



## SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability Bond Framework

State of North Rhine-Westphalia  
11 May 2023

### VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>▪ Sustainability Bond</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>▪ Green Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1),</li><li>▪ Social Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1),</li><li>▪ Sustainability Bond Guidelines, as administered by the ICMA (as of June 2021)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>▪ NRW Sustainability Bond Framework (as of May 11, 2023)</li><li>▪ NRW Eligible Assets (as of May 11, 2023)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>▪ Pre-issuance verification</li><li>▪ 1<sup>st</sup> Update of <a href="#">SPO</a> as of May 2022</li></ul>
Validity	<ul style="list-style-type: none"><li>▪ Valid as long as the cited Framework remains unchanged.</li></ul>

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## SCOPE OF WORK

State of North Rhine-Westphalia (“the Issuer” or “Land NRW”) commissioned ISS Corporate Solutions (ICS) to assist with its Sustainability Bond update<sup>1</sup> by assessing five core elements to determine the sustainability quality of the instruments:

1. NRW’s Sustainability Bond Framework (as of May 11, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).
2. The Eligible Assets – whether the project categories contribute positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment of the project categories with the EU Taxonomy on a best-efforts basis<sup>2</sup> – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2021)<sup>3</sup>.
4. The alignment of the project category “Nature conservation and landscape management, cooperation projects (Protection of nature)” with the Platform On Sustainable Finance: Technical Working Group Part B – Annex: Technical Screening Criteria March 2022<sup>4</sup> – whether the nominated project category satisfies, on a best-efforts basis, the Technical Screening Criteria for a Substantial Contribution to protection and restoration of biodiversity and ecosystems and the Do Not Significant Harm Criteria as set out by the Platform On Sustainable Finance.
5. Linking the transaction to NRW’s overall ESG profile – drawing on NRW’s overall sustainability profile and the Framework’s issuance-specific Use of Proceeds categories.


<sup>1</sup> Please note that the scope of this update is limited to (i) the assessment of the new assets added to the asset pool, (ii) the assessment of a project category against the Sustainable Investment Initiative of the European Commission, and (iii) NRW’s sustainability strategy.

<sup>2</sup> Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy have been evaluated on a “best efforts basis”.

<sup>3</sup> Commission Delegated Regulation (EU) 2021/2139 of June 2021, [URL](#)

<sup>4</sup> Platform On Sustainable Finance: Technical Working Group Part B – Annex: Technical Screening Criteria March 2022, [URL](#).

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>5</sup>
<p><b>Part 1:</b> <b>Alignment with GBP, SBP and SBG</b></p>	<p>The Issuer has defined a formal concept for its Sustainability Bond Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA’s GBP, SBP and SBG.</p>	<b>Aligned</b>
<p><b>Part 2:</b> <b>Sustainability quality of the Eligible Assets</b></p>	<p>The Sustainability Bond Framework will (re-)finance eligible asset categories which include:</p> <p>Social categories: Affordable basic infrastructure, Access to essential services, Affordable Housing, Employment generation, and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance, Food security and sustainable food systems, Socioeconomic advancement and empowerment;</p> <p>Green categories: Renewable Energy, Energy efficiency, Pollution Prevention and Control, Environmentally sustainable management of living natural resources and land use, Clean Transportation, Sustainable water and wastewater management, Climate change adaption and Green buildings.</p> <p>Product and/or service-related use of proceeds categories individually contribute to one or more of the following SDGs:</p>  <p>The environmental and social risks associated with those use of proceeds categories are well managed.</p>	<b>Positive</b>
<p><b>Part 3:</b> <b>Alignment with EU Taxonomy</b></p>	<p>NRW’s project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act</p>	

<sup>5</sup> Our evaluation is based on the State of North Rhine-Westphalia’s Sustainability Bond Framework (April 2023 version), on the analysed Asset Pool as received on the 21.04.2023, and on the ISS ESG Country Rating applicable at the SPO delivery date (updated on 27.02.2023).

	<p>of June 2021), on a best-efforts basis<sup>6</sup>. The nominated project categories are considered to be:</p> <ul style="list-style-type: none"> <li>▪ Aligned with the Climate Change Mitigation (and Adaptation<sup>7</sup>) Criteria</li> <li>▪ Aligned with the Do No Significant Harm Criteria, except for Activity 7.2 (DNSH to Water and Marine Resources)</li> <li>▪ Aligned with the Minimum Safeguards requirements</li> </ul>	
<p><b>Part 4:</b> <b>Alignment with the Platform On Sustainable Finance: Technical Working Group Part B – Annex: Technical Screening Criteria March 2022</b></p>	<p>NRW’s project category “Conservation, including restoration, of habitats, ecosystems and species” has been assessed against the Platform On Sustainable Finance: Technical Working Group Part B – Annex: Technical Screening Criteria March 2022 on a best-efforts basis<sup>8</sup>. The nominated project categories are considered to be:</p> <ul style="list-style-type: none"> <li>▪ Aligned with the Transition to protection and restoration of biodiversity and ecosystems Criteria</li> <li>▪ Aligned with the Do No Significant Harm Criteria</li> </ul> <p>As for the Minimum Safeguards, they have been assessed under part 3 (and they’re also applicable to this analysis).</p>	
<p><b>Part 5:</b> <b>Linking the transaction(s) to Land NRW’s overall ESG profile</b></p>	<p>The key sustainability objectives and the rationale for issuing Sustainability Bonds are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.</p>	<p><b>Consistent with Issuer’s sustainability strategy</b></p>

<sup>6</sup> Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a “best efforts basis”.

<sup>7</sup> For the category of flood protection (Activity 5.1).

<sup>8</sup> The criteria are currently subject to an [open consultation](#) (as of April 27<sup>th</sup>, 2023). Since they could be further modified as a result of the consultation, the eligibility is assessed on a “best efforts basis”.

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH ICMA'S GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES

This section evaluates the alignment of the NRW's Sustainability Bond Framework (as of May 11, 2023) with the ICMA's Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines.

ICMA'S GBP AND SBP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by NRW's Sustainability Bond Framework is <b>aligned</b> with the GBP and SBP.</p> <p>The Issuer's green/social categories align with the project categories as proposed by the ICMA's GBP and SBP, Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided and the environmental/social benefits are described. The Issuer defines exclusion criteria for harmful projects categories.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by NRW's Sustainability Bond Framework is <b>aligned</b> with the ICMA's GBP and SBP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The issuer identifies alignment of their Sustainability Bond framework and their green projects with EU taxonomy and PSF in line with best market practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds proposed by NRW's Sustainability Bond Framework is <b>aligned</b> with the ICMA's GBP and SBP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner. The net proceeds are managed on an aggregated basis for multiple Sustainability Bonds (portfolio approach).</p>

		Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.
<b>4. Reporting</b>	✓	<p>The allocation and impact reporting proposed by NRW's Sustainability Bond Framework is <b>aligned</b> with the ICMA's GBP and SBP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website<sup>9</sup>. NRW explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the until the proceeds have been fully allocated.</p> <p>The issuer is transparent on the level of impact reporting, information reported, frequency, scope and duration of the impact reporting, in line with best market practice</p>

<sup>9</sup> NRW Sustainability Bonds: [www.nachhaltigkeit.nrw.de/en/sustainability-bonds/](http://www.nachhaltigkeit.nrw.de/en/sustainability-bonds/)

## PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

### A. CONTRIBUTION OF THE SUSTAINABILITY BOND TO THE UN SDGs<sup>10</sup>

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

#### Products and services







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

The assessment of UoP categories for investing in specific products and services is displayed on 3-point scale (see Annex 1 for methodology):













Each of the Sustainability Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:



#### SOCIAL CATEGORIES

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Affordable basic infrastructure</b> <i>Digitalization</i>	Contribution	
<b>Affordable basic infrastructure</b> <i>Social ticket (public transport for low-income citizens)</i>	Contribution	 
<b>Affordable basic infrastructure</b> <i>Education ticket/transport (Public transport for pupils and students)</i>	Contribution	  

<sup>10</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.



<p><b>Access to essential services</b> <i>Vaccination against SARS-CoV-2</i> <i>Corona measures in day care centres (KiTa test strategy)</i></p>	<p><b>Contribution</b></p>	
<p><b>Access to essential services</b> <i>Combating the risks of addiction</i> <i>Health economy, telematics, further development of the health campus</i> <i>Health assistance, health protection, hygiene action plan, disease control</i> <i>Measures to ensure medical care</i></p>		 
<p><b>Access to essential services</b> <i>Psychiatric care</i></p>		
<p><b>Access to essential services</b> <i>State funding geriatric care</i></p>		
<p><b>Access to essential services</b> <i>Professional education of geriatric nurses</i> <i>Bund-Länder-Covenant for the expansion of universities, State's share</i> <i>Measures to improve the quality of teaching and studies at higher education institutions</i> <i>Grants for the promotion of PlusKITA facilities and language promotion according to the Act on the Early Education and Promotion of Children (KiBiz)</i> <i>Education for teachers for inclusive education</i></p>		 
<p><b>Access to essential services</b> <i>Excellence Initiative and Successor Programme Excellence Strategy (Support for Best-in-class Universities)</i> <i>Expenditure for the return programme of highly qualified young researchers from abroad</i></p>		
<p><b>Access to essential services</b> <i>Subsidies for family centers according to § 21 KiBiz / Promotion of childcare facilities - family centers</i></p>		 

<p><i>Allocations to municipalities and municipal associations for childcare in special cases</i></p> <p><i>Reimbursement of costs for the parental contribution exemption according to KiBiz</i></p>		
<p><b>Access to essential services</b></p> <p><i>School social work<sup>11</sup></i></p>	<p><b>Contribution</b></p>	
<p><b>Access to essential services</b></p> <p><i>Promotion of innovation</i></p>		
<p><b>Access to essential services</b></p> <p><i>Facilities for environmental education</i></p>		
<p><b>Affordable Housing</b></p> <p>Target group: excluded and/or marginalised populations and/or communities</p> <p><i>Urban Renewal, Projects Urban Reconstruction in the West + Sustainable Renewal</i></p> <p><i>Urban Renewal, Project Social City+ Social Centers</i></p> <p><i>State programme for village renewal</i></p>	<p><b>Contribution</b></p>	
<p><b>Employment generation, and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance</b></p> <p><i>Employment opportunities for persons with disabilities</i></p>		
<p><b>Employment generation, and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance</b></p> <p><i>Environmental economy, sustainable management</i></p>	<p><b>Contribution</b></p>	

<sup>11</sup> Included here services such as: [Schulsozialarbeit | Bildungsportal NRW \(schulministerium.nrw\)](https://www.schulministerium.nrw.de); [Evaluation des Programms Soziale Arbeit an Schulen in Nordrhein-Westfalen \(mags.nrw\)](https://www.mags.nrw.de).

**Food security and sustainable food systems**

*School programme*

*Fight against poverty and social exclusion through the programme "All children eat"*

Contribution



**Socioeconomic advancement and empowerment**

*Fight against poverty and social exclusion through the programme "Finally a home"*

Contribution



**Socioeconomic advancement and empowerment**

*Social inclusion of persons with disabilities*

*Measures for children from refugee families and for young refugees*

*Promoting integration of migrants living together in diversity*

*Expenditure on school-related services for civil war refugees*

Contribution



**Socioeconomic advancement and empowerment**

*European Social Fund 2014-2020 (State's share)/Programmes "No dead-end qualification"/"No dead-end qualification (compact)"<sup>12</sup>*

Contribution



**Socioeconomic advancement and empowerment**

*Promotion of equality at universities*

Contribution



**Socioeconomic advancement and empowerment**

*Equality and potential development in work and society*

Contribution




**Socioeconomic advancement and empowerment**

*Girls in special situations*











Contribution



<sup>12</sup> The European Social Fund (Europäischer Sozialfonds) promotes education and employment opportunities. "No dead-end qualification" – with this goal, North Rhine-Westphalia is shaping the transition from school to training and studies. The statewide transition system ensures that young people receive support early on in career orientation, in choosing a career and when starting training or studying. The aim is to give all young people after school the opportunity to continue their vocational training or studies as quickly as possible and to avoid unnecessary waiting loops through effective coordination.









<p><b>Socioeconomic advancement and empowerment</b></p> <p><i>Protection of children</i></p> <p><i>Protection from violence</i></p>	<p>Contribution</p>	
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**GREEN CATEGORIES**

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Renewable Energy</b></p> <p><i>Energy and heat transition investment programme</i></p>	<p>Contribution</p>	 
<p><b>Renewable Energy</b></p> <p><i>Energy storage</i></p>	<p>Contribution</p>	
<p><b>Energy efficiency</b></p> <p><i>Climate protection technologies and low-emission mobility<sup>13</sup></i></p>	<p>Contribution</p>	 
<p><b>Energy efficiency</b></p> <p><i>Enhancement of resource efficiency<sup>14</sup></i></p>	<p>Contribution</p>	 
<p><b>Pollution prevention and control</b></p> <p><i>Innovation for the climate-neutral energy and economic system of the future</i></p>	<p>Contribution</p>	
<p><b>Pollution prevention and control</b></p> <p><i>Municipal and societal climate protection</i></p>	<p>Contribution</p>	 

<sup>13</sup> For this category, the Issuer is relying on the “Richtlinie über die Gewährung von Zuwendungen aus dem „Programm für Rationelle Energieverwendung, Regenerative Energien und Energiesparen“ (Guideline on the granting of subsidies from the "Programme for the Rational Use of Energy, Regenerative Energies and Energy Saving). To be eligible for under these guidelines, projects are expected to meet the parameters (eligibility criteria) set out in that guideline. We have reviewed the eligibility criteria set by Land NRW and assessed them as generally providing a contribution to the SDGs highlighted. However, it is worth noting that (i) not all projects financed will contribute to all SDGs (e.g., a solar projects will contribute to SDGs 7 and 13 while counselling for very small and small enterprises for becoming climate neutral only to SDG 7), (ii) criteria for some projects would need to be more precisely defined to be considered as having a clear environmental benefit according to our methodology (e.g., biomass in combination with solar) and (iii) there is a lack of visibility on the amount that will be allocated to those projects (without clear environmental benefits).

<sup>14</sup> See consulting program here: [Referenzen und Best-Practice-Beispiele der Effizienz-Agentur NRW zum T - Effizienz-Agentur NRW \(ressourceneffizienz.de\)](https://www.referenzen-und-best-practice-beispiele-der-effizienz-agentur-nrw-zum-t-effizienz-agentur-nrw-ressourceneffizienz.de).

<p><b>Environmentally sustainable management of living natural resources and land use</b> <i>Protection of nature</i></p>	<p><b>Contribution</b></p>	
<p><b>Clean transportation</b> <i>Transport infrastructure for cyclists and pedestrians</i></p>		 
<p><b>Sustainable water and wastewater management</b> <i>Flood protection<sup>15</sup></i></p>		
<p><b>Climate change adaption</b> <i>Climate Action/Regional Climate Adaptation Measures (LIFE)/Adaptation to climate change</i></p>		
<p><b>Climate change adaption</b> <i>Reforestation</i></p>		
<p><b>Green buildings</b> <i>Renovation and modernisation programme for university clinics<sup>16</sup></i></p>		 

<sup>15</sup> According to the issuer, this category will focus on projects aligned with activity 5.1 of the EU taxonomy.

<sup>16</sup> According to the issuer, this category will focus on projects aligned with activity 7.2 and 7.7 of the EU taxonomy.

## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ELIGIBLE PROJECTS<sup>17</sup>

### Green Eligible Projects

The table below presents the findings of an ISS ESG assessment of the Green Eligible Projects against ISS ESG KPIs. All assets are located in North Rhine-Westphalia.

#### ASSESSMENT AGAINST ISS ESG GREEN KPIs

##### Environmental and social risks relevant for all green project categories

###### Biodiversity

For any type of expenditure, comprehensive and specific environmental standards (regarding e.g. direct emissions to air, noise mitigation, minimisation of environmental impact during construction work), apply according to European and national legislation and standards, e.g. the “Bundesimmissionsschutzgesetz and the Gesetz über die Umweltverträglichkeitsprüfung (UVPG)”. (engl: Federal Immission Control Act and the Act on Environmental Impact Assessment). However, no information is available on the number of projects for which Environmental Impact Assessments are conducted.

###### Waste Management & Pollution Prevention

- ✓ For 100% of assets, the implementing construction companies and subcontractors have to isolate and remove waste and pollutants (in accordance with national legislation).

###### Water management

- ✓ For any type of expenditure, measures to ensure sufficient water quality, reduce water scarcity, etc. are implemented in accordance with the EU Water Framework Directive.

###### Sustainable procurement

For energy-related goods, services and road vehicles above a certain size, the EU §§ 67 ff. Public Procurement Regulation (§§ 67 ff. Vergabeverordnung (VgV)) requires that energy efficiency criteria have to be taken into consideration in public procurement contracts. Further, the state government publishes on its website various procurement guidelines, ranging from electric mobility and municipal vehicles to recycled paper and LEDs. The state government also draws on guidance on sustainable procurement for communities, states and municipalities from European Commission. NRW provides information on some sustainable procurement requirements via its homepage to facilitate their usage.

Specifically for buildings, the Germany Federal Ministry of Housing, Urban Development and Construction has guidelines for sustainable procurement in construction materials<sup>18</sup>. The State of NRW confirms<sup>19</sup> that it applies these guidelines and also that they are applicable to university hospital and clinics, which are the types of buildings to be financed under this program.

<sup>17</sup> This assessment was performed in 2022, and has been left unvaried since then.

<sup>18</sup> <https://www.nachhaltigesbauen.de/themen/materialgerechund-aufwandsarm/>

<sup>19</sup> [https://recht.nrw.de/lmi/owa/br\\_vbl\\_detail\\_text?anw\\_nr=7&vd\\_id=19912&ver=8&val=19912&sg=0&menu=0&vd\\_back=N](https://recht.nrw.de/lmi/owa/br_vbl_detail_text?anw_nr=7&vd_id=19912&ver=8&val=19912&sg=0&menu=0&vd_back=N)

### Environmental and social risks relevant for some green project categories only

#### Environmental impact of agriculture – applicable for Environmentally sustainable management of living natural resources and land use only

- ✓ Sustainability criteria such as soil and biodiversity management, water conservation in agricultural production and the climate impact of agricultural production are taken into consideration, according to European and national legislation and standards, e.g. as described in several documents regarding “Gemeinschaftsaufgabe: Verbesserung der Agrarstruktur und des Küstenschutzes (GAK)”. (engl: Joint task: improvement of agricultural structure and coastal protection)

#### Exclusion of harmful sectors and activities

According to NRW’s Sustainability Bond Framework projects in relation to fossil fuel production and generation of fossil fuel power, generation of nuclear power, and production or trade in any product or activity deemed illegal under international conventions and agreements or subject to international prohibitions are excluded. Please note that this is not an exhaustive list of potential controversial business activities.

Additionally, within the ISS ESG Country Rating, Germany has no indicated structural controversy<sup>20</sup>. Therefore, the risk of a structural controversy within the respective green bond categories is considered low. In the event of a controversy arising, the issuer will ensure that appropriate mitigation processes are in place.

## Social Eligible Projects

The table below presents the findings of an ISS ESG assessment of the Social Eligible Projects against ISS ESG KPIs. All assets are located in North Rhine-Westphalia.

### ASSESSMENT AGAINST ISS ESG SOCIAL KPIs

#### Environmental and social risks relevant for all social project categories

##### Labour and health & safety

- ✓ For any type of expenditure, health and safety for employees, contractors, operators, etc. are ensured according to European and national legislation and standards.

##### User safety

- ✓ For any type of expenditure, the safety of building users is ensured via national legislation and according to the building regulations of the respective federal states.

- ✓ For any type of expenditure, health and safety for both passengers and operators are ensured according to European and national legislation and standards, e.g. the “Nationale Sicherheitsvorschriften für das Eisenbahnsystem in Deutschland”. (National safety rules for the railway system in Germany)

<sup>20</sup> A structural controversy occurs if an internal ISS ESG threshold is exceeded related to a thematic controversy (e.g. labour right violations), indicating a structural problem. Single cases, unless very severe, do not count as a structural controversy.



#### **Non-discriminatory access to education/programmes/offers/services**

- ✓ 100% of projects addressing the enlargement of universities or the creation of additional training facilities are directed at public universities and colleges that currently do not charge any study fees or at professional schools with programmes heavily subsidised for participants.
- ✓ A system of subsidised loans governed by the German Act on Support for Education (Bundesausbildungsförderungsgesetz/BAföG) assists socially disadvantaged students in covering their living expenses.
- ✓ For 100% of projects, high social standards regarding non-discrimination are in place (in accordance with national legislation).

#### **Environmental and social risks relevant for some green project categories only**

##### **Dialogue with local communities – for infrastructure-related project categories**

- ✓ 100% of projects comply with the regulations of the German Building Code (Baugesetzbuch/BauGB). The regulations provide for the consideration of local residents' interests during the development of land-use plans and zoning maps (e.g. through public display of development plans, possibility to voice concerns, case-dependent compensation measures).



## Part III. ALIGNMENT OF THE GREEN ELIGIBLE PROJECTS WITH THE EU TAXONOMY<sup>21</sup>

ISS ESG assessed the alignment of NRW's project selection process and issuer policies for the nominated Use of Proceeds project categories, with the relevant Climate Change Mitigation/Adaptation, Do Not Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act<sup>22</sup> (June 2021), based on information provided by NRW. Where NRW's projects and policies fully meet the EU Taxonomy Criteria requirements, a tick is shown in the EU Taxonomy assessment tables in sections A, B and C, according to the ISS ESG assessment.

NRW's project selection criteria overlap with the following economic activities in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation & Climate Change Adaptation:

NRW ELIGIBLE ASSET GROUP	EU TAXONOMY ACTIVITY WITH SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION
G. Energy storage	4.10. Storage of electricity
H. Energy and heat transition	4.1. Electricity generation using solar photovoltaic technology  6.4. Operation of personal mobility devices, cycle logistics  6.5. Transport by motorbikes, passenger cars and light commercial vehicles  7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)  7.6. Installation, maintenance and repair of renewable energy technologies  9.1. Close to market research, development and innovation
H. Enhancement of resource efficiency	9.1. Close to market research, development and innovation
I. Innovation for the climate-neutral energy and economic system of the future	9.1. Close to market research, development and innovation
K. Infrastructure for cyclists and pedestrians	6.4. Operation of personal mobility devices, cycle logistics

<sup>21</sup> This assessment was performed in 2022, and has been left unvaried since then.

<sup>22</sup>[https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

	6.13 Infrastructure for personal mobility, cycle logistics
M. Forests restoration	1.2. Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event
N. Conservation, remediation and enlargement of university clinics as well as other investments	7.2. Renovation of existing buildings 7.7 Acquisition and ownership of buildings

NRW ELIGIBLE ASSET GROUP	EU TAXONOMY ACTIVITY WITH SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE ADAPTATION
L. Flood Protection	5.1 Construction, extension and operation of water collection, treatment and supply systems

In the following sections A, B and C, the EU Taxonomy assessment is displayed in the following order.

**For EU Taxonomy activities which have a substantial contribution to Climate Change Mitigation**

*A.1 1.2. Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event*

*A.2 4.1. Electricity generation using solar photovoltaic technology*

*A.3 4.10. Storage of electricity*

*A.4 6.4. Operation of personal mobility devices, cycle logistics*

*A.5 6.5. Transport by motorbikes, passenger cars and light commercial vehicles*

*A.6 6.13 Infrastructure for personal mobility, cycle logistics*

*A.7 7.2. Renovation of existing buildings*

*A.8 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)*

*A.9 7.6. Installation, maintenance and repair of renewable energy technologies*

*A.10 7.7 Acquisition and ownership of buildings*

*A.11 9.1. Close to market research, development and innovation*

**For EU Taxonomy activities which have a substantial contribution to Climate Change Adaptation**

*B.1 5.1. Construction, extension and operation of water collection, treatment and supply systems*

**For generic criteria for relevant DNSH criteria which is applicable to multiple EU Taxonomy activities**

*C.1 Generic Criteria for DNSH to Climate Change Adaptation for all relevant eligible expenditures*


*C.2 Generic Criteria for DNSH to Sustainable use and protection of water and marine resources for all relevant eligible expenditures*

*C.3 Generic Criteria for DNSH to Protection and restoration of biodiversity and ecosystems for all relevant eligible expenditures*

Note: In order to avoid repetition, the evaluation of the alignment of NRW's assets to the Do No Significant Harm Criteria (DNSH) to Climate Change Adaptation, Sustainable Use and Protection of Water and Marine Resources, and Protection and Restoration of Biodiversity and Ecosystems is provided in section C. They are applicable across several of the above-listed activities, where marked.

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

*A.1 1.2 Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>23</sup>	ALIGNMENT
<p><b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b></p>		
<p>The North Rhine-Westphalian state government is committed to dealing with the damage to the forest and supports forestry to the best of its ability. With its "Schmallenberg Declaration" and the "Forest Pact for North Rhine-Westphalia" it offered its help and important promotional measures initiated. The "Reforestation Concept for North Rhine-Westphalia" complements this offer to forest owners with technical recommendations for the renewal of their forests. It builds on the "Waldbaukonzept NRW" and offers information in the area of establishing stocks after large-scale damage events. The current data and latest research findings on the effects of climate change are included in the considerations as well.</p> <p>The issuer confirms that all criteria requirements for this activity are complied with. A more detailed elaboration on the respective requirements is provided below:</p> <p>1. Forest management plan</p> <p>Usually there is a forest facility that meets the criteria. If the applicant is a member of a forest management association that receives grants in accordance with the guideline on the granting of grants to promote sustainable forest management in forestry associations, there is a forest facility, as this is a prerequisite for grants here. Criteria relevant information is either recorded in the forest management plan/forest management or are specified in landscape plans, protection area regulations, LNatSchG and EU regulations. Appropriate tests, e.g. environmental impact assessments, FFH impact assessments must be carried out on a case-by-case basis. Projects in scope / activities will not damage any high-carbon stock areas. The measures are carried out on forest areas that have been disturbed by pest infestation, storms or other natural events. The activity itself no longer causes damage but restores the natural habitat.</p> <p>2. Climate benefit analysis</p> <p>The issuer confirms that such analyses are conducted for the forests to be financed under this Framework.</p> <p>3. According to the BWaldG and LForstG, forests are to be preserved. Conversions require the approval of the forest authority. The aim of the activities is to create climate-stable forests to strengthen the climate protection function.</p>		

<sup>23</sup> This column is based on input provided by the issuer.

<p>4. Audit: The issuer confirms that audits/assessments for the fulfillment of the purpose of the grant are carried out in the 2nd and 8th year of operation. After that, there are no more checks. General sustainability criteria are roughly verified every 10 years when the forest facility is created.</p> <p>5. No Group audits / assessments are conducted, please refer to point 4 above.</p>	
<p><b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b></p>	
<p>GENERIC CRITERIA FOR (2) – See C.1</p>	<p>✓</p>
<p><b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b></p>	
<p>GENERIC CRITERIA FOR (3) – See C.2</p>	<p>✓</p>
<p><b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b></p>	
<p>In the application process for subsidies by the State of NRW, a forest management plan / information on the forest area needs to be submitted. While there is no country-wide standard template defined, the state requests relevant information such as the associated sustainable cutting rate and other elements pertinent to avoiding a significant reduction of sustainable supply of primary forest biomass. Moreover, the issuer refers to the German Ordinance on the revision of the biomass-electricity sustainability ordinance and the biofuel sustainability ordinance and on changing the special fee ordinance BMEL - §5 reduction of sustainable supply of primary forest biomass (Verordnung zur Neufassung der Biomassestrom-Nachhaltigkeitsverordnung und der Biokraftstoff-Nachhaltigkeitsverordnung und zu Änderung der besonderen Gebührenverordnung BMEL)</p> <p>All activities to be financed under this Framework are related only to the recovery or restoration of the previous forestry state, such as the reforestation of damaged forest with climate-resilient tree species. As such, the issuer confirms that the relevant expenditures are not likely to result in a significant reduction of the sustainable supply of primary forest biomass.</p>	<p>✓</p>
<p><b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b></p>	
<p>Directive 2009/128/EC, the “Sustainable Use of Pesticides” Directive and Regulation 2019/1009 « Fertilizer Directive » are applicable in Germany.</p> <p>Furthermore, the issuer cites the below-listed pieces of legislation and confirms that all activities financed under this Framework comply with their requirements:</p> <ul style="list-style-type: none"> <li>• Germany Fertilizer Ordinance, which regulates and limits the use of fertilisers</li> <li>• EU Regulation 2019/1021 on persistent organic pollutants (June 2019)</li> <li>• EU Regulation 1907/2006 (Dec 2006) concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH),</li> </ul>	<p>✓</p>

- EU Regulation 1005/2009 (Sept 2009) on substances that deplete the ozone layer
- Federal Soil Protection Act (Bundesbodenschutzgesetz, BBodSchG) - regulatory regime relating to land contaminated by hazardous substances
- Insect Diversity Protection Act (Gesetz zum Schutz der Insektenvielfalt)
- Plant Protection Application Ordinance (Pflanzenschutz-Anwendungsverordnung)

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

The issuer confirms to comply with the requirements as presented in the left column and further refers to the Strategic Environmental Assessment Directive (2001/42/EC) and the Environmental Impact Assessment (EIA) as prescribed in relevant German legislation (Gesetz über die Umweltverträglichkeitsprüfung (UVPG)). Please also see C.3 for further reference.

These determine whether the effects of a project on the environment are identified, described and assessed comprehensively at an early stage and that the results of the environmental assessments carried out as early as possible to allow for the planning approval to be granted.

Moreover, elements such as protected areas and world heritage sites are part of the conducted assessment and also included in the dedicated checklist for the determination of the EIA obligations.

Finally, the issuer cites the following national and state-level legislation that is in place to address appropriate ecosystem conditions and biodiversity-friendly practices:

- Law on Nature Conservation and Landscape Care (Gesetz über Naturschutz und Landschaftspflege) (BNatSchG)
- Convention on Biological Diversity (Übereinkommen über die biologische Vielfalt) (CBD)
- Fauna-Flora-Habitat Directive (Fauna-Flora-Habitat-Richtlinie)
- NRW State Forestry Act
- NRW State Nature Conservation Act

Excerpt: Legal biotope protection under Section 30 of the Federal Nature Conservation Act and Section 42 of the NRW State Nature Conservation Act - primarily affects forests on special sites, e.g. broken, swamp, floodplain and bog forests or open land biotopes closely interlocked with the forest, such as e.g. moors, near-natural bodies of water, springs or heath biotopes.

Species protection also apply to forestry measures, e.g. protection of species, critical periods such as incubation and settling times and strictly protected species etc.



*A.2 4.1. Electricity generation using solar photovoltaic technology*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>24</sup>	ALIGNMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
<p>The issuer confirms that the activity generates electricity using solar PV. The relevant expenditure is linked to the project “Klimaschutztechnik” (“climate change technology”), which includes the promotion of solar PV.</p> <p>As part of the energy supply strategy, the NRW state government has set itself the goal of doubling the installed capacity for wind energy and photovoltaics by 2030 compared to 2018 when expanding renewable energies. The expansion of PV is to take place alongside the dismantling of regulatory obstacles by intensifying financial support and thereby encompassing both roof and open-space PV. Furthermore, this program is intended to grant investment and planning cost subsidies for the PV components that are not covered by the Renewable Energy Sources Act.</p>		✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
GENERIC CRITERIA FOR (2) – See C. 1		✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A		N/A
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>		
<p>The issuer confirms to comply with EU Waste Electrical &amp; Electronic Equipment Directive 2012/19/EU. The WEEE Directive mandates European countries to adopt PV waste management programs in which producers are responsible for the take back and recycling of the panels they sell.</p> <p>Additionally, the issuer notes that in 2013, the German Federal Government adopted the Waste Avoidance Programme. This programme sets qualitative targets. The programme defines various sub-targets, such as reducing the harmful effects of waste, increasing the life-cycle of products and promoting low-waste product design.</p>		✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A		N/A
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>		
GENERIC CRITERIA FOR (6) – See C.3		✓

<sup>24</sup> This column is based on input provided by the issuer.

*A.3 4.10. Storage of electricity*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>25</sup>	ALIGNMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
The issuer confirms that the relevant activity, a support program of pumped hydropower storage, aligns with the criteria presented on the left.		✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
GENERIC CRITERIA FOR (2) – See C.1		✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>		
The issuer confirms that the activity is not connected to a river body <sup>26</sup> . Please refer to section C.2 for a comprehensive assessment of Appendix B.		✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>		
The issuer refers to the EU Waste Framework Directive (2008/98/EC), which stipulates that by 2020 at least 70% by weight of the non-hazardous construction and demolition waste is prepared for reuse, recycling or other material recovery. The Directive is implemented in Germany, through the KrWG Kreislaufwirtschaftsgesetz (Closed Substance Cycle Waste Management Act) In 2020, the recovery rate of C&D waste stood at 93% in Germany <sup>27</sup> .		✓
Additionally, the issuer notes that in 2013, the German Federal Government adopted the Waste Avoidance Programme. This programme sets qualitative targets. The programme defines various sub-targets, such as reducing the harmful effects of waste, increasing the life-cycle of products and promoting low-waste product design.		
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A		N/A
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>		
GENERIC CRITERIA FOR (6) - See C.3		✓

<sup>25</sup> This column is based on input provided by the issuer.

<sup>26</sup> Further information can be found here: [https://www.lanuv.nrw.de/fileadmin/lanuvpubl/3\\_fachberichte/30062\\_fabe\\_62\\_web.pdf](https://www.lanuv.nrw.de/fileadmin/lanuvpubl/3_fachberichte/30062_fabe_62_web.pdf)

<sup>27</sup> [https://ec.europa.eu/eurostat/databrowser/view/cej\\_wm040/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/cej_wm040/default/table?lang=en)



*A.4 6.4. Operation of personal mobility devices, cycle logistics*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>28</sup>	ALIGNMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
<p>The issuer confirms that the relevant project, the promotional program “Energy and heat transition” aligns with the activity descriptions as presented on the left.</p> <p>Specifically, the program provides subsidies to communes and businesses for i. the purchase of cargo bikes and costs to related consulting services, which are directly linked to (i). Further, the program provides subsidies to private individuals for i. the purchase of private wall boxes / chargers and ii. smart charging infrastructure.</p>		✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
See C.1		✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A		N/A
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>		
<p>The issuer confirms to comply with EU Waste Electrical &amp; Electronic Equipment (WEEE Directive 2012/19/EU), which covers relevant electronics components in the mobility devices. There is also the EU Battery Directive (2006/66/EC) which covers responsible disposal and recycling of batteries. Any other waste, eg bicycle components, is covered under the EU Waste Framework Directive (2008/98/EC).</p> <p>Additionally, the issuer notes that in 2013, the German Federal Government adopted the Waste Avoidance Programme. This programme sets qualitative targets. The programme defines various sub-targets, such as reducing the harmful effects of waste, increasing the life-cycle of products and promoting low-waste product design.</p>		✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A		N/A
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A		N/A

<sup>28</sup> This column is based on input provided by the issuer.

*A.5 6.5. Transport by motorbikes, passenger cars and light commercial vehicles*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>29</sup>	ALIGNMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
<p>The issuer considers as eligible expenditure related to the activity the promotional program "Energy and heat transition".</p> <p>The program provides subsidies to communes and businesses for i. the purchase electric vehicles, ii. construction of charging infrastructure and iii. costs to related consulting services. Moreover, the program provides subsidies to private individuals for i. the purchase of private wall boxes / chargers and ii. smart charging infrastructure.</p> <p>The issuer confirms only zero emissions vehicles would be eligible for financing under this Framework.</p>		✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
See C.1		✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A		N/A
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>		
<p>The issuer refers to the German End-of-life Vehicle Act (AltfahrzeugG) of 21 June 2002 (Federal Law Gazette I, p. 2199), which for the most part entered into force on 1 July 2002, and transposes Directive 2000/53/EC on end-of-life vehicles (ELV Directive) into German law, which mandates these thresholds and measures.</p> <p>The issuer confirms that any vehicles and related expenditures financed by the Framework will be compliant with the EU End of Life Vehicles Directive</p>		✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>		
<p>The emissions requirements as presented in the left column are not applicable as the relevant expenditure and underlying program only allows for electric vehicles.</p> <p>Regarding tyres, the issuer explains that the program will finance only new electric vehicles, which due to their physical nature and emphasis on environmental characteristics, will most likely select the tyres which are best performing in both external rolling noise and rolling resistance. Further, the use of tyres in the lower classes (below A or B) is becoming less common in the market.</p>		✓

<sup>29</sup> This column is based on input provided by the issuer.

Regarding Regulation (EU) No 540/2014 on the sound level of motor vehicles, this came into effect in 2016 and as this program will only finance new vehicles, they will be compliant with this Regulation.

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

N/A

N/A

*A.6 6.13 Infrastructure for personal mobility, cycle logistics*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>30</sup>	ALIGNMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
<p>The relevant eligible expenditures relate to investments into infrastructure for cyclists and pedestrians.</p> <p>NRW provides financial support for projects which improve conditions for cyclists and pedestrians, particularly on short-haul routes. The stated aim is to increase the use of non-motorized transportation especially for short distances. Major projects relate to the construction of a bicycle road infrastructure and bicycle parking facilities as well as construction of bicycle paths on abandoned railway lines.</p>		✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
GENERIC CRITERIA FOR (2) - See C.1		✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>		
GENERIC CRITERIA FOR (3) - See C.2.		✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>		
<p>The issuer refers to the EU Waste Framework Directive (2008/98/EC of 19 November 2008), which stipulates that by 2020 at least 70% by weight of the non-hazardous construction and demolition waste is prepared for reuse, recycling or other material recovery. The Directive is implemented in Germany, through the KrWG Kreislaufwirtschaftsgesetz (Closed Substance Cycle Waste Management Act). In 2020, the recovery rate of C&amp;D waste stood at 93% in Germany<sup>31</sup>.</p> <p>Additionally, the issuer notes that in 2013, the German Federal Government adopted the Waste Avoidance Programme. This programme sets qualitative targets. The programme defines various sub-targets, such as reducing the harmful effects of waste, increasing the life-cycle of products and promoting low-waste product design.</p>		✓

<sup>30</sup> This column is based on input provided by the issuer.

<sup>31</sup> [https://ec.europa.eu/eurostat/databrowser/view/cej\\_wm040/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/cej_wm040/default/table?lang=en)

<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>		
With respect to adequate measures, the issuer cites the Environmental Impact Assessment (EIA) Act (Gesetz über die Umweltverträglichkeitsprüfung (UVPG)), whose purpose is to ensure that the effects of a project on the environment are on the environment are identified, described and assessed comprehensively at an early stage and that the results of the environmental assessments carried out are taken into account as early as possible in all official decisions on the decisions on the permissibility of projects as early as possible.		✓
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>		
GENERIC CRITERIA FOR (6)	See C.3	✓

*A.7 7.2. Renovation of existing buildings*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>32</sup>	ALIGNMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
<p>Relevant projects include refurbishments/modernization efforts for large university hospitals, which the state government aims to modernize in order to provide state-of-the-art possibilities for medical treatment and research. The funds target measures to save energy and reduce emissions of existing buildings. Projects also include asbestos, CFC and PCB disposal. The use of proceeds include grants and investments for reconstruction and major extensions of existing buildings .</p> <p>The issuer confirms that all relevant projects comply with the applicable requirements for major renovations.</p>		✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
<p>GENERIC CRITERIA FOR (2) - See C.1.</p> <p>In addition, with respect to this particular category, the issuer notes that NRW also takes guidance from the National Adaptation Plan developed by Germany / the German Strategy for Adaptation to Climate Change from 2008 which specifies that the Federal Building Code and building regulations take into account necessary climate adaptation provisions.</p>		✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>		
<p>Regarding public procurement, the European Commission has published<sup>33</sup> an interpretative communication on the possibilities for taking environmental considerations into account. This is supplemented by a legal opinion of the Germany</p>		○

<sup>32</sup> This column is based on input provided by the issuer.

<sup>33</sup> [https://ec.europa.eu/environment/gpp/commission\\_guidance\\_en.htm](https://ec.europa.eu/environment/gpp/commission_guidance_en.htm)

Federal Environment Agency on the consideration of environmental aspects in public procurement. Furthermore, the state of NRW has established transparent sustainable procurement policies for publicly financed projects, which apply to the expenditures financed under this Framework. These policies include recommendations that products with the “Blauer Engel” eco-label, which is known as a label for environmentally friendly products, and is similar to the EU Ecolabel, are used in publicly financed projects. The Blauer Engel label for the relevant water products uses the same thresholds<sup>34,35</sup> as the EU Ecolabel<sup>36</sup>, from which the criteria requirements derive. The issuer has also confirmed<sup>37</sup> that these policies apply to the university hospitals that are part of this category. Therefore, as the state of NRW is encouraging the highest levels of sustainability standards in its procurement, the issuer explains that university hospitals financed under the Framework are likely to use water appliances which have those water flow characteristics. However, as the state of NRW has not set the use of the “Blauer Engel” as a legal requirement, it is not possible to assess conclusively that the buildings use the water appliances as stipulated by the Taxonomy criteria thresholds.

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

The issuer refers to the EU Waste Framework Directive (2008/98/EC of 19 November 2008), which stipulates that by 2020 at least 70% by weight of the non-hazardous construction and demolition waste is prepared for reuse, recycling or other material recovery. The Directive is implemented in Germany, through the KrWG Kreislaufwirtschaftsgesetz (Closed Substance Cycle Waste Management Act). In 2020, the recovery rate of C&D waste stood at 93% in Germany<sup>38</sup>.



Additionally, the issuer notes that in 2013, the German Federal Government adopted the Waste Avoidance Programme. This programme sets qualitative targets. The programme defines various sub-targets, such as reducing the harmful effects of waste, increasing the life-cycle of products and promoting low-waste product design.

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

According to the issuer, any buildings eligible to be financed under this Framework have to meet standard legislative requirements at European and national levels. With respect to Appendix C of the Technical Annex, this includes:

- EU Regulation 2019/1021 on persistent organic pollutants (June 2019)
- EU Regulation 2017/852 on mercury, and repealing Regulation (EC) No 1102/2008



<sup>34</sup> <https://produktinfo.blauer-engel.de/uploads/criteriafile/de/DE-UZ%20180-201302-de%20Kriterien-V2.pdf>

<sup>35</sup> <https://produktinfo.blauer-engel.de/uploads/criteriafile/de/DE-UZ%20157-202201-de-Kriterien-V1.pdf>

<sup>36</sup> <https://ec.europa.eu/environment/ecolabel/documents/Sanitary%20Tapware%20Factsheet.pdf>

<sup>37</sup> [https://recht.nrw.de/lmi/owa/br\\_vbl\\_detail\\_text?anw\\_nr=7&vd\\_id=19912&ver=8&val=19912&sg=0&menu=0&vd\\_back=N](https://recht.nrw.de/lmi/owa/br_vbl_detail_text?anw_nr=7&vd_id=19912&ver=8&val=19912&sg=0&menu=0&vd_back=N)

<sup>38</sup> [https://ec.europa.eu/eurostat/databrowser/view/cej\\_wm040/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/cej_wm040/default/table?lang=en)


- EU Regulation 1005/2009 (Sept 2009) on substances that deplete the ozone layer
  - EU Directive 2017/2102 (Nov 2017) amending Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment
  - EU Regulation 1907/2006 (Dec 2006) concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH),
- With respect of the additional requirements, the issuer also makes reference to the following legislation that the state confirms to apply to:
- Ordinance on Hazardous Substances (Gefahrstoffverordnung, GefStoffV)
  - Occupational exposure limit values (Arbeitsplatzgrenzwerte – AGW)
- Regulation 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC
- CEN/TS 16516:2013 Construction products - Assessment of release of dangerous substances - Determination of emissions into indoor air
  - Federal Soil Protection Act (Bundesbodenschutzgesetz, BBodSchG) - regulatory regime relating to land contaminated by hazardous substances

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

N/A

N/A

*A.8 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>39</sup>	ALIGNMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
<p>NRW confirms that projects align with the criteria requirements. The relevant project description is as follows:</p> <p>Promotional program “Energy and heat transition”.</p> <p>The program provides among other things subsidies to communes and businesses for i. construction of charging infrastructure and ii. costs to related consulting services. Additionally, the program provides subsidies to private individuals for i. the purchase of private wall boxes / chargers and ii. smart charging infrastructure.</p>		

<sup>39</sup> This column is based on input provided by the issuer.

2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
GENERIC CRITERIA FOR (2) - See C.1	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A	N/A
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A	N/A
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A	N/A
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A	N/A

*A.9 7.6 Installation, maintenance and repair of renewable energy technologies*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>40</sup>	ALIGNMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>NRW confirms that projects align with the criteria requirements. The relevant projects financed by the eligible expenditure is “Klimaschutztechnik” (climate science technology), which promotes organizations and individuals to install the technologies listed in the left column.</p> <p>As part of NRW’s energy supply strategy, the state government has set itself the goal of doubling the installed capacity for wind energy and photovoltaics by 2030 compared to 2018 when expanding renewable energies.</p> <p>The issuer states that the purpose of this programme area is to introduce and disseminate applicable technologies for the use of renewable energies and for the economical and efficient use of energy in order to make a significant contribution to the climate protection goals of the state.</p>		✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA		
<p>GENERIC CRITERIA FOR (2) - See C.1.</p> <p>In addition, with respect to this particular category, the issuer notes that NRW also takes guidance from the National Adaptation Plan developed by Germany / the German Strategy for Adaptation to Climate Change from 2008 which specifies that the</p>		✓

<sup>40</sup> This column is based on input provided by the issuer.



Federal Building Code and building regulations take into account necessary climate adaptation provisions.		
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A

*A.10 7.7 Acquisition and ownership of buildings*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>41</sup>	ALIGNMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
<p>The issuer states that relevant buildings, which are extensions and new buildings for large university hospitals, are within the top 15% of operational PED of the Germany building stock at time of application for construction. This is on the basis that the buildings began development between October 2009 and December 2020, so they are compliant with the EnEV 2009<sup>42</sup> (energy savings regulation), which is commonly accepted as the top 15% in the Germany market. The issuer confirms the regulation is applicable to university hospitals. As the construction of these types of buildings require many years, the requirements are considered to be met. The issuer confirms that relevant buildings are efficiently operated through energy performance monitoring and assessment.</p>		✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
<p>GENERIC CRITERIA FOR (2) - See C.1.</p> <p>In addition, with respect to this particular category, the issuer notes that NRW also takes guidance from the National Adaptation Plan developed by Germany / the German Strategy for Adaptation to Climate Change from 2008 which specifies that the Federal Building Code and building regulations take into account necessary climate adaptation provisions.</p>		✓


<sup>41</sup> This column is based on input provided by the issuer.

<sup>42</sup> [https://enev-online.de/enev/enev\\_2009.htm](https://enev-online.de/enev/enev_2009.htm) [EnEV 2009 - Energieeinsparverordnung \(EnEV 2009\) - Volltext, Html-Format, verlinkt, \(enev-online.org\)](#)



<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A	N/A
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A	N/A
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A	N/A
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A	N/A

*A.11 9.1. Close to market research, development and innovation*

<b>EU TAXONOMY REQUIREMENT</b>	<b>GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES<sup>43</sup></b>	<b>ALIGNMENT</b>
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
	<p>NRW confirms that eligible projects align with the relevant requirements, as the funding allocation and grant processes for the underlying programs prioritize programs which are close to market. In particular, the issuer intends to include expenditures towards the three programs “innovation for the climate-neutral energy and economic system of the future”, “enhancement of resource efficiency” and “Climate protection technologies and low-emission mobility” which are financed by the State of NRW’s Ministry for Economic Affairs, Innovation, Digitalization and Energy and “Ressourceneffizientes Wirtschaften” (Resource-efficient management), which is financed by the State of NRW’s Ministry for Environment. All three of the programs have processes in place to direct funding towards applied research and efforts which will lead to close to market products and innovations.</p> <p><u>Innovation for the climate-neutral energy and economic system of the future<sup>44</sup></u> The program places a focus on strengthening energy research in North Rhine-Westphalia. The goal is to use energy research to develop North Rhine-Westphalia into a modern and climate-friendly business location that promotes climate protection and prosperity in equal measure. Grants are awarded to private enterprises and other institutions outside the state administration for the implementation of new product, service and process ideas, the innovative renewal of existing products and processes, and for knowledge transfer. The labs included under this project aim at the demonstration of close-to-market, systemic innovation approaches in a real-world environment. Generally, real laboratories start at a technology readiness level (TRL) of 6-7 and reach TRL 8-9 by the end of the project. They are intended to contribute to the acceleration of the energy transition on the path to climate neutrality of the German energy system.</p> <p><u>Resource-efficient management</u></p> <p>NRW supports projects in the field of material and energy efficiency in companies. The</p>	

<sup>43</sup> This column is based on input provided by the issuer.

<sup>44</sup> [Energieforschungsoffensive.NRW - Energieforschung.NRW](#)

purpose of the funding is to support economic and ecological structural change, to sustainably improve the quality of life and the environment in NRW and to develop NRW as a location for environmentally and resource-efficient production technology. Exemplary areas include:

- Resource and energy efficiency improvement
- Balancing tool (eco-cockpit) is used to assess the resource and GHG savings effect of the new products or processes.
- Investments in circular & resource efficient production applied in the outcome are innovative but mature and comply with TRL 8 and higher. GHG emissions are recorded with a tool (eco-cockpit) and verified by an independent third party.

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

GENERIC CRITERIA FOR (2) – See C.1

As projects materialize, they are subject to Land NRW’s Climate Adaptation Act<sup>45</sup> (see section C.1 for more detail), which obliges all public authorities to account for climate change impacts for all expenditures through the development and implementation of adaptation measures that are specific to each field of action and tailored to the respective region. The law also stipulates that scientifically sound climate impact and adaptation monitoring will be carried out throughout the state. Given the requirements of the law, it is likely that practitioners will rely on best market practices when conducting such assessment, so that compliance with the DNSH criteria is likely.



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

Directive 2000/60/EC, the Water Framework Directive, has been transposed into German law. Moreover, Germany has transposed the EU Directive on Environmental Impact Assessment 2011/92/EU into national regulation, which also covers potential impacts on bodies of water.

If and when the R&D expenditures result in real projects and technologies, they will be subject to the above EU Directives, as well as other regulations around impacts on water bodies.



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

If and when the R&D expenditures result in real projects and technologies, they will be subject to Waste Framework Directive as well as other EU and German regulations related to improved product designs and circular economy.



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

If and when the R&D expenditures result in real projects and technologies, they will be subject to the Water Framework Directive, the Air Quality Directive, the EIA Directive and other EU or Germany regulations regarding pollution.



<sup>45</sup> Land NRW’s climate adaptation act, [URL](#).

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

If and when the R&D expenditures result in real projects and technologies, they will be subject to the relevant EIA and SEA legislation, and other EU or Germany regulations relating to their environmental impact.



**B.1 5.1. Construction, extension and operation of water collection, treatment and supply systems**

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>46</sup>	ALIGNMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE ADAPTATION – TECHNICAL SCREENING CRITERIA</b>		
<p>North Rhine-Westphalia has established a sophisticated flood protection program, which is particularly essential in the face of increasing climate change induced flooding. The program is interlinked with the water collection, treatment and supply systems in the region and includes:</p> <ul style="list-style-type: none"> <li>- current flood reports to the population,</li> <li>- the implementation of the EC Flood Risk Management Directive with the creation of flood risk maps and flood risk management plans as well as</li> <li>- identifying and designating flood plains.</li> </ul> <p>In addition, the heavy rain indicator map of the Federal Agency for Cartography and Geodesy for NRW is available in the specialist information system for climate adaptation of the LANUV (<a href="http://www.klimaAdaptation-karte.nrw.de/">http://www.klimaAdaptation-karte.nrw.de/</a>). Under the subject of flooding, detailed area information on the expected water depths and flow velocities in the event of rare and extremely heavy rain is presented down to the level of the individual street.</p> <p>Further, the issuer cites the following measures:</p> <ul style="list-style-type: none"> <li>- technical flood protection (e.g. dyke construction)</li> <li>- informing the population about precautionary measures, including</li> <li>- Precautionary building and construction methods:</li> <li>- Behavioral precautions: Concrete action in the event of a flood</li> <li>- Risk prevention: protection, insurance protection</li> </ul> <p>The flood protection program will also be developed and updated in conjunction with the other climate change adaptation work that the State of NRW is doing. For example, the State of NRW has recently passed the Climate Adaptation Act<sup>47</sup>, the first of its kind in Germany, which obliges all public authorities to account for climate change impacts for all expenditures through the development and implementation of adaptation measures that are specific to each field of action and tailored to the respective region. The law also stipulates that scientifically sound climate impact and adaptation monitoring will be carried out throughout the state. Whilst the law does not yet specify</p>		

<sup>46</sup> This column is based on input provided by the issuer.

<sup>47</sup> [https://recht.nrw.de/lmi/owa/br\\_vbl\\_detail\\_text?anw\\_nr=6&vd\\_id=19634&ver=8&val=19634&sg=0&menu=0&vd\\_back=N](https://recht.nrw.de/lmi/owa/br_vbl_detail_text?anw_nr=6&vd_id=19634&ver=8&val=19634&sg=0&menu=0&vd_back=N)

<p>how exactly the assessment will be conducted, the issuer confirms that the assessments will also draw on the national Climate impact and risk analysis for Germany 2021<sup>48</sup>, which provides detailed information on climate risk and vulnerability across Germany and is used as a source of information on sub-sovereign / state level. This analysis addresses a total of 102 climate impacts and examines and evaluates across 13 fields of action. Given the requirements of the law, it is likely that practitioners will rely on best market practices when conducting such assessment, which could significantly overlap with the details listed in the EUT requirements.</p> <p>NRW also takes guidance from the National Adaptation Plans developed by Germany which will take into account necessary climate adaptation provisions. (<a href="https://climate-adapt.eea.europa.eu/countries-regions/countries/germany">https://climate-adapt.eea.europa.eu/countries-regions/countries/germany</a>).</p>	
<b>2. CLIMATE CHANGE MITIGATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A	N/A
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
GENERIC CRITERIA FOR (3) - See C.2	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A	N/A
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A	N/A
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
GENERIC CRITERIA FOR (6) - See C.3	✓

*C.1 Generic Criteria for DNSH to Climate Change Adaptation for all relevant eligible expenditures*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>49</sup>	ALIGNMENT
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
<p>The State of NRW has recently passed the Climate Adaptation Act<sup>50</sup>, the first of its kind in Germany, which obliges all public authorities to account for climate change impacts for all expenditures through the development and implementation of adaptation measures that are specific to each field of action and tailored to the respective region. The law also stipulates that scientifically sound climate impact and adaptation monitoring will be carried out throughout the state. Whilst the law does not yet specify how exactly the assessment will be conducted, the issuer confirms that the</p>		✓

<sup>48</sup> [Climate Impact and Risk Assessment 2021 for Germany - Summary \(umweltbundesamt.de\)](https://www.umweltbundesamt.de/en/themes/key-themes/air/quality/assessment)

<sup>49</sup> This column is based on input provided by the issuer.

<sup>50</sup> [https://recht.nrw.de/lmi/owa/br\\_vbl\\_detail\\_text?anw\\_nr=6&vd\\_id=19634&ver=8&val=19634&sg=0&menu=0&vd\\_back=N](https://recht.nrw.de/lmi/owa/br_vbl_detail_text?anw_nr=6&vd_id=19634&ver=8&val=19634&sg=0&menu=0&vd_back=N)


assessments will also draw on the national Climate impact and risk analysis for Germany 2021<sup>51</sup>, which provides detailed information on climate risk and vulnerability across Germany and is used as a source of information on sub-sovereign / state level. This analysis addresses a total of 102 climate impacts and examines and evaluates across 13 fields of action. Given the requirements of the law, it is likely that practitioners will rely on best market practices when conducting such assessment, which could significantly overlap with the details listed in the EUT requirements.

NRW also takes guidance from the National Adaptation Plans developed by Germany which will take into account necessary climate adaptation provisions. (<https://climate-adapt.eea.europa.eu/countries-regions/countries/germany>).

Finally, the issuer refers to German national laws and standards which includes elements related to climate change adaptation in project planning. These include:

- the Regional Planning Act (ROG Section 1 under §2 (2) 6);
- the Building Code (BauGB, Chapter 2, Part 1, Section 1 under §136 (2) 1);
- the Environmental Impact Assessment Act (UVPG, Annex 4, (4) c hh); and
- the Water Resources Act (WHG, Chapter 2, Section 1, §6 (1) 6).

*C.2 Generic Criteria for DNSH to Sustainable use and protection of water and marine resources for all relevant eligible expenditures*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>52</sup>	ALIGNMENT
<b>3. SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>		
<p>Directive 2000/60/EC, the Water Framework Directive, has been transposed into German law. Moreover, Germany has transposed the EU Directive on Environmental Impact Assessment 2011/92/EU into national regulation.</p> <p>According to the issuer, the purpose of the Environmental Impact Assessment (EIA) is to ensure that the effects of a project on the environment are identified, described and assessed comprehensively at an early stage and that the results of the environmental assessments carried out are taken into account as early as possible in all official decisions on the decisions on the permissibility of projects as early as possible.</p> <p>According to § 2 UVPG, this assessment comprises of various objects of protection, including impacts on water.</p> <p>Therefore all projects and expenditures financed under this Framework will be subject to relevant provisions under the Water Framework Directive and EIA Directive.</p>		

<sup>51</sup> [Climate Impact and Risk Assessment 2021 for Germany - Summary \(umweltbundesamt.de\)](https://www.umweltbundesamt.de/en/themes/key-themes/air/long-term-prospects/assessments)

<sup>52</sup> This column is based on input provided by the issuer.


*C.3 Generic Criteria for DNSH to Protection and restoration of biodiversity and ecosystems for all relevant eligible expenditures*

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>53</sup>	ALIGNMENT
<b>6. PROTECTION AND RESTORATION OF BIODIVERSITY AND ECOSYSTEMS– DO NO SIGNIFICANT HARM CRITERIA</b>		
<p>Germany has transposed the EU Directive on Environmental Impact Assessment 2011/92/EU into national regulation.</p> <p>The issuer cites the purpose of the German Environmental Impact Assessment (EIA) Act (Gesetz über die Umweltverträglichkeitsprüfung (UVPG)), which is to ensure that the effects of a project on the environment are identified, described and assessed comprehensively at an early stage and that the results of the environmental assessments carried out are taken into account as early as possible in all official decisions on the decisions on the permissibility of projects as early as possible.</p> <p>Elements such as protected areas and world heritage sites are part of the assessment and also included in the dedicated checklist for the determination of the EIA obligation. Further, the issuer references the following German legislative laws and convention, which are applicable to all projects and expenditures financed under this Framework:</p> <ul style="list-style-type: none"> <li>• Law on Nature Conservation and Landscape Care (Gesetz über Naturschutz und Landschaftspflege) (BNatSchG)</li> <li>• Convention on Biological Diversity (Übereinkommen über die biologische Vielfalt) (CBD)</li> </ul> <p>Most projects are stated to be implemented via the development plan process at the municipal level. According to the issuer, this ensures a detailed environmental report and the participation of the public interest organizations (TÖB). The latter is important in order to create sufficient acceptance.</p> <p>However, cross-municipal spatial planning would be important here so that cumulative effects are taken into account. The areas of the European Natura 2000 network, consisting of the EU bird sanctuaries and FFH areas (Fauna-Flora-Habitat), should basically, wetlands of international importance (Ramsar areas), nature reserves, national parks, core and buffer zones of biosphere reserves be excluded from the expansion of PV-FFA. Exceptions can be made in nature parks and in individual cases in landscape protection areas and BSR development zones, as long as they do not conflict with the protection objective.</p> <p>FFH areas mostly form part of a Natura 2000 network and are often quite small</p>		

<sup>53</sup> This column is based on input provided by the issuer.

### Minimum Safeguards

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation<sup>54</sup> have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>55</sup>	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>Germany has ratified a number of core United Nations Conventions on Human Rights, including: the Covenant on Civil and Political Rights, the Covenant on Economic, Social and Cultural Rights, the International Convention on the Elimination of All Forms of Racial Discrimination, the Convention on the Elimination of All Forms of Discrimination against Women, the Convention Against Torture, the Convention on the Rights of the Child, the Convention on the Rights of Persons with Disabilities, and the Convention for the Protection of All Persons from Enforced Disappearance.<sup>56</sup></p> <p>Germany has been subject to three Universal Periodic Reviews (URP) by the United Nations Human Rights Office of the High Commissioner (OHCHR). In the latest review provided in May 2018, it received 259 recommendations and it supported 209 recommendations<sup>57</sup>. Supported recommendations related to legal and general framework of implementation, universal and cross-cutting issues, civil and political rights, economic, social, and cultural rights, women's rights, and rights of other vulnerable groups and persons. The High Commissioner commended Germany for its reception of a high number of asylum-seekers and refugees and for its efforts to promote diversity and integration and note the challenges faced in this regard. The High Commissioner also encouraged Germany to establish a national mechanism for reporting and follow-up to outcomes from all human rights mechanisms in line with practice guide published by the OHCHR.</p> <p>Germany is rated:</p> <ul style="list-style-type: none"> <li>- With a score of 94/100 by <a href="#">Freedom House</a>, indicating that the country is “free”;</li> <li>- 16<sup>th</sup> in the <a href="#">World Press Freedom Index</a>;</li> <li>- 9<sup>th</sup> in the <a href="#">Corruption Perceptions Index</a>;</li> <li>- With a score of 0.8 (out of 10, where 0 is high and 10 is low) by the <a href="#">Human Rights and Rule of Law Index provided by the Fund for Peace</a>.</li> </ul>	

<sup>54</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

<sup>55</sup> This column is based on input provided by the issuer.

<sup>56</sup> OHCHR, Ratification status of all treaties, [https://tbinternet.ohchr.org/\\_layouts/15/TreatyBodyExternal/Treaty.aspx?CountryID=66&Lang=EN](https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/Treaty.aspx?CountryID=66&Lang=EN)

<sup>57</sup> OHCHR, May 2018, URP [https://www.ohchr.org/sites/default/files/lib-docs/HRBodies/UPR/Documents/Session30/DE/GERMANY\\_Infographic\\_30th.pdf](https://www.ohchr.org/sites/default/files/lib-docs/HRBodies/UPR/Documents/Session30/DE/GERMANY_Infographic_30th.pdf)



## PART IV: ALIGNMENT OF THE PROJECT CATEGORY “NATURE CONSERVATION AND LANDSCAPE MANAGEMENT, COOPERATION PROJECTS” WITH THE TECHNICAL SCREENING CRITERIA FROM THE PLATFORM ON SUSTAINABLE FINANCE TECHNICAL WORKING GROUP AS OF MARCH 2022

NRW’s project characteristics, due diligence processes and policies for the nominated Use of Proceeds project category have been assessed against the Technical Screening Criteria for a Substantial Contribution to protection and restoration of biodiversity and ecosystems and the Do Not Significant Harm (DNSH) Technical Screening Criteria. Where NRW’s project characteristics, due diligence processes and policies meet the Technical Screening Criteria from the Platform on Sustainable Finance Technical Working Group as of March 2022<sup>58</sup>, a tick is shown in the table below.

NRW’s project selection criteria overlap with the following economic activity in the European Commission’s initiative on “Sustainable Investment – EU Environmental Taxonomy”:

### 8.1 Conservation, including restoration, of habitats, ecosystems and species


The project financed under the Sustainability Bond Framework is located in Land NRW.

Furthermore, this analysis only displays how the European Commission’s initiative on “Sustainable Investment – EU Environmental Taxonomy” are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

<sup>58</sup> Platform on sustainable finance; Technical working group – Part B Annex: Technical Screening Criteria, March 2022, [https://finance.ec.europa.eu/system/files/2022-03/220330-sustainable-finance-platform-finance-report-remaining-environmental-objectives-taxonomy-annex\\_en.pdf](https://finance.ec.europa.eu/system/files/2022-03/220330-sustainable-finance-platform-finance-report-remaining-environmental-objectives-taxonomy-annex_en.pdf)



*a) 8.1 - Conservation, including restoration, of habitats, ecosystems and species*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>59</sup>	ASSESSMENT AGAINST THE TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO PROTECTION AND RESTORATION OF BIODIVERSITY AND ECOSYSTEMS</b>	
<p>Since 2015, North Rhine-Westphalia has its own state-wide strategy for nature and species protection<sup>60</sup>. The strategy contributes to a national strategy implemented in 2007<sup>61</sup>. The NRW Biodiversity Strategy defines objectives and measures for land, forest, and water management. It also features biodiversity monitoring and assessment of nature awareness in the populations.</p> <p>a) Description of the activity</p> <p>The economic activity does not include ex-situ conservation of components of biological diversity, including in botanical gardens, zoos, aquaria or seed banks.</p> <p>The activity contributes to maintaining good condition of ecosystems, species, habitats and habitats of species. The NRW Biodiversity strategy contributes to the National Strategy on Biological Diversity and to the European and International biodiversity goals including the Convention on Biological Diversity.</p> <p>b) Conservation management plan</p> <p>The construction of the protected areas system in NRW relies on European and national laws related to the nature conservation and the protection biological diversity such as the Birds Directive of 1979, the Fauna and Flora Habitats Directive introduced in 1992 at the European level, and the Federal Nature Conservation Act at national level.</p> <p>The activities take place in areas that are covered by a management plan<sup>62</sup> that is regularly updated at least every five years after gathering information through the Permanent Representative survey of Biodiversity and based on continuous collection of data on biodiversity, and with the following elements:</p> <ul style="list-style-type: none"> <li>a) The NRW Ministry of the Environment has developed the NRW Biodiversity Strategy on the basis of the federal government's "National Strategy on Biological Diversity (NBS). A total of around 150 goals and measures are described in the NRW Biodiversity Strategy for the next 10 to 15 years;</li> <li>b) The duration of the plan and a clear description of the conservation objectives for each targeted habitat and species and of the corresponding conservation measures that address identified pressures and threats,</li> </ul>	

<sup>59</sup> This column is based on input provided by the issuer.

<sup>60</sup> [https://www.umwelt.nrw.de/fileadmin/redaktion/Broschueren/biodiversitaetsstrategie\\_nrw\\_broschuere.pdf](https://www.umwelt.nrw.de/fileadmin/redaktion/Broschueren/biodiversitaetsstrategie_nrw_broschuere.pdf)

<sup>61</sup> <https://faolex.fao.org/docs/pdf/ger190467.pdf>

<sup>62</sup> Ministry of Climate Protection, Environment, Agriculture, Nature and Consumer protection of NRW, January 08 2015, Biodiversity Strategy NRW, [https://www.umwelt.nrw.de/fileadmin/redaktion/Broschueren/biodiversitaetsstrategie\\_nrw\\_broschuere.pdf](https://www.umwelt.nrw.de/fileadmin/redaktion/Broschueren/biodiversitaetsstrategie_nrw_broschuere.pdf)

- including the expected deadline for the achievement of the conservation objectives (in the next 10 to 15 years);
- c) NRW is monitoring its biological diversity since 1997 as baseline year. The Washington Convention of the Protection of Species (WA) is valid in Germany since 1976, also referencing to IUCN Red List of Threatened Species in the State's Biodiversity Strategy;
  - d) In NRW, 380'000 hectares felt in 2015 under different protection status : (i) 518 Fauna Flora Habitat areas with a total of 185'000 hectares, (ii) 28 bird sanctuaries covering a total of 165'000 hectares, (iii) 546 NATURA 2000 areas with 287'000 hectares, (iv) more than 3'000 nature reserve accounting for 260'000 hectares, (v) around 32'000 biotopes protected by national law and (vi) Eifel National Park representing 10'800 hectares.
  - e) Identification of the threats and pressures that could hinder the achievement of the conservation objectives (mainly fishing, forestry and agriculture);
  - f) Consideration of societal issues, including consultation of stakeholders through extensive reporting and media work; It is worth noting that members of the public can keep up-to-date with the latest ministry news through the ministry's websites or publication
  - g) A description of enhanced ecosystem services, (e.g., flood protection);
  - h) A monitoring scheme with specific and relevant indicators, allowing to measure progress towards achieving the conservation objectives and an identification of corrective measures as necessary including a review of the conservation plan every 5 years or less based on an adaptive approach allowing for the identification of corrective actions necessary to achieve planned results
  - i) alignment with the wider policy objectives set out in the EU environmental acquis and/or any other relevant national law or targets established under the CBD.

NRW Biodiversity Strategy divides the goals and measures into either permanently adhered goals and measures without target year with continuous review or short/medium/long term targets and measures to be achieved with monitoring based on the appropriate timescale for the goal. Therefore, the conservation management plan covers the period necessary to achieve the specific conservation goals and targets set.

Furthermore, all DNSH criteria relevant to environmental objectives other than 'Protection and restoration of biodiversity and ecosystems' are addressed in the conservation management plan or equivalent instrument.

#### c) Governance

All the elements necessary for the implementation of the Conservation Management Plan are done by institutions including the landscape authorities, the State Office of Nature, the Environment and consumer protection department, the advisory boards at the lower landscape authorities, the landscape guard, the biological stations, the recognized nature conservation associations, as well as scientific associations.

- The supreme landscape authority is the ministry responsible for nature conservation Climate protection, environment, agriculture, nature and consumer protection of the NRW (MKULNV).
- Lower regional authorities (ULB) are responsible for the protected areas, landscape planning and the implementation of the responsibilities for nature conservation on site.
- The State Agency of Nature, Environment and Consumer Protection of NRW (LANUV) is the specialist authority for nature conservation within NRW and reports directly to the MKULNV. Amongst other tasks, LANUV (i) gather scientific basis for landscape planning and to develop specific species protection programs, (ii) record areas worthy of nature conservation and supervise these areas scientifically, (iii) determine the state of the ecosystem and its changes and assess it and (iv) advises other authorities on technical issues.

The initial description of the conservation area and the management plan or equivalent instrument are verified by an independent third-party certifier at the start of the conservation activity. The Conservation Management plan is then reviewed by national competent authorities at least every 5 years after the Permanent Representative Survey of Biodiversity, that should occur once every legislative period. However, NRW did not specify if the reviewed Conservation Management plan is verified every 5 years by an independent third-party.

#### d) Business Plan

The current and future resourcing and funding needs required for the implementation of the area-based conservation management plan is documented in a dedicated Business Plan or an equivalent instrument (or in the conservation management plan itself), as defined by the Conservation Finance Alliance (CFA). The Conservation Management plan is funded via state funds like the Nature Conservation Funding Guidelines' in NRW, European funds such as the European Agricultural Fund for the Development of Rural Areas (EAFRD) as well as federal government funds such as the Biodiversity federal program or the 'Reconnection' federal program. The nature conservation budget in North Rhine-Westphalia amounts to around 33,2 million euros in 2023.

#### e) Guarantee of permanence

The area on which the activity takes place is protected from conversion to other land use and deterioration by one of the following measures:

- i. the area is classified as a protected area under any of the IUCN Categories by national law and/or under an international convention to which the country is signatory:
  - 518 FFH areas with a total of 185,000 hectares (5.4% of the state area)
  - 28 bird sanctuaries covering a total of +165,000 hectares (4.8% of the country's area).

- The 546 NATURA 2000 areas (FFH and bird protection areas) have one Area of 287,000 ha (8.4% of the state's area).
  - More than 3,000 nature reserves with a total of 260,000 hectares (7.6% of land area)
  - Around 32,000 biotopes protected by law according to § 30 BNatSchG or LG NW with a total of 39,000 ha
- ii. The area is destined to preservation in its natural state in a statutory land, freshwater or maritime use plan approved by the competent authorities:
- Eifel National Park (10,800 ha).

f)

The owner of the area is NRW State which acts as public authority. The area represents 380'000 hectares or 11.2% of the state area.5. Additional minimum requirements

The area is the subject to a public arrangement that can ensure that the conservation objectives can be achieved and maintained.

The Biodiversity Strategy of NRW is not implemented with the purpose of offsetting the impact of another activity. For all activities taking place in the conservation area and in biodiversity-sensitive areas, an Environmental Impact Assessment (EIA) in line with the EU Directive 2011/92/EU has been completed since the Environmental Impact Assessment Act (Gesetz über die Umweltverträglichkeitsprüfung (UVPG)) transposes the European Directive on the assessment of the effects of certain public and private projects on the environment into German law. The introduction of invasive alien species is prevented or their spread is managed in accordance with Regulation (EU) No 1143/2014.

*b) Criteria for DNSH to Climate Change Mitigation*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>63</sup>	ALIGNMENT WITH THE EU TAXONOMY
<b>1. CLIMATE CHANGE MITIGATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
The state of NRW confirms that the activity does not involve the degradation of land with high carbon stock. (Land with high-carbon stock meaning wetlands, including peatland, and continuously forested areas within the meaning of Article 29(4)(a), (b) and (c) of Directive (EU) 2018/200.)	✓

*c) Generic Criteria for DNSH to Climate Change Adaptation*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>64</sup>	ALIGNMENT WITH THE EU TAXONOMY
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
GENERIC CRITERIA FOR (2) - See C.1.	✓

*d) Criteria for DNSH to Sustainable Use and Protection of Water and Marine Resources*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>65</sup>	ALIGNMENT WITH THE EU TAXONOMY
<b>3. SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
GENERIC CRITERIA FOR (3) – See C.2	
The issuer confirms that Land NRW is landlocked and does not have marine waters, hence the DNSH criteria to marine resources is not applicable.	✓

*e) Criteria for DNSH to Pollution Prevention and Control*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>66</sup>	ALIGNMENT WITH THE EU TAXONOMY
<b>5. POLLUTION PREVENTION AND CONTROL – DO NO SIGNIFICANT HARM CRITERIA</b>	
Directive 2009/128/EC, the Sustainable Use of Pesticides Directive and Regulation 2019/1009 (Fertilizer Directive), has been transposed into German law. This ensured that the use of pesticides is minimized and alternative approaches or techniques, which may include non-chemical alternatives to pesticides are favored, with exception of	✓

<sup>63</sup> This column is based on input provided by the issuer.

<sup>64</sup> Ibid.

<sup>65</sup> This column is based on input provided by the issuer.

<sup>66</sup> Ibid.

occasions where the use of pesticides is needed to control outbreaks of pest and diseases.

Furthermore, the issuer confirms that all activities fancied under the Framework comply with the requirements of the following legislations:

- Germany Fertilizer Ordinance, which regulates and limits the use of fertilisers
- EU Regulation 1005/2009 (Sept 2009) on substances that deplete the ozone layer
- Federal Soil Protection Act (Bundesbodenschutzgesetz, BBodSchG) - regulatory regime relating to land contaminated by hazardous substances
- Insect Diversity Protection Act (Gesetz zum Schutz der Insektenvielfalt)
- Plant Protection Application Ordinance (Pflanzenschutz-Anwendungsverordnung)
- EU Regulation 2019/1021 on persistent organic pollutants (June 2019)
- EU Regulation 1907/2006 (Dec 2006) concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)

The German National Action Plan on the Sustainable Use of Plant Protection Products aims at further reducing the risks associated with the use of pesticides and to protect plants, particularly crops, against disease, pests and non-parasitic influences, in line with European Union Directive on Sustainable Use (Directive 2009/128/EC). The legal framework includes pesticide approvals, which gives users clear rules on product handling and application, stipulations on the quality and safety of crop protection equipment and on the expertise that product users must possess; and supplementary requirements set out in the German Plant Protection Act, the German Best Practice Code on Crop Protection and other areas of the law.

As a member of the European Union, Germany is a signatory of conventions that ensure that Well documented and verifiable measures are taken to avoid the use of active ingredients that are listed in Annex I, part A, of Regulation (EU) 2019/102115 of the European Parliament and of the Council<sup>16</sup>, the Rotterdam Convention on the prior informed consent procedure for certain hazardous chemicals and pesticides in international trade<sup>17</sup>, the Minamata Convention on Mercury, the Montreal Protocol on Substances that Deplete the Ozone Layer.

The activity complies with the relevant national law on active ingredients but there is not information available on whether the use of active ingredients that are listed as classification Ia ('extremely hazardous') or Ib ('highly hazardous') in the WHO Recommended Classification of Pesticides by Hazard is avoided.

## PART V: LINKING THE TRANSACTION(S) TO NRW'S ESG PROFILE

### A. CONSISTENCY OF SUSTAINABILITY BOND WITH NRW'S SUSTAINABILITY STRATEGY

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

The State of NRW joined the global efforts under the umbrella of the Agenda 2030 adopted by the UN in 2015 and the 17 Sustainable Development Goals (SDGs) formulated in it. As a result, NRW adopted a sustainability strategy in 2016 and an updated version in 2020. The sustainability strategy for Land NRW is intended to provide long-term orientation for the economic, ecological and social development of the state. The content, goals and measures of the strategy aim to be aligned with the federal German Sustainable Development Strategy (2018 update) and the UN SDGs<sup>67</sup>. NRW commits to ensure that the activities at the federal and State level support each other and to achieve a substantial German contribution to the implementation of the SDGs. The main principles of the German sustainability strategy of 2018 include:

- Apply sustainable development as a guiding principle consistently in all areas and in all decisions
- Assume global responsibility
- Preserve natural resources
- Strengthen sustainable management
- Maintain and improve social cohesion in an open society
- Use education, science and innovation as drivers of sustainable development

Nonetheless, NRW's sustainability strategy<sup>68</sup> also considers the state's specific socioeconomic characteristics, such as a high settlement density, a high proportion of industry with many energy-intensive companies and a high proportion of migrant population. Relatedly, the strategy addresses a variety of sustainable development challenges that are specific to the State of NRW, including sustainable and affordable energy supply, climate adaptation, biodiversity, social cohesion and gender equality (among others). The strategy also includes the action plan for meeting the SDGs.

NRW commits to regular and transparent reporting on progress made in this context through their sustainability report.

The issuer has set quantitative mid-term (2030 and 2040) target for each ESG objectives they have defined as priority topics and an overall long-term (2045) ESG targets. The issuer has publicly disclosed the target, definition and methodology and progress on their website.<sup>69</sup> NRW's long term target is in line with Germany's ambition to achieve GHG neutrality by 2045. In addition, the state has intermediate targets of reducing emissions by 65% by 2030 and 88% by 2040 compared to 1990 levels.

NRW has process in place to manage its ESG risks. The issuer is aligned with the Climate change mitigation criteria under the EU Taxonomy Delegated Act and has polices to ensure that minimum

<sup>67</sup> Sustainability strategy for North Rhine-Westphalia from 2020, Part B, Contributions from North Rhine-Westphalia to achieving the Sustainable Development Goals. More information is available at

[https://nachhaltigkeit.nrw.de/fileadmin/Dokumente/NRW\\_Sustainability\\_Strategy\\_2020.pdf](https://nachhaltigkeit.nrw.de/fileadmin/Dokumente/NRW_Sustainability_Strategy_2020.pdf)

<sup>68</sup> North Rhine-Westphalia sustainability strategy. More information is available at <https://www.nachhaltigkeitsindikatoren.nrw.de/node/89>

<sup>69</sup> Sustainability indicators, More information is available at <https://www.nachhaltigkeitsindikatoren.nrw.de/indikatorenen>



social safeguards are in place. The state has implemented a Climate Adaption Act<sup>70</sup> in order to address the risks identified by the Climate impact and risk analysis for Germany 2021. The State of NRW monitors the expenses of the State to ensure that they comply with existing laws and regulations and that the intended positive environmental and social impacts are achieved. The State of NRW's parliament carries out the monitoring on a continuous basis to ensure that the State's expenses are correctly carried out within the authority provided by the statutory budget.

The issuer does not follow a market-wide used ESG reporting guidelines (eg. GRI, TCFD etc.). However, the government of the state of NRW has established periodical reporting with the goal of assessing the progress of the sustainability strategy's implementation using predetermined metrics. Data on the NRW sustainability indicators is regularly updated by the Statistics division of Information and Technology North Rhine-Westphalia (IT.NRW).

### *Rationale for issuance*

The state of NRW has issued a total of nine sustainability bonds with a total volume of over 20 billion euros from 2015 to 2020. The terms are between 7 and 20 years. The issuer is one of the largest in this segment. With the sustainability bond, the state is addressing investors who value investing in sustainable projects in the fields of education and sustainability research, inclusion and social cohesion, public transport and local mobility, climate protection and energy transition, environmental protection and nature conservation, sustainable urban and district development and modernization of university and health buildings.

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

<sup>70</sup> Climate Adaptation Act, July 8, 2021. More information is available at [https://recht.nrw.de/lmi/owa/br\\_vbl\\_detail\\_text?anw\\_nr=6&vd\\_id=19634&ver=8&val=19634&sg=0&menu=0&vd\\_back=N](https://recht.nrw.de/lmi/owa/br_vbl_detail_text?anw_nr=6&vd_id=19634&ver=8&val=19634&sg=0&menu=0&vd_back=N)



## B. COUNTRY'S EXPOSURE TO ESG RISKS

This section aims to provide macro-country level ESG risks and offers additional context to the issuance assessed in the present report. It leverages ISS ESG Country Rating methodology as well as relevant external sources such as United Nations Development Programme, Transparency International and Institute for Economics & Peace.

### *Issuer overview*

Germany is located in Western Europe. Germany is a federal parliamentary republic, classified as a high income country by the World Bank. Germany has an estimated population of 80.06 million inhabitants as of 2020, with 77.4% of its population living in urban areas, and a level of greenhouse gas emissions per capita of 7.9 as of 2019.

The State of NRW is located in western Germany, covering an area of 34,112 km<sup>2</sup>. With a population of 17.9 million in 2019, it is the most populous state of Germany.

Additional information relating to the Issuer's country, based on international indices:

INDEX	RANK, AS OF DATE
Human Development Index <sup>71</sup>	9, in 2021
Corruption Perception Index <sup>72</sup>	9, in 2022
Global Peace Index <sup>73</sup>	16, in 2022

### *ESG risks associated with the Issuer and sovereign Issuers*

Leveraging ISS ESG's Country Rating methodology, key challenges faced by sovereign Issuers have been identified in terms of sustainability management as displayed in the table below. Please note, this is not an Issuer-specific assessment.

ESG KEY ISSUES FOR SOVEREIGN ISSUERS	
Human Rights and fundamental freedoms	Production and consumption
Political system and governance	Climate change and energy
Social conditions	Natural resources

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

### *Exposure of the Issuer's country to controversial areas*

At the date of publication, ISS ESG has no controversial areas in which the Issuer would be involved.

<sup>71</sup> Source: <https://hdr.undp.org/en/countries/profiles/FRA>

<sup>72</sup> Source: <https://www.transparency.org/en/cpi/2021/index/fra>

<sup>73</sup> Source: <https://www.visionofhumanity.org/maps/#/>

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## ANNEX 1: Methodology

### EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Sustainability Quality of the Issuer and Sustainability Bond Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021) and the Platform On Sustainable Finance: Technical Working Group Part B – Annex: Technical Screening Criteria March 2022.

The evaluation shows if Land NRW's project categories are indicatively in line with some of the requirements listed in the EU Taxonomy Technical Annex and the Platform On Sustainable Finance Annex.

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

### Green/Social KPIs

The Green/Social Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of NRW's Sustainability Bond Framework.

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 assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

### Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green/Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available or that the information provided did not fulfil the requirements of the Green/Social Bond KPIs.

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

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which NRW's Sustainability Bond contributes to related SDGs has been identified.

## ANNEX 2: ISS ESG Country Rating Methodology

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

For more information, please visit:

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

## ANNEX 3: Quality management processes

### SCOPE

NRW commissioned ICS to compile a Sustainability Bond Framework SPO. The Second Party Opinion process includes verifying whether the Sustainability Bond Framework aligns with the ICMA's GBP, SBP and SBG and to assess the sustainability credentials of its Sustainability Bond Framework, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines
- Key Performance Indicators relevant for Use of Proceeds categories selected by the Issuer

### ISSUER'S RESPONSIBILITY

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

- Framework
- Asset pool / Eligible Assets
- Documentation of ESG risks management at the asset level

### ISS ESG'S VERIFICATION PROCESS

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

This independent Second Party Opinion of the Sustainability Bond Framework to be issued by NRW has been conducted based on a proprietary methodology and in line with the ICMA's GBP, SBP and SBG.

The engagement with NRW took place from February to May 2023.

### ISS' BUSINESS PRACTICES

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

## About this SPO

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

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

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

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

For more information on this specific Sustainability Bond Framework SPO, please contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

### Project team

#### Project lead

Kathinka Gruber  
Associate  
ESG Consultant

#### Project support

Medha Dalvi  
Associate  
ESG Consultant

#### Project support

Camille Roux  
Associate  
ESG Consultant

#### Project supervision

Marie-Bénédicte Beaudoin  
Associate Director  
Head of ISS ESG SPO Operations