

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Financing Framework

Bayerische Landesbank
30 September 2022

VERIFICATION PARAMETERS

| | |
|-------------------------------------|--|
| Type(s) of instruments contemplated | <ul style="list-style-type: none">• Sustainable debt instruments (including unsecured and bearer covered or registered notes or “Schuldschein” loan notes, Green Pfandbrief, capital market bonds and commercial paper) |
| Relevant standards | <ul style="list-style-type: none">• Green Bond Principles, updated June 2021 (with June 2022 appendix 1), as administered by International Capital Market Association (ICMA)• EU Taxonomy Climate Delegated Act (June 2021) |
| Scope of verification | <ul style="list-style-type: none">• BayernLB Sustainable Financing Framework (as of 27.09.2022)• BayernLB Sustainable Loan Portfolio (as of 27.09.2022) |
| Lifecycle | <ul style="list-style-type: none">• Pre-issuance verification• 1st update of SPO dated 05.05.2022 (weblink) |
| Validity | <ul style="list-style-type: none">• As long as there is no material change to the framework |

CONTENTS

| | |
|--|----|
| SCOPE OF WORK | 3 |
| BAYERNLB BUSINESS OVERVIEW | 3 |
| ASSESSMENT SUMMARY | 4 |
| SPO ASSESSMENT..... | 5 |
| PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES | 5 |
| PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE | 10 |
| A. CONTRIBUTION OF THE SUSTAINABLE DEBT INSTRUMENT TO THE UN SDGs..... | 10 |
| B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA FOR NOMINATED PROJECT CATEGORIES | 12 |
| PART III: ALIGNMENT OF THE NOMINATED PROJECT CATEGORY WITH THE EU TAXONOMY | 15 |
| PART IV: SUSTAINABLE DEBT INSTRUMENTS LINK TO BAYERNLB'S SUSTAINABILITY STRATEGY..... | 21 |
| A. BAYERNLB'S BUSINESS EXPOSURE TO ESG RISKS | 21 |
| B. CONSISTENCY OF SUSTAINABLE DEBT INSTRUMENTS WITH BAYERNLB'S SUSTAINABILITY STRATEGY..... | 22 |
| ANNEX 1: Methodology | 26 |
| ANNEX 2: ISS ESG Corporate Rating Methodology | 27 |
| ANNEX 3: Quality management processes | 27 |
| About this SPO | 28 |

SCOPE OF WORK

Bayerische Landesbank (“the issuer” or “BayernLB”) commissioned ISS Corporate Solutions (ICS) to assist with its sustainable debt instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. BayernLB’s Sustainable Financing Framework (27.09.2022 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and the EU Taxonomy Climate Delegated Act (June 2021).
2. The selection criteria – whether the categories contribute positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (see annex 1).
3. Sustainable debt instruments’ link to BayernLB’s sustainability strategy – drawing on BayernLB’s overall sustainability profile and issuance-specific Use of Proceeds categories.

Note: The original SPO assessment of BayernLB’s Sustainable Financing Framework was completed in May 2022.¹ In September 2022, the SPO was updated only with the category Real Estate, while the remaining document reflects the previous assessment.

BAYERNLB BUSINESS OVERVIEW

Bayerische Landesbank engages in the provision of commercial banking and financial services. It offers products in the areas of export and trade finance, documentary business, interest and currency management, derivatives, payment services, and leasing for middle-market companies. The company was founded on June 27 1972 and is headquartered in Munich, Germany.

¹ ICS, May 2022, Second Party Opinion, BayernLB, <https://www.isscorporatesolutions.com/file/documents/spo/spo-20220505-bayerische-landesbank.pdf>

ASSESSMENT SUMMARY

| SPO SECTION | SUMMARY | EVALUATION ² |
|---|--|-------------------------|
| Part 1: 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. | Aligned |
| Part 2: Sustainability quality of selection criteria | <p>The sustainable debt instruments will (re-)finance eligible asset categories which include renewable energy, mobility, and real estate.</p> <p>BayernLB's Use of Proceeds' categories have a significant contribution to SDGs 7 'Affordable and clean energy', SDG 11 'Sustainable cities and communities' and 13 'Climate action'.</p> <p>The environmental and social risks associated with those Use of Proceeds' categories are well managed.</p> | Positive |
| Part 3: Alignment with EU Taxonomy | <p>For the rail transport category, the alignment of BayernLB's project characteristics, due diligence processes and policies were assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis.³ 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 | |
| Part 4: Sustainable debt instrument link to issuer's sustainability strategy | <p>The Use of Proceeds financed through these sustainable debt instruments are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing sustainable debt instruments is clearly described by the issuer.</p> <p>At the date of publication of the report, the issuer is exposed to no controversies.</p> | Consistent |

² ISS ESG's evaluation is based on the BayernLB's Sustainable Financing Framework (September 2022 version), and on the ISS ESG Corporate Rating updated on the 12.09.2022 and applicable at the SPO delivery date.

³ Whilst the Final Delegated Act on climate mitigation and adaptation was published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy was assessed on a "best efforts basis".

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

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:

- **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)
- **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
- **Real Estate:** Re/financing of commercial buildings which will have a superior energy efficiency performance and meet nationally or internationally recognized standards.
 - Construction of new commercial and residential buildings
 - Acquisition/ ownership or refurbishment of commercial and residential buildings

*Total energy demand (sum of heating and electricity) thresholds in kWh/(m²*a):*

- Residential buildings ≤ 75
- Office buildings without air conditioning ≤ 140
- Office building with air conditioning ≤ 165
- Department stores, shopping centers, retails buildings ≤ 155
- Hotels up to 3 stars ≤ 155
- Hotels with 4 and 5 stars ≤ 170
- Warehouse / logistics building (not heated) ≤ 65
- Warehouse / logistics building (heated) ≤ 175
- Social/Care real estate ≤ 185
- Data centers ≤ 245

Buildings that adhere to one or more of the following standards:

- DGNB “Gold” or “Platinum”,
- LEED “Gold” or “Platinum”,
- BREEAM “Very Good”, “Excellent” or “Outstanding”,
- HQE “Excellent” or “Exceptional”

- KfW 40, 40 Plus, 55, 70, 85

Opinion: We consider the Use of Proceeds description for renewable energy, mobility and real estate 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 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 to 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: *The process for project evaluation and selection description provided by Bayern LB's Sustainable Financing Framework is considered to be 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 be temporarily allocated by BayernLB within the treasury of the group, to 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 will 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 loan commitments for the ESLP.

Opinion: *The management of proceeds proposed by BayernLB's Sustainable Financing Framework is considered to be aligned with the GBP. The issuer states that unallocated net proceeds will only be*

used as a temporary measure and an amount equal to the 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 ESLP 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

Real Estate:

- 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: *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 basis 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 ICS to review and assess its Sustainable Financing Framework and its alignment with the ICMA GBP. ICS 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 II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE SUSTAINABLE DEBT INSTRUMENT TO THE UN SDGs⁴

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

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

The assessment of UoP categories for (re)financing specific products and services is displayed on 5-point scale (see annex 1 for methodology):

| | | | | |
|--------------------------------|----------------------------|----------------------|-----------------------------|---------------------------------|
| Significant Obstruction | Limited Obstruction | No Net Impact | Limited Contribution | Significant Contribution |
|--------------------------------|----------------------------|----------------------|-----------------------------|---------------------------------|

Each of the sustainable debt instrument Use of Proceeds' categories has been assessed for its contribution to, or obstruction of, the SDGs:

| USE OF PROCEEDS (PRODUCTS/SERVICES) | CONTRIBUTION OR OBSTRUCTION | SUSTAINABLE DEVELOPMENT GOALS |
|--|---------------------------------|---|
| Renewable Energy⁵ Photovoltaic solar power | Significant contribution |  |
| Renewable Energy Solar thermal plants | Significant contribution |  |
| Renewable Energy Wind farms (onshore and offshore) | Significant Contribution |  |
| Mobility Rail transport (Electrical locomotives and multiple unit trains for passenger transport) | Limited Contribution |  |

⁴ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary ISS ESG methodology and may therefore differ from the issuer's description in the framework.

⁵ The issuer excludes geothermal or hydro-energy projects.

Mobility

Rail transport
(Electrical locomotives and multiple unit
trains for passenger transport)

**Significant
Contribution⁶**



Real Estate⁷

Total energy demand (sum of heating and
electricity) thresholds in kWh/(m²*a):

- Residential buildings ≤ 75
- Office buildings without air conditioning ≤ 140
- Office building with air conditioning ≤ 165
- Department stores, shopping centers, retails buildings ≤ 155
- Hotels up to 3 stars ≤ 155
- Hotels with 4 and 5 stars ≤ 170
- Warehouse / logistics building (not heated) ≤ 65
- Warehouse / logistics building (heated) ≤ 175
- Social/Care real estate ≤ 185
- Data centers ≤ 245

- KfW 40, 40 Plus, 55, 70, 85

**Limited
Contribution**



Residential buildings meet the energy
efficiency class B of the German Building
Energy Act (GEG 2020) or higher

Real Estate

Buildings that adhere to one or more of the
following standards:

- DGNB “Gold” or “Platinum”
- LEED “Gold” or “Platinum”
- BREEAM “Very Good”, “Excellent” or “Outstanding”
- HQE “Excellent” or “Exceptional”

**Significant
Contribution**



⁶ For the projects to be financed under Use of Proceeds categories that are based on the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation is attested.

⁷ BayernLB has purchased the Taxo-Tool from VÖB (Bundesverband Öffentlicher Banken Deutschlands), and is currently implementing it.

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

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 an assessment of the selection criteria against ISS ESG KPIs.

ASSESSMENT AGAINST KPIs

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 the 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 labor 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.

Wind farms (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 an assessment of the selection criteria against ISS ESG KPIs.

ASSESSMENT AGAINST KPIs

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 the 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 the operation of the power plants (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 labor and health and safety for construction and maintenance work as aligned with international regulations, including the ILO Core Conventions and the European Union's mandatory social standards.

Real Estate

The table below presents an assessment of the selection criteria for nominated project categories against issuance-specific KPIs. All of the assets are/or will be located in the EU or in the UK.

ASSESSMENT AGAINST KPIs

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 the international standard ISO 14001.

- ✓ BayernLB generally finances real estates in core locations (i.e. which show ESG-conformity, good to very good location and accessibility, sustainable cash flow, very good lettable, good quality, prime yield). The assessment of a preliminary asset pool provided by BayernLB has confirmed that the maximum distance to public transport for these core assets is usually less than 1km. Assets in non-core locations are only financed after separate examination and in exceptional cases.

Construction standards

- ✓ The issuer will (re)finance buildings located in EU or UK where high labor, health and safety standards are in place (i.e. ILO core conventions).

- The issuer does not currently have policies in place which systematically ensure the procurement of sustainable building materials. BayernLB states however that the bank is working to encourage sustainable building materials as part of the ESG Circle of Real Estate (ECORE) initiative. By applying the initiative's ESG score to real estate assets, the issuer considers also building material information in its decision making.

Water use minimization in buildings

- BayernLB states that it is working to encourage water use minimization as part of the Ecore initiative. By applying the initiative's ESG score to real estate assets, the issuer takes water consumption and saving measures in its decision making into account. However, the issuer does not have policies in place that systematically require the installation of water use minimization measures in financed buildings.

Safety building of users

- ✓ The buildings financed under this framework are located in the EU and the UK, where high safety standards apply for users (e.g. emergency exits).

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

We assessed the alignment of BayernLB's project selection process and company policies of 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 Act⁸ (June 2021), based on information provided by BayernLB. Where BayernLB's projects and policies fully meet the criteria requirements, a tick is shown in the table below for our assessment against the requirements of the criteria.

B.1 Passenger interurban rail transport (6.1)

| EU TAXONOMY REQUIREMENT | GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES ⁹ | 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> | ✓ |

⁸https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

⁹ This column is based on input provided by the issuer.

assessment with the following steps:

(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;

(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;

(c) an assessment of adaptation solutions that can reduce the identified physical climate risk.

The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:

(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;

(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 scenarios¹⁰ consistent with

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 the Intergovernmental Panel on Climate Change.

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.

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.

¹⁰ Future scenarios include Intergovernmental Panel on Climate Change representative concentration pathways RCP2.6, RCP4.5, RCP6.0 and RCP8.5.

the expected lifetime of the 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 reports¹¹, scientific peer-reviewed publications, and open source¹² 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

¹¹ 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/>

¹² Such as Copernicus services managed by the European Commission.

| | | |
|--|---|--|
| <p>activity at the time of design and construction and has 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 solutions¹³ or rely on blue or green infrastructure¹⁴ 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 par¹⁵ with the relevant EU regulation. Specifically, the concept of a waste hierarchy is shared, and the Swiss</p> | <p style="text-align: center; color: green; font-size: 2em;">✓</p> |

¹³ 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>).

¹⁴ 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).

¹⁵ 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

| | | |
|---|---|-----|
| | <p>waste and recycling management law (VVEA¹⁶) was introduced to align with EU regulatory standards and further developments.</p> <p>BayernLB 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 certified¹⁷.</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 ¹⁸ . | 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

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 Regulation was assessed.¹⁹ 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 Guiding Principles on Business | BayernLB follows a national and a variety of international standards with regards to its lending | ✓ |

¹⁶ More information: <https://www.bafu.admin.ch/bafu/de/home/themen/abfall/publikationen-studien/publikationen/vollzugshilfe-vea.html>

¹⁷ 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>

¹⁸ 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).

¹⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

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

business²⁰. Escalation processes are in place to 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 Compact.²¹

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

²⁰ 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.bmwi.de/Redaktion/EN/Textsammlungen/Foreign-Trade/national-contact-point-ncp.html>

²¹

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

PART IV: SUSTAINABLE DEBT INSTRUMENTS LINK TO BAYERNLB'S SUSTAINABILITY STRATEGY

A. BAYERNLB'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the issuer's industry

The issuer is classified as part of the Public & Regional Banks industry, as per our sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY

Business ethics

Labor standards and working conditions

Sustainable investment criteria

Customer and product responsibility

Sustainability impacts of lending and other financial services/ products

ESG performance of the issuer

Leveraging ISS ESG's Corporate Rating research, further information about the issuer's ESG performance can be found on the ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

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

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, we assessed the contribution of the issuer'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 the issuer's production process.

| PRODUCT/SERVICES PORTFOLIO | ASSOCIATED PERCENTAGE OF REVENUE ²² | DIRECTION OF IMPACT | UN SDGS |
|---|--|---------------------|---|
| Financing of healthcare provision | 1% | CONTRIBUTION |  |
| Financing of affordable housing (for low-to median-income households), financing of healthcare provision, financing of social housing | 11% | CONTRIBUTION |   |
| Financing of renewable energy | 4% | CONTRIBUTION |   |

Breaches of international norms and ESG controversies

At issuer level

At the date of publication, no severe controversy in which the issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Public & Regional Banks industry are as follows: Failure to pay fair share of taxes; failure to respect the right to just and favorable conditions of work; and failure to respect the right to privacy.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

B. CONSISTENCY OF SUSTAINABLE DEBT INSTRUMENTS WITH BAYERNLB'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

²² Percentages presented in this table are not cumulative.

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 strategy²³, 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 behavior 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 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 programs and loans. The public-sector subsidy programs on renewable energy and energy-efficient construction in particular have boosted the share of

²³ https://www.bayernlb.com/internet/media/en/ir/downloads_1/verantwortung_1/Nachhaltigkeitsstrategie_Broschuere.pdf

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 key ESG industry challenges

The Use of Proceeds categories financed under this sustainable debt instrument have been mapped with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Public & Regional Banks 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 industry. From this mapping, a level of contribution to the strategy of each Use of Proceeds categories has been derived.

| USE OF PROCEEDS CATEGORY | SUSTAINABILITY OBJECTIVES FOR THE ISSUER | KEY ESG INDUSTRY CHALLENGES | CONTRIBUTION |
|--------------------------|--|-----------------------------|--------------------------------------|
| Renewable Energy | ✓ | ✓ | Contribution to a material objective |
| Mobility | ✓ | ✓ | Contribution to a material objective |
| Real Estate | ✓ | ✓ | Contribution to a material objective |

Opinion: *The Use of Proceeds financed through this sustainable debt instrument are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.*

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ANNEX 1: Methodology

Green KPIs

The Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of BayernLB's sustainable debt instruments.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

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

Environmental and social risks assessment methodology

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

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

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

Assessment of the contribution and association to the SDG

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

ANNEX 2: ISS ESG Corporate Rating Methodology

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

For more information, please visit:

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

ANNEX 3: Quality management processes

SCOPE

BayernLB commissioned ICS to compile a sustainable debt instruments SPO. The Second Party Opinion process includes verifying whether the Sustainable Financing Framework aligns with the Green Bond Principles and EU Taxonomy Climate Delegated Act and to assess the sustainability credentials of its sustainable debt instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant standards for this Second Party Opinion

- Green Bond Principles
- EU Taxonomy Climate Delegated Act
- Key Performance Indicators relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

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

- Sustainable Financing Framework
- Asset pool/eligibility criteria
- Documentation of ESG risks management at the framework level

ISS ESG'S VERIFICATION PROCESS

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

This independent Second Party Opinion of the sustainable debt instruments to be issued by BayernLB has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles and EU Taxonomy Climate Delegated Act.

The engagement with BayernLB took place from September to October 2022.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the

verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

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

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

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

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

For more information on this specific sustainable debt instruments' SPO, please contact: SPOOperations@iss-esg.com

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