

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Asset Pool

Norddeutsche Landesbank (NORD/LB)
26 August 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bond
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles (GBPs)
Scope of verification	<ul style="list-style-type: none">• NORD/LB Green Bond Framework (as of June 2021)• NORD/LB Asset pool (as of June 2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as the Green Bond Framework of the issuer remains unchanged

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Scope of work

Norddeutsche Landesbank (“NORD/LB”) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Bond link to NORD/LB’s sustainability strategy – drawing on NORD/LB’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. NORD/LB’s Green Bond Framework (June 2021 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs).
3. The Asset pool – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

Background information

NORD/LB Norddeutsche Landesbank has fully integrated its real estate financing subsidiary Deutsche Hypothekenbank (Actien-Gesellschaft), which was previously legally independent. In this sense, NORD/LB’s Green Bond Framework should be perceived as the natural continuation of Deutsche Hypothekenbank’s Green Bond Framework.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Green Bond link to issuer's sustainability strategy	<p>According to the ISS ESG Corporate Rating published on 04.12.2020, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Public & Regional Banks sector. The issuer is rated 10th out of 276 companies within its sector.</p> <p>The Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing green bonds is clearly described by the issuer.</p>	Consistent
Part 2: Alignment with GBPs	<p>The issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.</p>	Aligned²
Part 3: Sustainability quality of the asset pool	<p>The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Bond will (re-)finance eligible asset categories which include: green buildings.</p> <p>Those use of proceeds categories have a positive contribution to SDG 11 'Sustainable cities and communities'. The environmental and social risks associated with this use of proceeds category have been well managed.</p>	Positive

¹ ISS ESG's evaluation is based on the NORD/LB's Green Bond Framework (June 2021 version), on the analysed asset pool as received on 04.08.2021, and on the ISS ESG Corporate Rating published on 04.12.2020.

² It is noted that the issuer does not clearly disclose the duration of the reporting period in the Green Bond Framework.

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND LINK TO NORD/LB'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF NORD/LB'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
NORD/LB	PUBLIC & REGIONAL BANKS	1	VERY HIGH

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Public & Regional Banks sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 12.08.2021 this Rating places NORD/LB 10th out of 276 companies rated by ISS ESG in the Public & Regional Banks sector.

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

Key Issue Performance



Sustainability Opportunities

Norddeutsche Landesbank Girozentrale (NORD/LB) offers a range of financial products and services to private and institutional clients, as well as to corporate clients with a special focus on the agricultural, energy, infrastructure, shipping³, aircraft, and real estate sectors. For financial companies, the main opportunities are the provision of financial services with social and environmental benefits as well as the provision of equal access to financial goods and services. The company provides a good range of products and services with an added social value, including promotional loans to social enterprises and community lending. The company provides green loan products to its clients and further excludes the financing of conventional coal power stations. In addition, NORD/LB enables private and institutional clients to make socially responsible investments,

³ Shipping activities are shrinking and constitute a part of NORD/LB's non-core portfolio.

by e.g. offering the Warburg Invest Global Challenges Index Fund that is based on a sustainability index. However, these activities do not constitute the main business of the company.

Sustainability Risks

Through offering financial products and services, Norddeutsche Landesbank Girozentrale (NORD/LB) not only faces environmental and social risks relating to lending and investment activities but also risks related to its customer and product responsibility. For the lending business, the company has undertaken steps towards an adequate risk management framework setting up several relevant guidelines for its financing activities. This includes specific guidelines for some focus areas such as shipping, aircraft and real estate, as well as for the financing of potentially controversial sectors (e.g. hydropower). NORD/LB also uses the Equator Principles addressing environmental and social issues in project finance activities. The company has taken actions to integrate sustainability aspects in other focus areas (e.g. financing of the agricultural sector), or in investment activities. A comprehensive approach for these areas seems yet to be missing. With regard to client-related risks, the company has adopted good measures in areas such as responsible marketing and responsible treatment of clients with debt repayment problems. In addition, business ethics risks appear to be managed comparably well through the implementation of comprehensive compliance guidelines supported by relevant compliance measures, such as anonymous and confidential reporting channels. Finally, NORD/LB has good measures in place to ensure the well-being of its employees in almost all relevant employment areas. There is no explicit policy on employment security and the company is in the process of carrying out large-scale redundancies. Nevertheless, the company has implemented measures to avoid compulsory redundancies to some extent and the majority of the company's staff works in Germany, where high legal standards related to the issue exist.

Governance opinion

Norddeutsche Landesbank Girozentrale (NORD/LB) is majority-owned by the State of Lower Saxony holding 55.15% of total share capital (as at June 30, 2021). Regarding its governance structure, the independence of the company's chairman, Mr. Reinhold Hilbers (as at June 30, 2020), is limited since, as the Minister of Finance of the State of Lower Saxony, he is a representative of a major shareholder. However, almost 80% of overall board members are independent (as at June 30, 2020) and the company has set up committees in charge of audit, nomination and remuneration of which the majority of members are independent. The company discloses its remuneration for executives, including long-term incentive components, which may incentivise sustainable value creation. Regarding the company's governance of sustainability, NORD/LB has reports that it has established a sustainability committee. However, no information is available on the committee's composition. Sustainability performance objectives are to some extent integrated into the variable remuneration of members of the executive management team. However, as the company does not provide detailed information in this regard, the impact of sustainability aspects on bonus payments could not be determined. Business ethics risks appear to be managed comparably well through the implementation of comprehensive compliance guidelines covering almost all relevant compliance aspects in detail. The company's code of conduct is supported by relevant compliance measures, such as anonymous and confidential reporting channels.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of NORD/LB's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along NORD/LB's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Financing of sustainable buildings certified to a less strict standard, financing of sustainable buildings certified to a strict standard	14 %	CONTRIBUTION	
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

The company is currently not facing any severe controversies.

B. CONSISTENCY OF GREEN BOND WITH NORD/LB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

NORD/LB considers climate change as one of the most important challenges of our time and highlights the important role of the financial sector in the transition to a lower-carbon economy. As a bank and institution under public law, the issuer states its intent to contribute to public efforts, so that the climate targets of the German government can be achieved.

Relatedly, in April 2020, NORD/LB signed the United Nations Principles for Responsible Banking with the aim of strategically integrating sustainability into its business model and making the impact of its business on the environment and society measurable on the basis of the Sustainable Development Goals, placing a particular focus on SDGs 7, 11 and 13.

Rationale for issuance

By issuing Green Bonds, NORD/LB aims to meet the increasing need of investors to invest financial resources in an ecologically sustainable manner.

In particular, the issuer considers financing of energy-efficient buildings as an essential aspect of commercial real estate financing. The bank claims to have set itself the goal of making the real estate industry ecologically sustainable. By granting green loans in this business segment, the necessary

sustainability aspects in NORD/LB's business activities are promoted on the asset-side, where a particular focus is placed on the following objectives:

- Improving the portfolio quality
- Completion of the sustainability concept
- Completing the green value chain

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Bond with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Public & Regional Banks sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Buildings	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing green bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES

1. Use of Proceeds

The funds raised by issuing green bonds are used exclusively to finance energy-efficient properties. The funds raised are used to finance green buildings in both new and existing business. The financing is used for the construction, project development, purchase or energy-efficient renovation of buildings. The detailed earmarking is governed by the final terms of the respective issue.

Opinion: ISS ESG considers the Use of Proceeds description provided by NORD/LB's Green Bond Framework as aligned with the Green Bond Principles. Further, the sustainability objectives of the issuance are in line with the sustainability strategy of the issuer.

2. Process for Project Evaluation and Selection

The energy efficiency of a property to be financed and thus its suitability as an asset for a green bond are checked in a multi-stage process. The resulting requirements for acquisition, loan processing, property valuation and treasury are procedural and thus binding for all employees. The green bond eligibility of a financing as well as the associated properties such as quantified energy efficiency are recorded and managed in specific IT systems of the bank. The criteria to be applied are defined by a Green Asset Commission, which is made up of members of NORD/LB's Sustainability Board. The Green Asset Commission defines the minimum green bond standards (GBM) and ensures in its regular meetings that these comply with the standards prescribed in the target markets. An asset is considered a green building if, at the time of financing, it complies with the GBMs valid at that time. The currently valid GBMs are as follows

1. Germany

Energy certificate with a maximum final energy demand or consumption (heat) in kWh/(m²*a) by main type of use:

- 60 kWh/(m²*a) for residential buildings
- 30 kWh/(m²*a) for warehouse/logistics building
- 70 kWh/(m²*a) for department stores, shopping centers
- 95 kWh/(m²*a) for commercial buildings (e.g. discounter or department stores)
- 95 kWh/(m²*a) for hotels up to 3 stars
- 105 kWh/(m²*a) for hotels with 4 and 5 stars
- 110 kWh/(m²*a) for production and storage building (heated)
- 110 kWh/(m²*a) for office buildings without air conditioning
- 135 kWh/(m²*a) for office buildings with air conditioning

2. Abroad

In the foreign markets, NORD/LB already follows the technical evaluation criteria of the EU taxonomy. For example, the main type of use of the residential and commercial properties must be in the top 15% of the national building stock in order to be identified as a green building and included in the green bond asset pool. The identification is based on the primary energy demand. This data, as well as the average primary energy demand or consumption and the country-specific CO₂ intensity for calculating the impact reporting, is provided by the Drees & Sommer engineering experts. Drees & Sommer will update this data at regular intervals, whereby the selection criteria of the Green Bond Framework will adapt to the current market standard.

Furthermore, a green building can be identified in all real estate target markets by the following building sustainability certificates:

- LEED certificate, at least gold
- BREEAM certificate, at least Very Good
- DGNB certificate, at least gold
- HQE certificate, at least Très bon

Should the use of renewable energies result in a reduction of primary energy demand and if it is below the final energy value, the primary energy demand or consumption (heat) is used for the evaluation.

It is possible to classify financed real estate as green buildings without the existence of an energy performance certificate or building sustainability certificate. This is conceivable in the following cases:

- Project developments in which the client aims to achieve an energy consumption or building sustainability certification status that is compatible with the current Green Bond minimum standards.
- Financed properties for which the energy consumption of a property with a high structural analogy can be proven, which was also financed by NORD/LB and is part of the Green Asset Pool. In this case, an opinion from an internal or external expert with the determination of an estimated energy consumption is required.

In principle, NORD/LB's real estate customers are asked to resubmit the energy certificate or building sustainability certificate before it is due. NORD/LB grants green buildings identified by expired energy certificates or building sustainability certificates a period of one year or three years until they are removed from the asset pool. In this way, NORD/LB provides its customers with sufficient flexibility when issuing new energy performance certificates and building sustainability certificates.

Another requirement for the use of green buildings is that the financed properties are let to main tenants from non-controversial business areas. A main tenant is one who generates at least 10% of the total rental income. If a main tenant from a controversial business sector becomes known, the property is removed from the portfolio of suitable green buildings.⁴

Opinion: ISS ESG considers the described Process for Project Evaluation and Selection provided by NORD/LB as complete, exhaustive and aligned with the GBPs. The process to determine that projects fit within the defined categories is well structured, responsibilities are clearly defined and various

⁴ ESG guidelines apply to the NORD/LB Group, which guide and regulate business activities with regard to ecological, environmental and social aspects. These ESG guidelines supplement existing guidelines and principles relating to strategy and governance.

stakeholders (that make up the Green Asset commission) are involved in the process. Moreover, NORD/LB excludes controversial business practices.

3. Management of Proceeds

The suitability of the green assets in the portfolio for the green bond liabilities is regularly reviewed. The labeling for this takes place in specific IT systems of NORD/LB. Unsuitable financing and the underlying assets are replaced by new financing or assets. Financing and the underlying assets are considered unsuitable if a letting to a main tenant from the business fields considered controversial becomes known. The same applies if a grace period has expired after an energy pass or a sustainability certificate has matured. NORD/LB sets itself the target that the green bond-eligible real estate portfolio should at least correspond to the volume of green bonds placed or to be placed. In the event that funds raised for the financing of energy-efficient real estate from green bonds cannot be used directly in accordance with this framework, these funds are temporarily disposed of within the normal liquidity management with the clear aim of reallocating them to the green asset pool as quickly as possible.

Opinion: ISS ESG finds that the Management of Proceeds description provided by NORD/LB's Green Bond Framework is aligned with the Green Bond Principles. NORD/LB has disclosed the intended types of temporary investment instruments for unallocated proceeds. Moreover, it has described the ESG management process in case the assets are not in line with the eligibility criteria anymore.

4. Reporting

NORD/LB publishes a Green Bond Reporting on its website (www.nordlb.de) at least on an annual basis. This contains the following information:

- Current volume of green building stock
- CO2 savings of all green buildings compared to the relevant average as well as the calculation logic
- Characterisation of green buildings according to e.g. property certificates, location, sustainable aspects, etc.

NORD/LB publishes this data on an aggregated basis. In doing so, it also meets the requirements of customers and the data protection law. In addition, NORD/LB regularly publishes the outstanding green bonds and their volume on its website (www.nordlb.de).

Opinion: ISS ESG finds that the reporting proposed by NORD/LB is aligned with the Green Bond Principles and that reporting indicators are already well defined. However, the issuer does not provide clear indication concerning the duration of the reporting.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bond Asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the NORD/LB's Green Bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 1 for methodology):



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

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings with certificates⁵	Significant contribution	
Green Buildings	Limited contribution	

⁵ 90 out of 631 building projects, accounting for 14% of the asset pool, achieved good scores in green building certificates, i.e. minimum BREEAM "Very Good", LEED "Gold", DGNB "Gold", or HQE "Performant".

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ASSET POOL

Green buildings

As a Use of Proceeds category, green buildings have a positive contribution to the SDG 11 “Sustainable cities and communities”. The table below presents the findings of an ISS ESG assessment of the Asset pool against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Energy efficiency prerequisites for Green Buildings

- ✓ 100% of assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency. More than 50% received an EPC label A.

Site selection

- No or limited information is available concerning policies on responsible site selection (e.g. brownfield development, exclusion of protected areas and sites of high environmental value).
- No or limited information is available with concerning whether the assets are within 1 km from one or more modalities of public transport.

Construction standards

- ✓ 100% of assets are located in the EU and UK where high social standards for construction are in place (e.g. ILO core conventions).
- No or only limited information is available regarding whether the assets provide for sustainable procurement regarding building materials (e.g. recycled materials, third-party certification of wood-based materials).

Safety of building users

- ✓ All assets provide for measures to ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems) as provided by national legislation.

Water use minimization for Green Buildings

- ✓ 100% of assets provide for measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings) as provided by national legislation.

Sustainability labels for Green Buildings

- Less than 50% of the asset pool achieved good scores in green building certificates, i.e. minimum BREEAM “Very Good”, LEED “Gold”, DGNB “Gold”, or HQE “Performant”. However, some assets are in the process of getting a label.

DISCLAIMER

1. Validity of the SPO: As long as the Green Bond Framework of the issuer remains unchanged.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green 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 NORD/LB's Green Bond.

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.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green 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 to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by NORD/LB (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, ISS ESG identifies the extent to which NORD/LB's Green Bond contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Methodology - Overview

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

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

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

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

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

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

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

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

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

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

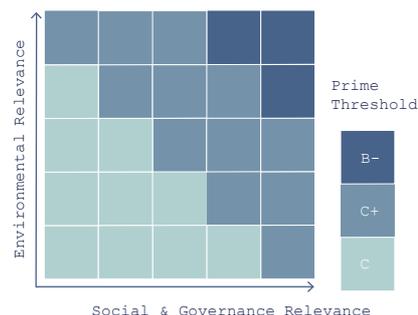
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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

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

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

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



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

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

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

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

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

A+: the company shows excellent performance.

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

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

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

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

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

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

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

ANNEX 3: Quality management processes

SCOPE

NORD/LB commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Asset Pool aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- ISS ESG KPI set: Green Buildings

ISSUER'S RESPONSIBILITY

NORD/LB's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- 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.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond to be issued by NORD/LB based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with NORD/LB took place in July/August 2021.

ISS ESG'S BUSINESS PRACTICES

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

About ISS ESG SPO

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

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

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

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

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