



Annual Re-Verification of the Sustainability Quality of the Green Bond Programme of Berlin Hyp AG

27 April 2017

Aim and Scope of this Second Party Opinion

In 2016, Berlin Hyp AG commissioned oekom research to assist with verifying and confirming the sustainable added value of an asset selection to be (re-)financed by Green Bonds via Berlin Hyp's Green Bond Programme (Green Pfandbriefe and Green Seniors). The verification is conducted using the criteria and indicators of a sustainability framework concept.

Additionally, Berlin Hyp AG commissioned oekom research to carry out an annual verification in order to provide investors with assurance that the asset selection still complies with the eligibility criteria and that new projects are selected accordingly.

oekom research's mandate included the following services:

- Reassessment of compliance of the financed projects with the verification framework criteria.
- Assessment of compliance of newly added projects with the verification framework criteria.
- Annual review and classification of Berlin Hyp AG's sustainability performance on the basis of the oekom Corporate Rating.

Overall Re-Evaluation of the Green Bond Programme

oekom's overall evaluation of the Green Bond Programme of Berlin Hyp AG remains positive:

- The overall sustainability quality of the selected assets for the bond issuances in terms of sustainability benefits and risk avoidance and minimisation is good (Part II of this Verification).¹
- The issuer itself shows a good sustainability performance (Part III of this Verification).

Regarding the sustainability quality of the selected assets, oekom research would like to emphasize certain aspects. Berlin Hyp improved its requirements regarding Green Building labels and the current requirements are considered a positive development by oekom research. For example, Berlin Hyp now requires LEED "Gold" instead of LEED "Silver" (for more details see p.6 of this document in comparison to p.3 of the initial Second Party Opinion from 2016).

¹ The sustainability performance of the bonds issued may differ from this assessment depending on the assets selected for inclusion in the bonds.

There are some aspects for which more specific selection or performance criteria would be recommended as it could still add to the overall quality of the Green Bond Programme: It would be beneficial to complement the existing requirements with minimum environmental requirements regarding site selection and construction practices.

Annual CO₂ Avoidance of the buildings in the Asset Pool

Berlin Hyp established two baselines in order to compare the buildings 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 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 respective carbon intensity is based on each country's energy mix in 2014. The calculations on energy and CO₂ data were carried out by Berlin Hyp. oekom research carried out a basic plausibility check. More information on the calculations is provided by Berlin Hyp at www.green-pfandbrief.com.

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		
Baseline for CO ₂ avoidance	Proportional allocation to Berlin Hyp initial financing share	Complete allocation to Berlin Hyp financing
European average	13.7 t/mEUR	28.7 t/mEUR
German Energy Saving Ordinance (EnEV)	4.5 t/mEUR	9.6 t/mEUR

Part I – Green Bond Principles

1) Use of Proceeds

The proceeds of the Green Bonds (Green Pfandbriefe as well as Green Seniors) to be issued by Berlin Hyp will be exclusively used for financing and refinancing 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 building projects included in the asset pool are listed in the following table:

No	Country	Type of building/project	Green building certification	Energy label available	Construction/last renovation	Inclusion in asset pool	Loan (nominal amounts as of 28.02.2017, mEUR)	Share of asset pool
1	DE	Shopping Centre (financing)	X	EnEV ² EPC ³	1963/2014	Post ⁴	23.18	1.15%
2	DE	Office/Retail (financing)	LEED Gold	X	2013	First	19.05	0.94%
3	DE	Office/Retail (financing)	X	EnEV EPC	2003	Post	59.67	2.95%
4	DE	Office/Retail (acquisition)	DGNB Platinum	EnEV EPC	2014	Post	41.01	2.03%
5	DE	Office/Retail (financing)	X	EnEV EPC	1994	Post	66.38	3.28%
6	DE	Logistics (financing)	DGNB Silver	EnEV EPC	2014	Post	8.85	0.44%
7	DE	Management Building (acquisition)	DGNB Silver	EnEV EPC	2013	Post	7.50	0.37%
8	DE	Management Building (acquisition)	DGNB Silver	X	2012	First	18.06	0.89%
9	DE	Office/Retail (financing)	DGNB Platinum	EnEV EPC	2014	Post	122.50	6.05%
10	DE	Office/Retail (acquisition)	X	EnEV EPC	1972/2001	Post	80.00	3.95%

2 EnEV: German Energy Saving Ordinance

3 EPC: Energy Performance Certificate

4 Abbreviations: First: "Buildings within the asset pool at issuance of the first Green Pfandbrief in 2015"; Post: "Buildings added to the asset pool after issuance of the first Green Pfandbrief in 2015"; New: "Newly added buildings to the asset pool".

11	DE	Office/Retail (acquisition)	DGNB Silver	EnEV EPC	2015	Post	25.87	1.28%
12	DE	Residential (acquisition)	DGNB Gold	x	2013	Post	11.10	0.55%
13	DE	Residential (acquisition)	x	EnEV EPC	2014	Post	15.00	0.74%
14	DE	Office/Retail (financing)	DGNB Bronze	EnEV EPC	2014	Post	15.30	0.76%
15	DE	Office/Retail (financing)	x	EnEV EPC	1988	Post	21.45	1.06%
16	DE	Residential (financing)	x	EnEV EPC	2011	Post	11.02	0.54%
17	DE	Management Building (financing)	DGNB Gold	x	2014	Post	6.04	0.30%
18	DE	Office/Retail (acquisition)	LEED Gold	EnEV EPC	2003	New	200.00	9.88%
19	DE	Office/Retail (acquisition)	LEED Platinum	EnEV EPC	2014	New	175.00	8.64%
20	FR	Office/Retail (financing)	BREEAM Good	x	1974/2010	First	88.65	4.38%
21	FR	Office/Retail (acquisition)	HQE Basic Level	x	1890/2010	First	41.00	2.03%
22	FR	Office/ (financing)	HQE High Level	x	1960	New	66.64	3.29%
23	FR	Shopping Centre (acquisition)	HQE High Level	x	2013	First	100.00	4.94%
24	GB	Office/Retail (acquisition)	BREEAM Very Good	UK EPC D	2009	First	66.90	3.30%
25	GB	Office/Retail (acquisition)	BREEAM Very Good	x	2006	First	78.49	3.88%
26	NL	Office/Retail (financing)	BREEAM Excellent	x	2011	First	8.5	0.42%
27	NL	Office/Retail (acquisition)	BREEAM Very Good	x	2013	First	38.64	1.91%
28	NL	Office/Retail (acquisition)	BREEAM in use	Dutch EPC A	2009	Post	120.00	5.93%
29	NL	Office/Retail (financing)	x	Dutch EPC A	2013	First	11.21	0.55%
30	NL	Office/Retail (acquisition)	x	Dutch EPC A	2004/2012	Post	33.61	1.66%
31	NL	Office/Retail (financing)	LEED Gold / Platinum	x	1994/2017	Post	43.56	2.15%
32	NL	Office/Retail (financing)	x	x	2002	New	8.79	0.43%

33	PL	Office/Retail (acquisition)	BREEAM Very Good	Polish EPC	2014	Post	23.32	1.15%
34	PL	Office/Retail (acquisition)	X	Polish EPC	2010	Post	31.80	1.57%
35	PL	Shopping Centre (financing)	BREEAM Excellent	Polish EPC	2002/2013	First	100.00	4.94%
36	PL	Office/Retail (development)	BREEAM Very Good	X	2013	Post	27.39	1.35%
37	PL	Office/Retail (acquisition)	BREEAM Excellent	X	2015	New	32.70	1.62%
38	PL	Office/Retail (acquisition)	BREEAM Very Good	X	2015	New	(same loan as 37)	
39	PL	Office/Retail (acquisition)	BREEAM Very Good	X	2009	New	32.66	1.61%
40	PL	Office/Retail (acquisition)	BREEAM Very Good	X	2014	New	(same loan as 39)	
41	PL	Office/Retail (financing)	BREEAM Very Good	X	1949/2014	New	46.77	2.31%
42	CZ	Office/Retail (financing)	X	Czech EPC A	2002	Post	14,00	0.69%
43	CZ	Office/Retail (financing)	X	Czech EPC A - B	2003-2008	New	82.70	4.09%
44	CZ	Office/Retail (financing)	X	Czech EPC A - B	2003-2008	New	(same loan as 43)	
45	CZ	Office/Retail (financing)	X	Czech EPC A - B	2003-2008	New	(same loan as 43)	
46	CZ	Office/Retail (financing)	X	Czech EPC A - B	2003-2008	New	(same loan as 43)	
47	CZ	Office/Retail (financing)	X	Czech EPC A - B	2003-2008	New	(same loan as 43)	
48	CZ	Office/Retail (financing)	X	Czech EPC A - B	2003-2008	New	(same loan as 43)	
49	CZ	Office/Retail (financing)	X	Czech EPC A - B	2003-2008	New	(same loan as 43)	
50	CZ	Office/Retail (financing)	X	Czech EPC A - B	2003-2008	Post	(same loan as 43)	

51	CZ	Office/Retail (financing)	x	Czech EPC A - B	2003-2008	Post	(same loan as 43)
Total							2,024.37 100%

2) Process for Project Evaluation and Selection

Berlin Hyp has set up a process for project selection and evaluation, which is subject to continuous reviews and updates. Details on the process can be found in the initial Second Party Opinion from 2016.

For buildings to qualify as Green Buildings – as defined by Berlin Hyp – they have to meet certain requirements, which were updated in April 2017.

- The annual energy consumption shall not exceed set limits

50 KWh/m ² a	for new residential properties
75 KWh/m ² a	for old residential properties
30 KWh/m ² a	for logistics buildings
70 KWh/m ² a	for retail buildings (shopping malls, department stores)
95 KWh/m ² a	for other retail buildings
95 KWh/m ² a	for hotels/ management buildings
110 KWh/m ² a	for production buildings
110 KWh/m ² a	for office buildings without air conditioning
135 KWh/m ² a	for office buildings with air conditioning

and/or

- External sustainability certificates must fulfil a minimum level

LEED	Gold or above
BREEAM	Very Good or above
DGNB	Gold or above (for certificates given after 30.06.2015: Silver or above)
HQE	High Level or above

and

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

3) Management of Proceeds

Details regarding the Management of Proceeds can be found in the initial Second Party Opinion from 2016.

4) Reported Proceeds and Impacts 2017

Use of proceeds reporting:

Berlin Hyp established a separate website which is exclusively used for providing information on its green bonds, its Green Pfandbriefe and its Green Senior.⁵ Berlin Hyp will report online on its Green Bond Programme at www.green-pfandbrief.com on 27.04.2017. The information to be reported on can be found in the initial Second Party Opinion from 2016.

Furthermore, the “Use of Proceeds” table above reports on the current composition of the asset pool, including key information on the buildings (e.g. property type, green buildings certificates). Part II of this re-verification provides information on the sustainability performance of all loans/buildings included in the asset pool.

Impact reporting:

Berlin Hyp will provide impact reporting on CO₂ avoidance. This impact reporting will also be published on the green bond website on 27.04.2017.⁴

Additionally, the annual CO₂ avoidance of the buildings within the asset pool can be found at the very beginning of this document (cf. p.2).

By April 2017, Berlin Hyp had already reported on its green bonds issued so far. This reporting can be found on its green bond website.⁶ Reports will remain available for investors for future reference.

⁵ The German and English version of this website are respectively www.gruener-pfandbrief.de and www.green-pfandbrief.com.

⁶ The German and English version of this website are respectively www.gruener-pfandbrief.de and www.green-pfandbrief.com.

Part II – Evaluation of the Green Bond Programme

1) Green Bond Verification Framework

Details of the individual criteria and indicators for the assessment of the projects can be found in Annex 1 "Green Bond Verification Framework" as well as in the initial Second Party Opinion from 2016.

2) Verification of the Projects within the Green Bond Asset Selection

Methods

oekom research reassessed compliance of the (re-)financed projects with the verification framework criteria.

The re-evaluation was carried out using information and documents provided to oekom research by Berlin Hyp (e.g. green building certificates, energy performance certificates). Further national legislation and standards, depending on the project location, were drawn on to complement the information provided by Berlin Hyp.

Committed limits were used to calculate the share of projects which fulfil an indicator requirement.

Findings

Green buildings (commercial real estate)

- 1. Involvement of local residents at the planning stage (only applicable for new builds)
 - Regarding the 9 newly constructed buildings in the asset pool, no information is available on the involvement of local residents at the planning stage.
- 2. Environmental standards for site selection (only applicable for new builds)
 - ✓ 8 of the 9 newly constructed buildings, accounting for 99.6% of the respective asset pool's volume, are inside metropolitan areas. For the one newly constructed building outside metropolitan areas, no environmental impact assessment is available
 - For 8 out of 9 newly constructed buildings, accounting for 99.6% of the respective asset pool's volume, no information is available regarding the development on brownfield sites. One building is outside a metropolitan area and on a greenfield site.
- 3. Access to public transport
 - ✓ 50 out of 51 building projects, account for 99,6% of the asset pool's volume, are located within a maximum of 1 km from one or more modalities of public transport. More than 90% of building projects are located within a maximum of 500m from one or more modalities of public transport.

- 4. Social standards for construction
 - ✓ 100% of newly constructed or renovated building projects are located in countries where high labour standards are in place for both employees and contractors (i.e. regarding discrimination, working time, wages, freedom of association and collective bargaining).
 - ✓ For 100% of newly constructed or renovated building projects, high standards regarding health and safety for both own employees and contractors are in place (provided for by national legislation).
- 5. Environmental standards for construction
 - For 5 newly constructed or renovated building projects, accounting for 41% of the respective asset pool, measures to reduce water, waste and energy consumption and adequate management of waste streams at construction sites are in place. Regarding one project, accounting for 31% of the respective asset pool, some measures are in place. For the remaining 6 relevant building projects, accounting for 28% of the respective asset pool, no information is available on environmental standards during construction/renovation.
- 6. Sustainable building materials
 - ✓ For 7 newly constructed or renovated building projects, accounting for 71% of the respective asset pool, sustainable procurement measures regarding building materials are in place (e.g. recycled materials, third-party certification of wood based materials). No information on sustainable procurement measures is available on the remaining 5 relevant building projects, accounting for 29% of the respective asset pool.
- 7. Safety of building users
 - For 21 building projects, accounting for 48% of the asset pool, health and safety is ensured by constructional measures (e.g. fire safety, exit routes, CCTV). For 30 projects, accounting for 52% of the asset pool, either no detailed information on safety is available or no adequate measures are in place.
- 8. Water use minimisation in buildings
 - ✓ For 24 building projects, accounting for 53% of the asset pool, adequate measures to reduce water use are in place (e.g. greywater recycling, efficient applications). For the remaining 27 projects, accounting for 47% of the asset pool, no adequate measures are in place or no information is available.
- 9. Energy efficiency in buildings
 - ✓ 50 building projects, accounting for 98% of the asset pool, achieved good scores in the relevant sections of the respective building certificates and/or energy certificates. For the remaining one project, accounting for 2% of the asset pool, either no detailed information on energy efficiency is available.
- 10. Labels / certificates
 - ✓ 24 building projects, accounting for 56% of the asset pool, achieved good scores in green building certificates, i.e. minimum BREEAM "Very Good", LEED "Gold" or DGNB "Silver". 27 projects, accounting for 44% of the asset pool did either not receive a green building certificate or did not achieve good scores in green building certificates.

- 11. Sustainable use / purpose of buildings
 - ✓ For 100% of building projects, production facilities of armaments, pesticides, tobacco and generation facilities for environmentally controversial energy forms such as nuclear power or fossil fuelled power are excluded by Berlin Hyp.

Controversy assessment

- A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to Berlin Hyp.

Part III – Assessment of Berlin Hyp’s Sustainability Performance

In the oekom Corporate Rating with a rating scale from A+ (excellent) to D- (poor), Berlin Hyp was awarded a score of C and classified as “Prime”. Berlin Hyp’s rating result means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by oekom research. In oekom research’s view, the securities issued by the company thus all meet the basic requirements for sustainable investments.



As at 21 April 2017 this rating puts Berlin Hyp in place 13 out of 83 companies rated by oekom research in the Financials/Mortgage & Public Sector Finance sector

In the Financials/Mortgage & Public Sector Finance sector, oekom research has identified the following issues as the key challenges facing companies in term of sustainability management:

- Sustainability standards for the lending business
- Statutory ESG-standards linked to the geographical allocation of the lending portfolio
- Consumer and product responsibility
- Employee security and employee wellbeing

In all four key issues, BerlinHyp achieved a rating that was above the average for the sector. A very significant outperformance was achieved in „Sustainability standards for the lending business“.

In recent years, the company was not involved in any controversies in the areas of controversial business practices or controversial areas of business, and thus does not breach any of the exclusion criteria, which are frequently applied by investors.

Details on the rating of the issuer can be found in Annex 2 “oekom Corporate Rating of Berlin Hyp”.

oekom research AG

Munich, 25 April 2017

Disclaimer

1. oekom research AG 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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3. 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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About oekom research

oekom research is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries with regard to their environmental and social performance. oekom research has extensive experience as a partner to institutional investors and financial service providers, identifying issuers of securities and bonds which are distinguished by their responsible management of social and environmental issues. More than 100 asset managers and asset owners routinely draw on the rating agency's research in their investment decision making. oekom research's analyses therefore currently influence the management of assets valued at over 600 billion euros.

As part of our Green 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 verify the compliance with the criteria in the selection of projects and draw up an independent second party opinion so that investors are as well informed as possible about the quality of the loan from a sustainability point of view.

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Annex

- Annex 1: oekom Green Bond Verification Framework
- Annex 2: oekom Corporate Rating of Berlin Hyp

Annex 1: Green Bond Verification Framework

Green Bond Verification Framework

The Green Bond Verification Framework serves as a structure for verifying the sustainability quality – i.e. the social and environmental added value – of the Green Bond asset pool. 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 Green Bond asset pool can be clearly identified and verified.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the Green Bonds and which can be used for comprehensive reporting.

Use of Proceeds

Mortgage loans for green buildings (commercial real estate)

The proceeds of the Green Bonds (Green Pfandbriefe as well as Green Seniors) to be issued by Berlin Hyp will be exclusively used for financing and refinancing Green Buildings. For buildings to qualify as Green Buildings – as defined by Berlin Hyp – they have to meet the following requirements:

- The annual energy consumption does not exceed set limits (e.g. 70 kWh/m²a for retail buildings) and/or
- External sustainability certificates must fulfil a minimum level (e.g. BREEAM Very Good or above) and
- Sustainable use of the building is ensured (no production facilities of armaments, pesticides, tobacco, pornography and generation facilities for environmentally controversial energy forms such as nuclear power or fossil fuelled power).

Sustainability Criteria and Quantitative Indicators for Use of Proceeds

In order to ensure that the environmental and social risks linked to the (re-)financed projects are prevented and the opportunities clearly fostered, a set of sustainability criteria has been established for the project category. A possible quantitative indicator, allowing for measurement of progress and regular reporting, completes each criterion.

Project category A: Mortgage loans for green buildings (commercial real estate)

A.1. Involvement of local residents at the planning stage (only applicable for new builds)

Possible quantitative indicator:

- Percentage of loans allocated to building projects for which residents are involved at the planning stage (e.g. information of residents, dialogue platforms).

A.2. Environmental standards for site selection (only applicable for new builds)

Possible quantitative indicators:

- Percentage of loans allocated to large-scale building projects (> 5,000 m²) outside metropolitan areas for which an environmental impact assessment is carried out.
- Percentage of loans allocated to building projects that are developed on brownfield sites.

A.3. Access to public transport

Possible quantitative indicator:

- Percentage of loans allocated to building projects that are located within a maximum of 1 km from one or more modalities of public transport.

A.4. Social standards for construction

Possible quantitative indicator:

- Percentage of loans allocated to building projects with high labour and health and safety standards for construction work conducted by own employees and contractors (e.g. ILO core conventions).

A.5. Environmental standards for construction

Possible quantitative indicator:

- Percentage of loans allocated to building projects for which resource efficiency (e.g. water, energy) and adequate management of waste is guaranteed by the implementing construction companies.

A.6. Sustainable building materials

Possible quantitative indicator:

- Percentage of loans allocated to building projects for which sustainable procurement measures regarding building materials are in place (e.g. recycled materials, third-party certification of wood based materials).

A.7. Safety of building users

Possible quantitative indicator:

- Percentage of loans allocated to building projects for which the operational safety is ensured by constructional measures (e.g. fire safety, elevator safety).

A.8. Water use minimisation in buildings

Possible quantitative indicator:

- Percentage of loans allocated to building projects for which measures to reduce water use are in place (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

A.9. Energy efficiency of buildings

Possible quantitative indicator:

- Percentage of loans allocated to building projects that received good scores in the energy efficiency ratings of the respective buildings certificates (BREEAM, LEED) or that are proven to be part of the top 15% of the local market in terms of energy efficiency.

A.10. Labels / Certificates

Possible quantitative indicator:

- Percentage of loans allocated to building projects that obtained a BREEAM "Very Good", DGNB „Silver / Gold"⁷, LEED "Gold" certificate or HQE „excellent" or better certification.

A.11. Sustainable use / purpose of buildings

Possible quantitative indicator:

- Percentage of building projects for which production facilities of armaments, pesticides, tobacco and generation facilities for environmentally controversial energy forms such as nuclear power or fossil fuelled power can be excluded.

⁷ With effect from 1 July 2015, DGNB updated its certification scheme, now ranging from "Bronze" to "Platinum": The "Bronze" certificate will be replaced by "Silver", "Silver" by "Gold" and "Gold" by "Platinum" for new certifications with immediate effect. "Bronze" will only be used for existing buildings in the future. The evaluation system and the assessment methodology remain unchanged.

Controversies

- Description of controversial projects (e.g. due to labour rights violations, environmental accidents, adverse biodiversity impacts).

Possible impact indicators: Energy consumption and avoidance of CO₂ emissions

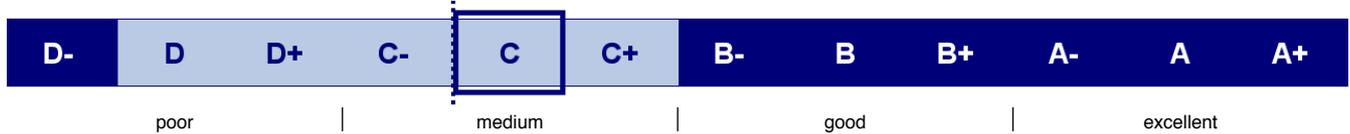
- Average primary energy consumption (in kWh/m²).
- Annual CO₂ emissions (in kg/m²) compared to the local average.

oekom Corporate Rating

Berlin Hyp AG

Industry: Financials/Mortgage & Public Sector Finance
 Country: Germany
 ISIN: DE000A1EWN89

Status **Prime**
 Rating **C**
 Prime Threshold **C**



Company Profile

Berlin Hyp AG is a German mortgage bank that offers traditional mortgage lending, principally for housing companies, construction companies, property developers and investors in real estate. The company's mortgage lending operations encompass lending for the construction of commercial premises and residential real estate, predominantly in Germany's major metropolitan areas. It also acts as a partner to public authorities, providing local government financing operations, as well as developing new instruments for infrastructure financing, including short-term financing solutions. A further service offered by the company is the issue of covered bonds (Pfandbriefe) for private and institutional investors. With effect from 1 January 2015, Berlin Hyp is now an independent real estate financing company within the Sparkasse Finance Group.

Competitive Position

Industry Leaders

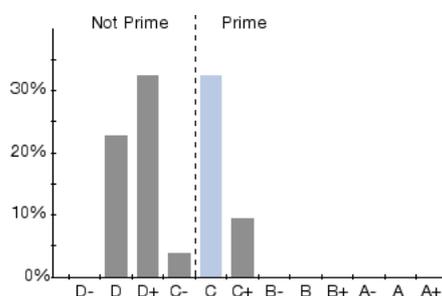
(in alphabetical order)

- Bayerische Landesbodenkreditanstalt (DE) C+
- Muenchener Hypothekenbank eG (DE) C+
- Nederlandse Waterschapsbank NV (NL) C+

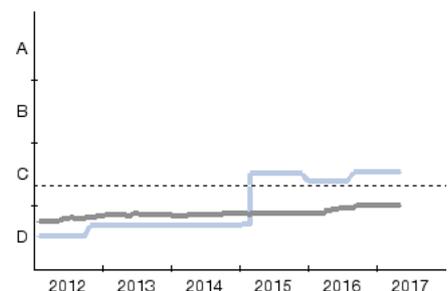
■ Company ■ Industry

Distribution of Ratings

(53 companies in the industry)



Rating History



Key Issues

Key Issue Performance



Strengths and Weaknesses

- + almost entire loan portfolio in countries with fairly good environmental and social minimum standards
- + public recognition of the group's responsibility to act on climate change
- + various options to facilitate the work-life balance of employees
- + integration of environmental and social aspects into the company's own investment portfolio
- no strict and comprehensive general social lending guidelines for corporate and public sector customers
- no comprehensive measures regarding responsible treatment of customers with debt repayment problems

Controversy Monitor

Company

Controversy Score 0
 Controversy Level Minor



Industry

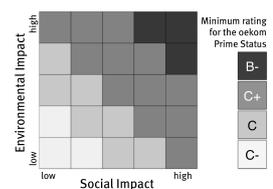
Maximum Controversy Score
 Controversy Risk Minor



Berlin Hyp AG

Methodology - Overview

oekom Corporate Rating	<p>The oekom Universe comprises more than 3,800 companies (mostly companies in important national and international indices, but also small & mid caps drawn from sectors with links to sustainability as well as significant non-listed bond issuers).</p> <p>The assessment of the social and environmental performance of a company is generally carried out with the aid of approx. 100 social and environmental criteria, selected specifically for each industry. All criteria are individually weighted, evaluated and aggregated to yield an overall score (Rating). In case there is no relevant or up-to-date company information available on a certain criterion, it is graded with a D-.</p> <p>In order to generate a comprehensive picture of each company, our analysts collect information relevant to the rating both from the company itself and from independent sources. During the rating process, considerable importance is attached to cooperating extensively with the company under evaluation. Companies are regularly given the opportunity to comment on the results and provide additional information.</p> <p>An external rating committee assists the analysts at oekom research with the content-related design of industry-specific criteria and carries out a final plausibility check of the rating results at the end of the rating process.</p>
Controversial Activities	<p>In addition to the rating, oekom research undertakes a comprehensive analysis of controversies with respect to numerous business areas and practices for each company. Thereby, our clients have the possibility to consider, either separately or in addition to the best-in-class rating, the behaviour of a company in areas they view especially critical.</p> <p>If relevant cases are identified, they are highlighted by a blue frame. A Risk Industry indicates that the industry is frequently active in controversial business areas or prone to controversial business practices. An overview of all exclusion criteria and how they are applied in practice can be found at www.oekom-research.com.</p>
Controversy Monitor	<p>The oekom Controversy Monitor is a tool for assessing and managing reputational and financial risks associated with companies' negative environmental and social impacts.</p> <p>The controversy score is a measure of the number and extent of the controversies in which a company is currently involved: all controversial business areas and business practices are assigned a negative score, which varies depending on the significance and severity of the controversy. Both the score of the portrayed company and the maximum score obtained in the industry are displayed.</p> <p>For better classification, the scores are assigned to different levels: minor, moderate, significant and severe. The industry level relates to the average controversy score.</p> <p>Only controversies, for which reliable information from trustworthy sources is available, are recorded. It should be noted that large international companies are more often the focus of public and media attention and available information is often more comprehensive than for less prominent companies.</p>
Distribution of Ratings	<p>Overview of the distribution of all company ratings of an industry from the oekom Universe (company portrayed in this report: light blue). The industry-specific Prime threshold (vertical dotted line) is also shown.</p>
Industry Classification	<p>The social and environmental impacts of industries differ. Therefore, subject to its relevance, each industry analysed is classified in a Sustainability Matrix.</p> <p>Depending on this classification, the two dimensions of the oekom Corporate Rating, i.e. the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the oekom Prime Status (Prime threshold) are defined (absolute best-in-class approach).</p>
Industry Leaders	<p>List (in alphabetical order) of the top three companies in an industry from the oekom Universe at the time of generation of this report.</p>
Key Issue Performance	<p>Overview of the company's performance with regard to important social and environmental issues that are key to the industry, compared to the industry average.</p>
Rating History	<p>Trend in the company's rating over time and comparison to the average rating in the industry.</p>
Rating Scale	<p>Companies are rated on a twelve-point scale from A+ to D-:</p> <ul style="list-style-type: none"> A+: the company shows excellent performance. D-: the company shows poor performance. <p>Overview of the range of scores achieved in the industry (light blue) and display of the industry-specific Prime threshold (vertical dotted line).</p>
Sources of Information	<p>A selection of significant sources used for this report is illustrated on the last page.</p>
Status & Prime Threshold	<p>Companies are categorised as Prime if they achieve/exceed the minimum sustainability performance requirements (Prime threshold) defined by oekom for a specific industry (absolute best-in-class approach) in the oekom Corporate Rating. Prime companies rank among the leaders in that industry.</p>
Strengths & Weaknesses	<p>Overview of selected strengths and weaknesses of a company with regard to relevant social and environmental criteria.</p>



Please note that all data in this report relates to the point in time at which the report was generated.