

FRAMEWORK EXTERNAL REVIEW

SUSTAINABLE FINANCE FRAMEWORK

Berlin Hyp AG
19 March 2024

VERIFICATION PARAMETERS

Covered Instruments	<ul style="list-style-type: none">Green and Social Loans
Type of Framework	<ul style="list-style-type: none">Sustainable Finance Framework
Scope of verification	<ul style="list-style-type: none">Berlin Hyp AG's Sustainable Finance Framework (as of February 9, 2024)Berlin Hyp AG's Sustainable Finance classification system (as of February 9, 2024)
Validity	<ul style="list-style-type: none">Valid as long as the Framework remains unchanged

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SCOPE OF WORK

Berlin Hyp AG ('Berlin Hyp' or 'the Bank') commissioned ISS-Corporate to assist with its Sustainable Finance Framework ('SFF' or 'the Framework') by assessing four core elements to determine the quality of its classification system¹ for identifying sustainable financing activities and the sustainability quality of the eligibility criteria:

1. Sustainable Finance Framework - benchmarked against market practices and guidelines² for capital and loan markets approaches to environmental and social sustainability (see Annex 1)
2. Berlin Hyp's sustainable finance classification system - the soundness of the eligibility parameters to identifying eligible sustainable financing activities (see Annex 1)
3. ESG Risk Management - assessment of Berlin Hyp's overarching risk management procedures considered relevant in the context of the Bank's sustainable finance activities and the underlying Framework (see Annex 1)
4. The Sustainable Finance Framework and Berlin Hyp's overall ESG profile - drawing on the key sustainability objectives and priorities defined by the Berlin Hyp.

¹ The methodology of external reviews provided for sustainable financing, lending, and investment strategies has been developed based on our expertise in assessing a range of sustainable finance-related instruments and frameworks. In general, these types of external reviews are not to be treated as a 'pass or fail' assessment of the sustainability quality of sustainable financing, lending, or investment strategies but rather as an overall assessment. Thus, obtaining an external review of an overarching financing framework does not imply a detailed assessment of the sustainability quality of each underlying transaction. A qualitative assessment of sampled eligible ESG products is not in scope of the verification procedures.

² The assessment is based on current market practices for sustainable capital and loan markets referring to different market standards and voluntary guidelines including but not limited to the Loan Market Association's (LMA) [Green Loan Principles](#), [Social Loan Principles](#), the [UNEP-FI PRB](#), and the [Guidelines proposed by the European Banking Authority \(EBA\) with respect to environmentally-sustainable lending](#).

BERLIN HYP AG OVERVIEW

Berlin Hyp AG provides real estate financing and banking services. The Bank offers financing solutions to professional investors and housing societies. Its products include syndicate business, real estate debentures, real estate evaluation, and mortgages. The Bank was founded in 1868 and is headquartered in Berlin, Germany.

ESG risks associated with the Berlin Hyp AG Industry

Berlin Hyp AG is classified in the Mortgage & Public Sector Finance industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies³ in this industry are: Sustainability impacts of lending and other financial services/products, Customer and product responsibility, Customer and product responsibility, Statutory ESG-standards linked to the geographical allocation of the financing portfolio, Employee relations and work environment.

This report focuses on the sustainability credentials of the classification system. Part IV. of this report assesses the consistency between the Framework and the Bank's overall sustainability strategy.

³ Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ⁴
<p>Part I:</p> <p>Review of Berlin Hyp's Sustainable Finance Framework</p>	<p>The Sustainable Finance Framework partially reflects market practices. The scope of the Framework includes all Berlin Hyp's business operations and locations. Where feasible, the Framework may be further improved with regard to:</p> <ul style="list-style-type: none"> ▪ <i>Disclosure of the sustainable financing target in value</i> ▪ <i>Definition of the social target and the associated action plan</i> <ol style="list-style-type: none"> 1. Objectives, Targets & Progress: The Bank defines green quantitative targets within a certain timeframe enabling to measure the progress against its commitment. 2. Definition of sustainable financing activities: Berlin Hyp has set forth a formal methodology for defining and classifying financing as sustainable and proposes clear parameters under its Framework. 3. Evaluation & Selection Process: Internal procedures defined for selection and evaluation are considered appropriately documented. Responsibilities and accountabilities are clearly defined, and duties are segregated. Besides, the Bank has put in place a process to identify and mitigate risks of negative social and environmental impacts. 4. Governance & Monitoring: The Bank tracks the sustainable financing transactions in an appropriate way. The monitoring is carried out on an annual basis for the eligible asset pool. 5. Reporting: Relevant reporting is conducted frequently and made publicly available. 	
<p>Part II:</p> <p>Assessment of Berlin Hyp's</p>	<p>The Bank's sustainable finance classification system reflects market practice.</p>	

⁴ The evaluation is based on the Berlin Hyp's Sustainable Finance Framework (February 2024 version), on the analysed Eligibility Criteria as received on February 12, 2024.

<p>sustainable finance classification system</p>	<p>Berlin Hyp has put forth Dedicated-Purpose financing as the eligibility parameter for its financing activities to be classified as sustainable.</p>
<p>Part III: Assessment of Berlin Hyp’s ESG risk management</p>	<p>ESG risks relevant in the context of the Bank’s sustainable financing activities are considered to be managed.</p> <p>Berlin Hyp has defined ESG risk assessment processes, the ESG Scoring system, applicable to its sustainable financing activities. Sectorial exposures are taken into consideration. The Bank has guidelines in place to address the main environmental, social and governance risks faced by its sector. The Bank measures its financed emissions in line with the Partnership for Carbon Accounting Financials (PCAF) methodology. The Bank does not provide financing to fossil fuel-based projects. The Bank implemented several exclusion criteria applicable at group level.</p>
<p>Part IV: Consistency of the Sustainable Finance Framework with Berlin Hyp’s Sustainability Strategy</p>	<p>The Sustainable Finance Framework is consistent with the Group’s Sustainability strategy.</p> <p>The Sustainable Finance Framework is considered consistent with the Bank’s Sustainability strategy. The rationale for developing a Sustainable Finance Framework is described by Berlin Hyp.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, the Bank no severe controversies have been identified.</p>

FRAMEWORK EXTERNAL REVIEW ASSESSMENT

PART I: REVIEW OF BERLIN HYP'S SUSTAINABLE FINANCE FRAMEWORK

In its Sustainable Finance Framework, Berlin Hyp defines its methodology for the classification of eligible financing transactions as sustainable for the purpose of tracking and disclosing the performance against its sustainable finance targets.

This External Review assesses the Framework against current market practices for sustainable capital and loan markets derived from market standards and established guidelines. The assessment focuses on key principles for transparency, public disclosure and non-contamination of sustainable labelled-products, set out in, among other the Loan Market Association Green and Social Loan Principles (February 2023), the TEG final report on the EU Taxonomy and Technical Annex, for ESG factor integration in equity and fixed-income.

CRITERIA	SUMMARY AND OPINION
<p>1. Objectives, Targets, & Progress</p>	<p>Berlin Hyp's Sustainable Finance Framework is used as a tool to provide the methodology to earmark sustainable capital market products that generate positive environmental and social benefits. The Framework and the targets cover all business operations, instruments, and locations of the Bank.⁵</p> <p>By following the Carbon Risk Real Estate Monitor (CRREM)⁶ trajectory Berlin Hyp aims to reduce emissions by 40% by 2030 from the base year of 2020, supporting its customers in the transformation to more energy-efficient, sustainable buildings. In addition to the ecological goals, Berlin Hyp aims to support low-income households with the targeted promotion of affordable housing.⁷ Berlin Hyp's sustainability strategy⁸ is in line with the climate goals as per the Paris Climate Agreement, the European Union (EU) and the German state commitments.⁹</p> <p>In line with this strategy, the Bank has set its sustainable financing target for certified green buildings to account for at least one-third of their loan portfolio by 2025. The social financing target is not yet defined. The current amount dedicated to green financing lending is EURO (EUR) 10.766 Million (m), corresponding to a 34% share of the total loan portfolio, while the</p>

⁵ The Bank's business area is commercial real estate financing, operating in Germany and the Netherlands.

⁶ Carbon Risk Real Estate Monitor, <https://www.crrem.eu/>

⁷ More info on Berlin Hyp's sustainability strategy and ESG goals is available in Part IV of this Document.

⁸ Berlin Hyp's sustainability strategy, <https://www.berlinhyp.de/files/media/corporate/nachhaltigkeit/strategie/en/bhyp-esg-nachhaltigkeitsziel-co2-neutral-en.pdf>

⁹ The EU has committed itself to reducing CO2 emissions by 55% by 2030 as compared to the base year of 1990. In addition, the Federal Republic of Germany has also adopted a corresponding climate protection plan. The original goal of climate neutrality by 2050 has since been brought forward to 2045.

social financing lending is EUR 2.918 m, corresponding to 9% share of the total loan portfolio (34% for asset class residential).¹⁰

Berlin Hyp is a member of several international organization as well as German associations in the Real Estate Sector,¹¹ including the Climate Bonds Initiative, the German Sustainable Building Council, the German Savings Bank Association (DSGV), the Chamber of Industry and Commerce (IHK), the Climate Initiative, the Urban Land Institute, the United Nations Environment Programme Finance Initiative (UNEP FI), the United Nations Global Compact (UNGC), the German Association of Environmental Management and Sustainability in Financial Institutions. Moreover, the Bank is committed to the OECD Guidelines, the UN Sustainable Development Goals, the EU Taxonomy and the Principles defined by the German Property Federation.¹²¹³

Opinion: *The Bank has clearly disclosed the purpose of this sustainable finance framework. In its Sustainable Finance Framework, the Bank puts forth a clear definition of the sustainability objectives for its entire financing activities in line with the wider company strategy (as outlined in Part IV of this report). Those objectives are expressed in line with key market guidelines and intergovernmental agreements such as the Paris Climate Agreement. Berlin Hyp has set a quantified target for its financing green loan transactions, focusing on expanding its green buildings portfolio by 2025 and sets clear qualitative targets at the inception of the overall sustainability strategy and is reporting annually on its progress against commitments in ESG on its website.¹⁴ Furthermore, Berlin Hyp discloses the current value of sustainable finance instruments and the % of total financing. Berlin Hyp is a member of various industry associations. The Bank has committed to disclose long-term and intermediate climate targets to support meeting the temperature goals of the Paris Agreement. In addition, it annually reviews targets to ensure consistency with current climate science.*

Where feasible, the Framework may be further improved by:

- *Disclosing the sustainable financing target in value*

¹⁰ Berlin Hyp has also defined a budget plan for the 2023 green and social financing portfolio. The data were shared on a confidential basis and yet to be published on the Bank's website.

¹¹ Berlin Hyp's Annual Report 2022, p.83, <https://www.berlinhyp.de/en/media/newsroom/report-for-the-short-financial-year-from-1-july-2022-to-31-december-2022?file=files/media/corporate/newsroom/finanzberichte/en/2022/halbjahresbericht-2022-2/bhyp-gb-gesamt-en-2022.pdf>

¹² Berlin Hyp's Sustainability Guidelines, <https://www.berlinhyp.de/files/media/corporate/ueberuns/nachhaltigkeit/berichterstattung-und-richtlinien/2022-12-09-bhyp-br-nachhaltigkeitsrichtlinie-englisch.pdf>

¹³ Principles defined by the German Property Federation, https://www.zia-deutschland.de/wp-content/uploads/2021/04/150722_ZIA_Nachdruck_Nachhaltigkeitsleitfaden_final_Ohne_Schnittmarken1.pdf

¹⁴ Berlin Hyp's Reportings, <https://www.berlinhyp.de/en/sustainability/reportings>

	<ul style="list-style-type: none"> ▪ <i>Defining a social financing target and listing the action plan/strategy/tool to reach the social financing target</i>
<p>2. Definition of sustainable financing activities</p>	<p>Under Berlin Hyp’s Sustainable Finance Framework, ‘sustainable finance’ includes green and social loans and refers to lending of expenditures tied to a specific purpose.</p> <p>Berlin Hyp bases its definition of sustainable financing on established national and international standards, frameworks, and principles. These include the Green Loan Principles and the Social Loan Principles of the Loan Market Association (LMA), and the Technical Screening Criteria of the EU Taxonomy when defining its dedicated purpose financing eligibility criteria.</p> <p>Eligible type of financing</p> <p>For tracking and disclosing its performance against its public targets Berlin Hyp’s Sustainable Finance Framework sets out dedicated purpose financing as the eligible sustainable financing. For this type of financing the use of proceeds satisfies either the green or social eligibility criteria.</p> <p>In addition to the above requirements, lending will not be eligible as sustainable financing for the purpose of its targets if (i) the sector of the corporate client is excluded from the Berlin Hyp’s Sustainability Guidelines,¹⁵ (ii) the transactions are not in conformity with the Berlin Hyp’s climate agreement¹⁶ and/or involve other increased sustainability risks.¹⁷</p>

¹⁵ Exclusion sectors include illegal logging, agricultural practices that endanger biodiversity, coal and nuclear power, petroleum and natural gas, mining, armaments, pornography, tobacco and alcohol, fur. More information are available at Berlin Hyp’s Sustainability Guidelines, <https://www.berlinhyp.de/files/media/corporate/ueber-uns/nachhaltigkeit/berichterstattung-und-richtlinien/2022-12-09-bhyp-br-nachhaltigkeitsrichtlinie-englisch.pdf>

¹⁶ Berlin Hyp is committed to the Paris Agreement and the Climate Paths of the Federal Republic of Germany. More information on Berlin Hyp’s sustainability strategy is available at <https://www.berlinhyp.de/en/sustainability/sustainability-strategy>

¹⁷ Berlin Hyp developed qualitative and quantitative methods for measuring and controlling ESG risks in accordance with the principles from the ECB guide on climate-related and environmental risks, <https://www.berlinhyp.de/en/sustainability/sustainability-management>

Classification of sustainable financing

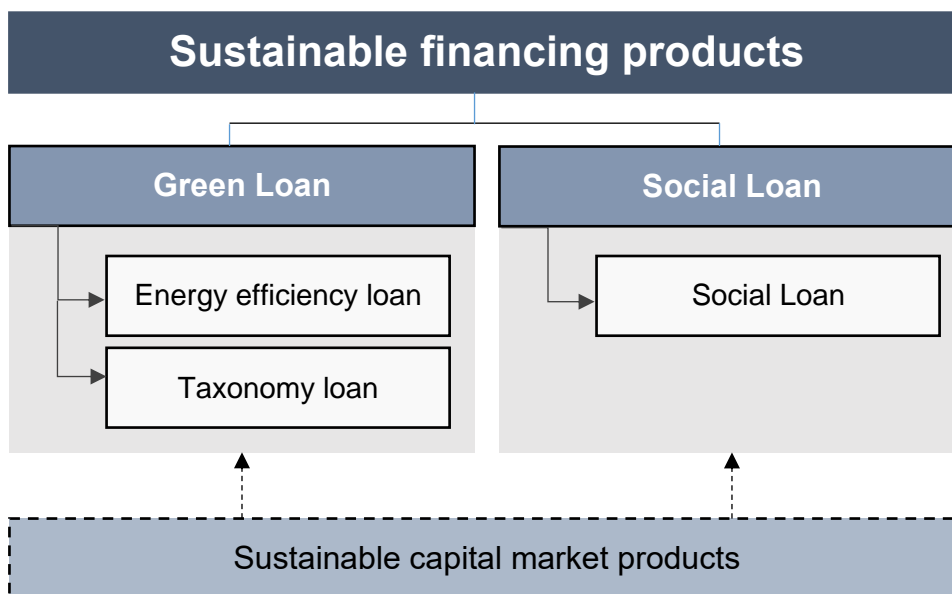


Figure 1. Berlin Hyp's classification system

Instrument Scope

The Framework applies to all operations of Berlin Hyp and its business area, commercial real estate financing, including new facilities and relending of existing facilities. For its social and green financing, the Bank provides a list of products originated and managed in different Business Units.¹⁸ The Bank's business area of commercial real estate financing. All the Bank's operations are located in Germany and the Netherlands. All products must meet Berlin Hyp's exclusion criteria. The product offering includes:

PRODUCT	DESCRIPTION	CRITERIA
Green Loans ('Energy efficiency loan' and 'Taxonomy loan')	Eligible to use of proceeds loans complying with green eligibility criteria and/or EU Taxonomy-aligned activities	<ul style="list-style-type: none"> ▪ LMA Green Loan Principles ▪ Technical Screening Criteria of the EU Taxonomy

¹⁸ A description of the business units is provided in section 3, Evaluation & Selection Process.

	<table border="1" data-bbox="411 257 1364 414"> <tr> <td data-bbox="411 257 673 414">Social loans</td> <td data-bbox="673 257 1029 414">Eligible to use of proceeds loans complying with social eligibility criteria</td> <td data-bbox="1029 257 1364 414">▪ LMA Social Loan Principles</td> </tr> </table> <p data-bbox="686 425 1109 470" style="text-align: center;"><i>Table 1. Berlin Hyp's products scope</i></p> <p data-bbox="411 504 1388 705">Following the definition displayed above, as of 31.12.2023, Berlin Hyp has a total volume of loans of EUR 31.633m, 10.766m of which for green loans and EUR 2.918m for social loans.¹⁹ The Bank has an internal verification process to ensure alignment of each transaction with the industry guidelines and international market principles.²⁰</p> <p data-bbox="411 750 1388 1120">Opinion: <i>The Sustainable Finance Framework presents a clear definition of the Berlin Hyp's classification system with clear and transparent criteria for each financing approach and refers to relevant market principles. The sustainability quality of the eligibility parameters to identify eligible sustainable financing activities is further analyzed in Part II. A of this report. The Bank explicitly excludes certain activities and sectors with high ESG risks under its Sustainability Guidelines,²¹ which apply to all financing under this Framework. Berlin Hyp discloses an estimated share of each instrument mentioned in its annual report.²²</i></p>	Social loans	Eligible to use of proceeds loans complying with social eligibility criteria	▪ LMA Social Loan Principles
Social loans	Eligible to use of proceeds loans complying with social eligibility criteria	▪ LMA Social Loan Principles		
<p>3. Evaluation & Selection Process</p>	<p>Berlin Hyp ensures that the eligible sustainable loans comply with national and international environmental and social standards as well as local laws and regulations. For this purpose, the Bank has established a Sustainable Finance Commission (SFC), which is made up of various operational representatives of the Bank. Among them are all units involved in the financing value chain: Sales, Portfolio Management, Credit, Valuation, and Treasury. In addition, Risk Controlling and Corporate Strategy are also part of the SFC. In its ordinary meetings, taking place every three months, the SFC discusses, among other things, whether the measures described in sections Use of Proceeds of the Framework still comply with best market practice and the relevant regulations, amending the eligibility criteria if that is not the case.</p>			

¹⁹ Berlin Hyp's Financial Report, 2023, <https://www.berlinhyp.de/en/media/newsroom/financial-reports/interim-financial-report-as-at-30-june-2023>

²⁰ During the verification process, Berlin Hyp checks the alignment of the green/social loan against the internal Loan Documentation. The Loan Documentation includes a set of standards developed by the Bank's legal department, supported by the portfolio management, product management and corporate strategy. It applies to all loans and defines the eligibility basis for their classifications, in accordance with the LMA Principles.

²¹ Berlin Hyp's Sustainability Guidelines, <https://www.berlinhyp.de/files/media/corporate/ueber-uns/nachhaltigkeit/berichterstattung-und-richtlinien/2022-12-09-bhyp-br-nachhaltigkeitsrichtlinie-englisch.pdf>

²² Berlin Hyp's Annual Report 2022, <https://www.berlinhyp.de/en/media/newsroom/report-for-the-short-financial-year-from-1-july-2022-to-31-december-2022?file=files/media/corporate/newsroom/finanzberichte/en/2022/halbjahresbericht-2022-2/bhyp-gb-gesamt-en-2022.pdf>

Berlin Hyp has designed a decision-making path for the classification of the loan, either as sustainable or as non-sustainable.²³ When selecting and evaluating eligible sustainable loans, an analysis on the conformity and compliance with the minimum requirements for lending is performed, covering (i) alignment with Berlin Hyp's exclusion criteria, (ii) compliance with the Bank's risk strategy, (ii) ESG scoring on the sustainability of the project as well as the borrowers, (iii) verification of the prerequisites for eligibility carried out by the Valuation Unit, and (iv) review by the Sales department.

The ESG scoring model is based on ESG data for property and borrower and applies to each financing, also in the form of partial scores in the e-physical, e-transitory, social and governance categories. In the event that increased ESG risks are identified during the loan lifecycle via the ESG Score, the ESG central functions (consisting of representatives from the Corporate Strategy and Risk Controlling departments) are involved separately and their opinion is incorporated into the credit decision. Particularly, high risks are discussed with the client to find a joint solution and address the risk. For medium risks, the financing is granted but a lower score is attributed. The ESG Score aims to fulfill the requirements of the European Banking Authority (EBA) Guidelines on Loan Origination and Monitoring and applies to every financing. Parallely, the valuation and sales department carries out the eligibility assessment for the green and social loan. The New Business Committee takes the results of the assessment into account for the evaluation of the loan application. If the eligibility criteria for the green or social loan are not met, these loans are immediately removed from the sustainable financing portfolio.

For the use of financing under the Green Bond or Social Bond issue, the Treasury determines whether the financing meets one of the criteria set out in sections Use for Proceeds of the Framework, determining whether it should be included in Berlin Hyp's Green Loan Portfolio or Social Loan Portfolio. This ensures a dual control principle in the identification process. Only loans that have been confirmed by the Treasury division after the assessment of the suitability criteria of the Valuation and Sales divisions are classified by Data Management as Green Bond or Social Bond suitable or taxonomy-compliant in the Bank's credit system.²⁴

Furthermore, the Bank runs annual climate risk analyses that enable the assessment of the effects of transitory and physical risks on the risks of Berlin Hyp. First, a "scenario analysis" assess the effect of physical and transitory risks on the credit risk, which constitutes the most important risk

²³ This classification does not exclude non-sustainable financing, which means that in principle non-sustainable loans can also be financed though not classified as sustainable.

²⁴ More info can be retrieved in Berlin Hyp's Sustainable Finance Framework.

	<p>at Berlin Hyp. A materiality analysis is executed with the support of vdpResearch on a regular basis in order to determine the influence of physical risks. Berlin Hyp also performs a natural hazard analysis with the K.A.R.L. analysis tool from Köln Assekuranz Agentur. The analysis examines risk damage caused by storms, tornadoes, floods, heavy rains, storm tides, earthquakes, hail, tsunamis and volcanoes.²⁵</p> <p>Opinion: <i>The process for sustainable finance transaction evaluation and selection is defined based on the eligibility criteria and structured in a congruous manner. Responsibilities across different departments are described in Berlin Hyp’s Sustainable Finance Framework and Annual Report. Berlin Hyp used both its eligibility criteria outlined in this Framework to consider which products are eligible and an enhanced due diligence process for sensitive sectors. ESG risks associated with sustainable activities to be financed are identified and managed through an appropriate process. Moreover, the Bank has guidelines in place to mitigate climate risks associated with the eligible transactions, including but not limited to asking for clients’ strategy in managing physical risks and transitional risks. Berlin Hyp defines exclusion criteria for controversial sectors and has clear guidelines in place to conduct enhanced due diligence processes when financing controversial sectors. Finally, the Bank clearly discloses the sources of transaction data such as K.A.R.L.²⁶ when acquiring data for pre-screening purposes.</i></p>
<p>4. Governance & Monitoring</p>	<p>Berlin Hyp’s management of climate-related issues is embedded within its governance structure.²⁷ The Risk Control division supports the Board of Management in all risk policy issues, in the development and implementation of the risk strategy and in the design of the system for measuring and limiting risks. The Risk Control division is essentially responsible for the ongoing monitoring of the risk situation, risk-bearing capacity, compliance with risk limits, and the regular reporting of the risk situation to the Board of Management and Governing Bodies. As part of a risk inventory, the Bank identifies the main risks on an annual basis, creates an overall risk profile for the Bank and reviews the methods used in the risk</p>

²⁵ Berlin Hyp’s Annual Report 2022, <https://www.berlinhyp.de/en/media/newsroom/report-for-the-short-financial-year-from-1-july-2022-to-31-december-2022?file=files/media/corporate/newsroom/finanzberichte/en/2022/halbjahresbericht-2022-2/bhyp-gb-gesamt-en-2022.pdf>

²⁶ K.A.R.L. System has developed a Climate Risk Assessment whereby every single required physical climate hazard is examined on the spot regarding its relevance according to the EU taxonomy. More information is available at <https://www.koeln-assekuranz.com/en/system-k.a.r.l>

²⁷ For more info refer to Berlin Hyp’s Annual Report 2022, <https://www.berlinhyp.de/en/media/newsroom/report-for-the-short-financial-year-from-1-july-2022-to-31-december-2022?file=files/media/corporate/newsroom/finanzberichte/en/2022/halbjahresbericht-2022-2/bhyp-gb-gesamt-en-2022.pdf> and <https://www.berlinhyp.de/files/media/corporate/newsroom/finanzberichte/en/2022/geschaeftsbericht-2021/pdf/bhyp-gb-zahlenteil-eng-2021-5-management-report.pdf>

management system. Furthermore, the Internal Audit division regularly reviews the risk management system. The Bank has also a credit system that collects the data from each transaction, ensuring that the information is tracked in an appropriate manner through an internal process on an annual basis.

Among the Bank's Governing Bodies belong the Supervisory Board, the Board of Management, the Financial Steering Committee, the New Business Committee and the Market Assessment Committee. The Berlin Hyp's Supervisory Board is responsible for monitoring and reviewing (at least annually) the ESG strategy and takes note of Berlin Hyp's risk appetite. By reviewing the portfolio annually, the Board ensures that the environmental and social loan portfolio is up to date and in compliance with the Use of Proceed section of the Framework. It is supported by four committees – the Audit Committee (PA), the Loans Committee (KA), the Presiding and Nomination Committee (PNA), and the Remuneration Control Committee (VKA).

Furthermore, the Board receives regular updates on cross-divisional ESG issue, briefings, Regular reports on ESG performance by the Board of Management, the management Committee and the ESG Board. The measuring and controlling of ESG risks are conducted in accordance with the principles from the ECB guide on climate-related and environmental risks. In addition, all the Bank's suppliers are required to comply with the requirements of the ten principles of the UN Global Compact. The Bank reviews its key suppliers on a semi-annual basis in terms of compliance with CSR and ESG requirements of Berlin Hyp AG (via query in the RepRisk tool).

If high ESG risks are identified, the ESG central functions are being involved and need to issue a statement. Resolute measures focus on reducing the identified risk(s) in general through transformation/ renovation of the building. All lending needs to comply with the Bank's risk strategy. Loans, that are non-compliant with the green or social loan eligibility criteria or whose characteristics cease to apply (e.g., the time limit for an energy performance certificate expire and new evidence is not provided within one year) are not included in the sustainable finance portfolio.

Opinion: *All eligible financial instruments are subject to the Bank's overarching sustainability criteria which take into account Berlin Hyp's wider sustainability risk management processes and are reviewed on an annual basis. Berlin Hyp's clearly describe how the board and dedicated committees provides oversight of ESG-related issues, and specifically the sustainable finance classification system. Berlin Hyp clearly describes the process to monitor if a financial transaction remains eligible during all its life cycle on an annual basis. The Bank clearly describes the data collection, tracking, and*

	<p><i>reporting mechanisms of the past sustainable finance instrument transaction, as well as the de-classification mechanism including penalty and communication guideline with client should the sustainable finance instrument has fallen out of scope.</i></p>
<p>5. Reporting</p>	<p>Berlin Hyp reports on progress against its financing targets in the Annual Reporting Green Bond²⁸ and Social Bond,²⁹ Sustainability-Linked Bond Report,³⁰ the non-financial statement, and the GRI Report³¹ which are publicly available on its website on an annual basis. The Bank reports until maturity of the instruments. Borrowers undertake to use the Green Loans and Social Loans granted during the term of the loan agreement only in accordance with the conditions set out in section Use of Proceeds of the Framework.</p> <p>Opinion: <i>Berlin Hyp commits to report publicly and on an annual basis its sustainable financing. Moreover, the Bank clearly describes the total reporting of the sustainable finance instruments in the ESG Bond Report, and discloses impact of its banking activities following robust guideline, such as the Principles for Responsible Banking guideline (PRB).³²</i></p>
<p>6. External Review</p>	<p>The Sustainable Finance Products and the Framework are reviewed and verified annually by an ESG rating agency or auditing firm which assesses the sustainability of the Framework. The Bank gets the reported data of the Sustainable Finance Framework verified by an external auditor annually. The results are published in an external review on the Berlin Hyp’s website.³³ Moreover, the transactions that fulfill the eligibility criteria will be validated annually with a second party opinion of the Green Bond and Social Bond Framework.</p> <p>Opinion: <i>Berlin Hyp has sought an external review of the Sustainable Finance Framework at its launch, in line with best market practices. The Framework will be publicly available on the Bank’s website. A new external review will be sought upon any subsequent update.</i></p>

²⁸ Berlin Hyp Annual Green Bond Report, <https://www.berlinhyp.de/en/investors/green-bonds>

²⁹ Berlin Hyp Annual Social Bond Report, <https://www.berlinhyp.de/en/investors/social-bonds>

³⁰ Berlin Hyp Annual Sustainability-Linked Bond Report, <https://www.berlinhyp.de/en/investors/sustainability-linked-bonds>

³¹ Berlin Hyp Sustainability Reporting, <https://www.berlinhyp.de/en/sustainability/reportings>

³² Berlin Hyp Progress Report PRB 2022, <https://www.berlinhyp.de/de/media/newsroom/fortschrittsbericht-prb>

³³ Berlin Hyp’s Sustainable Finance Framework and External Review are published at <https://www.berlinhyp.de/de/nachhaltigkeit/sustainable-finance>

PART II: ASSESSMENT OF BERLIN HYP'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

A. ASSESSMENT OF THE CRITERIA OUTLINED IN BERLIN HYP'S ELIGIBILITY SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

To provide an opinion on the sustainability credibility of each of the key sets of criteria defined by Berlin Hyp, this review evaluates the prevalence and robustness of the selection parameters, taking into account market practices across different sustainable finance asset classes.

Berlin Hyp has set forth the following sets of eligibility criteria for its financing activities to be classified as sustainable:

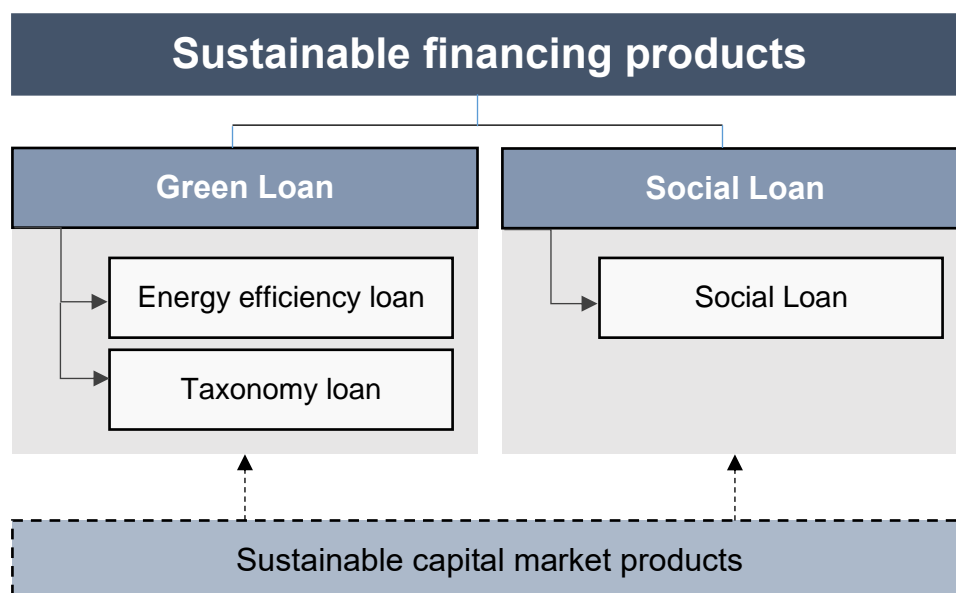


Figure 2. Berlin Hyp's sustainable financing classification system

The assessment process and criteria implemented under Berlin Hyp's Sustainable Finance Framework are outlined below. The evaluation is based on criteria derived from market practices.³⁴

PARAMETER	CRITERIA	ASSESSMENT OF BERLIN HYP'S SUSTAINABLE FINANCE CLASSIFICATION SYSTEM
Dedicated Purpose Financing (standard approach)	Dedicated Purpose Financing contributes to sustainability	Berlin Hyp finances Green and Social Loan transactions. Under the Green Loans, Berlin Hyp will finance the categories: Energy Efficiency and Green

³⁴ These include but are not limited to the GLP and SLP as administered by the LMA; the UNEP FI PRB and the EBA LOaM guidelines for environmentally sustainable lending.

	<p>objectives if proceeds are exclusively allocated to activities that are subject to specific and credible ESG-related eligibility criteria.</p>	<p>Buildings. Under the Social Loans, the Bank will finance Affordable Housing. The criteria are clearly described under 3.1.1 Green Loans and 3.1.2 Social Loans in the Framework. According to the Berlin Hyp's Framework, products will be aligned with the LMA Green and Social Loan Principles. The Bank will only count financing as sustainable if the assets that are eligible under the Framework and therefore green or social. The transactions that fulfill the criteria under 3.1. Use of Proceeds of the Sustainable Finance Framework will be validated annually with a second party opinion of the Green Bond and Social Bond Framework.</p> <p>Opinion: <i>In this report, we do not conduct a comprehensive assessment of the sustainability impact of the Bank's eligibility criteria. This may or may not result in the classification of financing as sustainable. However, the Bank commits to obtaining an external verification pre-issuance for their bonds to check their ICMA alignment. Berlin Hyp provides a list of eligibility criteria in line with best market practices. Where feasible, the selection process may be further improved by setting measures to ensure that borrowers regularly report on the allocation of the proceeds.</i></p>
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PART III: ASSESSMENT OF BERLIN HYP' ESG RISK MANAGEMENT

The table below evaluates Berlin Hyp's ESG-specific risk management measures and policies that are considered relevant at group level and that are considered relevant in the context of its sustainable financing activities. The KPIs emphasize sustainability-related risks considered relevant to the banks' operations. The KPIs are derived leveraging the [ISS ESG Corporate Rating](#) to identify the relevant topics based on its industry; these KPIs are then further integrated with additional elements derived from market principles such as the task force on Climate-Related Financial Disclosure.³⁵ The minimum requirements for a positive assessment are based on the number of sub-indicators (specific to each KPI) that are satisfied as part of any KPI.

The Framework covers all Berlin Hyp's operations.

ASSESSMENT AGAINST KPIs

ESG investment guidelines for financial institutions

The Bank has an ESG scoring process in place. Since 2021, all new business opportunities are screened and assigned an overall ESG score. Relevant risks are considered both at the company and the property level. In addition, borrowers are requested to provide information on ESG factors and sustainability documentation. ESG factors for borrowers are, as an example, information on the environmental footprint, on human resources and workers' rights practices, and on topics such as lobbying and tax compliance. At the property level, the analysis focuses on energy efficiency, vulnerability to climate change, pollution and waste, demographic risk (such as aging population, depopulation), social relevance (i.e., buildings used for healthcare services or social housing). Berlin Hyp plans to extend this ESG Score to all its portfolio in the long term. Borrowers and financed buildings are assessed on a 3-point risk scale. For its portfolio A (own investments), Berlin Hyp uses an external database to monitor controversies on securities and issuers. Topics covered are such as risks related to the destruction of the environment, human rights violations, child labor, forced labor, fraud, and corruption. The Bank cannot invest in securities from controversial issuers. Should controversies arise after the investment's measures, ranging from engagement to divestment, are to be taken.

Labor, Health, and Safety



Berlin Hyp's clients are all located in Belgium, France, Germany, the Netherlands, Luxembourg, Poland and the Czech Republic, which have signed the ILO core convention agreement and are Equator Principles designated countries. High labor, health and safety standards are ensured by the relevant national legislation and the European Union mandatory social standards.

³⁵ Task force on Climate-related Financial Disclosures, 2022 Status report, <https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf>

Biodiversity and Community Dialogue



Berlin Hyp's clients are located in Equator Principles designated countries³⁹, as such high standards with regard to environmental impacts and impacts on the communities are considered to be ensured by national legislation and European Union legislation. In addition, the Bank explicitly excludes financing in certain protected areas (List of Wetlands of International Importance- the Ramsar List, UNESCO World Heritage List within the context of the UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage, the UNESCO Biosphere Reserves List within the context of the UNESCO programme "Man and the Biosphere (MAB)").

Inclusion



The social categories are aimed at the target population underserved communities (e.g., low-income population) for social housing and lower-middle-income communities for affordable housing. For the property to be financed Berlin Hyp ensures that the actual monthly gross cold rent per flat may not exceed the maximum rent permissible. The maximum rent permissible is defined in Berlin Hyp's Framework³⁶. For the process of choosing eligible clients for the social loan, Berlin Hyp has an internal audit trail in place that examines the social loan ability of the residential property before an offer to the client is made. Thereby Berlin Hyp ensures that vulnerable or disadvantaged populations are not excluded from the social categories as defined under the Sustainable Finance Framework.

Carbon-related financing



The Bank does not provide financing to fossil fuel-based projects. They exclusively procure and promote green electricity.

Data protection and information security



Berlin Hyp's Information Security Management System is based on ISO 27001. When contracting external providers to which IT information is outsourced, the Bank requires them to prove they have at least the same level of information security standard as internally applied.

Financed emissions



Berlin Hyp commits to a climate-neutral portfolio by 2045.³⁷ The Bank measures its financed emissions in line with the Partnership for Carbon

³⁶ The properties to be financed are assessed on the basis of individual parameters from the Housing Subsidy Act (WoGG). Berlin Hyp refers to this as the Housing Allowance Act test. For this, the actual monthly gross cold rent per flat may not exceed the maximum permissible monthly gross cold rent per flat (according to Table 5 in the Framework).

³⁷ Berlin Hyp's sustainability strategy, available at: <https://www.berlinhyp.de/files/media/corporate/nachhaltigkeit/strategie/en/bhyp-esg-nachhaltigkeitsziel-englisch.pdf>

Accounting Financials (PCAF) methodology to publish greenhouse gas emissions data for relevant asset classes in its portfolio. In the future, Berlin Hyp will for its sustainability-linked bond measure its emissions in line with the PCAF methodology. Apart from that Berlin Hyp will use the Science Based Target Initiative (SBTi) to calculate their portfolio emission intensity.

Exclusion Policy

The Bank has several exclusions in place for all financed properties, debt instruments and strategic investments:

- Trade in wild animals and products made from wild animals that are protected under the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) as well as activities that impact endangered, threatened, critically endangered and/or protected species.
- Pesticides, GMOs, uncertified palm oil and soy production.
- Coal and nuclear power production, extraction of petroleum and natural gas.
- Production of lignite, hard coal production and uranium mining.
- Facilities for the production of armaments, companies involved in nuclear weapons,
- Biological weapons, chemical weapons, anti-personnel mines, cluster bombs, weapons that are specially designed to cause excessive injury in general and injuries among civilian populations, and depleted uranium munitions.
- Pornography and prostitution.
- Tobacco and alcohol.
- Fur.

Furthermore, Berlin Hyp has created ethical criteria for financing, these are derived from the Bank's compliance requirements and the ten principles of the Global Compact. Finally, the Bank has a policy in place covering the topic of money laundering.

PART IV: CONSISTENCY OF THE SUSTAINABLE FINANCE FRAMEWORK WITH BERLIN HYP'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by Berlin Hyp

TOPIC	BERLIN HYP APPROACH
Strategic ESG topics	Berlin Hyp has defined a Sustainability Agenda, which focuses on four topics: (i) Sustainability for its own business operations, (ii) Sustainability business portfolio, (iii) Transparency and ESG capabilities, and (iv) ESG risk management. ³⁸
ESG goals/targets	<p>To achieve its strategic ESG topics, the Bank has set the following goals:</p> <ol style="list-style-type: none"> 1. Reduction of CO₂ intensity in the portfolio and aim to achieve a climate-neutral portfolio by 2050³⁹ 2. Aims to have a portion of 1/3 of loans designated to certified green buildings in Berlin Hyp's loan portfolio by 2025⁴⁰ 3. Establishment of 100 % portfolio transparency by 2023 – prerequisite for a systematic measurement of energy performance as well as carbon and climate risks within Berlin Hyp's overall loan portfolio by 2025 4. Enhance advice and financing for customers who seek the transition to energy-efficient properties⁴¹ 5. 40 % of Berlin Hyp's capital markets funding mix to consist of ESG refinancing instruments by 2025 <p>Berlin Hyp's ESG policy expands beyond the environmental goals. The Bank acknowledges the increasing social significance of the real estate sector and aims to strengthen its relevance in its core lending business.</p>
Action plan	To ensure effective implementation in line with their roadmap and enable Berlin Hyp to address issues that may arise in the future, their ESG Board is the central

³⁸ Berlin Hyp's Sustainability Report, available at:

<https://www.berlinhyp.de/files/media/corporate/nachhaltigkeit/strategie/en/bhyp-esg-nachhaltigkeitsziel-co2-neutral-en.pdf>

³⁹ Ibid, p.2

⁴⁰ Ibid, p.4

⁴¹ Ibid, p.7

	platform for information and the exchange of knowledge on company-wide ESG issues.
Climate Transition Strategy	Berlin Hyp aims to be Carbon Neutral in its own business operations by 2025. In order to achieve this goal, Berlin Hyp defines each year targets to reduce its emissions, especially by increasing the use of renewable energy and compensating any remaining CO ₂ emissions that cannot be reduced. In addition, Berlin Hyp has for ambition to make its portfolio climate neutral by 2050 and to reduce its emissions by 40% by 2030 (as compared to base year 2020).
Top three areas of breaches of international norms and ESG controversies in the industry⁴²	Failure to prevent money laundering, Financial market irregularities, Layoffs.
Breaches of international norms and ESG controversies by Berlin Hyp	At the date of publication and leveraging ISS ESG Research, no controversy in which the Bank would be involved has been identified.
Sustainability Reporting	The Bank reports on its ESG performance and initiatives on an annual basis. The report is prepared according to the Global Reporting Initiatives (GRI) guidelines.
Industry associations, collective commitments	Berlin Hyp is a member of the UN Environment Program Finance Initiative (UNEP FI) since October 2022. In addition, Berlin Hyp has been a member of the Urban Land Institute since 2014, and DGNB (German Sustainable Building Council). Berlin Hyp is also involved in the following associations: German Savings Banks Association, Association of German Pfandbrief Banks, and German Property Federation.
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	Berlin Hyp established its first sustainable financing classification system under the Sustainable Finance Framework in April 2022, which set forth clear criteria for the definition and review of sustainable financing activities for its Green and Social Loan Portfolios. ⁴³ Berlin Hyp has verified the sustainability quality of its Sustainable Finance Frameworks by involving external party's opinion providers (ISS-Corporate).

⁴² Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Mortgage & Public Sector Finance industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry

⁴³ Berlin Hyp's Sustainable Finance Framework, <https://www.berlinhyp.de/files/media/veranstaltungen/2023/2023-spo.pdf>

Rationale for establishing the Framework

By publishing the Sustainable Finance Framework applied to financing, Berlin Hyp aims to contribute to the global challenge of ecological and social sustainability. The Bank sees a sustainable business portfolio as the greatest lever for achieving the climate targets. For this, Berlin Hyp strives to reduce the CO₂ intensity of their portfolio and to become CO₂ neutral by 2050. For achieving this, the Bank wants to advise and finance customers in the transition to energy efficient properties.

Opinion: *The Sustainable Finance Framework is consistent with the Bank's sustainability strategy. The rationale for establishing a Sustainable Finance Framework is clearly described by the Bank.*

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ANNEX 1: Methodology

PART I: REVIEW OF THE SUSTAINABLE FINANCE FRAMEWORK

We consider relevant market guidelines in the assessment of sustainable finance strategies. The analysis considers criteria from a set of different market standards, voluntary guidelines, and market practices e.g. the Loan Market Association’s Green Loan Principles, Social Loan Principles⁴⁴, the UNEP-FI PRB⁴⁵, and the Guidelines proposed by the European Banking Authority with respect to environmentally-sustainable financing. The application of the LMA principles, comprising voluntary guidelines is limited to the assessment of characteristics of a specific transaction.

SECTION	ASSESSMENT CRITERIA
1. Objectives, Targets & Progress	For a financing strategy to be classified as sustainable, banks should embed these within the context of their overarching sustainability objectives. The institutions should further include relevant qualitative and, where feasible, quantitative targets to measure the progress on its commitments. Banks provide transparency on how to increase positive impacts, reduce negative impacts, and mitigate ESG risks. The sustainability strategy is expressed by referring to alliances such as the UN Sustainable Development Goals, the Paris Climate Agreement, or national or regional frameworks.
2. Definition of Sustainable Financing Activities	The sustainable financing strategy should define clearly and comprehensively what transactions are deemed as sustainable based on precise parameters. Ideally, the bank should provide an exhaustive list of eligible sustainable activities. Those criteria should ensure a positive contribution to relevant sustainability objectives and be sufficiently precise to ensure a minimum level of contribution to those objectives (e.g., clear definition, quantified thresholds, or impact indicators) while ensuring that other objectives are not harmed.
3. Evaluation & Selection Process	Banks should have a comprehensive and documented process in place to ensure that the classified projects align with the eligibility criteria for sustainable financing instruments. The borrower of a green/social loan should clearly communicate the environmental/social objective(s) of the projects, the process by which the borrower determines how the project(s) to be funded fits within the eligible project categories; and complementary information on the processes by which the borrower identifies and manages perceived, actual or potential environmental and social risks associated with the relevant project(s).

⁴⁴ Loan Market Association, Sustainable Finance, Principles, <https://www.lma.eu.com/sustainable-lending/documents>

⁴⁵ United Nations Environmental Programme – Finance Initiative Principles for Responsible Banking, <https://www.unepfi.org/banking/bankingprinciples/>

<p>4. Governance & Monitoring</p>	<p>Clear governance mechanisms should be in place to ensure that the products classified as sustainable remain in line with the criteria for sustainable financing instruments throughout their lifecycle. This should include a process to deal with products that cease to meet the eligibility criteria. Effective governance procedures pertaining to sustainability, assigning clear roles and responsibilities, and segregating duties are in place to promote sustainable business practices. Management of proceeds should be attested to by the borrower in a formal internal process linked to the borrower’s lending and investment operations for green or social projects. The borrower should make known to the lenders any intended types of temporary placement for the balance of unallocated proceeds. Where appropriate, it is recommended that borrowers appoint (an) external review provider(s) to assess the alignment of their green loan or green loans program with the four core components of the LMA principles.</p>
<p>5. Reporting</p>	<p>Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate the classified sustainable transactions, as well as the impact and progress of the sustainable financing strategy. Elements to be reported on should be communicated clearly at the inception of the strategy and capture the most significant areas of impact on environmental and social topics.</p>
<p>6. Verification</p>	<p>It is recommended that in connection with the establishment of a sustainable financing framework, banks obtain external reviews. External reviews should be made publicly available.</p>

PART II: ASSESSMENT OF BERLIN HYP' SUSTAINABLE FINANCE CLASSIFICATION SYSTEM

This section examines the sustainability quality of each of the parameters included in Berlin Hyp's sustainable finance classification system and discusses the sustainability quality of the products complying with those.

PART III: ASSESSMENT OF BERLIN HYP' ESG RISK MANAGEMENT

ESG Risk Management KPIs

The Risk Management KPIs serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value – of the proposed selection criteria as well as the Bank's overall financing operations.

It comprises firstly the definition of the selection criteria offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance can be clearly identified and described.

If a majority of the criteria fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks. In addition, the KPIs assess sustainability-related risks considered relevant to the financing operations of the Bank. The evaluation was carried out based on information and documents provided on a confidential basis by the Bank (e.g., Due Diligence procedures).

PART IV: SUSTAINABLE FINANCE FRAMEWORK'S LINK TO BERLIN HYP' SUSTAINABILITY STRATEGY

This section provides an assessment of the sustainability quality of the Group and how the underlying Sustainable Finance Framework contributes to its sustainability strategy. Drawing on the ISS ESG Corporate Rating, a focus is put on the Group's overarching sustainability policies as well as the management of related ESG risks.

ANNEX 2: Quality management processes

SCOPE

Berlin Hyp commissioned ISS-Corporate to compile a Sustainable Finance Framework External Review. The External Review process includes verifying whether the Sustainable Finance Framework aligns with market practices for sustainable finance and assessing its sustainability credentials, as well as the credibility of the Bank's sustainable financing classification system.

CRITERIA

Relevant Standards for this External Review stem from key principles for transparency and non-contamination of sustainable labelled products, including:

- Loan Market Association's (LMA) Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles
- UNEP-FI PRB
- Guidelines proposed by the European Banking authority (EBA) with respect to environmentally sustainable lending

CLIENT'S RESPONSIBILITY

Berlin Hyp's responsibility was to provide information and documentation on:

- Sustainable Finance Framework
- ESG Impact and Risk Management
- Governance procedures

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS-Corporate has conducted this independent External Review of the Sustainable Finance Framework by Berlin Hyp based on a proprietary methodology and in line with market practices and relevant market standards for sustainable finance.

The engagement with Berlin Hyp took place from January to March 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this External Review

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

As part of our Sustainable (Green & Social) Bond services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

ISS-Corporate provides external review services for sustainable financing and responsible investment strategies by assessing the robustness of its client's frameworks.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

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