

# Guideline for the Consideration of Sustainability Aspects in real estate financing

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## Objectives of this Guideline

The business activities conducted in the real estate industry make an important contribution to economic prosperity and social well-being. The infrastructure the industry develops, builds and maintains creates fundamental value for the economy and serves as the basis for commercial and retail activity and the development of the housing market.

Given the importance of the real estate industry and the long periods of time that real estate properties are used, the additional consideration of sustainability aspects in real estate financing can play a key role in, among other things, safeguarding the intrinsic value of real estate projects over the long term. The following points illustrate how sustainability can affect real estate value:

- A sustainable building is designed to meet the user's requirements with regard to comfort, functionality, efficiency and economy, which means sustainability ensures that a property can be rented or sold more easily to another party at favourable terms (third-party usability).
- Good accessibility to quality transport connections also increases a property's attractiveness and third-party usability.

- In addition, efforts to minimise a building's life-cycle costs serve to promote the use of durable, long-lasting and non-toxic building materials.
- A high degree of energy efficiency in a building decreases emissions and is therefore good for the environment. It also lowers users' operating costs and helps ensure value stability by enabling a relatively high net rent amount.

In view of all of these factors, Berlin Hyp has a special interest in having our customers build/purchase and operate properties whose intrinsic value is also safeguarded by professional consideration of environmental, economic and social criteria.

In order to adequately promote this interest, this Guideline defines the way sustainability aspects are to be considered on the various levels of real estate financing.

## Application of the principles of this Guideline

Berlin Hyp's business activities are conducted in accordance with the principles defined by the German Property Federation (ZIA) for the "Financing" sector cluster<sup>1</sup> as they relate to the given business transaction in each case. These principles are as follows:

1. We give special consideration in our loan decision-making processes to matters relating to future viability and sustainable resource allocation with regard to the property in question.
2. We support efforts to ensure that sustainability aspects are taken into account in property and real estate valuation processes.

<sup>1</sup> ZIA: Nachhaltigkeit – Kodex, Berichte und Compliance; 2015

3. The use of sustainable building methods, in particular those that serve to improve energy efficiency and the life-cycle assessment, is an important parameter that is addressed in our financing discussions.
4. We assist our customers with the implementation of sustainable utilisation plans for their existing properties and new constructions.
5. Green leases are especially taken into consideration in our processes for making loan decisions and valuations, as well as in our cooperation with customers.
6. Principles relating to the sustainable construction, management, and operation of properties play an important role in ongoing training and qualification measures for employees involved in real estate financing, whereby this applies particularly to property appraisers.

With regard to the practical application of such principles, it should be noted that Berlin Hyp does not conduct business with private customers but instead primarily serves commercial investors and housing construction companies that possess a high degree of real estate industry knowledge and also have extensive experience in the sector. This means that the vast majority of financing requests that we receive come from customers who have already taken the aspects described in the principles into account in their own planning.

When making real estate financing decisions, Berlin Hyp also determines whether the customer in question has sufficient knowledge of, and experience with, legal requirements relating to planning, construction, environmental protection and nature conservation. The ability of a customer to manage such requirements and ensure compliance with all legal and approval-related provisions is considered to be of crucial importance for the long-term success of both the customer in question and the business relationship between that customer and Berlin Hyp.

Regarding real estate valuation, Berlin Hyp takes into account standardised energy efficiency certificates and classifications issued by

generally recognised certification systems that assess the sustainability of real estate properties, provided these can have a positive effect on the long-term yield and value of the property or transaction in question. The same applies to special measures implemented to improve the sustainability performance of a property – e.g. the use of green leases.

Ongoing training and qualification measures for Berlin Hyp employees involved in real estate valuation and financing are conducted at leading training and continuing education facilities in the real estate industry, whereby the programmes in question take relevant sustainability aspects into account.

Berlin Hyp employees themselves also regularly contribute their experience and expertise to numerous real estate industry organisations. Among other things, this also ensures that Berlin Hyp always remains up to date on the latest industry standards, including those that focus on sustainability.

Berlin Hyp is clearly committed to compliance with this guideline.

A handwritten signature in blue ink, appearing to read 'Sascha Klaus', is positioned above the name and title.

**Sascha Klaus**

Chair of the Board of Management of Berlin Hyp AG

A note on the use of the masculine form of persons: For reasons of better readability, the simultaneous use of the language forms masculine, feminine and diverse (m/f/d) is dispensed with. All references to persons apply equally to all genders.