

Annual Report 2021

# Sustainability is our future: Environment. Society. Responsibility.

At Berlin Hyp, we have a very clear goal, which is to become the most modern real estate financier in Germany. We understand that we can only achieve this goal by acting in accordance with the principles of sustainability and aligning all of our business activities with such principles.

We have a broad view of sustainability: On the one hand, sustainability relates to a way of thinking and doing business that helps safeguard and protect our natural resources and the environment. However, sustainability goes beyond that, as it also means taking on social responsibility and ensuring good corporate governance. This all-encompassing view of sustainability has also established itself internationally under

the abbreviation ESG, which stands for environmental, social, and governance. We at Berlin Hyp are pioneers in sustainable development and currently have one of the most advanced climate strategies out of all German banks. We seek to play an active role in the green transformation of the German real estate sector – a step that we know to be both important and essential.

## Our path to more sustainability: how it all began

As early as 2013, we decided to integrate our existing policies and practices into a sustainability management system which covers numerous ESG criteria. Financing energy-efficient, environmentally friendly buildings is one of the ESG activities that is most closely tied to our core business of real estate financing. Since the Bank issued the first Green Pfandbrief back in 2015, the world's first Green Covered Bond, we have been refinancing our loans for energy-efficient green buildings by issuing green bonds.



In 2016, we then introduced more favourable conditions for green real estate in order to expand our green financing business. In 2017, we firmly anchored the goal of achieving a leading position in green financing in our strategic goals. We set ourselves the strategic performance target of expanding the Green Finance portfolio to 20 per cent of the entire loan portfolio by the end of 2020 and we even achieved this target one year ahead of schedule. In August 2020, we then took on a whole package of measures and adopted a far-reaching sustainability agenda, ultimately expanding this to include a holistic ESG vision in October 2021.

In January 2022, we issued our first Green Bond under a new taxonomy-compliant Green Bond Framework. This framework was verified externally by the sustainability ratings agency ISS ESG with a second party opinion.

“Real estate has a fundamental impact on people's living environment and provides space for the development of the economy and society – both literally and figuratively. At the same time, buildings and infrastructure that are optimised in terms of ecology and energy have a significant potential to reduce

resource consumption and negative environmental impacts, as well as to contribute more to climate protection,” says Sascha Klaus, Chair of the Board of Management of Berlin Hyp. “As one of

the leading real estate financiers in Germany, we believe that we have a responsibility to make our contribution towards achieving greater sustainability in the real estate sector.”

### Our ESG vision: Four dimensions for more sustainability

We are guided in our actions and behaviour here by the United Nations Sustainable Development Goals (SDG), whereby we are particularly committed to SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Action). Activities related to sustainability are also governed by relevant industry standards. We aim to reduce our carbon footprint and ensure that the work we do promotes, facilitates and helps finance the transition to a sustainable economy. In line with the Paris Agreement, climate-neutrality is to be achieved by 2050 at the latest. Our ESG vision serves as clear guidance in this regard to drive forward our own sustainability goals in all defined dimensions. At the same time, it also plays an important role in the necessary ESG transformation of our core business area.



Central elements of the ESG vision are:



#### Sustainability in business operations

We continue to align business operations at Berlin Hyp with sustainability principles and targets. This includes our efforts to reduce our carbon footprint as much as possible in terms of resource consumption and other negative environmental impacts. We also act as a responsible employer and take measures to ensure that our entire supply chain is sustainable.



#### Sustainable business portfolio

As one of the leading real estate financiers in Germany, we help people invest in existing real estate, the construction of new buildings and building modernisation. Our customers here include investors as well as individuals or businesses seeking to construct or purchase buildings and houses. A large number of our customers are already adopting measures to make their business activities and their properties more sustainable. We are helping such customers transform their buildings into more energy-efficient and sustainable properties and in this manner are contributing to greater sustainability in the real estate and financial sectors.



#### ESG risk management

We are integrating ESG criteria into our risk management systems and processes in order to ensure we can identify and systematically control all opportunities and risks. These systems and processes address both financial and non-financial risks, which means we are always able to consider all relevant aspects whenever we need to make risk management decisions.



#### Transparency and ESG capabilities

It will take a long time to create a sustainability-based economy and social structure, and many issues will need to be clarified in the interim. We are making every effort to integrate principles of sustainability into our normal business processes step by step. Consistency, competence and transparency are a must here.



**One World. One Goal. One Team.**

We can only achieve our comprehensive and ambitious goals together: One world. One goal. One team. This is our slogan and we believe in it. We keep all our employees regularly informed about the activities regarding our ESG vision. In addition, at least one representative from each division of the Bank has been appointed to our ESG board, where we regularly exchange views on our ESG vision and all other ESG-related activities.

**Corporate citizenship**

It's clear that a bank that has "Berlin" in its name and operates throughout Germany and beyond also takes on responsibility in areas other than those directly related to its business operations. Social commitment is an important matter of course for us and is also part of our ESG vision.

In 2020, we managed to raise proceeds of €62,000 by auctioning furniture and items from our old headquarters. This was approved by the Board of Management as the donation budget for 2021. Over the course of the last year, our offices and other areas of the Bank have suggested various projects, organisations and associations who would receive parts of this lump sum in the form of donations from us. The prerequisite for this was that the donation recipients were non-profit organisations. Further to this, we also promoted these fundraising campaigns via our social media channels in order to raise even greater awareness of the selected themes and projects and draw attention to the organisations and associations. Some offices or divisions of our Bank went even further with their involvement and commitment by supporting them with a social day on site. For example, colleagues spent the day helping out at a local soup kitchen or animal shelter.



**Outlook for 2022: we still have a lot to do**

There's still a lot to do if we want to make our planet climate neutral. We are seeking to drive our ESG vision forward at full speed and to continue to develop it further, always giving it our very best. Within our core business, we are continuously working on new products and services that continue to drive, promote and finance the transformation of the building sector. We are currently working on a Sustainable Finance Framework, which will be the framework for such products in the future and will increasingly also take into account the taxonomy. This equally includes our refinancing instruments. We are therefore currently working at full speed on the groundwork for being able to actively participate in the social bond market.

Any use of the generic masculine form naturally also includes individuals of all other genders.