



## Assessment of the Sustainability Quality of the Green Bond 2017 issued by NRW.BANK

4 August 2017

### Aim and Scope of this Second Party Opinion

NRW.BANK, the state development bank of North-Rhine Westphalia (NRW), has commissioned oekom research to assist with the issuance of its Green Bond by assessing the sustainable added value of this bond using the criteria and indicators of a sustainability framework concept. The aim of this green bond issuance is to refinance loans disbursed not longer than 12 months before issue date.

oekom research's mandate included the following services:

- Definition of a Green Bond Analysis Framework ("oekom Green Bond Analysis Framework") containing a clear description of eligible asset categories and the social and environmental criteria assigned to each category for evaluating the sustainability-related performance of the assets (re-)financed through the proceeds of the bond.
- Analysis of the alignment of the Green Bond against the ICMA's Green Bond Principles.
- Evaluation of compliance of the Green Bond with the oekom Green Bond Analysis Framework criteria.
- Review and classification of NRW.BANK's sustainability performance on the basis of the oekom Corporate Rating.

### Overall Evaluation of the Green Bond

oekom's overall evaluation of the fifth Green Bond issued by NRW.BANK is positive:

- The Green Bond's formal concept, defined processes and (announced) disclosures are aligned with the Green Bond Principles (Part I of this Second Party Opinion).
- The overall sustainability quality of the bond and the sustainability performance of each of the funded assets in terms of sustainability benefits and risk avoidance and minimisation are good (Part II of this Second Party Opinion).
- The issuer itself shows a good sustainability performance (Part III of this Second Party Opinion).

There are some aspects for which more specific selection or performance criteria would be recommended as it could still add to the overall quality of the Green Bond:

Regarding wind power projects, within the construction process of windparks the active involvement of local residents, for example through dialogue platforms, should be fostered. Further, selection criteria should include specifications that wind power plant manufacturers require high labour standards from their suppliers.

For energy efficient residential buildings and the modernisation of educational and public health facilities maximum annual primary energy consumption for space heating and domestic water could be set.

## Part I – Green Bond Principles

### 1) Use of Proceeds

The proceeds of this Green Bond will be used exclusively to refinance loans which have already been granted and whose intended purposes are clearly defined and limited by the project categories and criteria specified below.

The following categories have been chosen for allocating the proceeds of this issuance:

	Project Area	Financed Projects	Percentage of Bond Issuance
<b>Climate protection through energy efficiency and a transition towards a low carbon economy</b>			
A	Wind power	€ 409,751,340 48 onshore projects	82%
B	Modernisation of educational and public health facilities	€ 13,897,950 2 projects: University clinics Münster and Cologne	3%
C	Loans for energy efficient residential buildings	€ 6,233,270 Several energy efficiency renovations of residential buildings	1%
<b>Biodiversity and environmental quality of habitats</b>			
D	Renaturation of watercourses and separate wastewater drainage and treatment	€ 70,786,300 1 project: Emschergenossenschaft	14%
<b>Total</b>		<b>€ 500,668,860</b>	<b>100%</b>

All projects meet specific environmental and social standards (see part II of this document). These criteria are clearly defined and assessable using quantitative indicators. The criteria are designed to ensure a positive impact of the projects that is not impaired by adverse impacts and effects in other areas (e.g. environmental impacts, impacts on local communities).

## 2) Process for Project Evaluation and Selection

The selection of assets for inclusion in the Green Bond is carried out internally by NRW.BANK. The department Capital Market, more precisely NRW.BANK's Green Bond Team carries out this selection.

The selection is based on a set of eligibility criteria defined by NRW.BANK and which are:

- Contribution to the sustainability strategy of the German State of North Rhine-Westphalia as well as the United Nations' Sustainable Development Goals.
- Contribution to the fight against climate change
  - Mitigation: limiting greenhouse gas emissions in contribution to the goal of limiting temperature rises to two degrees Celsius above pre-industrial levels.
  - Adaptation: foster projects that help protect against the inevitable effect of already on-going climate change in North Rhine-Westphalia (heavy rainfalls and floods).

## 3) Management of Proceeds

The proceeds of this Green Bond will be exclusively used to refinance loans disbursed not longer than 12 months before issue date and which correspond to the eligibility criteria above. The chosen projects are thus internally earmarked and will be exclusively refinanced via this Green Bond. The proceeds are immediately allocated to the refinancing of the loans, which spares the issuer a specific ring-fencing.

According to the issuer, the term of the bond corresponds to the shortest single repayment term. Thus, no reinvestment of funds – topping up – will take place during the duration of the bond, rendering an assessment of additional loans and projects unnecessary.

## 4) Reporting

NRW.BANK commits to a regular reporting towards the Green Bond's investors via its dedicated web page (<http://www.nrwbank.com/greenbond>) and the Sustainability Report 2017, which will be published in April 2018.

The reporting includes an impact assessment in line with the recommendations of the Harmonized Framework for Impact Reporting<sup>1</sup>. The impact assessment on the following indicators relating to this Green Bond is executed and verified by the Wuppertal Institut:

### Category A: Wind power

- Annual energy production of windmills financed through the loans (in GWh/a).
- Annual avoidance of CO<sub>2</sub> emissions (in t) related to these loans (based on the average carbon intensity of the North Rhine-Westphalian energy mix).

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<sup>1</sup> <http://treasury.worldbank.org/cmd/pdf/InformationonImpactReporting.pdf>

**Category B: Modernisation of educational and public health facilities**

- Annual energy savings of buildings (in GWh/a) financed through the loans compared to the average annual energy consumption of comparable buildings in North Rhine-Westphalia, Germany.
- Annual CO<sub>2</sub> emissions avoided of buildings (in t) financed through the loans compared to the average annual CO<sub>2</sub> emissions of comparable buildings in North Rhine-Westphalia, Germany (based on the carbon intensity of the North Rhine-Westphalian energy mix).

**Category C: Loans for energy efficient residential buildings**

- Annual energy savings of buildings (in GWh/a) financed through the loans compared to the average annual energy consumption of comparable buildings in North Rhine-Westphalia, Germany.
- Annual CO<sub>2</sub> emissions avoided of buildings (in t) financed through the loans compared to the average annual CO<sub>2</sub> emissions of comparable buildings in North Rhine-Westphalia, Germany (based on the carbon intensity of the North Rhine-Westphalian energy mix).

**Category D: Restoration of watercourses and separate wastewater drainage and treatment**

- Watercourses restored during the last year (in km).
- Additional environmental benefits (e.g. increase in biodiversity).

## Part II – Sustainability Quality of the Green Bond

### 1) oekom Green Bond Analysis Framework

The Green Bond Analysis Framework serves as a framework for evaluating the sustainability quality and thus the social and environmental added value of the use of proceeds of NRW.BANK's Green Bonds. The framework comprises firstly the definition of eligible categories of projects offering environmental added value. Secondly, it encloses the specific sustainability criteria for each project category by means of which this added value and therefore the sustainability performance of the Green Bonds can be clearly identified and described.

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

Details of the individual criteria and indicators for the project categories can be found in Annex 1 "Green Bond Analysis Framework".

### 2) Evaluation of the Projects Refinanced by the Green Bond

#### Methods

oekom research has evaluated whether the projects to be funded through the bonds match the project categories and criteria listed in the oekom Green Bond Analysis Framework.

The analysis was carried out using information and documents provided to oekom research, partly on a confidential basis, by NRW.BANK (e.g. management decisions, local public procurement laws, federal German laws, regulations and standards, etc.). Further national legislation and standards, depending on the project location, were drawn on to complement the information provided by NRW.BANK.

The evaluation of social standards regarding the wind power equipment manufacturers is based on country-specific regulations at the relevant production sites (if available), their signature of the United Nations Global Compact, or their adherence to the ILO core conventions. Regarding the supply chain, oekom research analysed the manufacturer's supply chain standards.

All percentages refer to the respective volume of the loans within the Green Bonds.

## Findings

### A. Wind power

Share in use of proceeds: €409,751,340 (82% of the total credit amount)

Project types: Construction and operation of wind power plants

Loan recipients: Public and private wind park operators and cooperatives

#### Sustainability Risks and Benefits of the Project Category

The environmental benefits of wind power generation projects comprise the contribution to climate protection and to the transition towards a low-carbon economy. Further benefits are less environmental degradation and pollution (e.g. through resource extraction, releases of waste streams to water or soil) in comparison to fossil fuel or nuclear power plants. From a social perspective, the transition from fossil fuels to wind power lowers negative human rights impacts of oil, gas and coal production (e.g. land-use conflicts, resettlement). In addition – different from fossil fuels combustion - wind power does not negatively impact air quality.

However, the construction and operation of wind power plants can result in negative environmental impacts (e.g. noise and other negative impacts on biodiversity) and impacts on local communities. Further risks include potentially poor working conditions during construction and maintenance of power plants (especially with respect to worker safety) as well as in the production processes of wind power equipment. As the construction of these plants requires large amounts of raw materials and equipment, life cycle aspects are an important factor when assessing the overall environmental footprint of related projects.

All wind power projects selected for the Green Bond are located in Germany, a country with high level of social and environmental legislation.

- A.1. Consideration of environmental aspects during planning and operation
  - ✓ None of the projects are located in key biodiversity areas such as Ramsar sites, UNESCO Natural World Heritage sites and IUCN protected areas I-IV.
  - ✓ 100% of projects comply with the German Federal Immission Control Act (Bundes-Immissionsschutzgesetz/ BImSchG), which provides for minimum standards regarding the assessment of possible environmental impacts of wind power plants (i.e. basic environmental screening).
  - ✓ For 100% of projects, the regulatory act on planning and permission of wind power plants („Windenergieerlass“) of North Rhine-Westphalia applies. This law includes requirements regarding no-go areas, height restriction, land-use plans, environmental assessments, noise, conservation of nature and biodiversity.

- ✓ 100% of the projects comply with the regulations of the German Federal Immission Control Act and have adequate measures in place to protect habitat and wildlife during operation of the plant (project-dependent measures include turbine turn-off times, monitoring of bats, consideration of birds' flight paths).
- A.2. Environmental aspects of wind power plants
  - ✓ For 39 projects, accounting for 82% of the loans' volume, wind power plant manufacturers carried out life-cycle assessments of the wind power plants and/or its components. For 9 projects, accounting for 18% of the loans' volume, wind power plant manufacturers did not carry out such assessments or no such information is available.
- A.3. Community dialogue
  - ✓ 100% of the projects comply with the regulations of the German Federal Immission Control Act, which provides for minimum standards regarding the consideration of local residents' interests during the planning phase (possibility to voice concerns, for example).
  - No information is available on the number of projects for which the active involvement of local residents (e.g. through official public dialogue platforms) is ensured.
- A.4. Working conditions during construction and maintenance work
  - ✓ For 100% of projects, high standards regarding health and safety for both own employees and contractors are in place during construction and maintenance work (provided for by national legislation).
  - ✓ For 100% of projects high labour standards regarding e.g. working time, periods of rest, minimum wages, freedom of association, collective bargaining and non-discrimination (in accordance with local regulations) are in place.
- A.5. Social standards in the supply chain of wind power plants
  - ✓ For 43 projects, accounting for 88% of the loans' volume, equipment is manufactured by companies which primarily produce (i.e. have more than 50% of production sites) in countries with high labour standards (e.g. European Union), are a signatory of the United Nations Global Compact, or adhere to the ILO core conventions. For 5 projects, accounting for 12% of the loans' volume, the companies show poor performance or no such information is available.
  - Only for 5 projects, accounting for 9% of the loans' volume, wind power plant manufacturers require high social standards from their suppliers (e.g. regarding the prohibition of forced labour, wages, working time, health and safety). For 43 projects, accounting for 91% of the loans' volume, the manufacturers do not require high social standards from their suppliers or no such information is available.

### Controversy assessment

- For 47 projects, accounting for 99% of the loans' volume, a controversy assessment did not reveal any controversial activities or practices that could be attributed to NRW.BANK. For 1 project, accounting for 1% of the loans' volume, the controversy assessment revealed a potential controversy: the association of environmental agencies in North-Rhine Westphalia (Landesbüro der Naturschutzverbände NRW), in an official statement directed at the city of Paderborn,



criticised the construction of one project for an allegedly faulty expert assessment on species protection within the application process to construct the wind power plant. To the knowledge of oekom research the case had not been resolved until the issue date.

## B. Modernisation of educational and public health facilities

Share in use of proceeds: €13,897,950 (3% of the total credit amount)

Project types: Modernisation and extension of university medical clinics

Loan recipients: University clinics Münster and Cologne

### Sustainability Risks and Benefits of the Project Category

Sustainability benefits encompass enhanced provision of public health services and the establishment of additional university training facilities. Furthermore, energy efficiency improvements in existing buildings help reduce energy consumption in the long-run and therefore reinforce the transition towards a low carbon economy.

When modernising facilities minimum energy efficiency improvements should be achieved to reduce the impact of those facilities on the environment. Additionally, improper disposal of hazardous substances can lead to negative environmental impacts. Social and environmental risks that can arise from all projects are: construction workers' health and safety as well as overall working conditions and environmental hazards caused during construction. Regarding new builds, social and environmental impacts in the supply chain need to be considered and affected communities involved in the planning process to ensure all stakeholders are heard.

All modernisation and extension projects selected for the Green Bond are located in Germany, a country with high level of social and environmental legislation.

- B.1. Achieved energy efficiency (modernisations only)
  - No information is available on achieved energy efficiency of financed projects.
  - ✓ For 100% of financed projects, the German Energy-Saving Ordinance (Energieeinsparverordnung/EnEV) requires compliance with detailed and stringent energy performance standards.
- B.2. Safe disposal of removed construction materials that are harmful to health (modernisations only)
  - ✓ For 100% of financed projects, the implementing construction companies and subcontractors isolate and remove waste and pollutants in compliance with local regulation.
- B.3. Working conditions during construction work
  - ✓ For 100% of projects high labour standards regarding e.g. working time, periods of rest, minimum wages, freedom of association, collective bargaining and non-discrimination (in accordance with local regulations) are in place.
- B.4. Consideration of environmental aspects during planning and construction (new builds only)

- ✓ For 100% of financed projects, the Collective Bargaining and Public Procurement Act of North Rhine-Westphalia (Tariftreue- und Vergabegesetz NRW/TVgG-NRW) bindingly requires consideration of energy efficiency and other environmental aspects.
- No information is available on the number of projects for which comprehensive and specific environmental standards (regarding e.g. noise mitigation, minimisation of environmental impact during construction work) are applied.
- B.5. Social and environmental standards in the supply chain (new builds only)
  - ✓ For 100% of financed projects, the Collective Bargaining and Public Procurement Act of North Rhine-Westphalia (Tariftreue- und Vergabegesetz NRW/TVgG-NRW) applies. It requires compliance with the ILO core conventions in the supply chain.
  - ✓ For 100% of financed projects, the Collective Bargaining and Public Procurement Act of North Rhine-Westphalia (Tariftreue- und Vergabegesetz NRW/TVgG-NRW) requires that sustainability criteria such as energy and resource efficiency have to be taken into consideration in all public procurement contracts.
  - No information is available on the number of projects for which comprehensive and specific environmental supply chain standards are applied.
- B.6. Community dialogue (new builds only)
  - ✓ 100% of financed 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).

#### **Controversy assessment**

- A controversy assessment on the included project did not reveal any controversial activities or practices that could be attributed to NRW.BANK.

### C. Loans for energy efficient residential buildings

Share in use of proceeds: €6,233,270 (1% of the total credit amount)

Project types: Energy efficiency renovations of residential buildings

Loan recipient: Private borrower

#### Sustainability Risks and Benefits of the Project Category

Private loans for energy efficient buildings are beneficial from an environmental point of view as they contribute to climate protection through optimised energy use. Due to the small scale of work and resources involved in building private homes as well as due to the fact that the buildings are in Germany, environmental and social impacts from the construction of private homes are comparably low.

However, projects in this category bear similar social and environmental risks as those in category B. Furthermore, fair banking practices need to be in place in the retail client business in order to mitigate potential social risks, e.g. over-indebtedness or foreclosure.

- C.1. Achieved energy efficiency of buildings
  - No information is available on the annual primary energy consumption for space heating and domestic water of financed buildings.
  - ✓ For 100% of loans allocated to residential buildings, the credit terms require that building regulations of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) must always be observed in the version applicable at the time of credit application.
- C.2. Responsible treatment of customers with debt repayment problems
  - NRW.BANK has preventive measures and sustainable solutions for customers with debt repayment problems in place (e.g. pro-actively approaching customers potentially at risk, internal debt counselling and support for external debt counselling and foreclosure as a last resort). However, due to NRW.BANK's business model as a development bank these loans are granted by the client's principle bank and not NRW.BANK directly. Therefore NRW.BANK's measures do not apply and no statement on the share of loans ensuring preventive measures and sustainable solutions for customers with debt repayment problems can be made.

#### D. Restoration of watercourses and separate wastewater drainage and treatment

Share in use of proceeds: €70,786,300 (14% of the total credit amount)

Project types: Restoration of the original natural state of watercourses, construction of modern wastewater system infrastructure

Loan recipients: Local Water Cooperative of North Rhine-Westphalia (Emschergenossenschaft)

##### Sustainability Risks and Benefits of the Project Category

Environmental benefits of this category include the restoration of natural habitats thus strengthening biodiversity as well as a reduction of flooding risks.

However, the restoration of watercourses can result in negative environmental and social impacts at construction sites. Specifically, risks include potentially poor working conditions as well as environmental impairments during construction and maintenance.

All watercourse restoration projects selected for the Green Bond are located in Germany, a country with high level of social and environmental legislation.

- D.1. Consideration of environmental aspects during planning and construction
  - ✓ For 100% of refinanced projects, the Collective Bargaining and Public Procurement Act of North Rhine-Westphalia (TVgG-NRW) requires that sustainability criteria such as energy and resource efficiency have to be taken into consideration in all public procurement contracts.
- D.2. Working conditions during construction and operation
  - ✓ For 100% of refinanced projects, high standards regarding health and safety for both own employees and contractors are in place (provided for by national legislation).
  - ✓ For 100% of projects high labour standards regarding e.g. working time, periods of rest, minimum wages, freedom of association, collective bargaining and non-discrimination (in accordance with local regulations) are in place.
- D.3. Modelling on natural state of water bodies, scientific monitoring, structural quality mapping
  - ✓ For 100% of refinanced projects, appropriate planning, implementation and subsequent monitoring for ten years are based on the European Water Framework Directive (WFD) and thus modelled on the natural state of watercourses.
- D.4. Sustainability standards for the wastewater system
  - ✓ For 100% of relevant projects, the wastewater network is – based on the wastewater ingredients present – constructed so that it is corrosion-resistant for its intended service life.
  - ✓ For 100% of relevant projects, 90% of the generated sewage sludge is used as biomass and as a source of biogas for generating energy and 10% is re-used as a raw material in the cement industry.

### **Controversy assessment**

- A controversy assessment on the included project did not reveal any controversial activities or practices that could be attributed to NRW.BANK.

### **Climate Bond Initiative Standard**

All of the wind projects that received loans to be refinanced by NRW.BANK's Green Bond 2017 meet the eligibility criteria of the Climate Bonds Standard for Wind Energy Generation<sup>2</sup>:

Eligible projects and assets relating to wind energy generation are projects and assets that operate or are under construction to operate in one or more of the following activities:

- The development, construction and operation of wind farms
- Operational production or manufacturing facilities wholly dedicated to wind energy development
- Wholly dedicated transmission infrastructure for wind farms

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<sup>2</sup> [http://www.climatebonds.net/files/files/Sector%20Criteria%20-%20Wind%20v1\\_0.pdf](http://www.climatebonds.net/files/files/Sector%20Criteria%20-%20Wind%20v1_0.pdf)

## Part III – Assessment of NRW.BANK's Sustainability Performance

In the oekom Corporate Rating with a rating scale from A+ (excellent) to D- (poor), NRW.BANK was awarded a score of C and rated "Prime", meaning that it fulfils oekom research's demanding requirements regarding sustainability performance in its sector.



As at 04.08.2017, this rating puts NRW.BANK in place 15 out of 27 companies rated by oekom research in the Financials/Development Banks sector.

In this sector, oekom research has identified the following issues as the key challenges facing companies in term of sustainability management:

- Sustainability standards for the lending business
- Goal-oriented promotion of sustainability issues
- Climate change and related risks
- Employment conditions and employee wellbeing

In two of these four key issues, NRW.BANK achieved a rating that was above the average for the sector.

The company holds a stake in casinos and lotteries on behalf of the German State of North Rhine-Westphalia, accounting for less than 1% of net assets (estimated). Other than this, the company is not involved in any controversial areas of business or business practices and does not breach any of the other exclusion criteria frequently applied by sustainability-oriented investors.

More details on the rating of the issuer can be found in Annex 2 "oekom Corporate Rating NRW.BANK".

A handwritten signature in blue ink, appearing to read "K. Geyer", is written over a faint, light-colored stamp or watermark.

oekom research AG

Munich, 4 August 2017



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#### Disclaimer

1. oekom research AG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition we create a Second

Party Opinion (SPO) on bonds based on data from the issuer.

2. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of oekom research AG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the assessment of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.

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#### About oekom research

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

As part of our Green Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria. We analyse the compliance with the criteria in the selection of projects and draw up an independent second party opinion so that investors are as well informed as possible about the quality of the loan from a sustainability point of view.

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## Annexes

- Annex 1: oekom Green Bond Analysis Framework
- Annex 2: oekom Corporate Rating NRW.BANK

## Annex 1: oekom Green Bond Analysis Framework

### oekom Green Bond Analysis Framework

The Green Bond Analysis Framework serves as a framework for evaluating the sustainability quality and thus the social and environmental added value of the use of proceeds of this Green Bond. The framework comprises firstly the definition of eligible categories of projects offering environmental added value. Secondly, it encloses the specific sustainability criteria for each project category by means of which this added value and therefore the sustainability performance of the Green Bonds can be clearly identified and described.

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

### Use of Proceeds

The proceeds of this Green Bond issued by NRW.BANK will be used for the following project categories exclusively:

#### **Climate protection through energy efficiency and a transition towards a low carbon economy**

- A. Wind power
- B. Modernisation of educational and public health facilities
- C. Loans for energy efficient residential buildings

#### **Biodiversity and environmental quality of habitats**

- D. Renaturation of watercourses and separate wastewater drainage and treatment

## Sustainability Criteria and Quantitative Indicators for Use of Proceeds

### Project category A: Wind power

#### 1. Consideration of environmental aspects during planning and operation

- Percentage of loans allocated to projects for which the location in key biodiversity areas can be excluded (e.g. exclusion of Ramsar sites, UNESCO Natural World Heritage, IUCN protected areas I-IV).
- Percentage of loans allocated to projects that underwent environmental impact assessments at the planning stage.
- Percentage of loans allocated to projects that meet high environmental standards and requirements during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work).
- Percentage of loans allocated to projects for which measures to protect habitat and wildlife are in place (e.g. measures to protect birds and bats during operation of the power plant, environmentally friendly anti-rust protection).

#### 2. Environmental aspects of wind power plants

- Percentage of loans allocated to projects for which life-cycle assessments of the wind power plants have been carried out.

#### 3. Community dialogue

- Percentage of loans allocated to projects that feature community dialogue as an integral part of the planning process and the operational phase (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).

#### 4. Working conditions during construction and maintenance work

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

#### 5. Social standards in the supply chain

- Percentage of loans allocated to projects for which high labour standards are applied in the supply chain (e.g. ILO core conventions).

#### Controversy assessment

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

## **Project category B: Modernisation of educational and public health facilities**

### **1. Achieved energy efficiency**

- Percentage of financed projects which received good scores in the energy efficiency ratings of the buildings certificates (e.g. BREEAM, LEED) or that are proven to be part of the top 15% of the local market in terms of energy efficiency. (new builds only)
- Percentage of financed projects relating to this project category for which energy efficiency improved by 20% or more. (modernisations only)

### **2. Safe disposal of removed construction materials that are harmful to health (modernisations only)**

- Percentage of financed projects relating to this project category for which the implementing construction companies and subcontractors and suppliers are required to comply with appropriate standards.

### **3. Working conditions during construction work**

- Percentage of financed projects relating to this project category for which binding high labour and health and safety standards are applied for both own employees and contractors.

### **4. Consideration of environmental aspects during planning and construction (new builds only)**

- Percentage of financed projects relating to this project category for which adequate environmental purchasing standards are in place.

### **5. Social and environmental standards in the supply chain (new builds only)**

- Percentage of financed projects relating to this project category for which the suppliers are required to comply with appropriate standards.

### **6. Community dialogue (new builds only)**

- Percentage of financed projects relating to this project category that feature community dialogue as an integral part of the planning process and the operational phase (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).

### **Controversy assessment**

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

## **Project category C: Loans for energy efficient residential buildings**

### **1. Achieved energy efficiency of buildings**

- Percentage of financed projects relating to this project category for which energy efficiency improved by 20% or more. (modernisations only)
- Percentage of loans allocated to residential buildings that comply with and/or exceed the requirements of the latest German building decree (Energieeinsparverordnung / EnEV).

## **2. Responsible treatment of customers with debt repayment problems**

- Percentage of loans for which preventive measures and sustainable solutions for customers with debt repayment problems are in place.

## **Project category D: Restoration of watercourses and separate wastewater drainage and treatment**

### **1. Consideration of environmental aspects during planning and construction**

- Percentage of loans allocated to projects that underwent environmental impact assessments at the planning stage.
- Percentage of loans allocated to projects that meet high environmental standards and requirements during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work).

### **2. Working conditions during construction and operation**

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

### **3. Modelling on natural state of water bodies, scientific monitoring, structural quality mapping**

- Percentage of loans allocated to projects for which the relevant plans are scientifically monitored and are modelled on the natural state of the water body.

### **4. Sustainability standards for the wastewater system**

- Percentage of funds allocated to projects for which the wastewater network is planned and implemented so as to resist corrosion.
- Percentage of funds allocated to projects for which the sludge generated from the wastewater treatment is used and/or disposed of responsibly.

### **Controversy assessment**

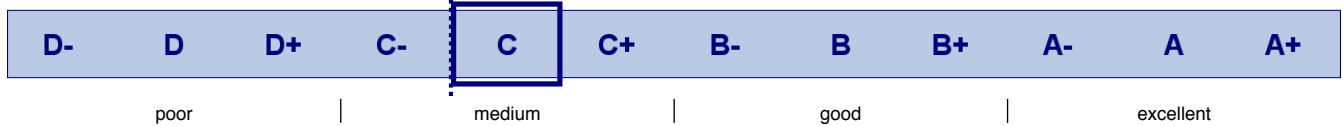
- Controversy screening and description of controversial projects (e.g. due to labour rights violations, environmental accidents, adverse biodiversity impacts).

oekom Corporate Rating

NRW.BANK

Industry: Financials/Development Banks  
 Country: Germany  
 ISIN: DE000NWB1939

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



Competitive Position

Industry Leaders

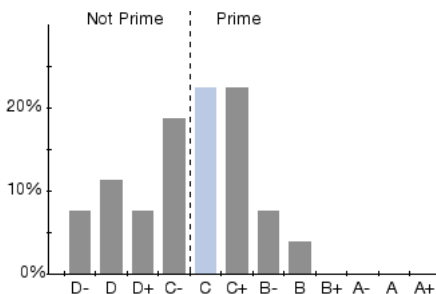
(in alphabetical order)

- Asian Development Bank (PH) B
- Council Of Europe Development Bank (FR) B-
- European Bank for Reconstruction & Development (GB) B-

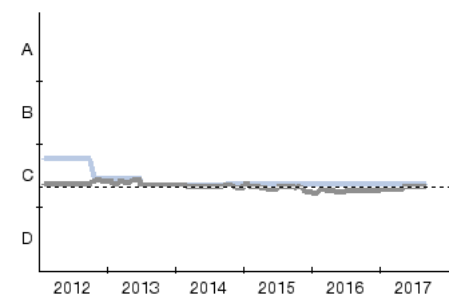
Company Industry

Distribution of Ratings

(27 companies in the industry)

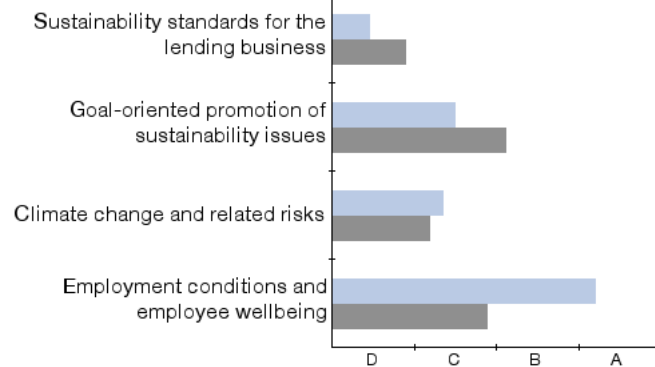


Rating History



Key Issues

Key Issue Performance



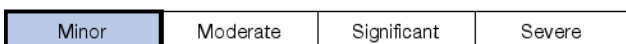
Strengths and Weaknesses

- + reasonable programmes with high social benefit
- + group-wide implementation of a strategy for addressing climate change and some related sector-specific risks
- + reasonable integration of environmental and social aspects into lending to private customers
- + transparency regarding forms of non-regular employment
- no environmental and social lending guidelines for corporate and public sector customers
- insufficient measures to ensure goal-oriented financial services

Controversy Monitor

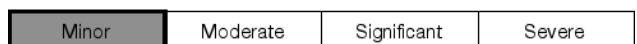
Company

Controversy Score -2  
 Controversy Level Minor



Industry

Maximum Controversy Score -20  
 Controversy Risk Minor



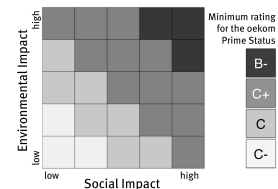
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## Methodology - Overview

oekom Corporate Rating	<p>The oekom Universe comprises more than 3,800 companies (mostly companies in important national and international indices, but also small &amp; mid caps drawn from sectors with links to sustainability as well as significant non-listed bond issuers).</p> <p>The assessment of the social and environmental performance of a company is generally carried out with the aid of approx. 100 social and environmental criteria, selected specifically for each industry. All criteria are individually weighted, evaluated and aggregated to yield an overall score (Rating). In case there is no relevant or up-to-date company information available on a certain criterion, it is graded with a D-.</p> <p>In order to generate a comprehensive picture of each company, our analysts collect information relevant to the rating both from the company itself and from independent sources. During the rating process, considerable importance is attached to cooperating extensively with the company under evaluation. Companies are regularly given the opportunity to comment on the results and provide additional information.</p> <p>An external rating committee assists the analysts at oekom research with the content-related design of industry-specific criteria and carries out a final plausibility check of the rating results at the end of the rating process.</p>
Controversy Monitor	<p>The oekom Controversy Monitor is a tool for assessing and managing reputational and financial risks associated with companies' negative environmental and social impacts.</p> <p>The controversy score is a measure of the number and extent of the controversies in which a company is currently involved: all controversial business areas and business practices are assigned a negative score, which varies depending on the significance and severity of the controversy. Both the score of the portrayed company and the maximum score obtained in the industry are displayed.</p> <p>For better classification, the scores are assigned to different levels: minor, moderate, significant and severe. The industry level relates to the average controversy score.</p> <p>Only controversies, for which reliable information from trustworthy sources is available, are recorded. It should be noted that large international companies are more often the focus of public and media attention and available information is often more comprehensive than for less prominent companies.</p>
Distribution of Ratings	<p>Overview of the distribution of all company ratings of an industry from the oekom Universe (company portrayed in this report: light blue). The industry-specific Prime threshold (vertical dotted line) is also shown.</p>
Industry Classification	<p>The social and environmental impacts of industries differ. Therefore, subject to its relevance, each industry analysed is classified in a Sustainability Matrix.</p> <p>Depending on this classification, the two dimensions of the oekom Corporate Rating, i.e. the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the oekom Prime Status (Prime threshold) are defined (absolute best-in-class approach).</p>
Industry Leaders	<p>List (in alphabetical order) of the top three companies in an industry from the oekom Universe at the time of generation of this report.</p>
Key Issue Performance	<p>Overview of the company's performance with regard to important social and environmental issues that are key to the industry, compared to the industry average.</p>
Rating History	<p>Trend in the company's rating over time and comparison to the average rating in the industry.</p>
Rating Scale	<p>Companies are rated on a twelve-point scale from A+ to D-:</p> <p>A+: the company shows excellent performance.</p> <p>D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).</p> <p>Overview of the range of scores achieved in the industry (light blue) and display of the industry-specific Prime threshold (vertical dotted line).</p>
Status & Prime Threshold	<p>Companies are categorised as Prime if they achieve/exceed the minimum sustainability performance requirements (Prime threshold) defined by oekom for a specific industry (absolute best-in-class approach) in the oekom Corporate Rating. Prime companies rank among the leaders in that industry.</p>
Strengths & Weaknesses	<p>Overview of selected strengths and weaknesses of a company with regard to relevant social and environmental criteria.</p>



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