

# NORD/LB CBB

**Type of Engagement:** Annual Review

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## Introduction

In January 2020, NORD/LB Luxembourg S.A. Covered Bond Bank (“NORD/LB CBB”) issued green covered bonds aimed at financing wind and solar energy projects. In September 2019, Sustainalytics provided a second-party opinion<sup>1</sup> on the NORD/LB CBB Green Bond Framework (the “Framework”)<sup>2</sup> and its alignment with the Green Bond Principles 2018.

In March 2023, NORD/LB CBB engaged Sustainalytics to review the projects funded with proceeds from the issued green covered bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2020 green covered bonds based on whether the projects and programmes:

1. Met the use of proceeds and eligibility criteria outlined in the Framework;
2. Reported on at least one of key performance indicator (KPIs) for each use of proceeds criteria outlined in the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and associated KPIs**

Use of Proceeds Category	Eligibility Criteria	KPIs
<b>Renewable Energy</b>	Financing of the purchase, design, construction, development and/or installation of the generation of renewable energy from the following renewable energy sources: <ul style="list-style-type: none"> <li>▪ On- and offshore wind power</li> <li>▪ Solar power</li> </ul>	<ul style="list-style-type: none"> <li>• Total installed capacity of renewable energy (in MW)</li> <li>• Annual (expected) production of renewable energy (in MWh)</li> <li>• Total capacity of renewable energy facilitated through connection, transmission, transformation and storage (in MW)</li> </ul>
<b>Transmission and Energy Storage</b>	Financing for the connection, transmission, transformation and storage of renewable energy. <sup>3</sup>	<ul style="list-style-type: none"> <li>• Avoided greenhouse gas emissions from the production and facilitation of renewable energy emissions (annual avoided greenhouse gas emissions in tons of CO2 equivalents)</li> </ul>

<sup>1</sup> Sustainalytics, “Second-Party Opinion NORD/LB CBB “Lettres de Gage Renewable Energy” Green Bond Framework”, (2019), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nord-lb-covered-bond-bank-green-bond-framework-second-party-opinion.pdf?sfvrsn=8514ad0c\\_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nord-lb-covered-bond-bank-green-bond-framework-second-party-opinion.pdf?sfvrsn=8514ad0c_1)

<sup>2</sup> NORD/LB Luxembourg S.A. Covered Bond Bank, “Green Bond Framework”, (2019), at:

<https://www.nordlb.lu/page/docManager/docs/579/NORDLB%20CBB%20Green%20Bond%20Framework%20as%20of%2030%20Sep%202019.pdf>

<sup>3</sup> Regarding energy storage and transmission equipment, Article 12-3(2) of the Luxembourg Financial Sector Act on Covered Bonds prescribes that more than 50% of its effective activity be used in connection with renewable energy.

## Issuing Entity’s Responsibility

NORD/LB CBB is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the use of proceeds from the NORD/LB CBB’s 2020 green covered bonds. The work undertaken as part of this engagement included collection and review of documentation from NORD/LB CBB to assess conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by NORD/LB CBB with respect to the financed projects. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by NORD/LB CBB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>4</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. NORD/LB CBB has disclosed to Sustainalytics that 98.3% of the proceeds of the 2020 green covered bonds has been allocated as of 31 December 2022. Pending full allocation, the remaining proceeds have been allocated towards green bonds with at least 50% of their use of proceeds financing renewable energy assets, in accordance with the Framework.<sup>5</sup>

## Detailed Findings

**Table 2: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the green covered bonds issued in 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the green covered bonds issued in 2020 to determine if impact of projects was reported in line with the KPIs outlined in the Framework. For a list of KPIs reported, please refer to Appendix 2.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

<sup>4</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by NORD/LB CBB. NORD/LB CBB is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

<sup>5</sup> NORD/LB CBB has communicated to Sustainalytics that it intends to achieve 100% allocation in 2023.

## Appendices

### Appendix 1: Allocation Reporting by Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria	Number of Projects	Total Allocated Amount (EUR million)
Renewable Energy	Onshore Wind	21	274.3
	Solar	5	20.5
<b>Allocated proceeds (EUR million)</b>			294.9 <sup>6</sup>
<b>Net proceeds raised from the issuance (EUR million)</b>			300
<b>Unallocated proceeds (EUR million)</b>			5.1
<b>Percentage of net proceeds allocated</b>			98.3%

<sup>6</sup> The difference in this total amount is caused by rounding.

## Appendix 2: Reported Impact by Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria	Environmental Impact Reported by Eligibility Criteria <sup>7</sup>			
		Average portfolio lifetime (years)	Total installed capacity of renewable energy (MW)	Annual expected production of renewable energy (MWh) <sup>8</sup>	Avoided greenhouse gas emissions from the production and facilitation of renewable energy per EUR 1 million in cover projects (tCO <sub>2</sub> e)
Renewable Energy	Onshore Wind	5.6	757	2,118,157	325 <sup>9</sup>
	Solar		50	53,881	

<sup>7</sup> NORD/LB CBB has communicated that the estimated impact assessment is based on production data for projects in operation in 2022, and expected production for projects that are still under construction in 2022, according to net P50 (P50 = assumption that the predicted wind yield will not fall below predicted wind production based on a 50% probability).

NORD/LB CBB, "The New Green Covered Bond", at: [https://www.nordlbcbb.lu/online/www/menu\\_top/greenbond/5327/ENG/index.html](https://www.nordlbcbb.lu/online/www/menu_top/greenbond/5327/ENG/index.html)

<sup>8</sup> Rounded off to the nearest integer.

<sup>9</sup> The estimation is based on the baseline CO<sub>2</sub> equivalent emissions per kWh in the respective countries where the projects are located.

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