

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Sustainable Finance Framework

Berlin Hyp AG  
28 March 2022

### VERIFICATION PARAMETERS

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**Type(s) of instruments contemplated**

- Green loans

**Relevant standards**

- Green Loan Principles (June 2021), as administered by LMA
- EU Taxonomy Climate Delegated Act (June 2021)

**Scope of verification**

- Berlin Hyp Sustainable Finance Framework (as of 15.02.2022)
- Berlin Hyp Selection criteria (as of 15.02.2022)

**Validity**

- As long as there is no material change to the Framework

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## Scope of work

|   |  |
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| <p>Berlin Hyp (“the Bank”, or “the company”) commissioned ISS ESG to assist with its Sustainable Finance Framework (“SFF”, or “Framework”) by assessing three core elements to determine the sustainability quality of the Framework:</p> <ol style="list-style-type: none"> <li>1. Green loans link to Berlin Hyp’s sustainability strategy – drawing on Berlin Hyp’s overall sustainability profile and issuance-specific Use of Proceeds categories.</li> <li>2. Berlin Hyp’s Sustainable Finance Framework (15.02.2022 version) – benchmarked against the Loan Market Association’s (LMA) Green Loan Principles (GLP) (June 2021)<sup>1</sup>.</li> <li>3. The Selection criteria – whether the nominated project categories contribute positively to the UN SDGs, perform against ISS ESG’s issue-specific key performance indicators (KPIs) 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.</li> </ol> | <p>Die Berlin Hyp („die Bank“ oder „das Unternehmen“) beauftragte ISS ESG mit der Unterstützung ihres Sustainable Finance Framework („SFF“ oder „Framework“) durch die Bewertung von drei Kernelementen zur Bestimmung der Nachhaltigkeitsqualität des Frameworks:</p> <ol style="list-style-type: none"> <li>1. Die Verknüpfung grüner Kredite mit der Nachhaltigkeitsstrategie der Berlin Hyp – auf der Grundlage des allgemeinen Nachhaltigkeitsprofils der Berlin Hyp und der emissionspezifischen Verwendungskategorien der Erlöse.</li> <li>2. Das Sustainable Finance Framework der Berlin Hyp (Version vom 15.02.2022) – im Vergleich zu den Green Loan Principles (GLP) der Loan Market Association (LMA) (Juni 2021).</li> <li>3. Die Auswahlkriterien – ob die nominierten Projektkategorien einen positiven Beitrag zu den SDGs der Vereinten Nationen leisten, sich an den ESG-themenspezifischen Leistungsindikatoren (KPIs) von ISS messen lassen und mit den technischen Screening-Kriterien der EU-Taxonomie (einschließlich der Kriterien für die Abschwächung des Klimawandels und die Vermeidung erheblicher Schäden) (Juni 2021) und den Mindestanforderungen für soziale Garantien.</li> </ol> |
|---|--|

<sup>1</sup> It is noted that the purpose of Berlin Hyp’s SFF is to classify sustainable financing products holistically, rather than undertaking specific issuances or other transactions. The LMA GLP have been considered as the most relevant market standard, even though not all prescribed practices are considered to be relevant for the intention of this Framework.

Es wird darauf hingewiesen, dass der Zweck des SFF der Berlin Hyp darin besteht, nachhaltige Finanzierungsprodukte ganzheitlich zu klassifizieren, anstatt spezifische Emissionen oder andere Transaktionen durchzuführen. Die LMA GLP wurden als der relevanteste Marktstandard betrachtet, auch wenn nicht alle vorgeschriebenen Praktiken als relevant für die Intention dieses Frameworks angesehen werden.

## ISS ESG ASSESSMENT SUMMARY

| SPO SECTION  | SUMMARY   | EVALUATION <sup>2</sup>  |
|--|---|--|
| <p><b>Part 1:</b></p> <p><b>Green loans link to Bank's sustainability strategy</b></p> | <p>According to the ISS ESG Corporate Rating published on 12.02.2022, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Mortgage &amp; Public Sector Finance sector. The issuer is rated 4<sup>th</sup> out of 130 companies within its sector.</p> <p>ISS ESG finds that the Use of Proceeds financed through these green loans are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing green lending products is clearly described by the issuer.</p> | <p><b>Consistent with issuer's sustainability strategy</b></p> |
| <p><b>Part 2:</b></p> <p><b>Implementation of the applicable GLP requirements</b></p>  | <p>The issuer has defined a formal concept for its green loans regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. To the extent applicable, this concept has implemented the Green Loan Principles.</p>   | <p><b>Implemented<sup>3</sup></b></p>                          |
| <p><b>Part 3:</b></p> <p><b>Sustainability quality of the Selection criteria</b></p>   | <p>The Green loans 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><b>Positive</b></p>   |
| <p><b>Part 4:</b></p> <p><b>Alignment with EU Taxonomy</b></p>                         | <p>ISS ESG assessed the alignment of Berlin Hyp's selection criteria (for its "taxonomy loans") against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021) on a best-efforts basis<sup>4</sup>. Based on robust processes for selection, the nominated project categories are considered to be:</p> <ul style="list-style-type: none"> <li>• Aligned with the Climate Change Mitigation Criteria</li> <li>• Aligned with the Do No Significant Harm Criteria</li> <li>• Aligned with the Minimum Social Safeguards requirements</li> </ul>                                      |  |

<sup>2</sup> ISS ESG's evaluation is based on the Berlin Hyp's Sustainable Finance Framework (as of 15.02.2022), on the analysed Selection criteria, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 12.02.2022).

<sup>3</sup> It is noted that the purpose of Berlin Hyp's SFF is to classify sustainable financing products holistically, rather than undertaking specific issuances or other transactions. The LMA GLP have been considered as the most relevant market standard, even though not all prescribed practices are considered to be relevant for the intention of this Framework.

<sup>4</sup> 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". Moreover, it is noted that the assessment of alignment with EU Taxonomy requirements is to a large extent based on the commitment of the issuer with respect to future loan origination.

## ISS ESG SPO ASSESSMENT

### PART I: GREEN LOANS 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 |
|-------------------|---|-------------|--------------------|
| <b>BERLIN HYP</b> | <b>MORTGAGE &amp; PUBLIC SECTOR FINANCE</b> | <b>1</b>    | <b>VERY HIGH</b>   |

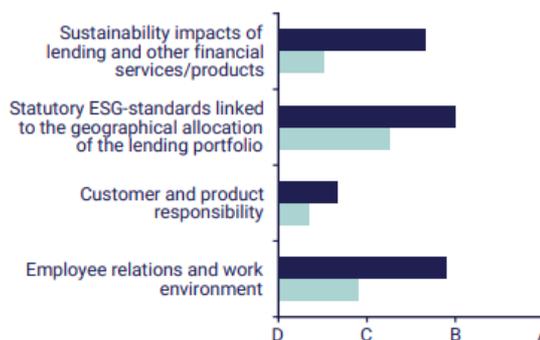
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Mortgage & Public Sector Finance sector and obtains a Decile Rank relative to industry group of 1, which indicates the highest relative ESG performance out of 10.

#### ESG performance

As of 07.03.2022, this Rating places Berlin Hyp 4<sup>th</sup> out of 130 companies rated by ISS ESG in the Mortgage & Public Sector Finance sector.

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.

#### Key Issue Performance



Legend: Industry (light blue), Company (dark blue)

#### 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, Tier 2, Commercial Paper). Underlying assets qualify for Berlin Hyp's Green Finance Portfolio through certain green building standards, such

as BREEAM, LEED or DGNB and through energy-efficiency certificates<sup>5</sup>. 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 book 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 investors and developers 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.

<sup>5</sup> ISS ESG notes that, as part of the renewed Green Bond Framework, Berlin Hyp as included eligibility criteria that are aligned with the EU Taxonomy.

*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   |
|--|----------------------------------|---------------------|---|
| <b>Financing of affordable housing</b>         | 3%                               | CONTRIBUTION        |    |
| <b>Financing of energy-efficient buildings</b> | 22%                              | CONTRIBUTION        |    |

*Breaches of international norms and ESG controversies*

The company is not facing any controversy.

**B. CONSISTENCY OF GREEN LOANS WITH BERLIN HYP’S SUSTAINABILITY STRATEGY**

*Key sustainability objectives and priorities defined by the issuer*

In August 2020, Berlin Hyp initially published its sustainability agenda, which was further expanded in October 2021 with the publication of the ESG target picture. One dimension of this relates to the “Sustainable Business Portfolio”, which the bank considers as the biggest lever for achieving its sustainability targets. The bank states its goal to support its customers with their transformation to more energy-efficient, sustainable buildings and has defined the following strategic ESG dimensions for this purpose:

- Expansion of financing for energy-efficient real estate in accordance with the EU taxonomy
- Creation of 100% portfolio transparency
- Reduction of CO2 intensity in the portfolio
- Climate-neutral portfolio by 2050 at the latest
- Advising and financing clients in the transition to energy efficient properties
- Consideration of ESG factors in valuation of borrowers and real estate
- Further development of leading position in the ESG capital market

According to Berlin Hyp, its focus is not solely on ecological aspects, but the bank takes a holistic approach to lending and also consider other ESG aspects. This means that in the near future, the provision of appropriate financing products will also increase the focus on social aspects.

### *Rationale and background of Sustainable Finance Framework*

With the conception of the SFF, Berlin Hyp has created an overarching framework to classify sustainable financing products holistically. The sustainable financing products are classified on the basis of suitability criteria. The sustainable financing products in turn form the basis for Berlin Hyp's sustainable capital market products, which are published in separate frameworks.

The bank aligns its green loans with own sustainability standards and regulatory standards, which are based on various eligibility criteria:

- *Energy Efficiency Loan*
- *Taxonomy Loan*

Both green loans can also be structured as transformation loans. The transformation loan is used to finance measures to improve the energy and climate performance of buildings. The transformation of a building is supported for both eligibility criteria (taxonomy credit or energy efficiency credit). The focus of the transformation credit is to be on the adaptation of a building in accordance with the eligibility criteria for a taxonomy credit.

Berlin Hyp states its goal to successively increase the proportion between the financing products "Energy Efficiency Loan" and "Taxonomy Loan" in favor of the Taxonomy Loan over the next few years. It is intended that Berlin Hyp will integrate taxonomy loans into its Green Loan portfolio as early as 2022. Table 1 shows the planned breakdown between new energy efficiency loans and new taxonomy loans to be included in the bank's green loan portfolio per year.

| Year | Maximum percentage of new energy efficiency loans (until end of year) | Minimum percentage of the new Taxonomy credits (until the end of the year) |
|------|---|--|
| 2022 | 95%   | 5%   |
| 2023 | 85%   | 15%  |
| 2024 | 70%   | 30%  |
| 2025 | 40%   | 60%  |
| 2026 | 0%  | 100%   |

*Table 1: Breakdown of green loans*

The SFF is designed with the intention of successively expanding the bank's sustainability activities. The Framework is reviewed by Berlin Hyp annually or on an ad hoc basis and its strategic design is adjusted accordingly. The event-related revisions include, for example, new product launches or the revision of suitability criteria for sustainable financing.

*Contribution of Use of Proceeds categories to sustainability objectives and priorities*

ISS ESG mapped the Use of Proceeds categories included in the Sustainable Finance 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 categories are consistent with Berlin Hyp’s sustainability strategy and material ESG topics for the industry. The rationale for putting forward a Sustainable Finance Framework is clearly described by the bank.*

## PART II: ALIGNMENT WITH GREEN LOAN PRINCIPLES

### 1. Use of Proceeds

#### FROM SUSTAINABLE FINANCE FRAMEWORK

For the SFF, Berlin Hyp has defined sustainability-specific eligibility criteria for new construction, acquisition and ownership, and renovation of commercial and residential buildings, as well as general exclusion criteria.

Eligibility criteria are reported using two standards:

#### 1. Energy Efficiency Loan

Energy efficiency loans are secured by energy efficient and environmentally friendly buildings. The eligibility criteria for energy-efficient real estate financing form the basis for environmentally sustainable loans.

#### 2. Taxonomy Loan

Taxonomy loans are used to finance buildings or construction activities adapted to the EU taxonomy. The eligibility criteria for real estate financing pursuant to the Delegated Regulation on the EU Taxonomy form the basis for the taxonomy loans.

#### Exclusion criteria for non-sustainable industries

Berlin Hyp has had exclusion criteria for environmentally non-sustainable real estate financing in place for years, and these are being tightened up on an ongoing basis.

The following exclusion criteria apply to all financing products: Eligible green loans must also meet other environmental and/or social criteria. These assets may not be used for the production of weapons, pesticides, tobacco, pornography, nuclear power, coal, oil and fossil fuels.

#### Eligibility criteria for energy efficiency loans

The eligibility criteria for energy efficiency loans are summarized in the table below.

| Measure  | Suitability criteria                             |
|--|--|
| Construction of new commercial and residential buildings | Thresholds for total <sup>7</sup> energy demand: |

<sup>7</sup> Derived from the German Energy Saving Ordinance (EnEV 2016) and the Building Energy Act (GEG 2020). Subject to annual review by the ISS-ESG, these reference values form the basis for this set of eligibility criteria. They refer to the final energy demand. When a building's energy certificate refers to final energy consumption, the above thresholds represent the maximum allowable final energy consumption. If in certain cases the use of modern technology in/on the building (e.g. combined heat and power plants, heat recovery systems, etc.) leads to a significant reduction in primary energy demand, the primary energy demand value may be used as an alternative.

|  |  |
|--|--|
| <p>Acquisition and ownership of commercial and residential buildings</p> <p>Renovation<sup>6</sup> of commercial and residential buildings</p> | <p>Energy efficient properties with a total energy demand or consumption that should not be exceeded:</p> <ul style="list-style-type: none"> <li>- Residential <math>\leq 60\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Office <math>\leq 140\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Retail <math>\leq 135\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Hotels <math>\leq 155\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Logistics <math>\leq 65\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Light industrial <math>\leq 170\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> </ul> <p>Breakdown of thresholds for total energy demand:</p> <p>Thresholds for energy demand heating:</p> <ul style="list-style-type: none"> <li>- Residential <math>\leq 60\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Office <math>\leq 80\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Retail <math>\leq 60\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Hotels <math>\leq 95\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Logistics <math>\leq 30\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Light industrial <math>\leq 105\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> </ul> <p>Thresholds for energy demand electricity:</p> <ul style="list-style-type: none"> <li>- Residential - no threshold</li> <li>- Office <math>\leq 60\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Retail <math>\leq 75\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Hotels <math>\leq 60\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Logistics <math>\leq 35\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>- Light industrial <math>\leq 65\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> </ul> <p>OR/AND</p> <p>Buildings that have an energy certificate that is at least class A or that meet the other suitability criteria documented in the documented suitability criteria.</p> <p>OR/AND</p> <p>External sustainability certificates:</p> <ul style="list-style-type: none"> <li>- LEED: Gold or above</li> <li>- BREEAM: Very Good or above</li> <li>- DGNB: Gold or above</li> <li>- HQE: High Level or above</li> </ul> |
|--|--|

<sup>6</sup> When buildings are renovated, the eligibility criteria are evaluated based on the energy certificate issued after the renovation.

Table 2: Eligibility criteria energy efficiency loan

The suitability criteria, which relate to threshold values for energy demand for heating on the one hand and energy demand for electricity on the other, must both be met. The main decision criterion is therefore the sum of the energy demand for heating and electricity. In order to prevent buildings with a weak building envelope from an energy point of view or with a disproportionate electricity energy demand from being included in the Green Loan Portfolio, the maximum values per energy demand category may not exceed the respective category threshold by more than 20% (except for residential buildings).

### Eligibility criteria for taxonomy loans<sup>8</sup>

The eligibility criteria for taxonomy credits for significant contribution to climate change mitigation and for the corresponding DNSH criteria are shown in the table below and are summarized in accordance with the technical assessment criteria in Annex I to the Delegated Regulation on the EU Taxonomy.

| Economic activity   | Suitability criteria  |
|---|---|
| <p>New construction of commercial and residential buildings with <u>building application<sup>9</sup> ≤ 2020</u></p> <p>Acquisition and ownership of commercial and residential buildings with <u>building application ≤ 2020</u>.</p> | <p><u>Energy class</u>: buildings that have an energy certificate<sup>10</sup> corresponding to at least class A.</p> <p>OR/<br/>AND</p> <p><u>Top 15%</u>: Buildings that are in the top 15% of the 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"> <li><b>Annual study of the German real estate market</b>: Thresholds for total energy demand set by an external consultant that correspond to the top 15% of the national building stock</li> <li><b>CBI top 15%</b>: Buildings with a carbon intensity (kgCO/m<sup>2</sup> p.a.) below the top 15% target, calculated using the CBI method.<sup>11</sup></li> </ol> <p>AND</p> <p>Additionally, for completed non-residential buildings that have a rated capacity of &gt;290 KW, proof of energy efficiency monitoring and evaluation is required.</p> |
| <p>Construction of new commercial and residential buildings with <u>building application ≥ 2021</u>.</p>  | <p>The primary energy demand of the building is at least 10% below the thresholds set out in the national measures implementing Directive 2010/31/EU for ultra-low energy buildings (NZEB). It is demonstrated by an energy performance certificate (EPC) or, before obtaining such a certificate, by a document submitted to the building authorities to prove the energy performance of the building.</p>   |

<sup>8</sup> It is noted that an assessment of the eligibility criteria with the EU Taxonomy is undertaken by ISS ESG in Part III of this report.

<sup>9</sup> We measure the review of economic activities in relation to construction before or after December 31, 2020 by the date on which the construction application documents were submitted to the Building Authority for legal review and approval.

<sup>10</sup> The verification of the energy class and/or primary energy demand of all suitability criteria in Table is carried out using energy demand or energy consumption certificates.

<sup>11</sup> <https://www.climatebonds.net/standard/buildings/commercial/calculator#calculator>

|   |  |
|---|--|
| <p>Acquisition and ownership of commercial and residential buildings with <u>building application</u> <math>\geq</math> 2021.</p> | <p>AND For buildings larger than 5,000m<sup>12</sup>, the resulting building is tested for air tightness, thermal integrity, and global warming potential.</p> <p>AND Additionally, for completed non-residential buildings that have a rated capacity of &gt; 290 KW, proof of energy efficiency monitoring and evaluation is required.</p> |
| <p>Renovation of commercial and residential buildings</p>   | <p>The renovation leads to a reduction in primary energy demand of at least 30%, comparing the last energy certificate before the renovation with the energy certificate after the renovation.</p>   |

**Table 3: "Significant contribution to climate protection" of loans for buildings/construction measures adapted to the EU taxonomy.**

The framework of the EU taxonomy defines qualitative and/or quantitative thresholds in relation to the technical assessment criteria for the environmental objective 1 "climate protection". If threshold values are partly not (yet) clearly defined, the determination of these threshold values is carried out together with relevant studies that are not older than twelve months.

Further sustainable activities for individual renovation measures corresponding to sections 7.3, 7.4, 7.5 or 7.6 of the EU Taxonomy Regulation can be added successively and according to need.

<sup>12</sup> Berlin Hyp measures the threshold value for the size of the building by the heatable area according to the energy performance certificates.

| DNSH criterion  | Suitability criterion  |
|---|--|
| <p>Environmental Goal 2:<br/>Adaptation to climate change</p>                                 | <p>A climate risk and vulnerability assessment analysis was prepared, showing the physical risks identified. An adaptation plan has been prepared to reduce the significant risks associated with the economic activity.</p>   |
| <p>Environmental Goal 3:<br/>Sustainable use and protection of water and marine resources</p> | <p>(a) Maximum flushing volume/water flow rate</p> <p>Within the scope of the economic activity, the requirement for maximum flushing volume and water flow rate, including the technical specifications for sanitary equipment in accordance with Annex I to the Delegated Regulation on EU Taxonomy, are complied with for commercial buildings.</p> <p>(b) General criteria for the sustainable use and protection of water and marine resources</p> <p>Risks of environmental degradation related to maintaining water quality and preventing water scarcity are identified and addressed in accordance with Annex B of the Delegated Regulation on EU Taxonomy.</p>   |
| <p>Environmental Goal 4:<br/>Transition to the circular economy</p>                           | <p>Compliance with the percentage of recycling and the limitation of waste generation in accordance with Directive 2008/98/EC of 19 November 2008 on waste (known as the Waste Framework Directive).</p> <p>The building design adapted to the circular economy is carried out taking into account the ISO 20887 standard or comparable standards.</p>   |
| <p>Environmental Goal 5:<br/>Pollution prevention and control</p>                             | <p>(a) Contaminated sites</p> <p>If the new construction is built on a site potentially affected by pollutants, a standardized investigation documentation is carried out according to ISO 18400 or comparable standards.</p> <p>(b) Environmental pollution from chemicals</p> <p>The criteria for the prevention of environmental pollution by chemicals according to Annex C of the Delegated Regulation on EU Taxonomy are met for the new building.</p> <p>(c) Proportion of formaldehyde and carcinogen-volatile compounds</p> <p>The emission limit values according to Section 7.1 of the Delegated Regulation on EU Taxonomy, related to formaldehyde and carcinogen volatile organic compounds in building components and building materials with which occupants may come into contact, are complied with for the new building.</p> |

|   |   |
|---|---|
|   | <p>(d) Reduction of noise/dust/pollutant emissions</p> <p>Measures will be taken to reduce noise/dust/pollutant emissions during construction.</p>  |
| <p>Environmental Goal 6:<br/><br/>Protection and restoration of biodiversity and ecosystems</p> | <p>(a) Environmental Impact Assessment</p> <p>Where compensatory measures are prescribed as part of a required environmental impact assessment, these have been or will be implemented.</p> <p>(b) Site Requirements</p> <p>The site exclusions in accordance with Section 7.1 of the Delegated Regulation on EU Taxonomy on arable land, cultivated land, uncultivated land and forest land are complied with for the new development.</p> |

Table 4: Avoidance of significant adverse effects with a substantial contribution to climate protection - "Do No Significant Harm".

Only the relevant DNSH criteria for the respective economic activity are included in the audit.

In addition, compliance with a minimum set of social safeguards (Minimum Safeguards) must be confirmed.

**Opinion:** ISS ESG considers that the Use of Proceeds description provided by Berlin Hyp's Sustainable Finance Framework is implementing the Green Loan Principles. Environmental benefits are described and quantified. Moreover, the Bank defines exclusion criteria for harmful projects categories, in line with best market practice.

## 2. Process for Project Evaluation and Selection

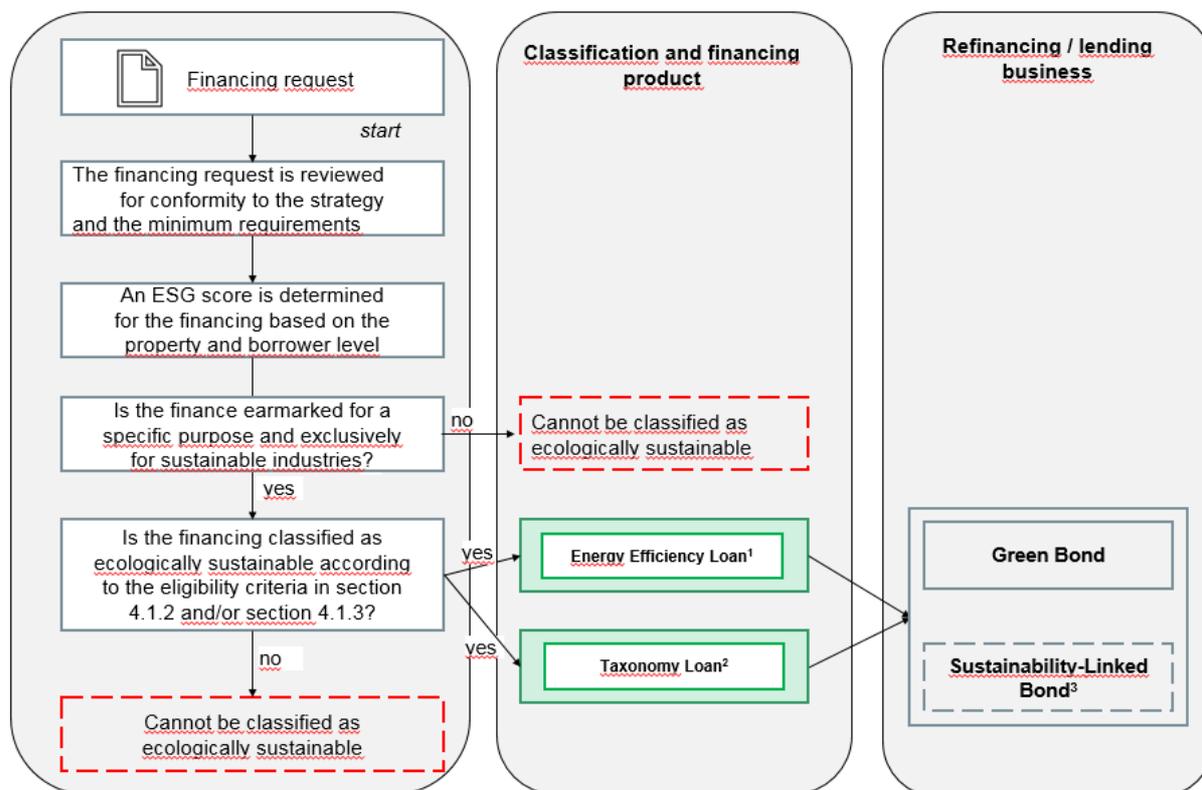
### FROM SUSTAINABLE FINANCE FRAMEWORK

Berlin Hyp takes care to ensure that eligible sustainable loans comply with national and international environmental and social standards as well as local laws and regulations. For this purpose, the bank has established a Sustainable Finance Commission (SFC), which is composed of various representatives of the bank. These include all units involved in the financing value chain: Sales, Portfolio Management, Credit, Valuation and Treasury. In addition, Risk Controlling and Corporate Strategy are also part of the SFC. In its regular meetings, the SFC discusses, among other things, whether the measures described in the previous section still comply with best market practice and the relevant regulations. If this is not the case, the SFC will discuss possible changes and decide how to adjust the suitability criteria. Any changes to the suitability criteria may only result in more stringent criteria, i.e., lower thresholds for energy demand and/or consumption. Changes to the suitability criteria may only be made as a result of future changes to the EU taxonomy or its relevant delegated regulations.

In order to determine whether a financing or an asset corresponds to one of the two financing products described above, Berlin Hyp can use its own expertise or draw on external consultants and their data sources.

As a decision-making aid for the classification of environmentally sustainable loans, Berlin Hyp has designed a decision tree with guiding questions (see Figure 1):

- These questions lead to a clear classification of the loan, either as ecologically sustainable or as not ecologically sustainable. However, this classification does not exclude non-sustainable financing, i.e., in principle, loans that are not ecologically sustainable can also be financed.
- At the beginning, the loan is checked for strategy conformity and for compliance with the minimum requirements for financing defined by Berlin Hyp.
- In order to live up to its claim of being a sustainable real estate financier, an ESG scoring is carried out for all financings, which takes into account information about the project to be financed as well as sustainability aspects of the borrower.
- The allocation of a financing to our Green Loans is only possible with a clear earmarking as well as with the documentation that the loan will not be used for excluded industries.
- The essential core of the decision tree is formed by the questions surrounding the list of eligibility criteria for Green Loans in accordance with the criteria outlined above, which are promoted by Berlin Hyp. In the case of the loan's suitability for an environmentally sustainable classification, this loan can be refinanced through the issuance of Green Bonds and contribute to the respective ESG target defined for the Sustainability-Linked Bond. Thus, the loan directly or indirectly supports the objectives of Berlin Hyp.



<sup>1</sup> Loans for energy-efficient, environmentally friendly buildings

<sup>2</sup> Credits for buildings/construction activities adapted to EU taxonomy contribute significantly to climate protection

<sup>3</sup> Proceeds from the issuance of this bond do not necessarily serve to refinance sustainable assets (no use of proceeds), but primarily for general corporate financing purposes

Figure 1: Decision tree of the Sustainable Finance Framework

Berlin Hyp's selection and evaluation process aims to ensure that the two criteria set previously align with the described eligibility criteria at the earliest possible stage of the lending process. Borrowers are therefore requested to submit relevant documents on the suitability for Green Loans, such as energy requirement calculations, energy performance certificates, sustainability certificates and other essential documents, if already available, early on at the beginning of the acquisition process.

1. The Valuation unit performs an indicative assessment of the eligibility for one of the two Green Loans in terms of energy efficiency or the technical assessment criterion on primary energy demand according to EU taxonomy. From this, it can be derived which loan conformity is possible, either that according to energy efficiency or EU taxonomy.
2. The Valuation department collects and documents the ESG data on the property, while the Sales department determines the data on the borrower (ESG analysis tool). An overall ESG score is determined from the result of the ESG data.
3. Portfolio management determines the contribution of the financing application to the development of the business portfolio for the New Business Committee. This also includes the contribution to meeting the ESG target.
4. The New Business Committee evaluates the loan application, incorporating the results of the initial SFF review and considering the overall indicative ESG score.
5. Because Berlin Hyp incentivizes eligible green financing through reduced terms compared to other loans, a preliminary analysis of the eligibility criteria for green loans must be conducted prior to pricing in accordance with Sections **Error! Reference source not found.** and **Error! Reference source not found.** shall be conducted. To this end, for loans that meet the primary energy requirement criterion under sec. **Error! Reference source not found.** a confirmation on the other technical assessment criteria as well as the respective DNSH criteria and on the compliance with the Minimum Safeguards pursuant to section **Error! Reference source not found.** shall be submitted. The sales department verifies the completeness of the fulfillment of the eligibility criteria.
6. Credit acknowledges the assessment of ESG factors as part of the financing application. The overall ESG score is incorporated into the loan resolution.
7. Data management staff document the issuance of a green loan in the Bank's credit monitoring system.
8. For the use of financing under the Green Bond Issue, Treasury shall determine whether the financing is one of the two types described above and whether it should be included in Berlin Hyp's green loan portfolio. This ensures a dual control principle in the identification process. Only loans that have been confirmed by the Treasury division after the assessment of the suitability criteria of the Valuation and Sales divisions are classified by Data Management as Green Bond eligible or taxonomy-compliant in the Bank's credit system.

In each case, data on the energy efficiency and sustainability of the properties is entered into the credit system, even if a property does not meet the eligibility criteria. As this process is applied to all new business, it pays towards one of Berlin Hyp's longer-term goals of providing evidence of the energy efficiency of its entire mortgage loan portfolio.

If documents proving the eligibility of a loan - such as the energy certificate - expire, Berlin Hyp requests its borrower to submit new evidence in order to reassess the eligibility of the loan. The borrower is given a period

of one year to submit new evidence. If a financing does not meet either of the two described eligibility criteria, it will be removed from the Bank's green financing portfolio.

Berlin Hyp has firmly anchored the SFF in its internal processes for evaluating and selecting suitable financing within the credit process. The review process guarantees the expedient application and control of sustainable creditworthiness for each loan application.

Berlin Hyp is continuously working on improving the processes for ESG assessment in the lending process and for evaluating the compliance of financing with the new criteria defined in section **Error! Reference source not found.** defined new eligibility criteria. Therefore, Berlin Hyp reserves the right to further develop its selection and assessment process at any time to reflect these improvements.

Further details on the Green Bond Framework and Sustainability-Linked Bond Framework are published on Berlin Hyp's website.

**Opinion:** ISS ESG considers that the Process for Project Evaluation and Selection description provided by Berlin Hyp's Sustainable Finance Framework is implementing the Green Loan Principles. The Bank clearly and transparently defines responsibilities in the process for project evaluation and selection, and involves various stakeholders in this process, in line with best market practice. Moreover, Berlin Hyp accounts for potential ESG risks associated with its assets on both a project and client level.

### 3. Management of Proceeds

#### FROM SUSTAINABLE FINANCE FRAMEWORK

The loan provided by Berlin Hyp as part of a Green Loan is subject to earmarking for the new construction, acquisition, ownership or renovation of commercial and residential buildings.

Each of these credits is clearly traceable to:

- the borrower
- the financing object in the case of taxonomy loans
- the collateral object in the case of energy efficiency loans and/or taxonomy loans
- A Green Loan (energy efficiency loan and/or taxonomy loan).
- For taxonomy loans, additionally on the economic activity (new construction, acquisition/ownership and renovation).

Taxonomy loans used to finance multiple economic activities, such as acquisition and renovation, are recorded in separate loan accounts to ensure transparency requirements. As previously described, the result is stored in Berlin Hyp's credit monitoring system. All verification documents and confirmations from the borrower are archived in the electronic financing file.

**Opinion:** ISS ESG finds that the Management of Proceeds proposed by Berlin Hyp's Sustainable Finance Framework is implementing the Green Loan Principles. For Taxonomy loans used to finance multiple economic activities, the Bank commits to segregate the proceeds collected by having them in a separate account, in line with best market practices.

### 4. Reporting

**FROM SUSTAINABLE FINANCE FRAMEWORK**

Reporting of the sustainable loans presented is carried out on the Berlin Hyp website.

Information on energy efficiency loans and taxonomy loans is part of Berlin Hyp's sustainability reporting, with the details laid out in the table below.

| Reports with a high level of detail  | Reports with lower level of detail  |
|--|---|
| <p>Annual reporting Green Bond</p> <ul style="list-style-type: none"> <li>• Development of eligible assets in Berlin Hyp's balance sheet and in its mortgage cover pool according to different characteristics</li> <li>• Information on new business in eligible assets since the date of the last report</li> <li>• Progress report on fulfillment of commitment to invest amounts equal to the issue amount in new, sustainable assets during the bond term</li> <li>• CO<sub>2</sub> savings (impact reporting) measured against benchmarks</li> </ul> | <p>Non-financial statement</p> <ul style="list-style-type: none"> <li>• Information on the issue volumes of green bonds and sustainability-linked bonds (from 2022)</li> <li>• Information on CO<sub>2</sub> emission avoidance achieved with green bonds</li> </ul>  |
| <p>Impact Reporting Template</p> <ul style="list-style-type: none"> <li>• CO<sub>2</sub> emission savings measured against one or more benchmarks.</li> </ul>  | <p>Global Reporting Initiative (GRI) Report</p> <ul style="list-style-type: none"> <li>• Breakdown of total annual mortgage loan volumes, green loan portfolio and green bond issues</li> </ul>   |
| <p>Sustainability-Linked Bond Report (from 2022)</p> <ul style="list-style-type: none"> <li>• Statements on the carbon intensity and average energy requirements of the loan portfolio</li> </ul>  | <p>Environmental statement</p> <ul style="list-style-type: none"> <li>• Facts and figures on product ecology: Green loan portfolio, mortgage loans of the past 2 years</li> <li>• Share of environmentally sustainable financing in the overall portfolio and indication of CO<sub>2</sub> emissions saved</li> </ul> |
| <p>Harmonised Transparency Template (HTT, cover pool only), Harmonised Disclosure Template (HDT, entire portfolio)</p> <ul style="list-style-type: none"> <li>• Development of the energy efficiency of the real estate portfolio, including the subdivision into ecologically sustainable and ecologically non-sustainable on the basis of the Berlin Hyp suitability criteria</li> </ul>   | <p>Disclosure Report</p> <ul style="list-style-type: none"> <li>• Indication of the "Green Asset Ratio", which indicates the amount of EU taxonomy-compliant financing</li> </ul>   |

Table 5: Overview of sustainability reporting

**Opinion:** ISS ESG finds that the reporting proposed by Berlin Hyp's Sustainable Finance Framework is implementing the Green Loan Principles. In particular, the Bank's commitment on impact reporting and external review are in line with best market practices.

## External review

### FROM SUSTAINABLE FINANCE FRAMEWORK

#### Second Party Opinion

Berlin Hyp has appointed ISS ESG to assess the sustainability of its Sustainable Finance 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 Sustainable Finance 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 LOANS TO THE UN SDGs

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

This assessment is displayed on 5-point scale:

|                                    |                                |                          |                                 |                                     |
|------------------------------------|--------------------------------|--------------------------|---------------------------------|-------------------------------------|
| <b>Significant<br/>Obstruction</b> | <b>Limited<br/>Obstruction</b> | <b>No<br/>Net Impact</b> | <b>Limited<br/>Contribution</b> | <b>Significant<br/>Contribution</b> |
|------------------------------------|--------------------------------|--------------------------|---------------------------------|-------------------------------------|

Each of the green loans' 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   |
|--|--|---|
| <b>Green Buildings</b><br>LEED Gold or above, BREEAM Very Good or above, DGNB Gold or above, HQE High Level or above   | <b>Significant Contribution</b>              |   |
| <b>Green Buildings</b><br>EPC-labelled buildings with the following energy-efficiency thresholds: <ul style="list-style-type: none"> <li>Residential <math>\leq 60\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>Office <math>\leq 140\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>Retail <math>\leq 135\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>Hotels <math>\leq 155\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>Logistics <math>\leq 65\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> <li>Light industrial <math>\leq 170\text{kWh}/(\text{m}^2\cdot\text{a})</math></li> </ul> | <b>Limited Contribution<sup>13</sup></b>     |  |
| <b>Green Buildings</b><br>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  | <b>Significant contribution<sup>14</sup></b> |  |
|  | <b>Limited Contribution</b>                  |  |

<sup>13</sup> 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.

<sup>14</sup> 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<sup>15</sup>

Limited  
Contribution



<sup>15</sup> 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.

## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA<sup>16</sup>

### Green Buildings

As a Use of Proceeds category, *Green Buildings* has a positive contribution to the SDGs 7 “Clean and Sustainable Energy Use”, 11 “Sustainable cities and communities” and 13 “Climate Action”. The table below presents the findings of an ISS ESG assessment of the Selection Criteria against ISS ESG KPIs.

#### ASSESSMENT AGAINST ISS ESG KPI

##### Site selection

- ✓ The issuer has a policy in place for responsible site selection. Under this policy, clients are required to disclose environmental information in an ESG-questionnaire and EU Taxonomy-questionnaire.
- The Bank does not have a policy in place to ensure that majority of assets to be (re)-financed are located within 1 km from one or more modalities of public transport. However, it is noted that Berlin Hyp aims to finance buildings in metropolitan areas with extensive public transportation systems.

##### Construction standards

- ✓ With regards to health and safety standards on construction sites, the bank predominantly finances assets in Germany, where laws and regulations are in place ensuring construction safety standards. For assets financed in other European Union countries the bank checks compliance through taxonomy questionnaires.
- The issuer does not have comprehensive policy or measures in place regarding sustainable procurement of building material. However, it is noted that for assets that are BREEAM certified, the Certification includes sustainable procurement.

##### Water use minimization in buildings

- The Bank does not have a policy in place that systematically ensures that certain water consumption thresholds are met. However, it is noted that for new construction projects, Berlin Hyp obtains confirmation of compliance with the flushing volume and water flow rate by means of a EU Taxonomy questionnaire addressing the DNSH criterion "Sustainable use and protection of water and marine resources".

##### Safety of building users

- ✓ Regarding the safety of building users, the Bank exclusively finances assets in Germany, where laws and regulations are in place ensuring the safety of building users. This includes emergency exits, (smoke) alarm systems etc. as outlined in the National and Regional Building Code as well as in the Fire Protection Ordinance and the Fire Protection Regulations.

<sup>16</sup> It is noted that this assessment is only considered relevant for the assets (re)-financed under this Framework that are not compliant with the EU Taxonomy, as the DNSH and MSS requirements are considered to comprehensively cover relevant ESG-risks associated with the assessed activities.

## C. 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 its "taxonomy loans" with the relevant Climate Change Mitigation, Do Not Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act<sup>17</sup> (June 2021), based on information provided by Berlin Hyp<sup>18</sup>. 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.

<sup>17</sup>[https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

<sup>18</sup> 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 <sup>19</sup>   | ALIGNMENT   |
|--|--|---|
| <b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>   |  |   |
| <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 m<sup>2</sup>, 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 m<sup>2</sup>, 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 relevant loans will only be granted 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. &amp; 3. With respect to buildings larger than 5000 m<sup>2</sup>, 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> |  |
| <b>2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA</b>   |  |   |
| GENERIC CRITERIA FOR (2)   | See B.4  |  |
| <b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>   |  |   |

<sup>19</sup> This column is based on input provided by the issuer. Moreover, it is noted that the implementation of the verification processes laid out in this column is undertaken by means of an EU Taxonomy questionnaire that is provided to potential borrowers to consider eligibility of the assets for the EU Taxonomy loan pool.

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):

- (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.

To avoid impact from the construction site, the activity complies with the criteria set out in Appendix B the Annex of the Delegated Act.

Berlin Hyp confirms to meet these requirements by requesting compliance with the criteria 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.

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



**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 to construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using

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.



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 m<sup>3</sup> 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 m<sup>3</sup> 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 asks the borrowers to confirm they are compliant with the criteria and 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. Berlin Hyp asks the borrowers to confirm that an environmental impact assessment, in accordance with Directive 2011/92/EU, has been carried out.</p> | <p style="text-align: center;">✓</p> |
|---|---|--------------------------------------|

**B.2 7.2 Renovation of existing Buildings**

| EU TAXONOMY REQUIREMENT   | GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES  | ANALYSIS AGAINST REQUIREMENT         |
|---|---|--------------------------------------|
| <b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>  |   |                                      |
| <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 relevant loans will only be granted 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> |
| <b>2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA</b>  |   |                                      |
| <p>GENERIC CRITERIA FOR (2)</p>   | <p>See B.4</p>  | <p style="text-align: center;">✓</p> |
| <b>3. WATER – DO NO SIGNIFICANT HARM CRITERIA</b>   |   |                                      |

|   |                  |                                      |
|---|------------------|--------------------------------------|
| <p>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:</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>See B.1.3</p> | <p style="text-align: center;">✓</p> |
| <p><b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b></p>   |                  |                                      |
| <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. 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</p> | <p>See B.1.4</p> | <p style="text-align: center;">✓</p> |

|   |                  |   |
|---|------------------|---|
| <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>  |                  |   |
| <b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>   |                  |   |
| <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 m<sup>3</sup> 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 m<sup>3</sup> 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> |  |
| <b>6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>  |                  |   |
| N/A   | N/A              | N/A   |

**B.3 7.7 Acquisition and Ownership of Buildings**

|                                |   |                                     |
|--------------------------------|---|-------------------------------------|
| <b>EU TAXONOMY REQUIREMENT</b> | <b>GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES</b> | <b>ANALYSIS AGAINST REQUIREMENT</b> |
|--------------------------------|---|-------------------------------------|

| <b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>  |   |   |
|---|---|---|
| <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 relevant loans 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"> <li>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</li> <li>b. CBI top 15%: Building with carbon intensity (kgCO<sub>2</sub>/sqm p.a.) under the top 15% target as calculated by the CBI methodology<sup>20</sup></li> </ul> <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> |    |
| <b>2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA</b>  |   |   |
| GENERIC CRITERIA FOR (2)  | See B.4   |  |
| <b>3. WATER – DO NO SIGNIFICANT HARM CRITERIA</b>   |   |   |
| N/A   | N/A   | N/A   |
| <b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>  |   |   |
| N/A   | N/A   | N/A   |
| <b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>   |   |   |

<sup>20</sup> <https://www.climatebonds.net/standard/buildings/commercial/calculator#calculator>

|  |     |     |
|--|-----|-----|
| N/A  | N/A | N/A |
| <b>6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b> |     |     |
| N/A  | N/A | N/A |

**B.4 Generic Criteria for DNSH to Climate Change Adaptation**

| <b>EU TAXONOMY TECHNICAL SCREENING CRITERIA</b>  | <b>GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES</b>  | <b>ANALYSIS AGAINST REQUIREMENT</b>   |
|--|--|---|
| <b>2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA</b>   |  |   |
| <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>The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:</p> <p>(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;</p> <p>(b) for all other activities, the assessment is performed using the highest available</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>In particular, the EU Taxonomy questionnaire provided to borrowers enquires to what extent the different RCP pathways, as well as appropriate lifespans have been taken into account.</p> <p>Berlin Hyp will include in its annual reporting information on how its borrowers’ buildings comply with the requirements mentioned in the left column.</p> |  |

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 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.

### 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 Regulation<sup>21</sup>. 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 in the left column.</p> | <p style="text-align: center;">✓</p> |

<sup>21</sup> <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.
5. We would point out that this SPO, certain images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are the property of ISS and are protected under copyright and trademark law. Any use of such ISS property shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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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 Sustainable Finance 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 loans 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

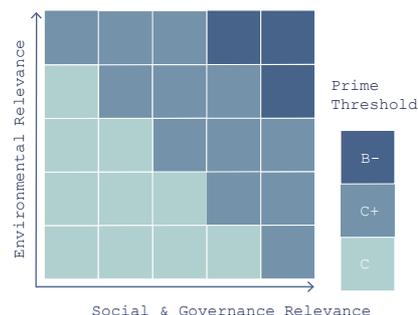
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**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 loans SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the Green Loan Principles and to assess the sustainability credentials of its Green loans, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- LMA Green Loan 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 loans to be issued by Berlin Hyp based on ISS ESG methodology and in line with the LMA Green Loan 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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