

A partnership built on trust

Berlin Hyp

Sustainability in Berlin Hyp Portfolio A

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When making investment decisions for the Bank's own investments (Portfolio A), Berlin Hyp focuses on the principles formulated by the PRI (Principles for Responsible Investment) initiative:

- Principle 1
We will incorporate ESG (environmental, social, governance) issues into investment analysis and decision-making processes.
- Principle 2
We will be active owners and consider ESG issues in our ownership policies and practices.
- Principle 3
We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4
We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5
We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6
We will each report on our activities and progress towards implementing the Principles.

Berlin Hyp has defined sustainability criteria for the Bank's own investments (Portfolio A) in order to ensure compliance with Principles 1 and 2. The use of these criteria means that sustainability aspects and financial goals are given equal consideration when decisions are made regarding investments in securities.

The implementation of the principles is proceeding in accordance with the guidelines defined in the Code of Conduct. This means that before any security is purchased, the potential investment will be examined by the Treasury division to ensure it meets the sustainability criteria for the Bank's own investments (Portfolio A). This process also includes the preventive measure of absolutely excluding Portfolio A investments in certain sectors, industries and business areas (see Appendix 1). In addition, the Berlin Hyp sustainability management organisation conducts semi-annual reviews of Portfolio A to ensure the investments it contains meet the sustainability criteria.

The Treasury division and the sustainability management organisation use the following sources/instruments to identify possible cases of non-compliance with the sustainability criteria:

1. RepRisk screening tool: This tool is used to examine the Bank's own investments on the basis of a risk index or rating. ESG performance can also be assessed on the basis of the principles of the UN Global Compact.
<https://www.reprisk.com>
2. The RobecoSAM Sustainability Yearbook
<https://yearbook.robecosam.com/downloads/>

In the event that securities from two different issuers are being considered at the time of a purchase, and one of the issuers has been rated as one of the best in its industry by RobecoSAM in the RobecoSAM Sustainability Yearbook, the security from that issuer will be given preference if all other conditions with regard to both securities are the same (best-in-class approach).

In accordance with the framework within which it operates, as well as its risk strategy, the Treasury division at Berlin Hyp only invests in debt instruments, which means Principles 2 and 3 of the Principles of Responsible Investment can only be applied to a limited extent.

Nevertheless, Berlin Hyp will take action as an investor when necessary – for example by insisting that issuers respond to any controversies that might arise in connection with sustainability issues.

In order to ensure compliance with Principle 4 (promotion of the principles) and Principle 5 (cooperation), Berlin Hyp addresses ESG and other sustainability issues through its participation in various committees in the following organizations:

- The German Property Federation (ZIA)
- The Deutscher Sparkassen- und Giroverband (German Savings Banks Association – DSGV)
- The European Covered Bond Council (ECBC)
- Green Bond Initiative

To ensure compliance with Principle 6 (reporting), Berlin Hyp provides information on Portfolio A sustainability within the framework of its sustainability reporting system.

Appendix 1 Preventive exclusion for Portfolio A

We only invest in bonds whose issuers are located in countries whose legal provisions and the systems used to monitor these guarantee by themselves a high standard of environmental protection and social responsibility. Such countries only include the high-income OECD countries and the member states of the European Union. This focus also lowers the economic risk associated with our investments.

Investments in the following industries/business activities are completely excluded for Portfolio A at all times:

- Production of pharmaceutical, chemical or other harmful substances that are subject to international agreements on the cessation of production or the prohibition of production and which also have a negative impact on natural areas with a high conservation value
- Production of ozone-depleting substances that are subject to international agreements on the cessation of production
- Trade in wild animals and products made from wild animals that are protected under the Washington Convention (CITES), as well as activities that impact endangered, threatened, highly threatened and/or protected species
- Products that are in any way associated with prohibited animal testing
- Production of pornography
- Illegal gambling activities

Berlin Hyp also does not purchase securities issued by companies that are involved in the trade in, or the production, transport, storage or repair of, the following armaments:

- Nuclear weapons within the meaning of the Treaty on the Non-Proliferation of Nuclear Weapons from 22 April 1970
- Biological weapons within the meaning of the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction from 26 March 1975
- Chemical weapons within the meaning of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction from 29 April 1997
- Anti-personnel mines within the meaning of the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction from 18 September 1997

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- Cluster bombs and cluster munitions within the meaning of the Convention on Cluster Munitions from 30 May 2008
- Weapons that are especially designed to cause excessive injury in general and injuries among civilian populations within the meaning of the Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects from 10 April 1981
- Depleted uranium munitions

Berlin Hyp is clearly committed to compliance with this guideline.

A handwritten signature in blue ink, appearing to read 'Sascha Klaus', with a stylized, cursive script.

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.