

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

NRW.BANK

25 April 2024

VERIFICATION PARAMETERS

Type(s) of
instruments
contemplated

- Green Bonds

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- EU Taxonomy Climate Delegated Act, Annex I (as of June 2023) and EU Taxonomy Environmental Delegated Act Annex I (as of June 2023)

Scope of verification

- NRW.BANK Green Bond Framework (as of April 25, 2024)
- NRW.BANK Selection Criteria (as of April 25, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

CONTENTS

SCOPE OF WORK.....	3
NRW.BANK OVERVIEW	4
ASSESSMENT SUMMARY	5
SPO ASSESSMENT.....	7
PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES	7
PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA	10
A. CONTRIBUTION OF THE GREEN BONDS TO THE UN SDGs.....	10
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA.....	15
PART III: ELIGIBILITY OF THE SELECTION CRITERIA AGAINST THE EU TAXONOMY AND ENVIRONMENTAL DELEGATED ACT	18
PART IV: CONSISTENCY OF GREEN BONDS WITH NRW.BANK'S SUSTAINABILITY STRATEGY	34
ANNEX 1: METHODOLOGY	38
ANNEX 2: QUALITY MANAGEMENT PROCESSES.....	39
About this SPO.....	40

SCOPE OF WORK

NRW.BANK (“the Issuer” or “the Agency”) commissioned ISS-Corporate 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 April 25, 2024) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1).
2. The Eligibility criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The eligibility of the project categories against the EU Taxonomy on a best-efforts basis¹ – whether the nominated project categories satisfy the EU Taxonomy Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation and Sustainable Use and Protection of Water And Marine Resources.
4. Consistency of Green Bonds with NRW.BANK’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

¹ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2023, 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 has been evaluated on a “best efforts basis”.

NRW.BANK OVERVIEW

NRW.BANK operates as a 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 services. Its business activities are mainly limited to the Federal State of North Rhine-Westphalia. It serves small and medium-sized enterprises (SMEs)/startups, municipalities and the social housing sectors. The company was founded on August 1, 2002, and is headquartered in Duesseldorf and Munster Germany.


ESG risks associated with the Issuer Industry

NRW.BANK is classified in the Development Banks industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies² in this industry are: Goal-oriented promotion of sustainability issues, Labor standards and working conditions, Climate change and related risks, and Sustainability standards for financial products and services.

This report focuses on the sustainability credentials of the issuance. Part III. of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.


² Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
<p>Part I:</p> <p>Alignment with GBP</p>	<p>The Issuer has defined a formal concept for its Green Bonds regarding the use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is aligned with the GBP.</p> <p><i>*The project category "Expansion of FTTH broadband networks" is assessed as providing no clear environmental benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and the definition of green and might vary depending on sector and geography, it is recognized that those categories might be considered as eligible green or social categories by investors.</i></p>	<p>Aligned with exceptions*</p>
<p>Part II:</p> <p>Sustainability quality of the Selection Criteria</p>	<p>The Green Bonds will (re)finance eligible asset categories which include:</p> <p>Green categories: Renewable Energy, Green Buildings, Energy Efficiency, Clean Transportation; Terrestrial and Aquatic Biodiversity Conservation and Climate Change Adaptation; Sustainable Water and Waste Water Management; and Pollution Prevention and Control.</p> <p>Product and/or service-related use of proceeds categories⁴ individually contribute to one or more of the following SDGs:</p> 	<p>Aligned</p>

³ The evaluation is based on the NRW.BANK's Green Bond Framework (as of April 25, 2024), on the analyzed Selection Criteria as received on April 25, 2024.

⁴ Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Terrestrial and Aquatic Biodiversity Conservation and Climate Change Adaptation, Sustainable Water and Wastewater Management, Pollution Prevention, and Control.

	<p>For the project category “Expansion of FTTH broadband networks,” there is no evidence of an environmental contribution.</p> <p>Process-related use of proceeds categories⁵ 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> <div data-bbox="764 645 884 763" style="text-align: center;">  </div> <p>The environmental and social risks associated with the use of proceeds categories and the financial institution are managed.</p>	
<p>Part III: Eligibility against the EU Taxonomy</p>	<p>The NRW.BANK’s project characteristics have been assessed against the EU Taxonomy’s (Climate Delegated Act of June 2023 and Environmental Delegated Act of June 2023) Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation and Sustainable Use and Protection of Water and Marine Resources on a best-efforts basis⁶.</p> <p>The Do No Significant Harm Criteria and the Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, considering data constrictions regarding the assets to be financed.</p>	<p>Eligible for assessing alignment at a later date</p>
<p>Part IV: Consistency of Green Bonds with NRW.BANK’s Sustainability Strategy</p>	<p>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. At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p>Consistent with Issuer’s sustainability strategy</p>

⁵ Energy Efficiency

⁶ Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, 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 has been evaluated on a “best efforts basis”.

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section evaluates the alignment of NRW.BANK’s Green Bond Framework (as of March 4, 2024) with the GBP.

GBP	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓ * with exceptions</p>	<p>The Use of Proceeds description provided by NRW.BANK’s Green Bond Framework is aligned with exceptions* with the Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA).</p> <p>The Issuer’s green categories align with the project categories as proposed by the Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA). Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described.</p> <p>The Issuer defines that 100% of the allocation will go to refinancing. The Issuer defines a look-back period of one year. Furthermore, the Issuer defines exclusion criteria for harmful project categories.</p> <p><i>*The project category “Expansion of FTTH broadband networks” is assessed as providing no clear environmental benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and the definition of green might vary depending on sector and geography, it is recognized that those categories might be considered as eligible green or social categories by investors.</i></p>

<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by NRW.BANK’s Green Bond Framework is aligned with the Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA).</p> <p>The project selection process is defined and ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders in this process, in line with best market practice. The Issuer identifies alignment of their Green Bond Framework and their green projects with official or market-wide taxonomies and references any green standards or certifications used, in line with best market practice.</p>
<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by NRW.BANK’s Green Bond Framework is aligned with the Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA).</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds tracked in an appropriate manner. The net proceeds are managed per bond (bond-by-bond approach). Moreover, the Issuer specifies that 100% of the proceeds will be immediately allocated and there won’t be unallocated proceeds.</p> <p>The Issuer has defined the expected allocation period, in line with best market practices.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by NRW.BANK’s Green Bond Framework is aligned with the Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA).</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 has disclosed the type of information that will be reported and explains that the level of expected reporting will be at project category level. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The Issuer discloses roles and responsibilities in the monitoring and reporting process, in line with best market practice. The Issuer is transparent on the level of impact reporting and the information reported and further defines the frequency of the impact reporting, in line with best market practice. The Issuer commits to get the allocation report audited by an external party, in line with best market practices.</p>
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PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

A. CONTRIBUTION OF THE GREEN BONDS TO THE UN SDGs⁷

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 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 a 3-point scale:



Each of the Green Bonds'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
<p>Renewable Energy</p> <p><i>Renewable electricity generation: Loans to finance the construction, acquisition, development, and maintenance of electricity generation facilities using renewable energy:</i></p>	<p>Contribution</p>	

⁷ The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

- *Solar Energy (photovoltaic) in line with the Technical Screening Criteria of EU Taxonomy activity 4.1*
- *Wind Power in line with the Technical Screening Criteria of EU Taxonomy activity 4.3*
- *Hydropower energy in line with the Technical Screening Criteria of EU Taxonomy activity 4.5*

Renewable Energy

Renewable energy distribution & storage: Loans to finance the construction, acquisition, development, and maintenance of transmission and storage systems for electricity:

- *Transmission and distribution of electricity system in line with the Technical Screening Criteria of EU Taxonomy activity 4.9*
- *Transmission and distribution networks for renewable and low-carbon gases (i.e., biogas)⁸ in line with the Technical Screening Criteria of EU Taxonomy activity 4.14*

Contribution



Renewable Energy

Renewable energy distribution & storage: Loans to finance the construction, acquisition, development and maintenance of transmission and storage systems for electricity:

- *Storage of electricity in line with the Technical Screening Criteria of EU Taxonomy activity 4.10*
- *Storage of hydrogen in line with the Technical Screening Criteria of EU Taxonomy activity 4.12*

Contribution



Energy Efficiency

Network deployment transformation: Loans to finance the construction, acquisition, development and maintenance of broadband technologies and networks:

No Net Impact

⁸ The assessment is limited to the examples provided.

- Expansion of FTTH (“Fibre to the home”) broadband networks

Clean Transportation

Low carbon transportation: Loans to finance the purchase, financing, leasing, rental, and operation of low-carbon vehicles

- Rail transport (passenger and freight) in line with the Technical Screening Criteria of EU Taxonomy activities 6.1 and 6.2
- Transport by motorbikes, passenger cars and light commercial vehicles in line with the Technical Screening Criteria of EU Taxonomy activity 6.5
- Urban and suburban transport, road passenger transport (i.e., electrified buses, hydrogen-driven buses, city lines (trams), regional trains, EVs) in line with the Technical Screening Criteria of EU Taxonomy activity 6.3
- Infrastructure for rail transport(i.e., new tracks, signal boxes) in line with the Technical Screening Criteria of EU Taxonomy activity 6.14

Contribution



Clean Transportation

Low-carbon transportation: Loans to finance the purchase, financing, leasing, rental, and operation of low-carbon vehicles

- Infrastructure enabling low-carbon road transport and public transport (i.e., charging stations)⁹ in line with the Technical Screening Criteria of EU Taxonomy activity 6.15 and activity 7.4

Contribution



Green Buildings

Residential and public buildings: Loans to finance the construction, renovation, and acquisition of buildings:

- Construction of new buildings in line with the Technical Screening Criteria of EU Taxonomy activity 7.1
- Renovation of existing buildings in line with the Technical Screening Criteria of EU Taxonomy activity 7.2

Contribution



⁹ The assessment is limited to the examples provided.

- Acquisition and ownership of buildings in line with the Technical Screening Criteria of EU Taxonomy activity 7.7
- Installation, maintenance, and repair of energy-efficiency equipment, such as adding insulation to a wall or roof or replacing windows or doors or heating with new efficient windows, doors, heating in line with the Technical Screening Criteria of EU Taxonomy activity 7.3

Terrestrial and Aquatic Biodiversity conservation and Climate Change Adaptation

Restoration of ecosystems: Loans to finance the natural restoration of habitats, ecosystems, and species:

- Conservation activities, including natural restoration activities, aimed at maintaining or improving the status and trends of terrestrial, freshwater, and fluvial habitats, ecosystems, and populations of related fauna and flora species

Sustainable Water and Wastewater management

Water and wastewater treatment: Loans to finance the improvement of water and wastewater treatment systems:

- Water collection and treatment supply system in line with the Technical Screening Criteria of EU Taxonomy activity 5.1
- Water collection and treatment facilities renewal in line with the Technical Screening Criteria of EU Taxonomy activity 5.2
- Urban waste and water treatment in line with the Technical Screening Criteria of EU Taxonomy activity 2.2

Pollution Prevention and Control

Waste management: Loans to finance projects for the improvement of waste management:

- Separate collection and transport of non-hazardous waste in line with the Technical Screening Criteria of EU Taxonomy activity 5.5

Contribution



Contribution



Contribution





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’s clients.

NRW.BANK finances operations/processes in third-party sectors which are not listed in the NRW.BANK’s Framework. As such, ISS-Corporate is not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. Negative externalities, if present, could have an impact on the overall sustainability quality of the issuance.

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	SUSTAINABLE DEVELOPMENT GOALS
<p>Energy Efficiency</p> <p><i>Heating/cooling distribution: Loans to finance the construction, modernization, operation, and maintenance of pipelines and associated infrastructure for heating and cooling:</i></p> <p><i>District heating/cooling networks (when fuelled by renewable energy, waste heat, cogenerated heat, or of a combination of such energy and heat)</i></p>		

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance specific KPIs and covers the project categories that have not been assessed against the Do No Significant Harm Criteria and the Minimum Safeguards of the EU Taxonomy. The entirety of the assets are and will be located in North-Rhine Westphalia, Germany.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

NRW.BANK has set up ESG Promotion Requirements and Sector Guidelines to identify, categorize, and evaluate ESG risks for its financing and investing activities.¹⁰

The ESG Promotion requirements consist of a list of defined controversial business practices, business activities and business fields that NRW.BANK excludes from its promotional program (list displayed below under exclusion criteria).¹¹ The ESG promotion requirements are considered during NRW.BANK's standard eligibility check of the lending process and included in the overall assessment of the transaction.

On top of that, NRW.BANK has also defined sector guidelines which are intended to support the goal of aligning new business in NRW.BANK's promotional programs with the Paris Climate Agreement and to systematically strengthen NRW.BANK's contribution to the transformation.¹² Within this framework, sector-specific minimum requirements for the climate compatibility of financed technologies in greenhouse gas-intensive economic sectors are specified and scientifically derived from the accepted "Paris-compatible" climate scenarios of the International Energy Agency (IEA) to show which mix of transitional and future technologies can be used to successfully achieve the transformation towards climate neutrality.

In addition, NRW.BANK also considers the red MSCI ESG controversy flag into the analysis and decision-making processes for its investment portfolio.

Finally, all potential eligible green projects must undergo NRW.BANK's regular credit process, including compliance with applicable European and national legislation as well as international standards and conventions, which requires a high standard of environmental protection and social norms. In addition, NRW.BANK is a member of the United Nations (UN) Environment Programme Finance Initiative and a signatory of the UN Global Compact and the UN Principles for Responsible Investment.

NRW.BANK has a dedicated ESG Team, which is responsible for monitoring potential ESG controversies associated with the approved projects, at least on an annual basis. If only a small

¹⁰ NRW.BANK's ESG Promotion Requirements, available at: <https://www.nrwbank.de/export/galleries/downloads/Dafuer-stehen-wir/Nachhaltigkeit/esg-promotion-requirements.pdf>

¹¹ Ibid.

¹² Ibid.

percentage of revenues is generated in controversial business fields and activities (accumulated <10%), NRW BANK confirms that it does not necessarily result in the exclusion of a borrower. However, a discretionary decision is made as part of the regular credit process. This decision is documented to create evidence for similar cases, explaining why a company is operating in controversial business areas and outlining the future transformation path. However, any project primarily identified as eligible but subject to severe ESG controversies will be excluded from the pool of eligible assets. NRW BANK does not have mitigation measures in place.

Labor, Health, and Safety



100% of the assets financed under this framework will be located in Germany which is an Equator Principles Designated Country, and high health and safety and labor standards are ensured by the relevant national legislation and the European Union mandatory social standards.

Biodiversity



100% of the assets financed under this framework will be located in Germany. Thus, the borrowers are obligated to mitigate and reduce their environmental impacts as they need to align to the European Union standards in terms of Environmental and Social Impact Assessment. In addition, all assets go through NRW.BANK's regular credit process of assessment, systematically assuring compliance with environmental laws, regulations and international standards.

Community Dialogue



100% of the assets financed under this framework will be located in Germany. Thus, the borrowers are obliged to mitigate ensures that its borrowers comply with European Union standards in terms of Environmental and Social Impact Assessment. In addition, all assets go through NRW.BANK's regular credit process of assessment, systematically assuring compliance with environmental and social laws, regulations and international standards.

Exclusion Criteria

The Issuer has created an exclusion list of all the activities that the bank does not finance, it applies at the Green Bond Framework level.¹³ The list includes the following controversial business practices, business activities and business fields:

Controversial Business practices:

- Human rights violation: exclusion of transactions that are related to acts that violate human rights (i.e., human trafficking);

¹³ NRW.BANK's ESG Promotion Requirements, January 2024, available at: <https://www.nrwbank.de/export/galleries/downloads/Dafuer-stehen-wir/Nachhaltigkeit/esg-promotion-requirements.pdf>

- Child labor: exclusion of transactions that are associated with child or forced child labor;
- Labor law violation: exclusion of transactions that are related to labor law violations (i.e., discrimination)
- Controversial Economic Practices: exclusion of controversial economic practices (i.e., corruption, bribery, fraud, accounting fraud, money laundering)
- Controversial Environmental behavior: exclusion of controversial environmental behavior (i.e., environmental damage within the meaning of the German Law on Environmental Harms (USchadG)
- Exclusion of animal testing outside the legal framework according to Section 7a of the German Animal Protection Act (TierSchG)

Controversial Business Fields and Activities:

1. Energy Generation/ Fossil Fuels: exclusion measures that are related to fossil fuels that are not considered useful for the energy transition (i.e., in the field of nuclear power, oil and gas)
2. Gambling: Exclusion of business relationships in the field of gambling
3. Mobility/Transport: exclusion of the purchase, financing, rental, leasing, and operation of Class M1 passenger vehicles under certain conditions
4. Substances: exclusion of measures that related to certain substances (including harmful, ozone-depleting substances) as well as biocides, radioactive material, and others
5. Defense and Weapons Industry: exclusion of business relationships with companies in the arms industry (including manufacture, trade, and transport of controversial weapons)
6. Controversies in the field of the Environment, Nature, and Living beings: exclusion of controversies in the field of the environment, nature, and living beings.

PART III: ELIGIBILITY OF THE SELECTION CRITERIA AGAINST THE EU TAXONOMY AND ENVIRONMENTAL DELEGATED ACT

NRW.BANK's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant EU Taxonomy Climate Delegated Act, Annex I (as of June 2023)¹⁴, and EU Taxonomy Environmental Delegated Act Annex I (as of June 2023)¹⁵ Criteria requirements of the EU Taxonomy Environmental Delegate Act 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.

The Do No Significant Harm Criteria and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act and Environmental Delegated Act have not been assessed.

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

EU Taxonomy Climate Delegated Act, Annex

- 4.1 Electricity generation using solar photovoltaic technology
- 4.3 Electricity generation from wind power
- 4.5 Electricity generation from hydropower
- 4.9 Transmission and distribution of electricity
- 4.10 Storage of electricity
- 4.12. Storage of hydrogen
- 4.14 Transmission and distribution networks for renewable and low-carbon gases
- 5.1 Construction, extension, and operation of water collection, treatment, and supply systems
- 5.2 Renewal of water collection, treatment, and supply systems
- 5.5. Collection and transport of non-hazardous waste in source-segregated fractions
- 6.1. Passenger interurban rail transport
- 6.2. Freight rail transport
- 6.3 Urban and suburban transport, road passenger transport
- 6.5 Transport by motorbikes, passenger cars, and light commercial vehicles
- 6.14. Infrastructure for rail transport

¹⁴ Commission Delegated Regulation (EU) 2020/852, URL https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

¹⁵ Commission Delegate Regulation (EU) 2023/2486, URL: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

- 6.15 Infrastructure enabling low-carbon road transport and public transport
- 7.1 Construction of new buildings
- 7.2 Renovation of existing buildings
- 7.3 Installation, maintenance, and repair of energy efficiency equipment
- 7.4 Installation, maintenance, and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- 7.7 Acquisition and ownership of buildings

EU Taxonomy Environmental Delegate Act

- 2.2 Urban Waste Water Treatment

All projects financed under the Green Bond Framework are and will be located in Germany.

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 following [link 1](#), [Link 2](#).

a) Assessment of the project categories against the EU Taxonomy’s Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation

GREEN BOND FRAMEWORK PROJECT CATEGORY	EU TAXONOMY ACTIVITY	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁶	ASSESSMENT AGAINST THE EU TAXONOMY’S TECHNICAL SCREENING CRITERIA
Solar Energy	4.1 Electricity generation using solar photovoltaic	The activity generates electricity using solar PV technology.	✓
Wind Power	4.3 Electricity generation from wind power	The electricity is being generated using wind power.	✓
Hydropower Energy	4.5 Electricity generation from hydropower	<p>The activity complies with either one of the following criteria:</p> <p>(a) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir;</p> <p>(b) the power density of the electricity generation facility is above 5 W/m² ;</p> <p>(c) the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO₂e/kWh. The life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or using ISO 14067:2018,¹⁷ ISO 14064-1:2018¹⁸ or the G-res tool.¹⁹ Quantified life-cycle GHG emissions are verified by an independent third party.</p>	✓

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

¹⁷ ISO standard 14067:2018, Greenhouse gases — Carbon footprint of products — Requirements and guidelines for quantification (version of [adoption date]: <https://www.iso.org/standard/71206.html>).

¹⁸ ISO standard 14064-1:2018, Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals (version of [adoption date]: <https://www.iso.org/standard/66453.html>).

¹⁹ Publicly available online tool developed by the International Hydropower Association (IHA) in collaboration with the UNESCO Chair for Global Environmental Change (version of [adoption date]: <https://www.hydropower.org/gres>).

<p>Transmission and distribution of electricity system</p>	<p>4.9 Transmission and distribution of electricity</p>	<p>The activity complies with one of the following criteria:</p> <p>(a) the system is the interconnected European system;</p> <p>(b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis under electricity generation criteria, over a rolling five-year period;</p> <p>(c) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO₂e/kWh measured on a life cycle basis under electricity generation criteria, over a rolling five-year period.</p> <p>Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO₂e/kWh measured on a life cycle basis is not compliant.</p> <p>Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant.</p>	
<p>Storage of electricity</p>	<p>4.10 Storage of electricity</p>	<p>The project category consists of the construction and operation of electricity storage including pumped hydropower storage.</p> <p>Where the activity includes chemical energy storage, the medium of storage (such as hydrogen or ammonia) complies with the criteria for manufacturing of the</p>	<p>✓</p>

		<p>corresponding product specified in Sections 3.7 to 3.17 of this Annex. The activity complies with the technical screening criteria specified in Section 3.10 of the EU Taxonomy Climate Delegated Act Annex 1, re-electrification of hydrogen is also considered part of the activity.</p>	
Storage of hydrogen	4.12. Storage of hydrogen	<p>The project category consists of the operation of hydrogen storage facilities where the hydrogen stored in the facility meets the criteria for manufacture of hydrogen set out in Section 3.10. of this EU Taxonomy Climate Delegated Act Annex 1.</p>	✓
Renewable Energy	4.14 Transmission and distribution networks for renewable and low-carbon gases	<p>The activity will consist in one of the following:</p> <p>(a) construction or operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases;</p> <p>(b) conversion/repurposing of existing natural gas networks to 100% hydrogen;</p> <p>(c) retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low carbon gasses in the gas system;</p> <p>Additionally, the activity will include leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage.</p>	
Water collection and treatment	5.1 Construction, extension and operation of	<p>The water supply system complies with one of the following criteria:</p> <p>(a) the net average energy consumption for abstraction and treatment equals to or is lower than 0.5 kWh per cubic meter</p>	✓



supply system	water collection, treatment	<p>produced water supply. Net energy consumption may take into account measures decreasing energy consumption, such as source control (pollutant load inputs), and, as appropriate, energy generation (such as hydraulic, solar and wind energy);</p> <p>(b) the leakage level is either calculated using the Infrastructure Leakage Index (ILI)²⁰ rating method and the threshold value equals to or is lower than 1.5, or is calculated using another appropriate method and the threshold value is established in accordance with Article 4 of Directive (EU) 2020/2184 of the European Parliament and of the Council.²¹ That calculation is to be applied across the extent of the water supply (distribution) network where the works are carried out, i.e. at the water supply zone level, district metered area(s) (DMAs), or pressure managed area(s) (PMAs).</p>	
Water collection and treatments facilities renewal	5.2 Renewal of water collection, treatment and supply systems	<p>The renewal of the water supply system leads to improved energy efficiency in one of the following ways:</p> <p>(a) by decreasing the net average energy consumption of the system by at least 20% compared to own baseline performance averaged for three years, including abstraction and treatment, measured in kWh per cubic meter produced water supply;</p> <p>(b) by closing the gap by at least 20% either between the current leakage level averaged</p>	✓

²⁰ The Infrastructure Leakage Index (ILI) is calculated as current annual real losses (CARL)/unavoidable annual real losses (UARL): The current annual real losses (CARL) represent the amount of water that is actually lost from the distribution network (i.e. not delivered to final users). The unavoidable annual real losses (UARL) take into consideration that there will always be some leakage in a water distribution network. The UARL is calculated based on factors such as the length of the network, the number of service connections and the pressure at which the network is operating.

²¹ Directive (EU) 2020/2184 of the European Parliament and of the Council of 16 December 2020 on the quality of water intended for human consumption (recast) (OJ L 435, 23.12.2020, p. 1).

		EN 117 EN over three years, calculated using the Infrastructure Leakage Index (ILI) rating method and an ILI of 1.5, ²² or between the current leakage level averaged over three years, calculated using another appropriate method, and the threshold value established per Article 4 of Directive (EU) 2020/2184. The current leakage level averaged over three years is calculated across the extent of the water supply (distribution) network where the works are carried out.	
Separate collection and transport of non-hazardous waste	5.5 Collection and transport of non-hazardous waste in source-segregated fractions	The non-hazardous waste separately collected and transported is segregated at the source and is intended for preparation for reuse or recycling operations.	✓
Rail transport (passenger)	6.1 Passenger interurban rail transport	The activity complies with one of the following criteria: (a) the trains and passenger coaches have zero direct (tailpipe) CO ₂ emissions; (b) the trains and passenger coaches have zero direct (tailpipe) CO ₂ emission when operated on a track with necessary infrastructure and use a conventional engine where such infrastructure is not available (bimode).	✓
Rail transport (freight)	6.2 Freight rail transport	The activity complies with one or both of following criteria: (a) the trains and wagons have zero direct tailpipe CO ₂ emission;	✓

²² The Infrastructure Leakage Index (ILI) is calculated as current annual real losses (CARL)/unavoidable annual real losses (UARL): The current annual real losses (CARL) represent the amount of water that is actually lost from the distribution network (i.e. not delivered to final users). The unavoidable annual real losses (UARL) take into consideration that there will always be some leakage in a water distribution network. The UARL is calculated based on factors such as the length of the network, the number of service connections and the pressure at which the network is operating.

		<p>(b) the trains and wagons have zero direct tailpipe CO₂ emission when operated on a track with necessary infrastructure and use a conventional engine where such infrastructure is not available (bimode). The trains and wagons are not dedicated to the transport of fossil fuels.</p>	
<p>Urban and suburban transport, road passenger transport</p>	<p>6.3 Urban and suburban transport, road passenger transport</p>	<p>The activity complies with one of the following criteria:</p> <p>(a) the activity provides urban or suburban passenger transport, and its direct (tailpipe) CO₂ emissions are zero,²³</p> <p>(b) And until 31 December 2025, the activity provides interurban passenger road transport using vehicles designated as categories M2 and M3²⁴ that have a type of bodywork classified as 'CA' (single-deck vehicle), 'CB' (double-deck vehicle), 'CC' (single-deck articulated vehicle) or 'CD' (double-deck articulated vehicle)²⁵ and comply with the latest EURO VI standard. Where such a standard is not available, the direct CO₂ emissions of the vehicles are zero.</p>	
<p>Transport by motorbikes, passenger cars, and light commercial vehicles</p>	<p>6.5 Transport by motorbikes, passenger cars and light</p>	<p>The activity complies with one of the following criteria:</p> <p>(a) for vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007: (i) until 31 December 2025, specific emissions of CO₂, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are lower than 50gCO₂/km (low- and zero-emission light-duty vehicles); (ii) from 1 January 2026, specific emissions of</p>	

²³ This includes Motor buses with type of bodywork classified as 'CE' (low-floor single-deck vehicle), 'CF' (low-floor double-deck vehicle), 'CG' (Articulated low-floor single-deck vehicle), 'CH' (Articulated low-floor double-deck vehicle), 'CI' (open top single deck vehicle) or 'CJ' (open top double deck vehicle), as set out in point 3 of part C of Annex I to Regulation (EU) 2018/858.

²⁴ As referred to in Article 4(1), point (a), of Regulation (EU) 2018/858.

²⁵ As set out in point 3 of part C of Annex I to Regulation (EU) 2018/858.

		<p>CO₂, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero.</p> <p>(b) for vehicles of category L, the tailpipe CO₂ emissions equal to 0g CO₂e/km calculated following the emission test laid down in Regulation (EU) 168/2013.</p>	
Infrastructure for rail transport	6.14 Infrastructure for rail transport	<p>The activity complies with one of the following criteria:</p> <p>(a) the infrastructure (as defined in Annex II.2 to Directive (EU) 2016/797 of the European Parliament and of the Council)²⁶ is either: (i) electrified trackside infrastructure and associated subsystems: infrastructure, energy, on-board control-command and signaling, and trackside control-command and signaling subsystems as defined in Annex II.2 to Directive (EU)2016/797; (ii) new and existing trackside infrastructure and associated subsystems where there is a plan for electrification as regards line tracks, and, to the extent necessary for electric train operations, as regards sidings, or where the infrastructure will be fit for use by zero tailpipe CO₂ emission trains within 10 years from the beginning of the activity: infrastructure, energy, on-board control-command and signaling, and trackside control-command and signaling subsystems as defined in Annex II.2 to Directive (EU)2016/797; (iii) until 2030, existing trackside infrastructure and associated subsystems that are not part of the TEN-T network²⁷ and its indicative extensions to third countries, nor any nationally, supranationally, or internationally defined network of major</p>	✓

²⁶ Directive (EU) 2016/797 of the European Parliament and of the Council of 11 May 2016 on the interoperability of the rail system within the European Union (OJ L 138, 26.5.2016, p. 44).

²⁷ In accordance with Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU (OJ L 348, 20.12.2013, p. 1).

		<p>rail lines: infrastructure, energy, on-board control-command and signaling, and trackside control-command and signaling subsystems as defined in Annex II.2 to Directive (EU) 2016/797;</p> <p>(b) the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading, and transshipment of goods;</p> <p>(c) infrastructure and installations are dedicated to the transfer of passengers from rail to rail or from other modes to rail.</p> <p>The infrastructure is not dedicated to the transport or storage of fossil fuels.</p>	
<p>Infrastructure enabling low-carbon road transport and public transport</p>	<p>6.15 Infrastructure enabling low-carbon road transport and public transport</p>	<p>The activity complies with one or more of the following criteria:</p> <p>(a) the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO₂ emissions: electric charging points, electricity grid connection upgrades, hydrogen fueling stations, or electric road systems (ERS);</p> <p>(b) the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading, and transshipment of goods;</p> <p>(c) the infrastructure and installations are dedicated to urban and suburban public passenger transport, including associated signaling systems for metro, tram and rail systems.</p> <p>The infrastructure is not dedicated to the transport or storage of fossil fuels.</p>	<p style="text-align: center;">✓</p>

<p>Construction of new buildings</p>	<p>7.1 Construction of new buildings</p>	<p>The construction of new buildings will comply with:</p> <ol style="list-style-type: none"> 1. The Primary Energy Demand (PED)²⁸, defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council.²⁹ The energy performance is certified using an Energy Performance Certificate (EPC). 2. For buildings larger than 5000 m² ³⁰, upon completion, the building resulting from the construction undergoes testing for airtightness and thermal integrity³¹, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative, where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. 3. For buildings larger than 5000 m² ³², the life-cycle Global Warming Potential (GWP)³³ of the building resulting from the 	<p style="text-align: center;">✓</p>
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²⁸ The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

²⁹ Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13).

³⁰ For residential buildings, the testing is made for a representative set of dwelling/apartment types.

³¹ The testing is carried out in accordance with EN13187 (Thermal Performance of Buildings - Qualitative Detection of Thermal Irregularities in Building Envelopes - Infrared Method) and EN 13829 (Thermal performance of buildings. Determination of air permeability of buildings. Fan pressurisation method) or equivalent standards accepted by the respective building control body where the building is located.

³² For residential buildings, the calculation and disclosure are made for a representative set of dwelling/apartment types.

³³ The GWP is communicated as a numeric indicator for each life cycle stage expressed as kgCO_{2e}/m² (of useful internal floor area) averaged for one year of a reference study period of 50 years. The data selection, scenario definition and calculations are carried out in accordance with EN 15978 (BS EN 15978:2011. Sustainability of construction works. Assessment of environmental performance of buildings. Calculation method). The scope of building elements and technical equipment is as defined in the Level(s) common EU framework for indicator 1.2. Where a national calculation tool exists or is required for making disclosures or for obtaining building permits, the respective tool may be used to provide the required disclosure. Other calculation tools may be used if they fulfil the minimum criteria laid down by the Level(s) common EU framework (version of [adoption date]: <https://susproc.jrc.ec.europa.eu/product-bureau/product-groups/412/documents>), see indicator 1.2 user manual.

		construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.	
Renovation of existing buildings	7.2 Renovation of existing buildings	The renovation of buildings will comply with the following criteria: they have been refurbished and have achieved a reduction in energy use (kWh/heated m ² /year) of at least 30% ³⁴ or the building renovation complies with the applicable requirements for major renovations ³⁵ .	✓
Renovations of buildings	7.3 Installation, maintenance and repair of energy efficiency equipment	<p>The activity consists of one of the individual measures provided in the EU Taxonomy that comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation.</p> <p>(a) addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure air-tightness, measures to reduce the effects of thermal bridges and scaffolding) and products for the application of the insulation to the building envelope (including mechanical fixings and adhesive);</p> <p>(b) replacement of existing windows with new energy efficient windows;</p> <p>(c) replacement of existing external doors with new energy efficient doors;</p>	✓

³⁴ The 30% improvement results from an actual reduction in energy use, it is measurable and can be achieved through a succession of measures within a maximum of three years.

³⁵ As set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU.

		<p>(d) installation and replacement of energy efficient light sources;</p> <p>(e) installation, replacement, maintenance and repair of heating, ventilation and air-conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies;</p> <p>(f) installation of low water and energy using kitchen and sanitary water fittings which comply with technical specifications set out in Appendix E to this Annex and, in case of shower solutions, mixer showers, shower outlets and taps, have a max water flow of 6 L/min or less attested by an existing label in the Union market.</p>	
Infrastructure enabling low-carbon road transport and public transport	7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	The activity is the installation, maintenance, or repair of charging stations for electric vehicles.	✓
Acquisition and ownership of buildings	7.7 Acquisition and ownership of buildings	<p>The financing of new or existing buildings will comply with the following criteria:</p> <ol style="list-style-type: none"> 1. Built prior to 31st December 2020, belonging to the Top 15% of most energy efficient buildings in Germany expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the 	✓

		<p>performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</p> <p>2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of the EU Taxonomy Climate Delegated Act Annex 1 that are relevant at the time of the acquisition.</p> <p>3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems, or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.³⁶</p>	
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b) Assessment of the project categories against the EU Taxonomy’s Technical Screening Criteria for a Substantial Contribution to Sustainable use and protection of water and marine resources

GREEN BOND FRAMEWORK PROJECT CATEGORY	EU TAXONOMY ACTIVITY	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁷	ASSESSMENT AGAINST THE EU TAXONOMY’S TECHNICAL SCREENING CRITERIA
Urban waste and water treatment	2.2 Urban Waste, Water treatment	<p>The activity complies with one of the following criteria:</p> <p>1. The wastewater treatment system does not result in a deterioration of the good status and good ecological potential of any</p>	✓

³⁶ This can be demonstrated, for example, through the presence of an Energy Performance Contract or a building automation and control system in accordance with Article 14 (4) and Article 15 (4), of Directive 2010/31/EU.

³⁷ This column is based on input provided by the Issuer.

		<p>of the affected water bodies and it contributes significantly to the achievement of good status and potential of the affected water bodies, in accordance with Directive 2000/60/EC.³⁸</p> <p>The information related to the status of water bodies, to the activities potentially impacting the status, and to the measures taken to avoid or minimize such impacts, is included in a river basin management plan, The wastewater treatment system fulfills the discharge requirements set up by the competent local authorities. The wastewater treatment system also contributes to achieving or maintaining the good environmental status of marine waters following Directive 2008/56/EC, where applicable.</p> <p>2. The wastewater treatment system has a collecting system and the provision of secondary treatment. The wastewater treatment system complies with the relevant, size-specific requirements for discharges from urban wastewater treatment plants set out in Directive 91/271/EEC, in particular, Articles 3 to 8 and Article 13 of that Directive and Annex I to that Directive.</p> <p>3. Where the wastewater treatment plant has a capacity of 100 000 population equivalent (p.e.)³⁹ or more, or of a daily inflow of a five-day biochemical oxygen demand (BOD5) load of more than 6 000 kg, it uses a sludge treatment such as anaerobic digestion or technology with the</p>	
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³⁸ For activities in third countries, in accordance with applicable national law or international standards which pursue equivalent objectives of good water status and good ecological potential, through equivalent procedural and substantive rules, i.e. a water use and protection management plan developed in consultation with relevant stakeholders which ensures that 1) the impact of the activities on the identified status or ecological potential of potentially affected water body or bodies is assessed and 2) deterioration or prevention of good status/ecological potential is avoided.

³⁹ Population equivalent (p.e.) means the organic biodegradable load having a five-day biochemical oxygen demand (BOD5) of 60 g of oxygen per day.

		same or a lower net energy demand (considering both energy generation and consumption), to stabilize the sludge.	
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c) Do No Significant Harm Criteria and Minimum Safeguards

Regarding the policies and procedures to ensure that the project categories align with the relevant Do No Significant Harm Criteria and Minimum Safeguards requirements, NRW.BANK will secure the relevant information on whether the assets align with the criteria, including using compliance with national legislation and regulations as indicators. At the moment, these requirements have not been assessed due to data constriction.

PART IV: CONSISTENCY OF GREEN BONDS WITH NRW.BANK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
Strategic ESG topics	NRW.BANK has defined three sustainability pillars: promotional business, capital market business and banking operations, for which the overarching objective is its carbon neutrality in the future. ⁴⁰ These sustainability pillars are based on the Act on and the Statutes of NRW.BANK and have been defined through an internal analysis and were certified by EMAS (Eco-Management and Audit Scheme).
ESG goals/targets	<p>To achieve its strategic ESG topics, the Issuer has set twelve objectives. The objectives and associated measures for NRW.BANK's short-term targets for 2024-2027 are public. They are monitored on a regular basis by the Sustainability Committee.</p> <p>NRW.BANK doesn't have any mid-term or verified Science-based targets.</p>
Action plan	<p>The Issuer has a sustainability program⁴¹ in place to achieve the twelve goals.</p> <p>NRW.BANK doesn't disclose the relevant financial budget to achieve the specific ESG targets.</p>
Climate Transition Strategy	One of the twelve objectives is to "support the Paris climate goals with regard to the target of climate neutrality by 2045. To achieve this objective NRW.BANK came up with eight activities for the year 2024. Generally speaking, the Issuer aims to cut the use of resources and offset unavoidable impacts to the extent possible. In its sustainability report, NRW.BANK publishes its direct and indirect CO ₂ e emissions for the respective year, including Scope 1, 2, and 3.

⁴⁰ <https://www.nrwbank.de/export/galleries/downloads/Dafuer-stehen-wir/Nachhaltigkeit/nrwbank-sustainability-report-2022.pdf>

⁴¹ <https://www.nrwbank.de/export/galleries/downloads/Dafuer-stehen-wir/Nachhaltigkeit/NRWBANK-sustainability-objectives-and-activities-2024.pdf>

<p>Top three areas of breaches of international norms and ESG controversies in the industry⁴²</p>	<p>Failure to mitigate climate change impacts, failure to respect indigenous rights, sexual harassment in the workplace and failure to respect the right to an adequate standard of living.</p>
<p>Breaches of international norms and ESG controversies by the Issuer</p>	<p>At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.</p>
<p>Sustainability Reporting</p>	<p>The Issuer reports on its ESG performance and initiatives on an annual basis in the Sustainability Report and the Sustainability Programme.</p>
<p>Industry associations, Collective commitments</p>	<p>The Issuer is a member of Charta der Vielfalt and United Nations Environment Programme – Finance Initiative (UNEP FI) since 2009 and signed the UN Global Compact in the same year. Since 2015 the Issuer is a member of the Green Bond Principles and the Association for Environmental Management and Sustainability in Financial Institutions (VfU). In 2020 NRW.BANK signed the Principles for Responsible Investment (UN PRI). Further to that the Issuer is a member in the Association of German Public Sector Banks (VÖB) and the European Association of Public Banks (EAPB).</p>
<p>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</p>	<p>NRW.BANK has issued Green Bonds on an annual basis since 2013 with a total volume of about EUR 7.8 bn (as of December 2023). The Frameworks were verified by ISS. The Issuer has also issued Social Bonds.</p>

Rationale for issuance

NRW.BANK is a regional German development bank, located and fully owned by the Federal State of North Rhine-Westphalia. Their business is focused on supporting SMEs to encourage growth, employment, and innovation, supporting affordable housing for low-income families, and supporting NRW’s municipalities. Corresponding to this business model, the Issuer established a funding strategy in which Green bonds serve to refinance environmentally friendly loans. NRW.BANK’s rationale for issuing Green bonds is to enable funding for green projects, to support the EU Action Plan on Sustainable Finance and the Green Deal, as well as to provide investors opportunities for sustainable investments. Correspondingly, the Issuer

⁴² Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Development Banks industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

was chosen the following eligible categories: renewable energy, energy efficiency, clean transportation, green buildings, terrestrial and aquatic biodiversity conservation and climate change adaptation, sustainable water and wastewater management, and pollution prevention and control. In the updated Framework, NRW.BANK refers to the EU Taxonomy and the European Green Bond Standard.

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.*

DISCLAIMER

1. Validity of the Second Party Opinion (“SPO”): Valid as long as the cited Framework remains unchanged.
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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary 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 EU Taxonomy Climate Delegated Act (as of June 2023) and EU Taxonomy Environmental Delegated Act (as of June 2023).

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.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

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

CRITERIA

Relevant Standards for this Second Party Opinion:

1. Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
2. EU Taxonomy Climate Delegated Act, Annex I (as of June 2023) and EU Taxonomy Environmental Delegated Act Annex I (as of June 2023)

ISSUER'S RESPONSIBILITY

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

1. Framework
2. Selection criteria
3. Documentation of ESG risk management at the framework level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is a part of, 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 Bonds to be issued by NRW.BANK has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles (GBP).

The engagement with NRW.BANK took place from March to April 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group 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

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green 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.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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