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**NORD/LB Green Bond Programme**

**Green Bond Framework**

Version 1.0

NORD/LB

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## 1 Introduction

Climate change is considered one of the most important challenges of our time. The world's greatest environmental and social consequences of global change, such as population growth, energy security, biodiversity loss and inadequate access to drinking water and food, are all closely linked to climate change. The transition to a lower-carbon economy is crucial in this regard.

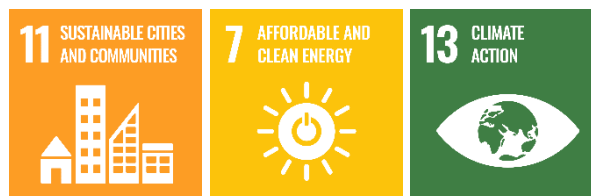
With the signing of the Paris Agreement, the global community at the international level agreed to limit the global temperature rise in this century to well below 2 degrees Celsius above the pre-industrial level. With the adoption of the 17 Sustainable Development Goals (SDGs) of the United Nations, the world has set itself a global framework with a common direction and measures to solve the global challenges until 2030.

Banks' operations, products and services have an impact on the environment and society. The financial sector has an important role to play in the transition to a lower-carbon economy. Banks have a social, environmental and economic responsibility to understand and manage these issues as part of their business.

Norddeutsche Landesbank - Girozentrale - (hereinafter referred to as "NORD/LB") accepts these framework conditions and the expectations placed on it in its role as a commercial bank. NORD/LB wants to make its contribution so that the climate targets of the German government can be achieved. As a bank and institution under public law, NORD/LB bears a particular responsibility for economic development and social cohesion. For this reason, NORD/LB is determined to support its customers in preparing for success in an increasingly carbon-constrained world.

NORD/LB has been expressly committed to the UN Global Compact and its principles for many years and thus contributes to implementing them in its sphere of influence. For NORD/LB, taking these principles into account is an essential element of its responsibility as a financial services company for customers and employees. NORD/LB has firmly anchored the ten principles on human rights, environmental protection and anti-corruption in its guidelines and policies and thus provides the requirements for its daily actions.

In April 2020, NORD/LB signed the United Nations Principles for Responsible Banking with the aim of strategically integrating sustainability into its business model and making the impact of its business on the environment and society measurable on the basis of the Sustainable Development Goals.



(main focus)

In the business segment of commercial real estate financing, NORD/LB accompanies the spatial design of many cities as a financing partner. Quality, professionalism and sustainability of the financing project play a major role in the selection of projects. Here the bank sets itself the goal of making the real estate industry ecologically sustainable. The financing of energy-efficient buildings is the essential core aspect. By financing such green buildings, the bank actively contributes to the reduction of greenhouse gases. NORD/LB is aware that its actions have an influence on various stakeholders. By supporting the reduction of CO<sub>2</sub> emissions in this way, the bank fulfils its responsibility towards its customers, employees, owners and society. In this way, NORD/LB contributes in particular to the EU taxonomy goal of **mitigating** climate change. Furthermore, the aim is not to cause significant harm to any of the other five EU taxonomy objectives ("**Do no significant harm**").

By granting green loans in the commercial real estate financing business segment, the necessary sustainability aspects in NORD/LB's business activities are also promoted on the assets side and thus ensured. The focus is on the following objectives:

- Improving the portfolio quality
- Completion of the sustainability concept
- Completing the green value chain

An identification is made on the basis of the database in the bank's IT systems, from which the degree of sustainability of a financing can be deduced, thus opening up the possibility of making particularly sustainable financings possible, if necessary also by reducing the

customer margin requirement. The data basis is the selection criteria from 2.2.2 (Process for Project Evaluation and Selection), supplemented by further criteria:

- Energy consumption
- Year of manufacture
- Certification
- Distance to local public transport
- Soil sealing (brownfield vs. greenfield)
- Building fabric

In addition, the Bank's refinancing is also designed to be ecologically sustainable. By issuing Green Bonds, the Bank also meets the objectively measurable increasing need of investors to invest financial resources in an ecologically sustainable manner. By issuing Green Bonds, the Bank, as a financial intermediary, takes into account our society's goal of reducing global warming. The Green Bond Framework provides the basis for the issuance of Green Bonds with the strict secondary condition of implementing the Green Bond Principles - always based on the current version. It creates the desired and necessary transparency for investors in this type of product.

## **2 The NORD/LB Green Bond Programme**

### **2.1 Overview of funding products**

When issuing green bonds, NORD/LB funds itself by issuing bonds (bearer or registered bonds), loans and deposits, the funds raised of which are used exclusively for financing energy-efficient buildings (green buildings). These can be new buildings, replacement buildings replacing old buildings, project developments, certified financing of existing buildings and renovation to improve the energy efficiency of buildings.

The Bank issues both unsecured (senior preferred / senior non-preferred) and Covered Green Bonds (i.e. Mortgage Pfandbriefe). The Pfandbriefe issued meet all the requirements of the Pfandbrief Act and are part of the "Green Pfandbrief" brand of the Association of German Pfandbrief Banks ( vdp). Unsecured bonds, loans and deposits, which are also issued as green bonds/green deposits, rank pari passu with other liabilities of the respective asset class; in addition to issues in benchmark format, these can also be smaller volumes (i.e. private placements). These issued liabilities are matched by a sufficient volume of suitable green buildings. Refinancing through green bonds may only take place to the extent that at least green buildings are available in the bank's portfolio. Temporary peak amounts are invested as part of liquidity management.

## 2.2 Implementation of the Green Bond Principles

### 2.2.1 Use of Proceeds

The funds raised by issuing green bonds are used exclusively to finance energy-efficient properties. The funds raised are used to finance green buildings in both new and existing business. The financing is used for the construction, project development, purchase or energy-efficient renovation of buildings. The detailed earmarking is governed by the final terms of the respective issue.

### 2.2.2 Process for Project Evaluation and Selection

The energy efficiency of a property to be financed and thus its suitability as an asset for a green bond are checked in a multi-stage process. The resulting requirements for acquisition, loan processing, property valuation and treasury are procedural and thus binding for all employees.

The green bond eligibility of a financing as well as the associated properties such as quantified energy efficiency are recorded and managed in specific IT systems of the bank.

The criteria to be applied are defined by a Green Asset Commission, which is made up of members of NORD/LB's Sustainability Board. The Green Asset Commission defines the minimum green bond standards (GBM) and ensures in its regular meetings that these comply with the standards prescribed in the target markets. An asset is considered a green building if, at the time of financing, it complies with the GBMs valid at that time. The currently valid GBMs are as follows:

#### 1. Germany:

Energy certificate with a maximum final energy demand or consumption (heat) in kWh/(m<sup>2</sup>\*a) by main type of use:

- 60 kWh/(m<sup>2</sup>\*a) for residential buildings
- 30 kWh/(m<sup>2</sup>\*a) for warehouse/logistics building
- 70 kWh/(m<sup>2</sup>\*a) for department stores, shopping centers
- 95 kWh/(m<sup>2</sup>\*a) for commercial buildings (e.g. discounter or department stores)
- 95 kWh/(m<sup>2</sup>\*a) for hotels up to 3 stars
- 105 kWh/(m<sup>2</sup>\*a) for hotels with 4 and 5 stars
- 110 kWh/(m<sup>2</sup>\*a) for production and storage building (heated)
- 110 kWh/(m<sup>2</sup>\*a) for office buildings without air conditioning
- 135 kWh/(m<sup>2</sup>\*a) for office buildings with air conditioning

## 2. Abroad

In the foreign markets, NORD/LB already follows the technical evaluation criteria of the EU taxonomy. For example, the main type of use of the residential and commercial properties must be in the top 15% of the national building stock in order to be identified as a green building and included in the green bond as-set pool. The identification is based on the primary energy demand. This data, as well as the average primary energy demand or consumption and the country-specific CO<sub>2</sub> intensity for calculating the impact reporting, is provided by the Drees & Sommer engineering experts. Drees & Sommer will update this data at regular intervals, whereby the selection criteria of the Green Bond Framework will adapt to the current market standard.

Furthermore, a green building can be identified in all real estate target markets by the following building sustainability certificates:

- LEED certificate, at least gold
- BREEAM certificate, at least Very Good
- DGNB certificate, at least gold
- HQE certificate, at least Très bon

Should the use of renewable energies result in a reduction of primary energy demand and if it is below the final energy value, the primary energy demand or consumption (heat) is used for the evaluation.

It is possible to classify financed real estate as green buildings without the existence of an energy performance certificate or building sustainability certificate. This is conceivable in the following cases:

- Project developments in which the client aims to achieve an energy consumption or building sustainability certification status that is compatible with the current Green Bond minimum standards.
- Financed properties for which the energy consumption of a property with a high structural analogy can be proven, which was also financed by NORD/LB and is part of the Green Asset Pool. In this case, an opinion from an internal or external expert with the determination of an estimated energy consumption is required.

In principle, NORD/LB's real estate customers are asked to resubmit the energy certificate or building sustainability certificate before it is due. NORD/LB grants green buildings identified by expired energy certificates or building sustainability certificates a period of one year or three years until they are removed from the asset pool. In this way, NORD/LB provides its customers with sufficient flexibility when issuing new energy performance certificates and building sustainability certificates.

Another requirement for the use of green buildings is that the financed properties are let to main tenants from non-controversial business areas. A main tenant is one who generates at least 10% of the total rental income. If a main tenant from a controversial business sector becomes known, the property is removed from the portfolio of suitable green buildings.<sup>1</sup>

### **2.2.3 Management of Proceeds**

The suitability of the green assets in the portfolio for the green bond liabilities is regularly reviewed. The labeling for this takes place in specific IT systems of NORD/LB. Unsuitable financing and the underlying assets are replaced by new financing or assets. Financing and the underlying assets are considered unsuitable if a letting to a main tenant from the business fields considered controversial becomes known. The same applies if a grace period has expired after an energy pass or a sustainability certificate has matured.

NORD/LB sets itself the target that the green bond-eligible real estate portfolio should at least correspond to the volume of green bonds placed or to be placed. In the event that funds raised for the financing of energy-efficient real estate from green bonds cannot be used directly in accordance with this framework, these funds are temporarily disposed of within the normal liquidity management with the clear aim of reallocating them to the green asset pool as quickly as possible.

### **2.2.4 Reporting on Use of Proceeds**

NORD/LB publishes a Green Bond Reporting on its website ([www.nordlb.de](http://www.nordlb.de)) at least on an annual basis. This contains the following information:

- Current volume of green building stock
- CO<sub>2</sub> savings of all green buildings compared to the relevant average as well as the calculation logic
- Characterisation of green buildings according to e.g. property certificates, location, sustainable aspects, etc.

NORD/LB publishes this data on an aggregated basis. In doing so, it also meets the requirements of customers and the data protection law. In addition, NORD/LB regularly publishes the outstanding green bonds and their volume on its website.

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<sup>1</sup> ESG guidelines apply to the NORD/LB Group, which guide and regulate business activities with regard to ecological, environmental and social aspects. These ESG guidelines supplement existing guidelines and principles relating to strategy and governance.



### **2.3 External Review**

NORD/LB commissions an independent provider to review the implementation of the Green Bond Principles and the sustainability of the entire Green Bond Programme. This second party opinion is published on the NORD/LB website ([www.nordlb.de](http://www.nordlb.de)).

### **3 Conclusion**

NORD/LB is aware of the impact of its actions on the environment and its responsibility for society and its future. The Green Bond issuance programme is an expression of this responsibility. Through the financing of energy-efficient real estate by issuing green bonds, NORD/LB supports project developers, tenants, professional investors and private investors as a financial intermediary. It measurably promotes the reduction of CO<sub>2</sub> emissions and environmentally conscious behaviour in society.

The Green Bond Framework creates the transparency required by investors for issuing sustainable financial products. NORD/LB issues Green Bonds in accordance with the Green Bond Principles. This is verified by an independent sustainability rating agency.