

SECOND PARTY OPINION (SPO) on the alignment with the Draft Model of EU Green Bond Standard¹

Sustainability Quality of the Issuer and Asset Pool

Deutsche Kreditbank AG
1 July 2020

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-teg-green-bond-standard-usability-guide_en.pdf

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Overall Evaluation of the Green Bond Programme

Deutsche Kreditbank AG ('DKB') commissioned ISS ESG to assist with its Green Bond Programme by assessing three core elements to determine the alignment of its programme with the Draft Model of EU Green Bond Standard ('Draft of EU GBS') and the sustainability quality of contemplated bonds:

1. DKB's Green Bond framework – benchmarked against the draft of EU GBS.
2. The asset pool – whether the projects aligned with the EU Taxonomy² and associated technical annex³ (both documents referred as 'EU Taxonomy' subsequently).
3. DKB's sustainability performance, according to the ISS ESG Corporate Rating.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ⁴
Part 1: Performance against the draft of EU GBS	The issuer has defined a formal concept for its Green Bond Programme regarding strategy and rationale, process for selection of Green Projects, Green Projects, Management of Use-of-Proceeds and reporting. This concept is in line with the draft of EU GBS.	Positive
Part 2: Alignment of the asset pool with the EU Taxonomy	The Green Projects (re-)financed through this Green Bond Programme and associated eligibility criteria and project selection processes are aligned with the EU Taxonomy. The Green Projects include Production of electricity from Solar PV (activity 4.1. of the EU Taxonomy) and Production of electricity from Wind Power (activity 4.3.). Based on robust processes for selection of Green Projects, all Green Projects are considered as aligned with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, Do No Significant Harm Criteria and Minimum Social Safeguards.	Positive
Part 3: Issuer sustainability performance	The issuer itself shows a good sustainability performance and has been given a rating of B-, which classifies it as Prime by the methodology of the ISS ESG Corporate Rating. It is rated 1 st out of 279 companies within its sector as of 01.07.2020. This equates to a high relative performance, with a Decile Rank ⁵ of 1.	Status: Prime Rating: B- Decile Rank: 1

² Taxonomy: Final report of the Technical Expert Group on Sustainable Finance (March 2020): [link](#)

³ Taxonomy report: Technical annex: [link](#)

⁴ The ISS ESG's present evaluation will remain valid until any modification of the Green Bond Framework and associated processes and as long as the Company Rating does not change (last modification on the 20.02.2020). The controversy check of the underlying assets has been conducted on the 26.06.2020.

⁵ Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.

Contribution of the Green Bond Programme to environmental objectives and to the UN SDGs

Based on the assessment of the alignment of the Green Projects (re-)financed through this Green Bond Programme (see part II of this SPO), ISS ESG assessed the contribution of the Projects to the environmental objectives stated in the EU Taxonomy.

Furthermore, based on an ISS ESG proprietary methodology, ISS ESG assessed the contribution of the DKB's Green Bond Programme to the Sustainable Development Goals defined by the United Nations (UN SDGs). The assessment of the contribution to the SDGs is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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The Programme's Green Projects have been assessed for their substantial contribution to Environmental Objectives as per the EU Taxonomy, and for their contribution to, or obstruction of, the UN SDGs:

GREEN ACTIVITIES	EU TAXONOMY	UN SDG	
	ENVIRONMENTAL OBJECTIVES	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Production of Electricity from Solar PV	Substantial contribution to climate change mitigation	Significant Contribution	 
Production of Electricity from Wind Power	Substantial contribution to climate change mitigation	Significant Contribution	 

ISS ESG SPO ASSESSMENT

PART I: DRAFT MODEL OF EU GREEN BOND STANDARD

1. Strategy and rationale

1.1. Description of sustainable and environmental objectives as part of our overall strategy and the reasoning for issuing a green bond

DKB's overall sustainability strategy

DKB has been focusing on the financing of selected and forward-looking industries such as renewable energies and social infrastructure for nearly three decades. As a loan business focused commercial bank, DKB as of December 2019 puts approximately 84% of its total assets back into the German economy via loans to DKB's customers.

A major part of this loan business addresses various sustainable topics. DKB has translated the sustainable impact of its business with regard to the Sustainability Development Goals (SDGs) of the United Nations. According to this approach DKB has mapped the entire asset side of the bank onto the 17 SDGs in 2019. As a result, not less than 77.8% of DKB's credit portfolio has a significant sustainable contribution.

The sustainability strategy is not only based on the SDGs but also on the associated objectives in the German sustainability strategy. In this way, DKB creates coherence with comprehensive national and international sustainability standards and applies them to many business activities.

In order to implement sustainability as a central component of its overarching corporate strategy, DKB pursue a more in-depth sustainability strategy entitled "Our Agenda 2030 - we make sustainability blue".

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

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

This ambitious approach requires a large number of measures in different fields of action. That's why DKB has defined multiple steps to further develop DKB's sustainable business with its customers, in its processes, with new products and in its funding strategy. To drive the topic and to find a working approach DKB has established in 2019 a companywide task force on sustainable finance. This temporary task force will be transformed into a permanent committee called Sustainability Finance Board consisting of members from different divisions of the bank such as: market units, strategy, risk controlling, marketing, treasury. The Sustainable Finance Board shall supervise the progress regarding the defined measures and develop new ideas for further progress.

Within this sustainability strategy, DKB formulated four central goals which refer ecologically to the Paris agreement of 2015 but go beyond the pure climate related topics:

- By 2023: Establish the most convincing sustainable product range among the top 20 banks in Germany
- By 2030: Realize 80bn EUR of sustainable loan business and become climate-neutral in banking operations
- By 2050: Meet the 2-degree target with all DKB products

Sustainable funding strategy

Corresponding to this sustainable business model, DKB established an equivalent funding strategy approximately five years ago.

Regarding renewable energy, DKB is the largest financier of the energy transition in Germany with a lending volume of more than 10 billion euros. DKB thereby focuses on financing onshore wind projects, solar and biogas plants. Since 1996 DKB has financed 4,500 wind, solar and biogas plants with an installed electrical capacity of almost 9 GW. Renewable energy financing is one of DKB's core businesses and an integral part of its future corporate strategy.

Consequently in 2016 and 2017, DKB launched a new source of refinancing for wind and solar projects with the issuance of the first Green Bonds (both senior unsecured), with a volume of EUR 500m each. In 2018 and 2019, DKB achieved further milestones in the segment of sustainable bonds with the issue of Social Bonds. DKB issued not only the first German Social Pfandbrief but also the first ever Blue Social Bond.

This makes DKB one of the few banks worldwide to issue both Green and Social Bonds in various formats and confirms DKB's commitment to keep its position as the most sustainable bank among the Top20 Banks in Germany. Furthermore, the Bank has undertaken to come to market with at least one sustainable benchmark a year, either as Green or as Social Bond – dependent on adequate market conditions and funding needs.

This Green Bond Framework forms the basis for future Green Bond issues of DKB.

1.2. Contribution to the environmental objectives

This Green Bond Framework's environmental objectives focuses on "Climate Change Mitigation" as specified in the EU Taxonomy regulation.

1.3. Sustainability related reporting of DKB

In its Green Bond Framework, DKB provided links to sustainability related reporting:

- Sustainability Strategy: <https://dok.dkb.de/pdf/ns.pdf>
- Sustainability Reporting of DKB: <https://dok.dkb.de/pdf/nb.pdf>
- Green and Social Bond Reporting: <https://www.dkb.de/nachhaltigkeit/green-social-bond-english/>

Further Reporting and Policies on sustainability can be found in DKB Green Bond Framework⁶.

1.4. Additional information

As DKB's lending business is dedicated to serve clients having either a green or a social background, it ranks amongst the most sustainable banks in Germany. Consequently, DKB tries to promote the sustainable transformation of the financial and economic system through various channels: as a participant in several sustainable initiatives, within the ongoing constructive exchange with stakeholders and DKB's public positioning, e.g. by publishing position paper on the proposals of the High-Level Expert Group on Sustainable Finance (HLEG).

Regarding the capital market development, DKB has for many years been an active member of the Green Bond Principles and keeps support different working groups within the Social Bond Principles. Furthermore, DKB is working on the definition of a catalogue of criteria for Green and Social Pfandbriefe within the Association of German Pfandbrief Banks and supports the Association of German Public Banks (VÖB) in their sustainable activities.

Opinion: ISS ESG considers the Strategy and Rationale description provided by DKB's Green Bond Framework as aligned with the draft model of EU Green Bond Standards. The bond's environmental objectives are appropriately linked to the issuer's strategy and with the EU Taxonomy and the rationale for issuing green bonds is clearly stated. Further, DKB described in its framework its sustainability strategy and associated key targets in relation with international sustainability commitments such as the UN SDGs and the Paris Agreement. DKB provided a link to the overall bank's reporting on sustainability.

2. Process for Selection of Green Projects

2.1. Governance process to ensure alignment of each Green Project with the EU Taxonomy

DKB has developed a set of selection criteria to define a so-called Green Bond Pool of eligible loans. Various departments at DKB were involved for this purpose: renewable energies, public affairs and sustainability and treasury. The defined selection criteria are:

- DKB bank loans only
- Project financing only
- Projects located in Germany only
- Onshore projects only
- Selected legal forms only
- Minimum loan amount per project
- Internal minimum rating per loan/project

Furthermore, the selected loans have additional earmarking systems in place within DKB's core bank system (OSPlus):

- NACE Code: D.35 "Electricity, gas, steam and air conditioning supply"
- Internal ESG-flag

⁶ Link <https://www.dkb.de/nachhaltigkeit/green-social-bond-english/>

(1) Substantial contribution to environmental objectives:

The selected loans will be used to finance the construction and operation of electricity generation facilities that produce energy from solar and wind power. The eligible projects are aligned with the environmental objective “(i) climate mitigation” since renewable energy production is an effective mean to reduce the greenhouse gas emissions into the atmosphere.

(2) Do No Significant Harm to other environmental objectives:

All projects are subject to German law, standards and regulations regarding the construction, operation and maintenance of wind and solar plants taking into account considerations regarding flora and fauna, health and safety of workers.

Wind projects: The financed projects are all located in Germany and fall under the German Federal Immission Control Act (BImSchG), which explicitly aims to protect people, animals, plants, soil, water, the atmosphere and cultural and material assets and to prevent the occurrence of harmful environmental impacts. The aim is to comprehensively identify, describe, evaluate and, if necessary, compensate for environmental impacts of projects – during the construction and the operation of wind turbines. The refinanced wind projects therefore comply with relevant national environmental laws and guidelines. This includes climate risk assessments at planning and the project level, ecosystems preservation, water treatment, life-cycle aspects and other ESG controversies aiming at reducing material physical climate risks.

Solar projects: The approval procedure in Germany for solar systems takes a variety of environmental issues into account. Additionally, since the PV systems financed by DKB are all located in Germany and based on the German Renewable Energy Act (EEG) and the receipt of specific remuneration, special regulations apply to the planning and operation of PV systems. The refinanced solar projects therefore comply with relevant national environmental laws and guidelines. This includes climate risk assessments at the planning and project level, ecosystems preservation, life-cycle aspects and other ESG controversies aiming at reducing material physical climate risks.

(3) Minimum Social Safeguards:

Given that all refinanced wind and solar projects are located in Germany they are all subject to the comprehensive national, local and industry-related regulations for working and social conditions, which are world-leading. Germany has adopted the UN Guiding Principles on Business and Human Rights and has ratified all ILO core labour conventions.

The approval procedures for wind and solar projects regulate occupational health and safety issues, too. This includes the risk assessment and determination of necessary occupational safety measures, considering:

- Labour protection act
- Industrial Safety Ordinance
- Ordinance on Hazardous Substances
- Workplace Ordinance (ArbStättV)
- Ordinance on Industrial Safety and Health (BetrSichV)
- Various standards and rules by employer's liability insurance associations including special rules for wind turbines, photovoltaic systems and electrical systems and hazards

(4) Technical Screening Criteria of EU Taxonomy:

According to the EU Taxonomy both, the production of electricity from solar PV and from wind power contribute to the goal of climate change mitigation. Within the taxonomy they are classified under the sections:

4.1 Production of Electricity from Solar PV

4.3 Production of Electricity from Wind Power

Based on the Technical Screening Criteria applicable to those activities, both categories are eligible.

2.2. Additional information: Mitigation procedure in case of controversy

All assets of the underlying Green Bond Pool were analysed as part of a controversy assessment by the second party provider. All aspects of the selection process are examined and described in the Second Party Opinion. The results of the selection process and the resulting Green Bond Pool are internally presented and agreed in the DKB Sustainable Finance Board. In case that ESG controversies occur or loans do not longer fulfil the defined selection criteria, they are removed from the underlying loan pool and cannot longer be refinanced with a Green Bond.

Opinion: ISS ESG considers the Process for Selection of Green Projects described by DKB's Green Bond Framework as aligned with the draft model of EU Green Bond Standards. Processes to ensure alignment of projects (re-)financed through the bond with the EU Taxonomy: eligibility criteria are clearly stated and procedures to ensure compliance with the four pillars of the EU Taxonomy are in place for each Green Projects category. The responsibility and accountability for this process are clearly defined and include stakeholders with appropriate expertise. To complement this assessment of the process for selection of Green Projects, ISS ESG conducted a detailed screening of the procedure in place to identify eligible assets in line with the activity-specific requirements of the EU Taxonomy (see part II of this report).

3. Green Projects

3.1 Description of projects:

The proceeds from the green bond issues based on the Green Bond Framework are used exclusively to refinance existing or future loans for the construction and operation of wind and solar power plants in Germany. This corresponds with the economic activities (4.1.) Production of Electricity from Solar PV and (4.3.) Production of Electricity from Wind Power under the EU Taxonomy. NACE Code D.35 (1.1.) has been assigned to the underlying loans within DKB's core bank system.

3.2. Green projects/loans:

The underlying loan pool (Green Bond Pool) to be refinanced with the Green Bonds has a volume of around EUR 2.4bn as of 31.12.2019. All selected loans are given a respective ESG marker within the bank's core bank system.

GREEN BOND POOL	VOLUME (M EUR)	NUMBER OF LOANS	SHARE OF LOAN POOL
Wind projects	1,441	230	60.27%
Solar PV projects	950	329	39.73%
TOTAL	2,391	559	100%

3.3 Additional information, mapping to the Sustainable Development Goals (SDGs):

According to “A High-Level Mapping to the Sustainable Development Goals” published by ICMA within the framework of the Green and Social Bond Principles and Sustainable Bond Guidelines, renewable energy serves a variety of SDGs, including SDGs 7 “Affordable and clean energy” and 13 “Climate action” significantly according to DKB. Additionally, DKB maps these Green Projects with SDGs 3 “Good health and well-being”, 8 “Decent work and economic growth”, 9 “Industry, innovation and infrastructures”, 11 “Sustainable cities and communities” and 12 “Responsible consumption and production”.

Opinion: ISS ESG finds that the Green Projects description proposed by DKB’s Green Bond Framework aligns with the draft model of EU Green Bond Standards. Green Projects are defined in line with the EU Taxonomy activities and activity-specific requirements and relevant NACE sectors are provided. The issuer displayed the share of proceeds to be allocated to each project categories and the number of assets financed per categories. Finally, DKB describes the contribution of the Green Projects to Environmental Objectives as per the EU Taxonomy, but also to UN SDGs.

4. Management of Use-of-Proceeds

As long as the Green Bonds are outstanding, DKB ensures that the Green Bond Pools’ loan volume is at least equivalent to the issue volume of the outstanding green bonds and, ideally, exceeds them.

Due to the fact, that DKB’s Green Bonds are used to refinance existing loans and DKB ensures, that the existing Green Pool Pool at all times exceeds the volume of the outstanding and newly issued bonds – proceeds are fully allocated immediately at the time of the Green Bond issuance.

In order to keep track of the pool, the selected assets are earmarked in the core banking system (OSPlus). The issuer strives keeping the Green Bond Pool consistent as a whole. Should loans no longer qualify for the Green Bond Pool, they will be taken out and, if necessary, replaced by other loans that meet the selection criteria listed above. This process is externally reviewed as part of a verification process and in case of severe changes will be published in the respective Reporting.

Opinion: ISS ESG finds that the Management of Use-of-Proceeds defined by DKB’s Green Bond Framework aligns with the draft model of EU Green Bond Standards. Proceeds are appropriately earmarked, and the amount collected remains below or equal to the loan pool volume at all time. Further, the issuer describes the procedure in case of divestment from a pool no longer in line with the eligibility criteria. The expected allocated period is explicitly defined.

5. Reporting

5.1. Indicative information

DKB has been issuing both Green and Social Bonds to refinance assets of renewable energies and social infrastructure business. Consequently, DKB decided to publish a sustainable bond reporting annually which gives light to both bond categories under the name “Impact Reporting for DKB’s green and social bonds”. The reporting includes data and information regarding allocation and impact. It is published on DKB’s investor relation website:

<https://www.dkb.de/nachhaltigkeit/green-social-bond-english/>

5.2. Allocation reports

Future reports will be provided annually until full allocation and after that only in cases of material changes of the underlying Green Bond Pool or the allocation.

5.3. Impact reports

DKB will report on the impact of the Green Projects at least once during bond lifetime, probably after full allocation of the bond proceeds to Green Projects and thereafter, just in case of material changes to the allocation or the Green Bond Pool.

5.4. Qualitative and quantitative impact metrics that will be used to demonstrate substantial contribution to Environmental Objectives

DKB will provide the data on a portfolio level per project category and intends to use the following metrics:

ALLOCATION METRICS	IMPACT METRICS
<ul style="list-style-type: none"> • Volume of the Green Bond Pool (allocated amounts) • Number of loans within the Green Bond Pool • Volume and number of loans refinanced by Green Bonds • Average volume • Average residual term • Geographical breakdown of the portfolio within Germany • Type of projects (<i>for solar only</i>) • Construction progress 	<ul style="list-style-type: none"> • DKB’s financing share • Nominal capacity • Energy production p.a. • Avoidance of CO₂ emissions p.a. • Number of supplied two-person households • Information regarding used metrics and methodology to assess impact

5.5. Please explain the qualitative and quantitative impact metrics that will be used to demonstrate no-significant-harm alignment

In order to make sure that the environmental and social risks linked to the financed projects are prevented and the opportunities clearly fostered, a set of sustainability criteria has been established

for each project category. The criteria are aligned with the EU Taxonomy and are checked by the external reviewer within the process to provide a second party opinion. The summary of criteria can be found below while the full description of associated requirements can be found in the Technical Annex of the EU Taxonomy:

PRODUCTION OF ELECTRICITY FROM SOLAR PV (4.1.)	PRODUCTION OF ELECTRICITY FROM WIND POWER (4.3.)
<ul style="list-style-type: none"> • <i>Climate change adaptation</i> – Reducing material physical climate risks • <i>Climate change adaptation</i> – Supporting system adaptation • <i>Climate change adaptation</i> – Monitoring adaptation results • <i>Circular Economy</i> – High durability, easy dismantling, refurbishment, and recycling ensured by PV panels design and manufacture • <i>Circular Economy</i> - Reparability ensured by accessibility and exchangeability of PV panels components • <i>Ecosystems</i> - Environmental Impact Assessment or Strategic Environmental Assessment conducted and required mitigation measures implemented 	<ul style="list-style-type: none"> • <i>Climate change adaptation</i> – Reducing material physical climate risks • <i>Climate change adaptation</i> – Supporting system adaptation • <i>Climate change adaptation</i> – Monitoring adaptation results • <i>Water</i> – Water quality and water consumption • <i>Water</i> – Compliance with the EU Water legislation • <i>Circular Economy</i> – End-of-life waste management and decommissioning • <i>Ecosystems</i> - Environmental Impact Assessment or Strategic Environmental Assessment conducted and required mitigation measures implemented

5.6. Quantitative or qualitative metrics that are supplemental to the metrics described in the EU Taxonomy and provide embedded links to relevant guidance documentation.

DKB has published its methods and metrics to determine the most important impact data within the recent reporting on their sustainable bonds⁷. This includes:

- Method for calculating CO₂ avoidance
- Explanation of used CO₂ emissions factor
- Definitions of used performance data (nominal capacity, energy yield)
- Method to determine energy yields for wind and solar power plants
- Methodology of determining supplied households

5.7. If available, please provide an environmental impact estimation for the project(s) financed by the proceeds of your green bond(s).

In order to measure the ecological effects of wind and solar projects refinanced with the Green Bonds, CO₂ avoidance (t, p.a.) provides the key figure. Furthermore, DKB will publish a breakdown of the nominal capacity, energy performance and the number of supplied two-person households based on the volume of the Green Bond pool, EUR 500 million (equivalent to amount issued for single Benchmark Green Bonds) and EUR 1 million.

⁷ https://dok.dkb.de/pdf/dkb_impact_reporting%202018_en.pdf

The relevant numbers as of 31.12.2019 are:

IMPACT ANALYSIS	LOAN VOLUME (EUR)	SHARE DKB (%)	NOMINAL CAPACITY (KWP)	ENERGY PRODUCTION P.A. (KWH)	CO ₂ AVOIDANCE (T)	NUMBER OF SUPPLIED 2-PERSON-HOUSEHOLDS P.A.
Wind project loans	1.441.072.982	100	828.182	2.155.154.711	1.021.543	672.435
Solar project loans	950.294.135	100	762.041	689.192.169	326.677	215.037
Total	2.391.367.117	100	1.590.224	2.844.346.880	1.348.220	887.472
Based on EUR 500m			332.493	594.711.465	281.893	185.557
Based on EUR 1m			665	1.189.423	564	371

5.8. External verification

An external verification will be conducted on the final allocation report.

5.9. Additional information

The Green Bond Framework allows DKB to issue Green Bonds in different formats (e.g. senior unsecured, covered), benchmark size or private placements.

Opinion: ISS ESG finds that the Reporting proposed by DKB’s Green Bond Framework aligns with the draft model of EU Green Bond Standards. The allocation and impact reports will be appropriately disclosed and publicly available. The allocation report will be published annually until full allocation of the bonds’ proceeds. Allocation and impact metrics will be reported per project category to demonstrate contribution to identified Environmental Objectives, while demonstrating No Significant Harm to other Environmental Objectives and ensuring Minimum Social Safeguards. An estimation of the environmental impact associated with the Green Projects financed through the bonds is provided. Additionally, to a pre-issuance SPO, an external verification will be conducted post-issuance for the final allocation report.

PART II: ALIGNMENT OF THE ASSET POOL WITH THE EU TAXONOMY

A) Production of Electricity from Solar PV (4.1.)

ISS ESG assessed the alignment of the Green Projects included in the Green Bond Programme pool and the due diligence and selection processes in place with the EU Taxonomy. All Green Projects are located in Germany. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
Facilities operating at life cycle emissions lower than 100gCO ₂ e/kWh, declining to net-0gCO ₂ e/kWh by 2050, are eligible.	Solar PV activities are currently deemed to be taxonomy eligible.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with German environmental legislations, such as the Renewable Energy Act (EEG) and the Federal Building Code (BauEG). Thus, environmental risk assessment at project level, including physical climate risks, is conducted at planning stage and relevant measures are applied to reduce identified risks.	✓
Supporting system adaptation	Environmental risks assessments conducted ensure that Green Projects do not increase the risks of adverse climate impact on other stakeholders and the consistency with regional and national adaptation efforts.	✓
Monitoring adaptation results	Environmental risk assessments and adaptation results are a prerequisite for building permits and are reviewed by the local authorities.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
High durability, easy dismantling, refurbishment, and recycling ensured by PV	PV modules are subject to the German Recycling and Waste Management Act, the Waste Catalogue Ordinance (AVV), the Waste	✓

panels design and manufacture	Movement Act and the REACH Ordinance. They also obtained the PV cycle label.	
Reparability ensured by accessibility and exchangeability of PV panels components.	PV modules are subject to the German Recycling and Waste Management Act, the Waste Catalogue Ordinance (AVV), the Waste Movement Act and the REACH Ordinance. They also obtained the PV cycle label.	✓

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

Not applicable

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6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented.

Green Projects are subject to the German Renewable Energy Act (EEG) and the Federal Building Code (BauEG). Thus, all Green Projects underwent an Environmental Impact Assessment when relevant, or a Strategic Environmental Assessment. Required mitigation measures for protection biodiversity/eco-systems have been implemented.

✓

Furthermore, this ensure that the Green Projects are not located in biodiversity-sensitive areas, or in UNESCO Heritage areas and Ramsar sites.

CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN

ISS ESG conducted a controversy screening of the Green Projects included in the pool for this category and did not identify any controversy that could be attributed to the Green Projects or to DKB.

DKB has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.

B) Production of Electricity from Wind Power (4.3.)

ISS ESG assessed the alignment of the Green Projects included in the Green Bond Programme pool, and the due diligence and selection processes in place with the EU Taxonomy. All Green Projects are located in Germany. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
Facilities operating at life cycle emissions lower than 100gCO ₂ e/kWh, declining to net-0gCO ₂ e/kWh by 2050, are eligible.	Wind power activities are currently deemed to be taxonomy eligible.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with German environmental legislations, such as the Renewable Energy Act (EEG), the Federal Immission Control Act (BImSchG) and the Federal Building Code (BauEG). Thus, environmental risk assessment at project level, including physical climate risks, is conducted at planning stage and relevant measures are applied to reduce identified risks.	✓
Supporting system adaptation	Environmental risks assessments conducted ensure that Green Projects do not increase the risks of adverse climate impact on other stakeholders and the consistency with regional and national adaptation efforts.	✓
Monitoring adaptation results	Environmental risk assessments and adaptation results are a prerequisite for building permits and are reviewed by the local authorities.	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Water quality and water consumption	An environmental assessment has been conducted at Green Projects planning stage, including water considerations. As per conformity with BImSchG, measures regarding water use and conservation are in place.	✓
Compliance with the EU Water legislation	Green Projects are subject to the EU Water legislation.	

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

End-of-life waste management and decommissioning

Green Projects are subject to decommissioning obligations, secured by separate guarantee for which collateral must be provided.



5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

Not applicable

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6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented.

Green Projects are subject to the German Renewable Energy Act (EEG) and the Federal Building Code (BauEG). Thus, all Green Projects underwent an Environmental Impact Assessment when relevant, or a Strategic Environmental Assessment. Required mitigation measures for protection biodiversity/eco-systems have been implemented.



Furthermore, this ensure that the Green Projects are not located in biodiversity-sensitive areas, or in UNESCO Heritage areas and Ramsar sites.

CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN

ISS ESG conducted a controversy screening of the Green Projects included in the pool for this category and did not identify any controversy that could be attributed to the Green Projects or to DKB.

DKB has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool

Minimum Social Safeguards

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

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
OECD Guidelines on Multinational Enterprises	Not applicable. DKB operates only in Germany. However, DKB's sustainability policies and due diligence mechanisms cover responsible business conduct of DKB's operations.	-
UN Guiding Principles on Business and Human Rights	DKB's due diligence processes ensure the alignment with the UN Guiding Principles on Business and Humans Rights. Risks analysis processes are in place to identify any potential breach of this guideline at the Green Project level. Mitigation plans in case of breach are in place and Green Project can be removed from the Green Projects pool in case of non-compliance.	✓
ILO Core Labour Conventions	DKB's due diligence processes ensure the alignment with the ILO Core Labour Conventions. Risks analysis processes are in place to identify any potential breach of this guideline at the Green Project level. Mitigation plans in case of breach are in place and Green Project can be removed from the Green Projects pool in case of non-compliance.	✓

PART III: ASSESSMENT OF DKB'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime⁸' or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
DEUTSCHE KREDITBANK AG	PRIME	B-	1

This means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG. In ISS ESG's view, the securities issued by the company therefore all meet the basic requirements for sustainable investments.

As of 01.07.2020., this rating places DKB 1st out of 279 companies rated by ISS ESG in the Public and Regional Banks sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Sustainable investment criteria
- Labour standards and working conditions
- Business ethics

In all of the key issues, DKB rates above the average for the sector and achieves a very significant outperformance.

The company does not face any severe controversy.

Details on the rating of the issuer can be found in Annex 1.

⁸ Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

DISCLAIMER

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

The following pages contain extracts from DKB's 2020 ISS ESG Corporate Rating.

Deutsche Kreditbank AG

Corporate ESG Performance
Prime
 RATED BY
ISS ESG

Company Information

Country
Germany

ISIN
DE000DKB0408

Industry
Financials/Public & Regional Banks

Key Results

Rating
B-

Decile Rank
1

Transparency Level
Very High

Status
Prime

Performance score
63.18

Prime Threshold
C

Absolute Rating

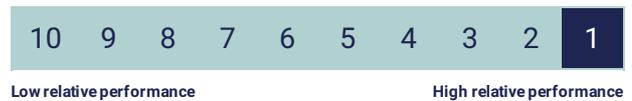


The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

Transparency Level



Decile Rank

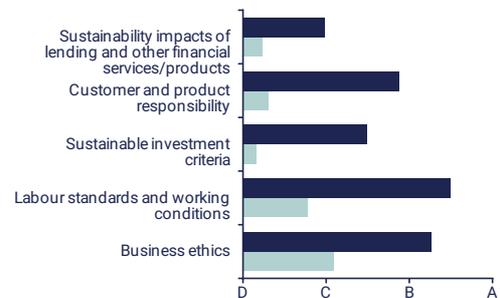


Industry Leaders

Company name (in alphabetical order)	Country	Grade
Berner Kantonalbank AG	CH	C+
Deutsche Kreditbank AG	DE	B-
La Banque Postale S.A.	FR	B-

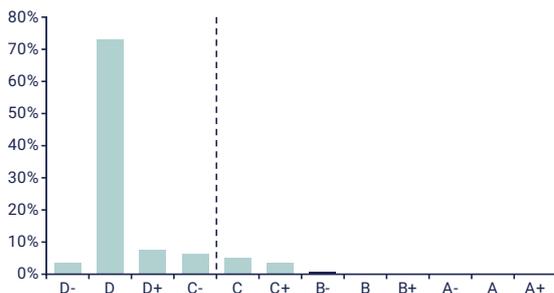
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance

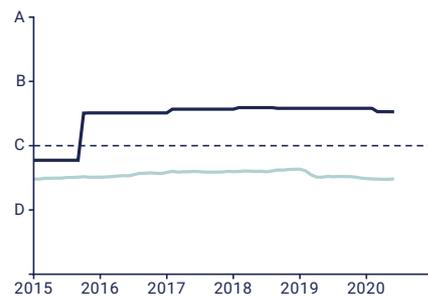


Distribution of Ratings

279 companies in the industry



Rating History



Deutsche Kreditbank AG

Analyst Opinion

Sustainability Opportunities

Deutsche Kreditbank offers financial services and products to retail clients as well as specialised sector solutions to corporate and public sector clients. The latter includes a range of financial programmes with a sustainable benefit, such as for the health and education sector, for public infrastructure with an environmental or social value, or for the social sector. DKB further supports the development of renewable energy projects. It is estimated that such solutions represent more than 40% of the portfolio (in 2018), which represents an above-average volume compared to the industry. In addition, the company offers relevant socially responsible investment products and theme funds (e.g. "DKB Nachhaltigkeitsfonds Europa", "DKB Nachhaltigkeitsfonds Klimaschutz"), applying a comprehensive exclusion screening.

Sustainability Risks

As a financial company, Deutsche Kreditbank faces as main sustainability challenge the systematic integration of environmental and social aspects in its core business areas. The company offers primarily financial solutions to a number of selected sectors in Germany. Therefore, risks are somewhat limited compared to financial companies exposed to risks due to e.g. significant project finance activities in high-risk countries. DKB adequately manages its credit risks as it integrates social and environmental criteria in its lending decisions. This includes the exclusion of controversial sector-specific practices and the application of relevant social and environmental guidelines such as the standards of the World Bank Group, although, these standards do not apply to the entire loan portfolio. The company further applies sustainability criteria to its own investment portfolio. In addition, DKB has taken good steps to ensure responsible client treatment in areas such as marketing and tax compliance.

As concerns its own operations, the company has good strategies in place to manage employee-related issues in all relevant areas. Employees also benefit from high legal employment standards in Germany such as standards on employment security. Finally, DKB has a group-wide code of conduct addressing almost all relevant compliance topics. Corresponding compliance procedures are implemented.

Governance Opinion

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

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

Deutsche Kreditbank AG

Methodology - Overview

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

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

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

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

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

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

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

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

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

- Companies' ability to address grievances and remediate negative impacts
 - Degree of verification of allegations and claims
 - Severity of impact on people and the environment, and systematic or systemic nature of malpractices
- Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

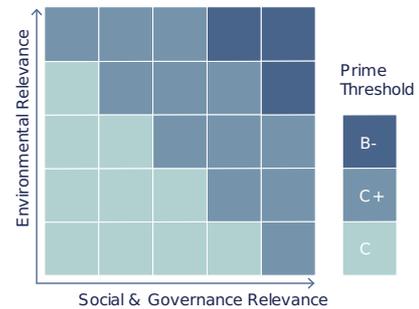
Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile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

Deutsche Kreditbank AG

Methodology - Overview

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

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



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

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

Major Shareholders & Ownership Summary - Overview of the company's major shareholders at the time of generation of this report. All data as well as the categorisation system for the investor types is based on information from S&P Capital IQ.

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

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

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

A+: the company shows excellent performance.

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

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

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

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

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

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

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

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

About ISS ESG SPO

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

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

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

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

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