

Green Bond Framework

March 2025



Information on Framework Update 2025

The Green Bond Framework is regularly revised in order to adequately take into account regulatory developments as well as new requirements and findings in the ESG capital market and in the underlying markets. The 2025 edition contains one addition to Chapter 3.1.1 compared to the 2024 edition:

In case of the acquisition and ownership of buildings, buildings are either required to provide an energy performance certificate with EPC class A or better, or they must be within the top 15 percent of the national or regional building stock. For the purpose of identifying Germany's top 15 percent, Drees & Sommer conducted a study in 2023, which serves as the reference in this Green Bond Framework. While the study covers multiple asset classes, the asset class 'hotel' was not within the scope of the study. Thus, from January 2025 and with reference to the vdp Minimum Standards for Green Pfandbriefe, Berlin Hyp will accept sustainability certificates as an eligibility criterion for the asset class 'hotel', whenever top 15-thresholds are not available.

The 2025 update of the vdp Minimum Standard for Green Pfandbriefe was also the reason for clarification in Chapter 3.1.1. It is now clear and visually obvious that eligibility criteria for the described green sub-categories differ from each other.

Changes to the framework are highlighted in colour.

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1) Berlin Hyp's Sustainability Strategy

Climate change is one of the biggest challenges of our times – maybe even the biggest. To combat this change is not an exclusive task for real estate related businesses; however, this sector plays a significant role in order to achieve the Paris Agreement's goal of reducing global warming to less than 2°Celsius and targeting 1.5°Celsius above pre-industrial levels by 2050. Berlin Hyp AG ("Berlin Hyp" or the "Bank") aims to play an active part in the necessary green transformation within the European building sector. Therefore, the Bank integrated ESG (Environmental, Social, Governance) in the core of its corporate strategy and business operations.

In 2013, the Bank decided to incorporate its existing approaches and processes in a sustainability management system covering numerous ESG aspects. Financing energy-efficient green buildings represents the part of Berlin Hyp's ESG measures that is closest to its core business: commercial real estate lending. Since 2015, when the Bank issued its inaugural Green Pfandbrief, the first green covered bond to be issued worldwide, Berlin Hyp's loans for energy-efficient green buildings have been refinanced by issuing green bonds. To enhance its green finance franchise, the Bank introduced pricing incentives for eligible business in 2016. In 2017, Berlin Hyp included its ambition to have a leading position in green finance among its strategic goals. An expansion of the Bank's Green Finance Portfolio to 20 percent of its overall loan portfolio was set as a strategic performance target. The Bank achieved this target, one year in advance, at the end of 2019. As of **31 December 2024**, the Bank's Green Finance Portfolio amounted to **EUR 11.0 bn**, representing **35.1 percent** of its total loan book.

In August 2020, Berlin Hyp published its far-reaching and ambitious Sustainability Agenda, in line with the 2050 climate neutrality goal of the Paris Agreement and the Federal Republic of Germany, which includes ambitious climate protection targets for the building sector. Depending on the respective calculation, buildings account for 30 to 40 percent of total carbon emissions in Germany.

In April 2021, Berlin Hyp was the world's first bank to link its sustainability and climate targets directly to its refinancing when the Bank issued its inaugural Sustainability-Linked Bond.

Due to the importance of the real estate sector to reaching the German and European climate neutrality goals, building developers, owners and financing banks are confronted with new evaluation criteria and standards for meeting the challenges associated with achieving the climate targets. The high relevance of the sector and the disruptive nature of new standards such as the EU Taxonomy's buildings and construction criteria are key reasons why Berlin Hyp has not only set another new sustainability target for itself, but also a far-reaching Sustainability Agenda in August 2020, which was extended in October 2021 to define the Bank's ESG Target Vision. The ESG Target Vision represents a comprehensive set of measures enabling Berlin Hyp to proceed with its own green transformation and to play an important role in its core business sector's necessary ESG transformation. It addresses, among others, the following environmental goals in relation to a sustainable business portfolio:

Reduction of CO₂ intensity in the portfolio and climate-neutral portfolio by 2050 at the latest

→ In accordance with the Paris Agreement and the Climate Protection Plan of the Federal Republic of Germany, Berlin Hyp plays an active role in reaching the Paris and national German targets. To achieve this, the Bank not only seeks to achieve climate neutrality in its own operations, but also links carbon reduction targets to buildings it finances. The Bank seeks to make its entire loan portfolio climate neutral by 2050 at the latest. On the path to achieve this goal, the Bank first aims to reduce the carbon footprint of its loan portfolio by 40 percent between 2020 and 2030. In 2023 the Bank refined its target path making it even more ambitious.

- Paris Agreement: Reduce the increase in global temperature to less than 2°Celsius above pre-industrial levels, targeting 1.5°Celsius.
- Climate Protection Plan of the Federal Republic of Germany¹: National set of measures to achieve the objectives of the Paris Agreement. This includes a path towards climate neutrality of the building sector and defines interim targets. The climate paths' legal basis is the German Climate Protection Act (*Klimaschutzgesetz, KSG*), which came into force in December 2019 and was revised in August 2021.

One-third of loans for energy efficient green buildings in Berlin Hyp's loan portfolio by 2025

- Eligible business is defined in this Green Bond Framework and takes into account the EU Taxonomy's buildings and construction criteria.
- The one-third target ensures continued consideration of energy efficiency in Berlin Hyp's future lending decisions and demonstrates the growing importance of financing green buildings within its portfolio.
- As of 31 December 2024, loans for energy-efficient green buildings accounted for 35 percent. Thus, the target has been achieved in advance.

Establishment of 100 percent portfolio transparency – prerequisite for a systematic determination of energy performance, carbon and climate risks within Berlin Hyp's entire loan portfolio

- Berlin Hyp has set itself the target to record and analyse all energy performance certificates (EPC) in its loan monitoring system, not only for constituents of its Green Finance Portfolio, by the end of 2023.

As of year-end 2023 the transparency ratio (loans for buildings with EPC data in Berlin Hyp's loan monitoring system vs. Berlin Hyp's entire loan portfolio) stood at 95 percent. The goal of creating complete transparency with regard to the energy requirements of the properties Berlin Hyp finances has thus been achieved.² Building on this success, the Bank is now pursuing the goal of maintaining a very high transparency of at least 95 percent. As at 31 December 2024, the transparency ratio stood at 95 percent.

- Based on loan-book-wide EPC-based energy efficiency data, Berlin Hyp is able to calculate its entire loan portfolio's carbon emissions more precisely. Precise knowledge of CO₂ emissions is a vital prerequisite for an accurate determination of transitory and physical risks via scenario analyses.

- In addition, the Bank aims to achieve full transparency regarding the physical and transitory risks of the properties it finances by 2025.

Advice and financing for customers who are seeking to make the transition to energy-efficient properties

- Berlin Hyp offers customers specially designed financing solutions such as the transformation loan (*Transformationskredit*).
- The transformation loan is available to finance real estate ESG transformation measures. These include, among others, renovations leading to a decrease in energy demand by at least 30 percent, in line with the EU Taxonomy's requirement.
- Berlin Hyp incentivises this product and support its borrowers to transform their properties towards 'green'.

¹ In August 2021, Germany revised its Climate Protection Act in order to reach climate neutrality by 2045. This implies a steeper climate path for the German building sector with a CO₂ emissions decrease of 43 percent between 2020 and 2030 rather than the previous 40 percent.

² The portfolio transparency of 95 percent is in terms of the nominal loan volume. This translates to 94 percent in terms of the area of financed buildings. The remainder is due to individual cases (e.g. if Berlin Hyp's customers do not yet have an energy performance certificate for their property or if Berlin Hyp has not yet completed processing the energy requirement information). Compared to 2022, properties for which there is no obligation to collect energy data (e.g. listed buildings, undeveloped land or properties under construction) were excluded from the calculation of the transparency ratio for the first time.

40 percent of Berlin Hyp's capital markets funding mix to consist of ESG refinancing instruments by 2025

- ESG refinancing instruments include green bonds, social bonds and sustainability-linked bonds.
- The ambition of the above-mentioned goal is emphasised by the fact that Berlin Hyp is a wholesale funded bank that does not take deposits.
- This target has already been reached in 2024. By year-end ESG bonds accounted for **44.0 percent** of Berlin Hyp's capital market funding mix.

³ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

2) Green Bonds Program

Berlin Hyp is an experienced issuer on the green bond market. The Bank issued its first Green Pfandbrief in 2015 and has issued **26** benchmark-sized green bonds since then. The total outstanding amount of green bonds was **EUR 9.3 bn** as of **31 December 2024**. All green bonds issued by Berlin Hyp are aligned with Berlin Hyp's Green Bond Principles. With the 2022 version of its Green Bond Framework, Berlin Hyp introduced compliance with the Delegated Act for Environmental Objective 1 of the EU Taxonomy, making its approach even more ambitious.

As of **31 December 2024**, Berlin Hyp has a mortgage loan portfolio including irrevocable commitments of **EUR 31.4 bn**, of which about **EUR 11.0 bn** met the Bank's eligibility criteria for loans for green buildings in its loan monitoring system. The nominal value of such loans in Berlin Hyp's mortgage cover pool is **EUR 7.0 bn**, while another **EUR 4.0 bn** is not or not yet a part of the mortgage cover pool. The aggregated nominal value of eligible assets will change over time and is likely to increase as the Bank plans to finance new eligible assets.

Berlin Hyp's Green Bond Program shall be used to issue any kind of green refinancing instruments, including:

- Green covered bonds, in particular Green Pfandbrief;
- Green Senior unsecured debt, including Green Senior Preferred and Green Senior Non-Preferred;
- Green subordinated debt, limited to Green Tier 2 instruments; and
- Green short term debt, limited to Green Commercial Paper.

According to Appendix I of the Green Bond Principles, Green Pfandbriefe are to be classified as Secured Green Collateral Bonds and all other green refinancing instruments as Standard Green Use of Proceeds Bonds.³

2.1 Green Pfandbrief

Berlin Hyp's Green Pfandbriefe are Mortgage Pfandbriefe as defined in § 1 para. 1 (1) of the Pfandbrief Act. All cover assets fulfill the requirements of §§ 13 to 18 Pfandbrief Act. Green Pfandbrief holders rank pari-passu with all other Mortgage Pfandbrief holders. The entire cover pool is liable for timely payment of the interest and principal of Green Pfandbriefe and all other outstanding Mortgage Pfandbriefe in case of the issuer's insolvency.

Berlin Hyp applies the cover principle from the Pfandbrief Act to its Green Pfandbriefe. That means that a new Green Pfandbrief can only be issued if the Bank's mortgage cover pool contains sufficient eligible assets that have not already been allocated to a Berlin Hyp green bond. Proceeds are therefore always used to refinance eligible assets in the Bank's mortgage cover pool.

In addition, the Bank strives to invest an amount equivalent to the net proceeds of each Green Pfandbrief in new eligible assets and include them in its mortgage cover pool. Eligibility criteria for these new assets must at least meet the standard that is applicable to the assets that are already on the Bank's balance sheet at the time of issuance.

2.2 Green Senior

Investors in Berlin Hyp's Green Senior rank pari-passu with investors in other senior unsecured notes of the Bank within the same asset class (i.e., holders of green senior preferred bonds rank pari-passu with those of other Berlin Hyp senior preferred bonds, and holders of senior non-preferred bonds rank pari-passu with those of other Berlin Hyp senior non-preferred bonds). A new Green Senior may only be issued if there are sufficient eligible assets on the Bank's balance sheet that have not been allocated to a Berlin Hyp Green Bond before.

³ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

In addition, the Bank shall make every effort to invest an amount equivalent to the net proceeds of each Green Senior in new eligible assets. Eligibility criteria for these new assets must at least meet the standard that is applicable to the assets that are already on the Bank's balance sheet at issuance.

2.3 Green Tier 2 Instruments

Investors in Berlin Hyp's Green Tier 2 instruments rank pari-passu with investors in other subordinated debt of the Bank within the same asset class (i.e. limited to Tier 2). A new Green Tier 2 instrument may only be issued if there are sufficient eligible assets on the Bank's balance sheet that have not been allocated to a Berlin Hyp Green Bond before.

In addition, the Bank strives to invest an amount equivalent to the net proceeds of each Green Tier 2 in new eligible assets. Eligibility criteria for these new assets must at least meet the standard that is applicable to the assets that are already on the Bank's balance sheet at issuance.

2.4 Green Commercial Paper

In September 2018, Berlin Hyp expanded its short-term refinancing through a Euro Commercial Paper Program. Commercial papers are unsecured bearer bonds with maturities of up to 364 days. New Green Commercial Paper may only be issued if there are sufficient eligible assets on the Bank's balance sheet that have not been allocated to a Berlin Hyp green bond before. Due to the short maturity of commercial paper, the process of monitoring the allocation of the proceeds of Green Commercial Paper is described in section 3.3.



3) Green Bond Framework

Berlin Hyp's Green Bond Framework is aligned with the five core components of the Green Bond Principles published by the International Capital Market Association (ICMA) in June 2021 and amended in June 2022 and with the 2025 version of the vdp's (Association of German Pfandbrief Banks) Minimum Standards for Green Pfandbriefe:

- 3.1 Use of proceeds
- 3.2 Process for project evaluation and selection
- 3.3 Management of proceeds
- 3.4 Reporting
- 3.5 External review

3.1 Use of proceeds

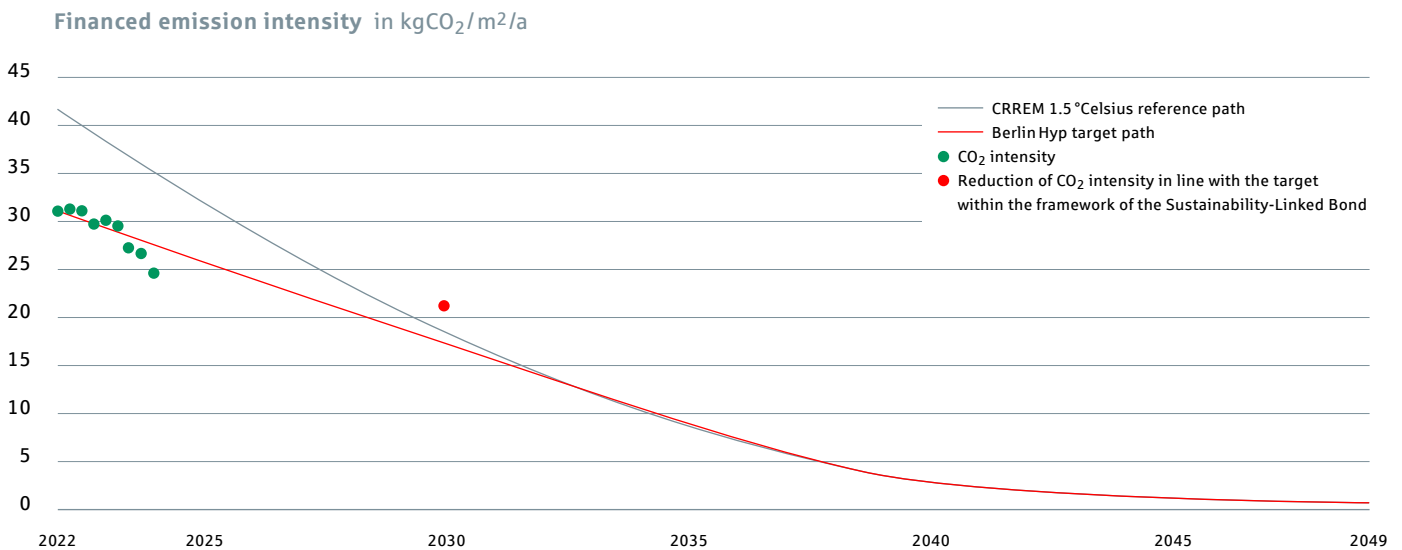
Berlin Hyp's Framework comprises two sets of eligibility criteria. Given the regulatory developments at the EU level during the past years, Berlin Hyp is strongly committed to aligning the Framework as much as possible with the Delegated Act for Environmental Objective 1 of the EU Taxonomy and with the Regulation on European Green Bonds when selecting Eligible

Green Assets. Therefore, Berlin Hyp established a new set of criteria ("Eligibility criteria for loans for EU Taxonomy-aligned buildings/ construction activities") in the 2022 version of its Framework. This set of criteria is described in section 3.1.2 and will coexist in the Framework with the updated criteria of the 2020 edition of the Framework ("Eligibility criteria for loans for energy-efficient green buildings"). These criteria are defined in section 3.1.1 and have continued to develop in recent years. When it comes to financing the acquisition and ownership of existing buildings, they take into account energy efficiency criteria of the substantial contribution criteria set by the EU Taxonomy.

Berlin Hyp began to integrate loans for EU Taxonomy-aligned buildings/ construction activities in its Green Finance Portfolio in 2022. Together with the Bank's loans for energy-efficient green buildings, they contribute to reaching Berlin Hyp's 2050 net zero emissions target by following its own CRREM⁴-derived decarbonisation path, which was initially presented in the Bank's 2023 half-year financial report.⁵

Graph 1 displays Berlin Hyp's decarbonisation path.

Graph 1: Berlin Hyp's Decarbonisation Path



⁴ The Project Carbon Risk Real Estate Monitor (CRREM) aims at providing the real estate industry with transparent, science-based decarbonisation pathways aligned with the requirements of the Paris Agreement to limit global warming to a maximum of 1.5°C. The 2022 version of CRREM's pathways, available since early January 2023, is aligned with SBTi methodology.

⁵ <https://www.berlinhyp.de/en/media/newsroom/financial-reports/interim-financial-report-as-at-30-june-2023>

An amount equivalent to the net proceeds of any Berlin Hyp green bond issued under the Green Bond Program will be used to finance or refinance Eligible Green Assets aligned with at least one of the categories described below.

Both sets of Eligibility Criteria apply to pre-defined shares of potential Eligible Green Assets' underlying assets:



- Construction of new buildings includes development of building projects (NACE F41.1) and construction of residential and non-residential buildings (NACE F41.2).
- Acquisition and ownership of buildings include real estate activities (NACE L68).
- Refurbishment of existing building includes construction of buildings (NACE F41) and specialised construction activities (NACE F43).

Eligible Green Assets shall also meet other environmental and/or social criteria. Berlin Hyp's internal Sustainability Guideline prohibits the Bank from providing financing for any buildings which are used for the production of arms, pesticides, tobacco, pornography, nuclear power, coal, oil or natural gas.

3.1.1 Use of proceeds: Loans for energy-efficient green buildings

The eligibility criteria for green assets relate to the energy efficiency of buildings to be financed or refinanced. They are derived from the technical screening criteria of the EU taxonomy for buildings / construction activities, and more precisely from the major contribution criteria for activity 7.7.

Table 1: Eligibility Criteria for loans for energy-efficient green buildings

Green Buildings		
Green sub-categories	Eligibility criteria	UN SDGs
Acquisition and ownership of commercial and residential buildings built before 31/12/2020	<p>EPC A Buildings which hold an energy performance certificate (EPC) that is at least class A or /and</p> <p>Top 15 percent⁶ Buildings within the top 15 percent of the national or regional building stock in terms of energy demand / consumption.</p>	
Construction of new commercial and residential buildings or Acquisition and ownership of commercial and residential buildings built after 31/12/2020	<p>NZEB –10 percent The Primary Energy Demand (PED) of the building is at least 10 percent lower than the thresholds set for Nearly Zero-Energy Building (NZEB) requirements in national measures implementing Directive 2010/31/EU. It is verified by an EPC, or before the reception of such an EPC, any document provided to building authorities proving the building's energy performance.</p>	
Renovation of commercial and residential buildings⁷	<p>Reduction of PED by 30 percent Renovation leads to a reduction of Primary Energy Demand of at least 30 percent when comparing the latest EPC before renovation with the one issued after renovation.</p>	

⁶ The data on the top 15 percent in Germany for the asset classes residential, office, retail and logistics has been compiled by Drees & Sommer on behalf of the Association of German Pfandbrief Banks in 2022 and revised in 2023. Data on the top 15 percent for various real estate asset classes in the Netherlands, France and Poland have also been assessed by Drees & Sommer, but on behalf of vdpResearch GmbH. Berlin Hyp pays a fee to vdpResearch in order to use these data. The relevant thresholds are presented in Appendix I.

For buildings located in Luxembourg and Belgium, the Bank applies thresholds based on the top 15 percent in the Netherlands. For buildings located in the Czech Republic, the Bank applies thresholds based on the top 15 percent in Poland.
As Berlin Hyp does not currently have any corresponding top 15 percent thresholds for the asset class hotels, the Bank refers to the vdp Minimum Standards for Green Pfandbriefe when evaluating hotel buildings and accepts sustainability certificates as an alternative eligibility criterion for this asset class.

Hotel buildings are therefore defined as eligible assets within Berlin Hyp's Green Bond Framework if they have one of the following sustainability certificates: LEED: Gold or above; BREEAM: Excellent or above; DGNB: Gold or above; HQE: Performant or above.

⁷ For refurbishment of buildings, Eligibility Criteria are assessed through the EPC issued after the refurbishment process.

Berlin Hyp continues to request sustainability certificates from its customers for the buildings it finances, provided they are available, and will also record them in its loan monitoring system. They provide the Bank with insights into the sustainability of these properties beyond energy efficiency. In this context, the Bank considers the following certificates as providing an indication of good building sustainability performance:



- LEED: Gold or above
- BREEAM: **Excellent** or above
- DGNB: Gold or above
- HQE: **Performant** or above

3.1.2 Use of proceeds: Loans for EU Taxonomy-aligned buildings/construction activities

The Framework follows the guidelines from the Delegated Act of the EU Taxonomy, which defines activities contributing substantially to one of the six environmental objectives. These guidelines were used to set qualitative and/or quantitative thresholds along with relevant recent studies to determine precise thresholds.

Eligibility Criteria for loans for EU Taxonomy-aligned buildings/construction activities are displayed in Table 2 below.

Table 2: Eligibility Criteria for loans for EU Taxonomy-aligned buildings / construction activities

Green Buildings		UN SDGs
Green sub-categories	Eligibility criteria	
Acquisition and ownership of commercial and residential buildings built before 31/12/2020	<p>EPC Class A Buildings which hold an energy performance certificate (EPC) that is at least class A</p> <p>or / and</p> <p>Top 15 percent Buildings within the top 15 percent of national or regional building stock in terms of energy demand / consumption.</p>	 
<p>Construction of new commercial and residential buildings</p> <p>Acquisition and ownership of commercial and residential buildings built after 31/12/2020</p>	<p>The Primary Energy Demand of the building is at least 10 percent lower than the thresholds set for Nearly Zero-Energy Building (NZEB) requirements in national measures implementing Directive 2010/31/EU. It is verified by an EPC, or before the reception of such an EPC, any document provided to building authorities proving the building's energy performance.</p> <p>For buildings larger than 5000 m², the building constructed undergoes testing for air-tightness, thermal integrity and global warming potential</p>	
Renovation of commercial and residential buildings	<p>Building renovation complies with the applicable requirements for major renovations: The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.</p> <p>or / and</p> <p>Renovation leads to a reduction of Primary Energy Demand of at least 30 percent when comparing the latest EPC before renovation with the one issued after renovation.</p>	

In this set of eligibility criteria, Berlin Hyp considers an economic activity environmentally sustainable if it significantly contributes to climate change mitigation. This category entails compliance with two types of criteria: on the one

hand with technical assessment criteria (Technical Screening Criteria, TSC) transposed above and on the other hand with “Do No Significant Harm” (DNSH) criteria. In addition, activities must comply with minimum social safeguards.⁸

⁸ United Nations Guiding Principles on Business and Human rights, and OECD Due Diligence Guidance for Responsible Business Conduct

To comply with DNSH criteria, Berlin Hyp's Eligible Green Assets must be assessed to ensure they do not cause significant harm to any of the EU Taxonomy's remaining environmental objectives. Activities contributing to climate change mitigation must avoid significant harm to climate change adaptation and the other four environmental objectives:

- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control; and
- Protection and restoration of biodiversity and ecosystems.

Appendix II provides additional details on DNSH criteria and on the methodology for assessing the accurate alignment with the Delegated Act for Environmental Objective 1 of the EU Taxonomy.

Transformation loans (*Transformationskredit*) may qualify as either Eligible Greens Assets according to Section 3.1.1 or according to section 3.1.2 depending on which of the two sets of eligibility criteria they comply with.

3.2 Process for project evaluation and selection

Berlin Hyp firmly anchors the Framework in its internal processes for evaluating and selecting Eligible Green Assets that comply with the criteria described in section 3.1 within the credit process.

Berlin Hyp has established a Sustainable Finance Commission (SFC; previously Green Building Commission⁹) which consists of representatives from various divisions of the Bank. Among them are all entities involved in the financing / re-financing value chain: Origination, Portfolio Management, Credit, Appraisal and Treasury. Among others, Risk Controlling and Corporate Strategy are part of the SFC too. In its regular meetings, the SFC discusses, among other things, whether the eligibility criteria are still in line with best market practices and relevant regulation. If not, the SFC will discuss potential changes and decide how to adapt the eligibility criteria.

Any change in the eligibility criteria may only result in stricter criteria (i.e., lower thresholds for energy demand and / or consumption). Changes in the eligibility criteria in Section 3.1.2 can only be made as a result of future changes to the EU Taxonomy or its relevant Delegated Acts.

Berlin Hyp's Process of Selection and Evaluation aims to prove compliance with any of the two sets of eligibility criteria at the earliest possible stage of loan origination. As Berlin Hyp incentivises Eligible Green Assets by offering more favourable conditions compared to other loans, an initial analysis of an asset's compliance with any of the two sets of eligibility criteria has to be performed prior to pricing. For this reason, Berlin Hyp's borrowers are asked to provide relevant documents concerning the eligibility for the Bank's Green Finance Portfolio, e.g. EPCs, energy demand calculations, sustainability certificates and further material documents suitable to prove compliance with any of the two sets of eligibility criteria at the beginning of the acquisition process. To the extent that relevant documents are provided, the experts in the Bank's appraisal division pre-assess a property's potential compliance regarding energy efficiency with any of the two sets of eligibility criteria. A positive pre-assessment by the appraisers is the necessary pre-requisite for sales staff to incentivise the loan when pre-calculating its financing features. A final assessment of an asset's eligibility for the Green Finance Portfolio is made in a later stage of the loan origination process. Data Management staff document an asset's eligibility in the Bank's loan monitoring system.

After documentation, Treasury votes on the asset's compliance with any of the two sets of 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 Data Management 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 an asset does not fulfil the eligibility criteria. As this process is applied to all new business, it is one of Berlin Hyp's longer term targets to provide evidence of its entire mortgage loan portfolio's energy efficiency.

⁹ As Berlin Hyp intends to focus more on social aspects in its core business of commercial real estate financing, it replaced its Green Building Commission with the SFC in 2021. This will allow the committee to oversee the development of potential future social financing and re-financing products and keep the respective frameworks in line with current best market practice and relevant regulation.

Integration and tracking of Eligible Green Assets into the Green Finance Portfolio:

At least once at the end of each year, the SFC reviews and validates all flagged deals. Due to this process, Berlin Hyp can track, among other things, the portion of its new eligible business, its Green Finance Portfolio and the entire loan portfolio that is aligned with the EU Taxonomy. Berlin Hyp may define sub-portfolios within its Green Finance Portfolio, allowing the Bank to issue green bonds that fulfill the Regulation on European Green Bonds when it is enforced (i.e., only refinancing loans for EU Taxonomy-aligned buildings/construction activities).

If documents proving an asset's eligibility expire, Berlin Hyp will ask its borrower for new evidence to re-assess the property's eligibility. Borrowers are allowed a one-year grace period to provide new evidence. If an asset does not qualify with any of the two sets of eligibility criteria described in Section 3.1, the asset is removed from the Bank's Green Finance Portfolio.

To identify an asset's compliance with any of the two sets of eligibility criteria, Berlin Hyp may use its own expertise or rely on external consultants and their data sources.

Berlin Hyp is constantly working on improving the processes for the ESG assessment in its loan origination process and for evaluating the assets' compliance with the new eligibility criteria. As a result, Berlin Hyp may make changes to its evaluation and selection processes at any time in the future to reflect these improvements.

Berlin Hyp has put in place numerous procedures to manage ESG risks, for example:

→ Berlin Hyp implemented an ESG Questionnaire enabling the Bank to assess its borrowers' ESG quality resulting in an ESG score. Every borrower is asked to complete the questionnaire within the loan origination process.

→ There is close collaboration with the Data Management department to improve ESG data generation and management which are used for reporting and classification, as well as measuring ESG-related performance indicators.

→ In connection with Berlin Hyp's transformation loan, an assessment of refurbishment potential of the Bank's portfolio has been developed.

Another relevant factor includes the bank's extensive staff training on ESG related subjects.¹⁰

3.3 Management of proceeds

Eligible green assets are flagged as such by Berlin Hyp's data management team in the loan monitoring system of the Bank.

Berlin Hyp will manage the proceeds of any Green Bond on a portfolio basis. The proceeds are flagged and tracked in Berlin Hyp's internal monitoring system. An amount equivalent to each Green Bond's net proceeds will be used exclusively to refinance Eligible Green Assets that are part of the Bank's Green Finance Portfolio. Eligible Green Assets have to meet one of the two sets of eligibility criteria described in Section 3.1 at the time they are flagged as Eligible Green Assets. If the Bank decides to enhance eligibility criteria, then these new criteria are not applied retroactively to the existing Eligible Green Assets. Therefore, existing Eligible Green Assets do not lose their status if they do not meet the new eligibility criteria.

A new green bond can only be issued if there are Eligible Green Assets with a sufficient aggregated nominal value on the Bank's balance sheet that have not already been used for previously issued and still outstanding green bonds. Eligible Green Assets may not be allocated to more than one Green Bond of Berlin Hyp simultaneously. That means that the aggregated nominal value of all outstanding green bonds may not exceed the aggregated nominal value of Eligible Green Assets at any time. Furthermore, the Bank shall ensure that the amount of Eligible Green Assets exceeds the amount of green bonds outstanding following any new issuance by 10 percent, subject to a maximum of EUR 800 million.

Should any Eligible Green Asset be removed from the Bank's portfolio of Eligible Green Assets for any reason and result in a total amount of Eligible Green Assets which is lower than the total amount of all outstanding Green Bonds, Berlin Hyp commits to replace it by one or several Eligible Green Assets.

¹⁰ Further information on Berlin Hyp's ESG risk management can be found in the non-financial statement. [Available here.](#)

The proceeds of Green Commercial Paper are allocated to Eligible Green Assets for an aggregated nominal amount of Eligible Green Assets, which shall not exceed half of the 10 percent excess of Eligible Green Assets at any time.

In addition, the aggregated nominal value of outstanding Green Pfandbriefe shall not exceed the aggregated Eligible Green Assets in the Bank's mortgage cover pool at any time. If Eligible Green Assets mature or are redeemed before a green bond's maturity, they are replaced by other Eligible Green Assets. The Bank thus strives to ensure that the aggregated nominal value of Eligible Green Assets always exceeds the aggregated nominal value of all outstanding green bonds. In addition, Berlin Hyp strives to invest an amount equivalent to the net proceeds of the green bonds in new Eligible Green Assets and (in the case of Green Pfandbriefe) to include these into its mortgage cover pool.

3.4 Reporting

Berlin Hyp will issue Green Bond Reports on an annual basis as long as it has green bonds outstanding and will provide information about its green bonds on its website.¹¹

Berlin Hyp has published Annual Green Bond Reports since 2016. Reports will remain available for investors for future reference on the Bank's website. Reports will be aligned with Annex II and Annex III of the proposed Regulation on European Green Bonds after this regulation takes effect. Reports will also be aligned with the ICMA Handbook Harmonised Framework for Impact Reporting (June 2024).¹²

The Annual Green Bond Reporting covers allocation and impact reporting. This document includes, but is not limited to:

→ Allocation reporting

- The development of Eligible Green Assets on Berlin Hyp's balance sheet and in its mortgage cover pool on an aggregated basis, including:
 - Volume and growth of the Green Finance Portfolio
 - Portion of the Green Finance Portfolio which is part of Berlin Hyp's mortgage cover pool

- Breakdown of the Green Finance Portfolio by certificates (i.e. sustainability certificates, EPC, etc.)
- Geographical breakdown of the Green Finance Portfolio
- Breakdown of the Green Finance Portfolio between loans for energy-efficient green buildings, loans for EU Taxonomy-aligned buildings/construction activities, and loans for buildings/construction activities complying with energy-themed substantial contribution criteria
 - Progress report on the allocation of an equivalent amount to the net proceeds of the green bond to Eligible Green Assets, including:
 - Total amount of the net proceeds allocated to the Green Finance Portfolio
 - Total volume of outstanding green bond instruments
 - Maximum amount of outstanding Green Commercial Paper issuances over the period

→ Impact reporting

- Estimated energy savings of the Green Finance Portfolio in comparison to one or more appropriate baselines
- Estimated avoided carbon emissions of the Green Finance Portfolio in comparison to one or more appropriate baselines

For further transparency, Berlin Hyp publishes an Impact Reporting Template, which discloses the indicators below:

- No. of Green Buildings
- Total floor area (m²)
- Annual energy savings (GWh)
- Total annual GHG emissions avoided (tCO₂e)
- Annual GHG emissions avoided – Berlin Hyp financing share (tCO₂e)
- Annual GHG emissions avoided per mn of issued green bonds (tCO₂/€ mn)
- Annual GHG emissions avoided – Berlin Hyp financing share (tCO₂/€ mn)

¹¹ <https://www.berlinhyp.de/en/investors/green-bonds>

¹² www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf

3.5 External review

3.5.1 Second Party Opinion

Berlin Hyp has appointed ISS-ESG to assess the sustainability of its Green Bond Framework. ISS-ESG applies its own methodology 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 Framework and includes every instrument that is issued accordingly.

3.5.2 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 Bonds. The reports will be published on the Bank's website.

Appendix I: Top 15 percent of the national building stock

Table 3.1: Top 15 percent of existing building stock in Germany (in kWh/m²/a)

Germany		FED (Final Energy Demand)	FEC (Final Energy Consumption)	PED (Primary Energy Demand)	PEC (Primary Energy Consumption)
07.07. Acquisition and ownership of buildings	Single Family houses	75	70	74	74
	Multi-family houses	69	70	74	74
	Office	120	140	145	179
	Retail – Non-Food	110	135	146	191
	Retail – Food	175	200	228	273
	Logistics – Storage	40	65	51	96

Table 3.2: Primary Energy Demand (PED)¹³ of the top 15 percent of existing building stock abroad (in kWh/m²/a)¹⁴

	Single Family houses	Multi-family houses	Office	Retail – Non Food	Retail – Food	Logistics – Storage
Netherlands ¹⁵	72	61	90	81	105	33
France	–	–	110	180	180	90
Poland	–	–	155	160	160	118

¹³ The EU Taxonomy Regulation focuses on primary energy demand (PED) in its eligibility criteria. As the study conducted by Drees & Sommer for the Netherlands, France and Poland is a non-public study, threshold values for PEC, FEC and FED are not presented here.

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¹⁵ In the Netherlands, energy performance certificates (EPCs) are issued based on primary energy use. Therefore, the top 15 percent-eligibility criteria are indicated on consumption figures (PEC).

Appendix II: Assessment Methodology of the Do-No-Significant-Harm Criteria

Table 4: Do No Significant Harm (“DNSH”)¹⁵

“Do No Significant Harm” objectives	Defined as	Assessment ¹⁶
2) Climate Change Adaptation	Compliance with the criteria set out in Appendix A to Annex 1 of the Taxonomy ¹⁷ .	This commitment can be met by conducting a specific climate risk analysis and providing resulting adaptation measures.
3) Sustainable use and protection of water and marine resources	Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix A to this Annex: (a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; (b) showers have a maximum water flow of 8 litres/min; (c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3.5 litres; (d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre.	This commitment can be met by attesting water use for specific water appliances by product datasheets, a building certification or an existing product label in the European Union.
4) Circular economy	At least 70 percent (by weight) of non-hazardous construction and demolition waste is prepared for reuse, recycling and other material recovery.	This commitment can be met by satisfying either the EU Construction and Demolition Waste Management Protocol or, the ISO 20887: 2020 or other standards for assessing a building’s design for disassembly and adaptability.
5) Pollution prevention and control	Building components and materials used in the construction that may come into contact with occupiers emit less than 0.06 mg of formaldehyde per m ³ of material or component and less than 0.001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m ³ of material or component.	This commitment can be met by taking sample for testing in accordance to CEN/TS 16516 or ISO 16000-3:2011. Additionally, it is to be met by inspecting for contamination pursuant to ISO 18400.
6) Protection and restoration of biodiversity and ecosystems	The new construction is not built on one of the following: - arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey - greenfield land of recognized high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List; - land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or in accordance with the FAO definition of forest.	This commitment can be met by referring to the EU LUCAS survey, the European Red List and the IUCN Red List.

¹⁵ The European Commission published FAQs on DNSH technical screening criteria on [EUR-Lex - 52023XC00267 - EN - EUR-Lex \(europa.eu\)](#). Berlin Hyp makes use of these clarifications; Berlin Hyp may request Taxonomy certificates issued by external providers to verify compliance with DNSH criteria 3 to 6.

¹⁶ Other forms of assessment might emerge in the future

¹⁷ [Technical annex to the final report on EU Taxonomy](#)

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