

Berlin Hyp AG

Thriffs and Mortgages Germany

ESG Risk Rating

7.1

Updated Mar 3, 2023

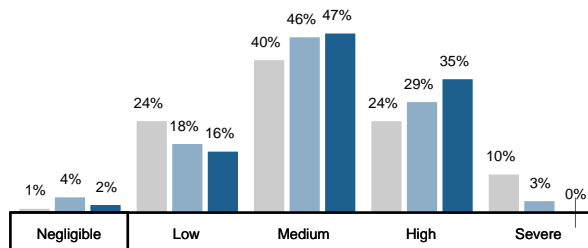
+0.2

Momentum

Negligible Risk

| NEGL | LOW | MED | HIGH | SEVERE |
|------|-------|-------|-------|--------|
| 0-10 | 10-20 | 20-30 | 30-40 | 40+ |

ESG Risk Rating Distribution



ESG Risk Rating Ranking

| UNIVERSE | RANK | PERCENTILE |
|--------------------------------------|---|------------|
| | (1 st = lowest risk) (1 st = Top Score) | |
| Global Universe | 41/15288 | 1st |
| Banks INDUSTRY | 9/987 | 2nd |
| Thriffs and Mortgages SUBINDUSTRY | 1/100 | 1st |

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

| Peers (Market cap \$0.0 - \$0.0bn) | Exposure | Management | ESG Risk Rating |
|------------------------------------|-------------|-------------|-----------------|
| 1. Berlin Hyp AG | 34.4 Low | 83.1 Strong | 7.1 Negligible |
| 2. Kutxabank SA | 31.4 Low | 74.0 Strong | 9.2 Negligible |
| 3. Swedbank Hypotek AB | 36.9 Medium | 71.4 Strong | 12.1 Low |
| 4. Yorkshire Building Society | 34.4 Low | 64.1 Strong | 13.3 Low |
| 5. Nykredit Realkredit A/S | 30.5 Low | 58.0 Strong | 13.6 Low |

Berlin Hyp AG

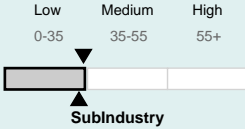
Thriffs and Mortgages Germany

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

34.4 **0.0**
Low **Momentum**
Beta = 1.04



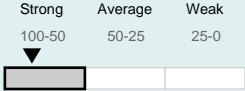
Berlin Hyp's biggest ESG exposure comes from product governance issues, given the bank's business concentration in mortgage lending. The inability to cater to high client expectations across all its offerings could result in customer loss and significant financial implications. To tap into new revenue streams, the bank is testing new offerings and increasing partnerships with innovative property technology (PropTech) companies. Increased data collection and sharing must be accompanied by sufficient safeguards to mitigate data privacy and security risks. Finally, Berlin Hyp has stated that new post-COVID working conditions and the age structure of its employees pose growing human capital risks. Therefore, knowledge transfer and diversification of its recruitment initiatives are highly important to ensure the future viability of Berlin Hyp's business.

The company's overall exposure is low and is similar to subindustry average. Product Governance, Data Privacy and Security and Human Capital are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

83.1 **-0.6**
Strong **Momentum**



Berlin Hyp is well-equipped in managing all of its material ESG issues. Notably, the bank has significantly strengthened its management of product governance issues through its guidelines for responsible behaviour towards customers, and the relevant system and programmes to support its responsible product offerings. To mitigate data privacy and security risks, the bank has strong policy and governance structure to protect customer data, as well as operational measures to monitor and respond to data breaches and cyberattacks. In terms of human capital management, aside from having a strong anti-discrimination policy and human capital development programmes, Berlin Hyp also conducts gender pay gap analysis and reports initiatives to identify and correct such gaps. However, it has room to improve its diversity initiatives, a theme that is garnering more attention in the financial industry.

The company's overall management of material ESG issues is strong.

Berlin Hyp AG

Thriffs and Mortgages Germany

Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

| Issue Name | ESG Risk Exposure Score Category | ESG Risk Management Score Category | ESG Risk Rating Score Category | Contribution to ESG Risk Rating |
|-----------------------------|---------------------------------------|---|-------------------------------------|---------------------------------|
| Data Privacy and Security | 5.3 Medium | 65.0 Strong | 2.5 Low | 35.3% |
| Human Capital | 5.3 Medium | 79.4 Strong | 1.3 Negligible | 18.1% |
| Business Ethics | 5.3 Medium | 79.4 Strong | 1.3 Negligible | 18.1% |
| ESG Integration -Financials | 5.3 Medium | 82.5 Strong | 0.9 Negligible | 12.9% |
| Corporate Governance | 5.0 Medium | 84.0 Strong | 0.8 Negligible | 11.2% |
| Product Governance | 8.4 High | 96.3 Strong | 0.3 Negligible | 4.4% |
| Overall | 34.4 Low | 83.1 Strong | 7.1 Negligible | 100.0% |

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

5 Severe (0)

4 High (0)

3 Significant (0)

2 Moderate (0)

1 Low (0)

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Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

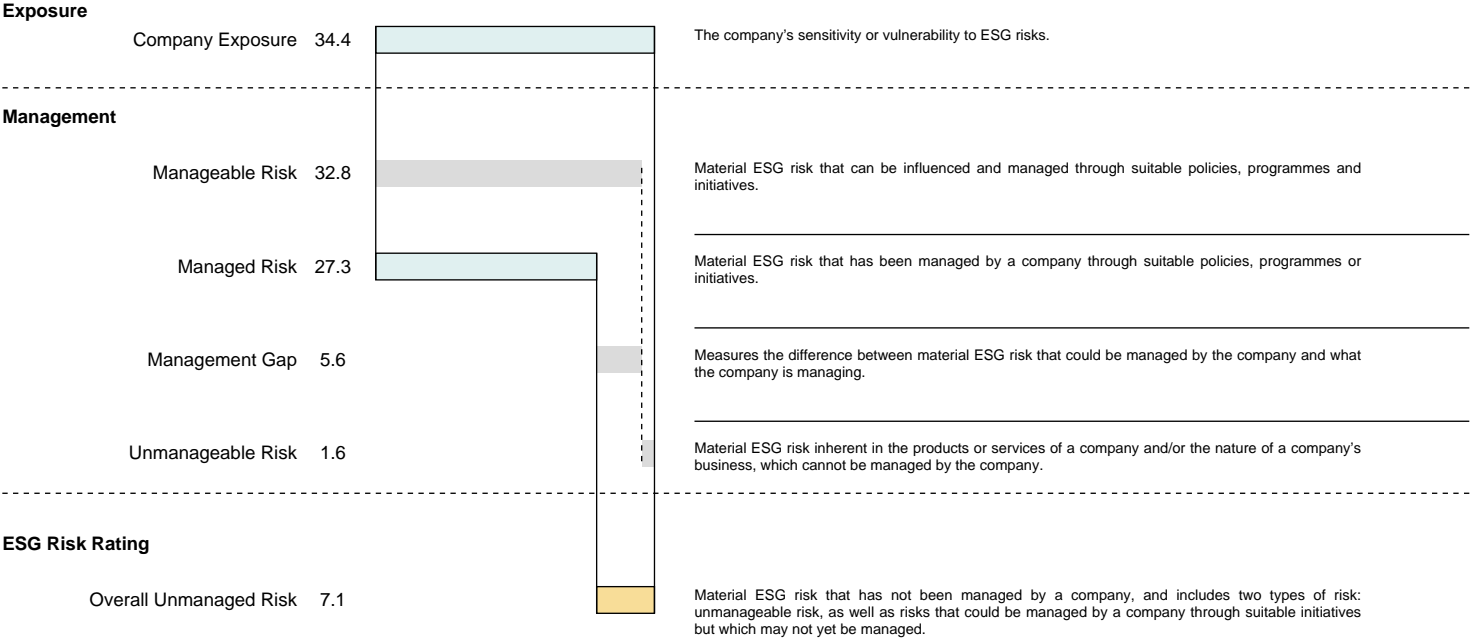
None (15)

- Access to Basic Services
- Accounting and Taxation
- Anti-Competitive Practices
- Bribery and Corruption
- Business Ethics
- Carbon Impact of Products
- Data Privacy and Security
- Environmental Impact of Products
- Labour Relations
- Lobbying and Public Policy
- Marketing Practices
- Quality and Safety
- Sanctions
- Social Impact of Products
- Society - Human Rights

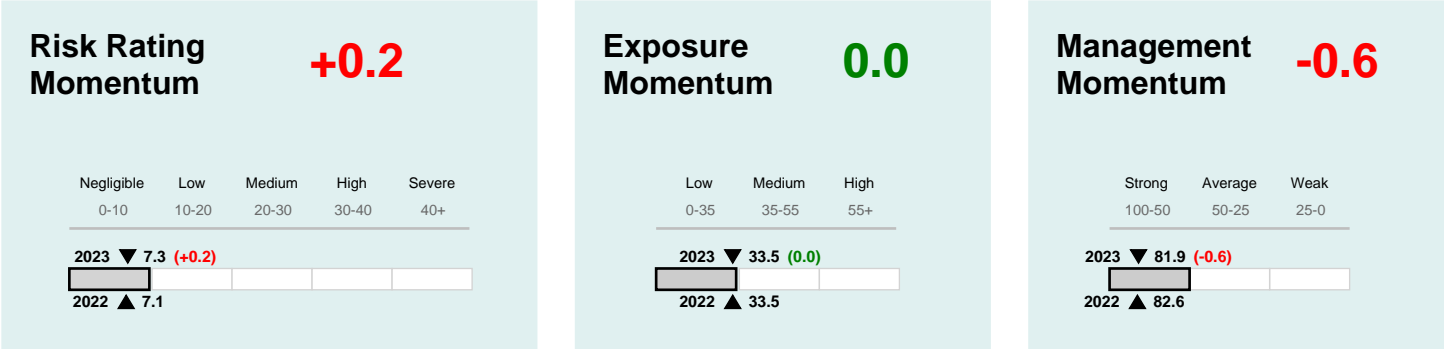
Berlin Hyp AG

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Risk Decomposition



Momentum Details



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Issue



Data Privacy and Security

Contribution 35.3 %

Data Privacy and Security focuses on data governance practices, including how companies collect, use, manage and protect data.

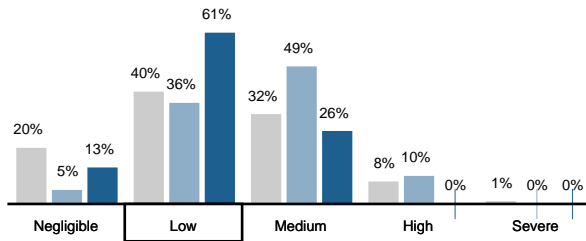
ESG Risk Rating

2.5

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

| UNIVERSE | RANK | PERCENTILE |
|-----------------------------------|---------------------------------|-------------------------------|
| | (1 st = lowest risk) | (1 st = Top Score) |
| Global Universe | 601/2081 | 30th |
| Banks INDUSTRY | 31/331 | 10th |
| Thriffs and Mortgages SUBINDUSTRY | 6/23 | 24th |

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

| Peers (Market cap \$0.0 - \$0.0bn) | Exposure | Management | ESG Risk Rating |
|------------------------------------|------------|--------------|-----------------|
| 1. Kutxabank SA | 4.8 Medium | 75.0 Strong | 1.9 Negligible |
| 2. Yorkshire Building Society | 5.3 Medium | 75.0 Strong | 2.1 Low |
| 3. DZ HYP AG | 5.3 Medium | 70.0 Strong | 2.3 Low |
| 4. Berlin Hyp AG | 5.3 Medium | 65.0 Strong | 2.5 Low |
| 5. Nykredit Realkredit A/S | 4.5 Medium | 45.0 Average | 2.9 Low |

Berlin Hyp AG

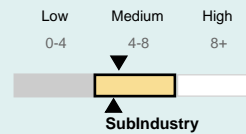
Thriffs and Mortgages Germany

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

5.3
Medium



Berlin Hyp states that digitalization and workflow automation contribute to its operational success, even post-pandemic. By the end of 2022, Berlin Hyp has made available the entire range of its investment products online through “ImmoDigital”, which serves as a single-entry point for German savings banks to fulfil their investment needs. Further, the bank is increasing its presence in the digital real estate ecosystem through cooperation with and investment in PropTech companies. Vast online data sharing and processing expose the bank to data breaches and cyber-attacks.

The company's exposure to Data Privacy and Security issues is medium and similar to the subindustry exposure.

Exposure Analysis

| | |
|----------------------------|---------------|
| Subindustry Issue Exposure | 5.0 |
| Issue Beta | x 1.05 |
| Company Issue Exposure | 5.3 |

Beta Indicators

Beta Signal

| | |
|---------------------------------|-------------|
| Data Privacy and Security | 0.00 |
| Operating Performance | 0.03 |
| Solvency - Banking | 0.00 |
| Asset Performance - Banking | 0.00 |
| Financial Flexibility - Banking | 0.03 |
| Headquarters Location | 0.00 |
| Sales Location | 0.00 |
| Qualitative Overlay | 0.00 |
| Subindustry Correction Factor | 0.00 |
| Exceptional Event Adjustment | 0.00 |
| Total Beta Signal | 0.05 |
| Baseline | +1.00 |
| Overall Beta | 1.05 |

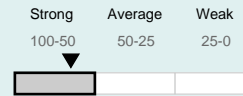
Berlin Hyp AG

Thriffs and Mortgages Germany

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.


ESG Risk Management

65.0
Strong



Data privacy and security issues remain the highest contributor to Berlin Hyp's unmanaged ESG risk, signalling room for improvement. The Data Protection Officer and Information Security Officer oversee the implementation of the bank's data privacy and security policies and programmes respectively, and report to the Board of Management on an annual and ad-hoc basis. Berlin Hyp's policy includes a strong commitment to implement leading data protection standards but lacks clear terms involving the use, sharing, retention and transfer of user data to third parties. The bank also lags best practices with regard to regular privacy risk assessments or audit, as it only conducts the activities in a three-year cycle. Finally, Berlin Hyp's information security system aligns with ISO 27001 standards, but the bank has yet to obtain the certification.

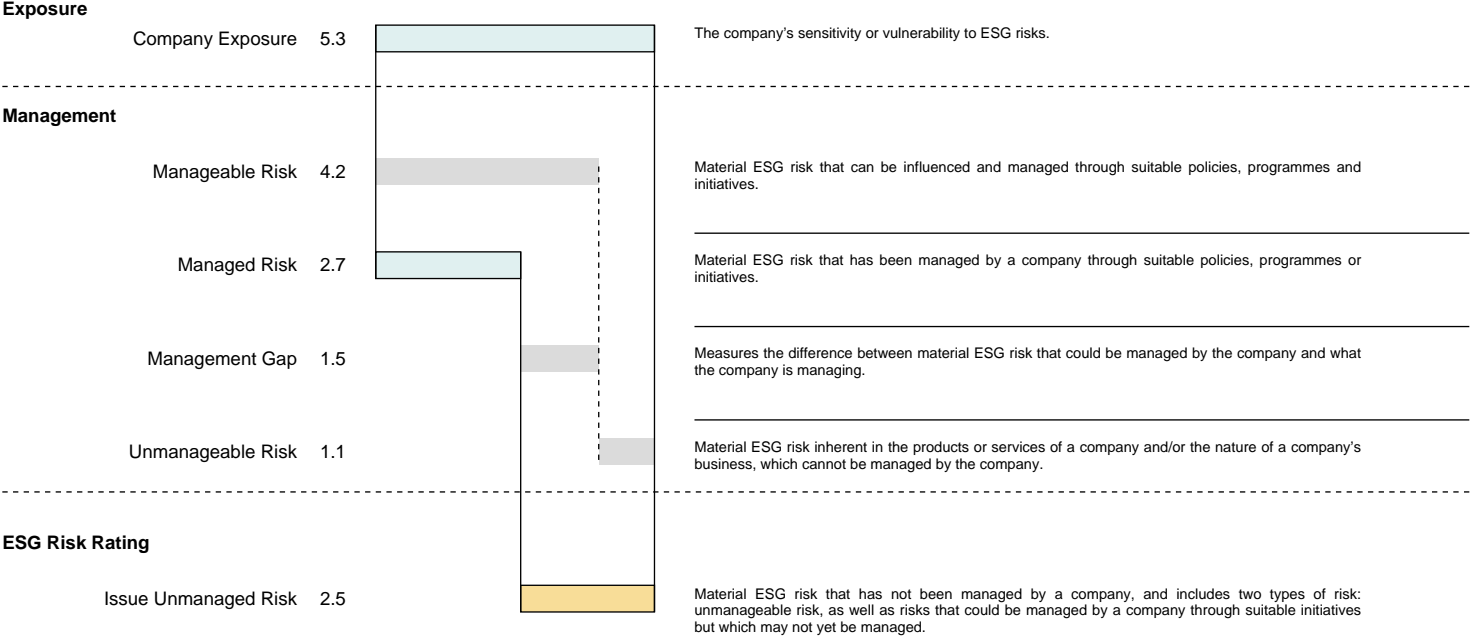
In our view, the company's management of the issue is above average.

| Management Indicators | Raw Score | Weight | Weighted Score |
|---|-------------------|--------|----------------|
| Cybersecurity Programme | 75 | 40.0% | 30.0 |
| Data Privacy & Security Policy | 75 | 20.0% | 15.0 |
| Data Privacy Programme | 50 | 40.0% | 20.0 |
|  Data Privacy and Security | Category 0 | 0% | 0.0 |
| Weighted Sum | | | 65.0 |

Berlin Hyp AG

Thriffs and Mortgages Germany

Risk Decomposition



Berlin Hyp AG

Thrifts and Mortgages Germany

Issue

Contribution 18.1 %



Human Capital

Human Capital focuses on the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages.

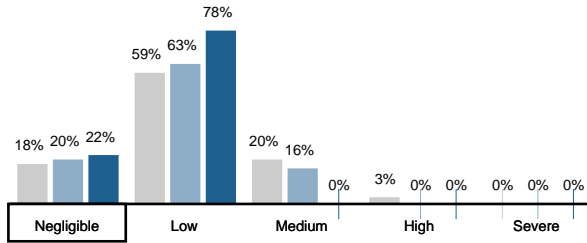
ESG Risk Rating

1.3

Negligible Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

| UNIVERSE | RANK | PERCENTILE |
|-----------------------------------|---------------------------------|-------------------------------|
| | (1 st = lowest risk) | (1 st = Top Score) |
| Global Universe | 238/4734 | 6th |
| Banks INDUSTRY | 21/361 | 7th |
| Thrifts and Mortgages SUBINDUSTRY | 1/23 | 1st |

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

| Peers (Market cap \$0.0 - \$0.0bn) | Exposure | Management | ESG Risk Rating |
|------------------------------------|------------|-------------|-----------------|
| 1. Berlin Hyp AG | 5.3 Medium | 79.4 Strong | 1.3 Negligible |
| 2. Nykredit Realkredit A/S | 4.8 Medium | 65.4 Strong | 1.8 Negligible |
| 3. DZ HYP AG | 5.5 Medium | 66.9 Strong | 2.0 Low |
| 4. Yorkshire Building Society | 5.3 Medium | 64.7 Strong | 2.0 Low |
| 5. Kutxabank SA | 5.0 Medium | 57.0 Strong | 2.3 Low |

Berlin Hyp AG

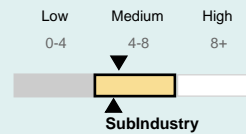
Thriffs and Mortgages Germany

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

5.3
Medium



There is increasing attention to workforce diversity and closing the gender pay gap, particularly in Germany where the gender pay gap is reported at 18% (above the EU average of 13%), according to the country's Federal Statistical Office. In addition, the age structure of Berlin Hyp's employees, whereby 45% are aged over 49, poses a risk to the bank's human resource planning. As a company that relies on commercial mortgage loans for revenue, Berlin Hyp must maintain a skilled workforce that can navigate complex financial products and assist with the financial implications of payment plans.

The company's exposure to Human Capital issues is medium and similar to the subindustry exposure.

Exposure Analysis

| | |
|----------------------------|---------------|
| Subindustry Issue Exposure | 5.0 |
| Issue Beta | x 1.05 |
| Company Issue Exposure | 5.3 |

Beta Indicators

Beta Signal

| | |
|---------------------------------|-------------|
| Labour Relations | 0.00 |
| Operating Performance | 0.03 |
| Solvency - Banking | 0.00 |
| Asset Performance - Banking | 0.00 |
| Financial Flexibility - Banking | 0.03 |
| Qualitative Overlay | 0.00 |
| Subindustry Correction Factor | 0.00 |
| Exceptional Event Adjustment | 0.00 |
| Total Beta Signal | 0.05 |
| Baseline | +1.00 |
| Overall Beta | 1.05 |

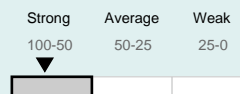
Berlin Hyp AG

Thriffs and Mortgages Germany


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

79.4
Strong



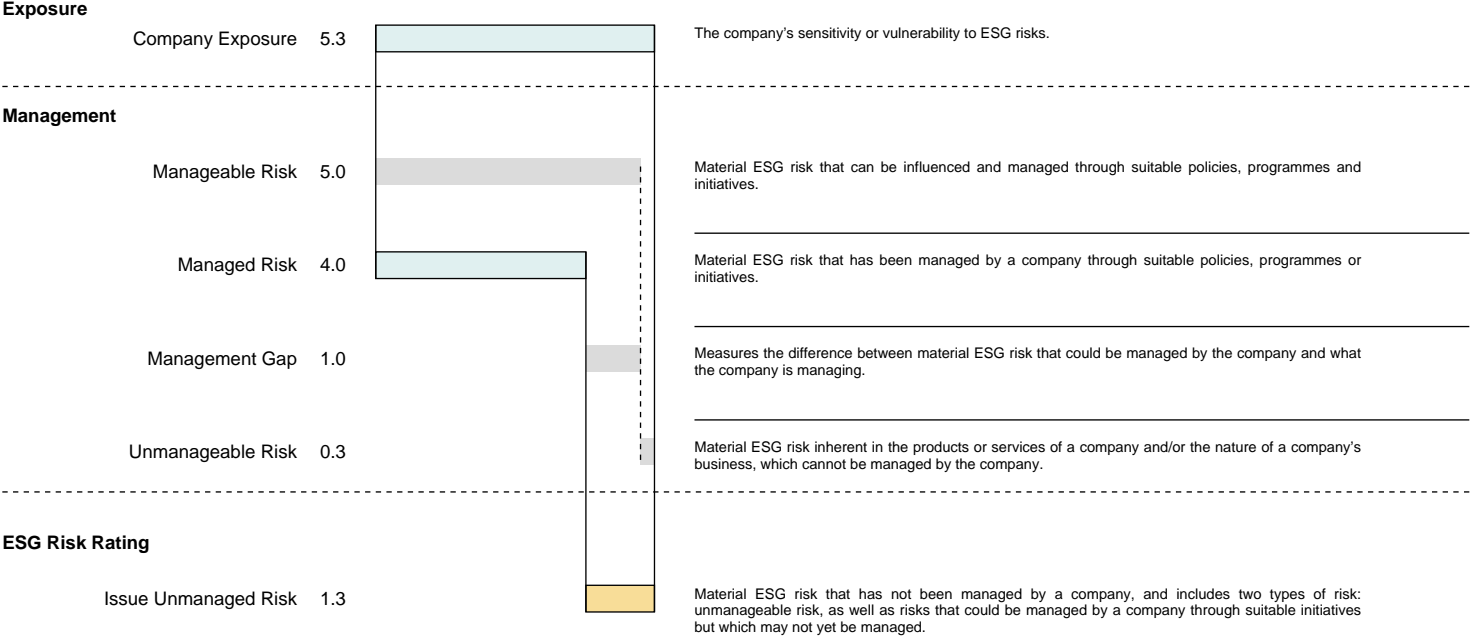
Berlin Hyp is well-prepared in managing its human capital risks. The bank discloses a very strong human capital development programmes. Berlin Hyp measures leadership competence and individual development through 270-degree feedback and encourages continuous learning through "Learning World for Managers", a training and development framework on agile work methods, digital competence, ESG, leadership and regulatory issues among others, which has been extended to the entire workforce in 2021. Berlin Hyp also has strong gender pay equality programmes that include a gender pay gap audit and compensation review, as well as monitoring and measurement towards the bank's initiatives to close the gender pay gap. Nonetheless, Berlin Hyp has room for improvement with regard to diverse talent recruitment and more granular disclosure of the bank's gender pay gap. In our view, the company's management of the issue is above average.

| Management Indicators | Raw Score | Weight | Weighted Score |
|--|------------|--------|----------------|
| Discrimination Policy | 100 | 15.0% | 15.0 |
| Freedom of Association Policy | 100 | 5.0% | 5.0 |
| Human Capital Development | 100 | 27.5% | 27.5 |
| Diversity Programmes | 75 | 22.5% | 16.9 |
| Gender Pay Equality Programme | 75 | 10.0% | 7.5 |
| Collective Bargaining Agreements | 50 | 5.0% | 2.5 |
| Employee Turnover Rate | 50 | 5.0% | 2.5 |
| Gender Pay Disclosure | 50 | 5.0% | 2.5 |
| Employee Training | 0 | 5.0% | 0.0 |
|  Labour Relations | Category 0 | 0% | 0.0 |
| Weighted Sum | | | 79.4 |

Berlin Hyp AG

Thriffs and Mortgages Germany

Risk Decomposition



Berlin Hyp AG

Thriffs and Mortgages Germany

Issue

Contribution 18.1 %

Business Ethics

Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

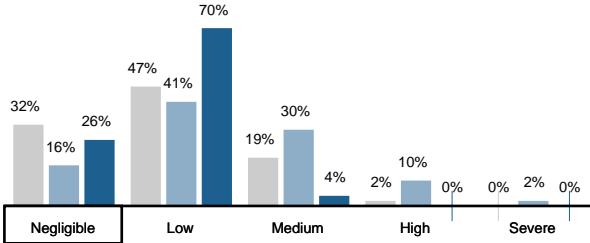
ESG Risk Rating

1.3

Negligible Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

| UNIVERSE | RANK | PERCENTILE |
|-----------------------------------|---------------------------------|-------------------------------|
| | (1 st = lowest risk) | (1 st = Top Score) |
| Global Universe | 595/4607 | 14th |
| Banks INDUSTRY | 20/361 | 6th |
| Thriffs and Mortgages SUBINDUSTRY | 1/23 | 1st |

Peers Table

| Peers (Market cap \$0.0 - \$0.0bn) | Exposure | Management | ESG Risk Rating |
|------------------------------------|------------|-------------|-----------------|
| 1. Berlin Hyp AG | 5.3 Medium | 79.4 Strong | 1.3 Negligible |
| 2. Kutxabank SA | 5.0 Medium | 76.9 Strong | 1.3 Negligible |
| 3. Yorkshire Building Society | 5.3 Medium | 66.3 Strong | 1.9 Negligible |
| 4. Nykredit Realkredit A/S | 4.8 Medium | 60.0 Strong | 2.0 Low |
| 5. DZ HYP AG | 5.5 Medium | 58.1 Strong | 2.5 Low |

Berlin Hyp AG

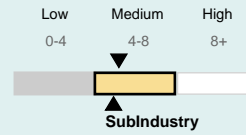
Thriffs and Mortgages Germany

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

5.3
Medium



Thriffs and Mortgage companies are primarily exposed to Business Ethics risks through money laundering, although they must also maintain strong controls to deter conflicts of interest, insider dealing and other ethical misconduct. For example, Thriffs and Mortgage companies have been cited for accepting kickback from mortgage insurance providers. Generally, Thriffs and Mortgage banks are subject to the same regulatory scrutiny as other financial institutions, although the subindustry is primarily composed of smaller companies that have been implicated in fewer incidents. Nevertheless, for many years, the financial industry's culture focused on financial incentives and underemphasized business ethics, which has contributed to high involvement in ethical controversies. Given the recent financial crisis, where mortgages were a central focus, authorities have significantly increased mortgage-related regulations, with the US creating new regulatory bodies and the EU issuing new credit directives on mortgage writing. Regulatory scrutiny is high, with authorities increasing penalties against companies involved in misconduct, increasing the business impact of infractions. Linking ethics programmes to material incentives is an emerging trend that enables banks to discipline infractions by clawing back bonuses and/or decreasing executive compensation. The implementation of stronger control systems in the past five years has contributed to better performance overall.

The company's exposure to Business Ethics issues is medium and similar to the subindustry exposure.

Exposure Analysis

| | |
|----------------------------|---------------|
| Subindustry Issue Exposure | 5.0 |
| Issue Beta | x 1.05 |
| Company Issue Exposure | 5.3 |

Beta Indicators

Beta Signal

| | |
|---------------------------------|-------------|
| Accounting and Taxation | 0.00 |
| Anti-Competitive Practices | 0.00 |
| Bribery and Corruption | 0.00 |
| Business Ethics | 0.00 |
| Lobbying and Public Policy | 0.00 |
| Sanctions | 0.00 |
| Operating Performance | 0.03 |
| Solvency - Banking | 0.00 |
| Asset Performance - Banking | 0.00 |
| Financial Flexibility - Banking | 0.03 |
| Qualitative Overlay | 0.00 |
| Subindustry Correction Factor | 0.00 |
| Exceptional Event Adjustment | 0.00 |
| Total Beta Signal | 0.05 |
| Baseline | +1.00 |
| Overall Beta | 1.05 |

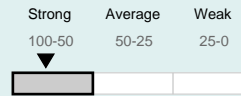
Berlin Hyp AG

Thriffs and Mortgages Germany

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

79.4
Strong



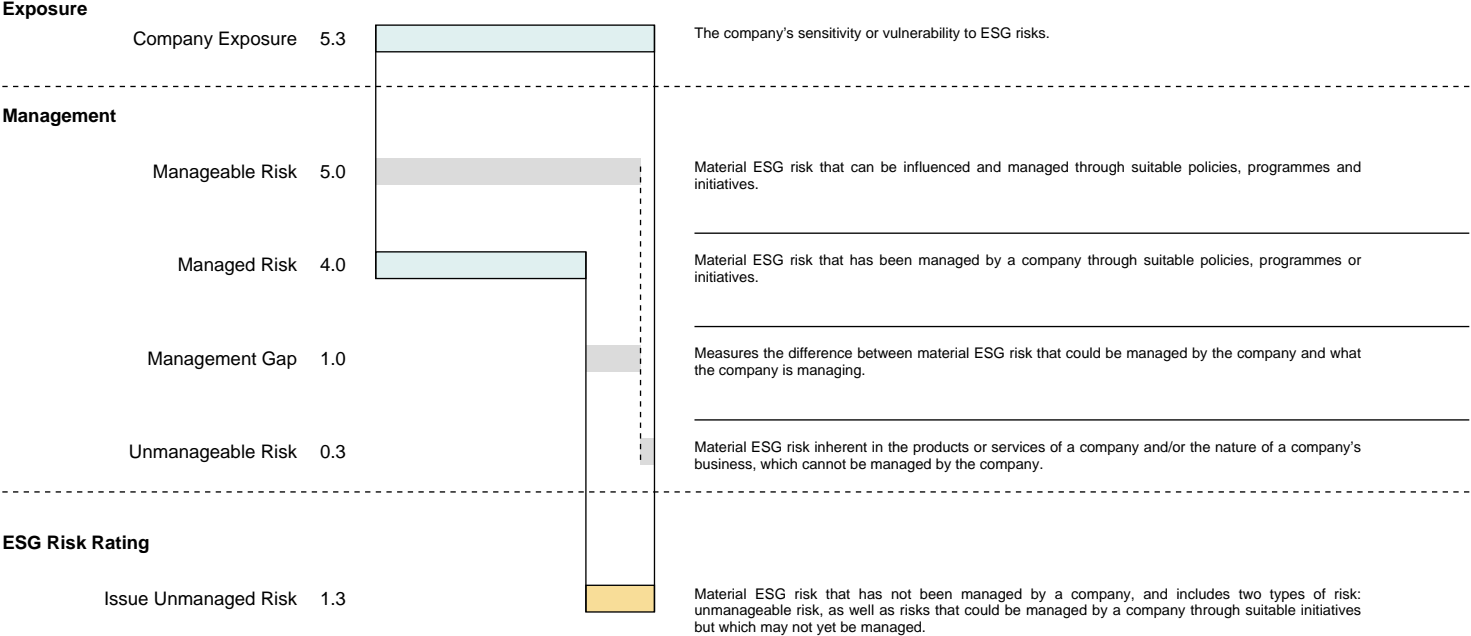
In our view, the company's management of the issue is above average.

| Management Indicators | Raw Score | Weight | Weighted Score |
|---------------------------------|------------|--------|----------------|
| Business Ethics Programme | 100 | 22.5% | 22.5 |
| Compliance Programme | 100 | 15.0% | 15.0 |
| Lobbying and Political Expenses | 100 | 5.0% | 5.0 |
| Political Involvement Policy | 100 | 5.0% | 5.0 |
| Bribery & Corruption Programmes | 75 | 15.0% | 11.3 |
| Whistleblower Programmes | 75 | 17.5% | 13.1 |
| Money Laundering Policy | 50 | 10.0% | 5.0 |
| Bribery & Corruption Policy | 25 | 10.0% | 2.5 |
| Accounting and Taxation | Category 0 | 0% | 0.0 |
| Anti-Competitive Practices | Category 0 | 0% | 0.0 |
| Bribery and Corruption | Category 0 | 0% | 0.0 |
| Business Ethics | Category 0 | 0% | 0.0 |
| Lobbying and Public Policy | Category 0 | 0% | 0.0 |
| Sanctions | Category 0 | 0% | 0.0 |
| Weighted Sum | | | 79.4 |

Berlin Hyp AG

Thriffs and Mortgages Germany

Risk Decomposition



Berlin Hyp AG

Thriffs and Mortgages Germany

Issue

Contribution 12.9 %



ESG Integration - Financials

ESG Integration - Financials includes all ESG integration activities by financial institutions that are either driven by financial downside risk considerations or by business opportunities.

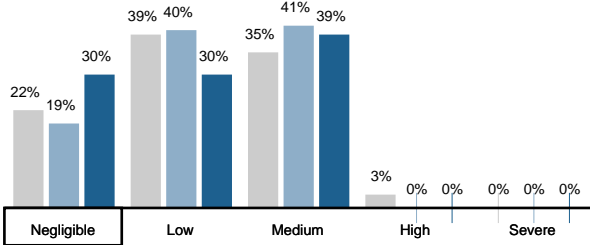
ESG Risk Rating

0.9

Negligible Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

| UNIVERSE | RANK | PERCENTILE |
|-----------------------------------|---------------------------------|-------------------------------|
| | (1 st = lowest risk) | (1 st = Top Score) |
| Global Universe | 62/1106 | 6th |
| Banks INDUSTRY | 19/361 | 6th |
| Thriffs and Mortgages SUBINDUSTRY | 5/23 | 19th |

Peers Table

| Peers (Market cap \$0.0 - \$0.0bn) | Exposure | Management | ESG Risk Rating |
|------------------------------------|------------|--------------|-----------------|
| 1. Kutxabank SA | 4.0 Medium | 78.4 Strong | 0.9 Negligible |
| 2. Berlin Hyp AG | 5.3 Medium | 82.5 Strong | 0.9 Negligible |
| 3. Nykredit Realkredit A/S | 4.3 Medium | 45.0 Average | 2.3 Low |
| 4. DZ HYP AG | 5.3 Medium | 41.2 Average | 3.1 Low |
| 5. Yorkshire Building Society | 5.3 Medium | 17.5 Weak | 4.3 Medium |

Berlin Hyp AG

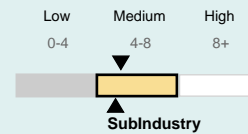
Thriffs and Mortgages Germany

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

5.3
Medium



ESG Integration -Financials refers to financial institutions' wide variety of products and services for clients that integrate an environmental, social and governance (ESG) perspective as a distinguishing feature. Thrifts and Mortgage companies offer variations on "green mortgages" that allow customers to increase the size of their mortgage for energy efficiency improvements or borrow at lower rates for homes that are shown to be more energy efficient. Although there are currently limited regulations regarding environmentally friendly products, new regulations could favour early movers that develop new products that encourage reduced energy consumption. Increasing access to mortgage financing is another priority for Thrifts and Mortgage companies, especially within countries where governments actively promote access to mortgage loans, such as US and India. While many regulations for increasing access to home ownership focus on limiting discrimination, other elements include specific investment and lending thresholds that Thrifts and Mortgage companies must meet. Best practice in the industry involves management systems and programmes with targets and deadlines for improving a company's sustainable finance offering. Although companies may have some level of sustainable finance activity, many approach it as a niche area rather than a core part of their business. However, as customer demand for sustainable financial products increases, Thrifts and Mortgage companies should increasingly view this area as a valuable market for capturing new business opportunities.

The company's exposure to ESG Integration -Financials issues is medium and similar to the subindustry exposure.

Exposure Analysis

| | |
|----------------------------|---------------|
| Subindustry Issue Exposure | 5.0 |
| Issue Beta | x 1.05 |
| Company Issue Exposure | 5.3 |

Beta Indicators

Beta Signal

| | |
|---------------------------------|------|
| Environmental Impact of | 0.00 |
| Social Impact of Products | 0.00 |
| Carbon Impact of Products | 0.00 |
| Society - Human Rights | 0.00 |
| Operating Performance | 0.03 |
| Solvency - Banking | 0.00 |
| Asset Performance - Banking | 0.00 |
| Financial Flexibility - Banking | 0.03 |
| Headquarters Location | 0.00 |
| Sales Location | 0.00 |
| Responsible Asset Portfolio | 0.00 |
| Qualitative Overlay | 0.00 |
| Subindustry Correction Factor | 0.00 |
| Exceptional Event Adjustment | 0.00 |

Berlin Hyp AG

Thriffs and Mortgages Germany

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

| Beta Indicators | Beta Signal |
|-------------------|-------------|
| Total Beta Signal | 0.05 |
| Baseline | +1.00 |
| Overall Beta | 1.05 |

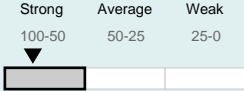
Berlin Hyp AG

Thriffs and Mortgages Germany

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

82.5
Strong



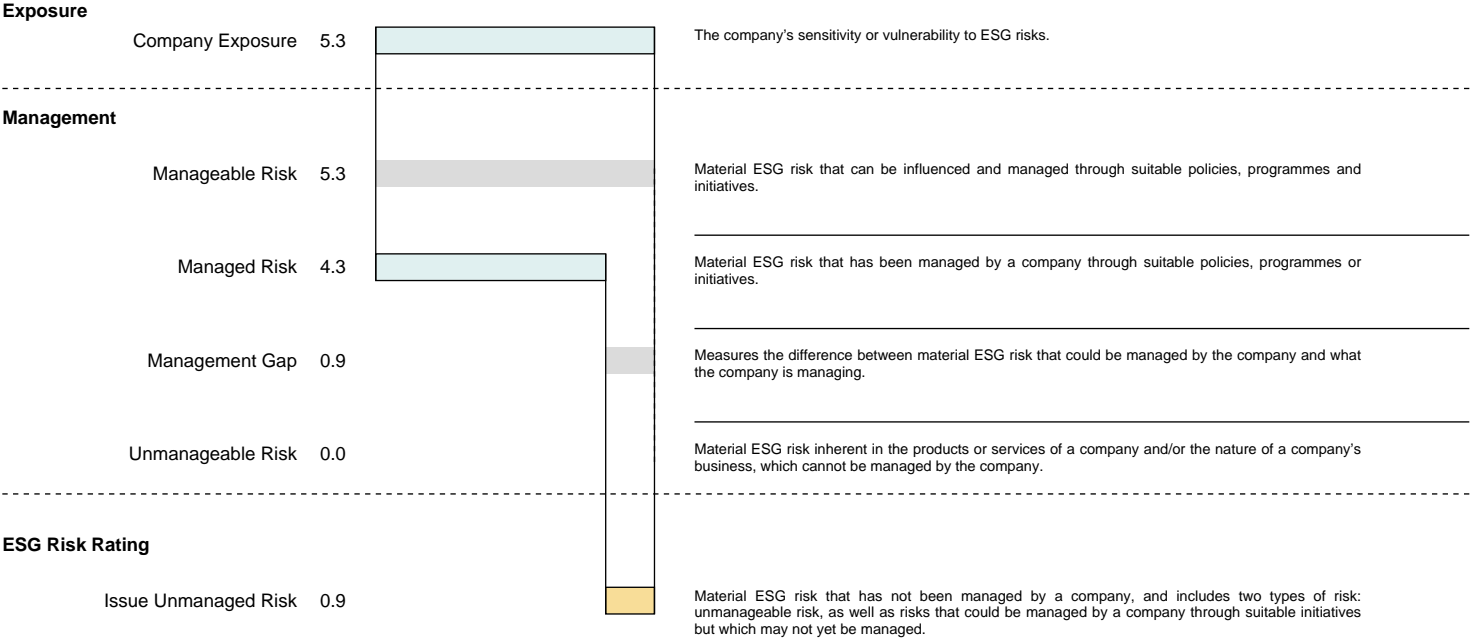
In our view, the company's management of the issue is above average.

| Management Indicators | Raw Score | Weight | Weighted Score |
|------------------------------------|------------|--------|----------------|
| Sustainable Financial Initiatives | 100 | 65.0% | 65.0 |
| Financial Inclusion | 50 | 35.0% | 17.5 |
| ⚠ Carbon Impact of Products | Category 0 | 0% | 0.0 |
| ⚠ Environmental Impact of Products | Category 0 | 0% | 0.0 |
| ⚠ Social Impact of Products | Category 0 | 0% | 0.0 |
| ⚠ Society - Human Rights | Category 0 | 0% | 0.0 |
| Weighted Sum | | | 82.5 |

Berlin Hyp AG

Thriffs and Mortgages Germany

Risk Decomposition



Berlin Hyp AG

Thriffs and Mortgages Germany

Issue

Contribution 11.2 %



Corporate Governance

Corporate Governance represents foundational structures for the management of ESG risks.

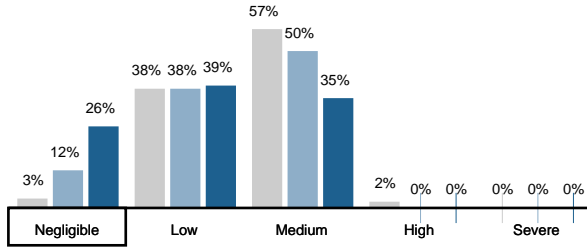
ESG Risk Rating

0.8

Negligible Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

| UNIVERSE | RANK | PERCENTILE |
|-----------------------------------|---------------------------------|-------------------------------|
| | (1 st = lowest risk) | (1 st = Top Score) |
| Global Universe | 13/5006 | 1 st |
| Banks INDUSTRY | 3/361 | 2 nd |
| Thriffs and Mortgages SUBINDUSTRY | 1/23 | 1 st |

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

| Peers (Market cap \$0.0 - \$0.0bn) | Exposure | Management | ESG Risk Rating |
|------------------------------------|------------|-------------|-----------------|
| 1. Berlin Hyp AG | 5.0 Medium | 84.0 Strong | 0.8 Negligible |
| 2. Kutxabank SA | 5.0 Medium | 80.0 Strong | 1.0 Negligible |
| 3. Nykredit Realkredit A/S | 5.0 Medium | 75.0 Strong | 1.3 Negligible |
| 4. DZ HYP AG | 5.0 Medium | 70.0 Strong | 1.5 Negligible |
| 5. Yorkshire Building Society | 5.0 Medium | 62.0 Strong | 1.9 Negligible |

Berlin Hyp AG

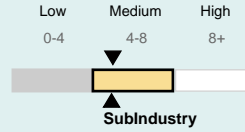
Thriffs and Mortgages Germany

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

5.0
Medium

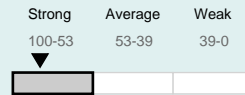


The company is not publicly traded, which positions stakeholder governance as the company's main governance area of focus. It may face decreased scrutiny of some governance practices compared to publicly traded companies. This translates into medium exposure to baseline Corporate Governance risk.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

84.0
Strong



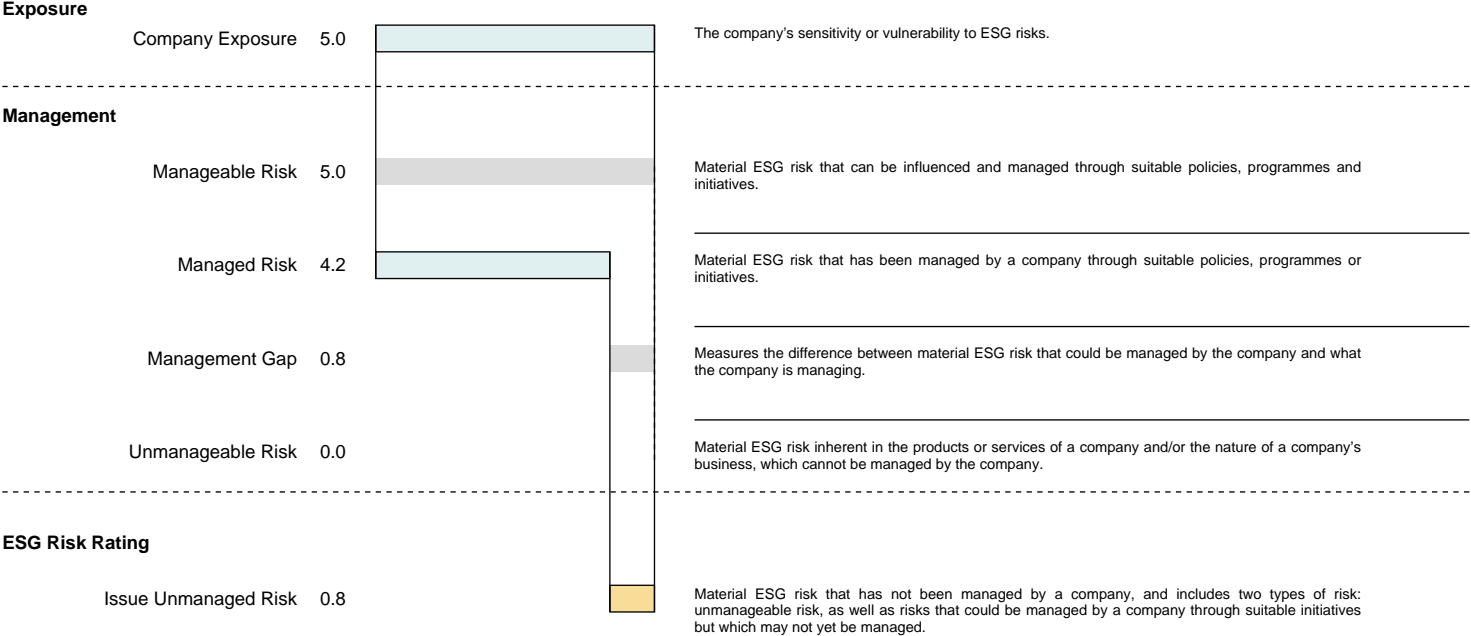
Overall, we rate the company's corporate governance management as strong.

| Corporate Governance Pillars | Raw Score | Weight | Weighted Score |
|------------------------------|-----------|---------------|----------------|
| Stakeholder Governance | 84 | 100.0% | 84.0 |
| Totals | | 100.0% | 84.0 |

Berlin Hyp AG

Thriffs and Mortgages Germany

Risk Decomposition



Berlin Hyp AG

Thriffs and Mortgages Germany

Issue

Contribution 4.4 %



Product Governance

Product Governance focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

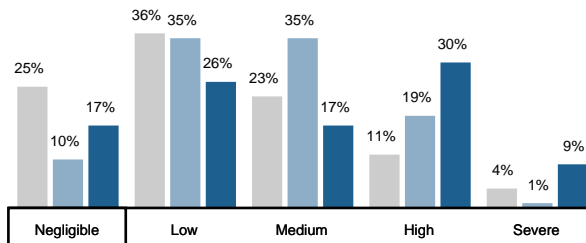
ESG Risk Rating

0.3

Negligible Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

| UNIVERSE | RANK | PERCENTILE |
|--------------------------------------|---------------------------------|-------------------------------|
| | (1 st = lowest risk) | (1 st = Top Score) |
| Global Universe | 74/4037 | 3rd |
| Banks INDUSTRY | 5/331 | 2nd |
| Thriffs and Mortgages SUBINDUSTRY | 1/23 | 1st |

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

| | Exposure | Management | ESG Risk Rating |
|-------------------------------|------------|-------------|-----------------|
| 1. Berlin Hyp AG | 8.4 High | 96.2 Strong | 0.3 Negligible |
| 2. Yorkshire Building Society | 8.4 High | 87.5 Strong | 1.0 Negligible |
| 3. Kutxabank SA | 7.6 Medium | 76.0 Strong | 1.8 Negligible |
| 4. DZ HYP AG | 8.4 High | 66.3 Strong | 2.8 Low |
| 5. Nykredit Realkredit A/S | 7.2 Medium | 54.6 Strong | 3.3 Low |

Berlin Hyp AG

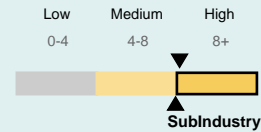
Thriffs and Mortgages Germany

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

8.4
High



Berlin Hyp is highly exposed to product governance risks, owing to its focus on commercial lending and operational concentration within Germany, where there are higher social and regulatory demands. The bank has stated big sustainability ambitions, including its forecast of a 40% reduction in the carbon footprint of its loan portfolio by 2030 through an increase in taxonomy loans and green bond issuance. New regulations and technical standards to prevent greenwashing will require Berlin Hyp to recalibrate its tools to measure and market the sustainability claims of its products and services.

The company's exposure to Product Governance issues is high and similar to the subindustry exposure.

Exposure Analysis

| | |
|----------------------------|---------------|
| Subindustry Issue Exposure | 8.0 |
| Issue Beta | x 1.05 |
| Company Issue Exposure | 8.4 |

Beta Indicators

Beta Signal

| | |
|---------------------------------|-------------|
| Access to Basic Services | 0.00 |
| Marketing Practices | 0.00 |
| Quality and Safety | 0.00 |
| Operating Performance | 0.03 |
| Solvency - Banking | 0.00 |
| Asset Performance - Banking | 0.00 |
| Financial Flexibility - Banking | 0.03 |
| Headquarters Location | 0.00 |
| Sales Location | 0.00 |
| Qualitative Overlay | 0.00 |
| Subindustry Correction Factor | 0.00 |
| Exceptional Event Adjustment | 0.00 |
| Total Beta Signal | 0.05 |
| Baseline | +1.00 |
| Overall Beta | 1.05 |

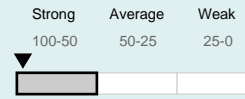
Berlin Hyp AG

Thriffs and Mortgages Germany

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

96.3
Strong



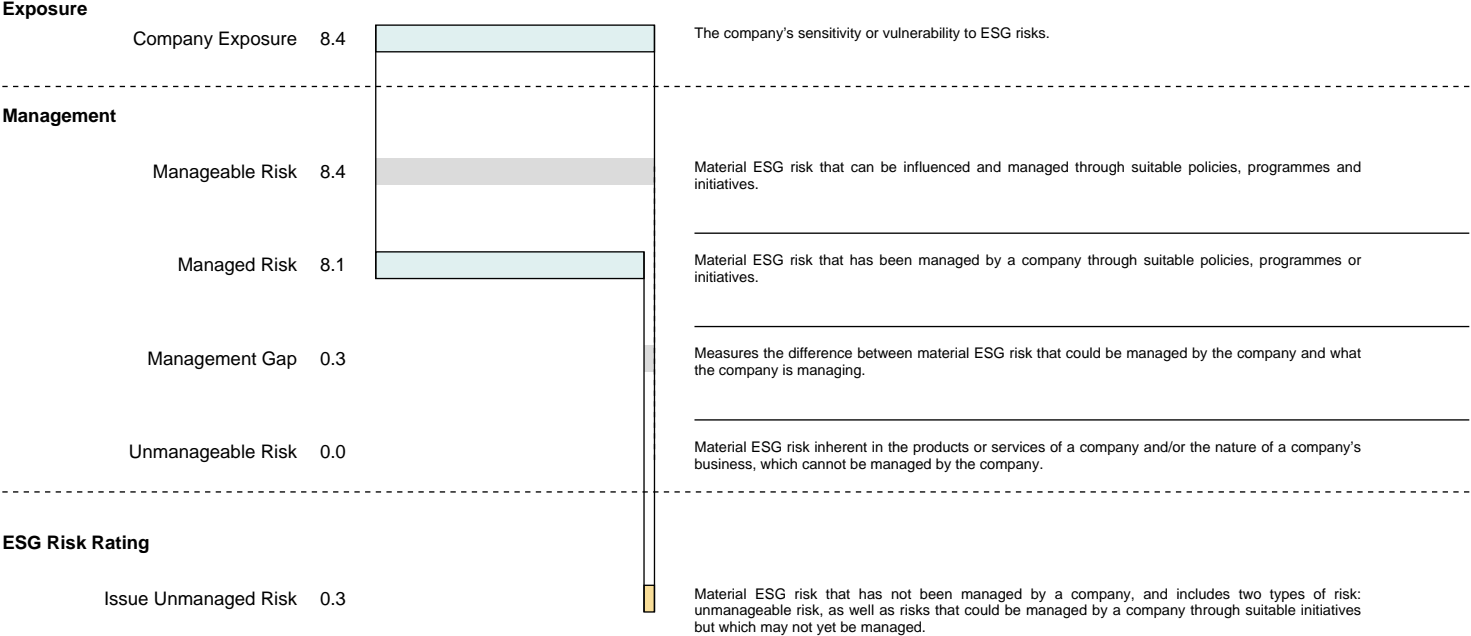
Product governance is an area where Berlin Hyp experiences the highest decrease of unmanaged ESG risk, owing to the significant improvement of its responsible product offering. The bank has a policy commitment to disclose product risks and information, as well as managerial and board-level oversight towards product governance. Berlin Hyp's strong and detailed policy on responsible marketing is enshrined in its Guidelines on Responsible Behavior towards Customers, which state that the bank provides its customers with responsible and forward-looking advice in line with their needs and that it communicates benefits and risks clearly. Finally, Berlin Hyp also disclosed an updated Sustainable Finance Framework in April 2022 with an aim to align its product offerings with the bank's own sustainability claims and regulatory standards on sustainability classifications. In our view, the company's management of the issue is above average.

| Management Indicators | Raw Score | Weight | Weighted Score |
|------------------------------|------------|--------|----------------|
| Responsible Marketing Policy | 100 | 35.0% | 35.0 |
| Responsible Product Offering | 100 | 50.0% | 50.0 |
| Asset Quality | 75 | 15.0% | 11.3 |
| Access to Basic Services | Category 0 | 0% | 0.0 |
| Marketing Practices | Category 0 | 0% | 0.0 |
| Quality and Safety | Category 0 | 0% | 0.0 |
| Weighted Sum | | | 96.3 |

Berlin Hyp AG

Thriffs and Mortgages Germany

Risk Decomposition



Appendix



Management Details



Corporate Governance

Stakeholder Governance

84 Leader

Raw Score



In reviewing the company's practices regarding ESG stakeholder governance, points of attention for Berlin Hyp AG are: ESG Governance, Discrimination Policy and GHG Reduction Programme.

- ESG Governance: A board member or a board committee is responsible for overseeing ESG issues
- Discrimination Policy: The company has a strong policy
- GHG Reduction Programme: The company has a very strong programme

| Indicators | Score |
|------------------------------------|-------|
| ESG Governance | 100 |
| Environmental Policy | 100 |
| Whistleblower Programmes | 75 |
| Tax Disclosure | 100 |
| Discrimination Policy | 100 |
| Scope of Social Supplier Standards | 50 |
| GHG Reduction Programme | 100 |
| Green Procurement Policy | 100 |
| ESG Reporting Standards | 75 |
| Verification of ESG Reporting | 25 |
| Global Compact Signatory | 100 |
| ESG Performance Targets | 100 |
| Political Involvement Policy | 100 |
| Lobbying and Political Expenses | 100 |
| Bribery & Corruption Policy | 25 |

Appendix

Exposure Details

Data Privacy and Security

EA.E.27 - Data Privacy and Security

0.00
Beta Signal

No evidence of relevant controversies

EA.F.1 - Operating Performance

0.03
Beta Signal

The company has a very weak net income margin.

Average Net Income Margin (Trailing 3 Years): 16.14%
Subindustry Median (Trailing 3 Years): 25.25%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.5 - Solvency - Banking

0.00
Beta Signal

The company has an average Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 13.4%
Subindustry Median (Trailing 3 Years): 14.34%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.6 - Asset Performance - Banking

0.00
Beta Signal

The company's non-performing asset ratio is unknown.

Average Non-Performing Assets (Trailing 3 Years): N/A
Subindustry Median (Trailing 3 Years): 0.56%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.7 - Financial Flexibility - Banking

0.03
Beta Signal

The company has a very weak loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 4.46
Subindustry Median (Trailing 3 Years): 1.09
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.G.1 - Headquarters Location

0.00
Beta Signal

The location of the company's headquarters does not indicate higher or lower exposure to this issue.

United States: Average exposure
Source: Sustainalytics Country Risk Rating, December 2021.

Appendix



Exposure Details

EA.G.3 - Sales Location

0.00
Beta Signal

The location of the company's sales is unknown.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

Answer category for neutral beta signal adjustment

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

S.3.1.3 - Data Privacy & Security Policy

| | | |
|-----------|--------|----------------|
| 75 | 20.00% | 15.0 |
| Raw Score | Weight | Weighted Score |

The company has a strong policy

Criteria

- Clear terms involving the collection, use, sharing and retention of user data including data transferred to third parties
- Commitment to collect and process user data that is limited to the stated purpose
- Commitment to implement leading data protection standards
- Commitment to notify data subjects in a timely manner in case of policy changes or data breach
- Commitment to obtain user data through lawful and transparent means, with explicit consent of the data subject where required
- Commitment to require third parties with whom the data is shared to comply with the company's policy
- The company has a formal policy but it applies to less than 50% of the operations
- There is a statement addressing the issue but it does not qualify as a policy as per Sustainalytics guidelines

Sources

Berlin Hyp AG Code of Conduct, released June 2021

Prior to research start, the company sent documents on 10 January 2023 (Round 2)

S.3.1.3.1 - Data Privacy Programme

| | | |
|-----------|--------|----------------|
| 50 | 40.00% | 20.0 |
| Raw Score | Weight | Weighted Score |

The company has an adequate programme

Criteria

- Clear and accessible mechanisms for data subjects to raise concerns about data privacy
- Data subjects can access their accounts to erase, rectify, complete or amend personal information
- Governance structures in place for privacy management
- Regular employee training on data privacy management
- Regular privacy risk assessments or audits on the company's technologies and practices affecting user data

Sources

Berlin Hyp AG Corporate Website, Data protection, www.berlinhyp.de; accessed 17 January 2023

Berlin Hyp AG GRI Report 2021 (FY2021)

The company provided feedback on 25 September 2020

S.3.1.3.3 - Cybersecurity Programme

| | | |
|-----------|--------|----------------|
| 75 | 40.00% | 30.0 |
| Raw Score | Weight | Weighted Score |

The company has a strong programme

Criteria

- Governance structures in place for cybersecurity management
- Management system certified to ISO 27001 standards
- Operational measures to monitor and respond to data breaches and cyberattacks
- Regular employee training on cybersecurity issues
- Regular external security audits or vulnerability assessments of the company's systems, products and practices affecting user data
- Regular internal security audits or vulnerability assessments or penetration testing of the company's systems, products and practices affecting user data

Sources

Berlin Hyp AG Annual Report 2021 (FY2021)

Prior to research start, the company sent documents on 10 January 2023 (Round 3)

Appendix

Exposure Details

Human Capital

EA.E.22 - Labour Relations

0.00
Beta Signal

No evidence of relevant controversies

EA.F.1 - Operating Performance

0.03
Beta Signal

The company has a very weak net income margin.

Average Net Income Margin (Trailing 3 Years): 16.14%
Subindustry Median (Trailing 3 Years): 25.25%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.5 - Solvency - Banking

0.00
Beta Signal

The company has an average Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 13.4%
Subindustry Median (Trailing 3 Years): 14.34%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.6 - Asset Performance - Banking

0.00
Beta Signal

The company's non-performing asset ratio is unknown.

Average Non-Performing Assets (Trailing 3 Years): N/A
Subindustry Median (Trailing 3 Years): 0.56%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.7 - Financial Flexibility - Banking

0.03
Beta Signal

The company has a very weak loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 4.46
Subindustry Median (Trailing 3 Years): 1.09
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

Answer category for neutral beta signal adjustment

Appendix



Exposure Details

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

S.1.1 - Freedom of Association Policy

| | | |
|-----------|--------|----------------|
| 100 | 5.00% | 5.0 |
| Raw Score | Weight | Weighted Score |

The company has a strong policy on freedom of association

In its Code of Conduct, Berlin Hyp reiterates its almost exclusive operation within Germany, and therefore ensures its employees' right to freedom of association.

Sources

Berlin Hyp AG Code of Conduct, released June 2021

S.1.2 - Discrimination Policy

| | | |
|-----------|--------|----------------|
| 100 | 15.00% | 15.0 |
| Raw Score | Weight | Weighted Score |

The company has a strong policy

Criteria

- Commitment to ensure equal opportunity
- List of the types of discrimination the company is committed to eliminate
- Reference to the ILO conventions

Sources

Berlin Hyp AG Code of Conduct, released June 2021

Prior to research start, the company sent documents on 10 January 2023 (Round 1)

S.1.3 - Diversity Programmes

| | | |
|-----------|--------|----------------|
| 75 | 22.50% | 16.9 |
| Raw Score | Weight | Weighted Score |

The company has a strong programme

Criteria

- Diversity monitoring or audits
- Employee affinity groups, diversity councils, or networking groups
- Initiatives supporting a diverse workforce
- Initiatives to recruit from diverse talent
- Managerial or board level responsibility for diversity initiatives
- Mentorship programmes
- The company has a programme that applies to less than 50% of operations
- Training and guidance regarding diversity

Sources

Berlin Hyp AG GRI Report 2021 (FY2021)

Berlin Hyp Guidelines on Human Rights, Diversity and Inclusion, released March 2015

The company provided feedback on 03 February 2023

S.1.3.1 - Gender Pay Equality Programme

| | | |
|-----------|--------|----------------|
| 75 | 10.00% | 7.5 |
| Raw Score | Weight | Weighted Score |

The company has a strong programme

Criteria

- Commitment to gender pay equality
- Global gender pay gap audit or compensation review
- Initiatives to close the gender pay gap
- Monitoring and measurement
- Quantitative targets and deadlines

Sources

Berlin Hyp AG Annual Report 2021 (FY2021)

Berlin Hyp AG GRI Report 2021 (FY2021)

Prior to research start, the company sent documents on 10 January 2023 (Round 1)

The company provided feedback on 25 September 2020

S.1.3.2 - Gender Pay Disclosure

| | | |
|-----------|--------|----------------|
| 50 | 5.00% | 2.5 |
| Raw Score | Weight | Weighted Score |

The company has adequate disclosure

Criteria

- Disclosure of ratio of basic salary and remuneration of women to men for specific employment categories (level or function)
- Disclosure of the company's global mean (average) raw gender pay gap
- Disclosure of the company's global median raw gender pay gap

Sources

S.1.4 - Collective Bargaining Agreements

| | | |
|-----------|--------|----------------|
| 50 | 5.00% | 2.5 |
| Raw Score | Weight | Weighted Score |

25-50% of the company's employees are covered by collective bargaining agreements

According to Berlin Hyp's FY2021 GRI Report, 33.6% of its employees are covered by collective bargaining agreement.

Sources

Berlin Hyp AG GRI Report 2021 (FY2021)

Appendix



Management Details

Prior to research start, the company sent documents on 10 January 2023 (Round 1)

S.1.5 - Employee Turnover Rate

| | | |
|-----------|--------|----------------|
| 50 | 5.00% | 2.5 |
| Raw Score | Weight | Weighted Score |

The company's employee turnover rate is average

Based on Berlin Hyp's GRI Report, the employee turnover rate in FY2021 stood at 6%

Sources

Berlin Hyp AG GRI Report 2021 (FY2021)

S.1.5.2 - Human Capital Development

| | | |
|-----------|--------|----------------|
| 100 | 27.50% | 27.5 |
| Raw Score | Weight | Weighted Score |

The company has a very strong programme

Criteria

- Formal mechanisms to promote an open feedback culture
- Initiatives for talent development
- Initiatives for talent recruitment
- Initiatives for talent retention
- Quantitative targets related to human capital development
- Regular formal performance reviews for all permanent employees aligned with career development
- Reporting on human capital development metrics
- Reporting on human capital risk assessment

Sources

Berlin Hyp AG Annual Report 2021 (FY2021)

Berlin Hyp AG GRI Report 2021 (FY2021)

S.1.6.1 - Employee Training

| | | |
|-----------|--------|----------------|
| 0 | 5.00% | 0.0 |
| Raw Score | Weight | Weighted Score |

Employees receive less than 5 days of training annually

Sources

Berlin Hyp AG GRI Report 2021 (FY2021)

Appendix

Exposure Details



Business Ethics

EA.E.2 - Accounting and Taxation

0.00
Beta Signal

No evidence of relevant controversies

EA.E.4 - Anti-Competitive Practices

0.00
Beta Signal

No evidence of relevant controversies

EA.E.6 - Bribery and Corruption

0.00
Beta Signal

No evidence of relevant controversies

EA.E.7 - Business Ethics

0.00
Beta Signal

No evidence of relevant controversies

EA.E.23 - Lobbying and Public Policy

0.00
Beta Signal

No evidence of relevant controversies

EA.E.30 - Sanctions

0.00
Beta Signal

No evidence of relevant controversies

EA.F.1 - Operating Performance

0.03
Beta Signal

The company has a very weak net income margin.

Average Net Income Margin (Trailing 3 Years): 16.14%
Subindustry Median (Trailing 3 Years): 25.25%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.5 - Solvency - Banking

0.00
Beta Signal

The company has an average Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 13.4%
Subindustry Median (Trailing 3 Years): 14.34%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

Appendix

Exposure Details

EA.F.6 - Asset Performance - Banking

0.00
Beta Signal

The company's non-performing asset ratio is unknown.

Average Non-Performing Assets (Trailing 3 Years): N/A
Subindustry Median (Trailing 3 Years): 0.56%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.7 - Financial Flexibility - Banking

0.03
Beta Signal

The company has a very weak loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 4.46
Subindustry Median (Trailing 3 Years): 1.09
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

Answer category for neutral beta signal adjustment

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

G.1.1 - Bribery & Corruption Policy

| | | |
|-----------|--------|----------------|
| 25 | 10.00% | 2.5 |
| Raw Score | Weight | Weighted Score |

The company has a weak policy or a general statement addressing the issue

Criteria

- Definition and prohibition of facilitation payments
- Definition of bribery or corruption
- Definition of conflicts of interest and commitment to minimize these
- Guidelines of what is considered acceptable behaviour
- Prohibition of bribery
- There is no evidence of a formal policy but the company has a general statement addressing the issue

Sources

Berlin Hyp AG Code of Conduct, released June 2021
 Berlin Hyp provided feedback on 17 September 2021
 Prior to research start, the company sent documents on 10 January 2023
 Prior to research start, the company sent documents on 10 January 2023 (Round 1)
 Prior to research start, the company sent documents on 10 January 2023 (Round 2)
 Prior to research start, the company sent documents on 10 January 2023 (Round 3)
 The company provided feedback on 03 February 2023
 The company provided feedback on 03 February 2023
 The company provided feedback on 03 February 2023
 The company provided feedback on 17 February 2023
 The company provided feedback on 25 September 2020
 The updated ESG Report was sent by email to Berlin Hyp on 30 January 2023

G.1.1.1 - Bribery & Corruption Programmes

| | | |
|-----------|--------|----------------|
| 75 | 15.00% | 11.3 |
| Raw Score | Weight | Weighted Score |

The company has a strong programme

Criteria

- Annual signoff of the policy on bribery and corruption by employees
- Internal monitoring system to detect corruption
- Managerial responsibility for bribery and corruption
- Mechanisms for employees to consult on ethical issues
- Operating guidelines addressing record keeping, approval procedures and appropriate behaviour
- Regular bribery and corruption risk assessments
- Regular training on bribery and corruption

Sources

Berlin Hyp AG GRI Report 2021 (FY2021)

G.1.2 - Whistleblower Programmes

| | | |
|-----------|--------|----------------|
| 75 | 17.50% | 13.1 |
| Raw Score | Weight | Weighted Score |

The company has a strong programme

Criteria

- An independent, reporting hotline available 24/7
- Available in local languages
- Available to suppliers, customers and other third parties
- Disclosure on the number of reports received, the types of misconduct and measures taken
- Non-retaliation policy
- Possibility for anonymous reporting and reports are treated confidentially
- Proactively communicated to employees
- Structures in place to process whistleblower reports

Sources

Berlin Hyp AG Corporate Website, Whistleblowing system, www.berlinhyp.de; accessed 16 January 2023
 Berlin Hyp AG GRI Report 2021 (FY2021)
 The company provided feedback on 25 September 2020

G.1.2.1 - Business Ethics Programme

| | | |
|-----------|--------|----------------|
| 100 | 22.50% | 22.5 |
| Raw Score | Weight | Weighted Score |

The company has a very strong programme

Criteria

- Annual training of employees on the Code of Conduct
- Board responsibility for business ethics issues
- Commitment to address major business ethics risks
- Ethical risk assessments
- Incident investigation and corrective actions
- Managerial responsibility for business ethics
- Measures to deter non-compliance and reduce exposure to unethical opportunities
- Operating guidelines

Sources

Berlin Hyp AG GRI Report 2021 (FY2021)
 The company provided feedback on 03 February 2023

Appendix



Management Details

G.1.4.1 - Money Laundering Policy

| | | |
|-----------|--------|----------------|
| 50 | 10.00% | 5.0 |
| Raw Score | Weight | Weighted Score |

The company has a policy on money laundering

Sources

Berlin Hyp AG Code of Conduct, released June 2021
 Prior to research start, the company sent documents on 10 January 2023
 The company provided feedback on 25 September 2020

G.1.4.2 - Compliance Programme

| | | |
|-----------|--------|----------------|
| 100 | 15.00% | 15.0 |
| Raw Score | Weight | Weighted Score |

The company has a very strong programme

Criteria

- Customer due diligence related to illegal activities before starting a relationship
- Enhanced customer due diligence for clients operating in high risk countries
- Incident investigation and corrective actions
- Managerial responsibility for compliance
- Monitoring existing business relationships
- Operating guidelines for reporting suspicious transactions
- Reporting of irregularities
- Training for employees on anti-money laundering and terrorist financing
- Training on avoiding tax evasion facilitation
- Training on international sanctions compliance

Sources

Berlin Hyp AG Code of Conduct, released June 2021
 Berlin Hyp AG GRI Report 2021 (FY2021)
 Berlin Hyp Corporate Website, Compliance, <http://www.berlinhyp.de>; accessed 30 January 2023
 The company provided feedback on 25 September 2020

G.3.1 - Political Involvement Policy

| | | |
|-----------|--------|----------------|
| 100 | 5.00% | 5.0 |
| Raw Score | Weight | Weighted Score |

The company has a strong policy

Criteria

- Approved by senior management
- Commits the company to disclose political donations and/or lobbying expenditures
- Partially prohibits political involvement
- Prohibits political involvement of any kind on the company's behalf

Sources

Berlin Hyp Lobbying Guideline, released May 2021

G.3.2 - Lobbying and Political Expenses

| | | |
|-----------|--------|----------------|
| 100 | 5.00% | 5.0 |
| Raw Score | Weight | Weighted Score |

The company states that it does not make political contributions or political spending

Sources

Berlin Hyp Lobbying Guideline, released May 2021
 European Commission & European Parliament Transparency Register, www.ec.europa.eu; accessed 17 January 2023
 LobbyFacts, www.lobbyfacts.eu; accessed 18 January 2023

Appendix

Exposure Details

ESG Integration - Financials

EA.E.17 - Environmental Impact of Products

0.00
Beta Signal

No evidence of relevant controversies

EA.E.32 - Social Impact of Products

0.00
Beta Signal

No evidence of relevant controversies

EA.E.46 - Carbon Impact of Products

0.00
Beta Signal

No evidence of relevant controversies

EA.E.48 - Society - Human Rights

0.00
Beta Signal

No evidence of relevant controversies

EA.F.1 - Operating Performance

0.03
Beta Signal

The company has a very weak net income margin.

Average Net Income Margin (Trailing 3 Years): 16.14%
Subindustry Median (Trailing 3 Years): 25.25%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.5 - Solvency - Banking

0.00
Beta Signal

The company has an average Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 13.4%
Subindustry Median (Trailing 3 Years): 14.34%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.6 - Asset Performance - Banking

0.00
Beta Signal

The company's non-performing asset ratio is unknown.

Average Non-Performing Assets (Trailing 3 Years): N/A
Subindustry Median (Trailing 3 Years): 0.56%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.7 - Financial Flexibility - Banking

0.03
Beta Signal

The company has a very weak loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 4.46
Subindustry Median (Trailing 3 Years): 1.09
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

Appendix

 **Exposure Details**

EA.G.1 - Headquarters Location

0.00
Beta Signal

The location of the company's headquarters does not indicate higher or lower exposure to this issue.

United States: Average exposure
Source: Sustainalytics Country Risk Rating, December 2021.

EA.G.3 - Sales Location

0.00
Beta Signal

The location of the company's sales is unknown.

EA.P.5 - Responsible Asset Portfolio

0.00
Beta Signal

Some assets under management can be categorized as "responsible investment" but their relative share is not disclosed

For Berlin Hyp's own investment (Securities Account A), the bank uses special filter by RepRisk AG with the aim of giving equal consideration to the sustainable aspects of investing and the economic objectives of investing in securities. It assesses the risks in relation to the destruction of the environment, climate change, greenhouse gas emissions, biodiversity, human rights violations (child labour, forced labour) and corporate complicity, social discrimination, controversial products and services (alcohol, tobacco, pornography, armaments, nuclear power and coal-fired power), fraud and corruption that can negatively affect an organisation's reputation and financial profitability or lead to compliance issues.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

Answer category for neutral beta signal adjustment

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.3.1.15 - Sustainable Financial Initiatives

| | | |
|-----------|--------|----------------|
| 100 | 65.00% | 65.0 |
| Raw Score | Weight | Weighted Score |

The company has a strong programme

BerlinHyp has established a Sustainable Finance Commission (SFC; previously Green Building Commission) which consists of representatives from various divisions of the bank, such as Origination, Portfolio Management, Credit, Appraisal and Treasury. As an interim goal towards climate neutrality, Berlin Hyp projects a 40% decrease of carbon footprint in its loan portfolio by 2030 compared to base year of 2020, by increasing the proportion of Green Building financing. The bank also offers Energy Efficiency Loan, secured by energy-efficient and environmentally friendly buildings and the Taxonomy Loan, which provides financing for buildings or construction activities that meet the criteria of EU Taxonomy for environmentally sustainable business activities.

Sources

Berlin Hyp AG Corporate Website, Green Bond Framework 2021, www.berlinhyp.de; released April 2022
 Berlin Hyp AG GRI Report 2021 (FY2021)

S.4.2.3 - Financial Inclusion

| | | |
|-----------|--------|----------------|
| 50 | 35.00% | 17.5 |
| Raw Score | Weight | Weighted Score |

The company has an adequate programme

Sources

Berlin Hyp AG GRI Report 2021 (FY2021)

Appendix

Exposure Details



Product Governance

EA.E.1 - Access to Basic Services

0.00
Beta Signal

No evidence of relevant controversies

EA.E.24 - Marketing Practices

0.00
Beta Signal

No evidence of relevant controversies

EA.E.28 - Quality and Safety

0.00
Beta Signal

No evidence of relevant controversies

EA.F.1 - Operating Performance

0.03
Beta Signal

The company has a very weak net income margin.

Average Net Income Margin (Trailing 3 Years): 16.14%
Subindustry Median (Trailing 3 Years): 25.25%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.5 - Solvency - Banking

0.00
Beta Signal

The company has an average Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 13.4%
Subindustry Median (Trailing 3 Years): 14.34%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.6 - Asset Performance - Banking

0.00
Beta Signal

The company's non-performing asset ratio is unknown.

Average Non-Performing Assets (Trailing 3 Years): N/A
Subindustry Median (Trailing 3 Years): 0.56%
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.F.7 - Financial Flexibility - Banking

0.03
Beta Signal

The company has a very weak loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 4.46
Subindustry Median (Trailing 3 Years): 1.09
Source: Morningstar, December 2021. All Rights Reserved.,
FactSet, December 2021. All Rights Reserved.

EA.G.1 - Headquarters Location

0.00
Beta Signal

The location of the company's headquarters does not indicate higher or lower exposure to this issue.

United States: Average exposure
Source: Sustainalytics Country Risk Rating, December 2021.

Appendix



Exposure Details

EA.G.3 - Sales Location

0.00
Beta Signal

The location of the company's sales is unknown.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

Answer category for neutral beta signal adjustment

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

S.3.1.1 - Responsible Marketing Policy

| | | |
|-----------|--------|----------------|
| 100 | 35.00% | 35.0 |
| Raw Score | Weight | Weighted Score |

The company has a strong and detailed policy statement

Sources

Berlin Hyp Guidelines for responsible behaviour towards customers, released May 2021

S.4.4.8 - Asset Quality

| | | |
|-----------|--------|----------------|
| 75 | 15.00% | 11.3 |
| Raw Score | Weight | Weighted Score |

The company's non-performing asset level is moderate

Based on Berlin Hyp's FY2021 Annual Report, the share of non-performing loans in the total portfolio was 0.5 per cent, and thus remains at a low level.

Sources

Berlin Hyp AG Annual Report 2021 (FY2021)

G.1.3.8 - Responsible Product Offering

| | | |
|-----------|--------|----------------|
| 100 | 50.00% | 50.0 |
| Raw Score | Weight | Weighted Score |

The company has a very strong programme

Criteria

- Continuous monitoring of social impact and risks of current products and/or services
- Impact and risk assessment incorporated into product development
- Managerial responsibility for responsible product offering
- Mechanisms to receive and investigate complaints and implement corrective action
- Objectives to improve customer satisfaction
- Policy commitment on responsible products and services
- Provision to share risk information
- Regular training on responsible product offering and marketing
- Reporting on product and/or service quality

Sources

Berlin Hyp AG GRI Report 2021 (FY2021)

Berlin Hyp Complaints Handling Policy; accessed 24 August 2021

Berlin Hyp Guidelines for responsible behaviour towards customers, released May 2021

Berlin Hyp AG

Thriffs and Mortgages Germany

GLOSSARY OF TERMS

Beta (Beta, β)






A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

Berlin Hyp AG

Thriffs and Mortgages Germany

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