

SECOND PARTY OPINION (SPO)

Re-verification of the Sustainability Quality of the Issuer and Green Bond Asset Pool

Berlin Hyp AG
28 March 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green refinancing instruments
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles (June 2021) administered by the International Capital Markets Association (ICMA)
Scope of verification	<ul style="list-style-type: none">• Berlin Hyp Green Bond Framework (as of 27.04.2020)• Berlin Hyp Eligible Green Asset Pool (as of 31.12.2021)
Lifecycle	<ul style="list-style-type: none">• Re-verification
Validity	<ul style="list-style-type: none">• As long as there is no material change to the Framework and the underlying asset portfolio composition.

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SCOPE OF WORK

Berlin Hyp AG (“the Issuer” or “Berlin Hyp”) commissioned ISS ESG to assist with its Green Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Bonds link to Berlin Hyp’s sustainability strategy – drawing on Berlin Hyp’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Berlin Hyp’s Green Bond Framework (27.04.2020 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
3. The Asset Pool – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).

BERLIN HYP BUSINESS OVERVIEW

Berlin Hyp provides commercial real estate financing services in Germany. The company finances office and commercial buildings, retail and residential properties, as well as hotels, and logistics and care properties.

It offers additionally guarantees, rent deposit management, and building contractor and development financing services. While on the capital market, the company issues mortgage Pfandbriefe, and senior unsecured and subordinated bonds¹

Berlin Hyp was founded in 1868 and it is headquartered in Berlin. On January 26, 2022 Landesbank Baden-Württemberg (LBBW) has announced the acquisition of the company. It also has domestic sales offices in Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart, as well as abroad in Amsterdam, Warsaw and Paris, as of 31 December 2020. The headcount as of 31 December 2020 was 595 (including full-time and part-time employees)².

Property types in %



Source: Berlin Hyp Annual Report, as of 31 December 2020

¹ ISS ESG, 12 February 2022, Corporate Rating: Berlin Hyp.

² Berlin Hyp, 31 March 2021, Defining values and living Up to them: Annual Report 2020, <https://www.berlinhyp.de/en/media/newsroom/annual-report-2020-13489?file=files/media/corporate/newsroom/finanzberichte/en/2021/geschaeftsbericht-2020/pdf/bhyp-gb-zahlenteil-gesamt-eng-2020.pdf>

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
<p>Part 1:</p> <p>Green Bonds link to issuer's sustainability strategy</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 & Public Sector Finance sector. The issuer ranks 4th out of 131 companies within its sector.</p> <p>The Use of Proceeds financed through this Green Bonds are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Bonds is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with GBP</p>	<p>The issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA's Green Bond Principles.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the Asset Pool</p>	<p>The overall sustainability quality of the Asset Pool in terms of sustainability contributions, risk avoidance and minimization is good based upon the ISS ESG assessment. The Green Bonds will (re-)finance eligible asset categories which include: green buildings.</p> <p>Those use of proceeds categories have a significant contribution to SDGs 7 'Affordable and clean energy', 11 'Sustainable cities and communities', and 13 'Climate action'. The environmental and social risks associated with those assets have been well managed.</p>	<p>Positive</p>

³ ISS ESG's evaluation is based on the Berlin Hyp's Green Bond Framework (27 April 2020 version), on the analysed Asset Pool as received on the 11.02.2022, and on the ISS ESG Corporate Rating updated on the 12.02.2022 and applicable at the SPO delivery date.

ISS ESG SPO ASSESSMENT

PART I: GREEN BONDS 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	INDUSTRY	DECILE RANK	TRANSPARENCY LEVEL
BERLIN HYP	Mortgage & Public Sector Finance	1	VERY HIGH

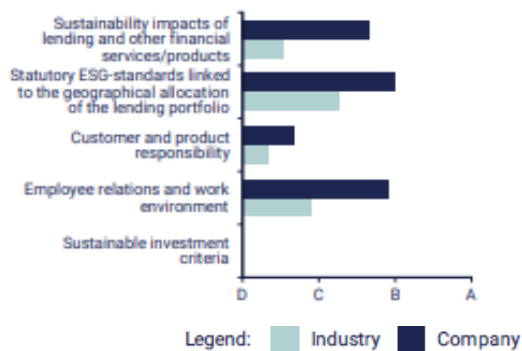
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Mortgage & Public Sector Finance industry as it obtains a Decile Rank relative to its industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance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

ESG performance

As of 12.02.2022, this rating places Berlin Hyp 4th out of 131 companies rated by ISS ESG in the Mortgage & Public Sector Finance industry.

Key challenges faced by companies in this industry in terms of sustainability management 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



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. 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.

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
Financing of energy-efficient buildings (e.g. EPC A), financing of sustainable buildings certified to strict standards (e.g. BREEAM)	22%	CONTRIBUTION	  
Financing of affordable housing	3%	CONTRIBUTION	  

Breaches of international norms and ESG controversies

As of 09.03.2022, the company is not facing any controversy.

B. CONSISTENCY OF GREEN BONDS WITH BERLIN HYP'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

In 2013, Berlin Hyp started integrating numerous ESG criteria into its existing policy and practices, leading to the company's financing of energy-efficient green buildings which is material to its core business: commercial real estate lending. Berlin Hyp's ambition to have a leading position in green finance was translated into concrete terms by setting a strategic performance target (SPT) to expand its Green Finance Portfolio to 20 percent of its overall loan portfolio by year-end 2020 – which was achieved a year ahead of schedule. In 2021, the company expanded on its sustainability strategy by launching its 'ESG Target Visions' which consists of four different dimensions, as shown in the graph below⁴.

Key elements of the ESG Target Vision's sustainable business portfolio dimension are as follows:

1. Reduction of CO₂ intensity in the portfolio and climate-neutral portfolio by 2050 at the latest
2. A portion of 1/3 of loans is designated for energy efficient green buildings in Berlin Hyp's loan portfolio by 2025
3. Establishment of 100 percent portfolio transparency by 2023 – prerequisite for a systematic determination of energy performance as well as carbon and climate risks within Berlin Hyp's overall loan portfolio by 2025
4. Enhance advice and financing for customers who seek the transition to energy-efficient properties
5. 40 percent of Berlin Hyp's capital markets funding mix to consist of ESG refinancing instruments by 2025



Source: Berlin Hyp 2022 Social Bond Framework

Rationale for issuance

According to the issuer's Green Bond Framework, financing green buildings represents the part of Berlin Hyp's sustainability measures that is closest to its core business: commercial real estate lending. In order to further strengthen its green building lending, the bank introduced pricing incentives for eligible business earlier in 2016.

As buildings account for 30 to 40 per cent of total energy demand and about 30 per cent of total energy related CO₂ emissions worldwide, Berlin Hyp is willing to actively contribute to the avoidance of CO₂ emissions by financing sustainable and low energy buildings. By issuing Green Bonds it offers investors the opportunity to support these efforts to aid in the transition to a low carbon economy.

Berlin Hyp is a *Pfandbrief* issuer and aims at offering investors maximum transparency. Due to the requirements of the German *Pfandbrief* Act the bank discloses detailed information on its cover pool.

Berlin Hyp established two baselines in order to compare the buildings financed to existing standards: The first baseline is the average energy performance of European buildings, the second one the German Energy Savings Ordinance (EnEV). Further, Berlin Hyp chose to provide investors with the carbon avoidance that is linked to Berlin Hyp's initial financing share of the respective buildings as well

⁴ Berlin Hyp, 2021, Sustainability Report: One world, One goal, One Team, <https://www.berlinhyp.de/files/media/corporate/nachhaltigkeit/strategie/en/bhyp-fl-esg-positionspapier-eng-ew2.pdf>

as with the complete carbon avoidance, i.e. the avoidance caused by the complete buildings. More details on the methodology regarding CO₂ avoidance can be found in the initial Second Party Opinion from 2016.

The calculations were based on an assessment of the carbon intensity of different energy sources for heating and differentiation of carbon intensity of each country's electricity mix and district heating supply as well as further differentiation of the district heating supply in Germany by region.

The calculations on energy and CO₂ data were carried out by Berlin Hyp, ISS ESG carried out a basic plausibility check. More information on the calculations is provided by Berlin Hyp at <https://www.berlinhyp.de/en/investors/green-bonds>.

The following table shows the results of estimations and calculations on the CO₂ performance of the buildings within the asset pool for the Green Bond Programme (excluding buildings that were in the cover pool at issuance of the Green *Pfandbrief* in 2015).

ANNUAL CO ₂ AVOIDANCE OF THE BUILDINGS IN THE ASSET POOL (T/MEUR P.Y)		
Baseline for CO ₂ avoidance	Proportional allocation to Berlin Hyp initial financing share	Complete allocation to Berlin Hyp financing
Against the European average (heating energy only)	10.56 t/mEUR	20.23 t/mEUR
Against current EnEV reference values (heating energy and electricity)	7.86 t/mEUR	15.17 t/mEUR

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Bonds 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
Commercial Green Buildings	✓	✓	Contribution to a material objective

Opinion: ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Bonds is clearly described by the issuer.

PART II: ALIGNMENT WITH ICMA'S GREEN BOND PRINCIPLES

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK

The proceeds of the Green Bonds (*Green Pfandbriefe* as well as Green Seniors) to be issued by Berlin Hyp will be exclusively used to finance and refinance the acquisition, construction or refurbishment of Green Buildings. These Green Buildings serve as collateral for loans granted by or to be granted by Berlin Hyp. If they are used for *Green Pfandbriefe* the loans have to be eligible for and included in or to be included in the bank's mortgage cover pool.

Details regarding the assets included in the Green Bond are listed in the following table (based on loans outstanding):

GREEN ASSET CATEGORY	NUMBER OF OBJECTS	VOLUME OF GREEN BOND ASSET POOL (EUR MILLION)
Green Buildings: Commercial real estate	312 buildings	7.283,35
TOTAL		7.283,35 (100%)

Eligibility criteria

PROPERTY TYPE	ENERGY DEMAND HEATING KWH/(M ² *A)	ENERGY DEMAND ELECTRICITY KWH/(M ² *A)	IN TOTAL KWH/(M ² *A)
Residential	60	-	60
Office⁵	80	60	140
Retail	60	75	135
Hotels	95	60	155
Logistics buildings (use: storage)	30	35	65
Light industrial (use: production)	105	65	170

In addition/alternatively, eligibility criteria include the following external sustainability certifications:

⁵ Based on third-party energy consultant data, Berlin Hyp decided in 2020 to further strengthen the category threshold for office buildings in order to reflect Berlin Hyp's long term strategy and its specific asset portfolio.

- LEED – Gold or above
- BREEAM – Very Good or above
- DGNB – Gold or above
- HQE – High Level or above

Eligible assets shall also meet other environmental and/or social criteria. These assets are not to be used for the production of arms, pesticides, tobacco, pornography, nuclear power, coal, oil and fossil fuels.

Opinion: ISS ESG considers the Use of Proceeds description provided by Berlin Hyp's Framework as aligned with the Green Bond Principles. The issuer discloses the planned amount of proceeds to be allocated by projects category at pre-issuance and has an exclusion list in place, in line with best market practices.

2. Process for Project Evaluation and Selection

FROM ISSUER'S FRAMEWORK

Berlin Hyp has established a Green Building Commission (GBC). This consists of one representative from each of the following divisions of the bank: Corporate Strategy, Origination, Credit, Appraisal and Treasury. In its regular meetings the GBC discusses whether eligibility criteria are still in line with market best practices of Green Building definition. If not, the GBC will discuss possible changes and decide on how to adapt the eligibility criteria. Any change shall only lead to stricter criteria, which means a lower level of energy demand and/or consumption.

At the beginning of the acquisition process, Berlin Hyp's borrowers are being asked to provide relevant documents concerning the eligibility for the bank's green finance portfolio, i.e. primarily EPCs and sustainability certificates. Energy demand calculations are used in case of property developments. The experts in the bank's appraisal division assess a property's qualification as a green building. In case of a positive decision by the appraisers, sales staff is allowed to deduct up to 10 basis points when pre-calculating the loan. Credit staff documents an asset's green building eligibility in the bank's loan monitoring system.

After documentation, Treasury votes on the asset's compliance with the green finance portfolio eligibility criteria and whether it should be included in Berlin Hyp's green finance portfolio. This ensures a four-eye-principle with respect to the identification process. Only loans that have been approved by both divisions, Appraisal and Treasury, are classified by credit staff as green bond eligible in the bank's loan monitoring system. In any case, data on the properties' energy efficiency and sustainability are entered into the loan monitoring system even if a property doesn't fulfill eligibility criteria. As this process is applied to all new business, it is one of Berlin Hyp's longer term targets to provide evidence about its entire mortgage loan portfolio's energy efficiency.

If the document proving a green buildings' eligibility expires, Berlin Hyp will ask its borrower for new evidence in order to re-assess the property's eligibility. Borrowers are allowed a one-year grace period to provide new evidence. If a borrower does not provide a new EPC and/or sustainability

certificate or the new EPC and/or sustainability certificate does not meet Berlin Hyp's eligibility criteria, the asset is removed from the bank's portfolio of eligible assets.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Berlin Hyp's Green Bond Framework as aligned with the Green Bond Principles. The issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it, while also involving various stakeholders in the process, which is in line with best market practice.

3. Management of Proceeds

FROM ISSUER'S FRAMEWORK

Eligible assets already exist on Berlin Hyp's balance sheet (and in the case of a Green *Pfandbrief* in its mortgage cover pool) at issuance of a new Green Bond. They are not booked in a separate portfolio but flagged in the bank's legal loan monitoring system. Thus, they form a sub-portfolio of Berlin Hyp's overall loan book. The bank shall report on the development of this sub-portfolio on an annual basis.

Opinion: ISS ESG finds that Management of Proceeds proposed by Berlin Hyp's Green Bond Framework aligns with the Green Bond Principles. The issuer will only re-finance existing loans thus, there won't be any unallocated proceeds.

4. Reporting

FROM ISSUER'S FRAMEWORK

Berlin Hyp provides information about its green bonds on its website www.berlinhyp.de/de/investoren/green-bonds. The English version of the website may be found under www.berlinhyp.de/en/investors/green-bonds.

Relevant documents and information concerning the bank's green bond activities are published on its website. This also contains the bank's reports on its green bonds. As long as Berlin Hyp has green bonds outstanding, the bank will report on an annual basis. Each report will contain details about:

- i. The development of eligible assets on Berlin Hyp's balance sheet and in its mortgage cover pool on a stratified basis
- ii. New business in eligible assets since the last report and assignment of eligible assets to issued bonds on a loan-by-loan basis
- iii. Carbon emissions avoidance (impact reporting) evaluated in comparison to one or more appropriate baselines⁶.

⁶ The methodology for calculating carbon emissions avoidance is document in every edition of Berlin Hyp's Annual Green Bond Reporting and published on its website.

Berlin Hyp publishes annual green bond reportings since 2016. Reports will remain available for investors for future reference on the bank's website.

Opinion: *ISS ESG finds that the reporting proposed Berlin Hyp Green Bond Framework aligns with the Green Bond Principles. The issuer is transparent on the information reported, level, scope, frequency and duration of impact reporting, in line with best market practices. The issuer discloses the location and link of the reports and commits to get the allocation report verified by an external party, in line with best market practice.*

External review

FROM ISSUER'S FRAMEWORK

Second Party Opinion

Berlin Hyp has appointed ISS ESG to assess the sustainability of its Green Bond Program. 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 Green Bond Program and includes every security that is issued under it.

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 *Pfandbriefe* and Green Senior bonds. The reports will be published on the bank's website.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE







A. CONTRIBUTION OF THE GREEN BONDS TO THE UN SDGs

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

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Bonds's 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
Acquisition/Construction of Commercial Real Estate <i>(with sustainability certifications LEED Gold or above, BREEAM Very Good or above, DGNB Gold or above, or HQE High Level or above)</i>	Significant Contribution	
Acquisition/Construction of Commercial Real Estate <i>(meeting high energy efficiency requirements defined in the framework)</i>	Limited Contribution⁷	
Refurbishment of Commercial Real Estate <i>(renovation of buildings leading to certifications such as LEED Gold or above, BREEAM Very Good or above, DGNB Gold or above, or HQE High Level or above)</i>	Significant Contribution⁸	 
Refurbishment of Commercial Real Estate <i>(renovation of buildings leading to high energy efficiency requirements defined in the framework)</i>	Limited Contribution⁹	 

⁷ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology.

⁸ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology.

⁹ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ASSET POOL

Green commercial real estate

As a Use of Proceeds category, green commercial real estate has a significant contribution to the SDG 11 “Sustainable cities and communities”. The table below presents the findings of an ISS ESG assessment of the Asset Pool against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Energy efficiency

- ✓ 100% of assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.

Site selection

- ✓ Almost 100% of assets are either located in metropolitan areas or in countries where, in line with the European Union standards, Environmental Impact Assessments are systematically conducted (covering evaluation and acquisition of land rights, site permitting, and engagement with stakeholders).
- ✓ Based on a sample analysis, more than 95% of assets are located within 1 km from one or more modalities of public transport.

Construction standards

- ✓ More than 85% of assets are located in countries where high labour and health and safety standards are in place (e.g. ILO core conventions).
- For less than 20% of the assets in the asset pool, sustainable procurement measures regarding building materials are in place (e.g. recycled materials, third-party certification of wood-based materials). No information is available for the remaining assets.

Water use minimization in buildings

- ✓ For more than 50% of the assets in the asset pool, adequate measures to reduce water use (e.g. greywater recycling, efficient applications) are in place. No information is available for the remaining assets.

Safety of building users

- ✓ More than 90% of assets, provide for measures to ensure operational safety (e.g. requirements for fire protection, in line with national legislation).

Sustainability labels/certificates

- 73 out of 312 assets received a sustainability label or certificate (BREEAM, LEED, DGNB, HQE).

Controversy management

- ✓ A controversy assessment on the underlying assets revealed no controversial activities.

DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework and the underlying asset portfolio composition.
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.
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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.
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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Berlin Hyp’s Green Bonds.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

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 Bonds contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

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

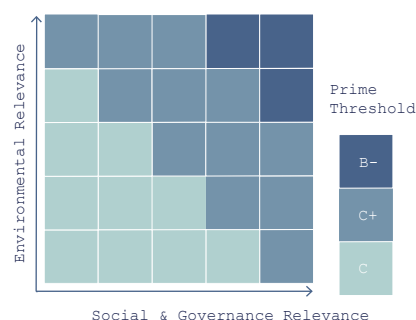
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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 Bonds SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the ICMA's Green Bond Principles and to assess the sustainability credentials of its Green Bonds, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA's Green Bond Principles
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

Berlin Hyp's responsibility was to provide information and documentation on:

- Framework
- Asset pool
- 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 Bonds to be issued by Berlin Hyp based on ISS ESG methodology and in line with the ICMA ICMA's Green Bond Principles.

The engagement with Berlin Hyp took place in February and March 2022.

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/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Green Bonds SPO, please contact: SPOOperations@iss-esg.com

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