

Sustainability Guideline

Foreword

This document is intended to provide an overview of all the relevant sustainability guidelines in the course of Berlin Hyp's business activities. The new Sustainability Guideline will consolidate and replace the guidelines 'Sustainability in Berlin Hyp Portfolio A' and 'Consideration of Sustainability Aspects in Real Estate Financing'. An internal process for the annual review of the guideline has been implemented with the aim of ensuring that the content is up to date. In addition, we screen for potential new sustainability risks and incorporate additional criteria where necessary.

Greater focus is to be placed on Berlin Hyp's social criteria going forwards with the aim of furthering the Sustainable Development Goals (SDGs) enshrined in the UN Global Compact. To support this, Berlin Hyp became a signatory of the Principles for Responsible Banking this year.

Contents

1 Sustainability at Berlin Hyp	4	3 Sector-specific exclusions	9
1.1 Our understanding of sustainability	4	3.1 Protecting biodiversity and species diversity	9
1.2 Sustainability management	4	3.1.1 Forestry	9
2 Standards and guiding principles within our business operations	5	3.1.2 Agriculture	9
2.1 UN Global Compact	5	3.2 Energy	10
2.2 OECD Guidelines	5	3.2.1 Coal power	10
2.3 Commercial real estate financing	6	3.2.2 Nuclear power	10
2.3.1 Objectives in the context of real estate financing	6	3.2.3 Petroleum and natural gas	10
2.3.2 Principles of the German Property Federation (ZIA)	6	3.3. Mining	10
2.3.3 Review process in the context of real estate financing	7	3.4 Armaments	10
2.4 Own investments (Portfolio A)	7	3.5 Pornography	11
2.5 Investments	8	3.6 Tobacco and alcohol	11
2.6 Sustainable procurement	8	3.7 Fur	11
2.7 Reporting	8	4 Legal notice	12

1 Sustainability at Berlin Hyp

With more than 150 years of experience in commercial real estate financing and a clear focus on future-oriented topics in the real estate industry, Berlin Hyp is one of Germany's leading real estate and Pfandbrief banks. We are a reliable, personal and flexible partner for quality-focused investors and shareholders. Our goal is to become the most modern real estate financier in Germany in our strategic markets. We are convinced that making ourselves and all of our business activities sustainable is the only way we can achieve this goal.

1.1 Our understanding of sustainability

Financial institutions play a key role in the transformation of the economy – by financing investments that companies and institutions need to make and integrating ESG-related opportunities and risks into the assessment of investments and financing.

We take into account social and environmental requirements and report on our activities in a transparent manner when providing our financing and capital market products, but also in the context of our own activities and our understanding of our company as a sustainable financial service provider and a socially responsible employer. In doing so, we offer our external and internal stakeholders the opportunity to appropriately assess the resulting risks and opportunities with the aim of playing a significant role in advancing sustainability in real estate financing and the financial sector.

We take a broad view of sustainability. On the one hand, sustainability relates to a way of thinking and doing business that helps safeguard and protect our natural resources and the environment. However, sustainability goes beyond this, as it also means taking on social responsibility and ensuring

good corporate governance. 'ESG' has become the established international abbreviation for this broad view of sustainability. It stands for environmental, social and governance, and thus describes the broad perspective that is essential for us. When we talk about sustainability, we are also talking about ESG, and vice versa.

The United Nations Sustainable Development Goals (SDGs) are our key guiding principles. We are committed to the Paris Agreement and hence to the climate path of the Federal Republic of Germany. We want to minimise our direct and indirect negative impacts on the environment and society, avoid them where possible and maximise our direct and indirect positive impacts. In order to fulfil our responsibility and achieve the EU's goal of climate neutrality by 2050 at the latest, we are channelling capital into sustainable investments, promoting transparency in our financing portfolio and taking ever-greater account of ESG risks in our business activities. We are aiming to make our own operations carbon-neutral by 2025 at the latest. Any remaining emissions will be offset.

1.2 Sustainability management

Berlin Hyp has expanded its sustainability agenda to the further development of the bank and its portfolio and presented its ambitious ESG targets based on this agenda to the public. Our ESG targets encompass aspects of sustainability in the fields of environment, social and good governance. Part of this includes integrating both climate-related objectives and ESG risks into the bank's risk management system and measuring and managing them at the portfolio level. The individual elements of our ESG targets are divided into the four dimensions of sustainable business operations, sustainable business portfolio, ESG risk management as well as transparency and ESG capabilities.

Responsibility for sustainability aspects is clearly defined and assigned in all areas of Berlin Hyp. The ESG Board serves as the central platform for information and the exchange of knowledge. It is overseen by the Chair of the Board of Management and formed of representatives from all organisational units. The corresponding central functions facilitate, coordinate and monitor the review and implementation of the individual measures in close cooperation and under the responsibility of the Corporate Strategy and Risk Control units. Close coordination with the respective departments and specialist units is maintained throughout.

2 Standards and guiding principles within our business operations

In its pursuit of sustainable business activities, Berlin Hyp goes beyond compliance with the applicable laws and external regulations. We have also made voluntary commitments, such as the UN Global Compact (see section 2.1), and created internal guidelines that provide Berlin Hyp employees with clear guidance for their activities. Further guidelines as well as our higher-level Code of Conduct can be found on our website under [Guidelines – Berlin Hyp AG](#).

2.1 UN Global Compact

The UN Global Compact supports companies in taking responsible action by aligning their strategies and activities with the ten principles in the areas of human rights, labour, the environment and anti-corruption. The principles promote the development of strategic measures that are designed to advance the UN Sustainable Development Goals (SDGs).

Guided by our conviction, since 2015 Berlin Hyp has been committed with great dedication to upholding the ten principles of the UN Global Compact and the 17 SDGs, whereby SDG 1 (no poverty), SDG 10 (reduced inequalities), SDG 11 (sustainable cities and communities) and SDG 13 (climate action) are of particular importance to Berlin Hyp in the context of real estate financing. By signing the Compact, we want to actively promote and shape the vision of an inclusive and sustainable economy that benefits all people, communities and markets today and in the future.

2.2 OECD Guidelines

Berlin Hyp conducts its business activities exclusively in specific European high-income OECD countries. OECD countries have their own high ESG standards and consistently monitor compliance with these standards. Berlin Hyp therefore bases its financing in these countries on the ESG requirements in force in these nations.

Should Berlin Hyp provide financing for projects outside high-income OECD countries beyond its existing business model, it must provide separate evidence that ESG project risks are handled securely in accordance with the requirements and procedures prescribed by sector-specific banking standards, such as the Equator Principles and the IFC Performance Standards.

2.3 Commercial real estate financing

Berlin Hyp specialises in large-volume real estate financing for professional investors and housing companies. We provide financing for office and commercial buildings, logistics, retail, management and residential properties, among other things, in the form of individual properties or portfolios. All asset classes may be financed with a Green Loan subject to the fulfilment of specific energy-efficiency criteria or taxonomy criteria.

2.3.1 Objectives in the context of real estate financing

Berlin Hyp makes an important contribution to economic prosperity and social well-being through its business activities in the real estate industry. The infrastructure it develops, builds and maintains creates fundamental value for the economy and serves as the basis for commercial activity and the development of the housing market. In view of this significance and the long periods of time that real estate is used for, giving additional consideration to sustainability aspects in real estate financing can play a key role in, among other things, safeguarding the intrinsic value of real estate investment 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. Social criteria and ready usability of the property are to be promoted throughout its entire life cycle.
- Good accessibility to quality transport connections also increases a property's attractiveness and third-party usability.
- 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 relatively high net rents.

¹ZIA: Sustainability Code, Reports and Compliance, 2015 (in German)

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.

2.3.2 Principles of the German Property Federation (ZIA)

Berlin Hyp follows the principles defined by the German Property Federation (Zentraler Immobilien Ausschuss e.V., ZIA) for the financing industry cluster¹ as they relate to the given business transaction in the individual case. These principles are:

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.
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 given special consideration in our processes for making loan decisions and valuations, as well as in our cooperation with customers.
6. The principles of sustainable construction, management and operation of properties are of particular importance in the training and ongoing qualification of employees involved in real estate financing, especially within the area of property valuation.

With regard to the practical application of these 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 is taking the proper approach to the legal requirements relating to construction, environmental, planning and nature conservation. The ability of a customer to manage such requirements and ensure compliance with all legal provisions, including those relating to approvals, is considered to be of crucial importance for the long-term success of both the customer in question and our business relationship. When valuing real estate, Berlin Hyp takes into account standardised energy-efficiency certificates and classifications issued by generally recognised certification systems for assessing the sustainability of real estate, provided that they 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, such as green leases. The training and ongoing qualification of Berlin Hyp employees involved in real estate valuation and financing are conducted at leading training and continuing education facilities in the real estate industry, whose programmes take relevant sustainability aspects into account.

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

2.3.3 Review process in the context of real estate financing

Internal review processes and guidelines are designed to enable the early identification of sustainability risks. Each financing transaction includes an assessment of the borrower's risks that are associated with ESG factors. The Valuation and Sales departments are involved in this process in order to determine an ESG score based on data relating to the property and the borrower. In addition, Berlin Hyp has drawn up exclusion criteria for the use of funds in the context of real estate financing; these criteria are continually updated and are applied when concluding new agreements. These sector-specific exclusions apply to the person renting or leasing the property. Compliance with the exclusions is ensured by defining the usage category of the property. The mentioned sector-specific exclusions are listed in section 3. In addition, each financing transaction is reviewed to determine whether it is suitable for a Green Loan. Information on the internal review process for Green Loans can be found in Berlin Hyp's [Sustainable Finance Framework](#).

2.4 Own investments (Portfolio A)

In conformity with the framework parameters defined in the risk strategy, the Berlin Hyp Treasury department invests only in debt instruments. Prior to each security purchase, the potential investment is reviewed by the Treasury department for compliance with these sustainability criteria for the bank's own investments (Portfolio A). This also includes the preventive exclusion of investments in certain sectors or business areas for Portfolio A. The Treasury and Credit department uses the RepRisk controversy screening tool to detect possible breaches of the sustainability criteria.

2.5 Investments

In addition, Berlin Hyp is actively involved in the digital real estate ecosystem and is testing new business models and additional product and service offerings for future financing transactions in collaboration with innovative companies and start-ups in the PropTech sector. Berlin Hyp selectively participates in companies as an active strategic investor as well as entering into strategic partnerships and cooperations.

When Berlin Hyp is considering investing in a company, its code of conduct is examined to determine whether its content is in line with our sustainability agreement. If this is not the case, a sustainability agreement must be concluded.

2.6 Sustainable procurement

Suppliers and service providers of Berlin Hyp are to be guided by the same environmental, social and ethical values as Berlin Hyp itself. Our environmental policy (for more information, see Berlin Hyp's Environmental Policy) also stipulates that Berlin Hyp is to actively avoid unnecessary impacts on the environment. In cases where this is not possible, measures are taken to reduce the impact as much as possible. Both of these considerations also apply in the context of procurement measures. All products sourced by the Procurement department should therefore – as far as possible and in keeping with the nature of the product – be produced from sustainable materials, and proof of this should be provided to us on request. Further information on this can be found in the internal 'Sustainable Procurement' guideline.

All key suppliers and service providers must sign a sustainability agreement. "Key" for Berlin Hyp means its ten suppliers and service providers with the highest turnover as well as all those with whom long-term transactions

have been concluded, for example in the form of framework agreements. Concluded agreements are documented in the Berlin Hyp contract database. In addition, a sustainability questionnaire is sent to the suppliers and service providers, together with the vendor master data sheet. The completed sustainability questionnaire is evaluated by Procurement Management. The statements made are randomly checked via online searches. The results are jointly assessed at least quarterly by Environmental Management. The points achieved are graded in three ranges – green: non-critical; yellow: capable of improvement; red: not sustainable. As Berlin Hyp suppliers and service providers are selected on a decentralised basis, in the case of yellow and red, the respective department is advised which questions or measures should be discussed in the next conversation or which measures should be taken, or asked whether it is possible to replace the supplier or service provider.

Berlin Hyp's Procurement department can review service providers and suppliers on a continual basis via random selection or, where appropriate, by means of a questionnaire. This can be done at any time and without prior notice within the scope of the applicable law. This process considers whether basic sustainability structures are in place, compliance with principles, and the accuracy of the information provided in the questionnaire.

2.7 Reporting

Berlin Hyp prepares an annual report on the development and progress of the bank's sustainability management in the context of sustainability reporting. It uses the following report formats for this purpose:

- Non-financial statement
- Environmental statement
- GRI report

In addition, Berlin Hyp is a signatory of the Principles of Responsible Banking (PRB) and the UN Global Compact, and prepares an annual report on these commitments in the specified format.

3 Sector-specific exclusions

In addition to defining and developing minimum social and environmental standards for financing and capital market transactions, another focus of our activities is providing targeted support for companies and projects, specifically our role in transforming the real estate portfolio in our core markets. Transactions that are not in conformity with our climate agreement and/or involve other increased sustainability risks and thus risks for Berlin Hyp's reputation are therefore avoided. All the exclusions are integrated in Berlin Hyp's risk strategy.

3.1 Protecting biodiversity and species diversity

Berlin Hyp makes it a priority to consider criteria aimed at protecting biodiversity and species diversity when selecting financing projects. This means that financed new real estate may not be built on greenfield land that is recognised as being of high biodiversity value, such as the Ramsar List of Wetlands of International Importance, the UNESCO World Heritage List in the context of the UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage, or the UNESCO Biosphere Reserves List in the context of the UNESCO Man and the Biosphere (MAB) Programme.

In addition, the following sectors or business activities are always excluded for investments in our Portfolio A and for our strategic investments:

→ Trade in wild animals and products made from wild animals that are protected under the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) as well as activities that impact endangered, threatened, critically endangered and/or protected species.

3.1.1 Forestry

Land that is associated with illegal logging and can therefore result in the endangerment of biodiversity is excluded for the construction of new real estate. In addition, we expect our customers in our new lending business to demonstrate certification in accordance with the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) or comparable standards. In the case of corresponding projects located in countries classified as Designated Countries under the Equator Principles, compliance with national legislation serves as sufficient proof of compliance with appropriate environmental and social standards.

3.1.2 Agriculture

The properties to be financed may not be used wholly and/or partially for the following sectors:

- The production of pesticides
- The production of genetically modified organisms
- Palm oil production (unless the company operating the palm oil plantations is a member of the Round Table on Responsible Palm Oil [RSPO], either in its own name or through its parent company)
- Soy production (unless the company operating the soy plantations is a member of the Round Table on Responsible Soy [RTRS], either in its own name or through its parent company)

The above exclusions and requirements for sectors or business activities also apply to investments in our Portfolio A and to our strategic investments. In addition, Berlin Hyp rejects speculation in agricultural commodities.

3.2 Energy

Berlin Hyp aims to promote a climate-friendly and resource-efficient energy sector and exclusively procures and promotes green electricity. Berlin Hyp defines green electricity as electricity generated by photovoltaic and wind power plants, hydropower plants, biomass and biogas combustion, and via solar thermal or geothermal energy.

3.2.1 Coal power

The properties to be financed may not be used wholly and/or partially for the production of coal power. This sector or business activity is also excluded for investments in our Portfolio A and for our strategic investments.

3.2.2 Nuclear power

The properties to be financed may not be used wholly and/or partially for the production of nuclear power. This sector or business activity is also excluded for investments in our Portfolio A and for our strategic investments.

3.2.3 Petroleum and natural gas

The properties to be financed may not be used wholly and/or partially for the extraction of petroleum and natural gas. The financing of petroleum and natural gas extraction is also excluded for investments in our Portfolio A and for our strategic investments. This exclusion also counters controversial petroleum extraction practices, such as oil drilling in the Amazon rainforest, drilling for petroleum or natural gas in the deep sea or Arctic, and fracking.

3.3. Mining

The properties to be financed may not be used wholly and/or partially for the production of lignite or hard coal or for uranium mining. The financing of lignite or hard coal production and uranium mining is also excluded for investments in our Portfolio A and for our strategic investments. The same applies to the production of gold unless evidence can be provided that the system is environmentally compatible and human rights violations are prevented.

3.4 Armaments

The properties to be financed may not be used wholly and/or partially for the production of armaments. In addition, for its Portfolio A activities, Berlin Hyp does not purchase securities issued by companies, or enter into any associated strategic investments in 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 of 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 of 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 of 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 of 18 September 1997
- Cluster bombs and cluster munitions within the meaning of the Convention on Cluster Munitions of 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 of 10 April 1981
- Depleted uranium munitions

3.5 Pornography

The properties to be financed may not be used wholly and/or partially for the production of pornography or for prostitution. This sector or these business activities are also excluded for investments in our Portfolio A and for our strategic investments.

3.6 Tobacco and alcohol

The properties to be financed may not be used wholly and/or partially for the production of tobacco or alcohol. This sector or business activity is also excluded for investments in our Portfolio A and for our strategic investments.

3.7 Fur

The properties to be financed may not be used wholly and/or partially for the production of furs. This sector or business activity is also excluded for investments in our Portfolio A and for our strategic investments.

Legal notice

Editor's note

Diversity and addressing all people in a non-discriminatory manner are important to us. For this reason, we take particular care to avoid gender-specific pronouns by using terms that are as neutral as possible or by rephrasing such references in a neutral way.

Publisher

Berlin Hyp AG
Sustainability Management
Dirk Bartsch
Corneliusstrasse 7
10787 Berlin, Germany
dirk.bartsch@berlinhyp.de