

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Asset Bond Pool

Berlin Hyp AG  
9 March 2023

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>Green Bond</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>Green Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)</li><li>EU Taxonomy Climate Delegated Act (June 2021)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>Berlin Hyp Green Bond Framework (as of January 27, 2023)</li><li>Berlin Hyp Asset Pool (as of December 31, 2022)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>Post-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>Valid as long as the cited Framework remains unchanged and on the basis of the portfolio analysed as at December 31, 2022</li></ul>

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## SCOPE OF WORK

Berlin Hyp AG (“the Issuer”, or “Berlin Hyp”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Bonds by assessing four core elements to determine the sustainability quality of the instruments:

1. Berlin Hyp’s Green Bond Framework (as of January 27, 2023) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP).
2. The Asset Pool – whether the nominated project categories contribute positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment with the EU Taxonomy on a best-efforts basis<sup>1</sup> – whether the nominated assets (two loans for a) acquisition of a building in The Netherlands and b) the construction of a building in Germany) are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Social Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2021)<sup>2</sup>.
4. Linking the transaction(s) to Berlin Hyp’s overall ESG profile – drawing on the issuance-specific Use of Proceeds categories.

## BERLIN HYP BUSINESS OVERVIEW

Berlin Hyp AG provides real estate financing and banking services. The firm offers financing solutions to professional investors and housing societies. Its products include syndicate business, real estate debentures, real estate evaluation, and mortgages. The company was founded in 1868 and is headquartered in Berlin, Germany. It is classified in the Mortgage & Public Sector Finance, as per ISS ESG’s sector classification.

<sup>1</sup> Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy have been evaluated on a "best efforts basis".

<sup>2</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139>

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>3</sup>
<b>Part 1:</b> <b>Alignment with GBP</b>	The issuer has defined a formal concept for its Green Bond Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.	<b>Aligned</b>
<b>Part 2:</b> <b>Sustainability quality of the Asset Pool</b>	The Green Bonds will (re-)finance eligible asset categories which include: Green Buildings.  83% of the Assets have a significant or limited contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action'.  The remaining assets are considered to have no net impact.  With regards to the UoP categories for which the EU Taxonomy assessment has not been performed, the environmental and social risks are well managed.	<b>Positive</b>
<b>Part 3:</b> <b>Alignment with EU Taxonomy</b>	The alignment of Berlin Hyp's nominated assets, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis <sup>4</sup> .The nominated assets are considered to be: <ul style="list-style-type: none"> <li>▪ Aligned with the Climate Change Mitigation Criteria</li> <li>▪ Aligned with the Do No Significant Harm Criteria</li> <li>▪ Aligned with the Minimum Social Safeguards requirements</li> </ul>	
<b>Part 4:</b> <b>Linking the transaction(s) to Berlin Hyp's overall ESG profile</b>	The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. All project categories financed are in line with the sustainability objectives of the Issuer.	<b>Consistent with Issuer's sustainability strategy</b>

<sup>3</sup> The evaluation is based on the Berlin Hyp's Green Bond Framework (27 January 2023 version), on the analysed Asset Pool as received on January 23, 2023.

<sup>4</sup> Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section evaluates the alignment of the Berlin Hyp's Green Bond Framework (as of January 27, 2023) with the Green Bond Principles.

GREEN BOND PRINCIPLES	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Berlin Hyp's Green Bond Framework pool is <b>aligned</b> with the Green Bond Principles.</p> <p>The issuer's green categories align with the project categories as proposed by the Green Bond Principles, Criteria are defined in a clear and transparent manner. Environmental benefits are described, and planned amount of proceeds allocated per project type are appropriately disclosed.</p> <p>The identification of exclusion criteria and the transparency on the fact that 100% of proceeds will go into refinancing are in line with best market practices. It is also positively highlighted that the issuer has set forward a clear path towards 100% taxonomy-alignment of its Green Finance Portfolio by year-end 2026.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Berlin Hyp's Green Bond Framework is <b>aligned</b> with the Green Bond Principles.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the issuer.</p> <p>Clear definition and transparency on responsibilities, and the inclusion of different expertise within the company in the process are in line with best market practices</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds proposed by Berlin Hyp's Green Bond Framework is <b>aligned</b> with the Green Bond Principles.</p> <p>The proceeds collected will be equal to the amount allocated to refinance eligible projects, with no</p>

		<p>exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The issuer describes the envisaged process in case of divestment or postponement, in line with best market practices.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting proposed by Berlin Hyp's Green Bond Framework is <b>aligned</b> with the Green Bond Principles.</p> <p>The issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. Berlin Hyp explains the level of expected reporting and the type of information that will be reported. Moreover, the issuer commits to report annually, as long as it has bonds outstanding.</p> <p>The commitment on impact reporting and external review are in line with best market practices.</p>

## PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

### A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

Companies can contribute to the achievement of the SDGs by financing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the Green Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Green Buildings</b> <i>Buildings certified to: LEED Gold, Platinum BREEAM Very Good, Excellent DGNB Gold, Platinum HQE Très bon, Exceptionnelle</i>	<b>Significant Contribution</b>	
<b>Green Buildings</b> <i>Residential and Non-Residential Buildings with an EPC label A, A+, A++</i>	<b>Limited contribution</b>	
<b>Green Buildings</b> <i>Residential buildings with an EPC label B in Germany<sup>5</sup> (as belonging to the top 15% of the national building stock)</i>	<b>Limited contribution</b>	
<b>Green Buildings</b>	<b>Limited contribution</b>	

<sup>5</sup> Based on Climate Bond Initiative, [Eligible Commercial & Residential Buildings Germany](#), page 1.

*Buildings belonging to the top 15% of the German building stock<sup>6</sup>*

<p><b>Green Buildings</b></p> <ul style="list-style-type: none"> <li>▪ <i>Building built before 31 December 2020 with an EPC label A++ in line with EUT activity 7.7 and</i></li> <li>▪ <i>Building larger than 5000m<sup>2</sup> built after 31 December 2020 with energy performance lower of at least 10% than the threshold set for nearly zero-building (NZEB) requirements), in line with the EUT economic activity 7.1</i></li> </ul>	<p><b>Significant Contribution</b></p>	
<p><b>Green Buildings</b> <i>EPC-labelled buildings with the following energy-efficiency (aggregated heating + electricity) thresholds:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Residential ≤ 60kWh/(m<sup>2</sup>*a)</i></li> <li>▪ <i>Office ≤ 140kWh/(m<sup>2</sup>*a)</i></li> <li>▪ <i>Retail ≤ 135kWh/(m<sup>2</sup>*a)</i></li> <li>▪ <i>Hotels ≤ 155kWh/(m<sup>2</sup>*a) •</i></li> <li>▪ <i>Logistics ≤ 65kWh/(m<sup>2</sup>*a) •</i></li> <li>▪ <i>Light industrial ≤ 170kWh/(m<sup>2</sup>*a)</i></li> </ul> <p><i>And that do not belong to the categories above</i></p>	<p><b>Limited Contribution</b></p>	
	<p><b>No Net Impact<sup>7</sup></b></p>	

<sup>6</sup> Based on the methodology determined by Drees & Sommer on behalf of the Association of German Pfandbrief Banks 2022, to be published on Berlin Hyp's website

<sup>7</sup> This category was assessed with a limited contribution to SDG 11 in [Berlin Hyp's 2021 Green Bond Framework SPO](#). Since then, we have updated our methodology, thus the assessment cannot be replicated.

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

ISS reviewed a total volume of 8,855 million euros of green assets, complying with the Use of Proceeds categories listed in the issuer's Green Bond Framework: Green Buildings.

The table below evaluates the Asset Pool against issuance-specific KPIs. All assets are located in Germany, France, Luxembourg, The Netherlands, Poland, and Czech Republic.

For the Green Buildings that are not assessed against the Climate Delegated Acts of the EU Taxonomy, the table below explains how the associated key ESG risks are managed.

### ASSESSMENT AGAINST KPIs

#### ESG guidelines into lending process

The Issuer has an ESG scoring process in place. Since 2021, all new business opportunities are screened and assigned an overall ESG score. Relevant risks are considered both at the company and the property level. In addition, borrowers are requested to provide information on ESG factors and sustainability documentation. ESG factors for borrowers are, as an example, information on the environmental footprint, on human resources and workers' rights practices, and on topics such as lobbying and tax compliance. At the property level, the analysis focuses on energy efficiency, vulnerability to climate change, pollution and waste, demographic risk (such as aging population, depopulation), social relevance (e.g. buildings used for healthcare services or social housing). Berlin Hyp plans to extend this ESG Score to all its portfolio in the long term. Borrowers and financed buildings are assessed on a 3-point risk scale. For its portfolio A (own investments), Berlin Hyp uses an external database to monitor controversies on securities and issuers. Topics covered are such as risks related to the destruction of the environment, human rights violations, child labour, forced labour, fraud and corruption. The issuer cannot invest in securities from controversial issuers. Should controversies arise after the investments measures, ranging from engagement to divestment, are to be taken.

#### Labour, Health and Safety

- ✓ 100% of assets financed are located in Equator Principles Designated Countries, high health & safety and labour standards are ensured by the relevant national legislation.

#### Biodiversity and Community dialogue

- ✓ 100% of assets financed are located in Equator Principles Designated Countries, as such high standards with regard to environmental impacts and impacts on the communities are considered to be ensured by national legislation and European Union legislation. In addition, the Issuer explicitly excludes financing in certain protected areas (List of Wetlands of International Importance- the Ramsar List, UNESCO World Heritage List within the context of the UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage, the UNESCO Biosphere Reserves List within the context of the UNESCO programme "Man and the Biosphere (MAB)").

#### Responsible treatment of customers with debt repayment problems

- ✓ The Issuer has adopted a policy to deal with borrowers experiencing debt repayment problems based on the 18 good principles proposed by the European Banking Authority<sup>8</sup>. Based on that, Berlin Hyp has put in place a monthly procedure for the early detection of customers at-risk. Relevant clients are then contacted by the Issuer's sales units. Solution finding is carried out in cooperation with clients. Various options can be offered on a standalone basis or combined: extension of the term of the mortgage, change in the type of mortgage, complete or partial suspension of the instalment payments for a certain period, consolidation of loans, adjustment of the interest rate, capitalisation of default, granting of a deferral of payment, assistance with the voluntary sale of the property. The issuer states that all these options are offered under non-detrimental conditions.

#### Data protection and information security

- ✓ Berlin Hyp's Information Security Management System is based on ISO 27001. When contracting external providers to which IT information are outsourced, the issuer requires them to prove they have at least the same level of information security standard as internally applied.

#### Exclusion criteria

The Issuer has several exclusions in place for all financed properties, debt instruments and 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.
- Pesticides, GMOs, uncertified palm oil and soy production.
- Coal and nuclear power production, extraction of petroleum and natural gas.
- Production of lignite, hard coal production and uranium mining.
- Facilities for the production of armaments, companies involved in nuclear weapons, biological weapons, chemical weapons, anti-personnel mines, cluster bombs, weapons that are especially designed to cause excessive injury in general and injuries among civilian populations, and depleted uranium munitions.
- Pornography and prostitution.
- Tobacco and alcohol.
- Fur

<sup>8</sup> European Banking Authority, "[Opinion of the European Banking Authority on Good Practices for the Treatment of Borrowers in Mortgage Payment Difficulties](#)".

## **PART III: ALIGNMENT OF THE NOMINATED ASSETS WITH THE EU TAXONOMY CLIMATE DELEGATED ACTS**

The alignment of Berlin Hyp's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed with the relevant Climate Change Mitigation, Do Not Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act<sup>9</sup> (June 2021), based on information provided by Berlin Hyp. Where Berlin Hyp's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

Berlin Hyp's project selection criteria overlap with the following economic activities in the EU Taxonomy:

7.1 Construction of new buildings (loan for the construction of a building in Germany)

7.7 Acquisition and ownership of buildings (loan for the acquisition of a building in The Netherlands)

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

<sup>9</sup>[https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

a) 7.1 Construction of new buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>10</sup>	ALIGNMENT WITH THE EU TAXONOMY
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>	
<p>Berlin Hyp is providing financing for the construction of a new non-residential building in Germany with a surface area of more than 5000 m<sup>2</sup>.</p> <ol style="list-style-type: none"> <li>1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is according to the current calculations of Berlin Hyp 60 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council and thereby suffices the threshold of at least 10 %. This will be certified using an as built Energy Performance Certificate (EPC).</li> <li>2. Berlin Hyp’s customer plans for the building, once completed, to undergo testing for airtightness and thermal integrity in accordance with EN13187 and EN13829. The issuer can ask the borrower to provide proof of the test having been conducted</li> <li>3. Berlin Hyp’s customer will carry out the verification of the life-cycle Global Warming Potential (GWP) of the building through a Life cycle assessment according to DIN EN 15978 and DGNB sustainability certificate (ENV1.1 criterion) or equivalent proof.</li> </ol>	
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Berlin Hyp’s customer mandated that a physical climate risk analysis is carried out. The physical risk data for the paths for the RCP 2.6, RCP 4.5, RCP 6.0 and RCP 8.5 risk scenarios was provided by a mandated third party. The assessment was provided for future scenarios of 2030 and 2050.</p> <p>The result of the data analysis concluded that there are no high climate risks. Even the heat wave is not a risk in any year according to the evaluation in RCP 8.5.</p>	
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Berlin Hyp’s customer is committed to comply with sustainably using and protecting water and marine resources.</p> <p>Berlin Hyp reports that within the scope of the new construction, the requirements for the maximum flush volume and the water flow rate including the technical specifications according to Annex E of the Delegated Regulation for the specified sanitary installations are complied with.</p>	

<sup>10</sup> This column is based on input provided by the issuer.

Further they report that the building is complying with the criteria set out in Appendix B to the Delegated Regulation in order to avoid impact from the construction side. Potential impacts will be documented and resolved during construction.

**4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA**

Berlin Hyp reports commitment by the customer to complying with Directive 2008/98/EC on the recycling and waste limitation of construction waste.

Furthermore, Berlin Hyp's states that building designs and construction techniques comply with supporting circularity and in particular demonstrate, with reference to ISO 20887 or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling. The documentation on compliance can be found in the DGNB certificate of the building. There will be further documentation on compliance during the construction process.



**5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA**

Berlin Hyp reports their customer compliance with the criteria set out in Appendix C to the Delegated Act Annex due to the fact that as part of the DGNB certification, a low-pollutant construction method was put out to tender. The customer also confirmed the respect of :

- Annexes I or II of EU Persistent Organic Pollutants Regulation (2019)
- Mercury and mercury compounds as defined in Regulation on Mercury (2017)
- Annexes I or II of Regulation on substances that deplete the ozone layer (2009)
- Annex II of Regulation on the restriction of the use of certain hazardous substances in electrical and electronic equipment (2011)
- Annex XVII of REACH Regulation (2006)
- meets Article 57 and 59 of REACH Regulation (2006), except where they are essential to society
- Article 57 of REACH Regulation (2006), except where they are essential to society



Compliance is documented during the construction process by means of an approval process (testing of the products and random checks of the construction site).

Furthermore, Berlin Hyp reports that its client confirmed that the emission limit values according to section 7.1, related to formaldehyde and carcinogen-volatile organic compounds in building components and building materials with which occupants may come into contact, are complied with for the new building.

Regarding the requirement of investigation whether the new construction is located on a potentially contaminated site, Berlin Hyp's customer reports that from the 5 samples examined, the soil pollutant report revealed an installation class according to LAGA (Länderarbeitsgemeinschaft Abfall - State Working Group for Waste) of maximum Z1.1. With regard to the earthworks in the backfill soil, this corresponds to "work in a contaminated area" and is subject to the regulations of BGR 128. Precise

statements on this can be made during the excavation of the building pit - the drillings only provide an initial tendency. According to the DGNB test method, the soil is assumed to be contaminated from LAGA class Z2. The company that performs the investigation is accredited according to DIN EN ISO/IEC 17025. The evaluation methods referred to the following standards: DIN 19747; DIN EN 14346; DIN 38414-23; DIN 38404-5; DIN EN 27888; DIN EN ISO 14402. Berlin Hyp's customer confirms that the soil pollution report has been structured in line with the EU Taxonomy requirements.

Regarding the measures that are taken to reduce noise, dust and pollutant emissions during construction or maintenance works Berlin Hyp's customer commits to provide the documentation, which is carried out as part of the construction process. The requirements were integrated into the tender documents.

**6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA**

Berlin Hyp states that there is no required mitigation and compensation measures for protecting the environment according to the given permission (a Umweltverträglichkeitsprüfung – Environmental Impact Assessment - is carried out when applying for building permit in accordance with Directive 2011/92/EU).

Berlin Hyp's customer reports to have performed the site exclusions in accordance with Section 7.1 of the Delegated Act on arable and crop land, greenfield land and land matching the definition of forest as set out in national law used in the national greenhouse gas inventory.



**b) 7.7 Acquisition and ownership of buildings**

**PROJECT CHARACTERISTICS AND SELECTION PROCESSES<sup>11</sup>**

**ALIGNMENT WITH THE EU TAXONOMY**

**1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA**

Berlin Hyp is acquiring and owning a non-residential building with building application before 2020 in the Netherlands.

1. Berlin Hyp reports that the building is EPC class A++ and therewith complies to the criterion of at least an EPC class A.
2. Furthermore, it is stated that the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) and is efficiently operated through autonomous energy monitoring by the client.



**2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA**

<sup>11</sup> This column is based on input provided by the issuer.

Berlin Hyp carried out a physical climate risk analysis. The physical risk data for the paths for the RCP 2.6, RCP 4.5, RCP 6.0 and RCP 8.5 risk scenarios was provided by an external provider.

According to the physical risk analysis there is a “medium” risk classification due to coastal flooding, storms, and extreme heat. There was no overall damage identified on a 15-year projection (as that is the intended duration of the acquisition). It was recommended to Berlin Hyp to have discussions about flooding management options. However, the flood risk report does not identify that any further action is needed. Furthermore, there is no immediate risk identified from extreme cold or heat. Nonetheless, the analysis recommends that to address extreme heat concerns shading measures should be used and climate controls to provide the asset with the best opportunity to address these issues.

In summary, the issuer’s external provider concluded that no reason has been identified to dismiss Berlin Hyp’s acquisition of the asset nor is there a risk to the value of the asset.



**3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA**

N/A: there are no EU Taxonomy criteria for the category

**4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA**

N/A: there are no EU Taxonomy criteria for the category

**5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA**

N/A: there is no EU Taxonomy criteria for the category

**6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA**

N/A: there is no EU Taxonomy criteria for the category

**Minimum Social Safeguards**

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Social Safeguards as described in Article 18 of the Taxonomy Regulation<sup>12</sup> have been assessed. In October 2022, guidance on application of Minimum Social Safeguards in relation to the Taxonomy Regulation was provided in Final Report on Minimum Safeguards from Platform on Sustainable Finance<sup>13</sup>. To this end, the below assessment embeds the guidance from Platform on Sustainable Finance to assess Berlin Hyp’s application of policies, measures and procedures in line with the EU Taxonomy Minimum Social Safeguards. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

<sup>12</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

<sup>13</sup> Platform on Sustainable Finance, 2022, Final Report on Minimum Safeguards, [https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards\\_en.pdf](https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf)

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>14</sup>	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>Berlin Hyp<sup>15</sup> is a signatory of the UN Global Compact and it's publicly committed to the OECD Guidelines for Multinational Enterprises and to human rights. Compliance with the OECD Guidelines is also expected from clients. When awarding EU Taxonomy aligned loans, the Issuer runs a questionnaire asking customers to commit to the UN Guiding Principles on Business and Human Rights, the OECD Guidelines, the ILO Fundamental Principles and Rights at Work, and the International Bills on Human Rights.</p> <p>Berlin Hyp states that, should increased risks be identified, it will discuss with clients measures to address the relevant risks. Requests of financing from customers not complying with human rights guidelines will be rejected by Berlin Hyp. Should the issuer learn of a violation of law or internationally recognized human rights, the Compliance Officer would file criminal charges against the customer or submit a whistleblowing report. Additionally, the business relationship would be terminated. Berlin Hyp states that compliance risks – both on the customers and the company side – are monitored continuously and prevention measures are put in place and reviewed regularly. The issuer also analyses cases or suspected cases that have become known throughout the industry in order to improve prevention measures and rule out future risks.</p> <p>The issuer states that it expects clients, contractors and suppliers to have grievances mechanisms in place when required by law. Berlin Hyp has its own Whistleblowing Hotline in place, available to employees, customers, subcontractors, suppliers, and anyone having a business relationship with them.</p>	

<sup>14</sup> This column is based on input provided by the issuer.

<sup>15</sup> The issuer developed its approach on the EU Taxonomy Minimum Safeguards before the "[Final Report on Minimum Safeguards \(October 2022\)](#)" by the Platform on Sustainable Finance was published.

## PART IV: LINKING THE TRANSACTION(S) TO BERLIN HYP'S ESG PROFILE

### A. CONSISTENCY OF GREEN BOND WITH BERLIN HYP'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the issuer*

- a) Since 2013 Berlin Hyp has incorporated various ESG criteria into their policies and practices in order to create a sustainable management system. Part of that develop was to set a Strategic Performance Target (SPT) of expanding its Green Finance Portfolio to 20 percent by year-end 2020 – which was achieved a year ahead of schedule. In 2021 Berlin Hyp extended on its Sustainability Agenda, the so-called 'ESG Target Visions', which is organized in four different dimensions, as shown in the graph below<sup>16</sup>.

The key elements of the ESG Target Vision's sustainable business portfolio dimension are:

1. Reduction of CO<sub>2</sub> 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 (according to the criteria defined in the Green Bond Framework) 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 2023 Social Bond Framework

Berlin Hyp's ESG policy expands beyond the environmental goals. The Bank acknowledges the increasing social significance of the real estate sector and aims to strengthen its relevance in its core lending business.

- b) With a focus on financing energy-efficient and environmentally friendly buildings Berlin Hyp publishes on an annual or case by-case basis a Sustainable Finance Framework. With the aim to expand their sustainability activities by integrating taxonomy loans into its Green Loan portfolio in 2022. Disclosing the planned proportion of new energy efficiency loans and new taxonomy loans to be included in the Bank's Green Loan portfolio per year.

<sup>16</sup> [Sustainability strategy - Berlin Hyp AG](#)

<b>Year</b>	<b>Maximum percentage of new loans for energy-efficient green buildings (by year-end)</b>	<b>Minimum percentage of new loans for EU Taxonomy-aligned buildings/construction activities (by year-end)</b>
2022	95%	5%
2023	85%	15%
2024	70%	30%
2025	40%	60%
2026	0%	100%

- c) To ensure effective implementation in line with their roadmap and enable Berlin Hyp to address issues that may arise in the future, their ESG Board is the central platform for information and the exchange of knowledge on company-wide ESG issues.
- d) Berlin Hyp publishes in conformity with the systematic structure of the Global Reporting Initiative (GRI) annual reports since 2016. This is an international standard for sustainability reporting which discloses on key management initiatives, measures and performance indicators.
- e) In line with its environmental commitments, as of year-end 2022, Berlin Hyp extended loans for EUR 8,855 million in Green Buildings in order to finance buildings certified to a comprehensive sustainable building standard.

### 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: real estate lending.

As stated by Berlin Hyp, the latest version of its Green Bond Framework transposes the requirements of the Delegated Act for Environmental Objective 1 of the EU Taxonomy for Sustainable Activities (“EU Taxonomy”) published by the EU Commission in June 2021 and the requirements of the proposed Regulation of the European Parliament and of the Council on European Green Bonds (“Regulation on European Green Bonds”). The focus of Berlin Hyp lays on the objective of climate change mitigation.

To ensure alignment with the EU Taxonomy Berlin Hyp plans to issue two green products.

1. Loans for energy-efficient green buildings (meeting the Eligibility Criteria defines under Berlin Hyp’s 2020 Green Bond Framework with the respective update)
2. Loans for EU Taxonomy-aligned buildings/construction activities (meeting the Eligibility Criteria aligned with the EU Taxonomy)

**Opinion:** *The key sustainability objectives and the rationale for issuing Green Bond are clearly described by the Issuer. All project categories financed are in line with the sustainability objectives of the Issuer.*

## B. BERLIN HYP'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the issuer's industry*

The Issuer is classified in the Mortgage & Public Sector Finance, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Statutory ESG-standards linked to the geographical allocation of the lending portfolio
Employee relations and work environment
Sustainability impacts of lending and other financial services/ products
Customer and product responsibility
Sustainable investment criteria

### *ESG performance of the issuer*

Leveraging ISS ESG's Corporate Rating research, further information about the issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part IV.B of the report.

### *Sustainability impact of products and services portfolio*

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE <sup>17</sup>	DIRECTION OF IMPACT	UN SDGS
<b>Financing of buildings certified to a comprehensive</b>	19.3%	CONTRIBUTION	

<sup>17</sup> Percentages presented in this table are not cumulative.

<b>sustainable building standard</b>			
<b>Financing of affordable housing (for low- to median-income households)</b>	5.8%	CONTRIBUTION	

*Breaches of international norms and ESG controversies*

At issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Mortgage & Public Sector Finance industry are as follows: Differentiated treatment of consumers on the grounds of race, Failure to pay fair share of taxes, Failure to mitigate climate change impacts.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

## DISCLAIMER

1. Validity of the Second Party Opinion (SPO): Valid as long as the cited Framework remain unchanged and on the basis of the portfolio analysed as at December 31, 2022.
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## ANNEX 1: Methodology

### EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Bond Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021).

The evaluation shows if Berlin Hyp's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by Berlin Hyp (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the issuer.

### Environmental and social risks assessment methodology

The Environmental and social risks assessment 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 or that the information provided did not fulfil the requirements of the Green Bond KPIs.

The evaluation was carried out using information and documents provided 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, the extent to which Berlin Hyp's Green Bond contributes to related SDGs has been identified.

## ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

## ANNEX 3: Quality management processes

### SCOPE

Berlin Hyp commissioned ICS to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Asset Bond Pool aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bond, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (as of June 2021)
- EU Taxonomy Climate Delegated Act (as of June 2021)

### ISSUER'S RESPONSIBILITY

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

- Framework
- Asset pool
- Documentation of ESG risks management at the framework level
- Documentation on the alignment of the project categories with the EU Climate Delegated Act

### 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.

This independent Second Party Opinion of the Green Bond to be issued by Berlin Hyp has been conducted based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with Berlin Hyp took place in January and February 2023.

### ISS' 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 behavior 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 this 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.

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 information about SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

For Information about this Green Bond SPO, contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

### Project team

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