



Impact Management at NRW.BANK



NRW.BANK
Promoting Ideas

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Version 1.0

This document outlines the impact management methodology used by NRW.BANK. It describes the systematic approach, the fundamental understanding of impact and the basis for establishing a governance structure, as well as the system for calculating impact indicators.

1. Expanding NRW.BANK's Impact Management

1.1 Initial Situation and Objective

NRW.BANK already has impact-oriented promotional approaches in place. These include targeted promotional impulses and the promotion of sustainable investment projects through the issuance of green and social bonds. In addition, the Bank has established SDG mapping that illustrates how its promotional volume contributes to the 17 United Nations Sustainable Development Goals.

However, the impact of the respective promotional activities has so far only been measurable to a limited extent. For this reason, the Managing Board has embedded the establishment and further development of an impact management system as a sustainability objective in the Bank's sustainability and overall strategies. Alongside the volume-oriented approach, the impact management system will also systematically capture and measure environmental and social impacts in future. The analysed data will provide targeted management impulses for NRW.BANK's entire promotional business.

Within the promotional bank sector, the Impact Insights published by KfW and L-Bank's Impact Report have provided pioneering impetus for impact-oriented reporting at national level. To ensure a high degree of comparability, NRW.BANK's impact management is methodologically based on these approaches. At the same time, it has been specifically tailored to NRW.BANK's strategic focus and promotional mandate, as well as to the specific requirements of the State of North Rhine-Westphalia.

NRW.BANK will use impact management as an essential strategic component to further develop its promotional programmes in line with future requirements and actual demand. It therefore provides an additional instrument for transparently disclosing positive promotional effects and

deriving considered, impact-oriented recommendations for action. The planned gradual expansion of the topics and indicators analysed will progressively improve the measurability of promotional activities and enable a comprehensive assessment of NRW.BANK's entire promotional business in future.

1.2 Impact Understanding and Logic Model

What does NRW.BANK understand by impact?

Impacts refer to both negative and positive social, environmental and economic changes triggered by NRW.BANK's actions. NRW.BANK aims to systematically measure intended positive effects and maximise them wherever possible. This also includes reducing negative effects, for example by avoiding waste through improved processes or reducing greenhouse gas emissions. The approach is based on international standards and established practices of promotional institutions, such as those applied by KfW and L-Bank in Germany. Focusing on positive effects enables promotional objectives to be clearly defined and the effectiveness of promotional measures to be presented transparently and comprehensively.

Distinction from sustainability risks:

In addition to impact management, NRW.BANK's approach includes the management of sustainability risks in accordance with the Bank's risk management framework and German and European legislation (e.g. CSRD). Sustainability risks are defined as the risk of financial losses or reputational damage arising from events or conditions in the environmental, social or governance (ESG) areas. Sustainability risks comprise both the negative impacts of NRW.BANK's business activities on the environment and society ("inside-out") and potential impacts on NRW.BANK's risk positions resulting from environmental, social and governance challenges ("outside-in").

Normative framework – On which principles and guidelines is NRW.BANK's approach based?

NRW.BANK's approach is based on the sustainability strategy of the State of North Rhine-Westphalia, international standards and the United Nations 2030 Agenda, including the Sustainable Development Goals (SDGs). These values and guidelines determine which impacts are considered important and what is regarded as right, appropriate or desirable.

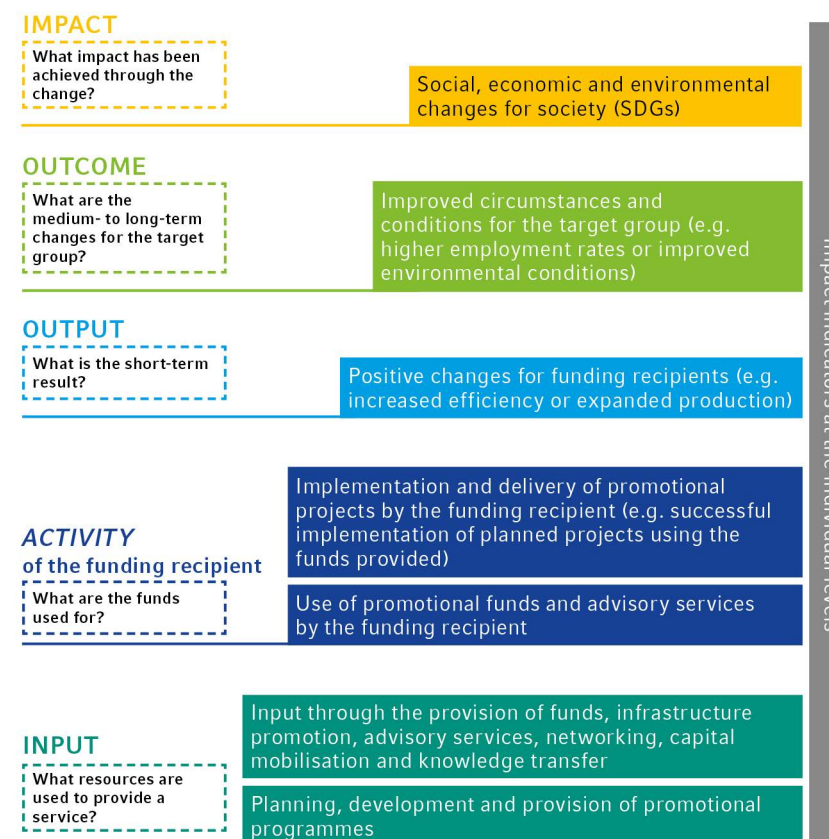
Which approach was chosen for impact management?

The theory of change (ToC) provides the methodological basis. It is an internationally recognised method for describing effects according to a consistent impact rationale and structure. The impact rationale explains how and why specific activities contribute to the intended effects and, ultimately, to overarching objectives. It describes the material steps from the resources and measures deployed, through their direct results, to short-, medium- and long-term impacts.

The assumed causal relationships between the promotional funds deployed, the activities, the results achieved and the intended social changes can therefore be presented in structured impact chains. These impact chains make it possible to systematically assess impacts at all levels and quantify them using suitable indicators (see 1.4 Impact Chains and Impact Indicators).

Based on this approach, NRW.BANK has developed the following impact ladder which presents the specific context of promotional bank activities in a structured manner:

NRW.BANK's Impact Ladder



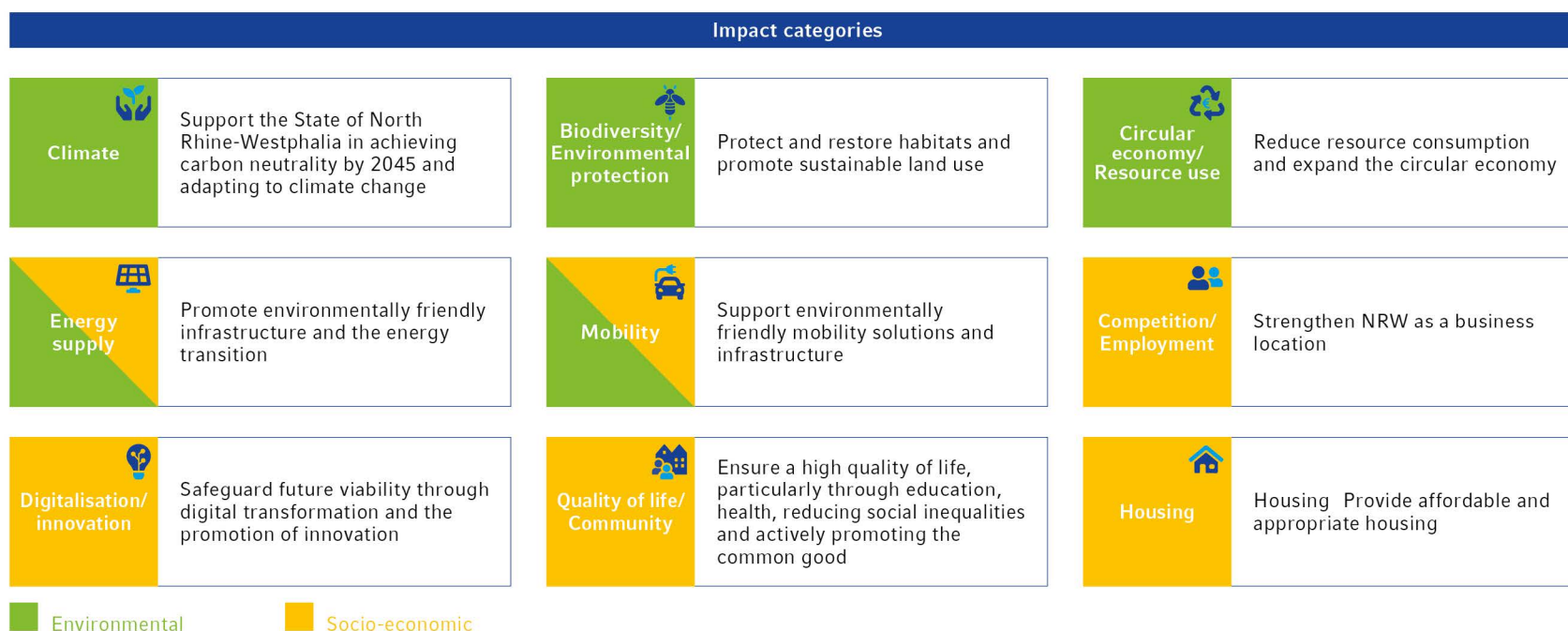
1.3 Impact Categories and Objectives

NRW.BANK's social impact in North Rhine-Westphalia covers a wide range of topics. Through its promotional activities in the three promotional fields of Economy, Housing and Infrastructure/Municipalities, the Bank reaches a diverse and wide-ranging target group.

The main impact topics have been grouped into nine environmental and/or socio-economic impact categories in order to systematically structure, manage and clearly present NRW.BANK's impact contributions. These impact categories were derived from the Bank's overall strategy and, in

particular, from NRW.BANK's promotion and sustainability strategy. They form the basis for applying the impact rationale and deriving the respective impact chains and suitable impact indicators.

The assessments conducted as part of the CSRD materiality analysis and the Impact Radar using UNEP FI impact tools confirm the relevance of the selected impact categories. The material environmental, social and economic impacts of NRW.BANK's portfolio were linked to the identified needs of the State of North Rhine-Westphalia using UNEP FI's Sectors Impact Mapping. This identified high materiality, from the Bank's perspective, for the analysed topics within its promotional business.



Each impact category was specified through an objective that defines the desired effect. Given the dynamic and continuously changing environment, the impact categories will be reviewed and, where necessary, adjusted as part of the Bank's annual overall strategy process. This ensures that the Bank's impact management remains closely aligned with its strategy.

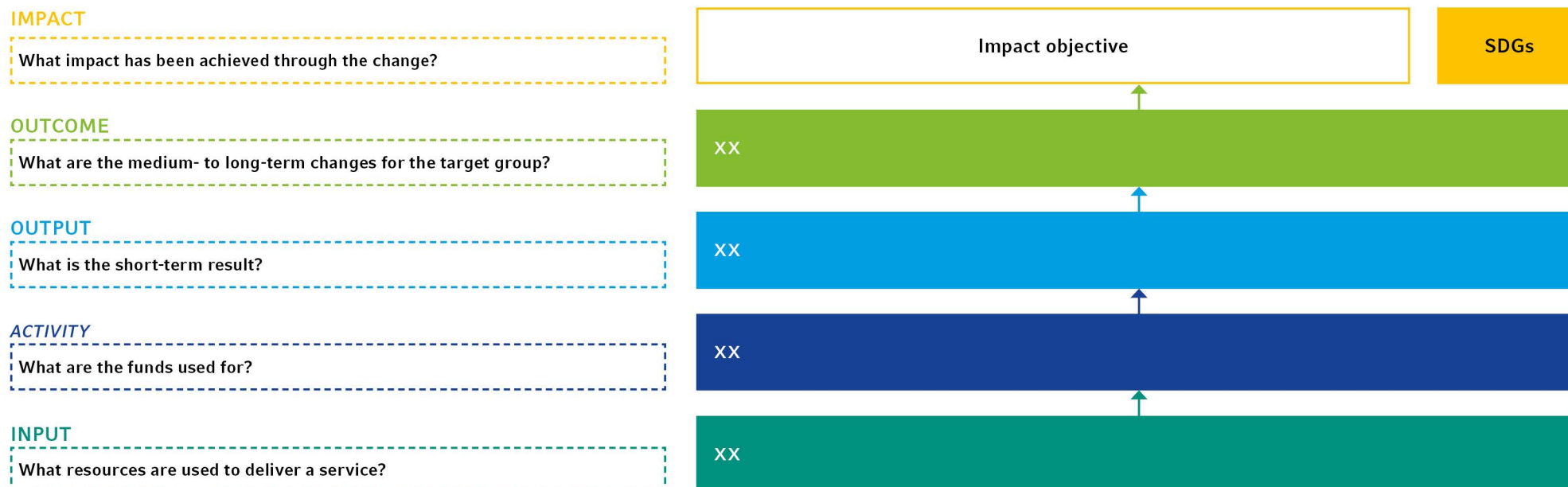
1.4 Impact Chains and Impact Indicators

Based on the defined objectives of each impact category, suitable impact chains were developed, followed by the derivation of suitable impact indicators for each impact level.

This makes it possible to transparently present the logical links between input, output, outcome and impact and forms the conceptual basis for developing a measurement and reporting system in accordance with the theory of change.

Impact indicators measure and define impact at all levels (input, activity, output, outcome and impact).

Example of an Impact Chain



Activity and Input

In addition to extensive advisory services, NRW.BANK provides funds, such as loans, equity capital and subsidies, to the recipients of its funding, including private customers, freelancers and entrepreneurs, private companies, municipalities and municipal companies. Specific promotional conditions for each promotional product ensure that projects and activities of the respective customer group are initiated and promoted in a targeted manner in accordance with the ESG promotion requirements.

Output

The activity produces a direct result for the funding recipient, namely tangible services or products such as an implemented innovation, an operational wind farm, a completed residential building or an improved production process.

Outcome

The output leads to further changes for society, nature and the economy that can be measured through impact management. The Outcome therefore quantifies, for example, the installed generating capacity of a wind farm or the resources saved through improved production processes.

Impact

Impact refers to structural changes in society in the context of sustainable development. This includes improvements in economic, social and environmental living conditions that can be assigned to the 17 SDGs.

The quality and subsequent selection of indicators is ensured by verifying that they meet the SMART criteria:

Specific: Each indicator is tailored to NRW.BANK's offering and clearly defined.

Measurable: The indicators are quantifiable and can be determined precisely, supplemented by qualified estimates where necessary.

Accepted: The indicators were identified by an interdisciplinary core team and approved by NRW.BANK's Sustainability Committee.

Relevant: The indicators are aligned with NRW.BANK's relevant impact categories.

Time-based: The indicators measure impact over defined periods. The basis for impact management is new business in a fiscal year. Where new promotional programmes are introduced or replace existing programmes, this is considered in the calculation of indicators during the year.

For reasons of efficiency and implementation, the Bank will initially use low-threshold impact indicators when introducing the measurement and reporting system. These are either based on existing internal data or can be derived from suitable models.

Where possible, the indicators are linked to the internationally harmonised IRIS+ impact indicators (GIIN, 2025) in order to ensure that impact measurement is compatible with national and international reporting systems. This framework is aligned with the indicators established across KfW Group, thereby ensuring a cross-institutional approach to impact.

To progressively increase their informative value, the impact indicators are to be further developed in future.

2. Impact Measurement and Presentation

Once impact categories, impact chains and suitable impact indicators have been defined, impact is measured at all levels of the underlying impact ladder, depending on data availability. The complexity of the measurement and the resulting informative value in relation to effects on society may vary across the individual levels.

While effects at impact level are often qualitative, effects at activity, output and outcome level can generally be quantified. The scope and quality of the available data pool form the basis of the measurement system and are therefore a key success factor for effective impact management.

A dedicated data model has been developed to ensure the consistent and reproducible assessment of all available impact indicators. It links the relevant data underpinning the calculation of the indicators with information on promotional regulations. This ensures that all information available across the Bank can be assessed.

2.1 Data Collection Approach

The data required to calculate the impact indicators is collected in connection with funding applications by the respective promotional business units and transferred to the existing systems. Collection processes vary according to the relevant promotional business unit and the complexity of the financed projects. High data quality is the basis for reliable impact management. The existing data and systems already demonstrate a high

degree of plausibility and reliability. To ensure consistency with other reports and assessments, data is not amended independently, but is checked and updated exclusively in the leading system by the responsible specialist departments. Any inconsistencies are also reported back to the recording business units and the departments responsible for the system.

Data quality is checked by assessing the plausibility of indicators and identifying conspicuous, outlier and unexpected values.

2.2 Impact Measurement and Disclosure

The data included in the funding application is assessed for the impact indicators if it is classified as new business, meaning that the funding application was approved in the calendar year under review and the funding amount was recorded in the system. The defined impact indicators are also recorded at this point. This creates a direct link to the funding decision, with temporal proximity between the funding decision and the disclosure of the respective impact indicators. As a project may also have a positive effect in several categories, it may be included in multiple impact categories and disclosed through the individual impact indicators of the relevant impact category. For example, funding for an electric bus for local public transport contributes both to improved local mobility, through the improvement of local public transport, and to reduced greenhouse gas emissions, through a low-emission drive system.

The disclosed impact is the expected annual impact (ex-ante) in the “steady state”. This assumes that the project has been fully implemented and is ready for use, for example that the wind farm has been built and is operational. NRW.BANK does not disclose the overall impact of projects, but rather the impact attributable to its share of funding, provided sufficient data is available.

NRW.BANK has decided to use ex-ante measurement. Analyses of NRW.BANK’s portfolio by the promotional business units identified only minor deviations between realised projects (ex-post) and the information provided in the applications (ex-ante). From NRW.BANK’s perspective, the quality of the impact assessment is sufficient. The ex-ante approach is the most suitable approach for efficient, portfolio-wide data collection – not least because it uses existing data collection practices and project implementation periods vary considerably. In future, impacts will also be verified through ex post measurements to enable further comparisons of impacts.

Disclosing annual impact in the steady state improves the comparability of the impacts of different investments with different maturities.

2.3 External Sources and Models

When measuring impact, the impact management system also draws on external sources to assess impact indicators. These include emission factors and statistical data provided by official sources.

NRW.BANK also uses an external tool, the GAW value creation model, to model employment effects, as it enables a standardised and transparent assessment of the employment effects of investments. Employment effects cannot generally be observed directly or measured in advance. Modelling makes it possible to systematically assess the expected effects of a project or investment on employment.

The value creation model of the Austrian Gesellschaft für Angewandte Wirtschaftsforschung (GAW) is used to present the economic links and regional effects of funds deployed in North Rhine-Westphalia. The model enables standardised, data-based modelling of the economic effects of a so-called demand impulse, meaning the provision of financial resources. It analyses effects on value creation, gross domestic product or gross regional product, employment and income.

2.4 Limitations of Impact Management: Data Basis, Informative Value, Time Lag

The informative value of impact management depends largely on the availability, completeness and quality of the underlying data. A central database provides the necessary basis for this. In addition, it must be continuously assessed whether further information should be collected in future or whether existing data collection processes should be adapted to close information gaps. Appropriate procedures for ongoing quality assurance are also required to improve the reliability of the results over the long term and progressively strengthen the robustness of impact analyses.

In principle, indicators at impact level have the greatest informative value, as they directly describe the contribution of a measure to the intended social or economic changes. In practice, however, they are often difficult to determine. In many cases, long-term effects only materialise after several years and may also be influenced by a range of external factors. In addition, relevant data is often unavailable or available only to a limited extent. This is why additional indicators are used at output and outcome level. These show short-term results and changes that have a plausible causal relationship with the intended long-term objectives, and therefore serve as suitable approximations of subsequent objective achievement.

A further challenge is the time lag between the implementation of a promotional measure and the emergence of its effect. While short-term results can generally be recorded directly, further effects can often only be empirically demonstrated after longer observation periods. This not only increases the effort required for data collection and assessment, but also makes it more difficult to provide timely insights for the further development of promotional programmes. In order to make well-founded statements about likely effects at an early stage, model-supported forecasts are therefore produced on the basis of transparent assumptions. The underlying models and assumptions must be regularly reviewed and, where necessary, adapted in light of new findings and available data in order to continuously improve the quality of impact statements.

3. Governance and Outlook

In practice, promotional institutions have established impact management at different stages of development, reflecting varying levels of maturity.

NRW.BANK is currently developing its impact management system in stages. In the first step, the focus is on a data-based approach that systematically uses existing information and continuously expands the available data basis. Its aim is to unlock existing data potential within the Bank and establish a reliable basis for impact analyses and assessments.

The insights gained are used not only to transparently present the expected impact of funded projects, but also to systematically inform the further development of promotional activities. For this purpose, the results are assessed centrally every two months by the Sustainability and Impact Management department within the Risk Control business unit and made available to the promotional business units and the Sustainability Committee. This supports the evidence-based further development of promotional programmes and the continuous improvement of their impact.

By implementing Bank-wide impact management, NRW.BANK creates the conditions to systematically, comprehensibly and transparently present the contribution of its financing and promotional activities to the sustainable transformation of the economy, environment and society. At the same time, this provides a sound basis for integrating impact considerations more closely into strategic management and decision-making processes.

A reliable, high-quality data basis is a key prerequisite for informative impact reporting. The further expansion of impact management is therefore closely linked to the ongoing improvement of data quality and the progressive extension of available information. This will enable more comprehensive and precise impact analyses in future.

In the long term, data exchange with funding recipients and other relevant stakeholders is to become increasingly digitalised and standardised. This is intended to simplify the collection of impact-relevant information, improve data quality and enable more efficient exchange. At the same time, the insights gained are to be reported back to those involved in order to make potential for increasing the impact of promotional measures visible and support a stronger impact orientation.

This requires robust IT structures that enable secure and efficient data exchange within the Bank and with external partners. Given continuously changing social, economic and environmental conditions, impact management will also be continuously developed. NRW.BANK will progressively expand its methods, indicators and data basis in order to enable an even more robust assessment and transparent presentation of the impact of its promotional activities, and to use this as a basis for an impact-oriented promotional policy.

4. List of Abbreviations

CSRD	Corporate Sustainability Reporting Directive
ESG	Environmental, Social, Governance
ESRS	European Sustainability Reporting Standards
GAW	Gesellschaft für Angewandte Wirtschaftsforschung
GHG(s)	Greenhouse gas(es)
GIIN	Global Impact Investing Network
GRI	Global Reporting Initiative
I-O-O-I	Input-Output-Outcome-Impact (model)
IRIS+	Impact Reporting and Investment Standards (managed by the GIIN)
KfW	Kreditanstalt für Wiederaufbau
OPIM	Operating Principles for Impact Management
PCAF	Partnership for Carbon Accounting Financials
SDG(s)	Sustainable Development Goal(s)
ToC	Theory of Change

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