

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer
and the Green Bond Programme Asset Pool

Bayerische Landesbank
12 February 2020

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Overall Evaluation of the Green Bond Programme

Bayerische Landesbank (BayernLB) commissioned ISS ESG to assist with its Green Bond Programme by assessing three core elements to determine the sustainability quality of the Bond:

1. BayernLB's Green Bond framework – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs).
2. The asset pool – whether the projects aligned with ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).
3. BayernLB's sustainability performance, according to the ISS ESG Corporate Rating.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Performance against GBPs	The issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs.	Positive
Part 2: Sustainability quality of the asset pool	The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Green Bond KPIs. The eligible asset categories include wind power (onshore and offshore) and solar power (photovoltaic). The asset pool has a significant contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action'. The environmental and social risks associated with those assets have been well managed.	Positive
Part 3: Issuer sustainability performance	The issuer itself shows a medium sustainability performance and has been given a rating of C+, which classifies it as 'Prime' by the methodology of the ISS ESG Corporate Rating. It is rated 7 th out of 259 companies within its sector as of 12.02.2020. This equates to a high relative performance, with a Decile Rank ² of 1.	Status: Prime Rating: C+ Decile Rank: 1

¹ ISS ESG's evaluation is based on the Issuer Green Bond Framework (February 2020 version), on the analysed asset portfolio as received on the 10.01.2020, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 23.01.2020). ISS ESG underwent a controversy screening of samples of assets on the 10.02.2020.

² Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.





Contribution of the Green Bond Programme to the UN SDGs

Based on the assessment of the sustainability quality of the green bond programme asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the BayernLB's green bond programme to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):



Each of the bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS CATEGORY	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Wind energy	Significant contribution	 
Solar energy	Significant contribution	 

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND PRINCIPLES

1. Use of Proceeds

The proceeds collected by a Green Bond issued by BayernLB will be used to re/finance Eligible Green Loans (EGL) included in BayernLB's Eligible Green Loan Portfolio, as explained in detail further below.

For the purposes of the Green Bond Framework, the following eligible categories have been identified:

1. Renewable energy: Re/Financing the acquisition, production, transmission, expansion and/or development of renewable energy projects as well as the manufacturing of necessary equipment and the connection to the electricity grid. Renewable energy sources may include:
 - Photovoltaic and solar thermal plants
 - Wind farms (onshore and offshore)
2. Green real estate: Re/Financing commercial buildings which have superior energy efficiency performance and meet nationally or internationally recognized standards
3. Mobility: Re/Financing rail infrastructure and public mass transportation projects which reduce the necessity for personal vehicles and thus contribute to low-carbon mobility as well as low-carbon mobility infrastructure for alternative drives.

The financing volume of projects across the eligible assets categories within this Green Bond Programme are as follow:

ELIGIBLE CATEGORIES	NUMBER OF ASSETS	SHARE OF ELIGIBLE GREEN LOAN PORTFOLIO
Renewable energy	128	100%
Photovoltaic and solar thermal plants	48	34.34%
Wind farms (onshore and offshore)	80	65.66%
Green real estate	-	-
Mobility	-	-

Opinion: ISS ESG considers the Use of Proceeds description provided by BayernLB's Green Bond Framework as aligned with the Green Bond Principles. Expected environmental benefits are clearly stated.

2. Process for Project Evaluation and Selection

Eligible Green Loans re/financed through the Green Bond proceeds are evaluated and selected by the Sustainability Working Group based on compliance with the selection criteria.

Sustainability Working Group

BayernLB establishes a Sustainability Working Group (SWG) which is composed of representatives from Group Treasury and Group Sustainability. Additionally, when assessing eligible projects and their non-financial impacts BayernLB may rely on external consultants and their data sources. The different departments will be responsible for the following tasks:

- Group Sustainability designs, develops and manages the sustainability strategy of BayernLB and assures alignment
- Group Treasury manages the potential asset pool according to the criteria catalogue and is responsible for the green bond issuance and the use of proceeds

At time of issuance of a new Green Bond, the SWG ensures that the volume of the pool of Eligible Green Loans is at least equal to the total outstanding of Green Bonds issued by Bayern LB including the net proceeds of the Green Bond.

Evaluation and Selection Process

All Eligible Green Loans financed by BayernLB's Green Bonds comply with the standard credit requirements, the sustainability strategy and the risk management policies of BayernLB as defined by the SWG. BayernLB's credit department performs a pre-screening of local business units to identify potential Eligible Green Loans and fully analyses the counter-party and asset – including the implied environmental impact. In order to be qualified as an Eligible Green Loan for the use of proceeds of a Green Bond, projects need further comply with the following selection criteria:

- Eligible Green Loans on the basis of the framework
- No double counting of expenditures for the use of proceeds in future green bonds
- Minimum remaining term
- Internal minimum rating requirement
- Exclusion of loans re/financed by third parties

BayernLB ensures that all Eligible Green Loans comply with official national and international environmental and social standards, where applicable, on a best effort basis. BayernLB ensures that all its loans comply with internal environmental and social directives. The eligibility criteria and minimum requirements as well as ESG related matters are continuously developed. Selection criteria might become stricter due to evolving standards and requirements in the green bond market but never be softened within this framework. BayernLB's environmental and social policies can be found online.

Opinion: ISS ESG considers the description of the Process for Project Evaluation and Selection provided by BayernLB's Green Bond Framework as aligned with the Green Bond Principles. The process is clearly defined and documented, and the responsibilities are defined and shared between stakeholders with relevant expertise.

3. Management of Proceeds

BayernLB established a new “Eligible Green Loan Portfolio” (EGLP) gathering all Eligible Green Loans in order to manage its Green Bond proceeds in a portfolio approach. As such the EGLP is dynamic, with i.e. maturing Eligible Green Loans maturing and being removed and BayernLB will use its best efforts to replace these maturing Eligible Green Loans by new Eligible Green Loans being added to the EGLP Loans to the extent required. The EGLP comprises all Eligible Green Loans successfully assessed and selected in accordance with the eligibility criteria and evaluation and selection process described above. All Eligible Green Loans included in the EGLP are part of BayernLB’s Balance Sheet. BayernLB will strive to maintain a volume of EGLP at least equal to the volume of outstanding Green Bonds at any time.

The proceeds from any BayernLB Green Bond issue (i) will be applied by BayernLB exclusively (except as indicated below) to finance or refinance, as the case may be, Eligible Green Loans and (ii) can be applied by BayernLB, at its free discretion, to finance or refinance any Eligible Green Loan comprised in the EGLP.

Unallocated net proceeds from BayernLB’s Green Bond issue will be used by BayernLB within the treasury of the group, in money market instruments, cash and/or cash equivalents instruments.

The maturity of any Green Bond issued by BayernLB does not necessarily match the maturities of the Eligible Green Loans. However, in order to reduce mismatches between such maturities the volume-weighted average maturity of BayernLB’s cumulated Green Bonds issued may not exceed the average duration of the of the loan commitments for the Eligible Green Loans Portfolio.

Opinion: *ISS ESG finds that Management of Proceeds proposed by BayernLB’s Green Bond Framework is well aligned with the Green Bond Principles. The proceeds will be appropriately tracked and managed, and the intended types of temporary investment instruments for unallocated proceeds is clearly stated.*

4. Reporting

Information on the allocation of proceeds as well as the environmental impact of projects re-financed with a Green Bond will be provided separately and over the entire lifetime of the program if bonds are outstanding. The allocation and impact reporting will be made available for investors on BayernLB’s Investor Relations homepage.

Allocation Reporting

BayernLB plans to issue an informative reporting on an annual basis on the allocation of Green Bond net proceeds to the Eligible Green Loan Portfolio. The internal tracking method of proceeds is implemented in a synthetic manner based on the volume of Eligible Green Loans and outstanding Green Bonds.

- The allocation report will provide:
- The notional amount and maturities of outstanding Green Bonds issued by BayernLB
- The total amount of proceeds allocated to Eligible Green Loans
- The number of Eligible Green Loans

- The balance of unallocated proceeds
- The amount or the percentage of new financing and refinancing
- The technology and geographic distribution of assigned Eligible Green Loans

Impact Reporting

BayernLB will inform investors annually on the environmental impact of assigned Eligible Green Loans re/financed through Green Bond issues. Where feasible, the report may provide information about the

- Added renewable energy capacity (MW)
- Estimated avoidance/reduction of CO2 emissions in ktons.

The issued Green Bonds can be increased (tapped). Regarding the management of the proceeds from the tap and the corresponding reporting the tap will be treated like a new issue. As a result, the reporting about the use of proceeds and the corresponding impact can differ regarding the originally issued Green Bond and the tap if both issues fall into different calendar years.

Opinion: *ISS ESG finds that the reporting proposed by BayernLB's Green Bond Framework is in line with the Green Bond Principles. Examples of impact indicators are provided, which aligns with market best practices.*

External review







Over the lifetime of a Green Bond BayernLB will commission a second party opinion provider to confirm the compliance of BayernLB's Green Bond Framework with the Green Bond Standard of the EU and/or other future regulation to assess the issued Green Bonds' compliance with this framework.

PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

Wind power (onshore and offshore)

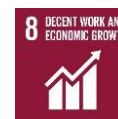
As a Use of Proceeds category, wind energy has a significant contribution to SDG 7 “Affordable and Clean Energy” and SDG 13 “Climate Action”. Additionally, when considering the deeper ESG management, wind energy can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
Site selection	
<ul style="list-style-type: none"> ✓ For 72 out of 80 projects, location in key biodiversity areas (Natura 2000, or for assets located outside of the EU, Unesco World Heritage, Ramsar sites, IUCN protected areas I-IV) can be excluded. For the remaining projects, the precise location was not made available to ISS ESG. 	
<ul style="list-style-type: none"> ✓ 75 out of 80 projects underwent an environmental impact assessment at the planning stage. No information is available for the remaining projects. 	
Community dialogue	
<ul style="list-style-type: none"> ✓ 66 out of 80 projects feature community dialogue as an integral part of the planning process (sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes). For the remaining projects, no information is available. 	 
Environmental aspects of construction and operation	
<ul style="list-style-type: none"> ✓ 75 out of 80 projects meet high environmental standards during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work). For the remaining projects, no information is available. 	
<ul style="list-style-type: none"> ✓ 75 out of 80 projects provide for measures to protect habitat and wildlife during operation of the power plant (e.g. measures to protect birds and bats). For the remaining projects, no information is available. 	

Working conditions during construction and maintenance work

- ✓ 66 out of 80 projects are located in countries which provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions). The remaining projects are located in countries which do not provide for such high standards.



Controversy assessment

A controversy assessment on 36 sample projects did not reveal any controversial activities or practices that could be attributed to BayernLB. For the remaining 44 projects, ISS ESG did not conduct a controversy assessment due to a lack of information. At the bank level, Bayern LB does not face any significant controversy.

Solar energy (photovoltaic)

As a Use of Proceeds category, solar panels have a significant contribution to SDG 7 “Affordable and Clean Energy” and SDG 13 “Climate Action”. Additionally, when considering the deeper ESG management, solar power can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
Site selection	
<ul style="list-style-type: none"> ✓ For 44 out of 48 projects, location in key biodiversity areas (Natura 2000, or for assets located outside of the EU, Unesco World Heritage, Ramsar sites, IUCN protected areas I-IV) can be excluded. For the remaining projects, the precise location was not made available to ISS ESG. 	
Supply chain standards	
<ul style="list-style-type: none"> ○ 10 out of 48 projects provide for high labour and health and safety standards in the supply chain of the deployed solar modules (e.g. ILO core conventions). For the remaining projects, no information is available. 	
Environmental aspects of construction and operation	
<ul style="list-style-type: none"> ○ 19 out of 48 projects feature a solar module conversion efficiency of at least 15%. The remaining provide for conversion efficiency comprised between 13% and 15%. 	

- ✓ 37 out of 48 projects provide for high environmental standards regarding takeback and recycling of solar modules at end-of-life stage (e.g. in line with WEEE requirements). For the remaining projects, no information is available.



- ✓ 35 out of 48 projects provide for high standards regarding the reduction or elimination of toxic substances within solar panels (e.g. in line with RoHS requirements or other relevant standards). For the remaining projects, no information is available.



Working conditions during construction and maintenance work

- ✓ 42 out of 48 projects are located in countries which provides for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions). The remaining projects are located in countries which do not provide for such high standards.



Controversy assessment

A controversy assessment on 8 sample projects did not reveal any controversial activities or practices that could be attributed to BayernLB. For the remaining 40 projects, ISS ESG did not conduct a controversy assessment due to a lack of information.

At the bank level, Bayern LB does not face any significant controversy.

PART III: ASSESSMENT OF BAYERNLB'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime³' or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
BAYERNLB	PRIME	C+	1

This means that the company performed moderately in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG. In ISS ESG's view, the securities issued by a 'Prime' company meet the basic requirements for sustainable investments.

As of 12.02.2020, this rating places BayernLB 7th out of 259 companies rated by ISS ESG in the Public & Regional Banks sector.


Key Challenges facing companies in term of sustainability management in this sector are:

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Sustainable investment criteria
- Labour standards and working conditions
- Business ethics

In all the key issues, BayernLB rates above the average for the sector. A very significant outperformance was achieved in "Sustainable investment criteria" and "Labour standards and working conditions".

BayernLB does not face any significant controversy.

Details on the rating of the issuer can be found in Annex 1.



Robert Hassler, Head of ISS ESG Ratings
London/Munich/Rockville/Zurich

³ Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

DISCLAIMER

1. Validity of the SPO: For BayernLB's potential Green Bond issuances occurring between 02/2020 and 02/2021.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from BayernLB's 2020 ISS ESG Corporate Rating.

ESG Corporate Rating

Bayerische Landesbank

Industry	Financials/Public & Regional Banks	Status	Prime
Country	Germany	Rating	C+
ISIN	DE000BLB12G0	Prime Threshold	C
		Decile Rank	1



Absolute Rating



The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively

Decile Rank



Low relative performance

High relative performance

Indicates decile rank relative to industry group. A decile rank of 1 indicates a high relative ESG performance, while a 10 indicates a lower relative ESG performance.

Industry Leaders

Company name (in alphabetical order)	Country	Grade
Berner Kantonalbank AG	CH	C+
Deutsche Kreditbank AG	DE	B-
La Banque Postale S.A.	FR	B-

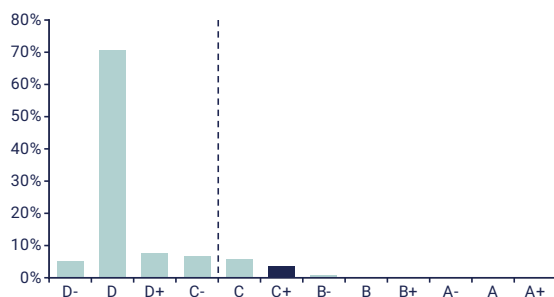
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance

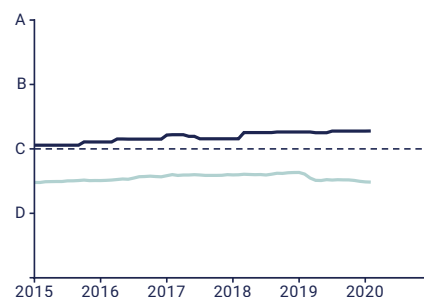


Distribution of Ratings

259 companies in the industry



Rating History



Bayerische Landesbank

Analyst Opinion

Sustainability Opportunities

Bayerische Landesbank (BayernLB) offers financial products and services to corporate and institutional clients, real estate clients, public sector clients, and private clients. The company and its subsidiaries provide a comparably wide range of financial programs with a sustainable benefit. This includes, amongst others, programmes for the health and education sector, for public infrastructure with an environmental or social value, for the social sector or for social housing purposes. From an environmental point of view, BayernLB is engaged in the financing of renewable energy projects and in the provision of green loans promoting energy-efficiency, amongst others. In addition, the company enables clients to invest in a socially responsible manner, by offering relevant investment products that apply a comprehensive exclusion screening. However, the aforementioned products and services do not constitute the main business of the company.

Sustainability Risks

For a financial company with significant activities in the area of international project finance and investment banking, it is crucial to properly address related risks. Bayerische Landesbank (BayernLB) excludes several controversial practices (e.g. controversial weapons) from its entire business operations. In its asset management business, the company additionally excludes investments in soft commodities and has requirements with regard to gold trading, which is comparably innovative for the industry. The company adequately manages its credit risks as it integrates social and environmental criteria in its lending decisions. This includes the exclusion of sector-specific practices such as mountain top removal, illegal logging or uranium mining. BayernLB also applies relevant social and environmental guidelines such as the standards of the World Bank Group, although, these standards do not apply to the entire loan portfolio. The company has taken relatively good steps to ensure responsible treatment of clients in areas such as responsible marketing, tax compliance of clients, or responsible treatment of clients with payment difficulties. BayernLB further shows an above-average performance with regard to the management of employee-related risks. Finally, business ethics risks are well managed through the implementation of a code of conduct supported by relevant compliance measures, such as adequate reporting channels and comprehensive compliance training.

Governance Opinion

Bayerische Landesbank (BayernLB) is owned by the Free State of Bavaria (about 75% of share capital) and the Association of Bavarian Savings Banks (about 25% of share capital) (as at December 31, 2019). To ensure effective supervision of management, the company has appointed an independent chair of the supervisory board. In addition, at least half of the members of the supervisory board as well as relevant board committees (audit, remuneration, nomination) can be considered independent (as at June 1, 2019). BayernLB discloses its remuneration policy for executives. Yet, apparently the policy does not include important elements for sustainable value creation such as long-term incentive components. Regarding the company's governance of sustainability, there is no evidence of an independent board committee tasked with the supervision of sustainability issues. In terms of remuneration, it remains unclear whether ESG targets are also included in the executive remuneration scheme. Finally, business ethics risks appear to be comparably well managed through the implementation of a code of conduct covering almost all important compliance aspects (including corruption). The code is supported by relevant compliance measures, such as adequate reporting channels, compliance risk assessments and audits, and comprehensive compliance training.

Bayerische Landesbank

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by oekom research and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Controversial Business Practices - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

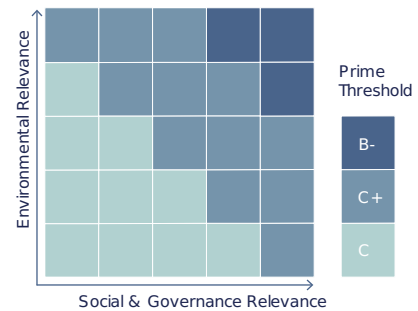
Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Bayerische Landesbank

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Major Shareholders & Ownership Summary - Overview of the company's major shareholders at the time of generation of this report. All data as well as the categorisation system for the investor types is based on information from S&P Capital IQ.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

ANNEX 2: Methodology

ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of BayernLB's Green Bond Programme.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Asset evaluation methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by BayernLB (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which BayernLB's Green Bond Programme contributes to related SDGs and has a positive association with their respective sub-targets.

The contribution assessment is split into two Levels:

1. **Level 1:** Contribution and/or obstruction of the Use of Proceeds categories to be financed through the bond to the UN SDGs
2. **Level 2:** Association of the assets' ESG performance with further SDGs

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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