



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Asset Pool

NRW.BANK
16 May 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green Bond
Relevant standards	<ul style="list-style-type: none">Green Bond Principles, as administered by the ICMA (as of June 2021 as requested by NRW.BANK)Draft Model of EU Green Bond Standard (March 2020 version as requested by NRW.BANK)Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex (March 2020 version as requested by NRW.BANK)
Scope of verification	<ul style="list-style-type: none">NRW.BANK's Green Bond Framework (as of November 2020)NRW.BANK's Green Asset Pool (as of March 28, 2023)
Lifecycle	<ul style="list-style-type: none">Asset level verification
Validity	<ul style="list-style-type: none">As long as no new project categories are added to the analyzed asset pool

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SCOPE OF WORK

NRW.BANK (“the Issuer”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Bond Framework by assessing four core elements to determine the sustainability quality of the instruments:

1. NRW.BANK’s Green Bond Framework (as of November 2020) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) (as of June 2021) and Draft Model of EU Green Bond Standard¹ (EU GBS March 2020 version) on a “best effort” basis².

The scope of the asset pool verification is determined by the published framework. Despite the release of the legislative proposal for the EU GBS has been released in July 2021, NRW.BANK’s Framework is based on the draft model of green bond standard from March 2020. Therefore, this SPO has used an assessment of the Framework against the March 2020 version of the EU GBS.

2. The Green Asset Pool – whether the project categories contribute positively to the UN SDGs (See Annex 1).
3. The alignment with the Technical Expert Group Final Report on EU Taxonomy (March 2020) on a best-efforts basis³ – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation and Adaptation Criteria and Do No Significant Harm Criteria) and Minimum Social Safeguards requirements as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex⁴.

The EU Taxonomy situation is similar to the EU GBS. Although the EU Commission released the Final Delegated Act for Mitigation and Adaptation⁵ in June 2021, NRW.BANK published Framework refers to the Taxonomy Report: Technical Annex from March 2020 and requests that this SPO be conducted with reference to that version. Therefore, the alignment of the NRW.BANK’s due diligence processes for each project category to be (re-)financed under this Framework are evaluated against the EU Taxonomy March 2020 Technical Annex.

4. Linking the transactions to NRW.BANK’s overall ESG profile – drawing on the issuance-specific Use of Proceeds categories.

¹ Usability Guide EU Green Bond Standard (March 2020)

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teggreen-bond-standard-usability-guide_en.pdf

² “Best effort” basis is due to the fact that the European GBS is currently a usability guide.

³ Whilst the Technical Expert Group Final Report on EU Taxonomy were published in March 2020, 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 have been evaluated on a “best efforts basis”.

⁴ EU Technical Expert Group on Sustainable Finance, Taxonomy Report: Technical Annex, March 2020.



https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

⁵ European Commission, 2021, Commission Delegated Regulation (EU) 2021/2139 of June 4th 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139>

NRW.BANK BUSINESS OVERVIEW

NRW.BANK operates as state-owned development bank, assisting the German Federal State of North Rhine-Westphalia in its economic and social advancements. It offers interest-subsidized loans, subordinated loans, grants, financing, and advisory service. Its business activities are strictly limited to the Federal State of North Rhine-Westphalia. It serves small and medium-sized enterprises (SMEs)/start ups, municipalities and the social housing sectors. The company was founded on August 1, 2002, and is headquartered in Duesseldorf, Germany. It is classified in the Development Banks industry, as per ISS ESG's sector classification.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ⁶
Part 1: Alignment with GBP/GBS	<p>The Issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the draft of EU GBS (March 2020), as well as the Green Bond principles, as administered by the ICMA (as of June 2021).</p> <p><i>* The project categories identified by NRW.BANK are aligned with the Principles, except for Expansion of Broadband, which is assessed as providing no clear environmental and/or social benefits according to our methodology (cf. Part II of this report).</i></p>	Aligned with exceptions*
Part 2: Sustainability quality of the Green Asset Pool	<p>The Green Bond will (re-)finance eligible asset categories which include: Renewable Energy, Clean Transportation, Green Buildings, Sustainable (Waste) Water Management, Individual Measures Renovations, and Expansion of Broadband.</p> <p>Product and services use of proceeds categories ⁷ have a contribution to one or more of the following SDGs:</p>  <p>Process-related use of proceeds categories ⁸ individually improve (i) the Issuer's operational impacts and (ii) mitigate potential negative externalities of the Issuer's sector on one or more of the following SDGs:</p>  <p>For the Expansion of Broadband, there is no evidence of an improvement on the Issuer and/or end users' potential negative externalities.</p>	Positive
Part 3: Alignment with EU Taxonomy	<p>NRW.BANK's project characteristics, due diligence processes and policies have been assessed against the requirements of the Technical Expert Group Final Report on EU Taxonomy (March 2020), on a best-efforts basis⁵. The nominated project categories are considered to be:</p>	

⁶ The evaluation is based on the NRW.BANK's Green Bond Framework (November 2020 version), on the analysed Asset Pool as received on March 28, 2023, and on the ISS ESG Corporate Rating updated on January 5, 2023, and applicable at the SPO delivery date.

⁷ Renewable Energy, Clean Transportation, Green Buildings, Sustainable (Waste) Water Management, Expansion of Broadband

⁸ Individual Measures Renovation

	<ul style="list-style-type: none"> ▪ Aligned with the Climate Change Mitigation/Adaptation Criteria except for expansion of broadband, and accessibility improvement in individual measures (building renovation) ▪ Aligned with the Do No Significant Harm Criteria, except for Do No Significant Harm Criteria for water and marine resources of EU Taxonomy activity 8.1- Construction of New Buildings ▪ Aligned with the Minimum Safeguards requirements 	
<p>Part 4: Linking the transactions to NRW.BANK's overall ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing Green Bond are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p>Consistent</p>

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES AND DRAFT MODEL OF EU GREEN BOND STANDARD

A. ALIGNMENT WITH ICMA GREEN BOND PRINCIPLES

This section evaluates the alignment of the NRW.BANK's Green Bond Framework (as of November 2020) with the ICMA GBP.

GBP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by NRW.BANK's Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The Issuer's green categories align with the project categories as proposed by the GBP. Criteria are defined in a clear and transparent manner and environmental benefits are described. The Issuer defines exclusion criteria for harmful project categories.</p> <p>The Issuer defined which project will be refinanced and a look-back period of 1 year in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by NRW.BANK's Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The project selection process is defined and structured in a congruous manner.</p> <p>The Issuer identifies alignment of their Green Bond framework and their green projects with official or market-wide taxonomies and to reference any green standards or certifications used, in line with best market practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds proposed by NRW.BANK's Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds and the nature of temporary investments, in line with best market practice.</p>

<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting proposed by NRW.BANK’s Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. NRW.BANK explains the level of expected reporting and the type of information that will be reported.</p> <p>The Issuer commits to get the allocation and impact report audited by an external party, in line with best market practices.</p>
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B. ALIGNMENT OF PROJECT CATEGORIES WITH THE DRAFT MODEL OF EU GBS⁹

The table below evaluates the alignment of project categories with the draft model of European Green Bond Standards (EU GBS) on “best effort” basis.

DRAFT MODEL OF EU GBS	ALIGNMENT	OPINION
<p>0. Strategy and rationale</p>	<p>✓</p>	<p>The strategy and rationale description provided by NRW.BANK’s Green Bond Framework, under which project categories are included, is aligned with the EU GBS on best effort basis.</p> <p>The rationale for issuance is clearly stated and linked to the financial institution’s overall strategy, which prioritizes environmental commitments as part of NRW.BANK’s CSR Strategy (more details on this found in Part IV).</p>
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided for project categories is aligned with EU GBS on best effort basis.</p> <p>The Issuer specifies that the eligible assets Renewable energy, Green Buildings, Clean Transportation and Terrestrial and Aquatic Biodiversity Conservation and Climate Change Adaptation will be aligned with the March 2020 version of the EU Taxonomy and that the assets will be located in North Rhine-Westphalia. The Issuer provides a statement showing that it voluntarily adheres to the requirements of the regulation proposal.</p> <p>The information provided by the Issuer is at the project category level rather than the project level. The Issuer provide an explanation on why project-level information is not given, that is the Bank has no direct link or contact with the debtors</p>

⁹ On “best effort” basis.

		<p>because of the distribution channels (e.g., house banks acting as intermediaries).</p> <p>The Issuer specifies the type of activity, sector and the respective NACE code per project category.</p> <p>The proceeds will be allocated to a bond in line with the EU GBS requirements.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by NRW.BANK's Green Finance Framework for project categories is aligned with EU GBS on best effort basis.</p> <p>The project selection process is defined.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds provided by NRW.BANK's Green Bond Framework for project categories is aligned with EU GBS on best effort basis.</p> <p>The Issuer discloses the temporary investment instruments for unallocated proceeds and commits to disclosing the portfolio balance of unallocated proceeds in its allocation report. The Bank has published the allocation report and the report was externally verified¹⁰.</p>
4. Reporting	✓	<p>The allocation and impact reporting description provided by NRW.BANK's Green Bond Framework for project categories is aligned with EU GBS on best effort basis.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report annually, in line with the EU GBS proposal requirements. The reporting will be publicly available on the Issuer's website.</p> <p>The information that the Issuer commits to provide on the external review pre-issuance and post-issuance is in line with the requirements of the EU GBS proposal.</p>

¹⁰ NRW.BANK, Non-Financial Report (NFR) https://www.nrwbank.de/export/_galleries/downloads/Info-und-Service/Finanzberichte/nrwbank-non-financial-report-2022.pdf

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs¹¹

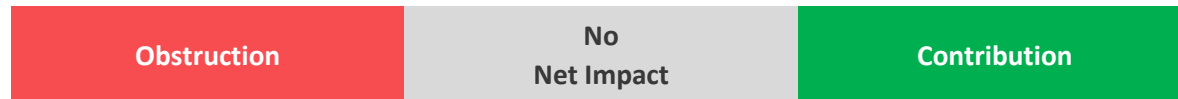
Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.





1. Products and services

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 3-point scale (see Annex 1 for methodology):



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

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy <ul style="list-style-type: none"> ▪ Generation and storage of wind and solar energy (e.g., windfarms, solar panels, etc.) 	Contribution	 
Clean Transportation <ul style="list-style-type: none"> ▪ Electricity and bio natural gas vehicles (e.g., buses, trains, cars, etc.) 	Contribution	 

¹¹ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.


<ul style="list-style-type: none"> Infrastructure (charging stations, etc.) 		
<p>Green Buildings</p> <p>New construction or renovation of public buildings aiming to reduce energy consumption</p>	Contribution	
<p>Sustainable (Waste) Water Management</p> <p>Measures to maintain and improve water quality (e.g., new underground sewer to separate waste water from fresh water and new waste water treatment plants to improve water quality)</p>	Contribution	
Expansion of Broadband	No Net Impact¹²	

2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.




NRW.BANK finances operations/processes in a variety of third-party sectors. For clarity, ISS ESG does not display the exposure to negative externalities linked to the sectors of the operations/processes financed.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ¹³	SUSTAINABLE DEVELOPMENT GOALS
Individual Measures Renovation	✓	

¹² Given some studies considered Optical fiber (Fiber to the Home – FTTH) would be the better solution for energy-saving providing at the high data rates compared with the fixed-line networks - https://www.academia.edu/download/53653079/energy_efficiency.pdf

¹³ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

Energy efficient renovation measures ¹⁴ (e.g., windows and thermal insulation, renewal of heating systems or their components)		
Individual Measures Renovation		
Renovation measures, e.g. modernization and repair to reduce water consumption	✓	
Individual Measures Renovation		
Renovation measures, e.g. barrier reduction	✓	
Individual Measures Renovation		
Renovation measures, e.g. flood protection	✓	

¹⁴ The renovation measures comply with the Building Energy Act (GEG). NRW.BANK.Building renovation leaflet, 2022
<https://www.nrwbank.de/de/foerderung/dokumente/20370-09-22-mb-gebaeudesanierung.pdf?contentType=application/pdf&pfad=/2/1/6621/>

PART III: ALIGNMENT OF THE GREEN ASSET POOL WITH THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of NRW.BANK's project characteristics, due diligence processes and policies for the Green Asset Pool have been assessed against the relevant Climate Change Mitigation/ Adaptation and Do Not Significant Harm Criteria (DNSH) Technical Screening Criteria, and against the Minimum Safeguards requirements of the EU Taxonomy criteria (March 2020 Technical Annex), based on information provided by NRW.BANK. Where NRW.BANK's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

For almost all of the DNSH criteria assessments below, a high-level assessment was conducted. This is because NRW.BANK distributes her loans via the house bank channel to the final beneficiary (SME or household). Because of the onward lending of the house banks, NRW.BANK has only limited access to project specific information. NRW.BANK provides assurances that projects are in compliance with all laws and regulations that may be relevant to the EU Taxonomy criteria. Given the highly regulated nature of projects in the state of North Rhine-Westphalia and NRW.BANK's systems, this legal compliance is used as a basic proxy for the purposes of the DNSH criteria assessments.

NRW.BANK's project selection criteria overlap with the following economic activities in the EU Taxonomy:

Substantial contribution to climate change mitigation

- 4.1 Production of electricity from solar PV
- 4.3 Production of electricity from wind power
- 5.2 Centralized wastewater treatment
- 6.2 Freight Rail Transport
- 6.3 Urban and suburban passenger land transportation (public transport)
- 6.4 Infrastructure for low carbon transport (land transport)
- 6.5 Clean Transport (E-mobility)
- 8.1 Construction of New Buildings
- 8.3 Individual measures and professional services (building renovations)

Substantial contribution to climate change adaptation

- 7.2 Building renovation

All projects financed under the Green Bond Framework are located in State of North Rhine-Westphalia.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the EU website¹⁵.

¹⁵ EU Technical Expert Group on Sustainable Finance, Taxonomy Report: Technical Annex, March 2020.

https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

Substantial contribution to climate change mitigation

4.1 Production of electricity from solar PV

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁶	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA ¹⁷
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
Solar PV is automatically eligible.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
<p>The projects comply with German environmental legislation, such as the Renewable Energy Act (EEG) and the Federal Building Code (BauGB). Assessments of physical climate risks are conducted at the planning stage and relevant measures are applied to reduce identified risks.</p> <p>Environmental risks assessments conducted as part of the planning process ensure that the projects do not increase the climate risks for other stakeholders, and they are consistent with regional and national adaptation efforts.</p>	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category.	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
NRW.BANK ensures that the project meets the building permits and has been granted approval by DIBt (Deutsches Institute für Bautechnik), ensuring compliance with IEC 61215, IEC 61730, IEC 61701, and IEC 62716.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
Some of the projects are open field solar PV installations and some are rooftop installations. They all comply with the German Renewable Energy Act (EEG) and the Federal Building Code (BauGB). Thus, all open field projects involve an Environmental Impact Assessment or a Strategic Environmental Assessment when relevant. Any required mitigation measures for protection of biodiversity/ecosystems have been implemented.	✓

¹⁶ This column is based on input provided by the Issuer.

¹⁷ Alignment with the EU Taxonomy Technical Screening Criteria as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex

4.3 Production of electricity from wind power

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁸	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA ¹⁹
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
Wind projects automatically meet the Mitigation criteria.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
<p>The projects comply with German environmental legislation, such as the Renewable Energy Act (EEG) and the Federal Building Code (BauGB). Assessments of physical climate risks are conducted at the planning stage and relevant measures are applied to reduce identified risks.</p> <p>Environmental risks assessments conducted as part of the planning process ensure that the projects do not increase the climate risks for other stakeholders, and they are consistent with regional and national adaptation efforts.</p>	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
<p>Environmental assessments conducted as part of the planning process include considerations of impacts on water quality. As per compliance with BImSchG (Federal Immission Control Act), measures regarding water use are in place.</p> <p>The projects comply with the EU Water legislation.</p>	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
Decommissioning obligations are part of the planning process and approvals. The immission control approval includes construction and erection as well as the operation of the wind turbine. If the plant is no longer used to generate electricity, it will be dismantled, disposed of and the property restored to its original condition. The conditions for dismantling are mentioned in the building permit and clarified in the lease agreement. State law regulates the form in which the building permit authority ensures compliance with the obligation. If a plant has to be dismantled, 80 – 90% of the components, the plant parts containing metal, the entire electrical system as well as the foundations and the tower (steel, copper, aluminum and concrete components) can be returned to established recycling cycles.	✓

¹⁸ This column is based on input provided by the Issuer.

¹⁹ Alignment with the EU Taxonomy Technical Screening Criteria as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no EU Taxonomy criteria for the category

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

The projects all comply with the German Renewable Energy Act (EEG) and the Federal Building Code (BauGB). Thus, they all involve an Environmental Impact Assessment or a Strategic Environmental Assessment when relevant. Any required mitigation measures for protection of biodiversity/eco-systems have been implemented.



5.2 Centralized wastewater treatment

PROJECT CHARACTERISTICS AND SELECTION PROCESSES²⁰

ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA²¹

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION

The new projects replace more GHG emission-intensive wastewater treatment systems.

This is a mammoth project. It is the elimination of an open drainage of wastewater (the river Emscher) through the construction of underground sewers. It should be noted that the Emscher Catchment was one of the most heavily loaded and degraded waterbody systems in Europe.



2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

The projects comply with German environmental legislation, such as the Renewable Energy Act (EEG) and the Federal Building Code (BauGB). Assessments of physical climate risks are conducted at the planning stage and relevant measures are applied to reduce identified risks.

Environmental risks assessments conducted as part of the planning process ensure that the projects do not increase the climate risks for other stakeholders, and they are consistent with regional and national adaptation efforts.



3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no EU Taxonomy criteria for the category

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

²⁰ This column is based on input provided by the Issuer.

²¹ Alignment with the EU Taxonomy Technical Screening Criteria as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex

N/A: there is no EU Taxonomy criteria for the category

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

The Issuer confirms this criteria requirement is met, on the basis of their assumption that the project is in compliance with all relevant regulatory and legal requirements, as well as adopting best market practices.



6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

The projects comply with relevant legislation and underwent an Environmental Impact Assessment or a Strategic Environmental Assessment when relevant. Required mitigation measures for protection biodiversity/eco-systems have been implemented.



6.2 Freight rail transport

PROJECT CHARACTERISTICS AND SELECTION PROCESSES²²

ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA²³

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION

The Issuer confirms that relevant expenditure (7 hybrid locomotives type Siemens Vectron Dual Mode) is eligible.



2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

The projects comply with German environmental legislation, such as the Renewable Energy Act (EEG) and the Federal Building Code (BauGB). Assessments of physical climate risks are conducted at the planning stage and relevant measures are applied to reduce identified risks.



Environmental risks assessments conducted as part of the planning process ensure that the projects do not increase the climate risks for other stakeholders, and they are consistent with regional and national adaptation efforts.

3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no EU Taxonomy criteria for the category

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

The project concerns public railway infrastructure, which needs to comply with the requirements set forth in the German Railroad Commissioning Permit Ordinance



²² This column is based on input provided by the Issuer.

²³ Alignment with the EU Taxonomy Technical Screening Criteria as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex

(Eisenbahn-Inbetriebnahmegenehmigungsverordnung (EIGV), as well as relevant legislation on waste generation, management and treatment. The Düsseldorf district government is responsible for the technical supervision of all locomotives operations based in North Rhine-Westphalia.

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

The 7 hybrid locomotives type Siemens Vectron Dual Mode are operated by RheinCargo. The locomotives are used to link the inland ports of Cologne, Dusseldorf and Neuss. The Issuer confirms that vehicle data for this particular train type comply with requirements set forth in the TEG Technical Annex. Moreover, the Directive 1304/2014 has been transposed into German law, reflected in the German Rail Noise Protection Act (Schienenlärmschutzgesetz, SchlärmschG).



6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no EU Taxonomy criteria for the category

6.3 Urban and suburban passenger land transportation (public transport)

PROJECT CHARACTERISTICS AND SELECTION PROCESSES²⁴

ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA²⁵

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION

The new projects support buying light rail vehicles, electric buses, hybrid buses, bio natural gas buses and minibus²⁶ to increase the number of low- and zero-emission fleets. The Issuer confirms that the direct emissions for bio natural gas buses and minibus are below 50 g CO₂e/pkm.



2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

As confirmed by Issuer, the projects comply with German environmental legislation, such as the General Railway Act (Allgemeinen Eisenbahngesetz – AEG) and Renewable Energy Act (EEG) and the Federal Building Code (BauGB), which are a part of the operating permit requirements. Besides Assessments of physical climate risks are conducted at the planning stage and relevant measures are applied to reduce identified risks.



As confirmed by Issuer, Environmental risks assessments conducted as part of the planning process ensure that the projects do not increase the climate risks for other

²⁴ This column is based on input provided by the Issuer.

²⁵ Alignment with the EU Taxonomy Technical Screening Criteria as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex

²⁶ The Issuer finances bio natural gas for public transport in Regional Verkehr Koln. <https://www.rvk.de/projekt-null-emission/die-bio-erdgasbusse>

stakeholders and they are consistent with operating permit requirements issued by EBA (Eisenbahn Bundesamt) and KBA (Kraftfahr Bundesamt).	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
As confirmed by Issuer, both maintenance and end-of-life management of vehicles or rolling stock are consistent with operating permit requirements issued by EBA (Eisenbahn Bundesamt) and KBA (Kraftfahr Bundesamt). In order to get the approval from the Eisenbahnbundesamt, all recycle requirement, including Directive 2005/64/EC on recyclability, must be met.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
The Issuer confirms this criteria requirement is met which they are part of the operating license requirements, on the basis of their assumption that the project is in compliance with all relevant regulatory and legal requirements, as well as adopting best market practices.	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	

6.4 Infrastructure for low carbon transport (land transport)

PROJECT CHARACTERISTICS AND SELECTION PROCESSES²⁷	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA²⁸
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
The underlying activity concerns the installation of electric car charging stations and is thus eligible for alignment. It is further fundamental to the operation of the passenger transport service.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
The projects comply with German environmental legislation, such as the Renewable Energy Act (EEG) and the Federal Building Code (BauBG). Assessments of physical climate risks are conducted at the planning stage and relevant measures are applied to reduce identified risks.	✓

²⁷ This column is based on input provided by the Issuer.

²⁸ Alignment with the EU Taxonomy Technical Screening Criteria as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex

Environmental risks assessments conducted as part of the planning process ensure that the projects do not increase the climate risks for other stakeholders and they are consistent with regional and national adaptation efforts.	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
The projects under this category concern the installation of electric car charging stations at various locations in Castrop-Rauxel, Emmerich am Rhein and Kalkar. As such, the related works is relatively minor and minimal impact to water degradation.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
The EU Waste Framework Directive (2008/98/EC) stipulates that by 2020 at least 70% by weight of the non-hazardous construction and demolition waste is prepared for reuse, recycling or other material recovery. The Directive is implemented in Germany, through the KrWG Kreislaufwirtschaftsgesetz (Closed Substance Cycle Waste Management Act). In 2020, the recovery rate of C&D waste stood at 94% in Germany ²⁹ . The Issuer confirms that in order to get the market approval the product must meet all recycling and circular economy requirements.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
The projects under this category concern the installation of electric car charging stations with battery system or transformer station at various locations in Castrop-Rauxel, Emmerich am Rhein and Kalkar. The Issuer confirms that all technical equipment that is used has an operating permit, which comply with the required minimum noise standards. Moreover, dust minimization measures has been implemented if necessary.	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
The projects under this category concern the installation of electric car charging stations at various locations in Castrop-Rauxel, Emmerich am Rhein and Kalkar. As such, the related works is relatively minor and minimal impact to ecosystem deterioration and biodiversity loss.	✓

6.5 Passenger cars and commercial vehicles

PROJECT CHARACTERISTICS AND SELECTION PROCESSES³⁰	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA³¹
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²⁹ Eurostat, Recovery rate of construction and demolition waste
https://ec.europa.eu/eurostat/databrowser/view/cei_wm040/default/table?lang=en

³⁰ This column is based on input provided by the Issuer.

³¹ Alignment with the EU Taxonomy Technical Screening Criteria as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
Electric vehicles are automatically eligible as zero tailpipe emission vehicles.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
Operating permits granted by national authorities (Kraftfahrbundesamt) include climate risk assessments. It also ensure compliance with regional and national adaptation efforts.	✓
Compliance with German environmental legislation requires monitoring of adaption results.	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
The Issuer ensures that the outlined DNSH criteria is covered under the operating permits issued by national authorities.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
The Issuer ensures that the outlined DNSH criteria is covered under the operating permits issued by national authorities.	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	

7.1 Data Processing, Hosting and Related Activities

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³²	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA ³³
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
Expansion of the broadband network is not explicitly mentioned in the EU Taxonomy ³⁴ .	○

³² This column is based on input provided by the Issuer.

³³ Alignment with the EU Taxonomy Technical Screening Criteria as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex

³⁴ Given some studies considered Optical fiber (Fiber to the Home – FTTH) would be the better solution for energy-saving providing at the high data rates compared with the fixed-line networks - https://www.academia.edu/download/53653079/energy_efficiency.pdf

8.1 Construction of New Buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁵	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA ³⁶
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
The buildings have an EPC level of A. This corresponds with at least 20% lower than NZEB requirements in Germany.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
<p>The projects comply with German environmental legislation, such as the Renewable Energy Act (EEG) and the Federal Building Code (BauGB). Assessments of physical climate risks are conducted at the planning stage and relevant measures are applied to reduce identified risks.</p> <p>Environmental risk assessments conducted as part of the planning process ensure that the projects do not increase the climate risks for other stakeholders and they are consistent with regional and national adaptation efforts.</p>	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
The Issuer is confident there is a high likelihood of compliance with the top 2 classes for water consumption of the EU Water Label, however exact confirmation is not possible at this stage.	○
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
This Issuer confirms that the EU Waste Framework Directive is covered in the building permit and that demolition waste to be recovered is confirmed as part of the planning process. The EU Waste Framework Directive (2008/98/EC) stipulates that by 2020 at least 70% by weight of the non-hazardous construction and demolition waste is prepared for reuse, recycling or other material recovery. The Directive is implemented in Germany, through the KrWG Kreislaufwirtschaftsgesetz (Closed Substance Cycle Waste Management Act). In 2020, the recovery rate of C&D waste stood at 94% in Germany ³⁷ .	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
Asbestos in construction has been banned in Germany since 1993.	✓

³⁵ This column is based on input provided by the Issuer.

³⁶ Alignment with the EU Taxonomy Technical Screening Criteria as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex

³⁷ Eurostat, Recovery rate of construction and demolition waste

https://ec.europa.eu/eurostat/databrowser/view/cei_wm040/default/table?lang=en

With respect to the use of substances of very high concern, Germany has set forth some restrictions and prohibitions for the content of dangerous substances in construction products and for the emission of dangerous substances from construction products in the Prohibition of Chemicals Ordinance.

Further, the German Act for Promoting Closed Substance Cycle Waste Management and Ensuring Environmentally Compatible Waste Disposal necessitates that binding of waste within products may in particular not lead to an accumulation of harmful substances within the recovered substance cycle. This act implements the Directive 2008/98/EC in Germany. The REACH regulation is also applicable in Germany, being a country of the European Union.

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

The buildings are located in an urban location, in the city center. It is not located in biodiversity-sensitive areas, or in UNESCO Heritage areas.



Moreover, as the projects are located in the EU, the construction uses only timber from sustainably managed forests. The timber fulfils FSC/PEFC standards.

The new construction is not built on one of the following:

- arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey;
- greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List;
- land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest.



8.3 Individual measures and professional services (building renovations)

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁸	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA ³⁹
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>All efforts to improve energy efficiency, environmental protection and barrier-free conversion are financed by the NRW.BANK Building renovation programme. The Issuer provides that approximately 90% of the financed measures are windows and thermal insulation, renewal of heating systems or their components, as well as modernization and repair to reduce water consumption which align with the substantial contribution to climate change mitigation criteria, and less than 3% is on accessibility improvement which does not align with the substantial contribution to climate change mitigation criteria. Less than 7% is on flood protection, which is discussed in 7.2 Building Renovations.</p> <p>The Issuer confirms that the individual measures for windows and thermal insulation, renewal of heating systems or their components, and modernization comply with Energy Performance Building Directive (EPBD) and Directive 2009/125/EC, hence the measures are eligible.</p> <p>Regarding the individual measures for water consumption reduction, the Issuer is confident there is a high likelihood of compliance with the top 2 classes for water consumption of the EU Water Label, however exact confirmation is not possible at this stage.</p> <p>Moreover, accessibility improvement that is financed under this programme is not eligible.</p>	<p style="text-align: center;"></p> <p style="text-align: center;">(Except for accessibility improvement)</p>
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
<p>Modifications to buildings comply with relevant German legislation, which considers various risk assessments, including physical climate risks. Moreover, environmental risk assessments are conducted as part of the planning process. The assessments ensure that the projects do not increase the climate risks for other stakeholders and they are consistent with regional and national adaptation efforts.</p>	<p style="text-align: center;"></p>
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	

³⁸ This column is based on input provided by the Issuer.

³⁹ Alignment with the EU Taxonomy Technical Screening Criteria as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

NRW.BANK provides assurances that all projects are conducted in accordance with local regulatory and legal requirements, which include proper handling of any asbestos relevant materials in renovation works of older buildings.



NRW.BANK also provides assurance that all projects are conducted to the best market standards and do not contain substances of very high concern on the REACH list.

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no EU Taxonomy criteria for the category

Substantial contribution to climate change adaptation

7.2 Building renovation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES⁴⁰

ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA⁴¹

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE ADAPTATION

Less than 7% of the financed measures under the NRW.BANK Building renovation programme is on flood protection for residential properties, which is identified as an adapted activity. Modifications to buildings comply with relevant German legislation, which considers various risk assessments, including physical climate risks. Moreover, environmental risk assessments are conducted as part of the planning process.

The Issuer states that the State Agency for Nature, Environment and Consumer Protection North Rhine-Westphalia (LANUV) is responsible for an assessment relating to flood protection, which includes current weather variability and future climate change, fast and reliable access to measurement data, forecast models and access to meteorology for creation of hydrological situation assessments. LANUV, who is familiar with scenario analyse, is taking all available climate data into account. LANUV risk assessment is based on a 100-year scenario and this is incorporated into regional and local development plans. The Issuer also confirms that the projects do not increase the climate risks for other stakeholders and they are consistent with regional and national adaptation efforts.



The measure is consistent with the efforts of the State Environment Agency North Rhine-Westphalia for sustainable flood protection⁴². The flood reporting service in

⁴⁰ This column is based on input provided by the Issuer.

⁴¹ Alignment with the EU Taxonomy Technical Screening Criteria as included in the Technical Expert Group Final Report on EU Taxonomy March 2020 and associated Technical Annex

⁴² Sustainable flood protection in North Rhine-Westphalia, Annual Report 2002.

<https://www.lanuv.nrw.de/fileadmin/lanuv/wasser/i02kp201.pdf>

North Rhine-Westphalia collects water management data to determine the water balance.	
2. CLIMATE CHANGE MITIGATION – DO NO SIGNIFICANT HARM CRITERIA	
The Issuer confirms the projects do not increase the rates of operational carbon emissions of the building.	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: Criteria for new water appliances is not relevant to flood protection measures	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
This Issuer confirms that the EU Waste Framework Directive is covered in the building permit and that demolition waste to be recovered is confirmed as part of the planning process. The EU Waste Framework Directive (2008/98/EC) stipulates that by 2020 at least 70% by weight of the non-hazardous construction and demolition waste be prepared for reuse, recycling or other material recovery. The Directive is implemented in Germany, through the KrWG Kreislaufwirtschaftsgesetz (Closed Substance Cycle Waste Management Act). In 2020, the recovery rate of C&D waste stood at 94% in Germany ⁴³ .	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
NRW.BANK provides assurances that all projects are conducted in accordance with local regulatory and legal requirements, which include proper handling of any asbestos-relevant materials in renovation works of older buildings.	✓
NRW.BANK also provides assurance that all projects are conducted to the best market standards and do not contain substances of very high concern on the REACH list.	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A: the renovation projects cover less than 1000 m ² of floor area	

Minimum Safeguards

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation⁴⁴ have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:


PROJECT CHARACTERISTICS AND SELECTION PROCESSES⁴⁵	ALIGNMENT WITH THE EU
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⁴³ Eurostat, Recovery rate of construction and demolition waste

https://ec.europa.eu/eurostat/databrowser/view/cei_wm040/default/table?lang=en

⁴⁴ Article 18- Minimum safeguards on regulation (EU) 2020/852 https://lexpency.org/eu/32020R0852/ART_18/

⁴⁵ This column is based on input provided by the Issuer.

	TAXONOMY REQUIREMENT
<p>Germany is an OECD country and therefore companies in Germany are expected to follow them. As with other OECD countries, there is a National Contact Point (NCP) which is 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. All of projects financed by this bond are located in Germany.</p> <p>Germany adopted the National Action Plan to implement the UN Guiding Principles on Business and Human Rights at the federal level in 2016.</p> <p>The Core Conventions have been ratified in Germany and are included in German legislation. NRW.BANK's compliance processes ensure the company's alignment with the relevant legislation. Risk control processes are in place to identify and prevent any potential compliance breach at the project level. Projects can be removed from the bond's financing in case of non-compliance.</p>	

PART IV: LINKING THE TRANSACTIONS TO NRW.BANK'S ESG PROFILE

A. CONSISTENCY OF GREEN BOND WITH NRW.BANK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

NRW.BANK's long-term goal is that of being carbon neutral by 2045. The Bank has issued several green bonds in the past and has introduced its sustainability objectives and activities for the 2023-2026 period. Those guidelines govern the BANK's approach to sustainability and its continuous further development. They focus on six main areas:

1. Living Corporate Responsibility
 - a. Intensify the dialogue with stakeholders relevant for sustainability through a regular and open dialogue and employee surveys on sustainability.
 - b. Increase communication of sustainability through the further development of sustainability-related topics both in external and internal communications, and by publishing a Sustainability Report.
 - c. Develop sustainability-related topics with NRW.BANK by further developing the Bank's Sustainability Guidelines and the keynote series on sustainability at NRW.BANK, and exchanging regularly on sustainability-related topics with other market players as well as supporting the EU Sustainable Finance Action Plan.
 - d. Support the Paris climate goals by examining the suitable measures to achieve the goals.
2. Shaping Sustainable Promotion for Customers
 - a. Strengthen and expand sustainable promotional products by supporting structural change in the Rhenish mining area and the federal state in the hydrogen roadmap, as well as supporting the implementation of the sustainability guidelines and business, private households, the housing sector, and municipalities in coping with the consequences of heavy rainfall. Further activities are the consideration of sustainability aspects in consulting as a permanent task both in commercial production and for public-sector clients and the improvement of venture capital offerings for social start-ups.
3. Further development of Sustainable Capital Market Business
 - a. Implement ESG-specific supervisory and regulatory requirements such as Article 8 of the Taxonomy Regulation.
 - b. Promote and expand the sustainable capital market business through a sustainable bond investment portfolio of EUR 700 million (with the aim of offsetting redemptions and keeping it stable at 700 million by using market opportunities), annual UN PRI reporting and sustainable portfolio management using the MSCI ESG Sustainable Rating and the MSCI ESG Controversy and Global Norms Screening.
 - c. Promote the expansion of sustainable funding by annually issuing at least one green bond and one social bond in line with the ICMA principles, and analyzing the possibility of applying the EU Green Bond Standards as well as updating the Social Bond Framework.
4. Assuming Social Responsibility for Employees
 - a. Secure junior staff by offering permanent employment, increasing the number of traineeships, and expand internal training of trainees on sustainability topics.

- b. Retain well-qualified staff by increasing the share of women and implementing a father's network, as well as offering flexible working hours and conditions for sabbaticals.
 - c. Further development of performance and health by offering company care coaches, social counselling for employees, regular health check-ups, and comprehensive health promotion services and financial support.
5. Protecting the Climate and the Environment
- a. Optimize the company's consumption/save resources by raising awareness for the use of resources, increasing energy efficiency and digitalization of processes.
 - b. Develop sustainable procurement by increasing the use of sustainable consumables.
 - c. Promote eco-friendly mobility by offering additional subsidization of 'job cycle' and get certified as a 'bicycle-friendly company'.
6. Showing commitment to Society
- a. Constant alignment of corporate responsibility with current corporate citizenship topics by promoting young artists, donating blood, integrating people with disabilities, support sustainable projects in NRW and collaborating with Stiftung Zukunft NRW.

The Sustainability Committee, which is composed of the Managing Board Chairman, the Chief Risk Officer and seven business unit heads, discusses strategic sustainability aspects and defines the further development of the Sustainability Guidelines. All the targets related to the Guidelines are publicly disclosed and tracked in the Bank's sustainability report available on their website. In addition to all these sustainable objectives, NRW.BANK is a signatory of several sustainability-relevant initiatives such as the Principles for Responsible Investment, the UN Global Compact, the UNEP FI, the Germany's "Diversity Charter", and the ICMA principles.

NRW.BANK is part of the European Commission Climate Strategy. In order to keep global warming - in line with the Paris Agreement - close to 1.5 degree Celsius the European Commission (EC) targets a zero (net)emission economy by 2050. EC's roadmap is converted into national climate strategies. Germany's goal is to reduce emissions by 65% in 2030 vs 1990 and to zero in 2045. NRW.BANK is contributing to these targets via its building renovation, energy infrastructure and e-mobility loan programs.

NRW.BANK bank has a commitment to sustainability, having issued several Green and Social Bonds in the past.

There is no information available on whether NRW.BANK have any verified Science-based targets nor about relevant financial budget to achieve the specific ESG targets. Moreover, there is no information available on whether the Issuer follows relevant ESG reporting guidelines.

Rationale for issuance

NRW.BANK first published its Green Bond Framework in June 2019. The Green Bond Framework was updated in November 2020 and expanded to reflect the latest developments within the agency and the EU as well as to be aligned with the draft EU Green Bond Standard. NRW.BANK has responded to the EU action plan on sustainable finance and the Green Deal. Going forward, the Green Bond Framework 2020 shall apply to all green bonds issued by NRW.BANK and may be updated from time to time.

The issuance will support the NRW's sustainability strategy and targets via building renovation, energy infrastructure and e-mobility loan programs.

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.*

B. NRW.BANK'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 in the Development Banks industry, as per ISS ESG's 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
Labour standards and working conditions
Climate change and related risks
Goal-oriented promotion of sustainability issues
Sustainability standards for financial products and services



ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on 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, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. 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 ⁴⁶	DIRECTION OF IMPACT	UN SDGS
Contributing to Sustainable Energy Use: financing of energy efficiency improvements, financing of renewable energy	22.1%	CONTRIBUTION	 

⁴⁶ Percentages presented in this table are not cumulative.

Mitigating Climate Change: financing of energy efficiency improvements, financing of renewable energy	22.1%	CONTRIBUTION	 
Providing Basic Services: financing of affordable housing (for low- to median-income households), financing of assisted living-related facilities and/or services, financing of non-luxury residential housing, financing of social housing, financing of water and/or wastewater services for residential customers	15%	CONTRIBUTION	 
Delivering Education: financing of educational facilities, financing of educational programs, financing of student housing	7.8%	CONTRIBUTION	 
Preserving Marine Ecosystems: financing of marine ecosystem restoration	3.3%	CONTRIBUTION	
Conserving Water: financing of water and/or wastewater services for residential customers	2%	CONTRIBUTION	
Preserving Terrestrial Ecosystems: financing of terrestrial ecosystem restoration	2%	CONTRIBUTION	
Attaining Gender Equality: financing of childcare and/ or dependent care services	1%	CONTRIBUTION	

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no 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 Development Banks industry are as follows: failure to mitigate climate change impacts, failure to assess environmental impacts and failure to respect indigenous rights. Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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ANNEX 1: Methodology

EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Bond Framework meet the criteria listed in relevant Activities in the Technical Expert Group Final Report on EU Taxonomy (March 2020).

The evaluation shows if NRW.BANK's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by NRW.BANK (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.

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 NRW.BANK's Green Bond 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

NRW.BANK commissioned ICS to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and Green Loan Principles and to assess the sustainability credentials of its Green Bond, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles, as administered by the ICMA (as of June 2021 as requested by NRW.BANK)
- Draft Model of EU Green Bond Standard (March 2020 version as requested by NRW.BANK)
- Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex (March 2020 version as requested by NRW.BANK)

ISSUER'S RESPONSIBILITY

NRW.BANK's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

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

This independent Second Party Opinion of the Green Bond to be issued by NRW.BANK has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles and Green Loan Principles.

The engagement with NRW.BANK took place from March to May 2023.

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 Green Bond SPO, please contact: SPOOperations@iss-esg.com

Project team

Project lead

Alice Wong
Associate
ESG Consultant

Project support

Vittoria Favalaro
Analyst
ESG Consultant

Project supervision

Marie-Bénédicte Beaudoin
Associate Director
Head of ISS ESG SPO Operations