

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Berlin Hyp AG
30 December 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green refinancing instruments
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles (June 2021), as administered by ICMA
Scope of verification	<ul style="list-style-type: none">• Berlin Hyp Green Bond Framework (as of 01.12.2021)• Berlin Hyp Selection criteria (as of 01.12.2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as there is no material change to the Framework

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Scope of work

Berlin Hyp (“the Issuer”, or “the company”) commissioned ISS ESG to assist with its Green refinancing instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Green refinancing instruments link to Berlin Hyp’s sustainability strategy – drawing on Berlin Hyp’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Berlin Hyp’s Green Bond Framework (01.12.2021 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP) (June 2021).
3. The Selection criteria – whether the nominated project categories contribute positively to the UN SDGs and are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) (June 2021) and Minimum Social Safeguards requirements.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Green refinancing instruments link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 14.12.2020, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Mortgage & Public Sector Finance sector. The issuer is rated 4th out of 129 companies within its sector.</p> <p>ISS ESG finds that the Use of Proceeds financed through these green refinancing instruments are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing green bonds is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with GBP</p>	<p>The issuer has defined a formal concept for its Green refinancing instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the Selection criteria</p>	<p>The Green refinancing instruments will (re-)finance eligible asset categories which include: green buildings.</p> <p>Those use of proceeds categories have a positive contribution to SDGs 7 'Affordable and clean energy', 11 'Sustainable Cities and Communities' and 13 'Climate action'.</p>	<p>Positive</p>
<p>Part 4:</p> <p>Alignment with EU Taxonomy</p>	<p>ISS ESG assessed the alignment of Berlin Hyp's selection criteria against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021) on a best-efforts basis². Based on robust processes for selection, the nominated project categories are considered to be:</p> <ul style="list-style-type: none"> • Aligned with the Climate Change Mitigation Criteria • Aligned with the Do No Significant Harm Criteria • Aligned with the Minimum Social Safeguards requirements 	

¹ ISS ESG's evaluation is based on the Berlin Hyp's Green Bond Framework (01.12.2021 version), on the analysed Selection criteria as received on the 01.12.2021, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 14.12.2020).

² Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage ISS ESG evaluates the alignment with the EU Taxonomy on a "best efforts basis".

ISS ESG SPO ASSESSMENT

PART I: GREEN REFINANCING INSTRUMENTS LINK TO BERLIN HYP'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF BERLIN HYP'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
BERLIN HYP	MORTGAGE & PUBLIC SECTOR FINANCE	1	VERY HIGH

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Mortgage & Public Sector Finance sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 06.12.2021, this Rating places Berlin Hyp 4th out of 129 companies rated by ISS ESG in the Mortgage & Public Sector Finance sector.

Key Issue Performance

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.



Sustainability Opportunities

With regard to the company's main sphere of activities, large-volume real estate financing, there is potential for the provision of funding to social housing. Albeit some loans of that kind were granted to charitable housing cooperatives, volumes are not publicly disclosed and thus such finance is estimated to remain still modest. In the environmental domain, the company endeavors to promote environmentally friendly commercial real estate by issuing several green bonds in different assets classes (e.g. Pfandbrief, senior preferred, senior non-preferred). Underlying assets qualify for the green finance portfolio through certain green building standards, such as BREEAM, LEED or DGNB and through energy-efficiency certificates. About 25 percent of the company's total loan portfolio account for such sustainable buildings (as at December 2021).

Sustainability Risks

The company's loan portfolio claims are mainly distributed throughout Germany, France and the Netherlands, countries with fairly good environmental and social minimum standards. Hence, risks from Berlin Hyp's financing activities appear moderately low. Moreover, for managing its social and environmental risks stemming from loan origination, Berlin Hyp applies comprehensive guidelines concerning its real estate financing segment. Guidelines include client-related stipulations in various environmental and social areas, from resource efficiency, pollution, biodiversity aspects and climate change impacts to human and labor rights, community matters such as noise and traffic, and regarding vulnerable population groups. Although Berlin Hyp is pioneering the sector with such comparatively sophisticated guidelines, there is room for improvement for the institute to establish a more elaborated system for compliance in that area. With regard to its own (liquidity) investment portfolio, the bank uses a set of exclusion criteria concerning controversial business sectors and practices. These are followed through with an appropriate management approach. Since the company does not engage in retail finance and deals with professional real estate developers and investors only, customer-related risks appear manageable. However, only initial steps are taken on responsible sales practices as well as towards the treatment of clients with debt repayment problems.

A policy covering workplace security is in place and there is no evidence on large-scale redundancies over the last years. Various working time models ensure adequate work-life balance of its employees and the company addressed health and safety issues with a company-wide management system, which covers also aspects of psychological well-being.

With regard to its governance processes, Berlin Hyp applies policies covering various important compliance issues, like corruption, insider trading and money laundering, antitrust, gifts and favors. Necessary procedures to ensure application of the rules are present through employee trainings, compliance risk assessments and whistleblowing procedures.

Governance opinion

The company's governance structure allows for an appropriate separation of managerial and supervisory functions with the entirety of members of the board qualifying as independent, including the board's chairman Mr Helmut Schleweis (as at October 21, 2020). Furthermore, the board has established committees concerning audit, nomination and remuneration, all composed of independent members. Compensation for the executive management team is reported for each individual, split up according to fixed and variable amounts as well as long-term incentives.

Regarding the company's governance of sustainability, a supervisory board committee dedicated to sustainability appears to be missing. In addition, ESG criteria apparently are not incorporated into the bank's executive remuneration scheme. Berlin Hyp's code of conduct covers all relevant aspects of business ethics, such as corruption, insider trading, conflicts of interest, antitrust, gifts and favors, of which some are reflected on in more detail. Application of the rules is ensured by employee trainings, compliance risk assessments and adequate whistleblowing procedures.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Berlin Hyp's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This analysis is limited to the evaluation of final product characteristics and does not include practices along Berlin Hyp's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Financing of affordable housing	3%	CONTRIBUTION	
Financing of energy-efficient buildings	22%	CONTRIBUTION	  

Breaches of international norms and ESG controversies

The company is not facing any controversy.

B. CONSISTENCY OF GREEN REFINANCING INSTRUMENTS WITH BERLIN HYP'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Berlin Hyp started integrating ESG considerations in its operations in 2013 by developing a sustainability management system to contribute to the greening of the European real estate sector. As the bank main business is commercial real estate lending, the financing of energy efficient buildings brings sustainability at the core of Berlin Hyp operations. Since 2015, when it issued its first green covered bond (Green Pfandbrief), the company has implemented several measures to promote green finance including: pricing incentives for green buildings in 2016, and green finance as a strategic priority in 2017. This included the target of increasing the percentage of its Green Finance Portfolio to 20% of its overall loan portfolio, the goal was achieved in 2019 and the share stands at 25% as at June 2021.

Berlin Hyp's Sustainability Agenda has set various goals defining the path which the company will have to follow in order to green its own operations and sustain the greening of the sector it operates in:

- Reduce the footprint of its portfolio and reach climate neutrality by 2050 at the latest
- By 2025, 1/3 of the loans in the portfolio to be directed to energy efficient green buildings (as defined under its framework)
- Become fully transparent on the energy performance, carbon emissions, and climate risks of the overall loan portfolio
- Offer of specifically designed products supporting customers in greening their properties (such as the Transformationskredit)
- Capital funding mix to be composed by green and sustainability-linked bonds up to 40% by 2025

Rationale for issuance

Berlin Hyp has regularly updated its Green Bond Framework since its first issuance in 2015. In order to achieve the aforementioned targets, the last iteration takes into account the most recent market, ICMA Green Bond Principles (June 2021 version), and regulatory development, EU Taxonomy Delegated Act (June 2021 version). Berlin Hyp is committed to reach 100% of loans aligned with objective 1 – Climate Change Mitigation of the EU taxonomy starting in 2026.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Bond Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Mortgage & Public Sector Finance sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Buildings	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK

Berlin Hyp established a new set of criteria ("Eligibility criteria for loans for EU Taxonomy-aligned buildings/construction activities") which will coexist in the Framework with the updated criteria coming from the 2020 edition of the Framework ("Eligibility criteria for loans for energy-efficient green buildings") until the end of 2025.

In addition, Berlin Hyp commits on a best-effort basis to a progressive timeline to ensure that its Green Bonds Program is fully aligned with the relevant regulations by the end of 2025. This timeline follows the recommendation set out in the EU Explanatory Memorandum about the Taxonomy.

The *Eligible Green Assets* comply with the Eligibility Criteria defined in Berlin Hyp's 2020 Green Bond Framework. They are updated in this Framework and are displayed in the Table 2 hereunder.

Table 2: Eligibility Criteria for loans for energy-efficient green buildings

Green sub-categories	Eligibility Criteria
Construction of new commercial and residential buildings	<p><u>Energy Demand total thresholds⁴⁵:</u></p> <p>Energy efficient real estate buildings with a total energy demand or consumption that should not exceed:</p> <ul style="list-style-type: none"> - Residential $\leq 60\text{kWh}/(\text{m}^2\cdot\text{a})$ - Office $\leq 140\text{kWh}/(\text{m}^2\cdot\text{a})$ - Retail $\leq 135\text{kWh}/(\text{m}^2\cdot\text{a})$ - Hotels $\leq 155\text{kWh}/(\text{m}^2\cdot\text{a})$ - Logistics $\leq 65\text{kWh}/(\text{m}^2\cdot\text{a})$ - Light industrial $\leq 170\text{kWh}/(\text{m}^2\cdot\text{a})$ <p><u>Breakdown of Energy Demand total thresholds:</u></p> <p><u>Energy Demand Heating thresholds:</u></p> <ul style="list-style-type: none"> - Residential $\leq 60\text{kWh}/(\text{m}^2\cdot\text{a})$ - Office $\leq 80\text{kWh}/(\text{m}^2\cdot\text{a})$ - Retail $\leq 60\text{kWh}/(\text{m}^2\cdot\text{a})$ - Hotels $\leq 95\text{kWh}/(\text{m}^2\cdot\text{a})$ - Logistics $\leq 30\text{kWh}/(\text{m}^2\cdot\text{a})$
Acquisition and ownership of commercial and residential buildings	
Refurbishment ³ of commercial and residential buildings	

³ For refurbishment of buildings, Eligibility Criteria are assessed through the EPC issued after refurbishment process.

⁴ Derived from the German Energy Savings Regulation (EnEV 2016) and Gebäudeenergiegesetz (GEG 2020). Subject to the annual re-verification by ISS-ESG, these reference values provide the basis of this set of eligibility criteria. They reference to the final energy demand. If a building's EPC references to the final energy consumption the above threshold represent the maximum allowed final energy consumption. If, in certain cases, the use of modern technology at/in the building (for example block power stations, heat recovery power units, etc.) results in a significant reduction of primary energy demand, the primary energy demand value can be used as an alternative.

	<ul style="list-style-type: none"> - Light industrial $\leq 105\text{kWh}/(\text{m}^2\cdot\text{a})$ <p><u>Energy Demand Electricity thresholds:</u></p> <ul style="list-style-type: none"> - Residential – no threshold - Office $\leq 60\text{kWh}/(\text{m}^2\cdot\text{a})$ - Retail $\leq 75\text{kWh}/(\text{m}^2\cdot\text{a})$ - Hotels $\leq 60\text{kWh}/(\text{m}^2\cdot\text{a})$ - Logistics $\leq 35\text{kWh}/(\text{m}^2\cdot\text{a})$ - Light industrial $\leq 65\text{kWh}/(\text{m}^2\cdot\text{a})$ <p>OR/AND</p> <p>Buildings that hold an Energy Performance Certificate that is at least Class A or fulfill any other technical screening criteria documented in section 4.1.2 without fulfilling the relevant Do No Significant Harm criteria.</p> <p>OR/AND</p> <p><u>External Sustainability Certifications:</u></p> <ul style="list-style-type: none"> - LEED: Gold or above - BREEAM: Very Good or above - DGNB: Gold or above - HQE: High Level or above
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The Eligibility Criteria referring to thresholds on the energy demand for heating on the one hand and energy demand for electricity on the other hand must both be fulfilled. Therefore, the main decision criterion is the sum of the energy demand of heating and electricity. In order to prevent buildings with energetically poor building envelopes or a disproportional power requirement from being included in the Green Finance Portfolio, the maximum values per energy demand category may not exceed the respective category threshold by more than 20% (excluding for Residential).

4.1.2 Use of proceeds: *Loans for EU Taxonomy-aligned buildings/construction activities*

The Framework follows the guidelines from the Delegated Act of the EU Taxonomy, which provides a definition of activities contributing substantially to one of the six environmental objectives. These guidelines were used to set qualitative and/or quantitative thresholds along with relevant studies not older than twelve months, where applicable, to determine precise thresholds. Eligibility Criteria for *loans for EU Taxonomy-aligned buildings/construction activities* are displayed in the Table 3 hereunder.

Table 3: Eligibility Criteria for loans for EU Taxonomy-aligned buildings/construction activities

Green sub-categories	Eligibility Criteria
<p>Construction of new commercial and residential buildings <u>before 31/12/2020</u></p> <p>Acquisition and ownership of commercial and residential buildings <u>built before 31/12/2020</u></p>	<p>EPC Class: Buildings which hold an Energy Performance Certificate that is at least Class A</p> <p>OR/AND</p> <p>Top 15%: Buildings within the top 15% of national or regional building stock in terms of Primary Energy Demand based on one of the following approaches:</p> <ol style="list-style-type: none"> 1. Annual study on German Real Estate market: Energy demand total thresholds consistent with the top 15% national building stock defined by an external consultant 2. CBI top 15%: Building with carbon intensity (kgCO₂/sqm p.a.) under the top 15% target as calculated by the CBI methodology⁶
<p>Construction of new commercial and residential buildings <u>after 31/12/2020</u></p> <p>Acquisition and ownership of commercial and residential buildings <u>built after 31/12/2020</u></p>	<p>The Primary Energy Demand of the building is at least 10% lower than the thresholds set for Nearly Zero-Energy Building (NZEB) requirements in national measures implementing Directive 2010/31/EU. It is verified by an Energy Performance Certificate (EPC), or before the reception of such an EPC, any document provided to building authorities proving the building's energy performance</p> <p>For buildings larger than 5000 m², the building resulting from the construction undergoes testing for airtightness, thermal integrity and global warming potential</p>
<p>Renovation of commercial and residential buildings</p>	<p>Building renovation complies with the applicable requirements for major renovations: The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.</p> <p>OR/AND</p>

⁶ <https://www.climatebonds.net/standard/buildings/commercial/calculator#calculator>

	Renovation leads to a reduction of Primary Energy Demand of at least 30% when comparing the latest EPC before renovation with the one issued after renovation.
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In addition, the bank may finance individual renovation measures through *loans for EU Taxonomy-aligned buildings/construction activities* if they fulfill the criteria defined by section 7.3, 7.4, 7.5 or 7.6 of the Delegated Act.

In this set of eligibility criteria, Berlin Hyp considers an economic activity environmentally sustainable if it significantly contributes to climate change mitigation. This category entails two types of criteria: on the one hand with technical assessment criteria (Technical Screening Criteria, TSC) transposed above and on the other hand with “Do No Significant Harm” (DNSH) criteria. In addition, activities must comply with minimum social safeguards⁷.

To comply with DNSH criteria, Berlin Hyp’s Eligible Green Assets must be assessed to ensure they do not cause significant harm to all EU Taxonomy’s remaining environmental objectives. Activities contributing to climate change mitigation must avoid significant harm to climate change adaptation and the other four environmental objectives:

- Sustainable use and protection of water and marine resources,
- Transition to a circular economy,
- Pollution prevention and control,
- Protection and restoration of biodiversity and ecosystems.

Appendix I of the Framework provides additional details on DNSH criteria and on the methodology for assessing the accurate alignment with the Delegated Act for Environmental Objective 1 of the EU Taxonomy.

For avoidance of doubt, transformation loans (Transformationskredit) may qualify as either Eligible Greens Assets according to section 4.1.1 or according to section 4.1.2 of the Framework, depending on which of the two sets of eligibility criteria they comply with.

Opinion: ISS ESG considers the Use of Proceeds description provided by Berlin Hyp’s Green Bond Framework as aligned with the Green Bond Principles. Environmental and social benefits are described and quantified. The identification of exclusion criteria and the transparency on the fact that 100% of proceeds will go into refinancing are in line with best market practices. It is also positively highlighted that the issuer has set forward a clear path towards 100% taxonomy-alignment of its Green Finance Portfolio by year-end 2026.

⁷ United Nations Guiding Principles on Business and Human rights, and OECD Due Diligence Guidance for Responsible Business Conduct

2. Process for Project Evaluation and Selection

FROM ISSUER'S FRAMEWORK

Berlin Hyp firmly anchors the Framework in its internal processes for evaluating and selecting Eligible Green Assets complying with any of the criteria sets described in section 4.1 within the credit process.

Berlin Hyp has established a Sustainable Finance Commission (SFC; previously Green Building Commission⁸) which consists of representatives from various divisions of the bank. Among them are all entities involved in the financing/refinancing value chain: Origination, Portfolio Management, Credit, Appraisal and Treasury. Among others, Risk Controlling and Corporate Strategy are part of the SFC, too. In its regular meetings the SFC discusses, among other things, whether the eligibility criteria described in section 4.1 are still in line with best market practices and relevant regulation. If not, the SFC will discuss potential changes and will decide how to adapt the eligibility criteria. Any change in the eligibility criteria in section 4.1.1 of the Framework must only result in stricter criteria, i.e. lower thresholds for energy demand and/or consumption. Changes in the eligibility criteria in section 4.1.2 can only be made as a result of future changes to the EU Taxonomy or its relevant Delegated Acts.

The set-up of Berlin Hyp's Process of Selection and Evaluation targets at proving compliance with any of the two sets of eligibility criteria described in section 4.1 at the earliest possible stage of loan origination. As Berlin Hyp incentivizes Eligible Green Assets by reduced conditions compared to other loans, a provisional analysis of an asset's compliance with any of the two sets of eligibility criteria described in section 4.1 has to be performed prior to pricing. For this reason, Berlin Hyp's borrowers are being asked to provide relevant documents concerning the eligibility for the bank's green finance portfolio, e.g. EPCs, energy demand calculations, sustainability certificates and further material documents suitable to prove compliance with any of the two sets of eligibility criteria described in section 4.1 at the beginning of the acquisition process. To the extent that relevant documents are provided, the experts in the bank's appraisal division pre-assess a property's potential compliance regarding energy efficiency with any of the two sets of eligibility criteria described in section 4.1. A positive pre-assessment by the appraisers is the necessary pre-requisite for sales staff to incentivize the loan when pre-calculating its financing features. A final assessment of an asset's eligibility for the Green Finance Portfolio is made in the further process of loan origination. Data Management staff documents an asset's eligibility in the bank's loan monitoring system.

After documentation, Treasury vote on the asset's compliance with any of the two sets of eligibility criteria described in section 4.1 and whether it should be included in Berlin Hyp's Green Finance Portfolio. This ensures a four-eye-principle with respect to the identification process. Only loans that have been approved by both divisions, Appraisal and Treasury, are classified by Data Management as green bond eligible in the bank's loan monitoring system. In any case, data on the properties' energy efficiency and sustainability are entered into the loan monitoring system even if an asset

⁸ As Berlin Hyp intends to focus more on social aspects of its core business, CRE financing, it replaced its Green Building Commission with the SFC in 2021. This will allow the committee to oversee the development of potential future social financing and re-financing products and keep the respective frameworks in line with current best market practice and relevant regulation.

doesn't fulfill eligibility criteria. As this process is applied to all new business, it is one of Berlin Hyp's longer term targets to provide evidence about its entire mortgage loan portfolio's energy efficiency.

Integration and tracking of Eligible Green Assets into the Green Finance Portfolio: At least once a year, at its end, the SFC reviews and validates all flagged deals. Thanks to this process, Berlin Hyp will track the portion of its new eligible business, its Green Finance Portfolio and the entire loan portfolio, which is aligned with the EU Taxonomy. In order to align with the Delegated Act for Environmental Objective 1 of the EU Taxonomy for Sustainable Activities until the end of 2025, new Eligible Green Assets shall be included in the Green Finance Portfolio as stated in *Table 1*. Berlin Hyp reserves its right to define sub-portfolios within its Green Finance Portfolio allowing the bank to issue Green Bonds fulfilling Regulation on European Green Bonds when it is enforced, *i.e.* only refinancing loans for EU Taxonomy-aligned buildings/construction activities.

If documents proving an asset's eligibility expire, Berlin Hyp will ask its borrower for new evidence to re-assess the property's eligibility. Borrowers are allowed a one-year grace period to provide new evidence. If an asset does not qualify with any of the two sets of eligibility criteria described in section 4.1, the asset is removed from the bank's Green Finance Portfolio.

To identify an asset's compliance with any of the two sets of eligibility criteria described in section 4.1 Berlin Hyp may use its own expertise or rely on external consultants and their data sources. Berlin Hyp is constantly working on improving the processes for the ESG assessment in its loan origination process and for evaluating the assets' compliance with the new eligibility criteria defined in section 4.1.2. As a result, Berlin Hyp reserves the right to further develop its process of selection and evaluation at any time in the future to reflect these improvements.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Berlin Hyp's Green Bond Framework as aligned with the Green Bond Principles. Moreover, the projects selected show alignment with the sustainability strategy of the issuer. Clear definition and transparency on responsibilities, and the inclusion of different expertise within the company in the process are in line with best market practices.

3. Management of Proceeds

FROM ISSUER'S FRAMEWORK

Berlin Hyp will manage the proceeds of any Green Bond on a portfolio basis. Indeed, an amount equivalent to each Green Bond's net proceeds will be used exclusively to refinance Eligible Green Assets that are part of the Bank's Green Finance Portfolio. Eligible Green Assets have to meet one of the two sets of eligibility criteria described in section 4.1 of the Framework at the time they are flagged as Eligible Green Assets. If the bank decides to enhance eligibility criteria, then these new criteria are not applied retroactively to the existing Eligible Green Assets. Therefore, existing Eligible Green Assets do not lose their status if they do not meet the new eligibility criteria.

A new Green Bond can only be issued if there are Eligible Green Assets with a sufficient aggregated nominal value on the bank's balance sheet that have not already been used for previous Green Bonds. Eligible Green Assets shall not be allocated to more than one Green Bond of Berlin Hyp. That means that the aggregated nominal value of all outstanding Green Bonds shall not exceed the

aggregated nominal value of Eligible Green Assets at any time. Furthermore, the bank shall ensure a 10 per cent excess of Eligible Green Assets at issuance of a new Green Bond. Should any Eligible Green Asset be removed from the bank's portfolio of Eligible Green Assets for any reason and resulting in an excess of Eligible Green Assets lower than 10 per cent, Berlin Hyp commits to replace it by one or several Eligible Green Assets to meet the aforementioned threshold in a timely manner. Besides, the proceeds of Green Commercial Papers are allocated to Eligible Green Assets for an aggregated nominal amount of Eligible Green Assets, which shall not exceed at any time half of the 10 per cent excess of Eligible Green Assets.

In addition, the aggregated nominal value of outstanding Green Pfandbriefe shall not exceed the aggregated Eligible Green Assets in the bank's mortgage cover pool at any time. If Eligible Green Assets mature or are redeemed before a Green Bond's maturity they are replaced by other Eligible Green Assets. The bank will thus make every effort to ensure that the aggregated nominal value of Eligible Green Assets exceeds the aggregated nominal value of all outstanding Green Bonds at any time. In addition, Berlin Hyp shall make every effort to invest an amount equivalent to the net proceeds of the Green Bonds in new Eligible Green Assets and (in the case of Green Pfandbriefe) to include these into its mortgage cover pool.

Opinion: ISS ESG finds that Management of Proceeds proposed by Berlin Hyp's Green Bond Framework is well aligned with the Green Bond Principles. The issuer describes the envisaged process in case of divestment or postponement, in line with best market practices.

4. Reporting

FROM ISSUER'S FRAMEWORK

Berlin Hyp will report on an annual basis as long as it has Green Bonds outstanding. Berlin Hyp provides information about its Green Bonds on its website⁹. Berlin Hyp has published Annual Green Bond Reportings since 2016. Reports will remain available for investors for future reference on the bank's website. Reports will be aligned with Annex II and Annex III of the proposed Regulation on European Green Bonds after this regulation will have been enforced. Reports will also be aligned with the ICMA Handbook Harmonised Framework for Impact Reporting (June 2021)¹⁰.

The Annual Reporting Green Bond report covers allocation and impact reporting. This document includes, but is not limited to:

- Allocation reporting
 - **The development of Eligible Green Assets on Berlin Hyp's balance sheet and in its mortgage cover pool on a stratified¹¹ basis, including:**
 - Volume and growth of the Green Finance Portfolio
 - Portion of the Green Finance Portfolio which is part of Berlin Hyp's mortgage cover pool

⁹ <https://www.berlinhyp.de/en/investors/green-bonds>

¹⁰ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

¹¹ that means aggregated instead of line-by-line

- Breakdown of the Green Finance Portfolio by certificates (*i.e.* sustainability certificates, EPC, *etc.*)
- Geographical breakdown of the Green Finance Portfolio
- Breakdown of the Green Finance Portfolio between *loans* for energy-efficient green buildings and *loans for EU Taxonomy-aligned buildings/construction activities*
- **Progress report on the allocation of an equivalent amount to the net proceeds of the Green Bond to Eligible Green Assets, including:**
 - Total amount of the net proceeds allocated to the Green Finance Portfolio
 - Total volume of outstanding Green Bond instruments
 - Maximum amount of outstanding Green Commercial Papers emissions over the period
- Impact reporting
 - Estimated energy savings of Green Finance Portfolio in comparison to one or more appropriate baselines
 - Estimated avoided carbon emissions of Green Finance Portfolio in comparison to one or more appropriate baselines

For further transparency, Berlin Hyp publishes an Impact Reporting Template, which discloses the indicators below:

No. of Green Buildings	Total floor area (m ²)	Annual energy savings (GWh)	Total annual GHG emissions avoided (tCO ₂ e)	Annual GHG emissions avoided – Berlin Hyp financing share (tCO ₂ e)	Annual GHG emissions avoided per mn of issued green bonds (tCO ₂ /€ mn)	Annual GHG emissions avoided – Berlin Hyp financing share (tCO ₂ /€ mn)
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Opinion: ISS ESG finds that the reporting proposed by Berlin Hyp’s Green Bond Framework is aligned with the Green Bond Principles. The commitment on impact reporting and external review are in line with best market practices. The company also commits to report in line with the ICMA Handbook Harmonised Framework for Impact Reporting.

External review

FROM ISSUER’S FRAMEWORK

Second Party Opinion

Berlin Hyp has appointed ISS ESG to assess the sustainability of its Green Bond Framework. ISS ESG applies its own framework to carry out this assessment. The results are documented in ISS ESG's Second Party Opinion, which is available on the bank's website. The Second Party Opinion refers to the whole Green Bond Framework and includes every instrument that is issued accordingly.

Annual Re-verification

ISS ESG or any other party appointed by Berlin Hyp later as a successor for ISS ESG in the future will issue a report verifying the compliance of all issued bonds with the criteria documented in this program on an annual basis. These reports will reflect the results of the assessment of the sustainability performance of the program and the issued Green Bonds. The reports will be published on the bank's website.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN REFINANCING INSTRUMENTS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green refinancing instruments Selection criteria and using a proprietary methodology¹², ISS ESG assessed the contribution of the Berlin Hyp's Green refinancing instruments to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the green refinancing instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings LEED Gold or above, BREEAM Very Good or above, DGNB Gold or above, HQE High Level or above	Significant Contribution	
Green Buildings EPC-labelled buildings with the following energy-efficiency (aggregated heating + electricity) thresholds: <ul style="list-style-type: none"> • Residential ≤ 60kWh/(m²*a) • Office ≤ 140kWh/(m²*a) • Retail ≤ 135kWh/(m²*a) • Hotels ≤ 155kWh/(m²*a) • Logistics ≤ 65kWh/(m²*a) • Light industrial ≤ 170kWh/(m²*a) 	Limited Contribution	
Green Buildings Renovation leading to a reduction of Primary Energy Demand of at least 30% when comparing the latest EPC before renovation with the one issued after renovation	Significant contribution	
	Limited Contribution	

¹² This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs. This is due to the fact that the issuer has based its selection criteria on the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2021) and to account for differing national building legislation more accurately.

Green Buildings

- Buildings within the top 15% of national or regional building stock in terms of Primary Energy Demand (Annual study on German Real Estate) or CBI top 15%,
- Primary Energy Demand of the building is at least 10% lower than the thresholds set for Nearly Zero-Energy Building (NZEB),

**Significant
contribution**

**Limited
Contribution**



B. ALIGNMENT OF THE ELIGIBLE GREEN PROJECT CATEGORIES WITH THE EU TAXONOMY

ISS ESG assessed the alignment of Berlin Hyp's project selection process and company policies for the nominated Use of Proceeds project categories, with the relevant Climate Change Mitigation, Do Not Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act¹³ (June 2021), based on information provided by Berlin Hyp¹⁴. Where Berlin Hyp's projects and policies fully meet the Criteria requirements, a tick is shown in the table below, for the ISS ESG assessment against the Criteria requirements.

Berlin Hyp's nominated project categories overlap with the following economic activities in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation:

7.1 – Construction of new Buildings

7.2 – Renovation of existing Buildings

7.7 – Acquisition and ownership of buildings

Note: In order to avoid repetition, the evaluation of the alignment of Berlin Hyp's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section B.4. It is applicable to all of the above activities.

¹³https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

¹⁴ It is noted that some of this information provided by the issuer is considered confidential and thus not reflected in the SPO.

B.1 7.1 - Construction of new buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES ¹⁵	ALIGNMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>Constructions of new buildings for which:</p> <p>1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).</p> <p>2. For buildings larger than 5000 m², upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.</p> <p>3. For buildings larger than 5000 m², the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.</p>	<p>Berlin Hyp confirms that the bond proceeds for the relevant part of the portfolio will only be allocated to buildings where the Primary Energy Demand is at least 10% lower than the thresholds set for Nearly Zero-Energy Building (NZEB) requirements in national measures implementing Directive 2010/31/EU. The bank intends to verify this through an Energy Performance Certificate (EPC), or before the reception of such an EPC, any document provided to building authorities proving the building’s energy performance.</p> <p>2. & 3. With respect to buildings larger than 5000 m², Berlin Hyp commits that the building resulting from the construction undergoes testing for air-tightness, thermal integrity and global warming potential.</p> <p>Berlin Hyp will include in its annual reporting information on how its borrowers’ buildings comply with the requirements mentioned above.</p>	
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (2)	See B.4	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA		

¹⁵ This column is based on input provided by the issuer.

<p>Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E (of the Delegated Act):</p> <p>(a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; (b) showers have a maximum water flow of 8 litres/min; (c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; (d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre.</p> <p>To avoid impact from the construction site, the activity complies with the criteria set out in Appendix B the Annex of the Delegated Act.</p>	<p>Berlin Hyp confirms to meet these requirements by requesting relevant certification from the borrower, which include details on specific water appliances by product datasheets, a building certification or an existing product label in the European union.</p> <p>The bank will include in its annual reporting information on how its borrowers' buildings comply with the requirements mentioned above.</p>	<p style="text-align: right;"></p>
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4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

<p>At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.</p> <p>Operators limit waste generation in processes related to construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using</p>	<p>Berlin Hyp confirms to meet these requirements by requesting the borrower to satisfy the relevant requirements as laid out in the left column. This includes reusing/recycling at least 70% of non-hazardous waste as in line with the waste hierarchy and EU Construction and Demolition Waste Management Protocol. Further, this encompasses the limitation of waste generation as well as building design that focusses on circularity. Berlin Hyp will include in its annual reporting information on how its borrowers' buildings comply with the requirements mentioned above.</p>	<p style="text-align: right;"></p>
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selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.

Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887 or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

Building components and materials used in the construction comply with the criteria set out in Appendix C of the Annex of the Delegated Act. Building components and materials used in the construction that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011 or other equivalent standardized test conditions and determination methods. Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject to an investigation for potential contaminants, for example using standard ISO 18400. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.

Berlin Hyp confirms that the activity does not lead to the manufacture, placing on the market or use of the substances listed in Appendix C of the Annex of the Delegated Act. Berlin Hyp confirms to meet these requirements by taking sample for testing in accordance to CEN/EN 16516 or ISO 16000-3:2011.

Additionally, the bank intends to meet these by inspecting for contamination pursuant to ISO 18400. Lastly, with respect to the reduction of noise, dust and pollutant emissions, the bank complies with national legal requirements that foresee adequate impact assessments and measures.

Berlin Hyp will include in its annual reporting information on how its borrowers' buildings comply with the requirements mentioned above.



6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

<p>The activity complies with the criteria set out in Appendix D to the Annex of the Delegated Act. The new construction is not built on one of the following: (a) arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey; (b) greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List; (c) land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest.</p>	<p>Berlin Hyp confirms to meet these requirements by respecting the EU LUCAS survey, the European Red List and the IUCN Red List. Berlin Hyp confirms that it will not finance construction projects on any of the locations mentioned in the left column. Further, any construction activities will follow a environmental impact assessment, in accordance with Directive 2011/92/EU.</p>	<p style="text-align: center;">✓</p>
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B.2 7.2 Renovation of existing Buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>The building renovation complies with the applicable requirements for major renovations (As set in the applicable national and regional building regulations for ‘major renovation’ implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.)</p> <p>Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30%</p>	<p>Berlin Hyp confirms that the bond proceeds for the relevant part of the portfolio will only be allocated to renovations where the energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive. Alternatively, renovations leading to a reduction of Primary Energy Demand of at least 30% when comparing the latest EPC before renovation with the one issued after renovation.</p>	<p style="text-align: center;">✓</p>
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (2)	See B.4	<p style="text-align: center;">✓</p>

3. WATER – DO NO SIGNIFICANT HARM CRITERIA

Where installed as part of the renovation works, except for renovation works in residential building units, the specified water use for the following water appliances is attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E of the Delegated Act:

See B.1.3

- (a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min;
- (b) showers have a maximum water flow of 8 litres/min;
- (c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres;
- (d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre.



4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of

See B.1.4



<p>materials, using available sorting systems for construction and demolition waste.</p> <p>Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887302 or other standards for assessing the disassemblability or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.</p>		
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
<p>Building components and materials used in the construction complies with the criteria set out in Appendix C (of the Delegated Act).</p> <p>Building components and materials used in the building renovation that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011304 or other equivalent standardised test conditions and determination methods.</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	<p>See B.1.5</p>	<p style="text-align: center; color: green;">✓</p>
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

B.3 7.7 Acquisition and Ownership of Buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</p> <p>2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.</p> <p>3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.</p>	<p>1. Berlin Hyp confirms that the bond proceeds for the acquisition of buildings built before 31/12/2020 will only be allocated to buildings that either hold an Energy Performance Certificate that is at least Class A or buildings within the top 15% of national or regional building stock in terms of Primary Energy Demand based on one of the following approaches:</p> <ul style="list-style-type: none"> a. Annual study on German Real Estate market: Energy demand total thresholds consistent with the top 15% national building stock defined by an external consultant b. CBI top 15%: Building with carbon intensity (kgCO₂/sqm p.a.) under the top 15% target as calculated by the CBI methodology¹⁶ <p>2. See B.1</p> <p>3. The issuer confirms that it will only acquire those large, non-residential buildings that meet the requirements for efficient operation through energy performance monitoring and assessment.</p>	
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
GENERIC CRITERIA FOR (2)	See B.4	

¹⁶ <https://www.climatebonds.net/standard/buildings/commercial/calculator#calculator>

3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
N/A	N/A	N/A

B.4 Generic Criteria for DNSH to Climate Change Adaptation

EU TAXONOMY TECHNICAL SCREENING CRITERIA	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
<p>The physical climate risks that are material to the activity have been identified from those listed in the table in Section II (of the Delegated Act) by performing a robust climate risk and vulnerability assessment with the following steps:</p> <p>(a) screening of the activity to identify which physical climate risks from the list in Section II (of the Delegated Act) may affect the performance of the economic activity during its expected lifetime;</p> <p>(b) where the activity is assessed to be at risk from one or more of the physical climate risks listed in Section II (of the Delegated Act), a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity;</p> <p>(c) an assessment of adaptation solutions that can reduce the identified physical climate risk.</p>	<p>Berlin Hyp commits to request the relevant details and proof on material, location-specific climate risk analysis and resulting adaptation measures from the borrower as described in the left column.</p> <p>Berlin Hyp will include in its annual reporting information on how its borrowers' buildings comply with the requirements mentioned above.</p>	

The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:

(a) for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale;

(b) for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 year climate projections scenarios for major investments.

For new activities and existing activities using newly-built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has implemented them before the start of operations. The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.

The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific

<p>peer-reviewed publications, and open source or paying models. For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.</p>		
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Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards as described in Article 18 of the Taxonomy Regulation¹⁷. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
<p>Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</p>	<p>Berlin Hyp commits to ensure the alignment of borrowers with OECD Guidelines for Multinational Enterprises as well as UN Guiding Principles on Business and Human Rights and the ILO Core Conventions by means of collecting customer's confirmation of compliance with the listed safeguards as prerequisite for each lending transaction.</p> <p>Berlin Hyp will include in its annual reporting information on how its borrowers' buildings comply with the requirements mentioned above.</p>	<p style="text-align: center;"></p>

¹⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

EU Taxonomy

ISS ESG evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Bond Framework the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021)

The evaluation shows to understand if Berlin Hyp's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Berlin Hyp (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the issuer.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Berlin Hyp (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Berlin Hyp's Green refinancing instruments contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

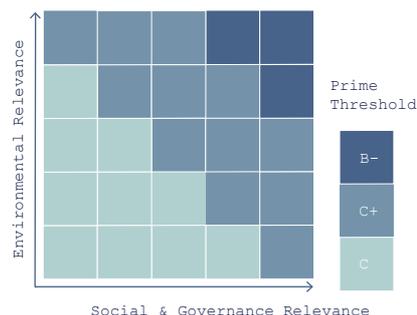
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

Berlin Hyp commissioned ISS ESG to compile a Green refinancing instruments SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green refinancing instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (June 2021)
- EU Taxonomy Climate Delegated Act (June 2021)

ISSUER'S RESPONSIBILITY

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

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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 ESG has conducted this independent Second Party Opinion of the Green refinancing instruments to be issued by Berlin Hyp based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with Berlin Hyp took place in November and December 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS 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 ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

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.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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