



NRW.BANK
Promoting Ideas

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NRW.BANK Social Bond Framework



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1. Introduction

1.1 About NRW.BANK

NRW.BANK serves as the regional development bank of North Rhine-Westphalia (NRW), Germany's most populous federal state. Established as a public law institution (Anstalt des öffentlichen Rechts, AöR), it is wholly owned by the State of North Rhine-Westphalia. The bank operates as a key instrument of the state's structural and economic policy, supporting sustainable economic growth, fostering social inclusion, and addressing environmental challenges.

In line with its public mandate, NRW.BANK's promotional activities are exclusively focused on North Rhine-Westphalia. To fulfil this mission, the bank utilizes a diverse range of promotional instruments, including subsidized loans across all maturities, grants, equity investments, and advisory services for private and public corporations, individuals, and administrative bodies. Annual new development loans disbursed have shown significant growth in recent years, consistently exceeding EUR 10 billion since 2015. During the coronavirus pandemic in 2020, the volume reached an all-time high of EUR 17 billion.

NRW.BANK's operations focus on three core areas:

- **SME Support:** Providing interest-subsidized loans to small and medium-sized enterprises (SMEs) to foster innovation, job creation, and economic resilience. These loans are distributed through intermediate banks (in line with so called "house bank principle"), ensuring that financial support directly benefits SMEs.

- **Affordable and Social Housing:** Offering ultra-long-term financing, often exceeding 50 years, to support the construction and preservation of social housing for recipients of Social Housing Entitlement Certificates as well as affordable housing for low-income families.
- **Municipal and Infrastructural Financing:** Working directly with municipalities and public corporations to fund critical infrastructure projects in areas such as education, healthcare, transportation, and environmental protection.

NRW.BANK's activities are supported by its robust legal framework, which guarantees exceptional financial strength and reliability. The bank benefits from the explicit statutory guarantee provided by the State of North Rhine-Westphalia (Sec. 4 (3) of the NRW.BANK Act), ensuring high credit ratings (Aa1/Aa/AAA). As a consequence, its bonds classify as High-Quality Liquid Assets (HQLA) with a zero-risk weighting under Basel III regulations. The NRW.BANK Act (Sec. 17 (2)) also exempts the bank's assets from insolvency proceedings and excludes it from bail-in mechanisms.

NRW.BANK reinvests potential surpluses to strengthen its reserves rather than distributing dividends to its owner, in accordance with a statutory prohibition on dividend payouts. This commitment ensures the long-term financial stability necessary to fulfil its mission. With a paid-in capital base of approximately EUR 19 billion and a consistently strong Common Equity Tier 1 (CET1) ratio, NRW.BANK ranks among the most well-capitalized development banks globally. NRW.BANK is not focused on earning profits, therefore its risk policy is very prudent and non-performing loans are consequently very low. The bank's status is confirmed by the EU Commission since 2004.

1.2 Funding

NRW.BANK's funding strategy is closely aligned with its institutional framework and developmental mandate, ensuring both financial stability and operational efficiency. The bank accesses a variety of funding sources to support its activities, including equity capital, borrowings from other agencies, and capital market transactions. Funding options depend amongst others on tenures of the underlying lending instruments.

The bank's funding volume lies between EUR 11 and 13 billion annually. Issuances vary across multiple currencies and maturities and are structured to meet the diverse needs of global investors, including fixed and floating rates, public and private placements, and plain vanilla or slightly structured formats. As part of its funding approach, NRW.BANK actively participates in the sustainable bond market.

NRW.BANK launched its [Green Bond Programme](#) in 2013, using the proceeds to refinance environmentally friendly projects within the region. This program has grown steadily, and in 2020, the bank expanded its sustainable funding efforts by introducing a Social Bond Framework to allow investors to support projects targeting affordable housing, SME financing, education, and municipal development. In 2024 green- and social bond issuances already accounted for approximately 25% of NRW.BANK's annual funding volume, reflecting its commitment to integrating sustainability into its financial operations. By April 2025, NRW.BANK had issued 16 Green Bonds and ten Social Bonds, totalling EUR 9.5 billion and EUR 6.6 billion respectively.

Through its diversified funding approach, NRW.BANK not only ensures the efficient financing of its promotional activities but also maintains its position as a reliable and attractive issuer in global capital markets.

2. Sustainability at NRW.BANK

2.1 Strategic Dimension of Sustainability

Sustainability has been anchored in NRW.BANK's Statutes and the Act on NRW.BANK since its foundation and is a central guiding principle and a key criterion for all NRW.BANK's business policy decisions.

NRW.BANK's Sustainability Strategy was adopted by the Bank's Managing Board on December 3, 2024, discussed by the Supervisory Board on December 9, 2024, and implemented in the Bank's rules and regulations and overall strategy effective January 1, 2025. It replaces the Sustainability Strategy as last amended on January 1, 2024, and 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.¹ Also included is NRW.BANK's 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.

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"). These include exclusion criteria and sector guidelines for selected sectors, which are anchored in the respective promotional conditions (e.g. programme conditions). The current sector guidelines provide the framework for aligning all new business activities under NRW.BANK's control with the temperature targets of the Paris Climate Agreement. These guidelines apply to the following sectors: shipping, aviation, iron and steel production, oil and natural gas, power generation, automotive, and buildings.

NRW.BANK excludes the following business practices from the promotional business

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

Energy generation/fossil fuels ²	Gambling	Mobility/Transport
Certain substances	Manufacture, trade, transport, repair or storage of controversial weapons or important components thereof	Controversies in the Field of the Environment, Nature and Living Beings

¹ Further information alongside all relevant documents can be found on NRW.BANK's sustainability website under <https://www.nrwbank.de/en/about-us/sustainability/>

² This includes the following: prospecting, exploration and mining of coal; land-based transport and infrastructure essentially used for coal; power stations, heating plants and combined heat and power plants essentially fired by coal as well as associated branch lines; and nuclear power-related activities

Sustainability has been integrated into NRW.BANK's existing control systems, as the Bank considers the implementation and further development of the sustainability principle to be an integral element of the Bank's strategic control. To ensure such implementation and further development, NRW.BANK has additionally established a Sustainability Committee as an extended Board meeting to do justice to the strategic importance of the topic. In connection with its further development, NRW.BANK considers the observations and expectations of relevant stakeholders by maintaining a stakeholder dialogue.

The assessment of potential sustainability risks alongside other risks is part of the regulated lending approval process. The available information is used to ensure that the financing and the business partners comply with the values and the Sustainability Strategy of NRW.BANK regarding social and environmental aspects. As the public housing promotion activities by design adhere to sustainable principles, as set out in the product specifications and the promotional process, the ESG Promotion Requirements do not apply in this case.

2.3 Sustainability on the investment side

NRW.BANK is aware of its responsibility as an active investor in the capital market business. Consequently, sustainability criteria have been implemented consistently in the investment policy. The current approach is outlined in the [ESG Investment Framework](#). 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 the Implied Temperature Rise Methodology aligned with the Paris climate goals. NRW.BANK decided in 2022 to pursue engagement via ISS ESG.

3. NRW.BANK's Social Bond Framework

3.1 Framework Overview and Background

In line with its mission, NRW.BANK issues social bonds that allow NRW.BANK to refinance loans that promote social cohesion and harmonize living conditions throughout North Rhine-Westphalia, whilst offering investors an opportunity to support projects that improve societal outcomes in a transparent manner. The revised version of the Social Bond Framework of NRW.BANK has been established in line with the voluntary guidelines of the [Social Bond Principles \(SBP\) 2023](#), published by the International Capital Markets Association ("ICMA"). Under this Framework NRW.BANK can issue Social Bonds.

The Framework is presented along the following components:

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

The first version of the NRW.BANK Social Bond Framework was published in 2020. Since then, NRW.BANK has been active on the capital market and issued Social Bonds on an annual basis. The total volume of issued Social Bonds is part of the annual Social Bond Reporting, which is available on [NRW.BANK's website](#).

NRW.BANK regularly reviews the Framework and its alignment to updated versions of the SBP. As such, this Framework may be updated and amended from time to time to remain consistent with shifting investor expectations, best market practices as well as regulatory developments. Any such updated and amended Framework will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by a Second Party Opinion Provider, be published on NRW.BANK's website and replace this Framework.

In recent years, both the regulatory landscape and NRW.BANK's promotional portfolio have undergone significant developments. In response to these changes and to align with evolving market practices, NRW.BANK has updated its Social Bond Framework with the following objectives:

- Firstly, the update reflects adjustments to the bank's promotional activities and changes in the regulatory environment, particularly within the housing sector. This includes the revision of target populations and eligibility criteria in accordance with changes to the promotional product portfolio.
- Secondly, it aims to enhance the methodological approach for identifying target groups. In this context, the AAAQ (Availability, Accessibility, Acceptability, Quality) model is used to substantiate social impacts for relevant target groups.
- Furthermore, "Affordable Basic Infrastructure" has been added as a new eligible project category.
- Finally, in line with the long-term nature of social projects and current market practices, loans remain in the pool until maturity instead of being removed after 36 months.

3.2 Use of Proceeds

An amount equivalent to the net proceeds raised from any NRW.BANK Social Bond issued under this Framework will be exclusively applied to finance, in part or in full, new eligible social expenditures ("Eligible Social Projects") and/or to refinance, in part or in full, existing Eligible Social Projects.

NRW.BANK will be investing an amount equal to the net proceeds of the notes in loans for projects belonging to eligible social categories ("Eligible Social Project Categories") and aligning – were possible – with the UN Sustainable Development Goals and the underlying targets. These loans are subject to and in accordance with the lending standards of the respective loan programmes.

All these projects aim to address social challenges and support targeted populations, such as individuals living in poverty, marginalized groups, underserved communities, and people facing systemic barriers to accessing essential services. The projects will also contribute to advancing specific United Nations Sustainable Development Goals (SDGs). The targeted SDGs have been identified based on the ICMA "Green and Social Bonds: A high-level mapping to the Sustainable Development Goals".



To ensure the effectiveness of eligible projects, this Framework integrates the AAAQ model. The AAAQ model guides the selection and evaluation of projects by ensuring that they provide essential services (Availability),

address barriers such as affordability and geographic reach (Accessibility), respect cultural and social contexts (Acceptability), and deliver high-quality services (Quality).

By combining the AAAQ model with a clear focus on targeted SDGs and populations, the Framework ensures that the proceeds are directed toward initiatives that deliver social impact.

The Eligible Social Project Categories aligned with the ICMA Social Bond Principles and their corresponding eligibility criteria, target population and UN SDGs are listed in the table below:

Affordable Home Ownership

Rationale	Eligibility Criteria	Target Population	UN SDG Targets
<p>Across North Rhine-Westphalia there are affordable housing shortages. Finding suitable accommodation in large cities along the Rhine axis or in Westphalia for low/middle income families has become increasingly difficult. Macroeconomic developments, including changes in the interstate rate landscape, unfavourable long-term financing conditions due to rising uncertainties, increasing housing and construction costs, and overall inflationary pressures, have made housing loans difficult to access even for households with above-average incomes. Promotional housing loans seek to alleviate these dynamics and make home ownership for the affected target group more affordable and therefore accessible. By enabling individuals and families to transition from renting to owning, rental space is freed up for others. Reduced housing costs further alleviate financial strain, enhancing residents' quality of life and stability. Renovations for accessibility ensure inclusivity for individuals with mobility challenges, while security upgrades improve living conditions.</p> <p>NRW.BANK promotes affordable home ownership through different loan products, such as NRW.BANK.Wohneigentum (Home Ownership) or NRW.BANK.Gebäude-sanierung (Renovation).</p>	<ul style="list-style-type: none"> — Individuals & families with a taxable household income of less than TEUR 100 p. a. (couple) or TEUR 75 p.a. (single) + TEUR 20 per child (under 18yrs)¹ — Projects focussing on disability access — Projects focussing on security² and the alleviation of health hazards³ 	<ul style="list-style-type: none"> — Threshold households or large families, especially in areas with high demand and high real estate costs⁴ — General population, especially elderly and individuals with disabilities — General population, especially individuals living in insecure and hazardous living conditions 	<div>   </div> <ul style="list-style-type: none"> — SDG 10.3: Ensure equal opportunity and reduce inequalities of outcome — SDG 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums


¹ The respective loans can only be used to finance the first-time purchase of residential property.

² These may include outdated or inadequate door and window locks, insufficient outdoor lighting, lack of security cameras or alarm systems, or inadequate entry point security.

³ These may include exposure to mould, asbestos, lead-based paint, poor indoor air quality, pest infestations or structural deficiencies.

⁴ High-demand and high-cost areas are defined by the Ministry of Regional Identity, Local Government, Building and Digitalization

SME Financing and Employment Generation


Rationale	Eligibility Criteria	Target Population	UN SDG Targets
<p>NRW.BANK supports small and medium-sized enterprises (SMEs) across North Rhine-Westphalia, recognizing their critical role in driving economic growth, job creation, and social development. These enterprises employ nearly half of the state's workforce and contribute significantly to local economies, particularly in rural areas where job opportunities may be limited. By promoting SME financing, NRW.BANK not only fosters job preservation and creation but also helps reduce youth and long-term unemployment, contributing to higher wage levels and improved worker safety and skills. The tax contributions from SMEs also strengthen the financial situation of municipalities, providing them with more resources to address local needs. Overall, these efforts contribute to bridging rural-urban disparities by enhancing the economic vibrancy of rural areas.</p> <p>NRW.BANK supports SMEs and promotes employment generation through amongst others NRW.BANK.Universalkredit (Universal Loan) or NRW.BANK.Gründung und Wachstum (Founding and Growth).</p>	<ul style="list-style-type: none"> Loans for small and medium-sized enterprises⁵ Enterprises of the German "Mittelstand"⁶ 	<ul style="list-style-type: none"> Workforce, especially young and long-term unemployed individuals General population Small and medium-sized enterprises in structurally weak regions⁷ 	 <ul style="list-style-type: none"> SDG 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services SDG 8.6: By 2020, substantially reduce the proportion of youth not in employment, education or training

⁵ SMEs as defined by the EU Commission https://single-market-economy.ec.europa.eu/smes/sme-fundamentals/sme-definition_en


⁶ In view of the economic size of North Rhine-Westphalia and a correspondingly larger average company size, NRW.BANK extends the EU classification of SMEs to predominantly privately owned companies with an annual turnover of up to EUR 500 million.

⁷ Structurally weak regions are defined by a GDP/capita in the first (lowest) quartile and an unemployment rate above the regional average; classification of relevant municipalities based on data from [Federal Employment Agency](#) and [DESTATIS](#). These municipalities and regions are identified and updated at the beginning of each year. Loans granted to these areas will remain eligible regardless of any subsequent changes in their classification.




Access to Essential Services: Health & Well-Being

Rationale	Eligibility Criteria	Target Population	UN SDG Targets
<p>NRW.BANK loans directed towards good health and well-being ensure that the citizens of North Rhine-Westphalia continue to benefit from high quality health care and social services. They help meet the challenges of an aging population as well as addressing the needs of vulnerable groups such the disabled, women, children and young adults, refugees. Projects include the construction, renovation, and modernization of essential healthcare facilities (including hospitals and medical emergency facilities), nursing homes, youth protection centres, and community meeting places all of which are essential in fostering social integration, participation and well-being.</p> <p>By providing financial support through programmes like NRW.BANK.Kommunal Invest/ Plus (Municipal Investments), NRW.BANK.Infrastruktur (Infrastructure), or direct municipal and infrastructure loans, NRW.BANK promotes access to health and well-being services.</p>	<p>Loans for health and care infrastructure, such as:</p> <ul style="list-style-type: none"> — Hospitals and ambulances — Homes for the elderly or disabled — Refugee homes — Shelters for individuals in vulnerable situations, such as homeless people 	<ul style="list-style-type: none"> — General population — Groups with specific needs, such as elderly, individuals with disabilities or specific care needs, refugees, women, and children/youth in vulnerable situations 	 <ul style="list-style-type: none"> — SDG 3.4: By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being — SDG 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Access to Essential Services: Education


Rationale	Eligibility Criteria	Target Population	UN SDG Targets
<p>NRW.BANK's education-related loans support projects across all eight levels of the International Standard Classification of Education (ISCED), ranging from early childhood education to vocational training and higher education, benefiting municipalities and denominational schools. These initiatives aim to improve the quality and accessibility of education, helping citizens better meet current and future labour market needs. These projects are expected to contribute to reducing school dropouts, improving the operational efficiency of educational facilities, and expanding educational opportunities.</p> <p>NRW.BANK advances access to educational services through financing solutions, such as NRW.BANK.Kommunal Invest/Plus (Municipal Investments), NRW.BANK.Infrastruktur (Infrastructure), or direct municipal and infrastructure loans.</p>	<p>Loans for educational projects, such as:</p> <ul style="list-style-type: none"> — Construction, renovation or refurbishment of educational facilities (i.e. early education, schools, vocational training centres, universities and sports facilities) — Digital education hardware and software 	<ul style="list-style-type: none"> — Participants in early to tertiary education — Children/youth in vulnerable situations — General population in apprenticeships, vocational and technical training 	 <ul style="list-style-type: none"> — SDG 4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes — SDG 4.2: By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education — SDG 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university — SDG 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

Access to Public Goods & Services


Rationale	Eligibility Criteria	Target Population	UN SDG Targets
<p>The ongoing structural change in parts of North Rhine-Westphalia, particularly the Ruhr area, from a heavy industry-based to a service-driven economy has placed significant financial strain on the affected municipalities. The loss of well-paid jobs in mining and steel, without adequate replacements, has led to lower disposable incomes and higher unemployment rates. Demographic challenges, especially in the Ruhr metropolitan area, with an above-average migration population, have further strained local resources, necessitating more cost-intensive integration efforts. As a result, structurally weak municipalities in particular face a severe infrastructural backlog and an undersupply of essential public services.</p> <p>In response, NRW.BANK provides loans to disadvantaged municipalities. These initiatives are expected to contribute to increasing infrastructure investments and maintaining the affordability and availability of essential services, which can have a positive impact on socio-economic empowerment and social cohesion. The loans help to sustain end-user costs for basic services, enabling free or cost-reduced access to public goods and services and potentially increasing the availability of these services in underserved areas. Since most structurally weak municipalities are highly indebted, NRW.BANK loans are directly used to finance running expenditures and thus maintain public services, such as schools, libraries, health care services or public transportation.</p> <p>To facilitate access to public goods and services, NRW.BANK provides direct loans to municipalities.</p>	<ul style="list-style-type: none"> Loans for investment to structurally weak municipalities⁸ for infrastructure Budgetary (consumptive) loans to structurally weak municipalities for public services 	<ul style="list-style-type: none"> Citizens of structurally weak municipalities and counties Recipients of public services in structurally weak municipalities and counties 	<div>    </div> <ul style="list-style-type: none"> SDG 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance SDG 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons SDG 11.7: By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities

⁸ Structurally weak regions are defined by a GDP/capita in the first (lowest) quartile and an unemployment rate above the regional average; classification of relevant municipalities based on data from [Federal Employment Agency](#) and [DESTATIS](#). These municipalities and regions are identified and updated at the beginning of each year. Loans granted to these areas will remain eligible regardless of any subsequent changes in their classification.

Disaster Management

Rationale	Eligibility Criteria	Target Population	UN SDG Targets
<p>NRW.BANK supports disaster management projects by providing loans aimed at improving the infrastructure, resources, and capabilities needed for effective disaster response. These projects focus on increasing the capacity for disaster response management and planning, enhancing the availability of timely and appropriate responses to disasters, and ensuring the safety of first responders through the provision of new buildings, vehicles, and equipment. The initiatives are designed to minimize the impact of natural disasters or large-scale accidents by enabling faster, more effective responses and reducing the long-term economic costs of such events.</p> <p>NRW.BANK strengthens disaster management capacities by offering financing solutions, including NRW.BANK.Kommunal Invest/Plus (Municipal Investments), NRW.BANK.Infrastruktur (Infrastructure), or direct municipal and infrastructure loans.</p>	<p>Loans for disaster control infrastructure, such as:</p> <ul style="list-style-type: none"> — Fire Fighting — Federal Agency for Technical Relief (THW) 	<p>— General population</p>	 <p>— SDG 11.5: By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations</p>

Affordable Basic Infrastructure

Rationale	Eligibility Criteria	Target Population	UN SDG Targets
<p>As the most densely populated state in Germany, North Rhine-Westphalia is highly dependent on functioning infrastructure, namely affordable and accessible public transport, digital infrastructure, energy infrastructure as enabling factor for a just transition to environmentally sustainable energy sources, and water infrastructure. For all given examples there are high disparities in North Rhine-Westphalia in terms of price as well as availability. Diminishing these discrepancies via infrastructural investments strengthens social cohesion and individual health while contributing to climate resilience, thus making affordable basic infrastructure an eligible project category for the Social Bond programme.</p> <p>NRW.BANK fosters affordable basic infrastructure with various loan programs, including NRW.BANK.Kommunal Invest/Plus (Municipal Investments) NRW.BANK.Infrastruktur (Infrastructure), or direct municipal and infrastructure loans.</p>	<p>Loans supporting the affordability and provision of basic infrastructure and services for disadvantaged and underserved populations:</p> <ul style="list-style-type: none"> — Public transportation infrastructure — Grid infrastructure — Water and sanitation infrastructure 	<ul style="list-style-type: none"> — General population, especially low-income households — Citizens of structurally weak⁹ or rural¹⁰ municipalities 	<div>   </div> <ul style="list-style-type: none"> — SDG 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all — SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

For clarification purposes, the following sectors are excluded from the Social Bond Framework: manufacture, trade, transport, repair or storage of controversial weapons or important components thereof, gambling, palm oil, nuclear power generation, coal-fired power generation, the prospection, exploration and extraction of unconventional oil & gas, mining and tobacco.

⁹ Structurally weak regions are defined by a GDP/capita in the first (lowest) quartile and an unemployment rate above the regional average; classification of relevant municipalities based on data from [Federal Employment Agency](#) and [DESTATIS](#). These municipalities and regions are identified and updated at the beginning of each year. Loans granted to these areas will remain eligible regardless of any subsequent changes in their classification.

¹⁰ Classification based on data of the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR)

3.3 Process for Project Evaluation and Selection

NRW.BANK has set up a dedicated ESG-Team which is responsible for the monitoring of the Green and Social Bond Programme, including the management of the Frameworks and its updates, the project evaluation and selection, the external reviews, and other internal processes related to the Green and Social 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.

For its Social Bonds, NRW.BANK is following a pool-to-bond approach. Within this approach, the ESG-Team oversees all processes regarding the construction, ongoing management and monitoring of the Social Loan Pool. This pool comprises all social projects fulfilling the criteria in Section 3.2 and is calculated using the outstanding nominal value of all eligible assets.¹¹ All Social Projects undergo NRW.BANK's regular loan programme and direct lending-based credit process, which includes an assessment of their eligibility for the Social Loan Pool. As part of this process, the pool is updated regularly, incorporating newly identified eligible projects that fulfil the eligibility criteria while removing those that have reached maturity or no longer meet the eligibility criteria. This ensures that the pool remains aligned with the Framework.

Furthermore, all loans distributed must comply with [NRW.BANK's ESG Promotion Requirements](#) as outlined in Section 2.2 that exclude controversial business practices, fields and activities. In alignment with [NRW.BANK's Human Rights Declaration](#) – and considering that the bank grants loans exclusively in North Rhine-Westphalia, where high human rights standards are a given – these exclusions are systematically enforced.

The ESG Promotion Requirements are anchored in the lending programme conditions and are regularly reviewed and updated. In this context, eligible projects must comply with applicable European and national legislation as well as international standards and conventions, which require high standards of environmental protection and social norms. Like other risks, ESG risks are evaluated at the borrower level, both during the lending decision process and throughout ongoing loan monitoring. In the rare event that ESG risks arise after loan approval, the risk assessment may lead to either the project's removal from the social loan pool or the reversal of the loan. By applying these rules and processes, NRW.BANK considers and manages potential environmental and social risks associated with the Eligible Social Projects and ensures the exclusion of significant ESG controversies.

3.4 Management of Proceeds

Proceeds of any NRW.BANK Social Bond will be allocated to corresponding Eligible Social Projects within the Social Loan Pool. To make sure that the underlying loans align to the Eligibility Criteria, NRW.BANK has put processes in place that allows for a clear identification of eligible loans as described in Section 3.3. NRW.BANK's ESG-Team will be responsible for monitoring (and refining/quality assuring) this process. In this function the team will oversee the whole process and collect data on the impact metrics listed in Section 3.5.

The Social Loan Pool of NRW.BANK Social Bonds is dynamic, as a result intra-portfolio weights between eligible social project categories will shift year by year. The Social Loan Pool will be subject to any updated or amended version of this Framework. Consequently, the pool always is adjusted retrospectively according to any updated criteria in the Framework. Projects that reach maturity or lose their eligibility are automatically removed from the pool, with the regular monitoring and review process outlined in Section 3.3 serving as a supportive measure. Ring-fencing of the proceeds is not necessary, as underlying loans have already been disbursed at the time of issuance.

¹¹ As of May 2025, the pool consists of all eligible loans dating back to 2022 as well as all loans, earmarked in accordance with previous Frameworks.

Given the dynamic composition of the Social Loan Pool, NRW.BANK is able to refinance the Social Loan Pool with Social Bonds in different tenors and currencies – irrespective of the maturity or currency of the loans – as long as the Social Loan Pool exceeds the amount (in EUR equivalents) of the outstanding Social Bonds.

3.5 Reporting

In line with the ICMA Social Bond Principles, NRW.BANK provides detailed information about the allocation of proceeds as well as the expected social impact of its issuances on an annual basis. Both reports are based on year-end data and are provided as long as NRW.BANK Social Bonds are outstanding.

Allocation Reporting

An equivalent amount of the proceeds of each NRW.BANK Social Bond will be allocated to Eligible Social Projects within the NRW.BANK's Social Loan Pool at issuance. NRW.BANK will provide an externally verified allocation report on:

- General information about the issuances of Social Bonds, incl. the total proceeds raised,
- Breakdown of the total assets (Social Loan Pool) by Social Project Category,
- Breakdown of the total assets (Social Loan Pool) by year of loan disbursement.

Impact Reporting

Based on available project details, an external research institute will evaluate and report on the impact of the Social Loan Pool for each reporting year. The results will be published up to mid-year in order to achieve full transparency.

NRW.BANK will publish an impact report on the expected social impacts of the Eligible Social Projects. This report will be prepared by an external scientific institution to ensure independence objectivity and robustness. The methodology currently used to determine social impacts is outlined in the Impact Assessment Methodology for NRW.BANK Social Bonds.

For each eligible project category, different outcome pathways are identified, illustrating how impacts are achieved at various layers. These pathways connect activities (e.g., the number of loans granted) to short-term output (e.g., increased capacity for health & care services), intermediate outcomes (e.g., improved access to affordable housing), and long-term impacts (e.g., enhanced social inclusion or economic resilience). For each pathway and layer there are Key Performance Indicators (KPIs) defined that make for each project category desired impacts tangible and serve as metric for impact measurement. Outputs and immediate outcomes are quantified based on data from financed projects. Where possible, scientific models and established assumptions are used to estimate broader impacts, such as increase in property for vulnerable groups or employment growth in structural-weak regions. The applied AAAQ model serves as a structured approach to identify and conceptualize long-term impacts. However, due to the complexity and interdependence of social outcomes, as well as the limitations of available data, direct measurement of these long-term impacts remains challenging. As such, while the Framework helps to outline and understand broader impacts, their direct quantification often extends beyond the scope of standard impact reporting.

In line with [ICMA's Harmonised Framework for Impact Reporting for Social Bonds \(2023\)](#) an example of the KPIs that might be included in the impact reporting is provided in the table below. These indicators are specific to each Social Loan Pool and its corresponding eligible project categories. This list can be updated from time to time by the ESG-team.

Eligible Social Project Categories	Examples of Social KPIs
Affordable Home Ownership	<ul style="list-style-type: none"> — Number of loans granted — Financial relief (EUR) — Number of flats or rooms — Number of beneficiaries
SME Financing and Employment	<ul style="list-style-type: none"> — Number of micro enterprises and/or SMEs funded — Amount of financing provided to micro enterprises and/or SMEs — Number of SMEs funded that are located in a region with an unemployment rate that is higher than the regional average (annual unemployment rate) — Number of jobs created or safe guarded
Access to Essential Services: Health	<ul style="list-style-type: none"> — Number of beneficiaries — Number of projects — Category of projects
Access to Education Services: Education	<ul style="list-style-type: none"> — Number of education centres supported — Number of beneficiaries
Access to Public Goods and Services: Providing public goods and services in economically disadvantaged Counties and Municipalities	<ul style="list-style-type: none"> — Number of beneficiaries — Number of municipalities and counties — Financial relief per capita in EUR — Additional investment per capita
Disaster Management	<ul style="list-style-type: none"> — Number of projects — Category of projects
Affordable Basic Infrastructure	<ul style="list-style-type: none"> — Number of water infrastructure projects — Number of people with access to affordable transport systems

All reporting will be made public on the [NRW.BANK Social Bond Portal](#).

3.6 External Review

Second Party Opinion

NRW.BANK will publish the latest external review (SPO) on its website. This independent review will provide investors with information such as:

- Alignment of the Framework with the ICMA Social Bond Principles (SBP) (2023 edition)
- SDGs targeted by the asset categories of the loan portfolio
- Consideration of social and ecological aspects of the loan programmes
- Performance of essential KPIs: compliance with national law, fulfilment of social standards and workers' rights, etc.
- Overview of NRW.BANK's overall sustainability performance
- Management of ESG-Risks

External Verification

NRW.BANK is committed to engage an assurance provider, or an external reviewer to assess the compliance of any bonds issued or loans drawn against the NRW.BANK Social Bond Framework on an annual basis.

The resulting report will be publicly available at NRW.BANK's website.

4. Editorial Information

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