

Ein Unternehmen der IBSW

Berlin Hyp

# Principles for Responsible Banking



Progress Report 2023  
As at April 2024

 Finanzgruppe





## **Sustainability within the framework of the PRBs**

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# Sustainability within the framework of the PRBs

## Principle 1: Alignment

**We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**

## Principle 1: Alignment: Berlin Hyp

Reporting requirements and self-assessment	Overview of the Bank's answer(s) on a high level	Reference(s) / link(s) to the Bank's complete answer(s) / relevant information
<p><b>1.1</b> Describe (on a high level) your bank's business model, including the most important customer segments, the types of products and services offered and the most important sectors and types of activities and, if applicable, the technologies financed, in the most important regions in which the bank operates or offers products and services.</p>	<p>Berlin Hyp is a banking institution which specialises in large-volume real estate financing for professional investors and housing companies. It also provides German savings banks with a comprehensive range of products and services. Berlin Hyp plays a pioneering role on the capital market in the development of sustainable refinancing products. At the same time, the Bank also promotes the financing of sustainable real estate in order to help drive the transformation of the real estate market and contribute to achieving the goal of climate neutrality. Berlin Hyp's clear focus, more than 150 years of experience and the ability to actively shape digital transformation in the real estate sector characterise the Bank as a leading German real estate and Pfandbrief bank.</p> <p>Berlin Hyp develops individual financing solutions for its customers. A broad range of products is used to meet customers' requirements. Among other products, this includes fixed-interest loans, reference interest rate loans, cash loans and sureties, framework lines, interest hedge products, financing products for construction work (construction enterprises and developers), business current accounts, operating equipment loans and overnight money/term money, as well as valuations and payment transaction services. These enable the Bank to offer a full range of customer care as a real estate financier.</p> <p>Berlin Hyp finances real estate in the following countries:</p> <ul style="list-style-type: none"><li>- Germany</li><li>- Belgium</li><li>- France</li><li>- Poland</li><li>- The Netherlands</li><li>- Czech Republic</li></ul> <p>Berlin Hyp's strategic goal of becoming one of the most modern real estate financiers in Germany also involves the achievement of specific sustainability objectives: Sustainability is not only about reducing our own carbon footprint; above all it is about promoting and simplifying the transition to a more sustainable economy with sustainable financing products for the real estate industry. Berlin Hyp's commitment to sustainability is governed by the four dimensions of the Bank's ESG vision: sustainable business operations, a sustainable business portfolio, ESG risk management and transparency and ESG capabilities.</p> <p>Berlin Hyp published its new Sustainable Finance Framework on 7 April 2022. With this framework, Berlin Hyp has created an overarching approach to classifying sustainable financing products on a holistic scale. As part of a further update in April 2023, the Social Loan was added as a new financing product and introduced as part of the loan process.</p> <p>Moreover, Berlin Hyp has established comprehensive exclusion criteria for ecologically non-sustainable real estate financing in its Sustainability Guideline, and these criteria are adjusted on a continuous basis.</p>	<p>Annual Report 2023 – Principles of the Bank (p. 15)</p> <p>Investor presentation (p. 5), <a href="https://www.berlinhyp.de/en/investors/presentation-to-investors">https://www.berlinhyp.de/en/investors/presentation-to-investors</a></p> <p>Annual Report 2023 – Non-Financial Statement (p. 74)</p> <p>Annual Report 2023 – Non-Financial Statement (p. 101, 108)</p> <p>Sustainable Finance Framework (p. 4) <a href="https://www.berlinhyp.de/en/sustainability/sustainable-finance">https://www.berlinhyp.de/en/sustainability/sustainable-finance</a></p>
<p><b>1.2</b> Describe how your bank has aligned and/or is planning to align its strategy to be consistent with society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	<p>Sustainability has been a central aspect of the Bank's business approach for many years now and is therefore a firm component of its corporate strategy and system of corporate values.</p> <p>The ESG vision reflects global frameworks such as the Paris Agreement.</p> <p>Berlin Hyp is committed to the Paris Climate Paths for the Federal Republic of Germany and is actively working to promote the transformation to an economy marked by lower greenhouse gas emissions. Berlin Hyp issued a Sustainability-Linked Bond in 2021 in order to link its strategic sustainability goals and targets with its refinancing activities on the capital market. The Bank has thus committed itself to achieving climate neutrality by 2050 at the latest and – in line with the Climate Paths – aims to reduce CO<sub>2</sub> emissions by 40 per cent between 2020 and 2030. This applies not only to the Bank's own business operations but also, and in particular, to its core business of real estate financing. In addition, the business portfolio is managed on a scientific basis, specifying that carbon neutrality will have to be achieved by 2050 at the latest.</p>	<p>ESG vision (p. 2)</p> <p>Annual Report 2023 – Non-Financial Statement (p. 75)</p>

**Principle 1: Alignment: Berlin Hyp**

Reporting requirements and self-assessment	Overview of the Bank's answer(s) on a high level	Reference(s) / link(s) to the Bank's complete answer(s) / relevant information
<p><b>1.2</b> Describe how your bank has aligned and/or is planning to align its strategy to be consistent with society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	<p>The Bank's decarbonisation project in 2023 established the foundation for taking financed emissions into account when managing the business portfolio in future.</p> <p>In our efforts to conduct sustainable business, Berlin Hyp does not rely solely on compliance with applicable laws and external regulations.</p> <p>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).</p> <p>Berlin Hyp believes that focusing its business portfolio on sustainability holds the key to achieving its defined sustainability targets. The Bank has set itself the goal of helping its customers transform buildings into more energy-efficient and sustainable properties. Berlin Hyp is committed to doing its best to make sure its overall loan portfolio does not exceed the 1.5-degree pathway defined by the Carbon Risk Real Estate Monitor (CRREM), which specifies publicly accessible and science-based CO<sub>2</sub> limits for real estate and ensures compliance with the Paris Agreement. To this end, plans call for the future establishment of a portfolio and price control system that is optimised in terms of its CO<sub>2</sub> intensity and extends along Berlin Hyp's CREEM-defined decarbonisation target paths.</p>	<p>Annual Report 2023 – Principles of the Bank (p. 19)</p> <p>Website: Guidelines <a href="https://www.berlinhyp.de/en/sustainability/guidelines">https://www.berlinhyp.de/en/sustainability/guidelines</a></p> <p>Website: Sustainability Strategy <a href="https://www.berlinhyp.de/en/sustainability/sustainability-strategy">https://www.berlinhyp.de/en/sustainability/sustainability-strategy</a></p> <p>Annual Report 2023 – Principles of the Bank (p. 17, 18)</p>



## **Sustainability within the framework of the PRBs**

### **Principle 2: Impact and target setting**

**We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**

**Principle 2: Impact and target setting: Berlin Hyp**

Reporting requirements and self-assessment	Overview of the Bank's answer(s) on a high level	Reference(s) / link(s) to the Bank's complete answer(s) / relevant information
<p><b>2.1</b>  <b>Impact analysis:</b>            Show that your bank has identified the areas with the largest (potential) positive and negative impacts using an impact analysis that consists of the following elements:</p> <p>a) <u>Scope</u>: The core business areas, products/services of the bank in the most important geographical regions where the bank operates were included in the scope of the analysis as described in 1.1.</p> <p>b) <u>Extent of commitment</u>: When identifying the areas with the largest impacts, the Bank took into account its core business / most important activities with regard to industries, technologies and regions.</p> <p>c) <u>Context &amp; relevance</u>: Your bank has taken into account the most important challenges and priorities regarding sustainable development in the countries/regions in which it operates.</p> <p>d) <u>Degree of intensity/interdependency of impacts</u>: When identifying the areas with the largest impacts, the bank took into account the degree and intensity of the (potential) social, economic and environmental impacts resulting from the bank's activities and the provision of its products and services. (Your bank should have cooperated with the relevant stakeholders in order to support your analysis under the elements c) and d))</p> <p>Show that the bank, based on the analysis, took the following measures:            - Identified and disclosed its areas with the largest (potential) positive and negative impacts            - Identified strategic business opportunities with regard to increasing positive impacts / reducing negative impacts</p>	<p><b><u>Materiality analysis: CSR Directive Implementation Act</u></b></p> <p>In 2021, material issues for the 2021 non-financial statement and the 2021 Sustainability Report were defined from the perspective of the company as a whole, taking into account the CSR Directive Implementation Act and GRI requirements.</p> <p>The results of the materiality analysis from 2021 were reviewed and updated in an all-day expert workshop in 2022. In the reporting year, the results of the 2022 materiality analysis were for the most part confirmed on the basis of the 2023 CSRD materiality analysis by the ESG Corporate Function, and are therefore (still) the basis for the 2023 non-financial statement. "Digital processes and products" are not addressed in 2023 reporting, constituting a deviation from the previous year. Moreover, the material issue "Containment of climate change in capital investments" is addressed for the first time.</p> <p><b><u>Materiality analysis: CSRD</u></b></p> <p>In 2023, a materiality analysis in accordance with the requirements contained in the Corporate Sustainability Reporting Directive (CSRD) was performed for the first time. The results were determined and validated in cooperation with internal and external stakeholders. They are presented in a separate highlight report, which was made available on Berlin Hyp's website in the first quarter of 2024.</p> <p>Internal workshops were held for the materiality analysis with participants from the affected specialist departments. As a first step, an "Impact" assessment was conducted along the value chain in accordance with the requirements contained in the EFRAG Guidelines. In this context, actual and potential impacts resulting from capital investment, procurement, banking operations and/or financing were evaluated. In order to comply with double materiality, the financial materiality in connection with opportunities and risks from sustainability issues was determined as well. CSRD-relevant stakeholders validated the results and the Board of Management took note thereof and approved them.</p> <p>Internal implementation roadmaps are prepared for the impacts, risks and opportunities identified as material (also known as "IROs", i.e. "impacts, risks and opportunities"). Reporting for 2024 will be carried out in full compliance with CSRD requirements. Material IROs mainly occur within the value-added steps of banking operations and financing. From the five environmental aspects, climate protection, circular economy, biodiversity, pollution as well as water extraction and discharge were identified as being material. Material IROs were determined for the "social" aspect for our own staff, employees within the value chain, affected population groups, consumers and end users. Corruption and bribery still fall under the material sustainability issues.</p>	<p>Annual Report 2023 – Non-Financial Statement (p. 77)            GRI 3-1, 3-2</p> <p>Annual Report 2023 – Non-Financial Statement (p. 80)            GRI 3-1, 3-2</p>

## Principle 2: Impact and target setting: Berlin Hyp

Reporting requirements and self-assessment	Overview of the Bank's answer(s) on a high level	Reference(s) / link(s) to the Bank's complete answer(s) / relevant information
<p><b>2.2</b> <b>Targets:</b> Show that your bank defined and published at least two specific measurable (may be qualitatively or quantitatively measurable), attainable, relevant and time-bound (SMART) targets that relate to at least two of the identified "areas with the largest impacts" resulting from the bank's activities and the provision of its products and services.</p> <p>Show that these targets are linked to the corresponding Sustainable Development Goals (SDGs), the goals in the Paris Agreement and relevant international, national and regional frameworks, and that they promote the alignment of these goals and a more effective contribution to goal achievement. The bank should have calculated a baseline (in comparison to a certain year) and defined targets in comparison to this baseline.</p> <p>Show that the bank analysed and identified any material (potential) negative impacts its targets might have on other dimensions of the SDGs/climate change/corporate objectives, and that it defined relevant measures to mitigate these impacts to the greatest extent possible in order to maximise the positive net impacts of the targets that it set.</p>	<p>1.) Berlin Hyp aims to achieve carbon neutrality for its portfolio by 2050 at the latest. Berlin Hyp plans <b>to reduce the carbon footprint of its loan portfolio by 40 per cent by 2030</b> as compared to the base year 2020. Berlin Hyp is developing a system for science-based management of its business portfolio in order to achieve this goal. Implementation, which is planned for the 2023 financial year, will also facilitate portfolio management activities that are designed to help achieve the 1.5 degree target from the Paris Agreement. Furthermore, Berlin Hyp plans to increase the share of energy-efficient real estate properties in its portfolio. For example, certified green buildings are to account for at least one-third of Berlin Hyp's loan portfolio by 2025.</p> <p>2.) Sustainable refinancing instruments are another sustainability building block in the Bank's value chain. As early as 2015, Berlin Hyp issued the first "Green Pfandbrief" on the market and was also the first bank in the world to directly link its refinancing activities to its climate targets by placing a Sustainability-Linked Bond on the market. <b>In line with this approach, sustainable refinancing instruments are to account for 40% of the capital market refinancing mix by the end of 2025.</b></p> <p>These targets can only be met if existing buildings are also made more energy efficient. Berlin Hyp acts as a reliable partner for its existing customers and is helping them achieve the transition to energy-efficient buildings by expanding its range of consulting services and products to include the Transformationskredit (transformation loan), to name one example.</p>	<p>ESG vision 2021</p>
<p><b>2.3</b> <b>Plans for achieving the targets and monitoring target achievement:</b> Show that your bank has defined measures and milestones in order to achieve its targets.</p> <p>Show that your bank has implemented ways to measure and monitor the progress made with target achievement. The definitions of the most important performance indicators, as well as any changes to these definitions and any redefinition of the underlying values, should be transparent.</p>	<p>In 2021, Berlin Hyp expanded its sustainability agenda for the further development of the Bank and its portfolio and also presented to the public its ambitious ESG vision, which is based on the sustainability agenda. Among other things, Berlin Hyp plans to achieve complete climate neutrality in its own business operations by 2025 at the latest. An interim target on the way to becoming climate-neutral is to reduce the carbon footprint of the entire loan portfolio by 40% by 2030 as compared to the base year of 2020. Berlin Hyp has been able to make a considerable contribution to the achievement of the defined sustainability targets since the 2020 base year and has reduced the portfolio's CO<sub>2</sub> intensity by 7.3%. Furthermore, by the end of the 2022 financial year, a total of 35.4% of all of Berlin Hyp's financing was classified as green. As a result, not only was the 2023 sustainability target of 30% achieved; the target of a one-third share of green buildings in the loan portfolio by 2025 was also achieved early. A building is classified as "green" if it fulfils certain standards and criteria that aim at minimising the building's influence on the environment and human health. Despite the fact that the target was achieved, the improvement of the green building share is still being monitored, which will enable the Bank to define further steps for the coming 2024 reporting year. The current share is to be maintained as the Bank moves ahead here. This approach is meant to ensure that Berlin Hyp can maintain its positive level of ambition in this area.</p> <p>Indeed, between now and 2025, we plan to increase the share of ESG-based products in our refinancing mix to 40 per cent. This will involve both green products and bond issues that include the consideration of social goals (i.e., the S in ESG). The relevant eligibility criteria and further information are included in the respective frameworks. (<a href="https://www.berlinhyp.de/de/nachhaltigkeit/sustainable-finance">https://www.berlinhyp.de/de/nachhaltigkeit/sustainable-finance</a>).</p>	<p>2021 GRI report (p. 11) / Updated 2023 figures</p> <p>Annual Report 2022 – Non-Financial Statement GRI 2-19, 2-20, 2-21 (p. 99)</p>



**Principle 2: Impact and target setting: Berlin Hyp**

Reporting requirements and self-assessment	Overview of the Bank's answer(s) on a high level	Reference(s) / link(s) to the Bank's complete answer(s) / relevant information
<p><b>2.4</b>  <b>Progress with target achievement:</b>            For each target individually: Show that your bank implemented previously defined measures in order to achieve the target set. Alternatively, explain why the measures could not be implemented / had to be modified and what your bank does to adjust its plan in order to achieve the target set.</p> <p>Report on your bank's progress in the past 12 months (for first reporting after joining – up to 18 months) regarding the achievement of each of the targets set and the impact of the progress. (Where possible and appropriate, banks should provide quantitative data)</p>	<p>Initially, Berlin Hyp calculated the financed emissions in accordance with the PCAF standard in a cross-divisional decarbonisation project. Based on the results, greenhouse gas emission reduction goals were modelled both for the total portfolio and for portfolio sub-segments. The 1.5 degree pathway defined by the Carbon Risk Real Estate Monitor (CRREM) formed the science-based guide. The pathway defines the exact greenhouse gas target values for the real estate industry and is meant to ensure compliance with the Paris Agreement.</p> <p>In the course of preparing the greenhouse gas reduction goals, the impacts of different decarbonisation scenarios on the financed emission intensity and on the financial and risk indicators of Berlin Hyp were analysed. Moreover, the feasibility of the greenhouse gas reduction goals was validated with a thorough analysis of the existing loan portfolio and a projection of relevant parameters into the future (e.g. development of the electricity mix).</p> <p>In addition, an internal control strategy was developed to help achieve compatibility with the Paris Agreement. The focus here is on ESG-adjusted pricing of loans, including but not limited to factors such as physical and transition risks, the alignment of a property with the CRREM pathways and/or the transformation potential involved. The control strategy will be made operational in a follow-up project.</p> <p>Berlin Hyp's long-term refinancing will be on the capital market only, using issues of Pfandbriefe and Senior Unsecured Bonds. In 2021, one of the Bank's targets was a 40 per cent share of ESG bonds in the capital market refinancing mix by 2025. ESG refinancing instruments include Green Bonds, Social Bonds and Sustainability-Linked-Bonds. As of 31 December 2023, the total outstanding bond volume amounted to €27.9 billion, whereby ESG bonds accounted for 37.7 per cent of this volume.</p> <p>In 2015, Berlin Hyp was the first European banking institution to issue a "Green Pfandbrief". Today, refinancing instruments in the Green Bond Framework constitute more than 29 per cent of the refinancing volume.</p> <p>All in all, BHYP has made significant progress in achieving its targets in terms of the activities mentioned and the Bank has also achieved the milestones it has set.</p>	<p>ESG Highlight Report 2023 (p. 16)</p>
<p>Please provide your bank's conclusions/statements regarding whether it has met the requirements related to the impact analysis</p>		



## **Sustainability within the framework of the PRBs**

### **Principle 3: Clients and customers**

**We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.**

**Principle 3: Customers and consumers: Berlin Hyp**

**Reporting requirements and self-assessment**

**Overview of the Bank's answer(s) on a high level**

**Reference(s) / link(s) to the Bank's complete answer(s) / relevant information**

**3.1**  
Provide an overview of the guidelines and practices your bank has introduced and/or plans to introduce in order to promote responsible relationships with its clients and customers. It should contain high-level information about all programmes and measures implemented (and/or planned), their scope and, where possible, their results.

We want our business success to be sustainable – the Bank should be able to maintain this success over the long term. In addition to economic aspects, the Bank's business activities therefore also take into account ecological and social aspects. In doing so, we assume responsibility for shareholders, customers, employees and society in a manner that goes beyond what is required by law. This responsibility is also underscored by our stated commitment to the ten principles of the United Nations Global Compact as they relate to human rights, labour standards, environmental protection and anti-corruption measures. More specifically, this means:

- Protection of human rights and diversity
- Acting in accordance with laws, directives and regulations
- Our responsibility as an S-Group partner of the savings banks
- Consideration of environmental and social issues
- Protection of employees
- Rejection of controversial business transactions and business practices
- Compliance

Ethical aspects are taken into account when potential transactions in the finance and investment realm are evaluated, whereby the principle of ethical responsibility applies here. To this end, we have developed ethical investment criteria. Customers may not violate the defined criteria for lending here. These exclusion criteria also apply to companies the Bank plans to invest in.

Ethical criteria for financing are derived from the Bank's compliance requirements and the ten principles of the Global Compact. Berlin Hyp's business activities take place exclusively in the High Income OECD Countries in Europe – in other words in countries that have high ESG (environmental, social and governance) standards and consistently monitor compliance with these standards. When financing projects in these countries, Berlin Hyp therefore takes into account the specific ESG requirements in the given country.

In compliance with the principle of good governance, Berlin Hyp commits to only offering ethically acceptable products and services and to providing all customers with responsible and forward-thinking advice that meets their needs and clearly describes the respective advantages and risks.

Berlin Hyp Code of Conduct (2021)

Annual Report 2022 – Non-Financial Statement (p. 101)

**3.2**  
Describe how your bank has cooperated and/or plans to cooperate with customers and clients in order to promote sustainable practices and facilitate sustainable economic activities. This description should contain information on planned/implemented measures, developed products and services and, if possible, impacts achieved.

**Sustainable Finance Framework:**

Berlin Hyp published its new Sustainable Finance Framework on 7 April 2022. With this framework, Berlin Hyp has created an overarching approach to classifying sustainable financing products on a holistic scale. Moreover, Berlin Hyp has established comprehensive exclusion criteria for ecologically non-sustainable real estate financing in its Sustainability Guideline, and these criteria are adjusted on a continuous basis. The sustainable financing products in the Sustainable Finance Framework are classified on the basis of clearly defined eligibility criteria. The focus is on Green Loans, which are used to finance energy-efficient and environmentally friendly buildings. The design of the Green Loans is in line with Berlin Hyp's own sustainability requirements and government regulatory standards. The loans can be issued both in the form of an energy efficiency loan and of a taxonomy loan. Where the Green Loans are used to finance measures to improve the energy and carbon footprint of buildings, they may be designed as transformation loans. In this case, the transformation of a building is supported for both products (taxonomy loans and energy efficiency loans).

As at the end of the reporting period, the ratio of green building financing increased to 35.4 per cent.

In future, environmental aspects will be taken into account even more extensively when selecting properties to be financed. Within the framework of the decarbonisation project, a new control and pricing method for calculations in new lending was developed and will be introduced in 2024. In future, various parameters regarding the sustainability of buildings, such as reference to CREEM paths, transformation projects and ESG risks, will influence pricing in the selection of properties to be financed.

Annual Report 2022 – Non-Financial Statement GRI 3-3 (p. 102)

Annual Report 2022 – Non-Financial Statement GRI 203-1 (p. 108)

### Principle 3: Customers and consumers: Berlin Hyp

Reporting requirements and self-assessment	Overview of the Bank's answer(s) on a high level	Reference(s) / link(s) to the Bank's complete answer(s) / relevant information
<p><b>3.2</b> Describe how your bank has cooperated and/or plans to cooperate with customers and clients in order to promote sustainable practices and facilitate sustainable economic activities. This description should contain information on planned/implemented measures, developed products and services and, if possible, impacts achieved.</p>	<p>Berlin Hyp published its updated Sustainable Finance Framework in April 2023. The framework constitutes an overarching framework to holistically classify the sustainable financing products. Within the framework of this update, the Social Loan was added as a new financing product and introduced as part of the loan process. At the same time, the criteria for the Social Bond were transferred to the lending business. Social Loans refer to the financing of affordable housing in Germany and the Netherlands. With the Social Loan as a new financing product, Berlin Hyp is looking to support the creation and provision of affordable housing. The products in the Sustainable Finance Framework are classified on the basis of clearly defined eligibility criteria. The details are described at <a href="https://www.berlinhyp.de/de/nachhaltigkeit/sustainable-finance">https://www.berlinhyp.de/de/nachhaltigkeit/sustainable-finance</a>.</p> <p><b><u>Green Bonds:</u></b></p> <p>As the issuer of the first Green Pfandbrief, Berlin Hyp is an ESG pioneer in the capital market. Its position as such was reinforced in 2021 when, according to its own assessment, it became the first bank to issue a Sustainability-Linked Bond. This was followed by the first Social Bond issue in May 2022. Berlin Hyp is the most active issuer of green bonds in Europe in the commercial bank segment. In addition, the reporting year marked the first time that the Bank had more outstanding ESG bonds than conventional bonds.</p> <p>Through the financing of sustainable, climate-friendly properties (green buildings), and their refinancing via Green Bonds, Berlin Hyp has actively supported the dynamic development of the market for sustainable bonds since 2015. In 2015, the Bank made its debut with the world's first Green Bond. Now, the volume of outstanding Green Bonds amounts to €7.8 billion. In 2021, the Bank also issued a Sustainability-Linked Bond in the amount of €0.5 billion. In addition, Berlin Hyp has issued Social Bonds with a total volume of €1.75 billion since spring of 2022 in order to link its strategic sustainability goals and targets with its refinancing activities on the capital market. As at the reporting date, the total volume of all outstanding ESG bonds amounted to €10.06 billion.</p> <p><b><u>Sustainability-Linked-Bonds:</u></b></p> <p>Berlin Hyp already published its framework for Sustainability-Linked Bonds as well as its methodology for the assessment of its carbon footprint in 2021, thus allowing the bank to calculate and transparently present the CO<sub>2</sub> emissions of its entire loan portfolio for the very first time. This is made possible thanks to a comprehensive database, which is often one of the key issues when it comes to defining binding sustainability goals in the real estate investment sector.</p> <p><b><u>Social Bonds:</u></b></p> <p>By issuing its first Social Bond in May 2022, Berlin Hyp also considerably underscored the holistic nature of its ESG strategy. The underlying Social Bond Framework is based on the ICMA Social Bond Principles and addresses "affordable housing" in Germany and the Netherlands. The classification of affordability depends on the currently applicable social laws in the respective country. The Social Bond Framework was updated in March 2023 in order to adequately take into account the development of social legislation in both countries. Ever since its first Social Bond issue, Berlin Hyp has become a regular issuer of Social Bonds, with 3 outstanding Social Bonds and an outstanding total volume of €1,750 million. In March 2023, Berlin Hyp published allocation and impact reporting for its Social Bonds on its website for the first time (<a href="https://www.berlinhyp.de/de/investoren/social-bonds">https://www.berlinhyp.de/de/investoren/social-bonds</a>).</p>	<p>Annual Report 2022 – Non-Financial Statement (p. 101)</p> <p>Annual Report 2023 – Principles of the Bank (p. 15)</p> <p>Annual Report 2022 – Economic Report (p. 38)</p> <p>Press information dated 14 April 2021 See Sustainability-Linked Bond Framework February 2021</p> <p>Annual Report 2022 – Non-Financial Statement (p. 101)</p>



## **Sustainability within the framework of the PRBs**

### **Principle 4: Stakeholders**

**We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.**

#### Principle 4: Stakeholders: Berlin Hyp

##### Reporting requirements and self-assessment

##### Overview of the Bank's answer(s) on a high level

##### Reference(s) / link(s) to the Bank's complete answer(s) / relevant information

#### 4.1

Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with in order to implement these principles and improve your bank's impacts.

This description should offer an overview of how your bank identifies the relevant stakeholders and which topics have been addressed and/or which results have been achieved.

For Berlin Hyp, particularly those stakeholders are relevant who are directly or indirectly affected by Berlin Hyp's business activities, and whose opinions and acts directly or indirectly influence Berlin Hyp's business activities. Specifically, these are customers, employees, society, competitors, investors and owners. Stakeholder relevance assessments are conducted by the sustainability management organisation when needed.

In order to be able to identify the stakeholders' expectations and requirements at an early stage and react adequately in the context of sustainability, Berlin Hyp uses established formats for discussions with key stakeholder groups in society. Communication with stakeholders is a part of daily business activities – for example, in the form of conversations with customers, employee surveys and our activities in business association committees.

In addition, Berlin Hyp uses the following (digital and physical) formats:

- Customer satisfaction analyses
- Customer feedback after closure of a deal
- Customer events
- Complaints management for customers
- Dialogue events of the Board of Management with all employees
- Employee survey on the risk assessment for mental stress
- Employee survey conducted by the Works Council on employee satisfaction with superiors and Berlin Hyp as an employer
- Employee information event (e.g. "Punkt10 Dialog" and "B-One Lunch")
- Workforce meetings
- Exchange with the Works Council within the framework of the statutory obligation to consult and inform
- Exchange formats with experts and executives
- Investor roadshows
- Committee and association activities
- Round table talks with industry representatives
- Regular exchange with rating and sustainability agencies
- ESG Board
- Strategic dialogue
- Management Committee
- Participation in panels by members of the Board of Management and executives
- Participation in trade fairs

Annual Report 2023 – Non-Financial Statement  
GRI 2-28, 2-29, 413-1  
(p. 86)



## **Sustainability within the framework of the PRBs**

### **Principle 5: Governance and culture**

**We will implement our commitment to these principles through effective governance and a culture of responsible banking.**

**Principle 5: Governance and culture: Berlin Hyp**

Reporting requirements and self-assessment	Overview of the Bank's answer(s) on a high level	Reference(s) / link(s) to the Bank's complete answer(s) / relevant information
<p><b>5.1</b> Describe the relevant governance structures, policies and procedures your bank has in place / is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the principles.</p>	<p>Sustainability has been firmly established throughout the entire Berlin Hyp organisation for several years now. This is ensured by the interaction of the Board of Management, ESG Corporate Functions, the Sustainable Finance Commission (SFC) and the Management Committee as well as the ESG Board, consisting of permanent representatives of the divisions, and the Chair of the Board of Management. In order to ensure effective and proper implementation of the ESG implementation roadmap, including the strategic orientation, and to enable the Bank to address ESG-related issues that may arise in future, the Bank's existing ESG governance system was reviewed and revised.</p> <p>The core elements of the ESG governance system of Berlin Hyp are</p> <ul style="list-style-type: none"> <li>- the decentralised assignment of basic responsibilities for integrating and processing ESG issues into the various divisions and departments, and</li> <li>- the establishment of two overarching but separate cross-divisional and cross-departmental functions, which will promote the ESG vision and operate as higher-level coordinating bodies for the defined ESG implementation roadmap and new cross-divisional ESG issues, ensuring that all ESG-related measures at Berlin Hyp are made transparent and that they are linked and aligned with one another whenever this might be necessary.</li> <li>- ESG projects are being implemented across divisions throughout the entire Bank. This includes the decarbonisation project (net-zero governance) and the implementation of the CSRD in consultation with LBBW.</li> </ul> <p>In addition to economic aspects, Berlin Hyp's activities also take into account ecological and social factors. Guidelines with corresponding provisions are in place to ensure that these factors are taken into account. They are operationalised by measures firmly established in the business processes. Monitoring to ensure the ongoing application of the measures is primarily the responsibility of the managers.</p> <p>The following documents and guidelines document values, principles, standards and codes of conduct that are essential for Berlin Hyp's sustainable business activity:</p> <ul style="list-style-type: none"> <li>- Berlin Hyp Sustainability Guideline</li> <li>- Gender Equality Guideline: Equal Opportunities Policy</li> <li>- Environmental Management System Guideline</li> <li>- Annex to the Framework Agreement on the Sustainability of Suppliers and Service Providers</li> <li>- Guideline for Communication with Stakeholders</li> <li>- Lobbying Guideline</li> <li>- Guideline for Dealing with Tax Law Requirements</li> <li>- Guideline for Responsible Behaviour towards Customers in Financial Difficulties</li> <li>- Guideline for Responsible Behaviour towards Customers</li> </ul> <p>During the reporting year, the Guideline on Sustainable Procurement was integrated into the Sustainability Guideline.</p>	<p>Annual Report 2023 – Non-Financial Statement GRI 2-14, 2-15 (p. 84)</p> <p>Annual Report 2023 – Non-Financial Statement (p. 86)</p>



**Principle 5: Governance and culture: Berlin Hyp**

Reporting requirements and self-assessment	Overview of the Bank's answer(s) on a high level	Reference(s) / link(s) to the Bank's complete answer(s) / relevant information
<p><b>5.2</b> Describe the initiatives and measures your bank has implemented or plans to implement in order to foster a culture of responsible banking among its employees. This should include a high-level overview of the development of capacities, the incorporation of measures into remuneration structures, performance management and management communication.</p>	<p>Berlin Hyp's objective is to offer employees a long-term, attractive workplace with a certain degree of autonomy and development potential. Berlin Hyp sees itself as a company where the development of the potential of each and every employee, regardless of their function and hierarchy level, is possible and necessary for the company's success. Employees are provided with the required framework to enable them to move forward with their development autonomously, with the support of their superiors.</p> <p>The Bank has taken a participatory approach to designing the change processes, which encourages employees to get involved; as a result, they identify more closely with the new developments. Examples of the Bank's approaches here include communities, working groups, the brand ambassador role and participation in the establishment of the new B-One working environments within the framework of the construction project for the Bank's new headquarters. In terms of staffing, the aim is to attract employees with the right mindset for actively shaping values and corporate culture, in addition to their qualifications. The HR department is responsible for systematic human resource planning. In order to keep the planning up to date and realistic, megatrends (e.g. digitalisation/automation, ageing society, knowledge culture, individualisation), developments in new and established business areas and regulatory requirements are taken into account. New job descriptions and management approaches are being implemented at the Bank, whereby these are derived from identified trends and the needs of customers and employees.</p> <p>HR requirements are met using internal and external resources. Open positions are always advertised internally; externally only where required. By employing trainees, full-time students, dual students and interns, we ensure that we continue to gain young talent. Many of these people are subsequently employed on a permanent basis and develop from young talents into professionals. In addition to the trainee program, Berlin Hyp hires new graduates. The position of HR Business Partner for junior staff that was established in 2023 supports and develops junior staff at Berlin Hyp in a target group-specific manner in order to offer them long-term opportunities within the Bank.</p> <p>The managers play a special role in the implementation of the corporate mission statement and contribute to the support of the employees in their development throughout their individual career and life phases. The requirements for the managers of the Bank were specified in Berlin Hyp's competence model. The Bank's competence model comprises the skills, knowledge and conduct requirements for employees that the Bank requires in order to be able to implement its strategic mission statement in a dynamic environment. A new support tool will be rolled out in 2024 in order to analyse and further develop cooperation and work within the various teams.</p> <p>Berlin Hyp's management development method employs a holistic approach with a focus on needs-based and collective learning. Derived from the Bank's strategic leadership requirements, the individual needs of managers and insights from learning theory, the approach uses guided process learning based on specific management situations and provides support for change processes. This supports the goal of establishing a modern and sustainable management culture in line with the Bank's strategy. A peer learning system on the topic of modern leadership was rolled out in 2022 and will be continued. The system offers managers a space to exchange information with one another and reflect on new perspectives, ideas and solutions relating to the new requirements of work environments. A new tool that has been developed in order to further strengthen the feedback culture within the Bank's teams will be rolled out in 2024.</p>	<p>Annual Report 2023 – Non-Financial Statement GRI 401-3, 402-1, 405-1, 405-2, 406-1, 407-1 (p. 90)</p> <p>Annual Report 2023 – Non-Financial Statement GRI 401-3, 402-1, 405-1, 405-2, 406-1, 407-1 (p. 91)</p> <p>Annual Report 2023 – Non-Financial Statement GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 404-1, 404-2, 404-3 (p. 95)</p>

**Principle 5: Governance and culture: Berlin Hyp**

Reporting requirements and self-assessment	Overview of the Bank's answer(s) on a high level	Reference(s) / link(s) to the Bank's complete answer(s) / relevant information
<p><b>5.2</b> Describe the initiatives and measures your bank has implemented or plans to implement in order to foster a culture of responsible banking among its employees. This should include a high-level overview of the development of capacities, the incorporation of measures into remuneration structures, performance management and management communication.</p>	<p>The aim of human resources development is to support the employees of Berlin Hyp in their personal and professional development. This also includes training, continuing and further education and career planning. Training sessions are planned, organised and executed in a structured process where the banking divisions are involved. A special focus is on the constant changes in the underlying internal and external conditions.</p> <p>Megatrends such as digitalisation, automation and hybrid work environments, but also increasing regulatory and professional requirements, have led to changes in employee skill requirements at Berlin Hyp. The required skills are promoted at all times by a variety of needs-based in-house measures and external continuing education opportunities. Examples here include the "Berlin Hyp Young Talents Day" series initiated in the reporting period for all junior staff and young professionals, as well as the training courses offered to promote the digital skills of Berlin Hyp's staff. In addition, the Credit division implemented a programme specifically for young professionals during the reporting period. Since the beginning of 2023, all employees have been offered an internal qualification programme on the topic of data science in cooperation with the Digital Business University of Applied Sciences. This programme includes digital learning content, as well as podcasts, group chats, workshops, boot camps and coaching sessions. The programme is divided into the three learning paths of "Data Manager", "Advanced Data Manager" and "Data Scientist".</p>	<p>Annual Report 2023 – Non-Financial Statement GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 404-1, 404-2, 404-3 (p. 95)</p>

**Principle 5: Governance and culture: Berlin Hyp**

**Reporting requirements and self-assessment**

**Overview of the Bank's answer(s) on a high level**

**Reference(s) / link(s) to the Bank's complete answer(s) / relevant information**

**5.3 Management structure for the implementation of the principles**  
 Show that your bank has a governance structure in place to implement the PRBs, including The definition of targets and measures to achieve these targets

a) Remedial action in the event that targets or milestones are not achieved, or unexpected negative impacts are identified

The achievement of targets is monitored by the ESG Corporate Functions, which have offices at both the Risk Control and Corporate Strategy divisions, and by the ESG Board of Berlin Hyp, which is chaired by the Bank's CEO.

The SFC aims at integrating sustainability aspects into Berlin Hyp's financing activities and decisions. In this regard, it improves strategies and guidelines at the Bank in such a manner as to ensure that the Bank can achieve its ambitions regarding sustainability while taking financial targets into account. The SFC is comprised of divisions involved in the financing/refinancing value chain. More specifically, these are the Credit , Portfolio Management, Treasury, Sales and Valuation divisions. Risk Control and Corporate Strategy, in their role as central functions, are also part of and manage the SFC. The Core Process Strategy and Data Management divisions play a supporting role. The SFC meets at least once per quarter.

The Environmental Protection Committee is a cross-departmental, environment-related control and information body within the environmental management system and constitutes another specific specialised group (in this case: operational ecology), if necessary in cooperation with the ESG Corporate Function and other divisions (similar to the Sustainable Finance Commission). The Works Council is represented in the Environmental Protection Committee and is kept informed on an ongoing basis.

In accordance with its statutory control function, the Supervisory Board also monitors sustainability reporting.

The Supervisory Board has adopted regulations to address and prevent conflicts of interest within the Supervisory Board and the Board of Management. There were no conflicts of interest during the 2023 reporting year.

Annual Report 2023 – Non-Financial Statement  
 GRI 2-14, 2-15  
 (p. 84, 85)





## **Sustainability within the framework of the PRBs**

### **Principle 6: Transparency and accountability**

**We will periodically review our individual and collective implementation of these principles and be transparent about and accountable for our positive and negative impacts and our contribution to the achievement of society's goals.**

**Principle 6: Transparency and accountability: Berlin Hyp**

Reporting requirements and self-assessment	Overview of the Bank's answer(s) on a high level	Reference(s) / link(s) to the Bank's complete answer(s) / relevant information
<p><b>6.1</b> <b>Progress in implementing the principles for responsible action in banking:</b> Show that your bank has made progress over the past 12 months (for first reporting after joining – up to 18 months) with the implementation of the six principles, in addition to setting and achieving targets in at least two areas (see 2.1-2.4).</p> <p>Show that your bank took into account existing and emerging international/regional tried-and-tested practices relevant for the implementation of the six principles for responsible banking. On this basis, it defined priorities and ambitions in order to follow good practice.</p> <p>Show that your bank has changed and/or is working on changing existing practices in order to reflect and be in line with existing and emerging new international/regional tried-and-tested practices, and that it has made progress with the implementation of these principles.</p>	<p>Within the framework of last year's PRB report, Berlin Hyp set ambitious and future-oriented targets for itself and can report that progress has been made in the following areas:</p> <p>Target 1: Berlin Hyp aims to achieve carbon neutrality for its portfolio by 2050 at the latest. Berlin Hyp plans <b>to reduce the carbon footprint of its loan portfolio by 40 per cent by 2030</b> as compared to the base year 2020. Berlin Hyp is developing a system for science-based management of its business portfolio in order to achieve this goal. Implementation, which is planned for the 2023 financial year, will also facilitate portfolio management activities that are designed to help achieve the 1.5 degree target from the Paris Agreement. Furthermore, Berlin Hyp plans to increase the share of energy-efficient real estate properties in its portfolio. For example, certified green buildings are to account for at least one-third of Berlin Hyp's loan portfolio by 2025.</p> <p>During the 2023 financial year, the Bank was able to develop and implement the announced science-based management of its business portfolio. This was made possible by the launch of Berlin Hyp's "Decarbonisation Path" project during the last quarter of 2022. In this project, the financed emissions resulting from the Bank's loan portfolio were calculated in accordance with the PCAF11 standard. The calculation covers the Scope 1 and Scope 2 emissions of financed commercial real estate. The calculation in accordance with the PCAF standard constitutes a further development of the calculation of the CO<sub>2</sub> intensity of the loan portfolio, which was previously performed within the framework of Sustainability-Linked Bonds (for the method, see ESG Bond Report 2022).</p> <p>In addition, the green building share reached 35.4% in 2023. As a result, not only was the 2023 sustainability target of 30% achieved; the target of a one-third share of green buildings in the loan portfolio by 2025 was also achieved early. Despite the fact that the target was achieved, the improvement of the green building share is still being monitored, which will enable the Bank to define further steps for the coming 2024 reporting year. This approach is meant to ensure that Berlin Hyp can maintain its positive level of ambition in this area.</p> <p>Target 2: Sustainable refinancing instruments are another sustainability building block in the Bank's value chain. As early as 2015, Berlin Hyp issued the first "Green Pfandbrief" on the market and was also the first bank in the world to directly link its refinancing activities to its climate targets by placing a Sustainability-Linked Bond on the market. <b>In line with this approach, sustainable refinancing instruments are to account for 40% of the capital market refinancing mix by the end of 2025.</b></p> <p>In 2023, a sustainable refinancing share of 37.7% was achieved as the Bank moved towards its target of 40% by 2025. Berlin Hyp makes an effort to steadily increase its ESG bond share in order to achieve its target in this area.</p> <p>With 19 outstanding benchmark issues, Berlin Hyp remains the most active bank issuer in the European green bond market. The Bank has also strengthened its position on the Swiss capital market by issuing two green benchmark bonds in the form of Senior Unsecured Bonds. The Bank's volume of outstanding Green Bonds now totals €7.8 billion.</p>	<p>PRB Progress Report 2022 (p. 6)</p> <p>Annual Report 2023 – Non-Financial Statement (p. 75)</p> <p>Annual Report 2023 – Non-Financial Statement GRI 2-19, 2-20, 2-21 (p. 99)</p> <p>PRB Progress Report 2022 (p. 6)</p> <p>Investor presentation (p. 35), <a href="https://www.berlinhyp.de/en/investors/presentation-to-investors">https://www.berlinhyp.de/en/investors/presentation-to-investors</a></p> <p>Annual Report 2023 – Non-Financial Statement GRI 203-1 (p. 106, 107)</p>

**Principle 6: Transparency and accountability: Berlin Hyp**

**Reporting requirements and self-assessment**

**Overview of the Bank's answer(s) on a high level**

**Reference(s) / link(s) to the Bank's complete answer(s) / relevant information**

**6.1**

**Progress in implementing the principles for responsible action in banking:**

Show that your bank has made progress over the past 12 months (for first reporting after joining – up to 18 months) with the implementation of the six principles, in addition to setting and achieving targets in at least two areas (see 2.1-2.4).

Show that your bank took into account existing and emerging international/regional tried-and-tested practices relevant for the implementation of the six principles for responsible banking. On this basis, it defined priorities and ambitions in order to follow good practice.

Show that your bank has changed and/or is working on changing existing practices in order to reflect and be in line with existing and emerging new international/regional tried-and-tested practices, and that it has made progress with the implementation of these principles.

Furthermore, Berlin Hyp implemented the following measures in the 2023 financial year:

- In 2023, a materiality analysis in accordance with the requirements contained in the Corporate Sustainability Reporting Directive (CSRD) was performed for the first time. The results were determined and validated in cooperation with internal and external stakeholders. They are presented in a separately published highlight report, which was made available on Berlin Hyp's website in the first quarter of 2024.
- The Social Bond Framework was updated in March 2023 in order to adequately take into account the development of social legislation in both countries. In addition, Berlin Hyp published allocation and impact reporting for its Social Bonds on its website for the first time.
- Within the framework of the PRBs, Berlin Hyp started publishing an annual progress report. The first report was published in the second quarter of 2023.
- Berlin Hyp published its updated Sustainable Finance Framework in April 2023. The framework constitutes an overarching framework to holistically classify the sustainable financing products. The update of the Framework in the 2023 reporting year comprises the adjustment of the product criteria for the Green Loan and the addition of another sustainable financing product, i.e. the Social Loan.
- In 2023, the EU taxonomy requirements were included in the non-financial statement for the first time.
- The criteria for the energy efficiency loan were also revised in 2023. Previously, Berlin Hyp had used specifically defined threshold values for the energy efficiency of the buildings as a main criterion. By regularly updating the Framework, Berlin Hyp ensures that the criteria are adjusted in line with new market developments and regulatory requirements. Therefore, on the occasion of this year's Framework update, Berlin Hyp made the technical assessment criteria of the EU taxonomy for buildings/construction activities (criteria for the significant contribution to the environmental objective of climate change mitigation) a priority as a criterion for energy efficiency loans.
- The transparency rate of the financed real estate properties was increased to approx. 95% in 2023. The goal of achieving full transparency with regard to the energy demand of the real estate we finance was thus achieved. The residual portfolio of outstanding energy performance certificates is attributable to individual cases (e.g. if customers do not yet have an energy performance certificate for their property or if Berlin Hyp has not yet finished processing the energy demand information).
- During the first quarter of 2024, Berlin Hyp published a highlight report in which the milestones and progress achieved in the previous year were presented clearly.

## Legal Notice

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