

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Asset Pool

NRW.BANK

18 January 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bond
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles• Draft Model of EU Green Bond Standard• Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex (March 2020 version)
Scope of verification	<ul style="list-style-type: none">• NRW.BANK's Green Bond Framework (as of November 2020)• NRW.BANK's Green Bond portfolio (as of 21.12.2020)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• This SPO is valid as long as no new project categories are added to the Green Financing Framework.

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SCOPE OF WORK

NRW.BANK (“NRW.BANK” or “the Issuer”) commissioned ISS ESG to assist with its Green Bond Framework by assessing three core elements to determine the sustainability quality of the bond:

1. NRW.BANK’s sustainability performance, according to the ISS ESG Corporate Rating.
2. NRW.BANK’s Green Bond Framework – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs) and on a best effort basis against the Draft Model of EU Green Bond Standard¹ (EU GBS).
3. The asset pool – whether the projects align with the Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex² (EU Taxonomy) on a best effort basis.³

¹ Usability Guide EU Green Bond Standard (March 2020)

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teggreen-bond-standard-usability-guide_en.pdf

² Taxonomy Report: Technical Annex (March 2020)

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

While the EU Commission released [Delegated Acts](#) on the EU Taxonomy on November 2020, NRW.BANK referred in its Framework to the Taxonomy Report: Technical Annex from March 2020. Thus, ISS ESG reviewed the alignment of the due diligence processes of NRW.BANK for each project categories to be (re-)financed under this instrument against the March version of the Technical Annex. The EU Taxonomy Regulation will only be established by the end of 2021 and will apply by the end of 2020. The first company report and investor disclosures using the EU Taxonomy are due at the start of 2022, covering the financial year 2021. Thus, as of the date of publication of this report, it is not possible to conclude to any definite alignment with the EU Taxonomy, which is not yet finalized and implemented.

³ ISS ESG reviewed the alignment of the framework with the EU GBS and the processes in line with the EU Taxonomy activity specific requirements for all project categories.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ⁴
Part 1:	The issuer itself shows a medium sustainability performance and has been given a rating of 'C' which classifies it as Prime by the methodology of the ISS ESG Corporate Rating.	Status: <i>PRIME</i>
Issuer sustainability performance	It is rated 15 th out of 41 companies within the Financials/Development Banks sector as of 18.01.2021. This equates to a medium relative performance, with a Decile Rank ⁵ of 4.	Rating: C Decile Rank: 4
Part 2:	The issuer has defined a formal concept for its Green Bond Framework regarding Strategy and Rationale, Process for Selection of Green Projects, Green Projects, Management of Use-of-Proceeds and Reporting. This concept is in line with the draft of EU GBS, as well as with the ICMA GBPs.	Positive
Performance against the draft of EU GBS & GBPs	The green bonds will (re-)finance eligible asset categories which include Renewable Energy Production from Solar & Wind, Clean Transport Public, Clean Transport Freight, Clean Transport (E-mobility), Construction of New Buildings, Individual Measures (Building Renovation), Grids and Centralized Wastewater Treatment.	
Part 3:	For these green project categories, ISS ESG assessed the alignment of NRW.BANK's due diligence processes against the requirements of the EU Taxonomy. The issuer's eligible categories correspond to the following EU Taxonomy categories: "Individual Measures and Professional Services" (8.3), "Construction of new Buildings" (8.1), "Production of Electricity from Solar PV" (4.1), "Production of Electricity from Wind Power" (4.3), "Centralized Wastewater Treatment" (5.2), "Freight Rail Transport" (6.2), "Public Transport" (6.3). "Passenger Cars and commercial Vehicles" (6.5) and "Transmission and Distribution of Electricity" (4.9).	Positive
Alignment of the asset pool with the EU Taxonomy	Based on robust processes for selection of Green Projects, all Green Projects are considered as aligned with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, Do No Significant Harm Criteria and Minimum Social Safeguards.	

⁴ ISS ESG's evaluation is based on the NRW.BANK Green Bond Framework (November 2020 version), on the analysed green portfolio as received on the 21.12.2020, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 06.10.2020). ISS ESG reviewed the alignment of the framework with the EU GBS and the processes in line with the EU Taxonomy activity specific requirements for all project categories.

⁵ Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.

ISS ESG SPO ASSESSMENT

PART I: ASSESSMENT OF NRW.BANK' ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments. The overall analysis is graded on a twelve-point scale from A+ (the company shows excellent performance) to D- (the company shows poor performance or fails to demonstrate any commitment to appropriately address the topic). "Prime" status is granted to industry leaders who fulfill demanding performance expectations. Industry leaders are considered the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

COMPANY	STATUS	RATING	DECILE RANK	TRANSPARENCY LEVEL
NRW.BANK	PRIME	C	4	VERY HIGH

This means that the company performs moderately both in terms of industry-specific sustainability requirements and compared to others in the industry.

ESG performance

As of 18.01.2021, this Rating places NRW.BANK 15th out of 41 companies rated by ISS ESG in the Financials/Development Banks sector.

Key Challenges faced by companies in term of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

NRW.BANK is the promotional bank of the German federal state of North Rhine-Westphalia. Its three developmental focus areas lie in the promotion of economy, housing, as well as municipalities and infrastructure. In 2020, the company issued its 9th green bond, to refinance climate and environmental protection projects. As a promotional bank, NRW.BANK directly contributes to the UN's Sustainable Development Goals.

Sustainability Risks

NRW.BANK manages the social and environmental risks associated with financed activities to some extent. Its various promotional programmes demand certain environmental and/or social

prerequisites in order to be eligible for support. There is, however, no comprehensive ESG lending guideline that ensures the inclusion of a similar level of environmental and social standards across all financing activities, although the company excludes certain controversial business areas and practices from its portfolio. In addition, the bank does not further elaborate on the application processes of its environmental and/or social prerequisites. NRW.BANK carries out monitoring and evaluation efforts regarding the sustainable development impacts of minor parts of its promotional activities. It does provide some transparency on its promotional business on an aggregated level, displaying volumes, sectors and regions it has supported throughout a specific year. However, no disclosure is given on the level of the project or the client. Finally, on behalf of the German state of North Rhine-Westphalia, NRW.BANK is majority owner of numerous regional casinos and lottery companies. In contrast, as regards its own operations, NRW.BANK is advanced in the provision of good working conditions for its staff and the environmental management of its buildings and operations.


Governance opinion

NRW.BANK is wholly owned by the German federal state of North Rhine-Westphalia. While separate persons are holding the positions of CEO and chair of the board of directors, its governance structure does not ensure effective oversight of the executive management. The chairman of the board of directors (Andreas Pinkwart, as at August 4, 2020) is not considered independent as he is a minister in the government of North Rhine- Westphalia and thus represents the only shareholder of the company. In addition, the majority of board directors is not independent, and neither are the established board committees charged with audit, remuneration and nomination. The company discloses its remuneration policy for executives on an individual basis. All managing board members exclusively receive fixed remuneration.

Regarding the bank’s governance of sustainability, there is no indication of an independent board committee on sustainability matters. However, NRW.BANK has several business ethics related guidelines in place, which cover the most important topics to some extent. These are accompanied by several relevant compliance procedures, although measures for whistleblower protection are still missing.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of the NRW.BANK’s current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to evaluation of final product characteristics and does not include practices along the NRW.BANK’s operations & processes.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Ensuring health: Promotion of the public health sector	1%	CONTRIBUTION	

Delivering education: Loans for school construction and refurbishment	5%	CONTRIBUTION	
Providing basic services: Promotion of social housing, promotion of infrastructure development and other municipal services in upper-middle to high-income countries	34%	CONTRIBUTION	  
Conserving water: Promotion of water management	2%	CONTRIBUTION	 
Contributing to sustainable energy use: Promotion of renewable energy, energy efficiency and clean transport	15%	CONTRIBUTION	 
Mitigating climate change: Promotion of renewable energy, energy efficiency and clean transport	15%	CONTRIBUTION	 
Preserving terrestrial ecosystems: Promotion of river renaturation	1%	CONTRIBUTION	 
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

The company is not facing any controversy.

PART II: ALIGNMENT WITH THE GBPs and DRAFT MODEL OF EU GREEN BOND STANDARD

1. Strategy and rationale (EU GBS)

NRW.BANK first published its Green Bond Framework in June 2019. The Green Bond Framework has now been updated and expanded to reflect the latest developments within the agency and the EU as well as to be aligned with the drafted EU Green Bond Standard. NRW.BANK has responded to the EU action plan on sustainable finance and the Green Deal. Going forward, the Green Bond Framework 2020 shall apply to all green bonds issued by NRW.BANK and may be updated from time to time.

NRW.BANK is part of the European Commission Climate Strategy. In order to keep global warming - in line with the Paris Agreement - close to 1.5 degree Celsius the European Commission (EC) targets a zero (net)emission economy by 2050. EC's roadmap is converted into national climate strategies. Germany's goal is to reduce emissions by 55% in 2030 vs 1990 and to zero in 2050. Up to 2030 the housing/building sector has to reduce its emissions by 67%, the energy sector is obligated to reduce its emissions by 62% and traffic by 42%. Using the energy sector as an example, in order to achieve these goals renewable energies contribution to the overall electricity production must increase from 35% to 65% (2030) respectively to 80% in 2050. NRW.BANK is targeting these sectors through the agency's building renovation, energy infrastructure and e-mobility loan programmes.

NRW.BANK bank has a long-standing commitment to sustainability, having issued several Green Bonds in the past.

Opinion: ISS ESG considers the Strategy and Rationale description provided by NRW.BANK's Green Bond Framework as aligned with the draft model of EU Green Bond Standard. The rationale for issuance is stated clearly and the environmental objectives are adequately linked to the issuer's strategy and with EU Taxonomy objective "Climate change mitigation". Furthermore, the issuer describes its sustainability strategy and associated key targets in relation to international sustainability commitments such as the Paris Agreement.

2. Process for Selection of Green Projects (EU GBS) – Process for Evaluation and Selection (GBPs)

The NRW.BANK ESG-Team selects projects with the highest contribution to the climate policy of the agency, the Federal State of North Rhine-Westphalia, the Federal Republic of Germany and the EU. It ensures that the required Do No Significant Harm (DNSH) criteria and Minimum Social Safeguards are systematically fulfilled during the selection process. The focus of each bond is on dark green assets (renewable energy, clean transportation, etc.). Medium green assets (residential and public green buildings) are only added to the pool in order to reach the minimum size of EUR 500 million. NRW.BANK classifies these assets as climate mitigation projects. The climate adaptation part includes fluvial projects with the focus on flood protection and on the improvement of biodiversity (e.g. the restoration of the river Emscher and its tributaries) as well as municipal climate projects. These assets are classified as dark green. In a next step, the ESG-Team looks at the maturity of the respective assets. NRW.BANK follows the approach of a static asset pool: there will not be any changes made during the lifetime of the green bond. In order to achieve this, the shortest loan maturity determines the longest possible maturity of the bond.

Opinion: ISS ESG considers the Process for Selection of Eligible Green Projects described by NRW.BANK's Green Bond Framework as aligned with the draft model of EU GBS. The issuer shows in its framework the substantial contribution of the green eligible categories to selected environmental objectives, a selection criteria that is in line with the Technical Screening Criteria and Do No Significant Harm criteria for all project categories, and a process at a corporate level that aligns with Minimum Social Safeguards.

ISS ESG conducted a detailed screening of the procedure in place to identify eligible assets in line with the activity-specific requirements of the EU Taxonomy (see part III of this report).

Moreover, ISS ESG finds that the Process for Evaluation and Project Selection description provided by NRW.BANK aligns with the GBPs. The issuer provides transparency about internal responsibility over the selection process.

3. Green Projects (EU GBS) – Use of Proceeds (GBPs)

An amount equal to the net proceeds of any NRW.BANK Green Bond will be allocated to refinance existing projects which have been identified as eligible by the internal ESG-Team and which are not older than 12 months before the initiation of the SPO for the respective green bond. These projects are focused on climate mitigation and climate adaptation. It is ensured that the required Do No Significant Harm (DNSH) criteria and Minimum Social Safeguards are systematically fulfilled. Climate mitigation projects aim to support the 1.5-degree-target of the Paris Agreement by avoiding/reducing CO₂ emissions, whereas climate adaption projects deal with the already existing impacts of climate change, e.g. by raising resilience against heavy precipitation events or supporting biodiversity. All projects need to meet the technical standards defined in the drafted taxonomy.

During a transition period, NRW.BANK may allocate a mixture of taxonomy-aligned and likely taxonomy-aligned assets to be (re)financed by a green bond issuance. Likely aligned assets are assets that are aligned with the green bond principles and mapped to the UN SDGs and are reasonably assumed to meet the Taxonomy thresholds although it is difficult to factually determine this due to insufficient data. NRW.BANK will provide the investor in a transparent manner with the information it can provide about the (re)financed assets. It is NRW.BANK's ambition to keep the transition period short and the proportion of likely taxonomy aligned assets low.

The following EU taxonomy thresholds are used to ensure that a substantial contribution is made to the environmental objectives:

ELIGIBLE GREEN CATEGORY	CORRESPONDING EU ACTIVITY	EU TAXONOMY THRESHOLDS
Renewable Energy (Solar)	Production of Electricity from Solar PV (4.1)	100gr CO ₂ /kWh
Renewable Energy (Wind)	Production of Electricity from Wind Power (4.3)	100gr CO ₂ /kWh
Grids	Transmission and Distribution of Electricity (4.9)	Electricity distributed out of 2/3 from renewable sources
Centralized Wastewater Treatment	Centralized Wastewater Treatment (5.2)	New wastewater treatment that substitute more GHG emission

		intensive wastewater treatment systems
Clean Transport (E-mobility)	Passenger Cars and Commercial Vehicles (6.5)	50gr CO ₂ /km (WLTP)
Clean Transport (Public)	Public Transport (6.3)	50gr CO ₂ /pkm
Clean Transport (Freight)	Freight Rail Transport (6.2)	Zero direct emissions trains
Construction of new Buildings	Construction of New Buildings (8.1)	EPC A (2020: NZEB; 2021: NZEB – 20%)
Individual Measures (Building Renovation)	Individual Measures and Professional Services (8.3)	No thresholds

Opinion: ISS ESG finds that the Green Projects description proposed by NRW.BANK’s Green Bond Framework aligns with the draft model of EU GBS as Green Projects are defined in line with the EU Taxonomy activities. The issuer clearly outlines the environmental objectives of the project categories and follows the relevant Technical Screening criteria defined by the EU Taxonomy. The issuer also ensures that the DNSH criteria and Minimum Social Safeguards are fulfilled for every project category.

Moreover, ISS ESG finds that the Use of Proceeds description provided by NRW.BANK aligns with the GBPs. The issuer sets in its framework a list of exclusion criteria, which follow best market practices.

4. Management of Use-of-Proceeds (EU GBS) – Management of Proceeds (GBPs)

Since the asset pool of NRW.BANK’s Green Bonds is static and does not change during the lifetime of the respective bond, tapping does not fit into this approach and is therefore excluded. A corresponding amount is used for thematically corresponding projects within the business operations of the issuer in accordance with the Act on NRW.BANK and its mandate of providing promotion loans, in case of changes in the asset pool structure. Ring-fencing of the proceeds is not necessary: the underlying loans were already disbursed and are not older than 12 months before the initiation of the respective SPO. The entire asset-pool is earmarked in the agency’s systems.

Opinion: ISS ESG finds that the Management of Use-of-Proceeds defined by NRW.BANK’s Green Bond Framework aligns with the draft model of EU Green Bond Standards. The issuer ensures that proceeds are appropriately earmarked and the expected allocated period is clearly defined. As no proceeds will remain unallocated, the reporting of unallocated proceeds requirement of the EU GBS is not applicable.

Moreover, ISS ESG finds that the Management of Proceeds description provided by NRW.BANK aligns with the GBPs.

5. Reporting (EU GBS & GBPs)

Allocation Reporting

NRW.BANK publishes an annual allocation report on its website, and will continue to do so until full allocation of proceeds of the bond.

Impact Reporting

The drafted EU GBS recommend issuers to keep investors updated about the expected ecologic impact of the issuances. NRW.BANK reports on each single green bond on a bond-by-bond-basis annually within the agency's Sustainability Report in order to achieve full transparency. The issuer works together with different institutions and authorities in order to guarantee scientifically accurate figures about the impact of its green bonds:

Climate Change Mitigation

For calculating the CO₂ savings of the green bond, NRW.BANK cooperates with the Wuppertal Institute (WI), an academic research institution that is specialised in topics regarding climate, environment and energy. From 2019 onwards, the CO₂ savings of renewable energy projects are calculated based on three different benchmarks: the energy mix of North Rhine-Westphalia, Germany and the EU. In doing so, NRW.BANK reacts to requests from investors to provide comparable figures for CO₂ savings. Furthermore, the WI reports on the annual energy generation of renewable energy projects. This impact reporting is fully aligned with the Multilateral Development Banks Harmonised Framework.

See table below for more impact reporting indicators:

ELIGIBLE GREEN PROJECTS	EXAMPLES OF ENVIRONMENTAL KPIS
Renewable Energy	<ul style="list-style-type: none"> • Total CO₂ emissions reduced/avoided in tonnes* • Annual Energy Generation in GWh/a and MW • Length of grids in km
Clean Transportation	<ul style="list-style-type: none"> • Total CO₂ emissions reduced/avoided in tonnes* • Number of refinanced vehicles • Number of charging stations, fuel stations, etc. • Length of the tracks in km
Residential Green Buildings	<ul style="list-style-type: none"> • Total CO₂ emissions reduced/avoided in tonnes* • Number of refurbished houses
Public Green Buildings	<ul style="list-style-type: none"> • Total CO₂ emissions reduced/avoided in tonnes* • Number and usage of refurbished buildings (m²)
Terrestrial and Aquatic Biodiversity	<ul style="list-style-type: none"> • Km of sewers in the river and in the catchment area

<p>Conservation and Climate Change Adaptation</p>	<ul style="list-style-type: none"> • Km of renatured parts • Number of species in the aquatic and terrestrial biodiversity (animals, plants, fungus, etc.) • Number of species in the Macrobenthos • Annually prevented flooding damages in EUR • (Re-)Created retention basins in m³ • (Re-)Created water areas, floodplains and adjacent land areas (real wetlands) in m²
<p>Sustainable (Waste) Water Management</p>	<ul style="list-style-type: none"> • Number of persons benefiting directly from access to clean drinking water provided by local waterworks and sewage treatment plants • kWh/cbm • ILI

* The avoided/reduced CO₂-emissions are calculated against the energy mix of North Rhine-Westphalia, Germany and the EU. The total savings will furthermore be shown as: per year and million EUR, per year and per bond volume and during the total lifetime of the bond.

External Review – Second Party Opinion (SPO) and full Allocation Report

NRW.BANK will choose an accredited external reviewer - as soon as available - for verifying this Green Bond Framework and the full allocation report. Before the green bond issuance, NRW.BANK will publish an external review in form of an SPO on its website. This independent review will provide investors with the following information:

- Alignment with the drafted EU Green Bond Standard (EU GBS) and the Green Bond Principles (GBP)
- SDGs targeted by the asset categories of the respective bond
- Consideration of environmental aspects during planning and construction of the projects
- Performance of essential KPIs: lifecycle and supply chain analyses, compliance with national law, fulfilment of social standards and workers' rights, etc.
- Overview of NRW.BANK's overall sustainability performance

Opinion: ISS ESG finds that the Reporting proposed by NRW.BANK's Green Bond Framework partially aligns with the draft model of EU Green Bond Standards. The allocation and impact reports will be appropriately disclosed and publicly available. While the issuer describes how the impact metrics contribute to the environmental objectives of the bond, it is not indicated how they are linked to the DNSH criteria.

Moreover, ISS ESG finds that the transparency on the level of expected reporting and on the type of information to be reported is aligned with the GBPs.

PART III: ALIGNMENT OF THE ASSETS WITH THE EU TAXONOMY











1. CONTRIBUTION OF THE GREEN BOND PROJECT CATEGORIES TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the NRW.BANK Green Bond project categories to the Sustainable Development Goals defined by the United Nations (UN SDGs).

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









Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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The Green Bond project categories have been assessed for their contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION ⁶	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy (Solar)	Significant contribution	 
Renewable Energy (Wind)	Significant contribution	 
Grids	Significant contribution	 
Centralized Wastewater Treatment	Significant contribution	
Clean Transport (E-mobility)	Significant contribution	
	Limited contribution	
Clean Transport Freight	Significant contribution	

⁶ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs.

The insight on the project level in the scope of the current SPO allows to take into account more granular information on the project level, in particular with regard to EU Taxonomy Technical Annex (March 2020) for the all activities. As the projects to be financed under the Use of Proceeds categories have been found to comply with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation by the projects is attested.

Construction of new Buildings (including university hospitals)	Significant contribution	   
	Limited contribution	
Individual Measures (building renovation)	Significant contribution	 
	Limited contribution	
Clean Public Transport	Significant contribution	 
	Limited contribution	

2. ALIGNMENT OF THE ASSETS WITH THE EU TAXONOMY

ISS ESG assessed the alignment of the Eligible Green Projects included in the Green Bond pool and the due diligence and selection processes in place with the EU Taxonomy.

2.1. Individual Measures and professional Services (8.3)

Projects under this category include small scale renovations of existing buildings and measures such as rooftop solar panels. All Green Projects are located in the State of North Rhine-Westphalia. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
There are no defined metrics across the individual measures and professional services.	Small scale building renovations and measures such as rooftop solar panels are automatically eligible.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The buildings on which renovations or installation of solar panels took place, have been constructed in accordance with German and regional environmental legislations which ensure environmental risk assessment, including physical climate risks, are conducted at planning stage and relevant measures are applied to reduce identified risks.	✓
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with regional and national adaptation efforts.	✓
Monitoring adaptation results	Environmental risk assessments and adaptation results are a legislative prerequisites for building permits and are reviewed by the local authorities.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		

No presence of substances of concern	Substances of very high concern such as asbestos are prohibited by German legislation	✓
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
NRW.BANK has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Project pool.		

2.2. Construction of new Buildings (8.1)

Projects under this category include the construction of university hospital buildings. All Green Projects are located in the State of North Rhine-Westphalia. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
To be eligible, the net primary energy demand of the new construction must be at least 20% lower than the primary energy demand resulting from the relevant “nearly zero-energy building” (NZEB) requirements	The buildings built before 31.12.2020 are NZEB compliant having received an EPC label A.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with German and regional environmental legislations. An Environmental Impact Assessment is part of the building permit.	✓
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with regional and national adaptation efforts.	✓
Monitoring adaptation results	Environmental risk assessments and adaptation results are a prerequisite for building permits and are reviewed by the local authorities.	✓

3. WATER – DO NO SIGNIFICANT HARM CRITERIA

All relevant water appliances must be in the top 2 classes for water consumption of the EU Water Label	The issuer confirms there is high likelihood of compliance with the top 2 classes for water consumption of the EU Water Label. However no information was provided to ISS-ESG.	✓
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4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

At least 80% (by weight) of the non-hazardous construction and demolition waste must be prepared for re-use or sent for recycling or other material recovery	The issuer ensures that at least 80% of non-hazardous waste is prepared for reuse or sent to recycling.	✓
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5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

It is ensured that building components and materials do not contain asbestos nor substances of very high concern as identified on the basis of the “Authorisation List” of the REACH Regulation	The issuer ensures that building components do not contain asbestos nor substances of very high concern as these are prohibited by German legislation.	✓
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6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

The new construction must not be built on protected natural areas, such as land designated as Natura 2000, UNESCO World Heritage and Key Biodiversity Areas (KBAs), or equivalent outside the EU as defined by UNESCO and / or the International Union for Conservation of Nature (IUCN)	Green Projects are subject to German legislation and require an Environmental Impact Assessment. Required mitigation measures for protection biodiversity/eco-systems have been implemented as per legislation. The Green Projects are not located in biodiversity-sensitive areas, or in UNESCO Heritage areas and Ramsar sites.	✓
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CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN

NRW.BANK has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.

2.3 Transmission and Distribution of Electricity (4.9)

Projects under this category concern distribution of electricity with a focus on distribution to private households, and charging stations for electric vehicles. All Green Projects are located in the State of North Rhine-Westphalia. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
All electricity transmission and distribution infrastructure or equipment in systems which are on a trajectory to full decarbonisation are eligible	The issuer confirmed that more than 67% of newly connected generation capacity in the System is below the generation threshold value of 100 gCO ₂ e/kWh measured on a PCF basis, over a rolling five-year period	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with German and regional environmental legislations. An Environmental Impact Assessment is part of the building permit.	✓
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with regional and national adaptation efforts.	✓
Monitoring adaptation results	Environmental risk assessments and adaptation results are a prerequisite for building permits and are reviewed by the local authorities.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Avoid routings with heavy impact on marine and terrestrial ecosystems for underground powerlines	The issuer confirmed its underground powerlines avoid routings with heavy impact on marine and terrestrial ecosystems and follow the principles of IFC General EHS Guidelines for construction site activities.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Recycling at end of life	The issuer ensures to maximise recycling at end of life based on contractual agreements with recycling partners.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		

Follow the principles of IFC General EHS guideline for over ground high voltage lines	The issuer ensures compliance with the required criteria.	✓
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented	Green Projects are subject to German legislation. According to the issuer, these follow Environmental Impact Assessments compliant with EU Directives on Environmental Impact Assessment (2014/52/EU) and Strategic Environmental Assessment (2001/42/EC). Required mitigation measures for protection biodiversity/eco-systems have been implemented as per legislation.	✓
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
NRW.BANK has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

2.4. Production of Electricity from Solar PV (4.1)

Projects under this category include PV plants. Other solar projects, such as rooftop installation are covered under the section “8.3 Individual Measures and professional Services”. All Green Projects are located in the State of North Rhine-Westphalia. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
Facilities operating at life cycle emissions lower than 100gCO ₂ e/kWh, declining to net-0gCO ₂ e/kWh by 2050, are eligible. This threshold will be reduced every 5 years in line with a net-zero CO ₂ e in 2050 trajectory	Solar PV is automatically eligible	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with German environmental	✓

	legislations, such as the Renewable Energy Act (EEG) and the Federal Building Code (BauEG). Thus, environmental risk assessment at project level, including physical climate risks, is conducted at planning stage and relevant measures are applied to reduce identified risks.	
Supporting system adaptation	Environmental risks assessments conducted as part of the building permit ensure that Green Projects do not increase the risks of adverse climate impact on other stakeholders and the consistency with regional and national adaptation efforts.	✓
Monitoring adaptation results	Environmental risk assessments and adaptation results are a prerequisite for building permits and are reviewed by the local authorities.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
High durability, easy dismantling, refurbishment, and recycling ensured by PV panels design and manufacture	Building permits ensure this is covered in the environmental risk analysis.	✓
Reparability ensured by accessibility and exchangeability of PV panels components.	Building permits ensure this is covered in the environmental risk analysis.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented.	Green Projects are subject to the German Renewable Energy Act (EEG) and the Federal Building Code (BauEG). Thus, all Green Projects underwent an Environmental Impact Assessment when relevant, or a Strategic Environmental Assessment. Required mitigation measures for protection biodiversity/eco-systems have been implemented.	✓

CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN

NRW.BANK has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.

2.5 Production of Electricity from Wind Power (4.3)

Projects under this category are focused on the construction of wind turbines. All Green Projects are located in the State of North Rhine-Westphalia. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
Facilities operating at life cycle emissions lower than 100gCO ₂ e/kWh, declining to net-0gCO ₂ e/kWh by 2050, are eligible. This threshold will be reduced every 5 years in line with a net-zero CO ₂ e in 2050 trajectory	Wind power is automatically eligible	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with German environmental legislations, such as the Renewable Energy Act (EEG), the Federal Immission Control Act (BImSchG) and the Federal Building Code (BauEG). Thus, environmental risk assessment at project level, including physical climate risks, is conducted at planning stage and relevant measures are applied to reduce identified risks.	✓
Supporting system adaptation	Environmental risks assessments conducted ensure that Green Projects do not increase the risks of adverse climate impact on other stakeholders and the consistency with regional and national adaptation efforts.	✓
Monitoring adaptation results	Environmental risk assessments and adaptation results are a prerequisite for building permits and are reviewed by the local authorities.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		

Water quality and water consumption	An environmental assessment has been conducted at Green Projects planning stage, including water considerations. As per conformity with BImSchG, measures regarding water use and conservation are in place.	✓
Compliance with the EU Water legislation	Green Projects are subject to the EU Water legislation.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
End-of-life waste management and decommissioning	Green Projects are subject to decommissioning obligations, part of building permit requirements.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented.	Green Projects are subject to the German Renewable Energy Act (EEG) and the Federal Building Code (BauEG). Thus, all Green Projects underwent an Environmental Impact Assessment when relevant, or a Strategic Environmental Assessment. Required mitigation measures for protection biodiversity/eco-systems have been implemented.	✓
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
NRW.BANK has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

2.6 Centralized Wastewater Treatment (5.2)

Projects under this category are focused around the sewage treatment plant and sewer canalisation of the Emscher river. While NRW.BANK is financing this part of the project, it is important to note the projects are part of a larger river restoration project which contributes to adaptation. The project is located in the State of North Rhine-Westphalia. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		

Construction or extension of centralized wastewater systems is eligible, provided that the new wastewater treatment substitutes more GHG emission intensive wastewater treatment systems. No threshold applies.	The issuer confirms that the new wastewater treatment projects substitute more GHG emission intensive wastewater treatment systems present before.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with German and regional environmental legislations. An Environmental Impact Assessment is part of the building permit.	✓
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with regional and national adaptation efforts.	✓
Monitoring adaptation results	Environmental risk assessments and adaptation results are a prerequisite for building permits and are reviewed by the local authorities.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Ensure emissions to water are within the ranges set in the Urban Waste Water Treatment Directive 91/271/EEC	The issuer confirms that the projects are compliant with the outlined DNSH criteria.	✓
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented.	Green Projects are subject to the German Renewable Energy Act (EEG) and the Federal Building Code (BauEG). Thus, all Green Projects underwent an Environmental Impact Assessment when relevant, or a Strategic Environmental Assessment. Required mitigation measures for protection	✓

	biodiversity/eco-systems have been implemented.	
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
NRW.BANK has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

2.7 Clean Transport (E-mobility) (6.5)

Projects under this category are focused the acquisition of electric vehicles. All Green Projects are located in the State of North Rhine-Westphalia. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
Zero tailpipe emission vehicles (incl. hydrogen, fuel cell, electric). These are automatically eligible.	Electric vehicles are automatically eligible as below these threshold	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	Operating permits granted by national authorities (Kraftfahrt Bundesamt) include climate risk assessments.	✓
Supporting system adaptation	Operating permits ensure compliance with regional and national adaptation efforts.	✓
Monitoring adaptation results	Compliance with German environmental legislation requires monitoring of adaption results.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Compliance with EU and national legislation on hazardous waste generation, management and treatment. Special focus on critical raw	The issuer ensures that the outlined DNSH criteria is covered under the operating permits issued by national authorities.	✓

materials recovery from batteries		
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Vehicles must comply with the emission thresholds for clean light-duty vehicles from the EU directive 2019/1161	The issuer ensures that the outlined DNSH criteria is covered under the operating permits issued by national authorities.	✓
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
NRW.BANK has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

2.8 Clean Transport Public (6.3)

Projects under this category are focused on the financing of trams for public transportation. All Green Projects are located in the State of North Rhine-Westphalia. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
Fleets below 50 gCO ₂ e/pkm until 2025	The trams comply with the threshold.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	Operating permits granted by national authorities (Eisenbahn Bundesamt) include climate risk assessments.	✓
Supporting system adaptation	Operating permits ensure compliance with regional and national adaptation efforts.	✓
Monitoring adaptation results	Compliance with German environmental legislation requires monitoring of adaption results.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		

Compliance with EU and national legislation on hazardous waste generation, management and treatment	The issuer ensures that the outlined DNSH criteria are covered under the operating permits issued by national authorities.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Railcars must comply with latest applicable standards of Non-Road Mobile Machinery Regulation 557	The issuer ensures that the outlined DNSH criteria are covered under the operating permits issued by national authorities.	✓
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
NRW.BANK has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

2.9 Clean Transport Freight (6.2)

Projects under this category are focused on the financing of locomotives. All Green Projects are located in the State of North Rhine-Westphalia. The results of this assessment are displayed below:


EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
Zero direct emissions trains are eligible. Other trains are eligible if gCO ₂ e/tkm are 50% lower than average reference CO ₂ emissions of HDVs as defined for the Heavy Duty CO ₂ Regulation	The issuer confirms that the locomotive meet the thresholds.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	Operating permits granted by national authorities (Eisenbahn Bundesamt) include climate risk assessments.	✓
Supporting system adaptation	Operating permits ensure compliance with regional and national adaptation efforts.	✓

Monitoring adaptation results	Compliance with German environmental legislation requires monitoring of adaption results.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Ensure proper waste management both at the use phase and the end-of-life for rolling stock	The issuer ensures that the outlined DNSH criteria are covered under the operating permits issued by national authorities.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Engines for the propulsion of railway locomotives (RLL) and engines for the propulsion of railcars (RLR) must comply with latest applicable standards of Non-Road Mobile Machinery Regulation	The issuer ensures that the outlined DNSH criteria are covered under the operating permits issued by national authorities.	✓
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
NRW.BANK has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards. The results of this assessment are applicable for every Green Project category financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
OECD Guidelines on Multinational Enterprises	Not applicable. NRW.BANK does not have any loan business with multinational companies.	-
UN Guiding Principles on Business and Human Rights	The implementation of the UN Guiding Principles on Business and Human Rights is a federal objective in Germany. In 2016, the	✓

	<p>Federal Government agreed on a national action plan for business and human rights. Part of this action plan is to monitor corporate behaviour and if this is not sufficient, executive power will bring a supply chain bill into the law-making process.</p>	
ILO Core Labour Conventions	<p>NRW.BANK's due diligence processes ensure the alignment with the ILO Core Labour Conventions. Risks analysis processes are in place to identify any potential breach of this guideline at the Green Project level. Mitigation plans in case of breach are in place and Green Project can be removed from the Green Projects pool in case of non-compliance.</p>	

DISCLAIMER

1. Validity of the SPO: This SPO is valid as long as no new project categories are added to the Green Bond Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from NRW.BANK's ISS ESG Corporate Rating.

NRW.BANK

Corporate ESG Performance
Prime
 RATED BY
ISS ESG

Company Information

Country
Germany

ISIN
DE000NWB1939

Industry
Financials/Development Banks

Key Results

Rating
C

Decile Rank
4

Transparency Level
Very High

Status
Prime

Performance score
52.79

Prime Threshold
C

Absolute Rating

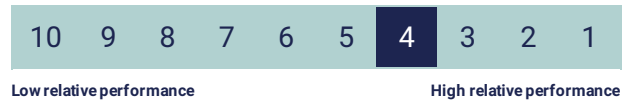


The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

Transparency Level



Decile Rank

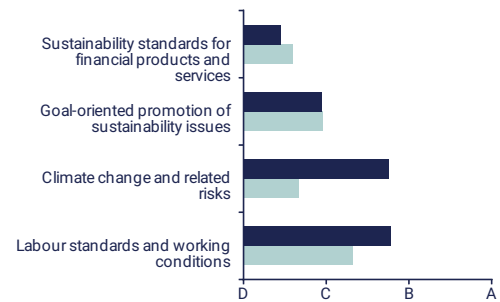


Industry Leaders

Company name (in alphabetical order)	Country	Grade
Asian Development Bank	PH	B
European Investment Bank	LU	B-
International Bank for Reconstruction and Development	US	B-

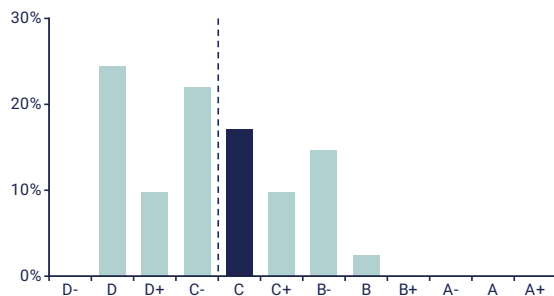
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance

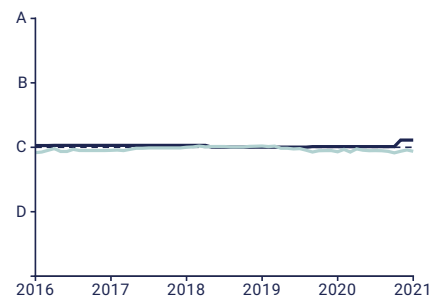


Distribution of Ratings

41 companies in the industry



Rating History



NRW.BANK

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Controversial Business Practices - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

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

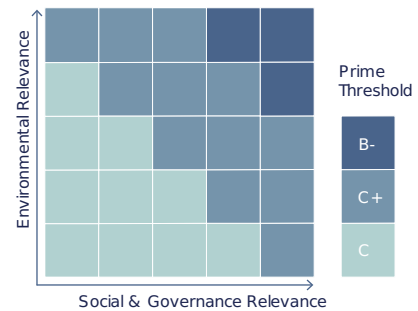
Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

NRW.BANK

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 2: Methodology

ASSESSMENT OF THE CONTRIBUTION AND ASSOCIATION TO THE SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which the NRW.BANK Green Bond project categories contribute to related SDGs.

ANNEX 3: Quality management processes

SCOPE

NRW.BANK commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the ICMA Green Bond Principles and to the extent possible, with the Draft Model of EU Green Bond Standard (EU GBS). Moreover, the assessment included whether the Green Bond project categories align with the EU Taxonomy and associated technical annex, on a best effort basis.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles, Draft Model of EU Green Bond Standard (EU GBS) and EU Taxonomy and associated technical annex.

ISSUER'S RESPONSIBILITY

NRW.BANK's responsibility was to provide information and documentation on:

- Framework
- Asset pool
- Documentation of ESG risks management at the asset level for EU taxonomy

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond Financing Framework issued by NRW.BANK based on ISS ESG methodology and in line with the ICMA Green Bond Principles and Draft Model of EU Green Bond Standard (EU GBS).

The engagement with NRW.BANK took place in November-December 2020.

ISS ESG's BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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