

Sustainable Finance Framework

March 2024



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1 Sustainability at Berlin Hyp

Establishing the conditions needed for environmental and social sustainability is the global challenge of our time – and one that we as a society can only overcome together. In order to prevent irreversible damage due to climate change, the parties to the Paris Agreement made a decision to try and limit global warming to well below 2°C, with efforts to limit this to 1.5°C by 2050 if possible. If this ambitious target is to be met, we need to begin implementing a wide range of measures today.

Given the urgency of the situation, the EU has committed itself to reducing CO₂ emissions by 55 per cent by 2030 as compared to the base year of 1990. In addition, the Federal Republic of Germany has also passed the Federal Climate Change Act that has set the target for Germany to be climate-neutral by 2045. The real estate sector has a very important role to play here given the fact that buildings are responsible for 30 to 40 per cent of total CO₂ emissions in Germany. Public discussion on the topic of sustainability does not just focus on climate neutrality, however, as other ESG factors such as environmental protection and social sustainability are being addressed as well. This paper uses ESG (environmental, social, governance) as a synonym for sustainability.

Sustainability has been a central aspect of Berlin Hyp's corporate strategy for many years now. Our strategic goal of becoming the most modern commercial real estate financier in Germany also involves the achievement of certain sustainability objectives. The Bank intentionally utilises a broad definition of sustainability here: For us at Berlin Hyp, sustainability means not only reducing our own carbon footprint, but also promoting, simplifying and financing the transition to a sustainable economy and in this manner contributing to the transformation that is currently under way – not only in terms of ecology but also with regard to the economy and society as a whole.



2 Berlin Hyp's Sustainable Business Portfolio

In August 2020, the Bank published a far-reaching and ambitious sustainability agenda, which was supplemented in October 2021 when we published our [ESG vision](#). One dimension of our ESG vision relates to our "sustainable business portfolio". Berlin Hyp considers its business portfolio as the key to achieving our sustainability targets. A large number of our customers are already adopting measures to make their business activities more sustainable. Berlin Hyp plans ahead and has set itself the goal of helping customers transform buildings into more energy-efficient and sustainable properties. For this purpose, the following strategic ESG dimensions have been defined:

- Expanded financing of energy-efficient properties in accordance with the EU Taxonomy Regulation
- Establishment of 100 per cent portfolio transparency
- Reduction of CO₂ intensity in our portfolio
- CO₂-neutral portfolio by 2050 at the latest
- Advice and financing for customers who are seeking to make the transition to energy-efficient properties
- Consideration of ESG factors when assessing borrowers and properties
- Expansion of our leading position in the ESG capital market

In addition to considering the purely ecological goals, the ESG strategy at Berlin Hyp goes one step further by also taking into account social aspects in the core business. The Bank is aware of the increasing social importance of the real estate industry. Both the strengthening of social cohesion and the reduction of inequality play a major role here. By focussing on affordable housing, Berlin Hyp is looking to support low-income households.

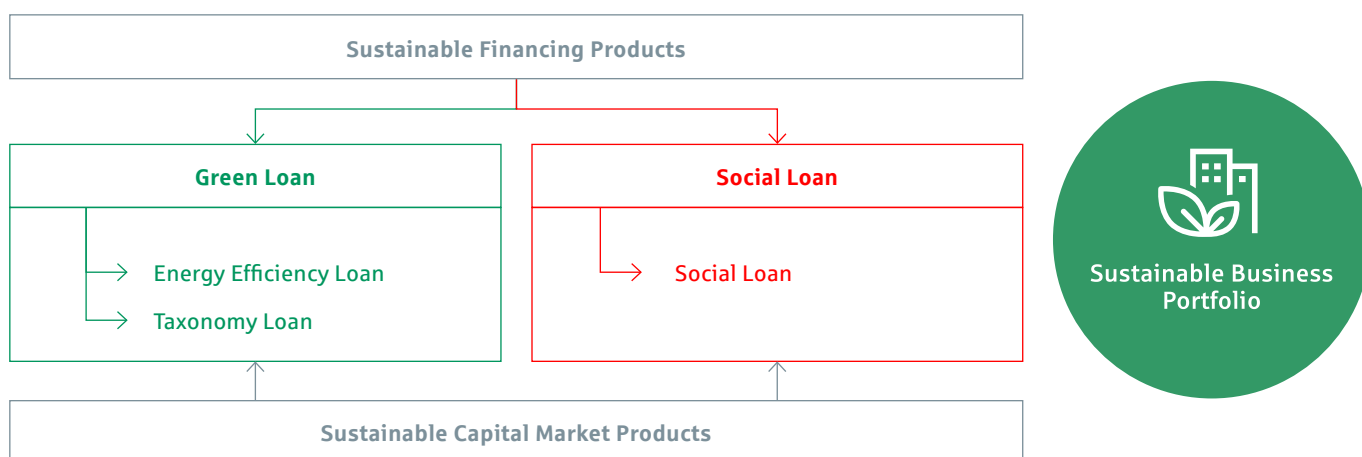


3 Sustainable Finance Framework

In order to be able to classify financing products on a holistic scale, Berlin Hyp has created an overarching framework – the Sustainable Finance Framework (SFF). 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 continual basis.

The sustainable financing products in the SFF are classified on the basis of clearly defined eligibility criteria. The focus here is on Green Loans ([Section 3.1.1](#)) that are used to finance energy-efficient and environmentally friendly buildings, and on Social Loans ([Section 3.1.2](#)) that are used to finance affordable housing. These two sustainable financing products in turn form the basis for our sustainable capital market products, which are issued at a later date and published in special frameworks ([Green Bond](#), [Social Bond](#), [Sustainability-Linked Bond](#)).

Figure 1: Overview of Berlin Hyp's sustainable product range



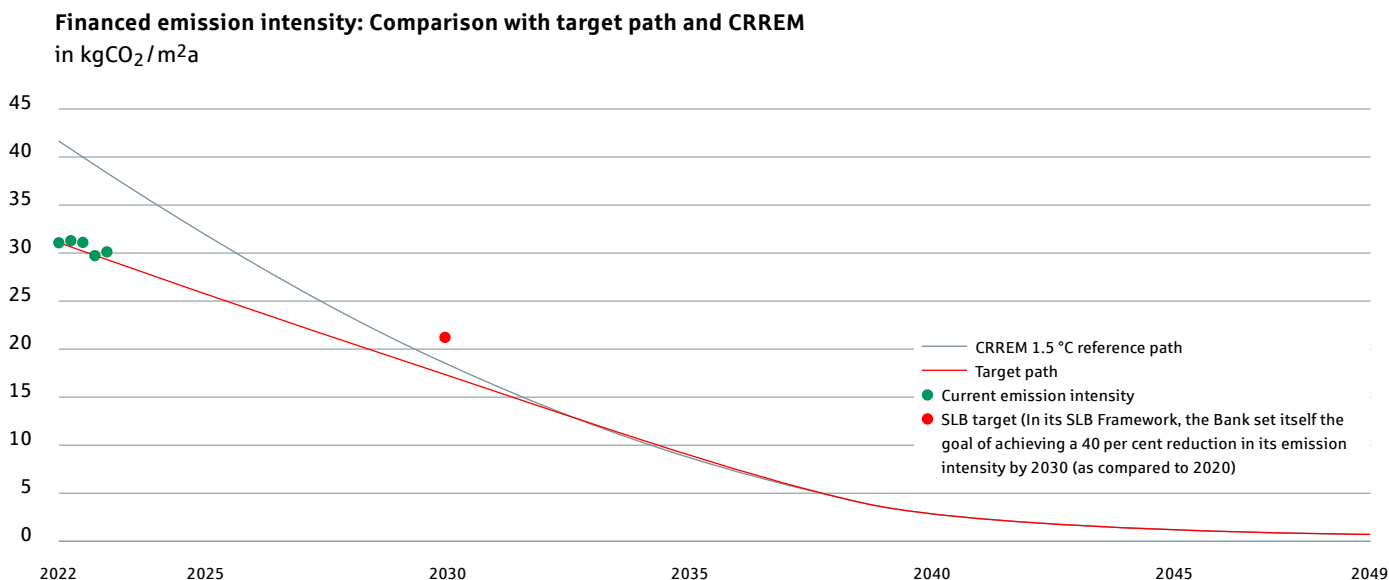
Berlin Hyp reviews the SFF on an annual or case-by-case basis and adapts its strategic design accordingly. Case-by-case revisions include, for example, launching new products or revising eligibility criteria for sustainable financing.

For many years now, Berlin Hyp has been focusing on financing energy-efficient and environmentally friendly buildings, i.e. with Green Loans. Green Loans are designed in line with our own sustainability objectives and with regulatory standards. They can be issued in the form of an energy efficiency loan or a taxonomy loan. In cases in which Green Loans are used to finance measures to improve the energy and carbon footprint of buildings, they may also be designed as transformation loans. In this case, the transformation of a building is supported for both products (taxonomy loans and energy efficiency loans).

Berlin Hyp observes current developments on the real estate market and the strategic environmental targets of its clients, which increasingly follow the CRREM decarbonisation paths. Berlin Hyp has also defined ambitious CO₂ reduction paths, for their total loan portfolio as well as for their loan portfolio sub-segments, towards net-zero.

Figure 2 shows Berlin Hyp's decarbonisation target path.

Figure 2: Berlin Hyp's decarbonisation path



To support the aimed decarbonisation, topics like sustainable transformation, decarbonisation and modernisation will be integrated in financing conversations with existing and new clients.

In order to ensure the transparency of our sustainable loan products for national and international financing, the SFF is guided by the following:

- Green Loan Principles (02/2023) of the Loan Market Association (LMA)
- Social Loan Principles (02/2023) of the Loan Market Association (LMA)

with the following key pillars:

- 3.1 Use of Proceeds
- 3.2 Process for Project Evaluation and Selection
- 3.3 Management of Proceeds
- 3.4 Reporting
- 3.5 External audit (review)

In addition, the SFF takes the following standards into account:

- The EU Taxonomy Regulation: Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020
- Delegate Regulation (EU) 2021/2139 of the Commission of 4 June 2021¹

¹ Referred to throughout the document as the "Delegated Regulation on the EU Taxonomy".

3.1 Use of Proceeds

3.1.1 Green Loans

Berlin Hyp has defined the Green Loans for the SFF, including specific eligibility criteria for new construction, acquisition and ownership as well as renovation of commercial and residential buildings, in addition to general exclusion criteria.

With regard to Green Loans, the Bank has defined that the borrower may only use the loans in accordance with the predefined eligibility criteria in each case. We make this commitment an integral part of both our national and international loan agreements in equal measure.

3.1.1.1 Energy Efficiency Loan

Energy efficiency loans are secured by energy-efficient and environmentally friendly buildings and contribute to the following Sustainable Development Goals²:



→ **SDG 11**
(Sustainable Cities and Communities)

and



→ **SDG 13**
(Climate Action)

The eligibility criteria for energy efficiency loans are summarised in Table 1.



² United Nations Sustainable Development Goals: <https://sdgs.un.org/goals>

Table 1: Eligibility criteria for energy efficiency loans

Action	Eligibility criteria
Acquisition and ownership of commercial and residential buildings	Top 15 per cent of the national or regional stock of existing buildings⁴ Buildings that are among the top 15 per cent of the national or regional building stock in terms of final energy demand/consumption or primary energy demand/ consumption. or
New construction of commercial and residential buildings	Buildings with an energy performance certificate corresponds to at least class A or
Renovation³ of commercial and residential buildings	NZEB minus ten per cent The Primary Energy Demand of the building is at least 10 per cent below the thresholds set out in the national measures implementing Directive 2010/31/EU for Nearly Zero-Energy Buildings (NZEB). It is verified by an Energy Performance Certificate (EPC) or, or before the reception of such an EPC, any document provided to building authorities proving the building's energy performance. or Reduction of the Primary Energy Requirement by 30 per cent Renovation leads to a reduction of Primary Energy Demand of at least 30 per cent when comparing the latest EPC before renovation with the one issued after renovation.

Berlin Hyp will continue to request sustainability certificates from its customers for the buildings the Bank finances (where such certificates are available) and record them in its credit system. This way the Bank can verify the sustainability of these properties beyond the realm of energy efficiency. The following certificates are deemed to be proof of at least good building sustainability performance:

- LEED: Gold status or higher;
- BREEAM: Status of “very good” or higher;
- DGNB: Gold status or higher;
- HQE: Status of “high” or higher

3.1.1.2 Taxonomy Loan

Taxonomy loans are used to finance buildings or construction activities that comply with the EU taxonomy and these loans also contribute to the following Sustainable Development Goals:



→ **SDG 11**
(Sustainable Cities and Communities)

and



→ **SDG 13**
(Climate Action)

³ When buildings are renovated, the eligibility criteria are assessed on the basis of the energy performance certificate issued after the renovation.

⁴ Until recently, Berlin Hyp only had data on the national top 15 per cent in Germany for the asset classes residential, office, retail and logistics. These were compiled by Drees & Sommer on behalf of the Association of German Pfandbrief Banks in 2022 and revised in 2023. The corresponding thresholds are presented in Appendix I. Since December 2023, data is also available on the top 15 per cent for diverse real estate asset classes in the Netherlands, France and Poland. These have been assessed by Drees & Sommer on behalf of vdp Research GmbH. For buildings located in Luxembourg and Belgium, the Bank applies thresholds based on the top 15 per cent in the Netherlands. For buildings located in the Czech Republic, the Bank applies thresholds based on the top 15 per cent in Poland. The corresponding thresholds are presented in Appendix I to the Green Bond Framework.

The adoption of the Delegate Regulation on the EU taxonomy means that sustainable, responsible action and business are now also reflected in regulatory developments again. The EU taxonomy is the first EU-wide unified framework for sustainable and environmentally friendly activities and investments to be developed.

This framework comprises six specific environmental targets to which appropriate economic activities can make a substantial contribution. The focus is currently on the economic activities with the greatest potential for reduction, prevention or long-term storage of greenhouse gas emissions. As a sustainable real estate financier, Berlin Hyp will continue to make its contribution to fulfilling the environmental targets within the scope of the category "Construction and Real Estate".

The EU-wide unified framework includes the following environmental targets:

- (1) **Climate change mitigation**
- (2) **Climate change adaption**
- (3) **Sustainable use and protection of water and marine resources**
- (4) **Transition to a circular economy**
- (5) **Pollution prevention and control**
- (6) **Protection and restoration of biodiversity and ecosystems**

Accordingly, an economic activity is considered environmentally sustainable if:

- it makes a significant contribution to achieving at least one of the six environmental targets
- it does not considerably impair any of the other remaining environmental targets ("do no significant harm"/DNSH criteria) and
- it exercises a minimum level of human rights protection (minimum safeguards).

The eligibility criteria for taxonomy loans, which aim to make a significant contribution to the environmental target 1 "climate change mitigation", and for the corresponding DNSH criteria, are compiled in Table 2 and in Table 3 in accordance with the technical screening criteria in Annex I to the Delegated Regulation on the EU Taxonomy:



Table 2: "Significant contribution to climate change mitigation" (environmental target 1) for loans for buildings/construction measures aligned with the EU taxonomy

Economic activity ⁵	Eligibility criteria
Acquisition and ownership of commercial and residential buildings with planning application ≤ 2020	<p>Energy class: Buildings with an energy certificate⁶ of at least class A. and/or</p> <p>Top 15 per cent: Buildings that are among the top 15 per cent of the national or regional stock of buildings with regard to primary energy demand/consumption. and</p> <p>In addition, for completed non-residential buildings that have a rated output of > 290 kW, evidence is required that the energy efficiency is being monitored and assessed.</p>
New construction of commercial and residential buildings	<p>The building's primary energy demand is at least 10 per cent below the threshold values set out in the national measures for implementing Directive 2010/31/EU on nearly zero-emission buildings (NZEB). It can be demonstrated with an energy performance certificate (EPC) or, prior to obtaining such a certificate, with a document submitted to the building authorities to provide evidence of the total energy performance of the building.</p> <p>and</p> <p>For buildings larger than 5,000 m²⁷, the building under construction is tested for airtightness, thermal integrity and global warming potential. Thermal integrity shall be tested according to EN 13187 (Thermal performance of buildings – Verification of thermal bridges in building envelopes – Infrared method). Air tightness shall be tested according to EN 13829 (Thermal performance of buildings – Determination of air permeability of buildings – Differential pressure method) or equivalent standards. The calculation of the life cycle greenhouse potential (GWP) of the building shall be carried out by means of a life cycle assessment according to DIN EN 15978 or DGNB sustainability certificate (criterion ENV1.1) or equivalent evidence.</p> <p>In addition, Berlin Hyp ensures that the client provides proof of the building's life cycle-related global warming potential (GWP) by means of a life cycle assessment in accordance with DIN EN 15978 and a DGNB sustainability certificate or equivalent proof.</p> <p>and</p> <p>In addition, for completed non-residential buildings that have a rated output of > 290 kW, evidence is required that the energy efficiency is being monitored and assessed.</p>
Acquisition and ownership of commercial and residential buildings with a building application ≥ 2021	
Renovation of commercial and residential buildings	<p>The renovation results in a reduction of the primary energy demand of at least 30 per cent in a comparison between the last energy performance certificate that was available before the renovation and the energy certificate issued after the renovation.</p>

The framework of the EU taxonomy defines qualitative and/or quantitative threshold values in relation to the technical screening criteria for the environmental target 1 "climate change mitigation". Where threshold values have not (yet) been completely and clearly defined, these are determined together with relevant current studies.

⁵ The review of economic activities in relation to construction before or after December 31, 2020 is measured from the date on which the building application documents were submitted to the building authority for legal review and approval.

⁶ The energy class and/or primary energy demand of all suitability criteria in Table 2 are checked using energy demand or energy consumption certificates.

⁷ The threshold value for the size of the building is measured on the basis of the heatable area according to the energy performance certificate.

Table 3: Avoidance of significant impacts that contribute substantially to climate change mitigation – “do no significant harm (DNSH)”

DNSH criterion	Eligibility criterion
Environmental target 2: Climate change adaptation	A climate risk and vulnerability assessment analysis has been prepared showing the physical risks identified. An adaptation plan has been prepared to reduce the significant risks associated with the economic activity.
Environmental target 3: Sustainable use and protection of water and marine resources	<p>(a) Maximum flushing volume /water flow rate Within the scope of the economic activity, requirements for the maximum flushing volume and the water flow rate are complied with in commercial properties. This includes the technical specifications for sanitary appliances according to Annex I to the Delegated Regulation on the EU Taxonomy.</p> <p>(b) General criteria for the sustainable use and protection of water and marine resources Risks of harm to the environment in relation to the maintenance of water quality and the prevention of water scarcity are identified and addressed according to Annex B of the Delegated Regulation on the EU taxonomy.</p>
Environmental target 4: Transition to a circular economy	<p>Compliance with the recycling rate and the limitation of waste generation according to Directive 2008/98/EC of 19 November 2008 on waste (the so-called Framework Waste Directive).</p> <p>The building design that is adapted to the circular economy takes into account the ISO 20887 standard or comparable standards.</p>
Environmental target 5: Pollution prevention and control	<p>(a) Contaminated sites If the new building is located on a potentially contaminated site, the site was examined for potential pollutants.</p> <p>(b) Pollution from chemicals Economic activities comply with the criteria for preventing pollution from chemicals according to Annex C to the Delegated Regulation on the EU Taxonomy.</p> <p>(c) Proportion of formaldehyde and carcinogen volatile compounds Economic activities comply with the emission limit values according to Section 7.1 of the Delegated Regulation on the EU Taxonomy, which relate to formaldehyde and carcinogen volatile organic compounds in building components and building materials with which occupants may come into contact.</p> <p>(d) Reduction of noise/dust/pollutant emissions Measures will be taken to reduce noise /dust/ pollutant emissions during construction.</p>
Environmental target 6: Protection and restoration of biodiversity and ecosystems	<p>(a) Environmental impact assessment Where compensatory measures are prescribed in the course of a required environmental impact assessment, these have been or will be implemented.</p> <p>(b) Site requirements New constructions comply with the site exclusions in accordance with Section 7.1 of the Delegated Regulation on the EU Taxonomy on arable land, crop land, greenfield land and forest land.</p>

Only the relevant DNSH criteria for the respective economic activity are included in the assessment. In addition, a minimum of social protection measures (minimum safeguards) must be complied with.

3.1.2 Social Loans

Social Loans from Berlin Hyp are used to finance properties that offer affordable housing. On the one hand, such loans help support low-income households, while on the other hand they contribute to the achievement of the following Sustainable Development Goals:



→ **SDG 1**
(No Poverty)

Berlin Hyp has defined specific eligibility criteria (Table 4) for Social Loans for residential buildings in the “affordable housing” category in Germany and the Netherlands.

Furthermore, the Bank has established that the borrower may only use the loans in accordance with the predefined eligibility criteria in each case. We make this commitment an integral part of both our national and international loan agreements in equal measure.



→ **SDG 10**
(Reduced Inequalities)

and



→ **SDG 11**
(Sustainable Cities and Communities)



Table 4: Eligibility criteria Social Loan

Social Loan category	Eligibility criteria																																																																															
Affordable housing ⁸	<p>1. Customer</p> <ul style="list-style-type: none"> ■ Municipal housing companies ■ Housing construction cooperatives ■ Private housing companies and project developers who have publicly committed themselves to social responsibility and the provision of affordable housing <p>and</p> <p>2. Maximum permitted gross cold rent The basic idea behind this criterion is to ensure the evaluation of the property to be financed on the basis of specific parameters from the Housing Allowance Act (WoGG). Berlin Hyp calls this a Housing Allowance Act test. For this purpose, the actual monthly gross cold rent per average apartment determined for the respective mortgage property must not exceed the maximum permissible monthly gross cold rent per apartment under the WoGG (according to the non-binding table 5).</p> <p>Table 5: Non-binding overview of the maximum permissible gross cold rent per rent level in Euro (as of 1 January 2024)⁹</p> <table border="1"> <thead> <tr> <th rowspan="2">Number of household members</th> <th colspan="7">Rent level (Gross cold rent in Euro)</th> </tr> <tr> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> <th>6</th> <th>7</th> </tr> </thead> <tbody> <tr> <td>1 person</td> <td>402.82</td> <td>452.32</td> <td>502.92</td> <td>561.22</td> <td>615.12</td> <td>671.22</td> <td>737.22</td> </tr> <tr> <td>2 persons</td> <td>489.28</td> <td>548.68</td> <td>610.28</td> <td>681.78</td> <td>746.68</td> <td>814.88</td> <td>894.08</td> </tr> <tr> <td>3 persons</td> <td>583.66</td> <td>652.96</td> <td>726.66</td> <td>811.36</td> <td>888.36</td> <td>970.86</td> <td>1,063.26</td> </tr> <tr> <td>4 persons</td> <td>680.24</td> <td>762.74</td> <td>847.44</td> <td>945.34</td> <td>1,037.74</td> <td>1,132.34</td> <td>1,242.34</td> </tr> <tr> <td>5 persons</td> <td>776.82</td> <td>870.32</td> <td>968.22</td> <td>1,081.52</td> <td>1,184.92</td> <td>1,293.82</td> <td>1,419.22</td> </tr> <tr> <td>6 persons</td> <td>869.00</td> <td>974.60</td> <td>1,085.70</td> <td>1,212.20</td> <td>1,326.60</td> <td>1,456.40</td> <td>1,597.20</td> </tr> <tr> <td>7 persons</td> <td>961.18</td> <td>1,078.88</td> <td>1,203.18</td> <td>1,342.88</td> <td>1,468.28</td> <td>1,618.98</td> <td>1,775.18</td> </tr> <tr> <td>8 persons or more</td> <td>1,053.36</td> <td>1,183.16</td> <td>1,320.66</td> <td>1,473.56</td> <td>1,609.96</td> <td>1,781.56</td> <td>1,953.16</td> </tr> </tbody> </table> <p>and</p> <p>3. Minimum requirements for energy efficiency in buildings The building to be financed must be among the top 70 per cent in the national residential building stock in terms of energy efficiency.¹⁰</p>	Number of household members	Rent level (Gross cold rent in Euro)							1	2	3	4	5	6	7	1 person	402.82	452.32	502.92	561.22	615.12	671.22	737.22	2 persons	489.28	548.68	610.28	681.78	746.68	814.88	894.08	3 persons	583.66	652.96	726.66	811.36	888.36	970.86	1,063.26	4 persons	680.24	762.74	847.44	945.34	1,037.74	1,132.34	1,242.34	5 persons	776.82	870.32	968.22	1,081.52	1,184.92	1,293.82	1,419.22	6 persons	869.00	974.60	1,085.70	1,212.20	1,326.60	1,456.40	1,597.20	7 persons	961.18	1,078.88	1,203.18	1,342.88	1,468.28	1,618.98	1,775.18	8 persons or more	1,053.36	1,183.16	1,320.66	1,473.56	1,609.96	1,781.56	1,953.16
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The Netherlands	<p>1. Customer</p> <ul style="list-style-type: none"> ■ An approved institution (“toegelaten instelling”) as defined in the decree on public housing construction in the Netherlands from 2015¹¹ ■ Private housing companies and project developers who have publicly committed themselves to social responsibility and the provision of affordable housing <p>and</p> <p>2. Maximum gross cold rent for social housing as defined in the Dutch Housing Act The maximum gross cold rent per apartment, or the average gross cold rent in a multi-unit or apartment building, may not exceed the annually updated threshold value for social housing as defined in Article 47 of the Dutch Housing Act (currently EUR 879.66 for 2024).</p> <p>and</p> <p>3. Minimum requirements for energy efficiency in buildings The building to be financed must be among the top 70 per cent in the national residential building stock in terms of energy efficiency.¹²</p>																																																																															

⁸ A collateral property can be designated as a residential building if it is used exclusively or predominantly (in relation to the total usable area of the collateral property) for residential purposes. A mortgage property can be referred as a residential building, if it is completely or primarily (based on the total usable area of the mortgage property) used for residential purposes. Residential buildings in the aforesaid sense can also include other types of uses such as property management, medical practices, gastronomy and educational institutions.

⁹ The numbers can be found in the valid version of the WoGG. The numbers shown in the table are based on §12 WoGG with annex 1 and since the increase of the maximum permitted rent on 01.01.2022 §23 of the Wohngeldverordnung (WoGV). With the Housing Benefit Plus Act (Wohngeld-Plus-Gesetz), which came into force in January 2023, a climate component was introduced which is added to the maximum rent. The resulting number is to be multiplied with a factor of 1.10. This factor derives from Federal Social Court ruling BSG 30.1.2019 – B 14 AS 24/18 R and BSG 3.9.2020 – B 14 AS 34/19 R and aims for adjusting the Rent Level Regulation to the actual market situation.

¹⁰ Final Energy demand /consumption: max. 151.1 kWh/m²a. This threshold was defined in an assessment of the energy efficiency of the German residential building stock by Drees & Sommer on behalf of Berlin Hyp in October 2021. The threshold value is used for buildings in Germany and the Netherlands. Drees & Sommer based its assessment on publicly available data such as the dena Building Report or the co2online database.

¹¹ besluit toegelaten instellingen volkshuisvesting 2015: <https://wetten.overheid.nl/BWBR0036702/2022-01-01>

¹² Final energy demand or consumption: max. 151.1 kWh/m²a. This threshold was defined in an assessment of the energy efficiency of the German residential building stock by Drees & Sommer on behalf of Berlin Hyp in October 2021. The threshold value is used for buildings in Germany and the Netherlands. Drees & Sommer based its assessment on publicly available data such as the dena Building Report or the co2online database.

3.2 Process for Project Evaluation and Selection

Berlin Hyp is careful to ensure that the sustainable loans that are eligible comply with national and international environmental and social standards as well as local laws and regulations. In order to do this, the Bank has set up a Sustainable Finance Commission (SFC), which is made up of different representatives from the Bank, including all Finance divisions that are involved in the value chain: Sales, Portfolio Management, Credit, Valuation and Treasury. Risk Controlling and Company Strategy are also part of the SFC.

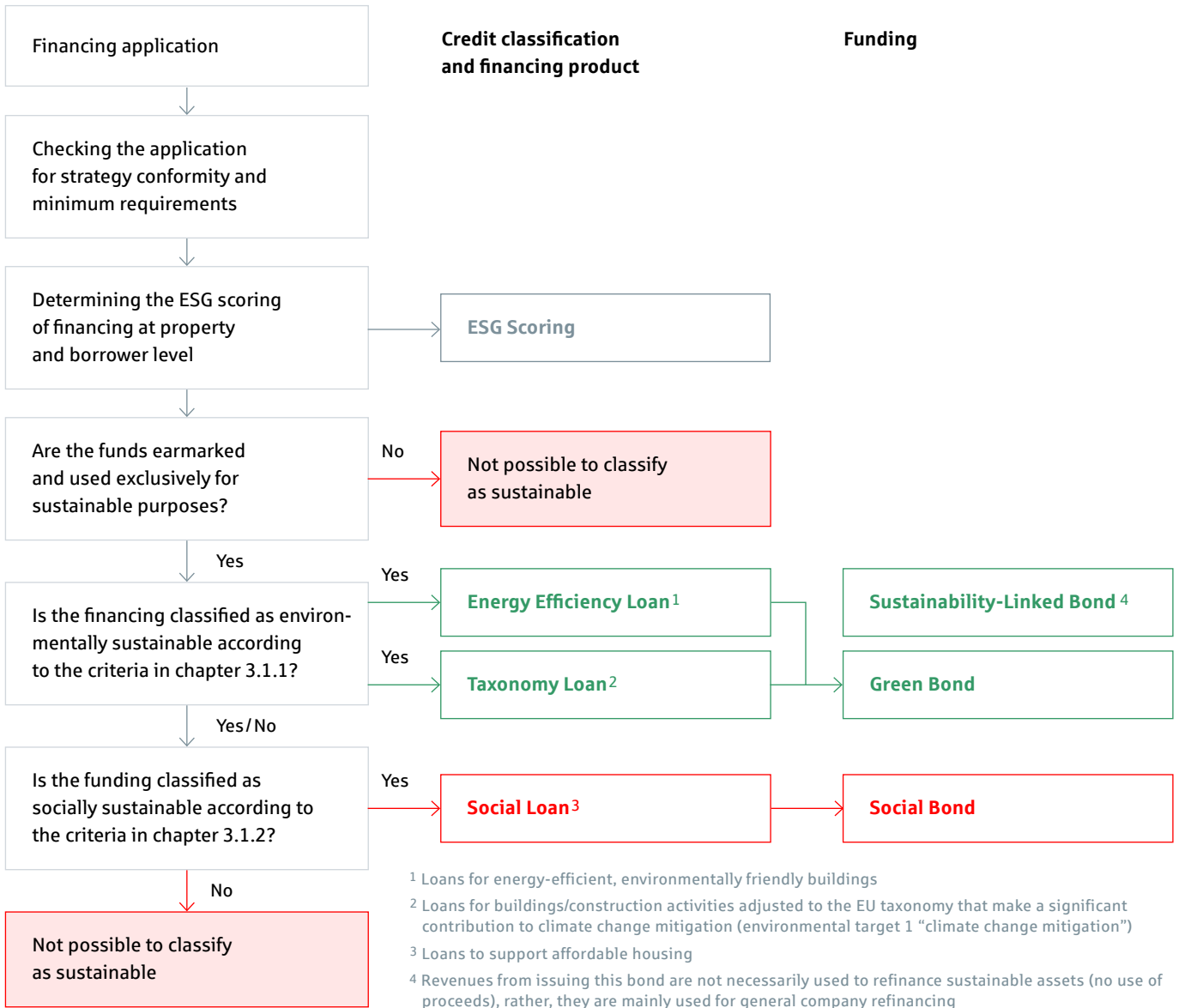
In its regular meetings, the SFC discusses, amongst other things, whether the eligibility criteria described in Sections 3.1.1.1, 3.1.1.2 and 3.1.2 are still in line with best market practice and comply with the relevant regulations. If this is no longer the case, the SFC will discuss possible changes and decide how best to adjust the eligibility criteria. Changes to the eligibility criteria in Section 3.1.1.1 may only be made if these are to make the criteria more stringent, i.e. lower threshold values for the energy demand and/or consumption. This also applies for the minimum requirements for energy efficiency in buildings in section 3.1.2. Changes to the eligibility criteria in Section 3.1.1.2 can only be made if there are any changes to the EU taxonomy or its relevant Delegated Regulations in the future. Changes to the eligibility criteria in Section 3.1.2 can only be made if changes are made to the German Housing Allowance Act or the Dutch Housing Act in future.

Berlin Hyp can use its own expertise or draw on external consultants and their data sources in order to determine whether a financing arrangement or an asset corresponds to one of the sustainable financing products described in Section 3.1.

To aid with the classification of sustainable loans, Berlin Hyp has designed a decision-making process with guiding questions (see Figure 2):

- These questions will result in a clear classification for the loan, either as sustainable or as non-sustainable. However, this classification does not necessarily exclude non-sustainable financing, which means that, in principle, non-sustainable loans can also be financed. However, this funding is not considered sustainable.
- As an initial step, the credit is reviewed for conformity to the strategy and compliance with the minimum requirements for financing defined by Berlin Hyp.
- In order to live up to our claim of being a sustainable real estate financier, we assign each financing an ESG score which provides information about the project to be financed as well as sustainability aspects about the borrower.
- The allocation of a financing to our sustainable financing products is only possible if the purpose is clearly defined and the exclusions in accordance with the [sustainability guideline](#) in the banking and financial sector are taken into account.
- The questions regarding the list of eligibility criteria for Green Loans according to Sections 3.1.1.1, 3.1.1.2 and 3.1.2 are the most essential part of the decision flowchart. Berlin Hyp actively promotes these criteria. If the loan is suitable for a sustainable classification, it can be refinanced by issuing Green Bonds or Social Bonds and/or by contributing to the respective ESG target defined for the Sustainability-Linked Bond. Therefore, the loan directly or indirectly supports Berlin Hyp's goals (Section 2: Berlin Hyp's Sustainable Business Portfolio).

Figure 2: Decision-making process for the Sustainable Finance Framework



Berlin Hyp’s selection and evaluation procedure is designed as a means of providing proof that the two eligibility criteria for Green Loans described in Sections 3.1.1.1, 3.1.1.2 and 3.1.2 are met at the earliest possible stage of lending. In order to do this, borrowers are requested to submit relevant documents, such as energy demand calculations, energy performance certificates and other essential documents, if available, early on, at the beginning of the financing process. The review of whether the requirements of the taxonomy loan are fulfilled is partly based on the borrower’s confirmations. In this regard, the borrower undertakes to provide, underlying evidence in a timely manner, if they are required to do so.

1. The Valuation division carries out an indicative assessment of whether the borrower is eligible for one of the two Green Loans and the Social Loan based on energy efficiency or the technical assessment criterion on primary energy demand according to the EU taxonomy. The results of this assessment will determine which type of loan is possible. The assessment of the eligibility criteria for Green Loans is completed by the sales division in checking the purpose of use of the loan for the mortgaged property.
2. For residential building the sales division checks the eligibility criteria for the Social

- Loan. The analysis includes all the criteria under 3.1.2. such as customer, maximum permitted cold rent and the minimum requirement for energy efficiency.
3. Moreover, an ESG-Score is determined for every financing. In the category environmental the focus lies on energy efficient refurbishments of the property. The valuation department documents ESG data on the property, while Sales gathers ESG data on the borrower. The ESG-Score includes partial scores for the categories E-physical, E-transition, social and governance. If the ESG-Score shows increased ESG-risks the ESG-central functions (consisting of representatives of the divisions strategy and risk control) will be incorporated additionally.
 4. Portfolio Management determines the contribution of the financing application to the development of the business portfolio for the New Business Committee. This also includes the contribution to the fulfillment of the ESG vision.
 5. The New Business Committee evaluates the loan application, taking into account the results of the indicative review of the SFF eligibility criteria.
 6. Because Berlin Hyp provides incentives for eligible sustainable financing products through reduced conditions as compared to other loans, an analysis of the eligibility criteria according to Sections 3.1.1.1, 3.1.1.2 and 3.1.2 must be carried out before pricing. The verification of the relevant proof, which the borrower has to submit, can be carried out by Berlin Hyp itself or by external certifiers.
 7. The Credit division acknowledges the assessment of the ESG factors as part of the financing application. The overall ESG score is as part of the risk assessment included in the confirmation of the credit decision.
 8. Data Management documents the allocation of a sustainable financing product in the Bank's credit monitoring system.
 9. The Credit Division checks within the framework of the credit evaluation that all disbursement requirements are fulfilled. This also includes that the credit valuation is only carried out in accordance with the binding purpose agreed in the credit agreement.
 10. As part of the loan evaluation process, the Credit division checks that all disbursement requirements are met. This also includes ensuring that the loan is only disbursed in accordance with the binding purpose agreed in the loan agreement. If financing is to be used within the scope of the Green Bond or Social Bond issue, Treasury determines whether the financing fulfils one of the eligibility criteria described in Sections 3.1.1.1, 3.1.1.2 and 3.1.2 and whether it should be included in Berlin Hyp's Green Loan or Social Loan portfolio. This ensures that the identification process has a dual control principle. Data Management only classifies loans as being eligible for a Green Bond or Social Bond compliant with the taxonomy in the Bank's credit system after Valuation and Sales has approved the loan's eligibility criteria and after Treasury has confirmed this.
- In any case, the data on the energy efficiency and sustainability of the properties are entered into the credit system, even if a property does not meet the eligibility criteria. As this process is applied to all new business, it is contributing to one of Berlin Hyp's longer-term goals, which is to provide evidence regarding the energy efficiency of its entire mortgage loan portfolio.
- If an energy performance certificate expires, Berlin Hyp will ask the borrowers to submit new evidence in order to reassess the eligibility of the loan if necessary. The borrower will then have a period of one year to submit new evidence. If a financing arrangement based on a current energy performance certificate does not meet either of the two eligibility criteria described in Sections 3.1.1.1 and 3.1.1.2, the allocation to the Bank's Green Loan portfolio will be terminated. The same shall apply to the minimum energy requirements in accordance with Section 3.1.2 for the Bank's Social Loan portfolio.
- Berlin Hyp continuously monitors the rental income from secured real estate. In order to ensure that the Social Loan portfolio is up to date, the portfolio is reviewed on an annual basis regarding compliance with the maximum permitted monthly gross cold rent in accordance with Section 3.1.2.
- As a project financier, Berlin Hyp knows its financing projects and its clients in detail very well. The risks of the financing are continuously monitored during the financing

period, which for us also includes ESG risks. Increased risks can be identified for various reasons, for example from public sources, in the context of the disclosure of economic circumstances, from the client's sustainability reporting or also from ongoing client contact. In any case, increased risks are discussed in an active exchange with the client with the aim of finding joint solutions with the client and addressing measures. If the eligibility criteria for the green or social loan are not met, these financings are immediately removed from the sustainable financing portfolio. In the event of a breach of legal requirements, a decision is made on the necessary measures with the involvement of our governance department.

The Berlin Hyp has firmly integrated the SFF into its internal processes for evaluating and selecting eligible financing within the framework of the loan process. The review process guarantees that borrowers' creditworthiness in terms of sustainability is applied and monitored appropriately for each loan application.

Berlin Hyp is continuously working on improving ESG assessment processes in the course of the lending process and on evaluating the compliance of financing with the eligibility criteria defined in Section 3.1.1.2. Berlin Hyp therefore reserves the right to continue to develop its selection and assessment process at any time to take these improvements into account.

More information about the Green Bond Framework, Social Bonds, Sustainability-Linked Bond Framework is available on the [Berlin Hyp website](#).

3.3 Management of Proceeds

The loan provided by Berlin Hyp within the scope of a sustainable financing product (Section 3.1) is subject to limitation to the purposes of new construction, acquisition, ownership or renovation of commercial and residential buildings.

Each of these loans must be clearly attributable to:

- the borrower
- the financed property for taxonomy loans
- the mortgaged property for energy efficiency loans and/or taxonomy loans and/or Social Loan
- a Green Loan (energy efficiency loans and/or taxonomy loans) and Social Loan
- the economic activity (new building, acquisition/ownership and renovation), in the case of taxonomy loans

Taxonomy loans for financing several economic activities, for example "acquisition" and "renovation", are recorded in separate loan accounts to comply with transparency requirements. As described in Section 3.2, the eligibility check is subject to a dual control principle and the result is stored in Berlin Hyp's credit monitoring system. All verification documents and confirmations of the borrower are archived in the electronic financing file.



3.4 Reporting

By stating the purpose of use in the loan agreement and/or the corresponding supplementary agreements, the borrower agrees to only use the Green Loans and the Social Loans granted according to the eligibility criteria defined in Sections 3.1.1.1, 3.1.1.2 and 3.1.2 for the duration of the loan contract.

Reports on the [Green Loan](#) and [Social Loan](#) portfolios are available on the Berlin Hyp website. Table 6 provides an overview of the scope of our sustainability reporting system.

Table 6: Overview of the sustainability reporting system

Reports with a high level of reporting	Reports with a low level of reporting
<p>Green Bond Annual Report</p> <p>a) Allocation Reporting</p> <ul style="list-style-type: none"> ■ Development of suitable assets in Berlin Hyp's balance sheet and in its mortgage cover pool according to various characteristics ■ Information on new business in suitable assets since the date of the last report ■ Progress report on fulfillment of the obligation to invest amounts equal to the issue amount in new, sustainable assets during the term of the bond ■ CO₂ reductions (Impact Report) measured on the basis of benchmarks <p>b) Impact Reporting</p> <ul style="list-style-type: none"> ■ CO₂ reductions measured on one or several benchmarks 	<p>Non-financial Statement</p> <ul style="list-style-type: none"> ■ Information on the issue volume of Green Bonds and Sustainability-Linked Bonds (from 2022) ■ Information on the reduction in the amount of CO₂ emissions with the Green Bonds
<p>Social Bond Annual Report</p> <p>a) Allocation Reporting</p> <ul style="list-style-type: none"> ■ Development of eligible social assets in Berlin Hyp's balance sheet ■ Report on the development and allocation of an amount corresponding to the net proceeds of the Social Bond for eligible social assets <p>b) Impact Reporting</p> <ul style="list-style-type: none"> ■ Report on the impact of eligible assets 	<p>Global Reporting Initiative (GRI) Report</p> <ul style="list-style-type: none"> ■ List of the total annual volume of mortgage loan volumes, the Green Loan Portfolio and Green Bond issues ■ Berlin Hyp publishes a separate GRI index in addition to the Non-financial statement
<p>Sustainability-Linked Bond Report (from 2022)</p> <ul style="list-style-type: none"> ■ Development of the carbon intensity of the loan portfolio and comparison with the specified target path and average energy requirements of the buildings in Berlin Hyp's loan portfolio 	<p>Environmental Statement</p> <ul style="list-style-type: none"> ■ Facts and figures on product ecology: Green Loan Portfolio, mortgage loans of the past two years ■ Share of environmentally sustainable financing in the total portfolio and information on the reduction in CO₂ emissions
<p>Harmonised Transparency Template (HTT, cover pool only), Harmonised Disclosure Template (HDT, entire portfolio)</p> <ul style="list-style-type: none"> ■ Development of the energy efficiency of the real estate portfolio, including subdividing this into ecologically sustainable and ecologically nonsustainable properties on the basis of Berlin Hyp's eligibility criteria 	<p>Disclosure Report</p> <ul style="list-style-type: none"> ■ Information on the "Green Asset Ratio", which indicates the extent of financing that is compliant with the EU taxonomy

3.5 Review

It is very important to BerlinHyp that its products are verified externally and the Bank commissions an ESG rating agency or auditing to assess the sustainability of the SFF. The results of this are published in an external review on the Berlin Hyp website. The review assesses the design of the SFF and its compliance with relevant industry standards in addition to its credibility. BerlinHyp commits to having the SFF reviewed by an external party on an annual basis.

The transactions that fulfill the criteria under 3.1. Use of Proceeds will be validated annually with a second party opinion of the Green Bond and Social Bond Framework.



4 Disclaimer

This SFF does not constitute an offer nor a solicitation of an offer to conclude a loan contract with Berlin Hyp in any jurisdiction, nor is it an invitation to make such an offer. Whether in whole, in part, or in its distribution, this should also not be relied upon as the basis for entering into any loan agreement with Berlin Hyp, nor should it be relied upon in connection with any contract or commitment. Neither the SFF nor any other material associated with it may be distributed or published in any jurisdiction in which it is unlawful to do so, except in accordance with applicable laws and regulations.

All offers for loans at Berlin Hyp are made using offer documentation in accordance with all applicable laws. Any loan approval decision should be made solely on the basis of the information contained in such offer documentation and not on the basis of this framework.

The information and opinions contained in this SFF are provided as at the date of issue of this SFF and are subject to change without notice. Berlin Hyp endeavours, but does not guarantee, to update, maintain or revise the information or opinions contained in this SFF, regardless of whether such information or opinions are affected by new information, future events or otherwise. Undue reliance should not be placed on the information and opinions contained in this SFF.

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This SFF does not create any legally enforceable obligations towards Berlin Hyp or its members, Board of Management, officers, agents, employees or advisors. Failure to observe or comply with any of the terms and conditions of this SFF, including, but not limited to, failure to achieve any sustainability goals or targets set forth herein, shall not constitute a default or a breach of contractual obligations under the terms of such Green Loans, unless otherwise specified. This SFF is not intended to provide legal or financial advice and should not be understood or used as such.

Berlin Hyp AG
Corneliusstrasse 7
10787 Berlin
T +49 30 2599 90
www.berlinhyp.de