



OUR ESG VISION

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

Given the urgency of the situation, the EU has committed itself to reducing CO₂ emissions by 55% by 2030 as compared to the base year of 1990. In addition, the Federal Republic of Germany has adopted a climate action plan that is designed to enable Germany to achieve climate neutrality by 2050. The real estate sector has a very important role to play here given the fact that buildings are responsible for 30% to 40% of total CO₂ emissions in Germany. Public discussion on the topic of sustainability does not just focus on climate neutrality, however, as other ESG factors such as environmental protection and social sustainability are being addressed as well. This paper uses ESG (environmental, social, governance) as a synonym for sustainability.

Sustainability has been a central aspect of our business approach for many years now and is therefore a firm component of our corporate strategy and system of corporate values. Our strategic goal of becoming the most modern commercial real estate financier in Germany also involves the achievement of certain sustainability objectives. We intentionally utilise a broad definition of sustainability here: For us, sustainability means not only reducing our own carbon footprint, as we also believe we need to promote, simplify and finance the transition to a sustainable economy and in this manner contribute to the transformation that is currently under way – not only in terms of ecology but also with regard to the economy and society as a whole.

Our commitment to sustainability encompasses the following four dimensions:





1. Sustainability in business operations

We plan to continuously reduce the adverse environmental effects of our business operations and thus reduce our carbon footprint as much as possible. We seek to achieve the following goals with regard to Berlin Hyp's business operations:

- We are working continuously to reduce our own CO₂ emissions with the aim of achieving climate neutrality in our business operations by 2025 at the latest. To this end, we define implementation targets each year to help us further reduce our emissions. We compensate for any excess CO₂ emissions that may remain by implementing appropriate measures. We already obtain all of our electricity from renewable energy sources. Our new office building in Berlin will make it possible for us to achieve a significant and permanent reduction of our CO₂ emissions as we move ahead towards climate-neutral operations in future. We are making a further important contribution to CO₂ reductions by optimising employee mobility – for example by supporting mobile working arrangements and reducing air travel
- In addition, we have committed ourselves to lowering our resource consumption and managing all resources responsibly. Within the framework of our environmental programme, we have been working continuously since 2016 on, among other things, lowering our water consumption and waste production.
- We also choose our suppliers on the basis of sustainability criteria and use sustainability agreements to ensure that all suppliers commit to complying with our standards.
- As an employer that focuses on sustainability, we support our employees to the greatest extent possible through family-friendly work arrangements and policies, for example, and by offering employees a range of training and continuing education opportunities and health management programmes. We are also firmly committed to diversity and equal opportunity. For example, we have set ourselves the goal of having women account for at least one-third of all managers by 2025.





2. Sustainable business portfolio

We believe that focusing on sustainability in our business portfolio is the key to achieving our sustainability targets. A large number of our customers are already adopting measures to make their business activities more sustainable. We plan ahead and have set ourselves the goal of helping our customers transform buildings into more energy-efficient and sustainable properties. We have therefore defined the following strategic ESG targets:

- We are moving in a direction that will make our portfolio climate neutral by 2050. We are looking to reduce emissions by 40% as early as 2030 (as compared to the base year of 2020). In order to achieve this goal, we plan to increase the share of energy-efficient real estate properties in our portfolio. Certified green buildings are to account for at least one-third of our loans portfolio by 2025.
- These targets can only be met if existing buildings are also made more energy efficient. We act as a reliable partner for our existing customers here and are helping them achieve the transition to energy-efficient buildings by expanding our range of consulting services and products to include the Transformationskredit (transformation loan), for example.
- We are one of the first banks in the world to begin moving towards complete transparency with regard to the carbon footprint of our financed real estate portfolio. We are doing this by systematically recording energy consumption figures, calculating CO₂ emissions and identifying climate risks.
- Sustainable refinancing instruments are another sustainability building block in our value chain. As early as 2015, for example, we issued the first “Green Pfandbrief” on the market and by Q1/2021 our volume of “Green Pfandbrief” issues had grown to €5.8 billion. We were also the first bank in the world to issue a Sustainability-Linked Bond (SLB) and thus directly link our refinancing to our climate targets. In addition, plans call for sustainable refinancing instruments to account for 40% of the Bank’s capital market funding mix by the end of 2025.
- We don’t just focus on environmental aspects, however, as we utilise a holistic approach when making loan decisions and take additional ESG aspects into account as well.



3. ESG risk management

The increasing importance of sustainability presents both opportunities and risks with regard to our business operations. For this reason, we are integrating ESG risks into our risk management systems and processes:

- We are incorporating ESG risks into our risk management framework and systematically integrating them into our risk strategy and risk management processes, thereby ensuring that we can effectively address both financial and non-financial risks.
- We are also measuring and managing material ESG risks at the portfolio level. Over the medium term, we plan to quantify ESG risks on the basis of ESG-based screenings of individual borrowers as well, and then incorporate this data into our processes for making loan decisions. Our short-term focus here is on climate risks, and we will gradually expand the range of risks to be addressed in this manner.
- We are developing quantitative scenario analyses and stress test methods with regard to ESG risks and systematically integrating these into our risk management. Data availability currently represents a major challenge for all market participants. We are already using internal and external data sources and continuously assessing these with the aim of gradually expanding the volume of ESG risk data we can make available for risk management.





4. Transparency and ESG capabilities

We also seek to promote sustainability in society in general, which is why we focus on the following:

- At a minimum, our ESG reporting meets the current market standard for this issue area. To this end, we examine new developments on the market at regular intervals and then incorporate them as needed.
- Through our actions, we are helping to achieve the Sustainable Development Goals (SDGs) and increasing the level of knowledge through our involvement in relevant networks. We are particularly committed to SDG 11 (sustainable cities and municipalities) and SDG 13 (measures for climate protection). Together with the Urban Land Institute, we are working on initiatives such as the sustainable development of cities.
- Sustainability is firmly established throughout our entire organisation. We are defining and formalising responsibilities within our organisational structure and process organisation and establishing our ESG targets as key components of our business strategy. This ensures that the decisions we make are always in conformance with our sustainability strategy.
- We validate the holistic success of our sustainability efforts through external sustainability ratings that continuously assess critical aspects of Berlin Hyp's sustainability performance. Within the framework of our reporting activities, we also clearly disclose the progress we make in terms of achieving our sustainability targets.

With these measures, we ensure that we can make an important contribution to the development of a future-oriented and sustainable real estate sector.

Appendix

In order to ensure we can implement our ESG vision, we have defined the following goals and targets, which we also monitor in a holistic manner.

ESG targets: Dimensions and ambitions

