



NRW.BANK
Promoting Ideas

Sustainability Guidelines of NRW.BANK



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Prologue

On November 17, 2020 and December 7, 2020 respectively, the revised Sustainability Guidelines of NRW.BANK were adopted by the Managing Board and the Board of Guarantors with effect from January 1, 2021 and included in the Bank’s set of regulations. They replace the previously valid version dated April 1, 2020.

The Sustainability Guidelines consist of four individual, closely linked components that describe the handling of sustainability as a central guiding principle at NRW.BANK and support its ongoing further development:

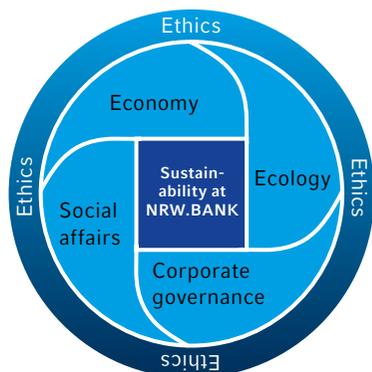
- The **sustainability principles** describe the implementation of sustainability at NRW.BANK. The former “Principles of Corporate Responsibility at NRW.BANK” as amended on December 7, 2012 have been absorbed into the Sustainability Guidelines.
- **Specifications** put the sustainability principles into more concrete terms, which are so detailed that they govern the Bank’s business activities taking economic, environmental, social and ethical aspects into account.
- Based on an annual update of the sustainability principles, the Bank defines **objectives and related sustainability measures** designed to promote the further development of sustainability at NRW.BANK and have a positive influence on the future of the State of North Rhine-Westphalia.
- **Communicating sustainability** (especially the [Sustainability Report](#) and the [Sustainability Portal](#)) transparently documents the progress and effects of NRW.BANK’s sustainability efforts.

In order to ensure its implementation and further development, the topic of sustainability has been integrated into the Bank’s existing internal management systems. With regard to its further development, NRW.BANK considers the observations and expectations of relevant stakeholders by maintaining a stakeholder dialogue.



I. Sustainability Principles

As the promotional bank of North Rhine-Westphalia, NRW.BANK is aware of its corporate responsibility. Its activity is geared to the principle of sustainability, which it has defined as follows: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs"¹.



For NRW.BANK, sustainability comprises primarily the concepts of Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG) and encompasses the four dimensions of economy, ecology, social affairs and corporate governance. NRW.BANK understands these dimensions of sustainability, which are based on ethical principles, as being inextricably linked. Sustainability aspects are taken into account both in day-to-day banking operations and in relationships with customers.

The dimensions include the following key aspects:

Economy

- Budget-neutral generation of income and formation of reserves from promotional business, capital markets business and auxiliary business ("Förderhilfsgeschäft")
- Risk-adequate pricing of promotional loans

Ecology

- Climate protection and adaptation to climate change
- Protection of biodiversity and healthy ecosystems
- Sustainable use and protection of water and marine resources
- Transition to a circular economy

Social affairs

- Compliance with recognised labour law standards
- Freedom of trade unions and assembly
- Tax honesty
- Same demands on companies in the supply chain
- Occupational health and safety

Corporate governance

- Measures aimed at preventing corruption
- Sustainability management and objectives by the Managing Board and the Supervisory Board
- Guaranteeing labour rights and whistle-blowing
- Data protection

The **ethical principles** of NRW.BANK are derived from the values of NRW.BANK's mission statement and the present Sustainability Guidelines.

With its promotional business, NRW.BANK supports the improvement of economic, environmental and social living conditions as well as the development of sustainable and future-oriented economic structures.

NRW.BANK lives its corporate responsibility and sees itself as a guide towards a sustainable future and especially as a role model for the beneficiaries of its promotional programmes as well as other financial market players.

NRW.BANK views its corporate responsibility as a responsible and transparent process that is geared towards its customers, employees and society in general. The ongoing exchange with its guarantor, the State of North Rhine-Westphalia, especially with respect to its sustainability strategy, is an important component of its sustainability efforts.

¹ Brundtland Report, 1987

A. Living Corporate Responsibility

- Sustainability is a central guiding principle and a key criterion for NRW.BANK's decisions on business policy. It is reflected in every phase of NRW.BANK's corporate activities, starting from its strategic and business policy decisions to the shaping of its range of products and services down to the implementation of specific financings, its capital market activities and the advisory services it provides.
 - NRW.BANK is committed to the targets defined in the Paris Agreement, which have also been endorsed by the State of NRW in its sustainability strategy of September 22, 2020. Further efforts are needed to limit global warming to well below 2 degrees Celsius and to strive for the 1.5-degree target, especially by financing the transformation to a low-emission and climate-resilient economy and society. The climate targets of the Federal Republic of Germany and the State of NRW and maximum climate neutrality by 2050 are essential cornerstones in this context. To strengthen the future viability and competitiveness of the State of North Rhine-Westphalia in the long term, NRW.BANK will support its funding recipients in the necessary transformation of the economy towards the required climate neutrality by 2050 and will align its product and service portfolio accordingly.
 - NRW.BANK maintains transparent and responsible relations with its stakeholders, e.g. on the basis of its [Public Corporate Governance Code](#). In addition, NRW.BANK has defined the core elements of its corporate mission in its corporate mission statement.
 - Regulations on compliance, the prevention of money laundering, the financing of terrorism and compliance with sanctions and embargos are an integral part of the business processes of NRW.BANK. They are designed to help the Bank prevent corruption, bribery, the financing of terrorism, money laundering and tax fraud as well as other criminal acts. In addition, NRW.BANK has installed binding regulations for the confidential treatment of information such as company and business secrets and the prevention of conflicts of interest.
 - To safeguard its competition-neutral status, NRW.BANK complies with the principle of non-discrimination.
 - When commissioning third parties, NRW.BANK will pay attention not only to cost-efficiency but also to environmental protection, energy efficiency, the promotion of gender equality and other social aspects in accordance with the corresponding legal regulations.
 - To underpin its [sustainability objectives](#), NRW.BANK will verify their attainment at regular intervals and – to the extent reasonable and useful – join national and international initiatives or sign the voluntary commitments developed by such [initiatives](#). NRW.BANK has committed itself to the following:
 - Germany's "Diversity Charter"
 - Green Bond Principles / ICMA Sustainability Bond Guidelines
 - Social Bond Principles
 - UNEP FI (Statement by Financial Institutions on the Environment and Sustainable Development)
 - UN Global Compact
 - UN PRI (Principles for Principles for Responsible Investment)
- Moreover, the Bank is a member of the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU), the largest network of sustainability-oriented financial service providers in Germany, Austria, Switzerland and Liechtenstein.

- In its work processes, NRW.BANK takes sustainability-related aspects into account. It continuously improves the sustainability of its business activities and makes the progress achieved measurable wherever possible. Focal points of these efforts include the integration of sustainability-related issues into the tasks, products, guidelines and processes of the Bank's business units as well as the integration of sustainability aspects/risks into its credit and investment processes.
- NRW.BANK also takes account of the sustainability risks resulting from its own activities and those of its clients in its risk inventory. Sustainability risks are understood as the risk of financial losses or reputational damage due to events or conditions that have occurred in the environmental, social or governance dimensions. This means that sustainability is not a risk type in its own right, but rather a cross-sectional issue (covering several risk types) incorporated into the assessment of the other risk types, taking into account the various aspects from the three dimensions.
- In its annual [Sustainability Report](#), NRW.BANK reports on the further development of its internal guidelines as well as its activities in the individual areas and the progress achieved.
- NRW.BANK uses [sustainability ratings](#) to document sustainability developments at NRW.BANK and to make them discernible for its stakeholders.

Specification of Tax and Compliance Aspects

Compliance with all tax laws is as important for NRW.BANK as the principle that all tax planning measures must not only be legally permissible but also ethically acceptable. In its Group Tax Guidelines, NRW.BANK therefore undertook to avoid business relations with companies which are obviously not tax-compliant as well as transactions suspected of using dubious tax structures.

In the Bank's opinion, it therefore makes sense to exclude certain countries and/or companies and vehicles domiciled in certain countries from its business activities in the event of a dubious tax structure. When analysing and reviewing potential investments, NRW.BANK uses the applicable "EU list of non-cooperative jurisdictions for tax purposes" (black list, grey list and potentially additional lists) for guidance. In addition, those countries mentioned in the context of the EU Delegated Directive on the "prevention of the use of the financial system for the purposes of money laundering or financing terrorism" must be taken into account.

NRW.BANK reserves the right to make concrete promotional decisions at its own discretion taking all circumstances into account (checking, among other things, whether there is any suspicion of money laundering or obvious signs of dubious tax structures) and to document this in line with the decision-making process. Generally, there may be diverse reasons (for example documentation relief, lower costs, simpler and unbureaucratic processes) for establishing a company that is not regarded as controversial in one of the countries concerned.

B. Shaping Sustainable Promotion for Customers

- NRW.BANK offers its promotional and advisory services in a creative, competent and responsible way to the people, the State of North Rhine-Westphalia, the municipalities and the companies in North Rhine-Westphalia. NRW.BANK gives them non-discriminatory access to promotional funds in compliance with the principles of the Bank's promotional policy.
- In line with its sustainability principles, NRW.BANK supports promotional projects and develops promotional programmes geared to improving the living conditions and social development as well as environmental and climate protection in North Rhine-Westphalia. As the promotional bank for North Rhine-Westphalia, NRW.BANK supports, in particular, investments that help take the economy and infrastructure in North Rhine-Westphalia forward. NRW.BANK uses its earnings for its promotional activities.
- As a role model, NRW.BANK attaches great importance to communicating its own sustainability approach to the beneficiaries of its promotional programmes and to supporting them in a potential change process towards sustainable structures.
- Apart from the economic viability of the projects supported by NRW.BANK and the attention paid to serving customers' interests, compliance with the requirements of environmental protection is an essential prerequisite for the Bank's promotional activities.

Specification of Sustainability in Promotional Business

1. Basis

Differentiated Consideration of Direct Business in Accordance with the Promotional Mission and Promotion According to the House Bank Principle

A differentiated consideration of direct business and promotion according to the house bank principle is, among other things, decisive for the implementation of and compliance with NRW.BANK's sustainability principles in the promotional lending business.

a. Direct Business in Accordance with the Promotional Mission

Due to the direct contact to end customers, the implementation of and compliance with the sustainability principles can generally be checked and controlled in direct business. Prior to concluding direct lending transactions, NRW.BANK assesses to what extent the beneficiaries of promotional loans perform business practices or operate in business fields, which NRW.BANK classifies as controversial (so-called controversial business practices and/or business fields; for knock-out criteria, see Section 2 of this specification). Similar to other risks, these aspects are considered during the standard lending process and included in the overall assessment of the transaction.

Digression: Integration of Sustainability in NRW.BANK's Lending Process

Just like other risks, those arising from the controversial business practices and business fields defined by the Bank are assessed as part of the regular lending approval process. The available information is used as the basis to check whether the financing or the business partner complies with the values and the Sustainability Guidelines of NRW.BANK under social, environmental and ethical aspects.

This check culminates in votes for the individual transaction, which are submitted to the authority holders for decision-making. If the opinions of the players involved in the Bank's internal decision-making process differ, established escalation mechanisms take effect. This ultimately means that, in the case of disagreement, the next higher decision-making level is called upon. The following rule of thumb should be observed: the larger the volume and/or the poorer the rating, the higher the first decision-making level.

German government bodies have their own sustainability principles or take superior principles as a guidance (e.g., consideration of Sustainable Development Goals or the sustainability strategy of the State of North Rhine-Westphalia), which should also be considered with regard to the use of the loans offered by NRW.BANK. The knock-out criteria defined in NRW.BANK's Sustainability Guidelines (controversial business practices and fields) are applied through the corresponding programme conditions.

The **public housing promotion business** is entirely geared to a sustainable approach through the product conditions and the promotional process.

The creation of an affordable and diversified supply of transgenerational housing that meets actual demand and an attractive housing environment in socially stable neighbourhoods is a key objective of the Bank's public housing promotion activities. In this context, demographic developments, which call for new forms of housing – also in connection with support and care services for the elderly – are also taken into account.

Apart from building new homes to current standards, another goal is to modernise those parts of the existing housing stock that do not meet current living requirements as well as technical and energy efficiency standards.

To implement these goals, NRW.BANK extends loans to promote housing investments in North Rhine-Westphalia on behalf of the State of NRW. These loans serve to finance the creation and modernisation of social rental housing as well as the acquisition of owner-occupied housing in order to make it easier for households below a certain income threshold ("marginal households") to acquire their own homes that meet their needs. Housing promotion also includes special offerings for people with disabilities as well as students. It is always conditional on compliance with certain social criteria (especially income thresholds) for tenants or owners and thus leads to positive effects in the social dimension of sustainability with regard to the target group. Housing promotion also pays special attention to energy-efficient building standards as well as to the removal of barriers.

The promotional conditions are based on legal regulations to ensure that the promotion of other matters is ruled out by definition. Compliance with these conditions is checked by municipal bodies of the State of North Rhine-Westphalia in the context of the statutory promotional process.

The total promotional volume handled with German government bodies and in the "Housing" promotional field is thus free from sustainability-related controversies and may be regarded as fully sustainable under social as well as environmental aspects.

b. Promotion According to the House Bank Principle

If the house bank principle is applied, there is no direct contact between NRW.BANK and the final beneficiaries of the promotional programmes (borrowers). Instead, the house banks grant the loans to the beneficiaries and refinance the loans granted by taking out corresponding loans from

NRW.BANK. Under many of NRW.BANK's promotional programmes, the loans are only extended for a specific purpose which supports sustainability aspects (for example energy transition, efficient use of resources, preservation of historical monuments, sports promotion and promotion of nursing homes). The knock-out criteria outlined in Section 2 of this specification are also regularly anchored in the conditions of all programmes. Compliance with the programme conditions is checked by the house bank and by NRW.BANK as part of the eligibility check. In addition, NRW.BANK will continue its dialogue with the house banks on the consideration of sustainability aspects and the treatment of controversial business fields and practices.

Protecting Existing Business

Compliance with the sustainability principles is explicitly limited to new business taken on after they came into force, because existing business was concluded under the terms and conditions prevailing at the time of conclusion and sustainability-oriented control mechanisms had not been established at the time to the extent described herein. In order to protect existing business, it is hence not planned to automatically adapt existing transactions, all the less so as NRW.BANK had already in the past considered sustainability aspects in the assessment of promotional cases even before the binding knock-out criteria were established.

Handling Conflicting Objectives

NRW.BANK is the promotional bank of North Rhine-Westphalia and its mission is to strengthen the state's economic and structural development. This mission and the promotional policy requirements to be met by the Bank may conflict with the objectives of the sustainability principles. The economic sustainability of the promotional business should also be constructively weighed up against environmental, social and ethical sustainability aspects. Therefore, if a company needs special promotion (for example because it is of special importance for the place where it is located), critical aspects with respect to sustainability criteria therefore do not necessarily result in its exclusion as far as direct business is concerned.

Taking the above into account, NRW.BANK reserves the right to make decisions in favour of or against a promotional case at its discretion and to document the decision-making process to make this evident.

2. Knock-out Criteria

a. Rejection and Exclusion of Controversial Business Practices

The following controversial business practices are not in line with the ethical and social values of NRW.BANK and contradict the sustainable fulfilment of its public mission in terms of structural, economic, social and housing policy. NRW.BANK uses the options it has to exclude them from promotion by the Bank.

In detail, such business practices are:

— Human Rights Violations

NRW.BANK defines controversial practices with respect to human rights as set out in the [Universal Declaration on Human Rights](#) by the UN General Assembly (first published on December 10, 1948) as well as the resulting definition of human rights according to the Basic Law of the Federal Republic of Germany.

— Child Labour

NRW.BANK bases its definition of child labour on the internationally accepted definition of the [United Nations Convention on the Rights of Children \(CRC\)](#) of the years 1989/1990.

— Systematic/Discriminatory Labour Law Violations

NRW.BANK accepts the [Core Conventions of the International Labour Organisation \(ILO\)](#), which define social and labour standards as well as humane working conditions, as a code of conduct to combat systematic labour law violations.

The conventions govern, among other things, labour law violations such as forced labour, discrimination or unequal remuneration. They translate applicable law into internationally accepted social and labour standards.

— Controversial Environmental Behaviour

Violations of the [Federal Law on Conservation and Environmental Care \(Bundesnaturschutzgesetz\)](#) and/or the [Law on Environmental Harms \(Umweltschadensgesetz\)](#) are considered controversial environmental behaviour by NRW.BANK.

— Controversial Business Practices

Economic practices such as corruption, bribery, fraud, accounting fraud, antitrust violations, money laundering, insider trading or tax compliance violations are considered controversial and/or unethical business practices by NRW.BANK. The Bank has introduced corresponding internal guidelines based on applicable European and German laws.

— Animal Testing

In the field of animal protection, NRW.BANK also takes the existing legal framework into account. Only legally permitted and/or required animal testing in accordance with [Section 7a of the Animal Protection Act \(Tierschutzgesetz\)](#) are not considered controversial business practices.

2 Knock-out Criteria

b. Rejection and Exclusion of Controversial Business Fields

The assessment with regard to controversial **business fields** is made on a project-related basis and at borrower level. If the borrower generates only a small percentage of its sales in controversial business fields (accumulated <10%), it will not necessarily be rejected as a borrower. The individual controversial business fields which NRW.BANK regards as critical are described below:

— Defence and Weapons Industry

As a general rule, NRW.BANK intends not to maintain any business relations with companies from the weapons sector. Given the high complexity of this business field, it is difficult – often also due to insufficient transparency – to understand how the individual business segments in this business field are connected and interact with one another.

Due to the above interdependencies, it is not always possible to clearly distinguish between conventional types of weapons used to defend the sovereignty of the state, ensure internal security or support objectives such as peace missions from controversial weapons.

In accordance with its corporate responsibility, NRW.BANK nevertheless believes it is obliged not to provide promotional funds to companies involved in the manufacture, trade, transport, repair or storage of controversial weapons or important components thereof. These include, in particular:

- cluster bombs,
- nuclear, biological or chemical weapons (NBC weapons),
- antipersonnel mines,
- radioactive ammunition and enriched uranium,
- weapons of mass destruction and other weapons outlawed under international law.

— Gambling (Excluding Licensed Gambling as Defined in the German State Treaty on Gambling [Glücksspielstaatsvertrag])

In the interest of the Federal State of North Rhine-Westphalia, NRW.BANK holds a 100 percent share in Westdeutsche Spielbanken GmbH & Co. KG (WestSpiel) and Westdeutsche Lotterie GmbH & Co. OHG (WestLotto). This share is held in connection with the overriding objectives of the State Treaty on Gambling (Glücksspielstaatsvertrag - GlüStV) geared towards controlling and regulating [gambling and implementing](#) these objectives.

Given the legal situation, the existing investments in the gambling sector do not qualify as controversial business activities.

With the exception of the investments in WestSpiel and WestLotto and in view of the objectives of the German State Treaty on Gambling, NRW.BANK does not finance companies in the field of non-government regulated gambling.

Controversial Business Activities in the Field of the Environment, Nature and Living Creatures

Since its foundation, NRW.BANK has shown a high level of environmental responsibility and awareness. NRW.BANK promotes a sustainable and environmentally conscious economy both on the assets side, for example by granting efficiency, building modernisation and energy infrastructure loans to small and medium-sized companies, and on the liabilities side, where NRW.BANK has refinanced the loans granted to finance various major environmental measures (energy infrastructure projects, river renaturation, etc.) by issuing green bonds for several years now.

In order to not only explicitly and pro-actively promote environmental measures, but also to reduce business activities polluting the environment and disregarding the dignity of animals, the Bank has committed itself to a preventive approach to the protection of the environment, living beings and society.

In consideration of the above, the Bank does not make available any funds for investments which are likely to irreparably damage the environment. This also includes the protection of biodiversity. In addition, no investment will be supported which threatens to entail the destruction (i.e. (i) the destruction or severe degradation of the integrity of an area caused by a major and long-lasting change in the use of land or water, or (ii) the alteration of a habitat in such a way that the ability of the area to perform its function is lost) or significant impairment – without adequate compensation in accordance with international standards – of areas of special conservation interest.

Large farms producing palm oil or wood for agricultural or forestry purposes in countries outside the EU and OECD high-income countries must either comply with recognised international certification systems (RSPO or FSC) or equivalent regulations to ensure sustainable cultivation conditions or be in a process ultimately leading to such compliance.

Furthermore, NRW.BANK will not promote the following:

— **Substances**

- production of or trade with products and activities that are subject to national or international phase-out or prohibition or are subject to an international ban, e.g.
 - i. certain pharmaceuticals, pesticides, herbicides and other toxic substances (according to the Rotterdam Convention, Stockholm Convention and WHO "Pharmaceuticals: Restrictions in Use and Availability"),
 - ii. ozone-depleting substances (according to the Montreal Protocol),
 - iii. protected animals and animal products as well as plants and plant products (according to CITES / the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora),
 - iv. prohibited cross-border trade in waste (under the Basel Convention),
- organochlorine mass products, hormone-altering chemicals (endocrine disruptors as defined by EU Regulation (EU) No. 2100/2017),
- biocides,
- production of or trade with radioactive material (this does not include the procurement of medical devices, quality control equipment or other uses for which the radioactive source is insignificant and/or adequately shielded) as well as
- production of or trade with unbound asbestos (this does not apply to the purchase or use of cement formwork with bound asbestos and an asbestos content of less than 20%).

— **Living Creatures**

- fur farming,
- destructive fishing methods or
- the use of driftnets in deep-sea fishing when using nets longer than 2.5 km as well as inappropriate intensive livestock farming.

— **Power Generation/Fossil Fuels**

In line with the climate protection and energy policy objectives of the Federal Republic of Germany as well as the State of North Rhine-Westphalia including the aspect of supply security, NRW.BANK supports the energy transition also with a view to the positive contribution made by renewable energy sources to the protection of the environment. Against this background, NRW.BANK considers itself obliged not to promote measures that make no sense in the context of the energy transition. Given that the energy transition is a long-term process and in order to permit an efficient and sustainable continuation of business, NRW.BANK allows its existing borrowers that have a certain share of business in controversial business fields to gradually reduce their portfolio, e.g. in the field of coal-based power generation, and does not discontinue its promotion completely and directly. NRW.BANK hence sees itself as a supporter and promoter of the energy transition towards sustainable and efficient energy sources. In particular, NRW.BANK, provides funds for the proper dismantling of fossil fuel and nuclear energy plants as well as other measures that support the energy transition.

Consequently, NRW.BANK will not finance the following areas:

- nuclear power plants (except for measures that reduce the environmental hazards of existing plants) and mines with uranium as an essential resource,
 - the 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 (except for measures that reduce the environmental hazards of existing plants or result in environmental improvements),
 - non-conventional prospecting, exploration and extraction of oil from oil shale, tar or oil sands,
 - projects for the non-conventional prospecting, exploration and exploitation of gas, unless it is possible to prove, in accordance with international standards,
 - i. that no material drawdown or contamination of groundwater is to be expected,
 - ii. that measures are taken to protect resources (especially water) and to recycle,
 - iii. that appropriate technology is used for safe drilling, which includes integrated piping of the well and pressure testing as well as
 - the financing of the construction of dams and power plants in areas particularly worthy of protection (large dam and hydropower projects are based on the recommendations of the World Commission on Dams [WCD]).
- **Research on Human Embryos**
NRW.BANK does not promote any research in embryology that has not been approved by the responsible ethics committees.

C. Further Development of Sustainable Capital Market Business

- The Bank manages its sustainable capital investments in the investment portfolio by considering the MSCI ESG rating when selecting investments and managing the portfolio.
- In the context of its investment policy, NRW.BANK invests in a separate [Sustainable Investment Portfolio](#) to supplement its capital investment with proven sustainable investments. NRW.BANK thereby supports the sustainable issuing business of issuers of sustainable bonds and promotes the further development of this segment.
- The issue of [green bonds](#) has been a fundamental component of NRW.BANK's refinancing strategy since 2013. Green bonds are used to finance climate-friendly projects in NRW. When it comes to selecting the projects, guidance is provided by the EU Regulation on the establishment of a framework to promote sustainable investment (EU Taxonomy Regulation). After a transitional period, NRW.BANK therefore aims to issue its green bonds in line with the EU Green Bond Standard.
- Since 2020, [social bonds](#) have been a further element in NRW.BANK's capital markets business. The formal framework is provided by the [ICMA Social Bond Principles](#). The target groups supported with the help of these issues include labour market participants, students and structurally weak municipalities.
- With a view to stepping up the promotion of sustainable projects, NRW.BANK provides its funding recipients with favourable funding on a specially introduced low-interest "green" funding curve – the NRW.BANK Green Curve. To qualify for the use of the discounted "green" funding curve, the projects to be financed must meet the requirements of the EU Taxonomy Regulation.
- In order to make NRW.BANK's activities as an investor more sustainable, the Bank signed the [UN Principles for Responsible Investment](#) (UN PRI) in 2020 and is continuously working on implementing and integrating the six principles in its capital market business.

Specification of Capital Market Business

1. Cooperation with an International Market Leader for Sustainability Ratings

NRW.BANK also implements the sustainability principles in its capital market business by assessing its investment portfolio in cooperation with MSCI ESG Research Inc. The company is international market leader for sustainability ratings with a high degree of coverage of international investments in all asset classes for the sustainability rating of investment business based on environmental, social and corporate governance criteria.

The MSCI ESG Rating for Corporates and Financials is based on benchmarks within individual industries, i.e. MSCI performs a best-in-class analysis within a defined sector or peer group by means of a database.

In case of country risks, the ratings consist of an assessment of the political leaders, social criteria and the environment and/or natural resources and are always based on a global rather than a regional comparison.

Furthermore, MSCI performs a controversy analysis that indicates acute ESG risks in the form of a traffic light system. The analysis covers, for example, the violation of international agreements and company policies with respect to the handling of controversies. The set of values comprises some 50 generally applicable global standards.

2. Concrete Implementation in the Investment Business

Regarding implementation in its investment business, NRW.BANK aims for a high share of sustainable investments that meet MSCI's criteria. In order to achieve this, the Bank has defined a traffic light system for sustainable investments. The sustainability traffic light indicates the MSCI-compatible share of the sustainability portfolio in the total portfolio by means of the colours red, yellow and green and defines any necessary responses. The latter include, in a first step, information provided by the ALCO (Asset Liability Committee) and, if necessary, the adjustment of the total portfolio in subsequent steps.

The reference values of the total portfolio are the securities business and the surrogate loan business in connection with public, corporate and financial investments as well as municipal financing. The sustainability portfolio (as a part of the total portfolio) consists of investments with an MSCI ESG investment rating of AAA to BBB (and/or equivalent ratings).

In order to exclude securities with substantial controversies, new investments in securities with a red MSCI ESG controversy flag are not permitted.

D. Assuming Social Responsibility for Employees

NRW.BANK is a forward-looking and socially responsible employer. It is especially committed to a responsible human resources and training policy as well as to fair dealings with all its employees.

- NRW.BANK complies with international standards – such as human rights, the UN Convention on the Rights of the Child as well as the rejection of forced labour – including European and national laws and labour standards. The right of all employees to freedom of association and the active support of statutory co-determination play an especially important role in this context.
- The Bank’s “Fairness at Work” convention therefore not only prohibits all forms of discrimination within NRW.BANK but also describes measures to prevent discrimination and defines rules relating to employees’ right to file complaints.
- For NRW.BANK, fair dealings with its employees also mean creating a corporate culture in which partnership and cooperation, openness, mutual respect and esteem are values that are endorsed by all. Together with dialogue-oriented processes, these values form the basis for a positive and productive working climate.
- For NRW.BANK, assuming responsibility for its employees means creating a long-term, attractive working environment, for example through high job safety, modern health management and regulations supporting a good balance of work and family life. The permanent auditing of the “work and family” approach accompanies the ongoing further development.
- NRW.BANK believes that the functional and social skills of women and men are equally indispensable. It gives women and men at all levels equal professional opportunities. At the same time, the Bank’s family-friendly policy offers women and men options to better reconcile work and family life that are designed to help further develop and stabilise professional equality.
- While there can be no doubt that a positive working environment is conducive to high performance and excellent achievements, it is important to have good qualifications to start with, as well as possibilities for further development. This is why NRW.BANK attaches top priority to excellent vocational training, constant further training and individual development. In this context, the Bank respects the individual potential, needs and interests of its employees, which is not least reflected in its signing of the German “Diversity Charter”.

E. Protecting the Climate and the Environment

- NRW.BANK's resource efficiency and its active contributions to North Rhine-Westphalia's public life are an integral part of its corporate responsibility for present and future generations alike.
- Minimised use of resources and the utilisation of a large share of environmentally friendly and, preferably, renewable resources are essential elements of the Bank's activities aimed at shaping a high-quality living environment.
- With respect to operational ecology, the Bank largely avoids generating greenhouse gas emissions. The remaining, unavoidable climate-relevant emissions from its banking operations are neutralised by means of certificates from climate protection projects in developing and emerging countries.
- NRW.BANK lives up to this responsibility by taking into account all resources used in its business processes. For example, the Bank aims to implement the state of the art whenever it comes to constructing or converting buildings for its banking operations and, in this context, also examines the use of sustainable materials. As part of its ongoing improvement process, the Bank also recognises the key importance of sensitising its employees to the importance of making responsible use of resources.

F. Showing Commitment to Society

- As part of its **commitment to society** and under its remit as a promotional bank, NRW.BANK endeavours to shape a subsidiarity-based and project-related collaboration with its partners on a medium- to long-term basis in order to create the required continuity. The Bank strives to ensure the social and regional balance of its activities in North Rhine-Westphalia.
- NRW.BANK's efforts are guided by its resolve to foster creativity and ideas as well as responsible action.
- In this context, NRW.BANK focuses on sponsorships related to education (academic, cultural and economic) in North Rhine-Westphalia for a young target group.
- NRW.BANK also supports its employees' volunteering efforts at non-profit organisations.
- In accordance with the guidelines set out by the Supervisory Board, NRW.BANK makes neither direct nor indirect donations to political parties or party-related foundations. Moreover, the Bank places no advertisements in their publications.

II. Sustainability Objectives of NRW.BANK

Based on the sustainability principles of NRW.BANK, objectives for the further development of sustainability are annually derived as part of the Bank's strategic planning for the respective four-year period. These objectives are the fields of action in which the Bank intends to push ahead its sustainability efforts by taking appropriate measures.

The achievement of these objectives is published in the Bank's Sustainability Report and its Sustainability Portal.

III. Sustainability as a Part of Strategic Management

Integration into the Strategic Management Process

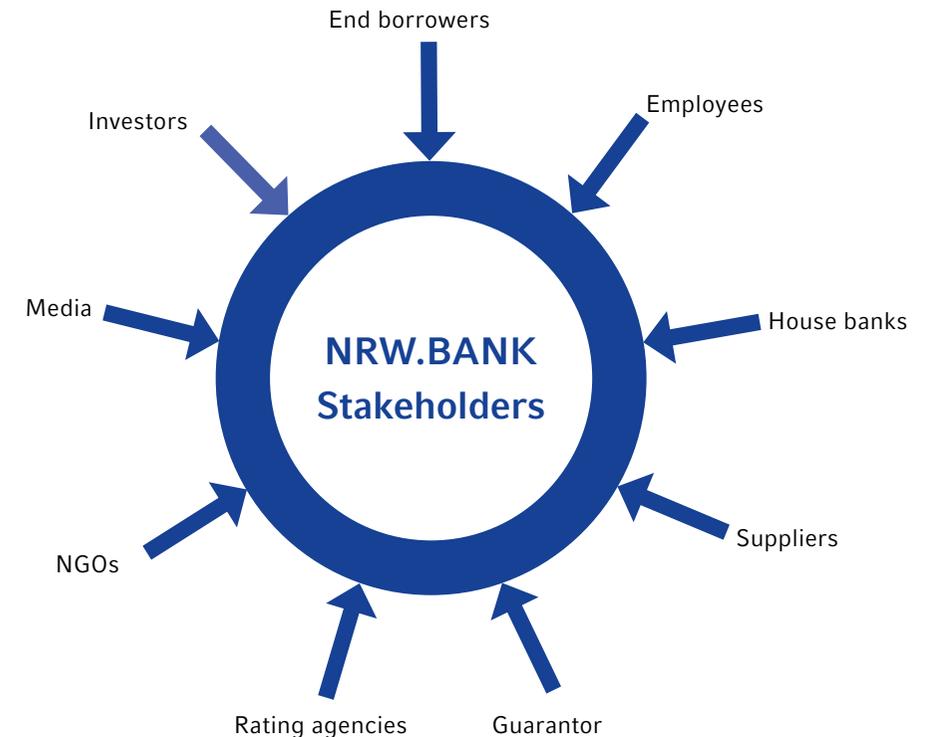
In keeping with the principle of corporate responsibility, according to which sustainability is a central guiding principle for NRW.BANK and a key criterion for its business policy decisions, the implementation and further development of the sustainability principles is not a separate process for NRW.BANK, but an integral part of the Bank's strategic management policy.

In accordance with the Bank's decentralised organisation, responsibility for specific operational sustainability aspects rests with the units in charge. The Strategy and Research Department is a central body which ensures that the necessary framework conditions and regulations are in place and supports current market developments within the Bank, thus performing a coordinating function.

In keeping with active overall responsibility, important strategic sustainability aspects are discussed by the management circle, which comprises the Managing Board of NRW.BANK and the heads of all its business units. It monitors, in particular, the implementation of the objectives as well as the discussion and definition of the further development of the Sustainability Guidelines, also taking input from major stakeholders into account. The participation of all business units in this established control process ensures that the different points of view are considered.

Consideration of External Views by Means of a Stakeholder Dialogue

NRW.BANK has identified the following relevant stakeholders:



In keeping with its sustainability efforts, the Bank maintains a regular, open and unbiased dialogue with its key stakeholders from a sustainability point of view:

- guarantor/State of North Rhine-Westphalia,
- rating agencies,
- house banks and
- employees.

NRW.BANK sees the stakeholder dialogue as a central component for the further development of sustainability. The objective is to initiate a discursive process on the constellation of interests and subjective perception of NRW.BANK's sustainability efforts in order to consider necessary adjustments to the Bank's future sustainability efforts – to the extent feasible and possible.

Key questions/aspects of the stakeholder dialogue include:

- Continuous and constructive dialogue on social and environmental aspects of the core business.
- How is NRW.BANK perceived from a sustainability point of view?
- What do the stakeholders expect of NRW.BANK?
- Which sustainability developments are the stakeholders aware of?

- Gaining ideas and know-how from the dialogue in order to further develop the Sustainability Guidelines,
- the provision of sustainable financing solutions and
- sustainable banking operations.

The findings obtained through this exchange with stakeholders are discussed by the Bank's management circle and considered in the further development of the Sustainability Guidelines to the extent feasible and possible. The stakeholder dialogue and its major findings are disclosed in NRW.BANK's annual Sustainability Report.

IV. Communicating Sustainability

The annual [Sustainability Report](#) and the [Sustainability Portal](#) are important tools of communication used by NRW.BANK to provide its stakeholders with transparent information on the results of its sustainable activities. Basic information on the Bank's corporate responsibility is provided – also within the framework of existing legal requirements – in its annual financial report as well as its non-financial report. Communicating sustainability transparently documents the progress and effects of NRW.BANK's sustainability efforts.

NRW.BANK uses all available communication options to implement the guiding principles of its Sustainability Guidelines.

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Design and production

valido marketing services GmbH, Düsseldorf

Last update

December 2020

Edition

December 2020

Commercial Register:

Commercial Register A 15277 Düsseldorf District Court
Commercial Register A 5300 Münster District Court

Competent regulatory authority:

Federal Financial Supervisory Authority (BaFin)

VAT identification number:

DE 223501401

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