

SUSTAINABLE LENDING FRAMEWORK

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INTRODUCTION

About DZ HYP

DZ HYP is a provider of real estate finance and a Pfandbrief issuer in Germany, as well as a centre of competence for public-sector clients within the Volksbanken Raiffeisenbanken Cooperative Financial Network. DZ HYP was formed in 2018 through the merger of DG HYP and WL BANK, two successful institutions with roots in the cooperative sector. DZ HYP is owned by DZ BANK AG (approx. 96 per cent), the foundation Stiftung Westfälische Landschaft and cooperative banks. The Bank's total assets amount to €77.4 billion and its annual average workforce is 953 employees.¹⁾

As a subsidiary of DZ BANK AG, DZ HYP is part of the DZ BANK Group and therefore also part of the German Cooperative Financial Network, which comprises approximately 670 individual cooperative banks. In terms of total assets, it ranks among the largest private financial services organisations in Germany.

DZ HYP is active in the segments Corporate Clients, Retail Customers and Public Sector. In its business activities, it targets clients directly and acts as a partner to Germany's cooperative banks. The Bank is represented nationwide, with two head offices in Hamburg and Münster, six real estate centres in the business hubs of Hamburg, Berlin, Düsseldorf, Frankfurt, Stuttgart and Munich, as well as regional offices in Hanover, Kassel, Leipzig, Nuremberg and Pforzheim.

Within the segment Corporate Clients, DZ HYP is active both as part of its direct business and as a partner to the cooperative banks in Germany, working with commercial real estate investors and the housing sector. DZ HYP focuses on financing properties in the German market, as well as providing support for its German clients' investment projects in selected European markets. Its own commercial real estate finance activities are focused on the core segments of office, residential and retail properties. DZ HYP is also involved in the specialist segments of hotels, logistics properties and real estate for social purposes, within the scope of its credit risk strategy. Target clients are private and institutional investors, as well as commercial and residential real estate developers. In the housing sector, DZ HYP offers customised financing solutions for residential and mixed-use properties to cooperative, municipal, church-owned and other housing enterprises across Germany.

Retail business originates mainly from intermediation by cooperative banks. DZ HYP's standardised processes and swift lending decisions help its partner banks to offer financing solutions tailored to their own clients' needs.

As a centre of competence for public-sector clients within the German Cooperative Financial Network, DZ HYP assists cooperative banks across Germany in developing their business with municipalities and public-sector institutions. The core element of DZ HYP's direct business – and of the business conducted jointly with the German cooperative banks – is granting loans to local authorities and short-term public-sector loans.

¹⁾ As at 31 December 2025

DZ HYP's sustainability approach

As part of the German Cooperative Financial Network, DZ HYP is dedicated to upholding responsible and sustainable business practices. This commitment is reflected in its long-term business perspective, in its efficient and responsible use of natural resources and in the way that both risks and opportunities are integrated into decision-making processes.

DZ HYP's sustainability activities are guided by the latest sustainability targets set by representatives from politics and society. DZ HYP's parent company DZ BANK is a signatory to the UN Global Compact²⁾ and submits a Communication on Progress for the DZ BANK Group once a year. Through DZ BANK's participation in the UN Global Compact, DZ HYP also commits to the ten universally accepted principles of responsible conduct. Furthermore, it aligns itself with the UN Sustainable Development Goals (SDGs)³⁾, the Paris Agreement and the Federal Government of Germany's Sustainability Strategy. DZ HYP has also signed the UN Principles for Responsible Banking (PRBs), committing itself to continuing to promote responsible banking practices and to report transparently on its progress in this regard.

DZ HYP's sustainability strategy outlines clear fields of action for the Bank and sets specific targets to make sustainability principles actionable. It is reviewed annually and adapted to the latest political, social and technological developments. Guided by a conservative risk strategy, the Bank places great emphasis on having close, trusting relationships with clients and business partners. Sustainability is part of DZ HYP's DNA and is reflected throughout its business strategy.

While responsibility for sustainability at DZ HYP lies with the Management Board, all divisions play their part. By implementing relevant governance structures and integrating sustainability management in its decision-making processes, the Bank ensures that sustainability is an integral part of its business strategy.

DZ HYP wants to leverage its position as a German real estate finance house in order to help drive forward the sustainable transformation of the real estate sector. According to European Commission statistics, the real estate sector accounts for around 35 per cent of energy-related carbon emissions in the European Union.⁴⁾ This means that the sector's sustainable transformation is of key importance in addressing the challenges posed by climate change.

DZ HYP's product range includes sustainable finance products for energy-efficient properties. As well as this, issuing Green Pfandbriefe forms an integral part of the Bank's funding. Pfandbrief issues not only provide transparency regarding the ecological quality of DZ HYP's loan portfolio, but also offer Pfandbrief investors the opportunity to make targeted investments in the transformation of the real estate sector and the transition towards a low-carbon economy. DZ HYP uses various internal and external methods to measure physical and transition risks.

²⁾ UN Global Compact Network Germany: homepage

³⁾ <https://sdgs.un.org/goals>

⁴⁾ https://ec.europa.eu/commission/presscorner/detail/de/ip_24_1965

The Bank has developed a method for calculating financed emissions (carbon accounting); financed emissions in the real estate portfolio are assessed using reference pathways established in the market (climate alignment). Sustainability risks are also integrated into the governance and instruction systems and are taken into account in lending decisions. Further, energy efficiency characteristics are considered in building assessments. Sustainability risks are measured and managed in line with the regulatory requirements.

As part of the DZ BANK Group, DZ HYP pursues a climate neutrality target for its operations. Based on the German Climate Change Act (Bundesklimaschutzgesetz – “KSG”), the DZ BANK Group set a combined climate target (scopes 1 to 3) in 2025, which aims for operations to be climate-neutral by no later than 2045. Starting from the 2024 base year, interim targets were defined for 2030 (–9 per cent), 2035 (–24 per cent) and 2040 (–47 per cent).

DZ HYP's annual reporting provides a comprehensive overview of its ESG activities and targets.⁵⁾ As well as this, the Bank's sustainability performance is regularly reviewed by external sustainability rating agencies.⁶⁾

⁵⁾ DZHYP: ratings, reports & documents

⁶⁾ DZHYP: ratings, reports & documents

SUSTAINABLE LENDING FRAMEWORK

Credit markets play a significant role in the real estate sector's transformation towards ecological sustainability. Because of this, DZ HYP has developed a Sustainable Lending Framework as a basis for offering its clients green finance products.

This Framework is based on the March 2025 version of the Green Loan Principles (GLP)⁷⁾, jointly published by the Loan Market Association (LMA), the Loans Syndications and Trading Association (LSTA) and the Asia Pacific Loan Market Association (APLMA). This ensures that accepted market standards and guidelines applicable to green lending are recognised.

The following sections outline the Framework, based on the core components of the GLP and key recommendations:

- I. Use of proceeds
- II. Process for project evaluation and selection
- III. Management of proceeds
- IV. Reporting
- V. External review

DZ HYP's green finance products are aligned with the Bank's segments:



Figure 1: DZ HYP's green products

In order to keep pace with changing market conditions and regulatory requirements, DZ HYP's Sustainable Lending Framework is reviewed regularly and updated as necessary.

⁷⁾ Green Loan Principles – LSTA

I. Use of proceeds

In its green financing business, DZ HYP extends loans for the construction, purchase or ownership of energy-efficient residential and commercial properties (in line with the “green building” GLP category as defined by LMA/LSTA/APLMA), which demonstrate a clear environmental benefit.

DZ HYP Green Loan



The Bank offers its DZ HYP Green Loan product to corporate clients to finance energy-efficient residential and commercial properties. This Green Loan can be granted for the following use types, provided that at least one of the relevant eligibility criteria is met:

USE TYPE	GREEN FINANCE ELIGIBILITY CRITERIA
<p>Construction of new residential and commercial buildings</p>	<p>NZEB –10 per cent</p> <p>The primary energy consumption of the building in question is at least 10 per cent lower than the threshold for nearly zero-energy buildings defined in the national measures implementing Directive 2010/31/EU. This is demonstrated by an energy performance certificate (EPC) or, pending the issue of an EPC, by a comparable document submitted to the building authorities as evidence of the building’s energy performance.</p>
<p>Acquisition of ownership of residential and commercial buildings</p> <p>before 31 December 2020</p>	<p>EPC rating of A or higher</p> <p>The building in question has an EPC rating of A or higher.</p> <p><i>or</i></p> <p>Top 15 per cent-building</p> <p>The building in question ranks among the top 15 per cent of the national or regional building stock in terms of primary energy consumption. This is according to Drees & Sommer’s survey on the top 15 per cent of the German building stock, commissioned and published by the Association of German Pfandbrief Banks (vdp).</p> <p><i>or</i></p> <p>DGNB certification</p> <p>The building in question has been awarded a “Gold” or “Platinum” certificate by the German Sustainable Building Council (DGNB).</p>
<p>after 31 December 2020</p>	<p>NZEB –10 per cent</p> <p>The primary energy consumption of the building in question is at least 10 per cent lower than the threshold for nearly zero-energy buildings defined in the national measures implementing Directive 2010/31/EU. This is demonstrated by an energy performance certificate (EPC) or, pending the issue of an EPC, by a comparable document submitted to the building authorities as evidence of the building’s energy performance.</p>

DZ HYP Eco-Loans



Eco-Loans are available to the Bank's retail customers and are designed to finance energy-efficient properties used primarily for residential purposes. Applicants must submit a valid, officially registered energy performance certificate confirming an EPC rating of A (final energy consumption of the building not exceeding 50 kWh/(m²a)) or higher.

Making a sustainable contribution

The green financings under DZ HYP's Sustainable Lending Framework are guided by national and international market standards. They are aligned with the GLP set out by LMA, LSTA and APLMA and contribute to the EU's "climate change mitigation" environmental objective by increasing the real estate sector's carbon efficiency and, in turn, reducing emissions. This brings DZ HYP closer to the criteria defined by the EU Taxonomy⁸⁾ for the economic activities 7.1 "Construction of new buildings" and 7.7 "Acquisition and ownership of buildings". The Bank's green financings also contribute to achieving the UN Sustainable Development Goals, particularly Goals 11 "Sustainable cities and communities" and 13 "Climate action".⁹⁾



DZ HYP intends to set a target for its green finance products as well. Following the product launch in 2026, the Bank will analyse the initial results in order to set a realistic target, which DZ HYP undertakes to set and disclose for 2027 at the latest. The target-setting process will also involve examining appropriate measures for achieving it.

II. Process for project evaluation and selection

Green loans are extended in accordance with DZ HYP's established lending processes, in the same way as conventional loans. The Bank adheres to the standards set out in its current credit risk strategy and internal anti-money laundering procedures. This ensures that the high lending standards and best practices are also applied to sustainable financing. Loans for every financing arrangement are extended based on thorough analysis and comprehensive information regarding the borrower and the relevant properties.

⁸⁾ EU taxonomy for sustainable activities – European Commission (europa.eu)

⁹⁾ THE 17 GOALS | Sustainable Development

In the **Corporate Clients business**, the extent to which the client/property or the financing project is sustainable from an environmental, climate-related or social perspective is always evaluated as part of the lending decision.

At the start of a business relationship, front-office staff must use a checklist to examine any potential reputational risks from an ESG perspective¹⁰⁾ relating to the borrower, the property or the project, and check whether the defined exclusion criteria have been met.

DZ HYP must implement the exclusion criteria established by the DZ BANK Group for the extension of loans. These criteria are reviewed and adjusted on a regular basis to ensure that they reflect current market conditions and regulatory requirements.

The new business process also comprises an assessment of physical climate-related risks, transition risks and the property's carbon emissions. This is initiated by front-office staff when originating new business and is finalised by the back-office units for the final lending decision. Property value appraisals are a key source of information in the evaluation process. Appraisal reports are generally prepared for DZ HYP by VR WERT Immobiliengesellschaft mbH and include an assessment of climate-related risks, energy efficiency and other sustainability factors. The relevant risks are assessed as part of the lending decision. Risk mitigation measures such as structural measures, covenants in the loan agreement or insurance cover are required where significant risks have been identified.

Borrowers are required to submit current energy performance certificates and other certificates so that the Bank can adequately assess the property's energy efficiency. Data from energy performance certificates and other certificates is recorded in the Bank's core banking system by front-office or back-office staff and checked against the eligibility criteria for green properties, which are also stored there. If the property's details meet one of the criteria for DZ HYP Green Loans, the loan will be flagged accordingly in the core banking system. This means that the financing can be extended as a DZ HYP Green Loan. Both the loan agreement and the disbursement check contain provisions to ensure compliance with the eligibility criteria. When financing a real estate portfolio, all properties must meet the criteria. Failing this, tranches must be established to ensure that the funds allocated to each tranche are used in accordance with the eligibility criteria. The relevant individual tranches are also designated as DZ HYP Green Loans in the core banking system.

In its **Retail Customers** business, DZ HYP has launched the Eco-Loan, which is used to finance properties with low energy consumption. The expansion of this product type is designed to allow clients to combine financial decisions with an ecological mindset.

When providing real estate loans to retail customers, energy performance certificates are requested from property owners as a disbursement condition, provided that these certificates are required under the German Building Energy Act (Gebäudeenergiegesetz – "GEG"). DZ HYP records available sustainability data in the core banking system in order to carry out an automatic sustainability classification.

¹⁰⁾ The assessments of reputational risks from an ESG perspective focus on identifying breaches of environmental and social standards, as well as any negative information regarding investment projects, borrowers or sponsors. This includes compliance with required permits and taking into consideration any positive ESG factors.

For Eco-Loans, proof of the maximum final energy consumption must be provided at the time of application in the form of a valid, officially registered energy performance certificate in accordance with the GEG. Alternative calculation methods (such as certificates issued by architects or energy consultants) are permissible if no energy performance certificate is available at the time of application. This may be the case for newly-built properties or energy-efficiency refurbishment projects. Once the work has been completed, a valid, officially registered energy performance certificate in accordance with section 80 of the GEG must be submitted.

The processes described here are monitored via DZ HYP's internal control system. This guarantees compliance with guidelines and processes, while integrating sustainability into governance structures across the Bank ensures that these principles are consistently applied and put into practice in day-to-day business.

A comprehensive committee structure has also been established for sustainability as part of a targeted governance framework. This ensures, among other things, that sustainability considerations are appropriately integrated into the selection process for green finance products.

This committee structure is also responsible for providing all relevant stakeholders within the Bank with access to key sustainability information. Specifically, the Management Board bears overall responsibility for sustainability and, as a member of the Sustainability Committee, is the driving force behind the strategic development of sustainability within the Bank. Together with the Division Heads, this central body ensures that sustainability topics are properly managed and implemented.

The Sustainable Products Committee (SPC) is responsible for ongoing product development and comprises decision-makers from the Front Office, Treasury, Sustainability (Chair), Back Office and Public Sector divisions/segments, as well as from Legal. The Committee's tasks include monitoring the green mortgage portfolio, determining eligibility criteria for suitable assets in line with relevant standards, and developing and monitoring sustainable products. The Committee meets every two months to take account of the latest market developments and standards. Given the constantly evolving requirements – including those for green finance products – the SPC will monitor these developments on a regular basis and adjust the selection criteria wherever necessary. By the same token, this Framework will be updated in the event of any significant changes. These changes will be discussed with the Bank's relevant internal stakeholders and submitted to the decision-makers, including the Management Board, for approval.

In addition, a Sustainability Coordination Committee (SCS) has been established at operational level, comprising sustainability experts from various divisions. The SCS meets on a monthly basis to discuss and coordinate activities across the individual fields of action.

This committee structure ensures that all relevant stakeholders within the Bank – from staff members to the Management Board – also have input into green finance products.

As well as this, regular reporting provides transparent ESG-related information to the Management Board (including a breakdown of the portfolio by energy efficiency), to facilitate the management and monitoring of DZ HYP's overall portfolio.

III. Management of proceeds

DZ HYP's sustainable finance products are loans specifically designed for the construction, purchase or ownership of residential or commercial properties. These financings must meet the eligibility criteria set out above (see section I) and can be flagged accordingly within DZ HYP's core banking system.

All required supporting documents and confirmations from the borrower are stored in DZ HYP's core banking system and serve to document the green use type of the loans. Such documentation includes energy performance certificates, other certificates and further evidence (such as confirmations from an energy consultant) that prove compliance with the eligibility criteria.

DZ HYP carries out regular reviews of its real estate lending business with corporate clients to ensure that the eligibility criteria for sustainable financing are met. This ongoing monitoring exercise guarantees that the funded projects meet the sustainability and energy-efficiency requirements set out in this document.

Various additional monitoring processes have also been implemented to ensure compliance with the criteria throughout the term of the loan. For example, front-office and back-office staff receive monthly reports to verify the validity of accepted evidence and its allocation to a DZ HYP Green Loan. If any evidence has expired, the borrower will be asked to provide updated versions to ensure ongoing compliance with all requirements. If a DZ HYP Green Loan no longer meets the eligibility criteria, it will lose its status as a sustainable loan. In this case, the borrower will be informed accordingly and the change will be recorded and documented in the Bank's core banking system.

IV. Reporting

DZ HYP promotes transparency regarding the use of green financing proceeds through borrowers' reporting prior to disbursement, following completion of the financed measures and (in banking with corporate clients) throughout the term of the loan. Borrowers are only permitted to use the funds provided for the green use types defined in the Framework and must provide evidence to demonstrate this. Fulfilment of this obligation is ensured by appropriate contractual arrangements that apply throughout the term of the loan agreement. Through these measures, DZ HYP promotes the responsible use of financing resources.

The Bank will disclose details on the volume of sustainable loans and related developments within its annual reporting. The Bank's Sustainability Report will be published on its website, with the first reporting period covering the 2027 financial year. Reporting is based on the volume of outstanding loans at the end of each year, provided that green loans have been extended.

V. External review

ISS Corporate, an independent third-party provider, is responsible for reviewing the contents of the Sustainable Lending Framework. This involves conducting an external review to confirm whether the Framework complies with best market practices regarding lending frameworks and product classification, and that the Framework is consistent with the Bank's sustainability strategy.

The Framework and the external review are published on DZ HYP's website.

APPENDIX

Further information on sustainability at DZ HYP and the DZ BANK Group is available at the following links:

- DZ BANK Group exclusion criteria: **exclusion criteria**
- DZ HYP Sustainability Reports (up to 2023), followed by sustainability reporting in the Annual Report: **DZ HYP: ratings, reports & documents**
- DZ HYP sustainability ratings: **DZ HYP: ratings, reports & documents**
- Green Bond Framework / Green Bond Report: **DZ HYP: Green Bonds**
- Sustainability at the DZ BANK Group: **Sustainability | DZ BANK**
- DZ BANK Group Sustainability Report: **DZ BANK Group Sustainability Report**

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