



Annual Verification of the Sustainability Quality of the Green Pfandbrief Issued in 2015 by Berlin Hyp AG

22 April 2016

Aim and Scope of the Annual Verification

In 2015 Berlin Hyp AG commissioned oekom research to assist with the issuance of its Green Pfandbrief verifying and confirming the sustainable added value of the bond using the criteria and indicators of a sustainability framework concept.

Additionally, Berlin Hyp AG commissioned oekom research to carry out an annual verification in order to provide investors with assurance that the (re-) financed projects still comply with the eligibility criteria and that possible new projects are selected accordingly.

oekom research's mandate included the following services:

- Reassessment of compliance of the financed projects with the verification framework criteria.
- Assessment of compliance of newly financed projects with the verification framework criteria.
- Annual review and classification of Berlin Hyp AG's sustainability performance on the basis of the oekom Corporate Rating.

Overall Re-evaluation of the Green Pfandbrief

oekom's overall evaluation of the Green Pfandbrief issued by Berlin Hyp AG remains good:

- The issuer itself shows a good sustainability performance (Part III of this Annual Verification).
- The overall sustainability quality of the bond and the sustainability performance of each of the funded assets in terms of sustainability benefits and risk avoidance and minimisation remains good (Part II of this Annual Verification).

There are some aspects for which more specific selection or performance criteria would be recommended as this could still add to the overall quality of future Green Pfandbrief issuances: Additional environmental aspects of buildings – besides energy efficiency – such as water management, waste management and sustainable materials could be considered in future selection of assets.

Part I – Green Bond Principles

1) Use of Proceeds

The proceeds of this Green Pfandbrief are exclusively used to refinance mortgage loans and to finance new buildings from Berlin Hyp's cover pool. The loans are used to acquire, construct or refurbish 30 commercial real estate assets situated in France, Germany, Great Britain, the Netherlands and Poland.

Of the 30 building projects, 13 were in the cover pool at issuance in 2015, 11 buildings (financed by 12 loans) were added afterwards and 6 (financed by 5 loans) are new.

No	Country	Type of building/project	Green building certification	Energy label available	Construction/last renovation	Inclusion in cover pool	Loan (out-standing, mEUR)	Share of cover pool
1	DE	Shopping Centre (financing)	X	EnEV EPC ¹	1963/2014	After i. ²	17.88	1.75%
2	DE	Office/Retail (financing)	LEED Gold	X	2013	At i.	19.05	1.87%
3	DE	Office/Retail (financing)	X	EnEV EPC	2003	After i.	46.10	4.52%
4	DE	Office/Retail (acquisition)	DGNB Platinum	EnEV EPC	2014	New	25.00	2.45%
5	DE	Office/Retail (financing)	X	EnEV EPC	1994	After i.	51.90	5.08%
6	DE	Logistics (financing)	DGNB Silver	EnEV EPC	2014	After i.	7.08	0.69%
7	DE	Management Building (acquisition)	DGNB Silver	EnEV EPC	2013	After i.	6.48	0.63%
8	DE	Management Building (acquisition)	DGNB Silver	X	2012	At i.	12.72	1.25%
9	DE	Office/Retail (development)	DGNB Platinum	EnEV EPC	2014	New	81.89	8.02%
10	DE	Office/Retail (acquisition)	X	EnEV EPC	1972/2001	After i.	49.31	4.83%
11	DE	Office/Retail (acquisition)	DGNB Silver (pre-cert)	EnEV EPC	2015	New	25.77	2.52%
12	DE	Residential (acquisition)	DGNB Gold	X	2013	After i.	10.98	1.08%
13	DE	Residential (acquisition)	X	EnEV EPC	2014	After i.	12.72	1.25%

¹ EnEV: German Energy Saving Ordinance Certificate

² After i.: Abbreviation for "Added after issuance"; At i.: "At issuance 2015"; New: "New since issuance".

No	Country	Type of building/project	Green building certification	Energy label available	Construction/last renovation	Inclusion in cover pool	Loan (out-standing, mEUR)	Share of cover pool
14	FR	Office/Retail (financing)	BREEAM Good	X	1974/2010	At i.	72.09	7.06%
15	FR	Office/Retail (acquisition)	HQE	X	1890/2010	At i.	27.78	2.72%
16	FR	Shopping Centre (acquisition)	HQE	X	2013	At i.	59.02	5.78%
17	GB	Office/Retail (acquisition)	BREEAM Very Good	UK EPC D	2009	At i.	70.61	6.92%
18	GB	Office/Retail (acquisition)	BREEAM Very Good	X	2006	At i.	72.02	7.06%
19	NL	Office/Retail (financing)	X	Dutch EPC A	2002	At i.	7.80	0.76%
20	NL	Office/Retail (financing)	X	Dutch EPC A	2012	At i.	7.32	0.72%
21	NL	Office/Retail (financing)	BREEAM excellent	X	2011	At i.	7.02	0.69%
22	NL	Office/Retail (acquisition)	BREEAM Very Good	X	2013	At i.	31.80	3.12%
23	NL	Office/Retail (acquisition)	BREEAM in use	Dutch EPC A	2009	After i.	98.40	9.64%
24	NL	Office/Retail (financing)	X	Dutch EPC A	2013	At i.	8.76	0.86%
25	NL	Office/Retail (acquisition)	X	Dutch EPC A	2004/2012	After i.	27.78	2.72%
26	PL	Office/Retail (acquisition)	X	Polish EPC	2014	New	23.32	2.28%
27	PL	Office/Retail (acquisition)	X	Polish EPC	2010	After i.	23.88	2.34%
28	PL	Shopping Centre (financing)	BREEAM Excellent	Polish EPC	2000/2013	At i.	96.6	9.46%
29	PL	Office/Retail (development)	BREEAM Very Good	X	2013	New	19.74	1.93%
30	PL	Office/Retail (development)	BREEAM Excellent	X	2013	New	(cf. loan above)	
Total							1,020.82	100%

2) Management of Proceeds

Details regarding the Management of Proceeds can be found in the initial Second Party Opinion from 2015.

3) Reported Proceeds and Impacts 2015/2016

The “Use of Proceeds” table above reports on the current composition of the cover pool, including e.g. property type, date of construction/renovation and green building certification. Furthermore, Part II of this re-verification provides information on the sustainability performance of all loans/buildings included in the cover pool.

Berlin Hyp will also report online on its Green Pfandbrief at www.green-pfandbrief.com on 27.04.2016. The information to be reported on can be found in the initial Second Party Opinion from 2015.

Furthermore, Berlin Hyp has started to estimate the carbon avoidance of the buildings in the green cover pool. Therefore, the carbon avoidance only refers to newly identified buildings financed by the Green Pfandbrief.

Berlin Hyp developed a specific methodology in order to report on the carbon avoidance of its green cover pool. Firstly, Berlin Hyp established two baselines in order to compare the buildings within its green cover pool to existing standards. The first baseline is the average energy performance of European buildings and the second baseline is the German Energy Savings Ordinance (EnEV). Secondly, Berlin Hyp chose to provide investors with the carbon avoidance that is linked to Berlin Hyp’s initial financing share of the respective buildings as well as with the complete carbon avoidance, i.e. the avoidance caused by the complete buildings. The figures regarding the complete allocation of CO₂ avoidance to Berlin Hyp financing are provided in order to provide investors with full transparency on the buildings included, although the avoided emissions cannot be allocated to Berlin Hyp due to Berlin Hyp’s lower financing share.

The respective carbon intensity is based on each country’s energy mix in 2013. The calculations on energy and CO₂ data were carried out by Berlin Hyp. oekom research has carried out a basic plausibility check and data was deemed plausible. More information on the calculations is provided by Berlin Hyp at www.green-pfandbrief.com.

The following table represents the results of estimations and calculations on the CO₂ performance of the buildings financed through the Green Pfandbrief (excluding buildings that were in the cover pool at issuance in 2015).

Annual CO₂ avoidance of the buildings in the cover pool added after issuance		
Baseline for CO₂ avoidance	Proportional allocation to Berlin Hyp initial financing share	Complete allocation to Berlin Hyp financing
European average	20.1 t/mEUR	34.8 t/mEUR
German Energy Saving Ordinance (EnEV)	6.9 t/mEUR	11.2 t/mEUR

Part II – Sustainability Quality of the Green Pfandbrief

Green Bond Verification Framework

Details of the individual criteria and indicators can be found in Annex 1 "Green Bond Verification Framework".

1) Re-evaluation of the Projects (Re-) financed by the Sustainability Bond

Methods

oekom research has reassessed compliance of the (re-) financed projects with the verification framework criteria and verified whether the projects newly added to the cover pool match the project categories and criteria listed in the Green Bond Verification Framework.

The re-evaluation as well as the verification of new projects was carried out using information and documents provided to oekom research, partly on a confidential basis, by Berlin Hyp (e.g. cover pool including data on buildings, energy certificates, green building certificates).

Findings

Summary of Project Category

- Several building projects have been added to the cover pool and single projects have been removed from the cover pool after issuance of the Green Pfandbrief in 2015 (cf. "Use of Proceeds").

- 1. Energy efficiency of buildings
 - ✓ 28 building projects, accounting for 98% of the loans' volume either received medium to good scores in energy efficiency ratings, are more energy efficient than the local benchmark, generate a significant share of energy demand through photovoltaic installations or were constructed/renovated recently and comply with stringent national energy efficiency standards. 2 buildings, accounting for 2% of the loans' volume, do not fulfil such standards.
- 2. Environmental aspects of buildings
 - Only for 9 building projects, accounting for 39% of the loans' volume, medium to good measures in place regarding environmental aspects of buildings (water management, waste management, sustainable materials). For 9 projects, accounting for 27% of the loans' volume, some relevant topics are not covered. For the remaining 12 projects, accounting for 34% of the loans' volume, no information on environmental aspects of buildings is available.
 - ✓ 100% of relevant building projects are located within a maximum of 1 km from one or more modalities of public transport. 22 projects, accounting for 84% of the loans' volume, are located within a maximum of 500 m from one or more modalities of public transport.
- 3. Social aspects of buildings
 - ✓ 100% of loans are allocated to building projects located in a country where high labour standards are in place for both employees and contractors (e.g. regarding working time, freedom of association and collective bargaining).
 - ✓ 100% of loans are allocated to building projects located in a country where good standards regarding health and safety management practices are in place.

- ✓ 14 building projects, accounting for 56% of the loans' volume, have medium to good measures in place regarding social aspects of buildings (e.g. tenant/user health and safety, health and wellbeing, indoor air quality, comfort). For 2 projects, accounting for 3% of the loans' volume, no medium or good measures are in place. For the remaining 14 projects, accounting for 41% of the loans' volume, no information on measures regarding social aspects of buildings is available.
- 4. Labels / Certificates
 - ✓ 17 building projects, accounting for 64% of the loans' volume, obtained either a green building label with a minimum score of BREEAM "Good", DGNB „Silver/Gold”³, LEED "Silver" or an equivalent certificate. 2 projects, accounting for 9% of the loans' volume, obtained HQE certification. The remaining 11 projects, accounting for 27% of the loans' volume, did not obtain a green building label. All of the remaining projects obtained an energy label that either obtained a Dutch EPC of "A" and/or obtained a German EnEV EPC exceeding the mandatory energy consumption levels.
- 5. Sustainable building purpose / use
 - ✓ For 100% of building projects production facilities of armaments, pesticides, tobacco and generation facilities for environmentally controversial energy forms such as nuclear power or fossil fuelled power can be excluded.

³ With effect from 1 July 2015, DGNB updated its certification scheme, now ranging from "Bronze" to "Platinum": The "Bronze" certificate will be replaced by "Silver", "Silver" by "Gold" and "Gold" by "Platinum" for new certifications with immediate effect. "Bronze" will only be used for existing buildings in the future. The evaluation system and the assessment methodology remain unchanged.

Part III – Assessment of Berlin Hyp’s Sustainability Performance

In the oekom Corporate Rating with a rating scale from A+ (excellent) to D- (poor), Berlin Hyp AG was awarded a score of C and classified as “Prime”. This means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by oekom research. In oekom research’s view, the securities issued by the company thus all meet the basic requirements for sustainable investments.



As at 22.04.2016, this rating puts Berlin Hyp AG in place 16 out of 59 companies rated by oekom research in the “Financials/Mortgage & Public Sector Finance” sector.

In this sector, oekom research has identified the following issues as the key challenges facing companies in term of sustainability management:

- Sustainability standards for the lending business
- Statutory ESG-standards linked to the geographical allocation of the lending portfolio
- Customer and product responsibility
- Employment security and employee wellbeing

In three out of four of these key issues, Berlin Hyp AG achieved a score that was above the average for the sector.

As at 22.04.2016, external research did not reveal any controversies relating to Berlin Hyp’s business practices.

Details on the rating of the issuer can be found in Annex 2 “Issuer rating results”.

A handwritten signature in blue ink, appearing to be "A. Geyer", is written over a faint, light-colored rectangular stamp or watermark.

oekom research AG
Munich, 22 April 2016

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About oekom research

oekom research is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries with regard to their environmental and social performance. oekom research has extensive experience as a partner to institutional investors and financial service providers, identifying issuers of securities and bonds which are distinguished by their responsible management of social and environmental issues. More than 100 asset managers and asset owners routinely draw on the rating agency's research in their investment decisionmaking. oekom research's analyses therefore currently influence the management of assets valued at over 600 billion euros.

As part of our Green Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria. We verify the compliance with the criteria in the selection of projects and draw up an independent second party opinion so that investors are as well informed as possible about the quality of the loan from a sustainability point of view.

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Annexes

- Annex 1: Green Bond Verification Framework
- Annex 2: oekom Corporate Rating Berlin Hyp AG

Annex 1: Green Bond Verification Framework

Green Bond Verification Framework

The Green Bond Verification Framework helps to illustrate the sustainability quality and thus the social and environmental added value of the green cover pool. The verification framework clearly defines the eligible categories and encloses specific sustainability criteria in order to verify the sustainability performance of the Green Bond. With the use of quantitative indicators the sustainability performance of the bond can be measured, ambitious targets set and progress reported.

Use of Proceeds

Green building

Sustainability Criteria and Quantitative Indicators for Use of Proceeds

In order to ensure that the environmental and social risks linked to the financed projects are prevented and the opportunities clearly fostered, a set of sustainability criteria has been established for each project category. Possible quantitative indicators, allowing for measurement of progress and regular reporting, complete each criterion.

Green building

1. Energy efficiency of buildings

Quantitative indicator:

- Percentage of loans allocated to building projects that received medium to good scores in energy efficiency ratings or are more energy efficient than the local benchmark.

2. Environmental aspects of buildings

Quantitative indicators:

- Percentage of loans allocated to building projects that have medium to good measures in place regarding environmental aspects of buildings (water management, waste management, sustainable materials).
- Percentage of loans allocated to building projects that are located within a maximum of 1 km from one or more modalities of public transport.

3. Social aspects of buildings

Quantitative indicators:

- Percentage of loans allocated to building projects with high labour and health and safety standards for construction work conducted by own employees and contractors (e.g. ILO core conventions). (only applicable for new builds or renovations)
- Percentage of loans allocated to building projects that have medium to good measures in place regarding social aspects of buildings (tenant / user health and safety, health and wellbeing, indoor air quality, comfort).

4. Labels / Certificates

Quantitative indicator:

- Percentage of loans allocated to building projects that obtained a BREEAM “Good”, DGNB „Silver/Gold“⁴, LEED “Silver” certificate or HQE „tres bon“.

5. Sustainable building purpose / use

Quantitative indicator:

- Percentage of building projects for which production facilities of armaments, pesticides, tobacco and generation facilities for environmentally controversial energy forms such as nuclear power or fossil fuelled power can be excluded.

⁴ With effect from 1 July 2015, DGNB updated its certification scheme, now ranging from “Bronze” to “Platinum”: The “Bronze” certificate will be replaced by “Silver”, “Silver” by “Gold” and “Gold” by “Platinum” for new certifications with immediate effect. “Bronze” will only be used for existing buildings in the future. The evaluation system and the assessment methodology remain unchanged.

oekom Corporate Rating

Berlin Hyp AG

Industry: Financials/Mortgage & Public Sector Finance
 Country: Germany
 ISIN: DE000A1EWN89
 Bloomberg Ticker: BHH GR Equity

Status **Prime**
 Rating **C**
 Prime Threshold **C**



Competitive Position

Industry Leaders

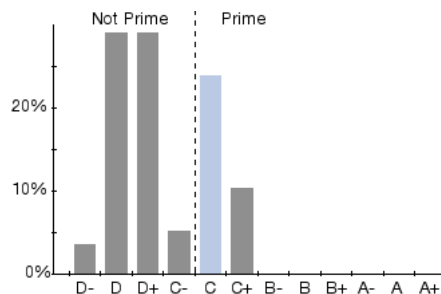
(in alphabetical order)

- Credit Foncier de France SA (FR) C+
- Deutsche Hypothekenbank AG (DE) C+
- Nederlandse Waterschapsbank NV (NL) C+

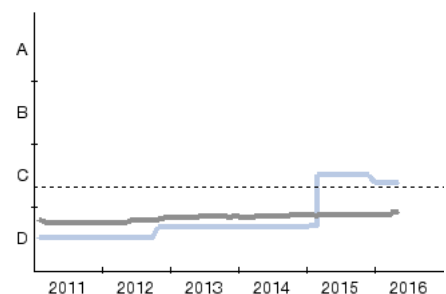
Company Industry

Distribution of Ratings

(59 companies in the industry)



Rating History



Key Issues

Key Issue Performance



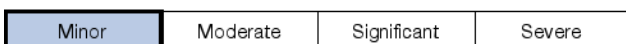
Strengths and Weaknesses

- + almost entire loan portfolio in countries with fairly good environmental and social minimum standards
- + public recognition of the group's responsibility to act on climate change
- + various options to facilitate the work-life balance of employees
- + integration of environmental and social aspects into the company's own investment portfolio
- no strict and comprehensive general social lending guidelines for corporate and public sector customers
- no comprehensive measures regarding responsible treatment of customers with debt repayment problems

Controversy Monitor

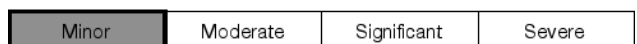
Company

Controversy Score 0
 Controversy Level Minor



Industry

Maximum Controversy Score -6
 Controversy Risk Minor



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Berlin Hyp AG

Methodology - Overview

oekom Corporate Rating	<p>The oekom Universe comprises more than 3,500 companies (mostly companies in important national and international indices, but also small & mid caps drawn from sectors with links to sustainability as well as significant non-listed bond issuers).</p> <p>The assessment of the social and environmental performance of a company is generally carried out with the aid of approx. 100 social and environmental criteria, selected specifically for each industry. All criteria are individually weighted, evaluated and aggregated to yield an overall score (Rating). In case there is no relevant or up-to-date company information available on a certain criterion, it is graded with a D-.</p> <p>In order to generate a comprehensive picture of each company, our analysts collect information relevant to the rating both from the company itself and from independent sources. During the rating process, considerable importance is attached to cooperating extensively with the company under evaluation. Companies are regularly given the opportunity to comment on the results and provide additional information.</p> <p>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.</p>
Controversy Monitor	<p>The oekom Controversy Monitor is a tool for assessing and managing reputational and financial risks associated with companies' negative environmental and social impacts.</p> <p>The controversy score is a measure of the number and extent of the controversies in which a company is currently involved: all controversial business areas and business practices are assigned a negative score, which varies depending on the significance and severity of the controversy. Both the score of the portrayed company and the maximum score obtained in the industry are displayed.</p> <p>For better classification, the scores are assigned to different levels: minor, moderate, significant and severe. The industry level relates to the average controversy score.</p> <p>Only controversies, for which reliable information from trustworthy sources is available, are recorded. It should be noted that large international companies are more often the focus of public and media attention and available information is often more comprehensive than for less prominent companies.</p>
Distribution of Ratings	<p>Overview of the distribution of all company ratings of an industry from the oekom Universe (company portrayed in this report: light blue). The industry-specific Prime threshold (vertical dotted line) is also shown.</p>
Industry Classification	<p>The social and environmental impacts of industries differ. Therefore, subject to its relevance, each industry analysed is classified in a Sustainability Matrix.</p> <p>Depending on this classification, the two dimensions of the oekom Corporate Rating, i.e. 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).</p>
Industry Leaders	<p>List (in alphabetical order) of the top three companies in an industry from the oekom Universe at the time of generation of this report.</p>
Key Issue Performance	<p>Overview of the company's performance with regard to important social and environmental issues that are key to the industry, compared to the industry average.</p>
Rating History	<p>Trend in the company's rating over time and comparison to the average rating in the industry.</p>
Rating Scale	<p>Companies are rated on a twelve-point scale from A+ to D-: A+: the company shows excellent performance. D-: the company shows poor performance.</p> <p>Overview of the range of scores achieved in the industry (light blue) and display of the industry-specific Prime threshold (vertical dotted line).</p>
Sources of Information	<p>Data for the Bloomberg Ticker, Company Name, Country and ISIN was sourced from Bloomberg.</p>
Status & Prime Threshold	<p>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 leaders in that industry.</p>
Strengths & Weaknesses	<p>Overview of selected strengths and weaknesses of a company with regard to relevant social and environmental criteria.</p>

