

Second-Party Opinion

NORD/LB CBB “Lettres de Gage Renewable Energy” Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the NORD/LB Luxembourg S.A. Covered Bond Bank (“NORD/LB CBB”) Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The use of proceeds categories (Renewable Energy, and Transmission and Energy Storage) are recognized by the Green Bond Principles 2018 as impactful. Sustainalytics believes that the eligible projects in this category will contribute to reducing GHG emissions, lead to positive environmental impacts and advance the UN Sustainable Development Goal 7: Affordable and Clean Energy and 13: Action to combat climate change and its impact.



PROJECT EVALUATION / SELECTION NORD/LB CBB’s internal process in evaluating and selecting projects is handled by the NORD/LB CBB Green Bond Committee (the “Committee”). The Committee is responsible for ensuring projects that are selected are in line with the eligibility criteria set within the Framework. The Committee is responsible for adding/removing projects from the eligible project portfolio and/or any necessary changes/updates to the Framework. The Committee meets at least annually. This process is aligned with market practice.



MANAGEMENT OF PROCEEDS NORD/LB CBB’s processes for management of proceeds is managed by the Committee. Proceeds will be allocated using a portfolio approach. The Committee will strive to ensure that eligible assets meet or exceed the outstanding volume of green debt and will replace projects that fall out of eligibility with new assets immediately. This process is aligned with market practice.



REPORTING NORD/LB CBB intends to prepare regular reports on both allocation and impact along with an annual NORD/LB Group Sustainability Report, all of which will be made available on the website. Allocation reporting will include a full breakdown of allocation on a project portfolio basis, country and currency as well as financing vs refinancing, current volume and financing share, loan term/maturity and unallocated amounts. NORD/LB CBB will report on relevant impact metrics. This is in line with market practice. Sustainalytics also notes that NORD/LB CBB will seek third-party verification of its allocation reporting, which is viewed as a best practice approach.

Evaluation date	September 30, 2019
Issuer Location	Luxembourg

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	8

For inquiries, contact the Sustainable Finance Solutions project team:

Zach Margolis (Toronto)

Project Manager
 zach.margolis@sustainalytics.com
 (+1) 647 695 4341

Jonathan Laski (Toronto)

Project Support
 jonathan.laski@sustainalytics.com
 (+1) 647 264 6640

Evan Bruner (Amsterdam)

Project Support
 evan.bruner@sustainalytics.com
 (+31) 20 205 0027

Jean-Claude Berthelot (Amsterdam)

Client Relations
 susfinance.emea@sustainalytics.com
 (+44) 20 3880 0193

Introduction

NORD/LB Luxembourg S.A. Covered Bond Bank (“NORD/LB CBB”) is a wholly owned subsidiary of NORD/LB Group (the “Group”) that provides banking services and products including loans, financial markets and sales. NORD/LB CBB has over 10 years of experience in the public finance sector and issues covered bonds in accordance with Luxembourg law and has decided to leverage this expertise in order to issue Green Covered Bonds for renewable energy assets.

NORD/LB CBB has developed the NORD/LB CBB Green Bond Framework (the “Framework”) under which it intends to issue green covered bonds and use the proceeds to finance/refinance, in whole or in part, existing/future projects that support a transition to a low-carbon and climate resilient economy. The Framework defines eligibility criteria in two areas:

1. **Renewable energy** – Financing of the purchase, design, construction, development and/or installation of on- and offshore wind power, and solar power
2. **Transmission and energy storage** – Financing for the connection, transmission, transformation and storage of renewable energy

NORD/LB CBB engaged Sustainalytics to review the Framework, dated September 2019, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP 2018).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of NORD/LB CBB’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of NORD/LB CBB’s green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the NORD/LB CBB Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The NORDLB CBB Luxembourg Green Bond Framework “Lettres de Gage Renewable Energy” is available on the bank’s website at: www.nordlb.lu

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the NORD/LB CBB Green Bond Framework

Summary

Sustainalytics is of the opinion that the NORD/LB CBB Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of NORD/LB CBB's Green Bond Framework:

- **Use of Proceeds:**
 - The use of proceeds categories – renewable energy and transmission and energy storage – are recognized as impactful by the GBP 2018.
 - The Green Bond Framework specifies that the green covered bonds may provide financing for the “purchase, design, construction, development and/or installation” of renewable energy projects:
 - Eligible projects are defined as on- and offshore wind and solar power projects. Sustainalytics considers these technologies, when developed with appropriate environmental assessments, to deliver positive impacts;
 - NORD/LB CBB has confirmed that by “purchase”, they do not intend to finance Power Purchase Agreements (PPAs) as eligible projects themselves;
 - The Framework also defines as eligible the “connection, transmission, transformation and storage of renewable energy”.
 - For these assets, at least 50% of energy stored and/or transmitted in eligible projects will be renewable energy. This is the minimum requirement in Article 12-3 of the Luxembourg Financial Sector Act (2018).³ Sustainalytics views positively this use of a quantitative threshold and the reference to regulatory statute.
 - Sustainalytics notes it is possible that fossil fuel electricity may be served by these infrastructure assets, which is a slight limitation to the Framework. However, as confirmed by NORD/LB CBB, there is currently no fossil fuel related projects within its renewable energy cover pool portfolio. Additionally, Sustainalytics notes the clear goal of the eligible projects is to support renewable energy; these projects will not result in a “lock-in” of fossil fuel use; and, therefore, Sustainalytics is of the opinion that financing investments of this type supports the further integration of renewable energy.
- **Project Evaluation and Selection:**
 - NORD/LB CBB has established a Green Bond Committee to review projects for inclusion in the Green Covered Bond. The Committee is composed of the following representatives: the Head of Financial Markets & Loans, a representative of the Treasury Department; the Head of Finance or representative of the Trustee Service; and a representative from the sustainability office. The Committee will meet as required, and on at least an annual basis, to ensure compliance with the commitments described in the Framework. Sustainalytics considers the above process to be in line with market practice.
- **Management of Proceeds:**
 - NORD/LB CBB's green covered bond will be managed by the Committee using a portfolio approach. NORD/LB CBB will aim to ensure that assets in eligible projects exceed the outstanding volume of the Green Covered Bonds and will replace projects that no longer satisfy the eligibility criteria of the Framework.
 - The Luxembourg Financial Sector Act also requires renewable energy assets to be maintained as a separate cover pool, independent of other Issuer assets, as well as for NORD/LB CBB to maintain at least 2 per cent overcollateralization.
 - Sustainalytics recognizes that, pending full allocation, NORD/LB CBB may add temporary investments to the cover pool in the form of bonds (limited up to 20% of the cover pool portfolio) which have to be predominantly secured by eligible project types. As needed, the cover pool may also temporarily include substitute assets (limited up to 20% of the outstanding Green Covered

³ Grand Duchy of Luxembourg, Official Journal, <http://data.legilux.public.lu/file/eli-etat-leg-loi-2018-06-22-a521-jo-fr-pdf.pdf>

Bonds). These temporary uses of proceeds are in accordance with the Luxembourg Financial Sector Act. Sustainalytics is satisfied that NORD/LB CBB will prioritize full allocation of the bonds with eligible assets.

- Sustainalytics considers NORD/LB CBB's plan to manage proceeds to be in line with market practice and notes positively that the above-mentioned legislation adds additional layers of assurance through regulatory compliance. Furthermore, Sustainalytics highlights NORD/LB CBB's intent to pursue third-party verification of its allocation.
- **Reporting:**
 - NORD/LB CBB will provide both allocation and impact reporting on a portfolio basis.
 - Allocation reporting will be made available quarterly, and will provide information including total amount of assets financed, share of financing versus refinancing, breakdown by technology type, currency, country, credit rating, loan terms/maturity and unallocated amounts. In addition, a cover pool reporting will be made available quarterly, in line with the requirements of Transparency Circular CSSF 18/706⁴.
 - Impact reporting will be made available annually, and where feasible will include quantitative indicators such as total installed generation capacity (MW), estimated annual energy production (MWh), total added energy transmission capacity (MW), and greenhouse gas emissions avoided.
 - Based on the commitment to both allocation and impact reporting, including quantitative KPIs, Sustainalytics considers the reporting to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the NORD/LB CBB's Green Bond Framework aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of NORD/LB CBB

Contribution of framework to NORD/LB CBB sustainability strategy

NORD/LB CBB's sustainability strategy comes from the Sustainability Strategy 2020 of NORD/LB Group,⁵ which focuses on the impact of its own operations and business on all relevant stakeholders. Sustainability decisions are made by the Group Managing Board of NORD/LB, with the support of the Sustainability Management Division and Sustainability Control Committee. Within NORD/LB CBB, the Sustainability Management is established with direct reporting to the management board.

The Group's strategic direction is guided by a systematic approach to sustainability to ensure that sustainability aspects are considered in its business activities. This includes a set of exclusionary criteria preventing investment into a variety of controversial activities⁶ and a framework of sustainability guidelines intended to establish a link between individual transactions and relevant sustainability standards that have been established by the Group. The overall intent is to ensure that sustainability can be managed on an individual project basis in a targeted manner. Some relevant guidelines include the following:⁷

- Guideline on the Environmental Impact of Corporate Activities
 - The intent of this guideline is to ensure that all environmental impacts of the Group's business activities is measured, addressed and managed by the Group's Corporate Environmental Management Function, which is based on the requirements of ISO 14001.
- Guideline on Climate Change
 - This guideline serves as the framework for achieving the German climate goals. Through the application of this guidelines, NORD/LB considers climate change impact for its market

⁴ Published by Luxembourg's Commission de Surveillance du Secteur Financier, Circular CSSF 18/706 "Re: Transparency requirements based on Article 12-6 (2) of the Law of 22 June 2018" provides transparency requirements for covered bond banks. See: http://www.cssf.lu/fileadmin/files/Lois_reglements/Circulaires/Hors_blanchiment_terrorisme/cssf18_706eng.pdf.

⁵ NORD/LB, "Group Sustainability Strategy 2020", (2018), at:

https://www.nordlb.com/fileadmin/redaktion_en/branchen/nachhaltigkeit/pdf/NORDLB_Sustainability_Strategy.pdf

⁶ Transactions that clearly violate fundamental principles of sustainable development, such as transactions in connection with controversial weapons or pornography, are identified and rejected using exclusion criteria.

⁷ NORD/LB, "Sustainability Report 2018", (2019), at: https://www.nordlbcbb.lu/page/docManager/docs/559/NORDLB%20Sustainability_Report_2018.pdf

partners and society, specifically by focusing on opportunities and risks, creating transparency for further development as well as for assessment analysis and monitoring.

With regards to its own operational footprint, the Group tracks and reports on annual energy consumption and GHG emissions. Between 2017 to 2018, both electricity consumption and GHG emissions decreased by approximately 9%, though GHG emissions per employee rose compared to 2017. Additionally, since 2013, NORD/LB has prepared annual Group Sustainability Reports based on the Global Reporting Initiative (GRI) standards.⁷ Sustainalytics notes that, while the Group's 2018 Sustainability Report discloses the total number of energy efficiency and renewable energy projects that have been financed, the Group has not established any quantitative, time-bound targets and it is unclear how much additional renewable energy capacity or energy efficiency the Group has added. Sustainalytics encourages NORD/LB CBB to establish time-bound sustainability targets to connect the positive environmental outcomes achieved through its financing activities to its corporate goals.

Based on the sustainability strategy and guidelines mentioned above, Sustainalytics believes that NORD/LB CBB is well positioned to issue green bonds and that its green bonds will further NORD/LB CBB's overall sustainability strategy.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes the overall positive environmental impact of renewable energy related projects but acknowledges that such projects have common environmental and social risks that must be mitigated. Some key environmental and social risks associated with the eligible projects include occupational health and safety, community/stakeholder engagement, land-use change and biodiversity loss.

NORD/LB CBB recognizes the importance of mitigating potential environmental and social impacts related to its activities. For example, regarding potential direct environmental impacts from business activities, the Group follows both its Guideline on the Environmental Impact of Corporate Activities and its Guideline on Operational Environmental Protection. These two internal guidelines ensure that the impacts of projects on the environment are monitored and assessed in line with the Group's environmental management system (EMS), which is based on ISO 14001 standards. For example, identification and evaluation of significant environmental impacts, especially in the planning phase of projects, is a key requirement.⁸ Sustainalytics views adherence to ISO 14001 as evidence of a robust EMS and adequate for mitigating potential negative environmental impacts associated with the renewable energy projects that will be financed. Furthermore, potential indirect environmental impacts of business activities are further managed at the department level and by individual employees. Regarding specifically indirect impacts from activities in high-income OECD countries, which include those that will be financed by the Green Covered Bonds, the Group operates based on the assumption that these countries have adequate regulations in place to mitigate environmental impacts. Sustainalytics notes that this approach is consistent with that of the Equator Principles, which lists Designated Countries in which regulatory measures sufficiently address risk mitigation, and also recognizes that the Group has specific processes in place for risk mitigation of any business activities in non-high-income OECD countries, which may involve individual departments or the Compliance and Sustainability Management teams.

Occupational health and safety (OHAS) protection was identified by the Group as a material topic in their materiality analysis. The Group recognizes that importance of OHAS and that it can only be successful if its workforce is productive, well-trained, motivated and healthy. The Group is committed to continuously reviewing its corporate health management (CHM) strategy and has implemented a variety of health and safety policies, procedures and indicators to ensure a healthy working environment for all employees. The Group has outlined a number of goals targeted at improving working conditions and improve personal health and safety for staff. Although the Group saw a 0.5% increase in illness rate from 2017 (5.3%) to 2018 (5.8%), there is a clear intent and strategy to promote healthy and safe working conditions.

Regarding community engagement, the Group has established a social commitment to ensure that it is not only focusing on supporting business and infrastructure, but also facilitating positive community relations and supporting community projects. The Group has stated that because its specific business activities and the locations where the Group is active, "no negative effects are expected on local communities". However, Sustainalytics notes that there is an absence of a policy for the inclusion of local communities in stakeholder

⁸ 14001 Academy, "Clause-by-clause explanation of ISO 14001: 2015", (2016), at: <https://info.advisera.com/14001academy/free-download/clause-by-clause-explanation-of-iso-140012015>

consultations and since 2016, the Bank's community contributions have declined by over 33%. Sustainalytics encourages further disclosure of community relations.

Based on the above-mentioned policies and procedures at the Group level, Sustainalytics is confident that NORD/LB CBB has adequate social and environmental policies in place to mitigate potential negative impacts. As such, Sustainalytics is of the opinion that NORD/LB CBB is well-positioned to issue green bonds.

Section 3: Impact of Use of Proceeds

The green use of proceeds categories are recognized as impactful by the GBP 2018. Sustainalytics has focused below on how the impact is specifically relevant in the local context.

The role of renewable energy in achieving climate goals

In order to achieve the commitments of the Paris Agreement, to limit global average temperature increases to well below 2°C and aim to limit the increase to 1.5°C, drastic decreases to global emissions will be required.⁹ Considering that greenhouse gas emissions from electricity and heat production made up approximately 49% of total fuel combustion in 2014,¹⁰ increasing the share of renewable energy generation has the potential to significantly impact meeting climate goals. According to the International Renewable Energy agency (IRENA), the total share of renewable energy must rise to approximately 66% of the total primary energy supply (TPES) by 2050 in order to meet the 2°C target.¹¹ Although renewable energy grew more rapidly than other forms of energy generation in 2017, meeting a quarter of the global demand growth,¹² this rate of deployment must be ramped up to meet international targets.

The European Union has set a number of relevant renewable energy and GHG emission reduction targets for 2020 and 2030. The EU renewable energy target for 2020 is for 20% of total energy consumption to come from renewables¹³ and the EU has passed a binding target of 32% of total energy consumption from renewables by 2030.¹⁴ The EU has also committed to reduce GHG emissions by 40% below 1990 levels by 2030.

In 2017, 17.5% of total energy consumption came from renewables.¹⁵ The EU considers itself on target to achieve the 2020 goal. Further investment in renewable energy generation is required to meet the 2030 target. Alongside investment in generation facilities, investments in the connection, transmission and storage of renewable energy will also be required. In this context, NORD LB/CBB's financing will be impactful, and support the achievement of these targets.

The role of financial institutions in supporting a transition to a low carbon economy

The United Nations Environment Programme – Finance Initiative (UNEP-FI) states that “bank loans are the most important source of external finance for companies and will play a crucial role in steering businesses towards lower emission activities.”¹⁶ NORD/LB CBB's Framework to finance and/or refinance onshore and offshore wind and solar power projects throughout the EU member states and elsewhere will support the likelihood of the EU 2030 target being reached.

Therefore, Sustainalytics believes that supporting investments in renewable energy projects across the EU will promote low carbon growth.

Alignment with/contribution to SDGs

⁹ European Commission, Paris Agreement: https://ec.europa.eu/clima/policies/international/negotiations/paris_en

¹⁰ World Bank Group, CO₂ emissions from electricity and heat production: <https://data.worldbank.org/indicator/EN.CO2.ETOT.ZS>.

¹¹ IRENA, Global Energy Transformation: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Apr/IRENA_Report_GET_2018.pdf

¹² IEA, Global Energy & CO₂ Status Report- 2017: <https://www.iea.org/publications/freepublications/publication/GECO2017.pdf>

¹³ Renewable energy is defined in the EU Directive 2009/28/EC as “energy from renewable non-fossil sources, namely wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases”, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0028&from=EN>.

¹⁴ European Commission, “2030 climate & energy framework”, https://ec.europa.eu/clima/policies/strategies/2030_en.

¹⁵ European Commission, “Renewable Energy Statistics”, https://ec.europa.eu/eurostat/statistics-explained/index.php/Renewable_energy_statistics#Wind_power_becomes_the_most_important_renewable_source_of_electricity.

¹⁶ United Nations Environment Programme (UNEP), “Financial Institutions Taking Action on Climate Change”, <https://www.unepfi.org/fileadmin/documents/FinancialInstitutionsTakingActionOnClimateChange.pdf>

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
		7.3 By 2030, double the global rate of improvement in energy efficiency
	13. Action to combat climate change and its impact	13.2 Integrate climate change measures into national policies, strategies and planning

Conclusion

NORD/LB Luxembourg S.A. Covered Bond Bank has developed a Green Bond Framework, under which it intends to issue green covered bonds use the proceeds to loans to eligible renewable energy and transmission and energy storage projects. Sustainalytics highlights that NORD/LB CBB's green covered bonds will be issued in line with Article 12-3 of the Luxembourg Financial Sector Act (2018). Sustainalytics is further of the opinion that the initiatives described by the Framework will advance the UN Sustainable Development Goals, in particular Goals 7 and 13.

Sustainalytics anticipates that the financing of renewable energy and storage/transmission projects as per the Framework will provide environmental benefits and support the achievement of climate goals mainly in Europe. In addition, NORD/LB CBB's processes for project evaluation and selection as well as management of proceeds and reporting are aligned with market practice.

Based on the above, Sustainalytics considers the NORD/LB CBB Green Bond Framework to be robust, credible and transparent, and in alignment with the four core components of the ICMA's Green Bond Principles 2018.

Appendices

Appendix 1: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

Issuer name:	NORD/LB CBB
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	NORD/LB CBB Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 30, 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The use of proceeds categories (Renewable Energy, and Transmission and Energy Storage) are recognized by the Green Bond Principles 2018 as impactful. Sustainalytics believes that the eligible projects in this category will contribute to reducing GHG emissions, lead to positive environmental impacts and advance the UN Sustainable Development Goal 7: Affordable and Clean Energy and 13: Action to combat climate change and its impact.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

NORD/LB CBB's internal process in evaluating and selecting projects is handled by the NORD/LB CBB Green Bond Committee (the "Committee"). The Committee is responsible for ensuring projects that are selected are in line with the eligibility criteria set within the Framework. The Committee is responsible for adding/removing projects from the eligible project portfolio and/or any necessary changes/updates to the Framework. The Committee meets at least annually. This process is aligned with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

NORD/LB CBB's processes for management of proceeds is managed by the Committee. Proceeds will be allocated using a portfolio approach. The Committee will strive to ensure that eligible assets meet or exceed the outstanding volume of green debt and will replace projects that fall out of eligibility with new assets immediately. This process is aligned with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

NORD/LB CBB intends to prepare regular reports on both allocation and impact along with an annual NORD/LB Group Sustainability Report, all of which will be made available on the website. Allocation reporting will include a full breakdown of allocation by projects, country and currency as well as financing vs refinancing, current volume and financing share, loan term/maturity and unallocated amounts. NORD/LB CBB will report on relevant impact metrics. Sustainalytics notes that NORD/LB CBB will seek third-party verification of its allocation reporting, which is viewed as a best practice approach.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input checked="" type="checkbox"/> Other (<i>please specify</i>): A cover pool reporting will be made available quarterly, in line with the requirements of Transparency Circular CSSF 18/706 |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (please specify): amount of energy produced from renewable sources (capacity and output) |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): corporate website www.nordlb.lu |
| <input checked="" type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): Allocation and impact reporting will be reviewed on an annual basis by a third-party | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

NORD/LB CBB corporate website "Sustainability": www.nordlb.lu/sustainability

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

-
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to the information contained herein is vested exclusively in Sustainalytics. No part of this deliverable may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings without the express written consent of Sustainalytics.

As the information herein is based on information made available by the issuer, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this deliverable is complete, accurate or up to date, nor assumes any responsibility for errors or omissions and Sustainalytics will not accept any form of liability for the substance of the deliverable and/or any liability for damage arising from the use of this deliverable and/or the information provided in it. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this deliverable shall be construed as to make a representation or warranty on the part of Sustainalytics, express or implied, regarding the advisability to invest in companies, selection of projects or make any kind of business transactions. It shall not be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the issuer’s economic performance, financial obligations nor its creditworthiness.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

