

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Financing Framework

Bayerische Landesbank

5 May 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Sustainable Financing Instruments
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles (June 2021) as administered by ICMA• EU Taxonomy Climate Delegated Act (June 2021)
Scope of verification	<ul style="list-style-type: none">• Bayerische Landesbank's Sustainable Financing Framework (as of 27.04.2022)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as no material changes to the Framework are made

CONTENTS

Scope of work	3
ISS ESG ASSESSMENT SUMMARY.....	4
ISS ESG SPO ASSESSMENT.....	5
PART I: SUSTAINABLE FINANCING INSTRUMENTS' LINK TO BAYERN LB'S SUSTAINABILITY STRATEGY	5
A. ASSESSMENT OF BAYERN LB'S ESG PERFORMANCE.....	5
B. CONSISTENCY OF SUSTAINABLE FINANCING FRAMEWORK WITH BAYERN LB'S SUSTAINABILITY STRATEGY.....	8
PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP)	11
PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE	15
A. CONTRIBUTION OF THE SUSTAINABLE FINANCING FRAMEWORK TO THE UN SDGs.....	15
B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA FOR NOMINATED PROJECT CATEGORIES	16
PART IV: ALIGNMENT OF THE NOMINATED PROJECT CATEGORY WITH THE EU TAXONOMY	18
ANNEX 1: Methodology	25
ANNEX 2: ISS ESG Corporate Rating Methodology.....	26
ANNEX 3: Quality management processes	28
About ISS ESG SPO	29

Scope of work

Bayerische Landesbank (“the issuer”, or “BayernLB”, or “the company”) commissioned ISS ESG to assist with its Sustainable Financing Framework by assessing four core elements to determine the sustainability quality of the instrument:

1. Sustainable Financing Framework’s link to Bayern LB’s sustainability strategy – drawing on Bayern LB’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Bayern LB’s Sustainable Financing Framework (27.04.2022 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) (June 2021), and the EU Taxonomy Climate Delegated Act (June 2021).
3. The selection criteria – whether the nominated project categories contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs).
4. The alignment with the EU Taxonomy on a best-efforts basis¹ – whether the nominated project category is aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Social Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2021).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Sustainable Finance Instruments' link to issuer's sustainability strategy	<p>According to the ISS ESG Corporate Rating published on 13.12.2021, 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 is rated 8th out of 275 companies within its industry.</p> <p>ISS ESG finds that the Use of Proceeds financed through these Sustainable Finance Instruments are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Sustainable Finance Instruments is described by the issuer.</p>	Consistent with issuer's sustainability strategy
Part 2: Alignment with GBP	The issuer has defined a formal concept for its Sustainable Financing Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA Green Bond Principles (2021).	Aligned
Part 3: Sustainability quality of the selection criteria	<p>The Sustainable Finance Framework will (re-)finance eligible asset categories which include solar energy, wind energy, and rail transport.</p> <p>The use of proceeds categories have a significant contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action'.</p> <p>The overall sustainability quality of the selection criteria for the wind and solar energy categories in terms of sustainability benefits, risk avoidance and minimization are good based upon the ISS ESG assessment.</p>	Positive
Part 4: Alignment with EU Taxonomy	<p>For the rail transport category, ISS ESG assessed the alignment of Bayern LB's project characteristics, due diligence processes and policies against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis². Based on robust processes for selection, the nominated project categories are considered to be:</p> <ul style="list-style-type: none"> • Aligned with the Climate Change Mitigation Criteria • Aligned with the Do No Significant Harm Criteria • Aligned with the Minimum Social Safeguards requirements 	

¹ ISS ESG's evaluation is based on the BayernLB Sustainable Financing Framework (27.04.2022 version), on the analysed selection criteria as received in December 2021, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 13.12.2021).

² Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage ISS ESG evaluates the alignment with the EU Taxonomy on a "best efforts basis".

ISS ESG SPO ASSESSMENT

PART I: SUSTAINABLE FINANCING INSTRUMENTS' LINK TO BAYERN LB'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF BAYERN LB'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
BAYERN LB	Public & Regional Banks	1	VERY HIGH

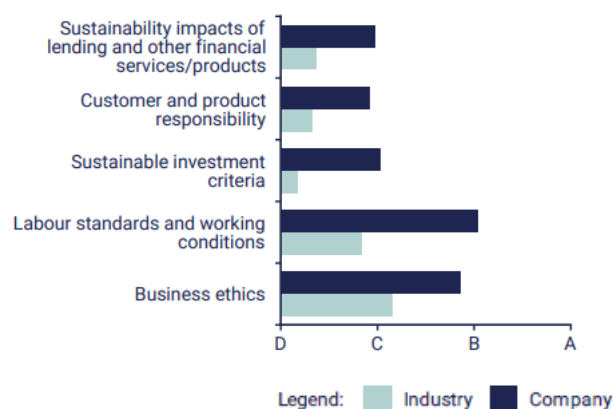
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Public and Regional Banks industry and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 17.12.2021, this Rating places Bayern LB 8th out of 275 companies rated by ISS ESG in the Public and Regional Banks industry.

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

Bayerische Landesbank (BayernLB) offers financial products and services to corporate and institutional clients, real estate clients, public sector clients, and private clients. The company and its subsidiaries provide a comparably wide range of financial programs with a sustainable benefit. This includes, amongst others, programmes for the health and education sector, for public infrastructure with an environmental or social value, for the social sector or for social housing purposes. From an environmental point of view, BayernLB is engaged in the financing of renewable energy projects and in the provision of green loans promoting energy-efficiency, amongst others. In addition, the company enables clients to invest in a socially responsible manner, by offering relevant investment products that apply a comprehensive exclusion screening. However, the aforementioned products and services do not constitute the main business of the company.

Sustainability Risks

For a financial company with significant activities in the area of international project finance and investment banking, it is crucial to properly address related risks. Bayerische Landesbank (BayernLB) excludes several controversial practices (e.g. controversial weapons) from its entire business operations. In its asset management business, the company additionally excludes investments in soft commodities and has requirements with regard to gold trading, which is comparably innovative for the industry. The company adequately manages its credit risks as it integrates social and environmental criteria in its lending decisions. This includes the exclusion of sector-specific practices such as mountain top removal, illegal logging or uranium mining. BayernLB also applies 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 has taken relatively good steps to ensure responsible treatment of clients in areas such as responsible marketing, tax compliance of clients, or responsible treatment of clients with payment difficulties. BayernLB further shows an above-average performance with regard to the management of employee-related risks.

Finally, business ethics risks are well managed through the implementation of a code of conduct supported by relevant compliance measures, such as adequate reporting channels and comprehensive compliance training.







Governance opinion

Bayerische Landesbank (BayernLB) is owned by the Free State of Bavaria (about 75% of share capital) and the Association of Bavarian Savings Banks (about 25% of share capital) (as at December 2021). To ensure effective supervision of management, the company has appointed an independent chair of the supervisory board. In addition, at least half of the members of the supervisory board as well as half of relevant board committees (audit, remuneration, nomination) can be considered independent (as at December 9, 2021). BayernLB discloses its remuneration policy for executives. The policy includes important elements for sustainable value creation such as long-term incentive components.

Regarding the company's governance of sustainability, there is no evidence of an independent board committee tasked with the supervision of sustainability issues. In terms of remuneration, it remains unclear whether ESG targets are also included in the executive remuneration scheme. Finally, business ethics risks appear to be comparably well managed through the implementation of a code of conduct covering almost all-important compliance aspects (including corruption). The code is supported by relevant compliance measures, such as adequate reporting channels, compliance risk assessments and audits, and comprehensive compliance training.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Bayern 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 Bayern LB's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Financing of healthcare infrastructure; financing of water and wastewater treatment services	1%	CONTRIBUTION	 
Financing of the provision of basic services to private clients, basic banking account, social housing, financing of basic services provided to vulnerable groups	13%	CONTRIBUTION	 
Renewable energies financing	4%	CONTRIBUTION	 
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

The company is not facing any controversy.

B. CONSISTENCY OF SUSTAINABLE FINANCING FRAMEWORK WITH BAYERN LB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

For more than 25 years, BayernLB has committed to environmental and climate protection, which is demonstrated through the company's support for national and international initiatives. The company is member of the UNEP Finance Initiative (since 1995) and the Climate Bond Initiative and has signed the Principles for Responsible Banking (PRB).

In 2021, BayernLB published a new sustainability strategy³, which revolves around the vision 'sustainable by conviction' and includes several objectives for:

- **Stakeholders:** BayernLB contributes to the Free State of Bavaria's sustainability and climate goals under their public mandate and to the savings banks' market requirements. Their objective is to maintain their current sustainability rating and to work closely with companies from the real economy and financial sector to promote and disclose transparency with regard to relevant sustainability criteria and key performance indicators. In cooperation with political decision makers, sector leaders, customers, NGOs and other stakeholders, BayernLB wants to promote the transition to a sustainable and low-emission economy and support changes in behaviour to achieve this.
- **Customer portfolio and investments:** BayernLB intends to significantly increase the share of ESG-compliant financing in their portfolio by 2023 compared to the figures for 2020 (bottom-up approach) by increasing the sustainable impact primarily in accordance with the EU Taxonomy and by developing adequate risk management with the goal of establishing a well-diversified and manageable ESG risk profile. The company also considers carbon emissions. When concluding financing and investments whose term extends past 2040, they must comply with the CO₂ emissions assigned in the German Climate Change Act (Klimaschutzgesetz - KSG). By striving to make their portfolio climate-neutral before 2050, the company wants to accord with the climate goals of the German government, of the EU and of the Free State of Bavaria.
- **Key performance indicators:** Sustainability-specific topics are relevant drivers of BayernLB's business strategy and are thus measured in terms of the risks and opportunities. In addition, the company creates transparency by means of suitable key performance and key risk indicators (KPIs and KRIs), e.g., environment-related requirements of the EU Taxonomy.

Moreover, the principles and guidelines for implementing BayernLB's sustainability strategy include concrete exclusion criteria for individual business projects as well as overarching principles such as compliance, human rights principles, climate protection and biodiversity.

Rationale for issuance

BayernLB's sustainability strategy is being implemented in the savings banks and financial institutions customer groups. The division is pushing the development and sale of sustainable financial products and services for the savings banks, financial institutions, and public-sector customer groups – both

³ https://www.bayernlb.com/internet/media/en/ir/downloads_1/verantwortung_1/Nachhaltigkeitsstrategie_Broschuere.pdf

within the Group and in collaboration with selected cooperation partners – and in this way supports customers with their own sustainable alignment or transformation.

With regards to portfolio development and restructuring, the company has continually held a high share of sustainable development programmes and loans. The public-sector subsidy programmes on renewable energy and energy-efficient construction in particular have boosted the share of sustainable development loans. Hence, with regard to investment, BayernLB will push sustainable product alternatives and initiate the development of new sustainable investment products.

By issuing specific sustainable debt instruments, BayernLB aims to contribute to environmental sustainability in alignment with the UN Sustainable Development Goals (SDGs). Specifically, the company focuses on supporting the following SDGs:

- Affordable and clean energy: by (re)financing renewable energy projects and promoting technological development.
- Sustainable cities and communities: by supporting the participation of cities and municipalities in planning and implementing renewable energies and clean transport solutions.
- Responsible consumption and production: by promoting measures to ecological compensation, renaturation, and emissions protection.
- Climate action: by supporting wind, solar and photovoltaic energy to avoid fossil fuels and the portion of carbon dioxides.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Sustainable Financing Framework 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 industry. 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
Photovoltaic and solar thermal plants	✓	✓	Contribution to a material objective
Wind farms (onshore and offshore)	✓	✓	Contribution to a material objective
Electrical locomotives and multiple unit trains for passenger transport	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through these Sustainable Financing Instruments are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Sustainable Financing Instruments is described by the issuer.*

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP)

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK

The proceeds collected by a sustainable debt instrument issued by BayernLB will be used to re/finance Eligible Sustainable Loans (ESL) included in BayernLB's Eligible Sustainable Loan Portfolio, as laid out below.

For the purposes of the Sustainable Financing Framework, the following ESL-categories have been identified:

1. *Renewable energy*: Re/Financing the acquisition, production, transmission, expansion and/or development of renewable energy projects as well as the manufacturing of necessary equipment and the connection to the electricity grid.
 - Photovoltaic and solar thermal plants
 - Wind farms (onshore and offshore)
2. *Mobility*: Re/Financing rail infrastructure and public mass transportation projects which reduce the necessity for personal vehicles and thus contribute to low-carbon mobility as well as low-carbon mobility infrastructure for alternative drives
 - Electrical locomotives and multiple unit trains for passenger transport

Green real estate might be added in the future, in particular re/financing of commercial buildings which will have a superior energy efficiency performance and meet nationally or internationally recognized standards. BayernLB will update this framework and describe the selection criteria as well as require a new SPO when real estate assets are to be added.

Opinion: ISS ESG considers the Use of Proceeds description for renewable energy and mobility provided by BayernLB's Sustainable Financing Framework as aligned with the ICMA Green Bond Principles (GBP). The issuer plans to use proceeds to both finance and refinance Eligible Sustainable Loans. The annual report will include more information on the share of new assets compared to the previous period.

2. Process for Project Evaluation and Selection

FROM ISSUER'S FRAMEWORK

BayernLB has established an end-to-end credit process with a dedicated ESG assessment under the supervision of the Group Sustainability Department. Here, both risks associated with potential environmental developments as well as the environmental impact are evaluated by the credit and risk officers. Goal of the impact assessment is to evaluate to what extent a project contributes to any of the UN SDGs and/or as the alignment with the EU Taxonomy.

All Eligible Sustainable Loans financed by sustainable debt instruments comply with the standard credit requirements, the sustainability strategy, and the risk management policies of BayernLB. BayernLB's credit department performs a pre-screening of local business units to identify potential Eligible Sustainable Loans and fully analyses the counterparty and asset – including the implied

environmental impact. In order to be qualified as an Eligible Sustainable Loan for the use of proceeds of a sustainable debt instrument, projects need further comply with the following selection criteria:

- Eligible Sustainable Loans as described in the Use of Proceeds section
- No double counting of expenditures for the use of proceeds in future sustainable debt instruments
- Internal minimum rating requirement
- Exclusion of loans re/financed by third parties

Renewable Energy

- No geothermal or hydro-energy projects

Mobility

- Zero emissions threshold, i.e., electric locomotives and train units only

BayernLB ensures that all Eligible Sustainable Loans comply with official national and international environmental and social standards, where applicable, on a best effort basis. BayernLB ensures that all its loans comply with internal environmental and social directives. The eligibility criteria and minimum requirements as well as ESG related matters are continuously developed. Selection criteria might become stricter due to evolving standards and requirements in the sustainable bond market but never be softened within this framework. BayernLB's environmental and social policies can be found online.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Bayern LB's Sustainable Financing Framework as aligned with the ICMA GBP. Transparency on responsibility for the process and the involvement of various departments within the company are considered to be best market practices.

3. Management of Proceeds

FROM ISSUER'S FRAMEWORK

BayernLB has established an "Eligible Sustainable Loan Portfolio" (ESLP) gathering all Eligible Sustainable Loans in order to manage its sustainable debt instrument proceeds in a portfolio approach. As such the ESLP is dynamic, i.e. maturing Eligible Sustainable Loans are removed and BayernLB will use its best efforts to replace these maturing Eligible Sustainable Loans by new Eligible Sustainable Loans to the extent required. The ESLP comprises all Eligible Sustainable Loans successfully assessed and selected in accordance with the eligibility criteria and evaluation and selection process described above. All Eligible Sustainable Loans included in the ESLP are part of BayernLB's Balance Sheet. BayernLB will strive to maintain a volume of ESLP at least equal to the volume of outstanding sustainable debt instruments at any time.

The proceeds from any BayernLB sustainable debt instrument issue (i) will be applied by BayernLB exclusively (except as indicated below) to finance or refinance, as the case may be, Eligible

Sustainable Loans and (ii) can be applied by BayernLB, at its free discretion, to finance or refinance any Eligible Sustainable Loan comprised in the ESLP.

Unallocated net proceeds from BayernLB's sustainable debt instrument issues will temporarily be used by BayernLB within the treasury of the group, in money market instruments, cash and/or cash equivalent instruments until new projects are added to the ESLP.

The maturity of any sustainable debt instrument issued by BayernLB does not necessarily match the maturities of the Eligible Sustainable Loans. However, in order to reduce mismatches between such maturities the volume-weighted average maturity of BayernLB's cumulated sustainable debt instruments issued may not exceed the average duration of the of the loan commitments for the Eligible Sustainable Loans Portfolio.

Opinion: ISS ESG finds that Management of Proceeds proposed by Bayern LB's Sustainable Financing Framework is aligned with the GBP. The issuer states that unallocated net proceeds will only be used as a temporary measure and an amount equal to net proceeds will be fully allocated to eligible green projects.

4. Reporting

FROM ISSUER'S FRAMEWORK

Information on the allocation of proceeds as well as the environmental impact of projects re/financed with a sustainable debt instrument will be provided separately and over the entire lifetime of the program if bonds are outstanding. The allocation and impact reporting will be made available for investors on BayernLB's Investor Relations homepage: https://www.bayernlb.com/internet/en/blb/resp/investor_relations_7/investor_information/green_bond/GreenBonds.jsp

Allocation Reporting

BayernLB plans to issue an informative reporting on an annual basis on the allocation of sustainable debt instrument net proceeds to the Eligible Sustainable Loan Portfolio as long as such instruments are outstanding. The internal tracking method of proceeds is implemented in a synthetic manner based on the volume of Eligible Sustainable Loans and outstanding sustainable debt instruments. The allocation report will provide:

- The notional amount and maturities of outstanding sustainable debt instruments issued by BayernLB
- The total amount of proceeds allocated to Eligible Sustainable Loans
- The number of Eligible Sustainable Loans
- The balance of unallocated proceeds
- The amount or the percentage of new financing and refinancing
- The technology and geographic distribution of assigned Eligible Sustainable Loans

Impact Reporting

BayernLB will inform investors annually (as long as sustainable debt instruments are outstanding) on the environmental impact of assigned Eligible Sustainable Loans re/financed through sustainable debt instrument issues. Where feasible, the report may provide the following information:

Renewable Energy:

- Renewable energy capacity (MW)
- Estimated annual energy production (MWh)
- Estimated avoidance of CO₂ emissions in tons

Mobility:

- Annual passenger km
- Estimated avoidance of CO₂ emissions in tons

The issued sustainable debt instruments can be increased (tapped). Regarding the management of the proceeds from the tap and the corresponding reporting the tap will be treated like a new issue. As a result, the reporting about the use of proceeds and the corresponding impact can differ regarding the originally issued sustainable debt instrument and the tap if both issues fall into different calendar years.

Opinion: ISS ESG finds that the reporting proposed by Bayern LB's Sustainable Financing Framework is aligned with the GBP. The issuer will report on the allocation of proceeds on an annual as long as the sustainable debt instruments are outstanding. The provision of a structured impact report is considered to be best market practice.

5. External review

FROM ISSUER'S FRAMEWORK

Over the lifetime of a sustainable debt instrument BayernLB will commission a second party opinion provider to confirm the compliance of BayernLB's Sustainable Financing Framework with the sustainable Green Bond Standard of the EU or other future regulation to assess the issued sustainable debt instruments' compliance.

BayernLB has mandated ISS ESG to review and assess its Sustainable Financing Framework and its alignment with the ICMA GBP. ISS ESG issues a Second Party Opinion including an assessment of BayernLB's strategy, policy and processes related to environmental sustainability. The Second Party Opinion as well as the Sustainable Financing Framework will be made available to investors on BayernLB's investor relations homepage.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE









A. CONTRIBUTION OF THE SUSTAINABLE FINANCING FRAMEWORK TO THE UN SDGs

Based on the assessment of the sustainability quality of the Sustainable Financing Framework selection criteria and using a proprietary methodology, ISS ESG assessed the contribution of the Bayern LB's Sustainable Finance Framework 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
------------------------------------	--------------------------------	--------------------------	---------------------------------	-------------------------------------

Each of the Sustainable Finance Framework 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
Solar power (Photovoltaic)	Significant contribution	 
Solar power (Solar thermal plants)	Significant contribution	 
Wind power (onshore and offshore)	Significant contribution	 
Rail transport (Electrical locomotives and multiple unit trains for passenger transport)	Limited Contribution	
Rail transport (Electrical locomotives and multiple unit trains for passenger transport)	Significant contribution ⁴	

⁴ This SDG assessment slightly differs from ISS ESG SDG Assessment Methodology due to the fact that the Issuer has based its selection criteria on the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2021).

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA FOR NOMINATED PROJECT CATEGORIES

Wind power (onshore and offshore)

As Use of Proceeds categories, wind power has a significant contribution to SDG 7 “Affordable and Clean Energy” and SDG 13 “Climate Action”. The table below presents the findings of an ISS ESG assessment of the selection criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Site selection and biodiversity



The issuer ensures that potential impact on biodiversity from the financing under this framework is mitigated and reduced. BayernLB has an environmental management system in place, which has been verified by the European EMAS regulation and since 2011 it has been certified in accordance with international standard ISO 14001.

Community dialogue



The issuer applies the IFC’s Performance Standards, hence covering client-related environmental risk and impact management aspects, including effective stakeholder engagement.

Environmental aspects of construction and operation



Under this Framework, the issuer is selecting projects located in countries where an Environmental Impact Assessment is conducted aligned with European Union standards, hence including measures to protect habitat and wildlife during operation of the power plant (e.g. measures to protect birds and bats).

Working conditions during construction and maintenance work



BayernLB applies the IFC’s Performance Standards and under this Framework, the issuer is selecting projects located in countries that provide for high labour and health and safety for construction and maintenance work as aligned with the international regulation, including the ILO Core Conventions and the European Union mandatory social standards.

Solar energy

As a Use of Proceeds category, solar panels have a significant contribution to SDG 7 “Affordable and Clean Energy” and SDG 13 “Climate Action”. Additionally, when considering the deeper ESG management, solar power can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the selection criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Site selection and biodiversity



The issuer ensures that potential impact on biodiversity from the financing under this framework is mitigated and reduced. BayernLB has an environmental management system in place, which has been verified by the European EMAS regulation and since 2011 it has been certified in accordance with international standard ISO 14001.

Environmental aspects of solar panels



The majority of assets are or will be located in EU countries that have transposed the WEEE Directive, hence providing for high environmental standards regarding takeback and recycling of solar modules at end-of-life stage. The issuer is committed to ensure that solar modules are certified and compliant with this directive and national law.

Working conditions during construction and maintenance work



BayernLB applies the IFC's Performance Standards and under this Framework, the issuer is selecting projects located in countries that provide for high labour and health and safety for construction and maintenance work as aligned with the international regulation, including the ILO Core Conventions and the European Union mandatory social standards.

PART IV: ALIGNMENT OF THE NOMINATED PROJECT CATEGORY WITH THE EU TAXONOMY

ISS ESG assessed the alignment of Bayern LB's project selection process and company policies for the nominated Use of Proceeds project categories, with the relevant Climate Change Mitigation, Do Not Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act⁵ (June 2021), based on information provided by Bayern LB. Where Bayern LB's projects and policies fully meet the Criteria requirements, a tick is shown in the table below, for the ISS ESG assessment against the Criteria requirements.

B.1 Passenger interurban rail transport (6.1)

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES ⁶	ALIGNMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>The activity complies with one of the following criteria:</p> <p>(a) the trains and passenger coaches have zero direct (tailpipe) CO₂ emissions;</p> <p>(b) the trains and passenger coaches have zero direct (tailpipe) CO₂ emission when operated on a track with necessary infrastructure and use a conventional engine where such infrastructure is not available (bimode).</p>	<p>BayernLB will (re)finance assets that comply with option (a), i.e., the manufacturing and operation of trains and passenger coaches which have zero direct (tailpipe) CO₂ emissions.</p> <p>Specifically, the eligible loans will finance/refinance electric train projects in Germany and Switzerland.</p>	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA		
<p>GENERIC CRITERIA FOR DNSH TO CLIMATE CHANGE ADAPTATION</p> <p>The physical climate risks that are material to the activity have been identified from those listed in the table in Section II (of the Delegated Act) by performing a robust climate risk and vulnerability</p>	<p>BayernLB has an internal climate stress-testing approach with different scenarios for various asset classes. Single portfolios are tested proportionally to the risk they are exposed to within the group-wide overall stress testing program. Specifically, the risk inventory covers physical risks (including extreme weather events, floods, etc.) and transition risks from a top-down perspective across the portfolios of BayernLB.</p> <p>Rail projects have lifespans of 30 to 35 years, depending on the type of trains. The issuer states that</p>	✓

⁵https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

⁶ This column is based on input provided by the issuer.

<p>assessment with the following steps:</p> <p>(a) screening of the activity to identify which physical climate risks from the list in Section II (of the Delegated Act) may affect the performance of the economic activity during its expected lifetime;</p> <p>(b) where the activity is assessed to be at risk from one or more of the physical climate risks listed in Section II of this Appendix, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity;</p> <p>(c) an assessment of adaptation solutions that can reduce the identified physical climate risk.</p> <p>The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:</p> <p>(a) for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale;</p> <p>(b) for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios⁷ consistent with the expected lifetime of the</p>	<p>internal portfolio stress tests for transitional climate risks include at least 10-to-30-year forward-looking climate projections. The scenarios taken into account are based on the recommendations of the Network for Greening the Financial System (NGFS) and Intergovernmental Panel on Climate Change.</p> <p>All rail projects are subject to European or Swiss law, standards and regulations regarding the construction, operation and maintenance of rolling stock, taking into account considerations regarding humans, flora and fauna, and health and safety of workers. In Germany, all rail projects are subject to the supervision of the Eisenbahnbundesamt (German Rail Agency) or the "Landeseisenbahnaufsicht". Pursuant to Section 4 (6) of the General Railway Act (AEG), the EBA is responsible, among other things, for environmental supervision, particularly with regard to the approval and monitoring of operating facilities of the federal railroads. The legal framework here is provided by the Federal Emission Control Act, the Federal Soil Protection Act, the Water Resources Act, the Plant Protection Act, and the ordinances based on these. The aim is to identify, describe, evaluate and, if necessary, compensate for environmental impacts of projects - such as the construction of rail projects - at an early stage.</p> <p>Within the ESG assessment, the issuer assesses different ESG risk categories as well as potential adaptation solutions. While the transparency on this procedure is limited because BayernLB is in the process of defining the details of the assessment, the issuer will take into consideration these requirements and DNSH criteria outlined on the left. BayernLB considers reporting on how the activities comply with these requirements in its annual reporting.</p>	
--	--	--

⁷ Future scenarios include Intergovernmental Panel on Climate Change representative concentration pathways RCP2.6, RCP4.5, RCP6.0 and RCP8.5.

activity, including, at least, 10 to 30 year climate projections scenarios for major investments.

The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports⁸, scientific peer-reviewed publications, and open source⁹ or paying models.

For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.

For new activities and existing activities using newly-built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has

⁸ Assessments Reports on Climate Change: Impacts, Adaptation and Vulnerability, published periodically by the Intergovernmental Panel on Climate Change (IPCC), the United Nations body for assessing the science related to climate change produces, <https://www.ipcc.ch/reports/>

⁹ Such as Copernicus services managed by the European Commission.

<p>implemented them before the start of operations. The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions¹⁰ or rely on blue or green infrastructure¹¹ to the extent possible.</p>		
<p>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>N/A</p>		<p>N/A</p>
<p>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Measures are in place to manage waste in accordance with the waste hierarchy, in particular during maintenance.</p>	<p>The assets in this category are located in Germany and Switzerland and comply with local circular economy regulations.</p> <p>Germany has implemented all EU Directives regarding waste management including the latest iteration (Regulation (EU) 2018/851).</p> <p>In Switzerland, waste management regulation is on par¹² with the relevant EU regulation. Specifically, the concept of a waste hierarchy is shared, and the Swiss waste and recycling management law (VVEA¹³) was</p>	<p>✓</p>

¹⁰ Nature-based solutions are defined as ‘solutions that are inspired and supported by nature, which are cost-effective, simultaneously provide environmental, social and economic benefits and help build resilience. Such solutions bring more, and more diverse, nature and natural features and processes into cities, landscapes and seascapes, through locally adapted, resource-efficient and systemic interventions’. Therefore, nature-based solutions benefit biodiversity and support the delivery of a range of ecosystem services. (version of [adoption date]: <https://ec.europa.eu/research/environment/index.cfm?pg=nbs>).

¹¹ See Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Green Infrastructure (GI) — Enhancing Europe’s Natural Capital (COM/2013/0249 final).

¹² According to research done for the Federal Office for the Environment: https://www.bafu.admin.ch/dam/bafu/de/dokumente/abfall/rechtsgutachten/rechtsvergleich-des-abfallrechts.pdf.download.pdf/Gutachten_2017_SH_final.pdf

¹³ More information: <https://www.bafu.admin.ch/bafu/de/home/themen/abfall/publikationen-studien/publikationen/vollzugshilfe-vea.html>

	<p>introduced to align with EU regulatory standards and further developments.</p> <p>Bayern LB commits to respect local regulation (including EU Directives, where applicable) that incorporate the principle of waste hierarchy.</p> <p>Moreover, the issuer confirms that the German and Swiss industrial companies included in the asset pool are generally ISO14001 certified¹⁴.</p>	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Engines for the propulsion of railway locomotives (RLL) and engines for the propulsion of railcars (RLR) comply with emission limits set out in Annex II to Regulation (EU) 2016/1628 of the European Parliament and of the Council ¹⁵ .	The issuer will only (re)finance trains that are fully electrically powered and do not carry any internal combustion engines. Hence, the trains will have zero gaseous and particulate pollutions relating to the propulsion of the train.	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
N/A		N/A

B.2 Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards as described in Article 18 of the Taxonomy Regulation¹⁶. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
Alignment with the OECD Guidelines for Multinational Enterprises and the UN	BayernLB follows a national and a variety of international standards with regards to its lending business ¹⁷ . Escalation processes are in place to	✓

¹⁴ More information: <https://www.umweltbundesamt.de/themen/wirtschaft-konsum/wirtschaft-umwelt/umwelt-energiemanagement/iso-14001-umweltmanagementsystemnorm#inhalte-der-iso-14001>, <https://www.iso.org/iso-14001-environmental-management.html>

¹⁵ Regulation (EU) 2016/1628 of the European Parliament and of the Council of 14 September 2016 on requirements relating to gaseous and particulate pollutant emission limits and type-approval for internal combustion engines for non-road mobile machinery, amending Regulations (EU) No 1024/2012 and (EU) No 167/2013, and amending and repealing Directive 97/68/EC (OJ L 252, 16.9.2016, p. 53).

¹⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

¹⁷ For more information, see: https://www.bayernlb.de/internet/de/blb/resp/verantwortung/unternehmensfuehrung/mitgliedschaften_verpflichtungen/mitgliedschaften_und_verpflichtungen.jsp, https://www.bayernlb.de/internet/media/ir/downloads_1/verantwortung_1/nachhaltigkeitsbericht/20201216_BayernLB_GRI-Bilanz.pdf, <https://www.bmw.de/Redaktion/EN/Textsammlungen/Foreign-Trade/national-contact-point-ncp.html>

Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

mitigate any breaches of any national, international or supranational law as well as relevant environmental, ethical and social standards such as the UN Global Compact. Depending on the severity of the breach, various escalation stages can be activated including board involvement.

The projects are located in Germany and Switzerland. As such, they are subject to the comprehensive European, national and industry related regulations for working and social conditions.

Germany and Switzerland are OECD countries and therefore companies in those countries are expected to follow them. As with other OECD countries, there are National Contact Points (NCP) which are responsible for ensuring that companies follow them, even if the companies do not make explicit references to the Guidelines in their policies or other internal documents.

Germany and Switzerland have both adopted a National Action Plan to implement the UN Guiding Principles on Business and Human Rights. While BayernLB's Code of Conduct or other policies do not directly refer to the UN Guiding Principles. Still, the bank follows the UN Global Compact¹⁸.

While BayernLB does not explicitly reference the ILO Declarations, the eight fundamental Conventions of the ILO have been ratified in Germany and Switzerland.

¹⁸

https://www.bayernlb.de/internet/de/blb/resp/verantwortung/unternehmensfuehrung/mitgliedschaften_verpflichtungen/mitgliedschaften_und_verpflichtungen.jsp

DISCLAIMER

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

The issuer that is the subject of this report may have purchased self-assessment tools and publications from ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of ISS, or ICS may have provided advisory or analytical services to the issuer. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any issuer's use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

Deutsche Börse AG ("DB") owns an approximate 80% stake in ISS HoldCo Inc., the holding company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital ("Genstar") and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies are available at <https://www.issgovernance.com/compliance/due-diligence-materials>.

© 2022 | Institutional Shareholder Services and/or its affiliates

ANNEX 1: Methodology

EU Taxonomy

ISS ESG evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Sustainable Financing Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021).

The evaluation shows to understand if Bayern LB's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

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

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 Bayern 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 Bayern LB's Sustainable Financing Framework contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

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

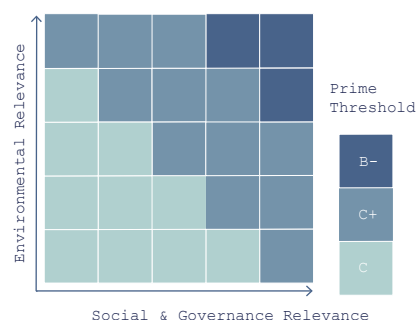
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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

Bayern LB commissioned ISS ESG to compile a Sustainable Financing Framework SPO. The Second Party Opinion process includes verifying whether the Sustainable Financing Framework aligns with the Green Bond Principles (2021) as administered by ICMA, whether the selection criteria included in the Green Bond Framework align with the EU Taxonomy Climate Delegated Act (June 2021) and to assess the sustainability credentials of its Sustainable Financing Framework, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (June 2021)
- EU Taxonomy Climate Delegated Act (June 2021)

ISSUER'S RESPONSIBILITY

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

- Framework
- Selection criteria

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 Sustainable Finance Framework to be issued by Bayern LB based on ISS ESG methodology and in line with the ICMA Green Bond Principles (2021) as administered by ICMA, EU Taxonomy Climate Delegated Act (June 2021).

The engagement with Bayern LB took place from November 2021 to May 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 Sustainable Financing Instruments SPO, please contact: SPOOperations@iss-esg.com

Project team

Project lead

Leontine Schijf
Associate
ESG Consultant

Project support

João Ferreira
Associate
ESG Consultant

Project supervision

Viola Lutz
Associate Director
Head of ISS ESG Climate Solutions