

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Social Bond Pool

Deutsche Kreditbank AG
25 March 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Social Bond
Relevant standards	<ul style="list-style-type: none">• Social Bond Principles (June 2021) administered by the International Capital Markets Association (ICMA)• Social Bond Principles (April 2018) administered by the International Capital Markets Association (ICMA)
Scope of verification	<ul style="list-style-type: none">• DKB Social Bond Framework (as of 01.09.2018)• DKB Social Bond Pool (as of 30.12.2021)
Lifecycle	<ul style="list-style-type: none">• Re-verification
Validity	<ul style="list-style-type: none">• As long as there is no material change to the Framework and the underlying asset portfolio composition

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SCOPE OF WORK

Deutsche Kreditbank AG (“the Issuer” or “DKB”) commissioned ISS ESG to assist with its Social Bond by re-verifying three core elements to determine the sustainability quality of the bond programme:

1. Social Bond link to DKB’s sustainability strategy – drawing on DKB’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. DKB’s Social Bond Framework (01.09.2018 version) – benchmarked against the 2021 and 2018 ICMA’s Social Bond Principles (SBP).
3. The Social Bond 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).

DKB BUSINESS OVERVIEW

DKB is a specialized customer bank whose business focuses on Germany. Its business strategy is based on two pillars:

- As an online bank with around 4.8 million retail clients (as of 30.06.2021)
- As a commercial bank, providing local authorities and companies in selected industries with tailor-made financing solutions from their 26 branches

DKB industry expertise is distributed as follows:

- Housing industry
- Renewable Energies
- Tourism
- Agriculture and Food
- Education
- Healthcare industry
- Municipalities
- Energy and utilities

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Social Bond link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 12.02.2022, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Public and Regional Banks industry. The issuer ranks 2nd out of 270 companies within its sector.</p> <p>The Use of Proceeds financed through this Social Bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing a Social Bond is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with SBP</p>	<p>The issuer has defined a formal concept for its Social Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the 2021 ICMA's Social Bond Principles for the sections on use of proceeds, management of proceeds, and reporting. The section on processes for project evaluation and selection is in line with the 2018 ICMA's Social Bond Principles².</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the Social Bond Pool</p>	<p>The overall sustainability quality of the Social Bond Pool in terms of sustainability contributions, risk avoidance and minimization is good based upon the ISS ESG assessment. The Social Bond will (re-)finance eligible asset categories which include: social housing, public supply, education & research, inclusion, health care.</p> <p>Those use of proceeds categories have a significant contribution to SDGs 1 'No poverty', 3 'Ensuring health', 4 'Quality education', 6 'Clean water and sanitation', 10 'Reduced inequalities', and 11 'Sustainable cities and communities'. They also have a limited contribution to SDGs 5 'Gender equality', 10 'Reduced inequalities', and 16 'Peace, justice, and strong institutions'. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p>Positive</p>

¹ ISS ESG's evaluation is based on the DKB's Social Bond Framework (September 2018 version), on the analysed Asset Pool as received on the 08.02.2022, and on the ISS ESG Corporate Rating updated on the 12.02.2022 and applicable at the SPO delivery date.

² The 2021 update of the ICMA's Social Bond Principles requires that issuers "clearly communicate complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant Projects" As this information was not included in the Framework which was published in 2018, the framework can only be confirmed with regards to the 2018 ICMA's Social Bond Principles where this requirement was not included in such a form.

ISS ESG SPO ASSESSMENT

PART I: SOCIAL BOND LINK TO DKB'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF DKB'S ESG PERFORMANCE

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

COMPANY	INDUSTRY	DECILE RANK	TRANSPARENCY LEVEL
DEUTSCHE KREDITBANK AG	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 industry as it obtains a Decile Rank relative to its industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 22.02.2022, this rating places DKB 2nd out of 270 companies rated by ISS ESG in the Public & Regional Banks industry.

Key challenges faced by companies in this industry in terms of sustainability management 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

Deutsche Kreditbank offers financial services and products to retail clients as well as specialised sector solutions to corporate and public sector clients. The latter includes a range of financial programmes with a sustainable benefit, such as for the health and education sector, for public infrastructure with an environmental or social value, or for the social sector. DKB further supports the development of renewable energy projects. It is estimated that such solutions represent more than 40% of the portfolio (in 2019), which represents an above-average volume compared to the industry. In addition, the company offers relevant socially responsible investment products and theme funds (e.g., "DKB Nachhaltigkeitsfonds Europa", "DKB Nachhaltigkeitsfonds Klimaschutz"), applying a comprehensive exclusion screening.

Sustainability Risks

As a financial company, Deutsche Kreditbank faces as main sustainability challenge the systematic integration of environmental and social aspects in its core business areas. The company offers primarily financial solutions to a number of selected sectors in Germany. Therefore, risks are somewhat limited compared to financial companies exposed to risks due to e.g., significant project finance activities in high-risk countries. DKB adequately manages its credit risks as it integrates social and environmental criteria in its lending decisions. This includes the exclusion of controversial sector specific practices and the application of relevant social and environmental guidelines such as the standards of the World Bank Group, although, these standards do not apply to the entire loan portfolio. The company further applies sustainability criteria to its own investment portfolio. In addition, DKB has taken good steps to ensure responsible client treatment in areas such as marketing and tax compliance. As concerns its own operations, the company has good strategies in place to manage employee-related issues in all relevant areas. Employees also benefit from high legal employment standards in Germany such as standards on employment security. Finally, DKB has a group-wide code of conduct addressing almost all relevant compliance topics. Corresponding compliance procedures are implemented.









Governance opinion

Deutsche Kreditbank is a wholly-owned subsidiary of Bayerische Landesbank (as at December 2020). Although separate persons hold the positions of CEO and chair of the supervisory board, the independence of the chair is limited, as he is also representative of the parent company. In addition, whilst at least some members of the supervisory board and the audit committee are considered independent, this does not hold for the composition of the nomination and remuneration committee (as at December 31, 2019). Furthermore, the company discloses its remuneration policy for executives, including long-term incentive components.

Regarding the company's governance of sustainability, there is no evidence of an independent board sustainability committee. In terms of remuneration, it remains unclear whether ESG targets are also included in the executive remuneration scheme. The company has a group-wide code of conduct addressing almost all relevant compliance topics including corruption. Corresponding compliance procedures are implemented including compliance training, compliance audits and risk assessments, as well as compliance reporting lines.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of DKB’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 DKB’s production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Financing of social housing, provision of basic services to private clients, basic banking account, affordable housing and public transportation	34%	CONTRIBUTION	  
Renewable energies financing	12%	CONTRIBUTION	 
Financing of healthcare infrastructure and provision	4%	CONTRIBUTION	
Financing of water and wastewater treatment services	1%	CONTRIBUTION	
Financing of education infrastructure	1%	CONTRIBUTION	

Breaches of international norms and ESG controversies

The company is not facing any controversy.

B. CONSISTENCY OF SOCIAL BOND WITH DKB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

DKB has been focusing on the financing of selected and forward-looking industries such as renewable energies and social infrastructure since 1990. In order to implement sustainability as a central component of its overarching corporate strategy, DKB pursue a more in-depth sustainability strategy entitled "Our Agenda 2030 - we make sustainability blue".

With this concept of "blue sustainability", DKB wants to bring sustainability out of its niche, see the topic as an economic opportunity and want to contribute to the sustainable transformation of the economy and society. In this context, "Blue" means:

- to combine sustainability with core business and to view the topic holistically (economically, ecologically, and socially)
- to focus on DKB's impact and the sustainable transformation of business and society
- to bring sustainability into the mainstream

Rationale for issuance

By issuing Social Bonds, DKB identifies the opportunity to bring transparency to the business model, benefitting its investors that will get a deeper insight to DKB's customer groups and business areas, easing the assessment of its' economic, ecological and social competence.

The purposes of the loans address both aspects of achieving the UN SDGs (United Nations' Sustainable Development Goals) as well as the project categories of the ICMA Social Bond Principles (SBPs), namely:

- Affordable housing
- Affordable basic infrastructure
- Access to essential services
- Socioeconomic advancement and empowerment

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Social 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 and 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
Social housing	✓	✓	Contribution to a material objective
Public supply	✓	✓	Contribution to a material objective
Health and care	✓	✓	Contribution to a material objective
Education and research	✓	✓	Contribution to a material objective
Inclusion	✓	✓	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 Social Bonds is clearly described by the issuer.*

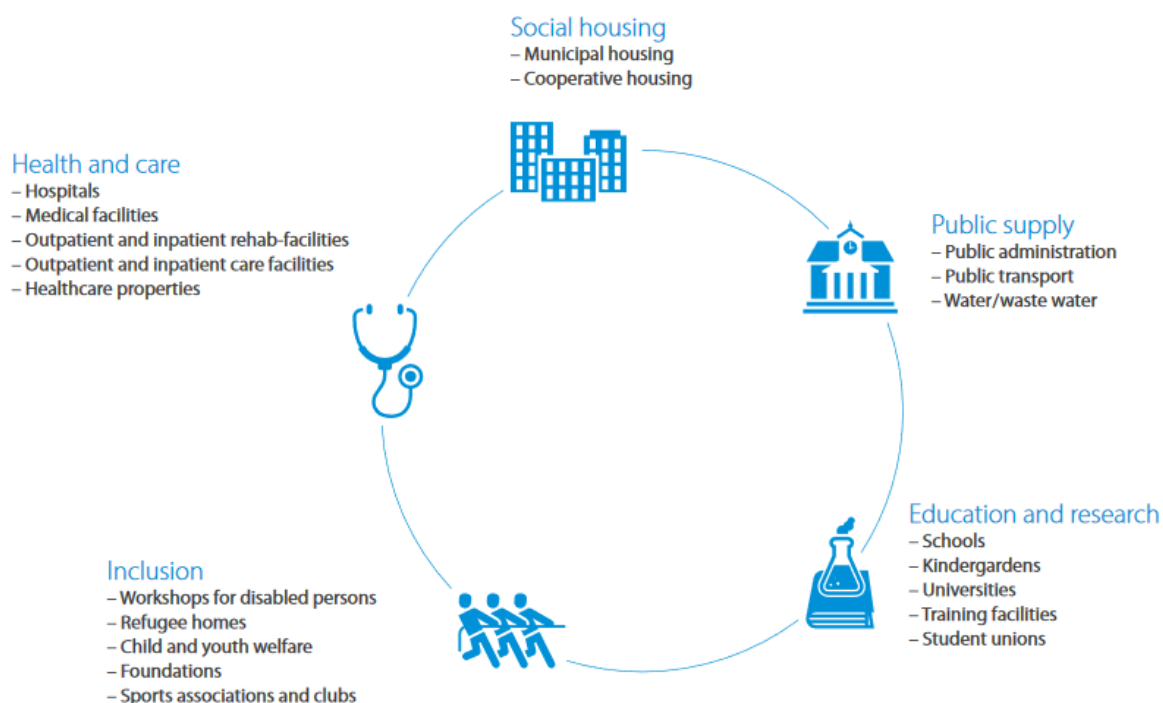
PART II: ALIGNMENT WITH ICMA'S SOCIAL BOND PRINCIPLES

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK

The funds that can be raised via social bonds are used to refinance loans with a social added value. The topics addressed by the DKB Framework are social housing, public supply and transport, health and care, education and research and inclusion.

Topics/categories and assigned client groups:



As part of the selection process, certain loans are assigned to the individual topics on the basis of quantitative and qualitative factors

The financing volume of assets across the five addressed topics within this Social Bond Programme are as follows:

ASSET CATEGORY	NUMBER OF ASSETS	VOLUME (EUR)	SHARE OF ASSET POOL
Social housing	180	1.472.194.458,55	43,68%
Public supply	566	1.549.503.437,72	45,97%
Health care	87	197.768.121,87	5,87%
Education and research	40	126.064.348,81	3,74%
Inclusion	15	25.035.864,11	0,74%
TOTAL	888	3.370.566.231,06	100%

From a sustainability point of view, social housing, public supply, health care, education and research, and inclusion are to be evaluated positively. They relate to the Social Bond Principles categories as indicated below:

DKB ASSET CATEGORY	SOCIAL BOND PRINCIPLES CATEGORY
Social housing	Affordable housing
Public supply	Affordable basic infrastructure / Access to essential services
Health care	Access to essential services
Education and research	Access to essential services
Inclusion	Socioeconomic advancement and empowerment

Opinion: ISS ESG considers the Use of Proceeds description provided by DKB’s Social Bond Framework as aligned with the 2021 ICMA’s Social Bond Principles. Many project categories are included, which overlap with the ones listed in the SBP.

2. Process for Project Evaluation and Selection

FROM ISSUER’S FRAMEWORK

The selection process for loans from client groups in the infrastructure division that can potentially be refinanced with the social bond is based on two steps.

1) Quantitative, financial criteria

These characteristics for selecting loans are independent from qualitative factors and apply equally to all loans.

- Exclusion of other refinancing sources: eg. Pass-through loans, global loans, other development/promotional bank refinancing, syndicated loans, etc
- Loan type ‘General loan’ (loans only granted by DKB itself)
- Minimum loan amount
- Minimum ratings (depending on categories)
- Minimum residual term of loans

2) Qualitative criteria

The qualitative selection process is carried out based on various aspects:

- Determination of topics/categories to which specific client groups are assigned from the individual client groups
 - Social housing
 - Public supply
 - Health and care
 - Education and research

Inclusion

- Selection of client type:
Definition of the type of client or the type of lending business stored in the core banking system, which provides precise information on the use of funds
- Additional criterion 'Economic sector':
In some categories, the assigned 'economic sector' is evaluated in addition to the client type. This provides additional information about the intended use of the loan

3) **BBSR indicator 'Growing and Shrinking Cities and Communities' in Germany:**

The Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) within the Federal Office for Building and Regional Planning (BBR) executes spatial observations on the location and living conditions in Germany and Europe

Among other aspects, an analysis of the shrinking and growing communities in Germany is published. In addition to population data, scientists use further socio-economic indicators for the analysis. These include the total migration balance, job creation and the development of the labor force, the unemployment rate and trade taxation.

The DKB uses this indicator as a characteristic to evaluate exposures in the customer group housing. In our opinion, this score can also serve as an indication whether regions in Germany are at risk of marginalization or not.

The DKB itself is committed to serve our customers in shrinking communities in terms of equal treatment, too. For this reason, it is shown in the social bond framework in which municipalities the loans of the social bond pool are located

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by DKB's Social Bond Framework as aligned with the 2018 ICMA's Social Bond Principles.³

3. Management of Proceeds

FROM ISSUER'S FRAMEWORK

At the time the Social Bond Framework was created, the volume of the underlying loan pool amounted to approximately EUR 1.5 billion⁴. A detailed schedule of the scope, number and characteristics of the loans can be found in ISS-oekom⁵'s SPO.

³ The 2021 update of the ICMA's Social Bond Principles requires that issuers "clearly communicate complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant Projects" As this information was not included in the Framework which was published in 2018, the framework can only be confirmed with regards to the 2018 ICMA's Social Bond Principles where this requirement was not included in such a form.

⁴ 3.4 billion as at 31.12.2021

⁵ ISS_oekom is now ISS ESG

DKB ensures that when a social bond is issued, funds are appropriately allocated in the full amount of the respective issue volume immediately after the transaction is executed. The allocated loans are given a specific marker in the bank's core system.

The social bond pool is reviewed at least once a year and compliance with the defined selection criteria is monitored in particular.

If loans no longer fulfil the defined criteria catalogue, they are removed from the social bond pool and replaced by other loans that meet the selection criteria. In all cases, DKB ensures that a social bond pool is maintained at all times, at least in the amount of the outstanding issue volumes of DKB's social bonds.

Opinion: ISS ESG finds that Management of Proceeds proposed by DKB's Social Bond Framework is well aligned with the 2021 ICMA's Social Bond Principles. The issuer discloses information regarding the allocation timeline and the internal process for tracking based on loans labeling.

4. Reporting

FROM ISSUER'S FRAMEWORK

Once a year, DKB will publish a report on the outstanding social bonds and related social aspects. This report will contain qualitative and quantitative data base, for example, on the proposals for the 'Harmonized Framework for Impact Reporting for Social Bonds' of the Social Bond Principles.

This implies portfolio-based statements on the categories, allocation information and certain KPIs for the individual sub-categories.

Possible data for allocation and impact assessment*:

Project Category		Target Population	Allocation information					Social Indicators		
SBP Category	Sub-category	SDG Addressed (as relevant)	Target Group (if applicable)	Signed amount	Share of Total Financing	Eligibility of Social Bond	Allocated amount	Portfolio lifetime or budgeted years	Indicator 1 (absolute or relative)	Indicator ...n (absolute or relative)
a/	b/	c/	d/	e/	f/	g/	h/	i/	j/	k/
name	name	name	name	currency	%	% of signed amount	currency	in years	number and unit of measure	number and unit of measure
Affordable basic infrastructure	Water / sewage									
	Public transport									
Access to essential services	Health and care									
	Education and research Public infrastructure (administration)									
Affordable housing	Social housing									
Socioeconomic advancement and empowerment	Inclusion									

*Source: Social Bond Principles

The report will also include the transition and presentation of the topic addressed in the social bond with regard to the SBP categories, the Sustainable Development Goals (SDGs) and the BBSR-indicator.

Opinion: *ISS ESG finds that the reporting proposed by DKB's Social Bond Framework is aligned with the 2021 ICMA's Social Bond Principles. The issuer is transparent on the level of impact reporting, on the information reported in the impact report, as well as on the reporting frequency, scope and duration of the impact reporting, in line with best market practice.*

External review

FROM ISSUER'S FRAMEWORK

DKB will commission an external provider to yearly verify the sustainable quality of the social bond pool and compliance with the selection criteria in the context of a third-party assurance

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE




A. CONTRIBUTION OF THE SOCIAL BOND TO THE UN SDGs













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

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

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Social 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
Affordable housing Municipal and cooperative housing for middle-income communities	Limited Contribution	
Social housing Municipal and cooperative housing targeted at underserved populations (e.g. homeless people, refugees, low-income communities)	Significant contribution	
Public Supply Water/wastewater treatment	Significant contribution	
Public Supply Public transportation	Limited Contribution	
Public Supply Public transportation	Limited contribution	
Public Supply Public authorities' buildings (e.g. parliament building, finance authority building)	Limited contribution	
Public Supply Police school	Limited contribution	
Public Supply Museums, cultural centers	Limited Contribution	

Public Supply Swimming pools, fire stations	Limited contribution	
Public Supply Generic administrative buildings	No Net Impact	
Education and Research Kindergartens	Significant contribution	
	Limited contribution	
Education and Research Primary/secondary schools	Significant contribution	
	Limited contribution	
Education and Research Universities, training facilities	Significant contribution	
Education and Research student unions	No Net Impact	
Inclusion Foundations offering vocational and social rehabilitation, provision of youth services and life support for people with disabilities	Limited contribution	 
Inclusion Sports associations and clubs	Limited contribution	
Inclusion refugee homes, child and youth welfare, workshops for disabled persons	Significant contribution	
Health Care Hospitals, medical facilities, outpatient and inpatient rehab or care facilities and healthcare properties	Significant contribution	
Health Care Nursing homes for senior/disabled people	Limited contribution	

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SOCIAL BOND POOL⁶

A. Social housing and housing cooperatives

As a Use of Proceeds category, social housing and housing cooperatives have a significant contribution to the SDG 10 “Reduced inequalities”.

The table below presents the findings of an ISS ESG assessment of the assets⁷ (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

New assets were added to the category Social Housing and Housing Cooperatives, with the entire dataset being updated before and after 31.12.2021.

ASSESSMENT AGAINST ISS KPI

A.1. Standards for social housing and housing cooperatives

- ✓ 64% of the loans were given to cooperatives (115 out of 180), which are democratically organized and allow for participation (according to national legislation) in decision making for the assets they hold.
- ✓ For 33 Berlin municipal housing company loans and six loans to Berlin cooperatives, existing rents in 2020 are slightly lower than the local average rent level according to Berliner Mietspiegel 2021 and Wohnraumversorgung Berlin AöR. For the remaining 147 loans, no information on rent level compared to the local average is available.
- ✓ For 115 loans or 62% out of a total of 180 loans, the financed assets provide lifelong right of residence for their tenants.

A.2. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (national legislation).

A.3. Site selection

- ✓ 100% of assets have ecological considerations in place during site selection (national legislation). Moreover, the majority of assets is located in metropolitan areas.
- ✓ More than 60% of all loans were given to assets that are located in metropolitan areas. A sample test of the expanded asset pool showed that the new assets are all likely to be located within 1km distance of public transport. Furthermore, Center Nahverkehr Berlin states that over 96% of Berliners find a regularly operated public transport stop within 400m (in densely built-up areas) or 500m (in less densely built-up areas) of their home.

A.4. Construction standards

⁶ No assets have been added to the Social Infrastructure, Health Care, Educations and Research, and Inclusion categories. Since the last Impact & Allocation reporting some the loans have matured, as can be expected from a loan pool. Hence, DKB has added new loans under the category of “Social Housing and housing cooperatives” exclusively.

⁷ 115 assets are from cooperatives, 28 assets are from Berlin municipal housing companies, 37 assets are from other German housing companies.

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place for construction work conducted by own employees and contractors (e.g. ILO core conventions).

- For 33 loans to Berlin municipal housing companies (accounting for 60% of the loan volume of the project category), the state of Berlin is as the owner required to follow sustainable public procurement measures in regard to building contracts, such as energy efficiency. For the remaining loans no information is available on sustainable procurement measures regarding building materials (e.g. recycled materials, third-party certification of wood based materials).

A.5. Water use minimisation in buildings

- For 33 Berlin municipal housing company loans, and six additional loans to Berlin cooperatives (accounting for more than 60% of the loan volume of the project category), a requirement to install cold water meters exist if these don't cause disproportionate efforts. For many remaining assets, no information is available on measures to reduce water consumption (e.g. high-efficiency fixtures and fittings, rainwater harvesting).

A.6. Energy efficiency

- ✓ 100% of the assets must follow the requirements of the Building Energy Act (GEG). GEG implements European requirements regarding total energy performance of buildings and nearly zero-energy building legislation in Germany.

Controversy screening

A controversy assessment on the underlying assets revealed no controversial activities.

B. Public supply - Water/wastewater treatment

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

B.1. Site selection

- ✓ 100% of assets have basic measures in place for responsible site selection (national legislation).
- ✓ 100% of assets are not located in key biodiversity areas (Natura 2000).
- ✓ 100% of assets are required to conduct an environmental impact assessment at the planning stage.

B.2. Community dialogue

- ✓ For all assets, basic community dialogue measures in place.

B.3. Working conditions during construction and operation

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place for construction and maintenance work (e.g. ILO core conventions).

B.4. Environmental aspects of construction and operation

- ✓ For all assets, measures are in place to reduce the environmental impacts of sewage sludge disposal (national and regional legislation).
- ✓ 100% of assets are required to meet high standards regarding the quality of treated water (national and regional legislation).
- For all assets, no information is available on measures to prevent leakage of sewerage systems (e.g. monitoring systems, adequate maintenance and repair).

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

C. Public supply - Public transportation

As a Use of Proceeds category, public transportation has a limited contribution to the SDG 11 “Sustainable cities and communities”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

C.1. Social aspects of trains/buses

- ✓ For all assets, measures to ensure safety for both passengers and operators as well as quality assurance are in place (national and EU legislation).
- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).
- ✓ 100% of assets must observe requirements regarding accessibility and explain any exceptions to the requirements (national legislation).
- For all assets, no information is available for asset specific measures to ensure accessibility.

C.2. Productions standards

- For 1 asset, information on a comprehensive environmental management system at the manufacturing sites of trains/buses is available. For all other assets, no information is available.

- For all assets, no information is available on high labour and health and safety standards at the manufacturing sites of trains/buses.

A.2. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

3. Environmental aspects of vehicles

- For all assets, no information is available on comprehensive life-cycle-assessments of the buses, trains and trams.
- For all assets, no information is available on optimisation of energy efficiency during operation (e.g. through energy recovery systems for trains/ E-buses, hybrid and biofuel buses).

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

D. Public supply - Public administration

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

D.1. Standards for public administration

- ✓ 100% of assets are located in Germany, a country with a low-level of corruption and a stable and democratic political system.

D.2. Safety of and accessibility for building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).
- ✓ 100% of assets ensure accessibility (according to legislation).

D.3. Site selection

- ✓ More than 50% of the assets are located within a maximum of 250m from one or more modalities of public transport.

D.4. Construction standards

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place for construction and maintenance work (e.g. ILO core conventions).
- For all assets, no information is available on sustainable procurement regarding building materials (e.g. recycled materials, third-party certification of wood-based materials).

D.5. Water use minimisation in buildings

- ✓ For all assets, no information is available on measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

D.6. Energy efficiency

- ✓ 100% of the assets must observe the requirements of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) in the version applicable at the time of credit application.

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

E. Medical/care facilities and nursing homes

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

E.1. Standards for care/medical facilities

- ✓ More than 50% of assets have a quality management system in place.
- The indicator on resident-centred environment is not applicable to over 50% of assets. No information is available for the remaining assets.

E.2. Site selection (n/a for ambulatory care practices)

- ✓ More than 50% of assets are located within a maximum of 250m from one or more modalities of public transport.

E.3. Labour standards

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).

E.4. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

E.5. Waste reduction and disposal

- ✓ For all assets, measures are in place to correctly dispose of waste (according to national legislation).

E.6. Water use minimisation in buildings

- For all assets, no information is available on measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

E.7. Energy efficiency

- ✓ 100% of the assets must observe the requirements of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) in the version applicable at the time of credit application.

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

F. Education

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

F.1. Quality standards

- ✓ All assets are located in countries with strong education standards and supervising bodies.
- ✓ 100% of assets are required by law to have quality management systems in place.

F.2. Labour standards

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).

F.3. Access to education

- ✓ 100% of assets are located in countries with high social standards regarding non-discrimination.
- ✓ 100% of assets must observe the General Equal Treatment Act (Allgemeines Gleichstellungsgesetz / AGG) requiring non-discrimination in education.

F.4. Access to transportation

- ✓ More than 50% of assets are located within a maximum of 250m from one or more modalities of public transport.

F.5. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

F.6. Energy efficiency

- ✓ 100% of the assets must observe the requirements of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) in the version applicable at the time of credit application.

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

G. Inclusion

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

G.1. Policy of facility

- ✓ For 12 out of 17 assets, information is available relating to their role in promoting inclusion. For the remaining 5 assets, no information is available.

G.2. Staff and volunteers

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).

G.3. Non-discriminatory and free/fairly priced and/or subsidised participation in programmes/initiatives

- ✓ For 9 out of 17 assets, information is available relating to non-discriminatory access to programmes and services. For 8 assets, no information is available.

G.4. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework and the underlying asset portfolio composition.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the asset pool is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG Social KPIs

The ISS ESG 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 DKB's Social 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.

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 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 to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by DKB (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 DKB's Social 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

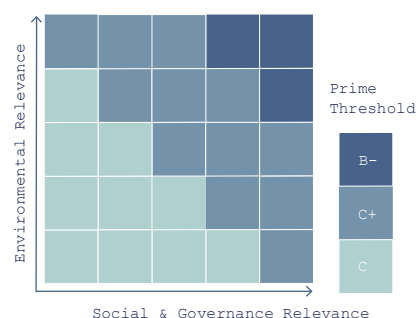
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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

DKB commissioned ISS ESG to compile a Social Bond SPO. The Second Party Opinion process includes verifying whether the Social Bond Framework aligns with the ICMA's Social Bond Principles and to assess the sustainability credentials of its Social Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA's Social Bond Principles
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

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

- Framework
- Asset pool
- 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 Social Bond to be issued by DKB based on ISS ESG methodology and in line with the ICMA's Green Bond Principles and LMA's Green Loan Principles.

The engagement with DKB took place from January to February 2022

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/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Social Bond SPO, please contact: SPOOperations@iss-esg.com

Project team

Project lead

Marta Farina
Associate
ESG Consultant

Project support

Elena Johansson
Associate
ESG Consultant

Project support

Fabio Silva
Associate
ESG Consultant

Project supervision

Viola Lutz
Executive Director
Head of ISS ESG Climate Services