note that Berlin Hyp is a wholesale funded bank that does not take deposits.

¹ In August 2021, Germany revised its Climate Protection Act in order to reach climate neutrality by 2045. This implies a steeper climate path for the German building sector with a CO₂ emissions decrease of 43 percent between 2020 and 2030 rather than the previous 0 percent.

2) Rationale for revising the Green Bond Framework

Green bonds have been key for Berlin Hyp for several years now. The bank issued its first Green Pfandbrief in 2015 and has updated its Green Bond Framework ("Framework") regularly since then with five versions published². As an experienced Pfandbrief issuer, the bank provides investors with maximum transparency. This experience actively contributes to setting best market practices for the green bond market. Such efforts enable Berlin Hyp to reach a broader investor base, giving the bank the opportunity to contribute to well documented green financing activities with a strong governance process.

In its continuous effort to comply with the highest green bond standards and regulations, Berlin Hyp redesigned its Framework in 2021 to be even more ambitious. This Framework is based on the latest version to date of the Green Bond Principles (GBP), published by the International Capital Market Association (ICMA) in June 2021³. For the first time, the Framework also transposes the requirements of the Delegated Act for Environmental Objective 1 of the EU Taxonomy for Sustainable Activities ("EU Taxonomy") published by the EU Commission in June 2021⁴ and the requirements of the proposed Regulation of the European Parliament and of the Council on European Green Bonds ("Regulation on European Green Bonds")⁵. Due to its long track record of activities supporting clients' efforts to avoid and reduce greenhouse gas emissions in the real estate sector, Berlin Hyp is focusing on Environmental Objective 1 of the EU Taxonomy, climate change mitigation. However, the bank is considering working on Environmental Objective 2 (climate change adaptation) in the future.

Further, the Framework complies with the minimum standards for Green Pfandbriefe published by the Association of German Pfandbrief Banks in 2019 and with the Guidelines on Loan Origination and Monitoring published in 2020 by the European Banking Authority (EBA).

Finally, the Framework is aligned with the Sustainable Development Goals (SDGs) published in 2015 by the United Nations as part of the 2030 Agenda for Sustainable Development. Financing energy efficient green buildings Berlin Hyp is particularly committed to two Sustainable Development Goals: SDG 11 (Sustainable Cities and Communities), and SDG 13 (Climate Action).

Potential revisions of any of the reference guidelines aforementioned as well as new regulatory developments will be reflected in the future versions of the Framework on a best effort basis, whereby Berlin Hyp will either maintain or improve the current level of reporting and stringency when selecting eligible green assets.

Berlin Hyp considers itself one of the first banks to work on a full alignment with the Delegated Act for Environmental Objective 1 of the EU Taxonomy. The early implementation of the new requirements takes place in dialog with customers and employees in order to identify the challenges and areas of development arising from regulatory developments and to adapt the credit process accordingly. Therefore, to implement the new EU taxonomy as robustly as possible, a certain timeframe shall be required.

² All the previous editions of the Framework will remain publicly available on the Berlin Hyp's website: <https://www.berlinhyp.de/en/investors/green-bonds>

³ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

⁴ [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C\(2021\)2800](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C(2021)2800)

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021PC0391&qid=1627478046576>

To fulfill its strong ambitions, Berlin Hyp adopted a robust approach, reflecting its strategy through two major innovative aspects:

- **Two green products aligned with two sets of Eligibility Criteria (as defined below) will coexist in the Framework until 2025:**
 - **“Loans for energy-efficient green buildings”** meeting the Eligibility Criteria defined under Berlin Hyp's 2020 Green Bond Framework and updated in this Framework, as displayed under section 4.1.1 of this Framework.
 - **“Loans for EU Taxonomy-aligned buildings/construction activities”** meeting the Eligibility Criteria aligned with the EU Taxonomy as defined under section 4.1.2 of this Framework.
- **After year-end 2025, the origination of new Eligible Green Assets will be 100 percent aligned with the Delegated Act for Environmental Objective 1 of the EU Taxonomy.** A transition path to reach this target is described under 4.1.



3) Green Bond Program

BerlinHyp is an experienced issuer on the green bond market. The bank issued its first Green Pfandbrief in 2015 and has issued 19 benchmark-sized green bonds since then. The total outstanding amount of green bonds was € 7.3 bn by 31 December 2022. All green bonds issued so far are aligned with the Green Bond Principles. This Framework is even more ambitious as it introduces compliance with the Delegated Act for Environmental Objective 1 of the EU Taxonomy.

As of 31 December 2022, BerlinHyp has a mortgage loan portfolio with a nominal value of EUR 31.7 bn. A portion with a value of about EUR 8.9 bn meets the bank's eligibility criteria which are labelled as loans for energy-efficient green buildings in its loan monitoring system. The nominal value of such loans in BerlinHyp's mortgage cover pool is EUR 5.0 bn, while another EUR 3.8 bn is not or not yet a part of the mortgage cover pool. The aggregated nominal value of eligible assets will change over time and is likely to increase as the bank:

- a. plans to finance new eligible assets and
- b. shall ask existing borrowers for energy performance certificates (EPCs), sustainability certificates and other documents proving their eligibility.

BerlinHyp's Green Bond Program shall be used to issue any kind of green refinancing instruments including:

- Green covered bonds, in particular Green Pfandbrief
- Green Senior unsecured debt, including Green Senior Preferred and Green Senior Non-Preferred
- Green subordinated debt, limited to Green Tier 2 instruments
- Green short term debt, limited to Green Commercial Paper

According to Appendix I of the Green Bond Principles, Green Pfandbriefe are to be classified as Secured Green Collateral Bonds and all other green refinancing instruments as Standard Green Use of Proceeds Bonds.⁶

3.1 Green Pfandbrief

BerlinHyp's Green Pfandbriefe are Mortgage Pfandbriefe as defined in § 1 para. 1 (1) of the Pfandbrief Act. All cover assets fulfill the requirements of §§ 13 to 18 Pfandbrief Act. Green Pfandbrief holders rank pari-passu with all other Mortgage Pfandbrief holders. The entire cover pool is liable for timely payment of the interest and principal of Green Pfandbriefe and all other outstanding Mortgage Pfandbriefe in case of the issuer's insolvency.

BerlinHyp applies the cover principle from the Pfandbrief Act to its Green Pfandbriefe. That means that a new Green Pfandbrief can only be issued if the bank's mortgage cover pool contains sufficient eligible assets that have not already been allocated to a BerlinHyp green bond. Proceeds are therefore always used to refinance eligible assets in the bank's mortgage cover pool.

In addition, the bank takes every effort to invest an amount equivalent to the net proceeds of each Green Pfandbrief in new eligible assets and include them in its mortgage cover pool. Eligibility criteria for these new assets as a minimum must meet the standard that is applicable to the assets that are already on the bank's balance sheet at the time of issuance.

3.2 Green Senior

Investors in BerlinHyp's Green Senior rank pari-passu with investors in other senior unsecured notes of the bank within the same asset class. I.e. holders of green senior preferred bonds rank pari-passu with those of other BerlinHyp senior preferred bonds, and holders of senior non-preferred rank pari-passu with those of other BerlinHyp senior non-preferred bonds. A new Green Senior may only be issued if there are sufficient eligible assets on the bank's balance sheet that have not been allocated to a BerlinHyp Green Bond before.

⁶ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

In addition, the bank shall make every effort to invest an amount equivalent to the net proceeds of each Green Senior in new eligible assets.

Eligibility criteria for these new assets must meet as a minimum the standard that is applicable to the assets that are already on the bank's balance sheet at issuance.

3.3 Green Tier 2 Instruments

Investors in Berlin Hyp's Green Tier 2 instruments rank pari-passu with investors in other subordinated debt of the bank within the same asset class (i.e. limited to Tier 2). A new Green Tier 2 instrument may only be issued if there are sufficient eligible assets on the bank's balance sheet that have not been allocated to a Berlin Hyp Green Bond before.

In addition, the bank shall make every effort to invest an amount equivalent to the net proceeds of each Green Tier 2 in new eligible assets. Eligibility criteria for these new assets must meet as a minimum the standard that is applicable to the assets that are already on the bank's balance sheet at issuance.

3.4 Green Commercial Paper

As of September 2018, Berlin Hyp has expanded its short-term refinancing through a Euro Commercial Paper Program. Commercial papers are unsecured bearer bonds with maturities of up to 364 days. A new Green Commercial Paper may only be issued if there are sufficient eligible assets on the bank's balance sheet that have not been allocated to a Berlin Hyp green bond before. Due to the short maturity of commercial papers, the monitoring process of proceeds allocation of Green Commercial Papers is specifically defined in section 4.3 related to the Management of Proceeds.



4) Green Bond Framework

Berlin Hyp's Green Bond Framework is aligned with the five core components of the Green Bond Principles published by the International Capital Market Association (ICMA) in June 2021:

4.1 Use of proceeds

4.2 Process for project evaluation and selection

4.3 Management of proceeds

4.4 Reporting

4.5 External review

4.1 Use of proceeds

Given the recent regulatory developments at the EU level, Berlin Hyp is strongly committed to align the Framework with the Delegated Act for Environmental Objective 1 of the EU Taxonomy and with the Regulation on European Green Bonds when selecting Eligible Green Assets. Therefore, Berlin Hyp established a new set of criteria ("Eligibility criteria for loans for EU Taxonomy-aligned buildings/construction activities") which will coexist in the Framework with the updated criteria coming from the 2020 edition of the Framework ("Eligibility criteria for loans for energy-efficient green buildings") until the end of 2025.

In addition, Berlin Hyp commits on a best-effort basis to a progressive timeline to ensure that its Green Bonds Program is fully aligned with the aforementioned regulations by the end of 2025. This timeline follows the recommendation set out in the EU Explanatory Memorandum about the Taxonomy. It demonstrates that Berlin Hyp envisions to integrate loans for EU Taxonomy-aligned buildings/construction activities in its Green Finance Portfolio in a robust manner as soon as 2022.

Table 1 displays the envisaged split between new loans for energy-efficient green buildings and new loans for EU Taxonomy-aligned buildings/construction activities to be added to the bank's Green Finance Portfolio per year.

Table 1: Breakdown of new Eligible Green Assets

Year	Maximum percentage of new loans for energy-efficient green buildings (by year-end)	Minimum percentage of new loans for EU Taxonomy-aligned buildings/construction activities (by year-end)
2022	95%	5%
2023	85%	15%
2024	70%	30%
2025	40%	60%
2026	0%	100%

An amount equivalent to the net proceeds of any Berlin Hyp green bond issued under the Green Bond Program will be used to re-finance Eligible Green Assets, aligned with at least one of the categories described below.

Both sets of Eligibility Criteria apply to pre-defined shares of potential Eligible Green Assets' underlying assets:

- Construction of new buildings includes development of building projects (NACE F41.1) and construction of residential and non-residential buildings (NACE F41.2).
- Acquisition and ownership of buildings include real estate activities (NACE L68).
- Refurbishment of existing building includes construction of buildings (NACE F41) and specialized construction activities (NACE F43).

Eligible Green Assets shall also meet other environmental and/or social criteria. These assets are not to be used for the production of arms, pesticides, tobacco, pornography, nuclear power, coal, oil and fossil fuels.

**4.1.1 Use of proceeds:
 Loans for energy-efficient green buildings**

The eligibility criteria for these eligible green assets relate to the energy efficiency of buildings to be financed or financed. They are derived from the technical screening criteria of the EU taxonomy for buildings/construction activities.

If the data required to meet these criteria is not available, the eligibility criteria from Berlin Hyp's Green Bond Framework 2022 (criterion II) must be met analogously.

Table 2: Eligibility Criteria for loans for energy-efficient green buildings

Green Buildings		
Green sub-categories	Eligibility criteria	UN SDGs
<p>Construction of new commercial and residential buildings</p> <p>Acquisition and ownership of commercial and residential buildings</p> <p>Refurbishment⁷ of commercial and residential buildings</p>	<p>Criterion I: Top 15 percent of the national or regional building stock⁸ Buildings that are in the top 15 percent of the national or regional building stock in terms of final energy demand / consumption or primary energy demand or</p> <p>Buildings whose energy performance certificate corresponds at least to energy performance class A, or which meet other technical screening criteria documented in section 4.1.2, but without meeting the relevant DNSH criteria For buildings located in markets for which Berlin Hyp does not have a definition of the national or regional top 15 percent or for which no data is available on the other criteria listed under I., the following applies</p> <p>Criterion II: Energy Demand total thresholds⁹ Energy efficient real estate buildings with a total energy demand or consumption that should not exceed:</p> <ul style="list-style-type: none"> ■ 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) <p>Breakdown of Energy Demand total thresholds Energy Demand Heating thresholds:</p> <ul style="list-style-type: none"> ■ Residential ≤ 60kWh/(m²*a) ■ Office ≤ 80kWh/(m²*a) ■ Retail ≤ 60kWh/(m²*a) ■ Hotels ≤ 95kWh/(m²*a) ■ Logistics ≤ 30kWh/(m²*a) ■ Light industrial ≤ 105kWh/(m²*a) <p>Energy Demand Electricity thresholds:</p> <ul style="list-style-type: none"> ■ Residential – no threshold ■ Office ≤ 60kWh/(m²*a) ■ Retail ≤ 75kWh/(m²*a) ■ Hotels ≤ 60kWh/(m²*a) ■ Logistics ≤ 35kWh/(m²*a) ■ Light industrial ≤ 65kWh/(m²*a) 	 

⁷ For refurbishment of buildings, Eligibility Criteria are assessed through the EPC issued after the refurbishment process.

⁸ Berlin Hyp currently has data on the national top 15 percent exclusively for Germany in the asset classes residential, office, retail and logistics. These were determined by Drees & Sommer on behalf of the Association of German Pfandbrief Banks 2022. The corresponding thresholds are presented in Annex I. As soon as Berlin Hyp has further top 15 percent values, these are used for classification.

⁹ Derived from the German Energy Savings Regulation (EnEV 2016) and Gebäudeenergiegesetz (GEG 2020). Subject to the annual re-verification by ISS-ESG, these reference values provide the basis of this set of eligibility criteria. They reference to the final energy demand. If a building's EPC references to the final energy consumption the above threshold represent the maximum allowed final energy consumption. If, in certain cases, the use of modern technology at/in the building (for example block power stations, heat recovery power units, etc.) results in a significant reduction of primary energy demand, the primary energy demand value can be used as an alternative.

In the future, Berlin Hyp will continue to request sustainability certificates from its customers for the buildings it finances, provided they are available, and will also record them in its loan monitoring system. They enable the Bank to take a look at the sustainability of these properties beyond energy efficiency. In this context, the following certificates are considered to be an indication of at least good building sustainability performance:

- LEED: Gold or above;
- BREEAM: Very Good or above;
- DGNB: Gold or above;
- HQE: High Level or above.

**4.1.2 Use of proceeds:
 Loans for EU Taxonomy-aligned
 buildings/construction activities**

The Framework follows the guidelines from the Delegated Act of the EU Taxonomy, which provides a definition of activities contributing substantially to one of the six environmental objectives. These guidelines were used to set qualitative and/or quantitative thresholds along with relevant studies not older than twelve months, where applicable, to determine precise thresholds. Eligibility Criteria for loans for EU Taxonomy-aligned buildings/construction activities are displayed in the Table 3 hereunder.

Table 3: Eligibility Criteria for loans for EU Taxonomy-aligned buildings / construction activities

Green Buildings		
Green sub-categories	Eligibility criteria	UN SDGs
<p>Construction of new commercial and residential buildings before 31/12/2020</p> <p>Acquisition and ownership of commercial and residential buildings built before 31/12/2020</p>	<p>EPC Class: Buildings which hold an Energy Performance Certificate that is at least Class A</p> <p>or /and</p> <p>Top 15 percent: Buildings within the top 15 percent of national or regional building stock in terms of Primary Energy Demand</p>	
<p>Construction of new commercial and residential buildings after 31/12/2020</p> <p>Acquisition and ownership of commercial and residential buildings built after 31/12/2020</p>	<p>The Primary Energy Demand of the building is at least 10 percent lower than the thresholds set for Nearly Zero-Energy Building (NZEB) requirements in national measures implementing Directive 2010/31/EU. It is verified by an EPC, or before the reception of such an EPC, any document provided to building authorities proving the building's energy performance.</p> <p>For buildings larger than 5,000 m², the building resulting from the construction undergoes testing for air-tightness, thermal integrity and global warming potential</p>	
<p>Renovation of commercial and residential buildings</p>	<p>Building renovation complies with the applicable requirements for major renovations: The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.</p> <p>or /and</p> <p>Renovation leads to a reduction of Primary Energy Demand of at least 30 percent when comparing the latest EPC before renovation with the one issued after renovation.</p>	

In addition, the bank may finance individual renovation measures through loans for EU Taxonomy-aligned buildings/construction activities if they fulfill the criteria defined by section 7.3, 7.4, 7.5 or 7.6 of the Delegated Act.

In this set of eligibility criteria, Berlin Hyp considers an economic activity environmentally sustainable if it significantly contributes to climate change mitigation. This category entails compliance with two types of criteria: on the one hand with technical assessment criteria (Technical Screening Criteria, TSC) transposed above and on the other hand with “Do No Significant Harm” (DNSH) criteria. In addition, activities must comply with minimum social safeguards⁹.

To comply with DNSH criteria, Berlin Hyp's Eligible Green Assets must be assessed to ensure they do not cause significant harm to all EU Taxonomy's remaining environmental objectives. Activities contributing to climate change mitigation must avoid significant harm to climate change adaptation and the other four environmental objectives:

- Sustainable use and protection of water and marine resources,
- Transition to a circular economy,
- Pollution prevention and control,
- Protection and restoration of biodiversity and ecosystems.

Appendix I provides additional details on DNSH criteria and on the methodology for assessing the accurate alignment with the Delegated Act for Environmental Objective 1 of the EU Taxonomy.

For avoidance of doubt, transformation loans (Transformationskredit) may qualify as either Eligible Greens Assets according to section 4.1.1 or according to section 4.1.2 depending on which of the two sets of eligibility criteria they comply with.

4.2 Process for project evaluation and selection

Berlin Hyp firmly anchors the Framework in its internal processes for evaluating and selecting Eligible Green Assets complying with any of the criteria sets described in section 4.1 within the credit process.

Berlin Hyp has established a Sustainable Finance Commission (SFC; previously Green Building Commission¹⁰) which consists of representatives from various divisions of the bank. Among them are all entities involved in the financing/refinancing value chain: Origination, Portfolio Management, Credit, Appraisal and Treasury. Among others, Risk Controlling and Corporate Strategy are part of the SFC, too. In its regular meetings the SFC discusses, among other things, whether the eligibility criteria described in section 4.1 are still in line with best market practices and relevant regulation. If not, the SFC will discuss potential changes and will decide how to adapt the eligibility criteria. Any change in the eligibility criteria in section 4.1.1 must only result in stricter criteria, i.e. lower thresholds for energy demand and/or consumption. Changes in the eligibility criteria in section 4.1.2 can only be made as a result of future changes to the EU Taxonomy or its relevant Delegated Acts.

The set-up of Berlin Hyp's process of selection and evaluation targets at proving compliance with any of the two sets of eligibility criteria described in section 4.1 at the earliest possible stage of loan origination. As Berlin Hyp incentivizes Eligible Green Assets by reduced conditions compared to other loans, a provisional analysis of an asset's compliance with any of the two sets of eligibility criteria described in section 4.1 has to be performed prior to pricing.

For this reason, Berlin Hyp's borrowers are being asked to provide relevant documents concerning the eligibility for the bank's Green Finance Portfolio, e.g. EPCs, energy demand calculations, sustainability certificates and further material documents suitable to prove compliance with any of the two sets of eligibility criteria described in section 4.1 at the beginning of the acquisition process. To the extent that

¹⁰ United Nations Guiding Principles on Business and Human rights, and OECD Due Diligence Guidance for Responsible Business Conduct

¹¹ As Berlin Hyp intends to focus more on social aspects of its core business, CRE financing, it replaced its Green Building Commission with the SFC in 2021. This will allow the committee to oversee the development of potential future social financing and re-financing products and keep the respective frameworks in line with current best market practice and relevant regulation.

relevant documents are provided, the experts in the bank's appraisal division pre-assess a property's potential compliance regarding energy efficiency with any of the two sets of eligibility criteria described in section 4.1. A positive pre-assessment by the appraisers is the necessary pre-requisite for sales staff to incentivize the loan when pre-calculating its financing features. A final assessment of an asset's eligibility for the Green Finance Portfolio is made in the further process of loan origination. Data Management staff documents an asset's eligibility in the bank's loan monitoring system.

After documentation, Treasury vote on the asset's compliance with any of the two sets of eligibility criteria described in section 4.1 and whether it should be included in Berlin Hyp's Green Finance Portfolio. This ensures a four-eye-principle with respect to the identification process. Only loans that have been approved by both divisions, Appraisal and Treasury, are classified by Data Management as green bond eligible in the bank's loan monitoring system. In any case, data on the properties' energy efficiency and sustainability are entered into the loan monitoring system even if an asset doesn't fulfill eligibility criteria. As this process is applied to all new business, it is one of Berlin Hyp's longer term targets to provide evidence about its entire mortgage loan portfolio's energy efficiency.

Integration and tracking of Eligible Green Assets into the Green Finance Portfolio: At least once a year, at its end, the SFC reviews and validates all flagged deals. Thanks to this process, Berlin Hyp will track the portion of its new eligible business, its Green Finance Portfolio and the entire loan portfolio, which is aligned with the EU Taxonomy. In order to align with the Delegated Act for Environmental Objective 1 of the EU Taxonomy for Sustainable Activities until the end of 2025, new Eligible Green Assets shall be included in the Green Finance Portfolio as stated in Table 1. Berlin Hyp reserves its right to define sub-portfolios within its Green Finance Portfolio allowing the bank to issue green bonds fulfilling Regulation on European Green Bonds when it is enforced, i.e. only refinancing loans for EU Taxonomy-aligned buildings/construction activities.

If documents proving an asset's eligibility expire, Berlin Hyp will ask its borrower for new evidence to re-assess the property's eligibility. Borrowers are allowed a one-year grace period to provide new evidence. If an asset does not qualify with any of the two sets of eligibility criteria described

in section 4.1, the asset is removed from the bank's Green Finance Portfolio.

To identify an asset's compliance with any of the two sets of eligibility criteria described in section 4.1 Berlin Hyp may use its own expertise or rely on external consultants and their data sources.

Berlin Hyp is constantly working on improving the processes for the ESG assessment in its loan origination process and for evaluating the assets' compliance with the new eligibility criteria defined in section 4.1.2. As a result, Berlin Hyp reserves the right to further develop its process of evaluation and selection at any time in the future to reflect these improvements.

4.3 Management of proceeds

Berlin Hyp will manage the proceeds of any Green Bond on a portfolio basis. Indeed, an amount equivalent to each Green Bond's net proceeds will be used exclusively to refinance Eligible Green Assets that are part of the Bank's Green Finance Portfolio. Eligible Green Assets have to meet one of the two sets of eligibility criteria described in section 4.1 at the time they are flagged as Eligible Green Assets. If the bank decides to enhance eligibility criteria, then these new criteria are not applied retroactively to the existing Eligible Green Assets. Therefore, existing Eligible Green Assets do not lose their status if they do not meet the new eligibility criteria.

A new green bond can only be issued if there are Eligible Green Assets with a sufficient aggregated nominal value on the bank's balance sheet that have not already been used for previous green bonds. Eligible Green Assets shall not be allocated to more than one green bond of Berlin Hyp. That means that the aggregated nominal value of all outstanding green bonds shall not exceed the aggregated nominal value of Eligible Green Assets at any time. Furthermore, the bank shall ensure a 10 percent excess, to a maximum of EUR 800 million, of Eligible Green Assets at issuance of a new green bond. Should any Eligible Green Asset be removed from the bank's portfolio of Eligible Green Assets for any reason and resulting in an excess of Eligible Green Assets lower than 10 percent, Berlin Hyp commits to replace it by one or several Eligible Green Assets to meet the aforementioned threshold in a timely manner.

Besides, the proceeds of Green Commercial Papers are allocated to Eligible Green Assets for

an aggregated nominal amount of Eligible Green Assets, which shall not exceed at any time half of the 10 percent excess of Eligible Green Assets.

In addition, the aggregated nominal value of outstanding Green Pfandbriefe shall not exceed the aggregated Eligible Green Assets in the bank's mortgage cover pool at any time. If Eligible Green Assets mature or are redeemed before a green bond's maturity they are replaced by other Eligible Green Assets. The bank will thus make every effort to ensure that the aggregated nominal value of Eligible Green Assets exceeds the aggregated nominal value of all outstanding green bonds at any time. In addition, Berlin Hyp shall make every effort to invest an amount equivalent to the net proceeds of the green bonds in new Eligible Green Assets and (in the case of Green Pfandbriefe) to include these into its mortgage cover pool.

4.4 Reporting

Berlin Hyp, will report on an annual basis as long as it has green bonds outstanding and provides information about its Green Bonds on its website¹¹. The Bank has published Annual Green Bond Reportings since 2016. Reports will remain available for investors for future reference on the bank's website. Reports will be aligned with Annex II and Annex III of the proposed Regulation on European Green Bonds after this regulation will have been enforced. Reports will also be aligned with the ICMA Handbook Harmonised Framework for Impact Reporting (June 2021)¹².

The Annual Reporting Green Bond report covers allocation and impact reporting. This document includes, but is not limited to:

→ Allocation reporting

- The development of Eligible Green Assets on Berlin Hyp's balance sheet and in its mortgage cover pool on a stratified¹³ basis, including:
 - Volume and growth of the Green Finance Portfolio
 - Portion of the Green Finance Portfolio which is part of Berlin Hyp's mortgage cover pool

- Breakdown of the Green Finance Portfolio by certificates (i.e. sustainability certificates, EPC, etc.)
- Geographical breakdown of the Green Finance Portfolio
- Breakdown of the Green Finance Portfolio between loans for energy-efficient green buildings and loans for EU Taxonomy-aligned buildings/construction activities
 - Progress report on the allocation of an equivalent amount to the net proceeds of the green bonds to Eligible Green Assets, including:
 - Total amount of the net proceeds allocated to the Green Finance Portfolio
 - Total volume of outstanding green bonds instruments
 - Maximum amount of outstanding Green Commercial Papers emissions over the period

→ Impact reporting

- Estimated energy savings of Green Finance Portfolio in comparison to one or more appropriate baselines
- Estimated avoided carbon emissions of Green Finance Portfolio in comparison to one or more appropriate baselines

For further transparency, Berlin Hyp publishes an Impact Reporting Template, which discloses the indicators below:

- No. of Green Buildings
- Total floor area (m²)
- Annual energy savings (GWh)
- Total annual GHG emissions avoided (tCO₂e)
- Annual GHG emissions avoided – Berlin Hyp financing share (tCO₂e)
- Annual GHG emissions avoided per mn of issued green bonds (tCO₂/€ mn)
- Annual GHG emissions avoided – Berlin Hyp financing share (tCO₂/€ mn)

¹² <https://www.berlinhyp.de/en/investors/green-bonds>

¹³ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

¹⁴ that means aggregated instead of line-by-line

4.5 External review

4.5.1 Second Party Opinion

Berlin Hyp has appointed ISS-ESG to assess the sustainability of its Green Bond Framework. ISS-ESG applies its own framework to carry out this assessment. The results are documented in ISS-ESG's Second Party Opinion, which is available on the bank's website. The Second Party Opinion refers to the whole Green Bond Framework and includes every instrument that is issued accordingly.

4.5.2 Annual Re-verification

ISS-ESG or any other party appointed by Berlin Hyp later as a successor for ISS-ESG in the future will issue a report verifying the compliance of all issued bonds with the criteria documented in this program on an annual basis. These reports will reflect the results of the assessment of the sustainability performance of the program and the issued Green Bonds. The reports will be published on the bank's website.



5) Appendix I: Top 15 percent of the national building stock – Germany

Table 4: Energy reference values for determining the top 15 percent according to EU taxonomy (in kWh/m²/a)

		FED (Final Energy Demand)	FEC (Final Energy Consumption)	PED (Primary Energy Demand)	PEC (Primary Energy Consumption)
07.07. Acquisition and ownership of buildings	Single Family houses	75	70	–	74
	Multi Family houses	50	70	–	74
	Office	120	140	145	179
	Retail – Non-Food	110	135	146	191
	Retail – Food	175	200	228	273
	Logistics – Storage	40	65	51	96

5) Appendix II: Assessment Methodology of the Do-No-Significant-Harm Criteria

Table 4:
 Do No Significant Harm (“DNSH”)

“Do No Significant Harm” objectives	Defined as	Assessment ¹⁵
Climate Change Adaptation	Compliance with the criteria set out in Appendix A to Annex 1 of the Taxonomy ¹⁶ .	Borrower to provide Berlin Hyp with relevant details and proof on material location-specific climate risk analysis and resulting adaptation measures.
Sustainable use and protection of water and marine resources	Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix A to this Annex: (a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; (b) showers have a maximum water flow of 8 litres/min; (c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3.5 litres; (d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre.	This commitment can be met by attesting water use for specific water appliances by product datasheets, a building certification or an existing product label in the European Union.
Circular economy	At least 70 percent (by weight) of nonhazardous construction and demolition waste is prepared for reuse, recycling and other material recovery.	This commitment can be met by satisfying either the EU Construction and Demolition Waste Management Protocol or, the ISO 20887.2020-01 or other standards for assessing a building’s design for disassembly and adaptability.
Pollution prevention and control	Building components and materials used in the construction that may come into contact with occupiers emit less than 0.06 mg of formaldehyde per m ³ of material or component and less than 0.001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m ³ of material or component.	This commitment can be met by taking sample for testing in accordance to CEN/TS 16516 or ISO 16000-3:2011. Additionally, it is to be met by inspecting for contamination pursuant to ISO 18400.
Protection and restoration of biodiversity and ecosystems	The new construction is not built on one of the following: · arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey · greenfield land of recognized high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List; · land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or in accordance with the FAO definition of forest.	This commitment can be met by referring to the EU LUCAS survey, the European Red List and the IUCN Red List.

¹⁵ Other forms of assessment might emerge in the future

¹⁶ [Technical annex to the final report on EU Taxonomy](#)

6) Disclaimer

This Green Bond Framework (the “Framework”) does not constitute or form part of and should not be construed as any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of Berlin Hyp AG (“Berlin Hyp”) in any jurisdiction or an inducement to enter into investment activity nor should it or any part of it, or the fact of its distribution, form the basis of, or be relied on in connection with, any purchase, sale or subscription for any securities of Berlin Hyp or be relied on in connection with any contract or commitment or investment decision whatsoever. Neither the Framework nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe any applicable restrictions on distribution. Any bonds or other debt instrument that may be issued by Berlin Hyp from time to time, shall be offered by means of a separate prospectus or offering document (including any supplement thereto) in accordance with all applicable laws (including any selling restrictions).

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