



**NRW.BANK**  
Promoting Ideas

April 2024

# NRW.BANK Green Bond Framework





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CA CIB and DZ Bank act as sustainability advisors.

# 1. Introduction

## 1.1 Institution<sup>1</sup>

NRW.BANK is a regional German development bank (hereinafter also referred to as “Agency”). The Agency is a public law institute (Anstalt öffentlichen Rechts – AöR) which is fully owned by the German Federal State of North Rhine-Westphalia. The Federal State grants an explicit guarantee (NRW.BANK law Art. 1, Sec 4, Para. 3) to the Agency. Based on this guarantee NRW.BANK enjoys the high ratings of North Rhine-Westphalia (Aa1s/AAs/AAAs), the bonds are classified as HQLA and are risk-weighted 0% under Basel III and Solvency II.

NRW.BANK cannot become insolvent. NRW.BANK Law (Art. 17, Sec.2) states that insolvency proceedings with respect to the Bank’s assets are inadmissible. Bail-in waterfalls do not apply for the Agency.

NRW.BANK is viewed by the State of North Rhine-Westphalia as an economic tool and not as a financial investment. It supports the State in its structural and economic policy tasks. Consequently in 2010, owner and Agency agreed upon a “non-dividend paying” policy. Instead of distributing its earnings, the Agency uses them to strengthen its reserves.

NRW.BANK is very well capitalised. The Agency enjoys a paid-in capital position of around EUR 19 billion which has been stable over the last years. Together with strong internal reserves, the CET 1 ratio has been consistently above 40%.

## 1.2 Mission

NRW.BANK’s core mission is focused on the region. Within North Rhine-Westphalia the Agency offers interest subsidised loans in all tenors and advises private and public corporations, individuals and administrative bodies.

Annual new development loans disbursed have increased significantly during the last years. Since 2015 and even in weak economic environments, this KPI has exceeded EUR 10 billion, reaching a peak of around EUR 17bn during the COVID-19 pandemic in 2020.

The development business is focused on three main sections:

- supporting small and medium-sized enterprises (SMEs) in order to stimulate growth, employment and innovation
- supporting affordable housing for low-income families
- supporting North Rhine-Westphalian municipalities

Fighting climate change is a cross-section challenge and therefore elements of this area are embedded in all activities.

<sup>1</sup> Further information on NRW.BANK can be found at the following address:  
NRW.BANK – Investor Relations (nrwbank.de)

In the lending business to SMEs<sup>2</sup>, the distribution channel is based on the house bank principle. Meaning that house banks lend NRW.BANK funds onward to their corporate clients. These clients are SMEs only. NRW.BANK does not have business relations with large caps. Its lending operation with public sector clients and the entire affordable housing financing operation is done bilaterally. Whereas direct lending represents a small portion of the SME-related lending business, it is the main channel of loan disbursement when it comes to NRW.BANK's other lending activities, e.g. with local municipalities.

### 1.3 Funding

NRW.BANK has several options to refinance its development banking activities:

- ultra long-term lending, especially for affordable housing loans which is usually refinanced by equity capital (NRW.BANK offers up 50 years or longer tenors)
- medium and long-term lending is refinanced via other German agencies (KfW and Rentenbank), MDBs (EIB and CEB) or via capital market transactions
- Approximately EUR +/-12 billion is issued via capital markets annually in several currencies and maturities. The format in different issuance sizes and currencies is fixed or floating, public or private and plain vanilla or slightly structured.

Part of the funding strategy is to refinance environmental friendly loans with Green Bonds. NRW.BANK started to issue Green Bonds in 2013 and has since then continued to do so on an annual basis.

In 2020 NRW.BANK broadened its scope and established a Social Bond Framework (updated in 2022) to support lending to affordable home ownership, SMEs, education and municipalities. The Agency's strategy is to be active in the Social Bond market at least once a year with a EUR benchmark transaction. Smaller transactions in different currencies (e.g. in AUD) are possible.

The overall share of the Green and Social Bond Programmes combined in relation to the overall funding volume has increased since the Agency started to come to the market in the sustainable format. Whereas in the initial years, the share of the Green Bond Programme was around 5%, the increase in the Green Bond issuance volume together with the start of the Social Bond Programme has led to a combined share of around 25% in relation to the overall funding volume.

<sup>2</sup> NRW.BANK's definition of a SME: i) being part of the service, manufacturing sector or being a liberal profession; ii) the ownership majority are private individuals; iii) no more than 250 employees

## 2. NRW.BANK Is Part of the EC Climate Strategy

In order to keep global warming – in line with the Paris Agreement – close to 1.5 degree Celsius, the European Commission (EC) targets a zero (net) emission economy by 2050. The EC's roadmap is converted into national climate strategies. Germany's new goal is to reduce emissions by 65% in 2030 vs 1990 and to zero in 2045 (with the aim to achieve negative emissions after 2050). Up to 2030 the housing/building sector has to reduce its emissions by 69%, the energy sector is obligated to reduce its emissions by 77% and traffic by 49%. Using the energy sector as an example, in order to achieve these goals renewable energies contribution to the overall electricity production must increase from 52% (2023) to 80% (2030).<sup>123</sup>

### 2.1 Sustainability at NRW.BANK

NRW.BANK's business policy activities are based on the principle of sustainability. Sustainability is a central guiding principle and a key criterion for NRW.BANK's decisions on business policy.

As the promotional bank of North Rhine-Westphalia, NRW.BANK places a clear focus on achieving the goals of the Paris Climate Agreement. NRW.BANK's main overarching objective therefore is for the promotional business, the capital market business and the banking operations to become carbon-neutral in the future so as to support the State of North Rhine-Westphalia in achieving the climate neutrality goal by 2045.

NRW.BANK's Sustainability Strategy was adopted by the Agency's Managing Board on November 21, 2023, discussed by the Supervisory Board on December 4, 2023 and implemented in the Agency's rules and regulations and overall strategy with effect from January 1, 2024.<sup>4</sup> It replaces the Sustainability Guidelines as last amended on January 1, 2023. The specifications previously contained in the Sustainability Guidelines concerning each of NRW.BANK's business pillars (promotional business, capital market business and banking operations), are now available as separate documents with each describing the sustainability approach in detail.<sup>5</sup> Also included is the Declaration of Human Rights, which describes the relevance of and approach to human rights in all facets of NRW.BANK's activities. It was adopted by the Managing Board on December 12, 2023.<sup>6</sup>

<sup>1</sup> Figures according to the amendment of the Federal Climate Change Act as presented by the Federal Ministry of Justice. English version [here](#), German official text [available here](#)

<sup>2</sup> Sector-breakdown emissions reduction calculation based on figures published by the official Umweltbundesamt, [available here](#)

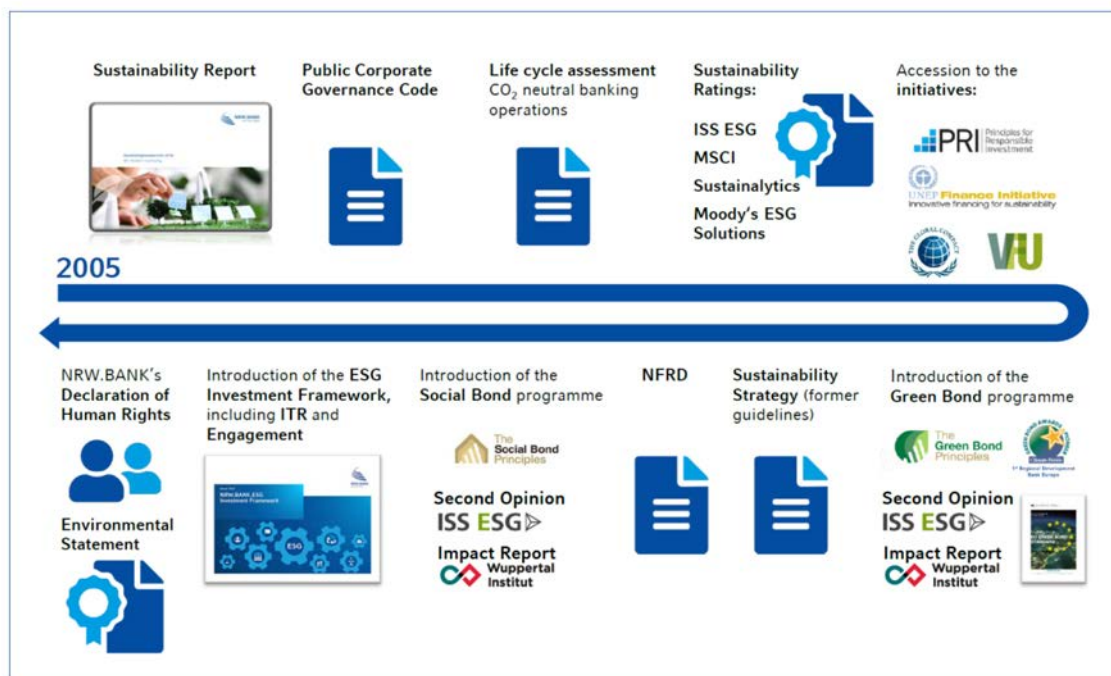
<sup>3</sup> According to calculations conducted by the Zentrum für Sonnenenergie- und Wasserstoff-Forschung Baden-Württemberg (ZSW) an the Bundesverbands der Energie- und Wasserwirtschaft (BDEW), renewable energies represent 52% of the gross electricity consumption as of 2023. Document [available here](#)

<sup>4</sup> Explanatory Notes on the Sustainability Strategy of NRW.BANK

<sup>5</sup> ESG Promotion Requirements, ESG Investment Framework, EMAS

<sup>6</sup> NRW.BANK's Declaration of Human Rights

Sustainability has been anchored in NRW.BANK's Statutes and the Act on NRW.BANK since its foundation. Further milestones which highlight NRW.BANK's ambitious sustainability strategy journey are:



## 2.2 Sustainability on the Promotional Business Side

NRW.BANK attaches great importance to communicating its own sustainability approach to the beneficiaries of its promotional programmes and to support them in a potential change process towards sustainable structures.

To support the transformation to a sustainable society, NRW.BANK defines programme-specific promotional conditions and requirements with regard to sustainability ("**ESG Promotion Requirements**").<sup>7</sup> These include knock-out criteria and planned sector guidelines, which are anchored in the respective promotional conditions (e.g. programme conditions).

<sup>7</sup> NRW.BANK ESG Promotion Requirements (January 2024)

### NRW.BANK excludes the following business practices from the promotional business<sup>8</sup>

Human rights violations	Child labour	Systematic labour law violations
Controversial economic practices	Controversial environmental behaviour	Animal testing

### NRW.BANK excludes the following business fields and business activities from the promotional business<sup>9</sup>

Energy generation/fossil fuels <sup>9</sup>	Gambling	Mobility/Transport <sup>10</sup>
Certain substances	Defence and weapons industry (NBC weapons, etc.)	Controversies in the Field of the Environment, Nature and Living Beings

In order to integrate the sustainability topic into NRW.BANK's existing controlling systems to ensure effective implementation and further development as well as do justice to its strategic importance, a permanent Sustainability Committee has been established as an extended Board meeting. In connection with its further development, NRW.BANK considers the observations and expectations of relevant stakeholders by maintaining a stakeholder dialogue.

It is furthermore to highlight that sustainability analyses are part of every SME credit assessment. Also, municipalities and other public sector entities are committed to NRW.BANK's Sustainability Strategy. NRW.BANK is engaged in the promotion and development of affordable housing. Projects related to this topic benefit from social as well environmental impacts, thus being considered per se sustainable.

<sup>8</sup> For more detailed information, please refer to the ESG Promotion Requirements

<sup>9</sup> Exclusion of measures that are related to fossil fuels that are not considered useful for the energy transition (e.g. in the field of nuclear power, oil and gas)

<sup>10</sup> Exclusion of the purchase, financing, rental, leasing and operation of Class M1 passenger vehicles under certain conditions

### 2.3 Sustainability on the Investment Side

Sustainability is not only visible in the above-shown exclusion criteria of controversial business activities, business practices and business fields. NRW.BANK is well aware of its responsibility as an active investor in the capital market business for which sustainability criteria have been implemented consistently in the investment policy, leading to the first **ESG Investment Framework**<sup>11</sup>. In accordance with the PRI definition, NRW.BANK has been relying on a mix of thematic investing, norm-based exclusions, best-& worst-in-class screening and portfolio management using ITR aligned with the Paris climate goals. NRW.BANK decided in 2022 to pursue engagement via ISS ESG.

### 2.4 Sustainability on the Financing Side; the EU Taxonomy-Related Lending Curve

NRW.BANK believes in prices and volumes. Therefore, the Agency decided in January 2020 to offer special rates to make more environmentally friendly projects possible. NRW.BANK's strategy is to increase the Agency's green lending volume with the help of interest-subsidized loans. In order to do so, the EU Taxonomy offers a clear guidance. For better financing conditions, the debtor needs to demonstrate that the project fulfils the Substantial Contribution (SC) criteria of the activity, as defined in the delegated acts for the respective environmental objective of the EU Taxonomy. Furthermore, alignment to the respective Do No Significant Harm (DNSH) criteria as well as the Minimum Safeguards is expected on a best-effort-basis.

### 2.5 Background to the Update of the NRW.BANK Green Bond Framework

NRW.BANK recognizes that sustainable finance, and in particular Green Bonds, can play a key role in accelerating the transition to a low-carbon economy. The main rationale for issuing Green Bonds for NRW.BANK is to:

- enable funding for green projects supporting Germany's efforts to meet its 2030 emissions reduction target, and achieve net-zero emissions by 2045
- support the EU Action Plan on Sustainable Finance (Juncker Commission) and the Green Deal (v. d. Leyen Commission)
- provide investors an opportunity to diversify their portfolios towards sustainable investments

NRW.BANK first published its Green Bond Framework in June 2019 and updated it in 2020. NRW.BANK was the first European regional Agency to issue a Green Bond in 2013. Since then, NRW.BANK has been active on the capital market and issued Green Bonds on an annual basis resulting in a total volume of about EUR 7.8 bn (as of December 2023).

Nevertheless, in the recent years there have been significant developments in the field of sustainable finance. The Delegated Acts for the six environmental objectives of the EU Taxonomy (including the Complementary Delegated Act) have entered into force. An agreement has also been reached on the EU Green Bond Standard and will be enforced by 2024.

As a response to these developments and in order to be in line with market practices, NRW.BANK has decided to update the Green Bond Framework to take into account the EU Taxonomy as well as the European Green Bond Standard ('EU GBS'), on a best effort basis. Once feasible, NRW.BANK aims to fully apply the EU Taxonomy and the EU GBS.

Going forward, the Green Bond Framework 2024 shall apply to all future Green Bonds issued by NRW.BANK and may be updated from time to time to remain consistent with shifting investor expectations, best market practices, regulatory developments and NRW.BANK's progress in aligning its promotional programmes to the EU Taxonomy.

<sup>11</sup> Further insights available in the NRW.BANK ESG Investment Framework

# 3. NRW.BANK's Green Bond Framework

The Green Bond Framework of NRW.BANK has been established in line with the voluntary guidelines of the Green Bond Principles version "2021 (with June 2022 Appendix 1)" published by the International Capital Markets Association ("ICMA"). The Framework also intends to take into account the most recent market practices, in particular the EU Taxonomy, as further described in the Use of Proceeds section.

The Framework is presented along the following components:

1. Use of Proceeds
2. Project Evaluation and Selection Process
3. Management of Proceeds
4. Reporting
5. External Review

## 3.1 Use of Proceeds

NRW.BANK's lending activities are primarily focused on SMEs or public sector entities (including public companies) in North Rhine-Westphalia. In some cases, NRW.BANK can finance projects outside of North Rhine-Westphalia, albeit with a strong link to the region. Good examples are off-shore wind parks located in the North or Baltic Sea owned, constructed or operated by North Rhine-Westphalian companies.

NRW.BANK's Green Bonds are use of proceeds bonds and follow the bond-to-bond concept. An amount equal to the net proceeds of any NRW.BANK's Green Bonds will be allocated to refinance existing projects which have been identified as eligible by the internal ESG-Team and which are not older than 12 months before the issuance of the respective Green Bond. The (net) proceeds are directly and fully allocated to the respective Green Bond at the time of issuance.

Projects can be eligible as per two sets of criteria:

- i. **The substantial contribution criteria on eligible economic activities as defined in the EU Taxonomy** delegated acts (the "Delegated Acts"). In particular, NRW.BANK's Green Bonds will refinance the "Eligible Activities" presented in the table below. However, any other activity can be refinanced that comply with the substantial contribution criteria of the Delegated Acts of the EU Taxonomy (including its latest developments) when applicable and when deemed relevant by NRW.BANK. In addition, NRW.BANK takes into account the Do No Significant Harm criteria, to the extent possible.
- ii. **NRW.BANK's internal criteria**, based on best market practices (as per section 3.1.1).



NRW.BANK will try to allocate the proceeds from Green Bond issuances to the first set of criteria in priority (comply with the substantial contribution criteria). NRW.BANK may also consider any other activity that aligns with the substantial contribution criteria specified in the Delegated Acts of the EU Taxonomy. The second category (NRW.BANK's internal criteria) has been designed to allow some flexibility since it is difficult to factually determine the compliance to the substantial contribution criteria for some projects. Over time, NRW.BANK intends to gradually comply exclusively with the substantial contribution criteria.




The minimum social safeguards in the EU Taxonomy require that eligible projects be conducted in accordance with key international standards of responsible business conduct. NRW.BANK compliance with the minimum social safeguards are explained below.










- NRW.BANK does not have any loan business with multinational companies. SMEs are in NRW.BANK's focus. Therefore, OECD guidelines for multinational companies are not applicable. In any case, Germany is an OECD country and therefore all companies are required to follow the OECD Guidelines. As with other OECD countries, there is a National Contact Point (NCP) which is responsible for ensuring that companies follow them, even if the companies do not make explicit references to the Guidelines.
- The implementation of the UN Guiding Principles on Business and Human Rights is a federal and not a state objective. In 2016, the Federal Government agreed on a National Action Plan for Business and Human Rights (NAP) to apply above, and sets out the responsibility of German companies along supply and value chains. This plan ran until 2020, and a new action plan is under development.

- International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work from 1998 are already ratified.
- Eight ILO core conventions are part of the German legal system and often German rules are stricter:
  - Forced Labour (twice) is abolished
  - Freedom of Association and the Right to organize is guaranteed
  - Right to Organize and Collective Bargaining is guaranteed
  - Equal remuneration is guaranteed
  - Discrimination (Employment and Occupation) is abolished
  - Minimum age is guaranteed
  - Worst Forms of Child Labour are abolished
  - International Bill of Human Rights are part of the German Constitution

Furthermore, a mapping against the UN Sustainable Development Goals as well as the Economic Activities and Environmental Objectives under the EU Taxonomy has been done for each category, to the extent possible.

## 3.1.1 Eligible Green Projects

Eligible categories	Eligibility criteria	EU Taxonomy objectives and activities	SDG mapping
Renewable Energy	<p><b>All activities below follow the substantial contribution criteria of the EU Taxonomy Delegated Acts</b></p> <ul style="list-style-type: none"> <li>— <b>Renewable electricity generation:</b> Loans to finance the construction, acquisition, development and maintenance of electricity generation facilities using renewable energy <ul style="list-style-type: none"> <li>– Solar energy (photovoltaic)</li> <li>– Wind power</li> <li>– Hydropower energy</li> </ul> </li> <li>— <b>Renewable energy and gases distribution &amp; storage:</b> Loans to finance the construction, acquisition, development and maintenance of transmission and storage systems for electricity and renewable gases <ul style="list-style-type: none"> <li>– Transmission and distribution of electricity system</li> <li>– Storage of electricity</li> <li>– Storage of hydrogen</li> <li>– Transmission and distribution networks for renewable and low-carbon gases (i.e., biogas)</li> </ul> </li> </ul>	<p><b>Climate change mitigation</b></p> <ul style="list-style-type: none"> <li>— 4.1 Electricity generation using solar photovoltaic technology</li> <li>— 4.3 Electricity generation from wind power</li> <li>— 4.5 Electricity generation from hydropower</li> <li>— 4.9 Transmission and distribution of electricity</li> <li>— 4.10 Storage of electricity</li> <li>— 4.12. Storage of hydrogen</li> <li>— 4.14 Transmission and distribution networks for renewable and low-carbon gases</li> </ul>	 
Energy Efficiency	<p><b>All activities below follow the NRW.BANK's internal criteria</b></p> <ul style="list-style-type: none"> <li>— <b>Network deployment transformation:</b> Loans to finance the construction, acquisition, development and maintenance of broadband technologies and networkss <ul style="list-style-type: none"> <li>– Expansion of FTTH ("Fibre to the home") broadband networks</li> </ul> </li> <li>— <b>Heating/cooling distribution:</b> Loans to finance the construction, modernisation, operation and maintenance of pipelines and associated infrastructure for heating and cooling <ul style="list-style-type: none"> <li>– District heating/cooling networks (when fuelled by renewable energy renewable energy, waste heat, cogenerated heat or of a combination of such energy and heat)</li> </ul> </li> </ul>	<p><b>Climate change mitigation</b></p> <ul style="list-style-type: none"> <li>— 4.15 District heating/cooling</li> <li>— 4.16 Installation and operation of electric heat pumps</li> <li>— 4.24 Production of heat/cool from bioenergy</li> </ul>	

Eligible categories	Eligibility criteria	EU Taxonomy objectives and activities	SDG mapping
Clean Transportation	<p><b><u>All activities below follow the substantial contribution criteria of the EU Taxonomy Delegated Acts</u></b></p> <p>— <b>Low carbon transportation:</b> Loans to finance the purchase, financing, leasing, rental and operation of low-carbon vehicles</p> <ul style="list-style-type: none"> <li>– Rail transport (passenger and freight)</li> <li>– Transport by motorbikes, passenger cars and light commercial vehicles</li> <li>– Urban and suburban transport, road passenger transport (i.e., electrified buses, hydrogen-driven buses, city lines (trams), regional trains, EVs)</li> <li>– Infrastructure for rail transport</li> <li>– Infrastructure enabling low-carbon road transport and public transport (i.e., charging stations)</li> </ul>	<p><b><u>Climate change mitigation</u></b></p> <ul style="list-style-type: none"> <li>— 6.1. Passenger interurban rail transport</li> <li>— 6.2. Freight rail transport</li> <li>— 6.3 Urban and suburban transport, road passenger transport</li> <li>— 6.5 Transport by motorbikes, passenger cars and light commercial vehicles</li> <li>— 6.14. Infrastructure for rail transport</li> <li>— 6.15 Infrastructure enabling low-carbon road transport and public transport</li> <li>— 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings).</li> </ul>	 
Green Buildings	<p><b><u>All activities below follow the substantial contribution criteria of the EU Taxonomy Delegated Acts</u></b></p> <p>— <b>Residential and public buildings:</b> Loans to finance the construction, renovation and acquisition buildings</p> <ul style="list-style-type: none"> <li>– Construction of new buildings</li> <li>– Renovation of existing buildings</li> <li>– Acquisition and ownership of buildings</li> </ul>	<p><b><u>Climate change mitigation</u></b></p> <ul style="list-style-type: none"> <li>— 7.1. Construction of new buildings</li> <li>— 7.2. Renovation of existing buildings</li> <li>— 7.3. Installation, maintenance and repair of energy efficiency equipment</li> <li>— 7.7. Acquisition and ownership of buildings</li> </ul>	 
Terrestrial and Aquatic Biodiversity Conservation and Climate Change Adaptation	<p><b><u>All activities below follow the NRW.BANK's internal criteria</u></b></p> <p>— <b>Restoration of ecosystems:</b> Loans to finance the natural restoration of habitats, ecosystems and species</p> <ul style="list-style-type: none"> <li>– 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</li> </ul>	<p><b><u>Protection and restoration of biodiversity and ecosystems</u></b></p> <p><b><u>Climate adaptation</u></b></p>	 
Sustainable Water and Waste Water Management	<p><b><u>All activities below follow the substantial contribution criteria of the EU Taxonomy Delegated Acts</u></b></p> <p>— <b>Water and waste water treatment:</b> Loans to finance the improvement of water and waste water treatment systems</p> <ul style="list-style-type: none"> <li>– Water collection and treatment supply system</li> <li>– Water collection and treatments facilities renewal</li> <li>– Urban waste and water treatment</li> </ul>	<p><b><u>Climate change mitigation</u></b></p> <ul style="list-style-type: none"> <li>— 5.1 Construction, extension and operation of water collection, treatment and supply systems</li> <li>— 5.2 Renewal of water collection, treatment and supply systems</li> </ul> <p><b><u>Sustainable use and protection of water and marine resources</u></b></p> <ul style="list-style-type: none"> <li>— 2.2. Urban Waste, Water treatment</li> </ul>	 
Pollution Prevention and Control	<p><b><u>All activities below follow the substantial contribution criteria of the EU Taxonomy Delegated Acts</u></b></p> <p>— <b>Waste management:</b> Loans to finance project for the improvement of waste management</p> <ul style="list-style-type: none"> <li>– Separate collection and transport of non-hazardous waste</li> </ul>	<p><b><u>Climate change mitigation</u></b></p> <ul style="list-style-type: none"> <li>— 5.5. Collection and transport of non-hazardous waste in source segregated fractions</li> </ul>	

### 3.1.2 Exclusion Criteria

For clarification purposes, the following sectors are excluded from the Green Bond Framework: defence and security, gambling, palm oil, nuclear power generation, coal-fired power generation, unconventional oil & gas, mining and tobacco.

## 3.2 Project Evaluation and Selection Process

NRW.BANK has set up a dedicated team (hereinafter referred to as “ESG-Team”) which is responsible for the monitoring of the Green Bond Programme, including the management of the Framework and its updates, the project evaluation and selection, the external reviews, and other internal processes related to the Green Bond Programme. The ESG-Team consists of representatives from the investor relations and funding departments and interacts with representatives from the sustainability strategy and promotional loans departments. NRW.BANK can add further representatives of other departments at its own discretion, whenever it appears appropriate.

In its regular (at least annual) meetings the NRW.BANK ESG-Team selects projects with the highest contribution to the sustainability strategy of the Agency, the Federal State of North Rhine-Westphalia, the Federal Republic of Germany and the EU. The selection process is based on compliance with the eligibility criteria as shown above. The ESG-Team also elaborates regularly if the Eligibility Criteria are still in line with best market practices and the EU Taxonomy and updates the Framework accordingly.

The focus of each Green Bond is on assets which correspond to the substantial contribution criteria as defined in the EU Taxonomy's Delegated Acts (i.e. renewable energy, clean transportation, green buildings, sustainable water and waste water management, pollution prevention and control). These assets target directly the EU Taxonomy environmental objectives “Climate Change Mitigation” and “Sustainable use and protection of water and marine resources”.

Another core element of NRW.BANK's Green Bond Programme is the (re-)financing of fluvial projects, such as the natural restoration of the rivers Emscher and Lippe (including its tributaries). This project category contributes mainly to the EU Taxonomy environmental objective ‘Protection and restoration of biodiversity and ecosystems’, leading to a recovery of the aquatic flora and fauna. Nevertheless, it is important to highlight that these fluvial projects generally also have more environmental and climate-related benefits, such as for example increasing the region's resilience against heavy rain events and related floodings. This results in a reduction in flooding damages, and thus also targeting the EU Taxonomy environmental objective ‘Climate change adaptation’.

The ESG-Team also looks at the maturity of the respective assets. NRW.BANK follows the approach of a static asset pool: there will not be any changes made during the lifetime of the Green Bond. In order to achieve this, the shortest loan maturity determines the longest possible maturity of the bond.

It should be emphasised that 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 require a high standard of environmental protection and social norms. By doing so, the NRW.BANK considers and manages potential environmental and social risks associated with the Eligible Green Projects. Moreover, the ESG-Team will monitor potential ESG controversies associated with the approved projects, at least on an annual basis. Any project primarily identified as eligible but subject to significant ESG controversies will be excluded from the pool of eligible assets.

## 3.3 Management of Proceeds

Since the asset pool of each of NRW.BANK's Green Bonds is static and does not change during the lifetime of the respective bond, tapping does not fit into this approach and is therefore excluded. In the unlikely event that a Green Bond's underlying project should no longer fulfil the Eligibility Criteria set forth in this Framework, the respective promotional loan will be removed from the asset pool and replaced as soon as possible with an equivalent eligible loan (fulfilling the substantial contribution criteria of the EU Taxonomy and/or NRW.BANK's internal criteria in place at the time of the issuance), preferably from the same Eligible Category.



Ring-fencing of the proceeds is not necessary: the underlying loans were already disbursed and are not older than 12 months before the issuance of the respective Green Bond. The entire asset-pool is earmarked in the Agency's systems. For heightened transparency and credibility, the internal earmarking process will be externally verified by an auditor or another independent third party. This verification takes place on an annual basis.

### 3.4 Reporting

NRW.BANK is committed to provide investors with transparent reporting about the issuance of Green Bonds. NRW.BANK reports annually on each single Green Bond on a bond-by-bond-basis. The allocation reporting is provided within the Agency's Sustainability Report. For the impact reporting NRW.BANK works together with different institutions and authorities in order to guarantee scientifically accurate figures about the impact of the Green Bonds.

The reporting will be based on the requirements of the ICMA Green Bond Principles and can be adjusted in the case of new requirements and developments regarding the content and type of reporting. NRW.BANK will follow, to the greatest extent possible, the recommendations presented in the ICMA Harmonized Framework for Impact Reporting (June 2023), considering the updates associated with the guideline.

#### 3.4.1 Allocation Reporting

This allocation reporting will contain detailed information about:

- General information about the issuances of Green Bonds, incl. the total proceeds raised
- The allocation of the proceeds per category
- Total amount of unallocated proceeds (if any)

On a best-effort basis, NRW.BANK will also try to communicate on the share of eligible assets which are fully aligned with the EU Taxonomy (aligned with the Substantial Contribution Criteria, the Do No Significant Harm Criteria and the Minimum Social Safeguards).

#### 3.4.2 Impact Reporting

##### 3.4.2.1 Focus on Climate Mitigation

For calculating the CO<sub>2</sub>-savings of the Green Bond, NRW.BANK cooperates with the Wuppertal Institute (WI), an academic research institution that is specialised in topics regarding climate, environment and energy. From 2019 onwards, the CO<sub>2</sub>-savings of renewable energy projects are calculated based on three different benchmarks: the energy mix of Germany (IFI), Germany (DE) and the EU (EU). In doing so, NRW.BANK reacts to requests from investors to provide comparable figures for CO<sub>2</sub>-savings. Furthermore, the WI reports on the annual energy generation of renewable energy projects. This impact reporting is fully aligned with the MDB Harmonised Framework.

##### 3.4.2.2 Focus on Climate Adaptation

#### River Restoration

In order to measure the ecologic and economic impact of river restoration projects, NRW.BANK is in close contact with the respective municipalities and water boards. In the case of the Emscher and Lippe, the figures for the report are delivered by the Emscher Association (Emschergerossenschaft und Lippeverband EGLV). Besides ecologic KPIs such as the number of animal species returning to the rivers, the reporting also includes economic parameters, e.g. the monetary value of prevented annual flood damages (see table below).

### Municipal Climate Projects

This asset category aims to facilitate clean and potable water to the local population; the impact can be measured by the number of persons benefiting directly from the refinanced waterworks. Efficiency improvements to fresh water systems refinanced by NRW.BANK can be measured by the ILI and kWh/cbm. Wastewater treatment measurements should report about the replaced system (pit latrines, septic tanks, anaerobic lagoons, etc.).

### 3.4.3 Reporting Metrics

The table below shows examples of KPIs that can be used in the reporting of the respective Green Bond. This list can be updated from time to time by the ESG-team.

Eligible Green Projects	Examples of Environmental <u>output</u> KPIs	Examples of Environmental <u>impact</u> KPIs
Renewable Energy	<ul style="list-style-type: none"> <li>— Annual Energy Generation in GWh/a and MW</li> <li>— Length of grids in km</li> </ul>	<ul style="list-style-type: none"> <li>— Total CO<sub>2</sub> emissions reduced/avoided in tonnes*</li> </ul>
Energy Efficiency		<ul style="list-style-type: none"> <li>— Total CO<sub>2</sub> emissions reduced/avoided in tonnes*</li> <li>— Expected energy saved in GWh</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>— Number of refinanced vehicles</li> <li>— Number of charging stations, fuel stations, etc.</li> <li>— Length of the tracks in km</li> </ul>	<ul style="list-style-type: none"> <li>— Total CO<sub>2</sub> emissions reduced/avoided in tonnes*</li> </ul>
Green Buildings	<ul style="list-style-type: none"> <li>— Number of refurbished houses</li> <li>— Number and usage of refurbished buildings (m<sup>2</sup>)</li> </ul>	<ul style="list-style-type: none"> <li>— Total CO<sub>2</sub> emissions reduced/avoided in tonnes*</li> </ul>
Terrestrial and Aquatic Biodiversity Conservation and Climate Change Adaptation	<ul style="list-style-type: none"> <li>— Km of sewers in the river and in the catchment area</li> <li>— Number of species in the aquatic and terrestrial biodiversity (animals, plants, fungus, etc.)</li> <li>— Number of species in the Macro benthos</li> </ul>	<ul style="list-style-type: none"> <li>— Km of renatured parts</li> <li>— Annually prevented flooding damages in EUR</li> <li>— (Re-)Created retention basins in m<sup>3</sup></li> <li>— (Re-)Created water areas, floodplains and adjacent land areas (real wetlands) in m<sup>2</sup></li> </ul>
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> <li>— Number of persons benefiting directly from access to clean drinking water provided by local waterworks and sewage treatment plants</li> <li>— kWh/cbm</li> <li>— Infrastructure Leakage Index (ILI)</li> </ul>	
Pollution Prevention and Control	<ul style="list-style-type: none"> <li>— Amount of waste collected in tonnes</li> </ul>	<ul style="list-style-type: none"> <li>— Total CO<sub>2</sub> emissions reduced/avoided in tonnes*</li> </ul>

\* The avoided/reduced CO<sub>2</sub>-emissions are calculated against the energy mix of North Rhine-Westphalia, Germany and the EU. The total savings will furthermore be shown as: per year and million EUR, per year and per bond volume and during the total lifetime of the bond

### 3.5 External Review

#### Second Party Opinion

NRW.BANK commissions an external review in form of an SPO. This SPO evaluates the sustainability performance of the issuer and the issuance as well as the issuance's alignment with the market standard as referred in this Framework.

The SPO will be published on NRW.BANK's website, providing information on:

- Alignment with the Green Bond Principles (GBP)
- SDGs targeted by the Eligible Green Project Categories as specified in the Green Bond Framework
- Consideration and compliance of environmental and social aspects during planning and construction of the projects
- Overview of NRW.BANK's overall sustainability performance

#### External Verification

External auditors have provided a review of the allocation reporting since 2018. NRW.BANK follows the recommendation of the Green Bond Principles (GBP) of including an external verification of the allocation reporting.

## 4. Editorial Information

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