



Verification of the Sustainability Quality of the Social Bond Programme of Deutsche Kreditbank AG

07 September 2018

Aim and Scope of this Second Party Opinion

Deutsche Kreditbank AG (DKB) commissioned ISS-oekom to assist with its first Social Bond Programme by assessing the sustainable added value of an asset pool, from which assets for refinancing with Social Bonds will be chosen. The assessment of the asset pool was conducted using the criteria and indicators of Social Bond KPIs developed by ISS-oekom.

ISS-oekom's mandate included the following services:

- Definition of Social Bond KPIs ("ISS-oekom Social Bond KPIs") containing a clear description of eligible asset categories and the social and environmental criteria attributed to each category for evaluating the sustainability-related performance of the assets (re-) financed through the proceeds of the bonds.
- Analysis of the alignment of DKB's Social Bond Framework procedures and the description of Eligible Sectors with ICMA's Social Bond Principles.
- Evaluation of compliance of the asset pool with the ISS-oekom Social Bond KPIs.
- Review and classification of DKB's sustainability performance on the basis of the ISS-oekom Corporate Rating.

Overall Evaluation of the Social Bond Eligible Social Assets

ISS-oekom's overall evaluation of the Social Bond issued by DKB is positive:

- DKB has defined a formal concept for its Social Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Social Bond Principles (Part I of this Second Party Opinion).
- The overall sustainability quality of the asset pool in terms of sustainability and specifically social benefits and risk avoidance and minimisation is good (Part II of this Second Party Opinion).
- All assets of the asset pool are located in Germany, a highly regulated and developed country. Legislative frameworks in this country set minimum standards, which reduce environmental and social risks.
- The issuer itself shows a good sustainability performance and has been classified as 'Prime' by ISS-oekom (Part III of this Second Party Opinion).

There are some aspects for potential improvement of the sustainability quality of the Social Bond Programme and a more specific selection or performance criteria would be recommended as these could still add to the overall quality of future Social Bond programmes developed by DKB. This regards for example asset specific social measures going beyond the legal requirements and proactively considering not only social but also environmental selection criteria, such as high energy efficiency.

The annual updates of this Second Party Opinion carried out by ISS-oekom will provide information and assessments of the sustainability quality of all future Social Bond issuances under DKB's Social Bond Programme.

Contribution to the UN Sustainable Development Goals (UN SDGs)

The Social Bond Asset Pool positively contributes to the achievement of the following Sustainable Development Goals:

Goal 1: No poverty
 Goal 3: Good health
 Goal 4: Quality education
 Goal 6: Clean water and sanitation
 Goal 8: Good jobs and economic growth
 Goal 9: Innovation and infrastructure
 Goal 10: Reduced inequalities
 Goal 11: Sustainable cities and communities
 Goal 12: Responsible consumption and production
 Goal 16: Peace, justice, and strong institutions
 Goal 17: Partnership for the goals

A detailed overview of the SDGs the assets of the Social Bond contributes to is shown below:

DKB Asset Category	Impact	Sustainable Development Goal
Social housing	Significant contribution	Goal 11: Sustainable cities and communities
	Contribution	Goal 1: No poverty
Public supply – Water/Wastewater	Significant contribution	Goal 6: Clean water and sanitation
	Contribution	Goal 3: Good health Goal 9: Innovation and infrastructure Goal 11: Sustainable cities and communities Goal 17: Partnership for the goals
Public supply – Public transport	Significant contribution	Goal 11: Sustainable cities and communities
	Contribution	Goal 9: Innovation and infrastructure Goal 10: Reduced inequalities
Public supply – Public administration	Significant contribution	Goal 16: Peace, justice, and strong institutions
	Contribution	Goal 10: Reduced inequalities Goal 11: Sustainable cities and communities

		Goal 17: Partnership for the goals
Health and care	Significant contribution	Goal 3: Good health
	Contribution	Goal 17: Partnership for the goals
Education and research	Significant contribution	Goal 4: Quality education
	Contribution	Goal 10: Reduced inequalities Goal 17: Partnership for the goals
Inclusion	Significant contribution	Goal 10: Reduced inequalities
	Contribution	Goal 8: Good jobs and economic growth Goal 11: Sustainable cities and communities Goal 12: Responsible consumption and production Goal 17: Partnership for the goals

Please note that details on how assets are mapped against the UN SDGs are included in “Part I – Social Bond Principles” under point 4 “Reporting”.

Part I – Social Bond Principles

1) Use of Proceeds

The proceeds of any bond issuance based on this programme will be used exclusively to refinance loans with added social value. The topics addressed by the DKB Framework are social housing, public supply, health care, education and research, and inclusion. All assets are situated in Germany.

The financing volume of assets across the five addressed topics within this Social Bond Programme are as follows (the percentages relate to volume and a respective asset pool of EUR 1,477,001,167):

Asset Category	Number of Assets	Volume (EUR)	Share of Asset Pool
Social housing	180	672,304,685	45.5%
Public supply	67	423,541,254	28.7%
Health care	89	214,685,015	14.5%
Education and research	43	135,159,349	9.2%
Inclusion	17	31,310,864	2.1%
TOTAL	396	1,477,001,167	100%

From a sustainability point of view, social housing, public supply, health care, education and research, and inclusion are to be evaluated positively. They relate to the Social Bond Principles categories as indicated below:

DKB Asset Category	Social Bond Principles Category
Social housing	Affordable housing
Public supply	Affordable basic infrastructure / Access to essential services
Health care	Access to essential services
Education and research	Access to essential services
Inclusion	Socioeconomic advancement and empowerment

Additionally, the projects meet specific social and broader sustainability standards (see part II of this document), which assure that a positive impact is not impaired by adverse impacts and effects in other areas (e.g. environmental impacts).

2) Process for Project Evaluation and Selection

The selection of the loan portfolio for the Social Bond Programme has been carried out by all relevant market segment units of DKB (housing, local authorities and social infrastructure, energy and public supply), as well as DKB's Sustainability Management and Treasury department.

The selection of loans is based on several qualitative criteria: Assets need to be assigned to one of five topics/categories (social housing, public supply, health and care, education and research, inclusion). This is ascertained via definition of the type of client or the type of lending business as stored in DKB's core banking system. For certain categories, additional to client type, data on its economic sector are evaluated to ascertain the intended use of the loan. In the case of Public Private Partnerships, assets are assigned to one of the above topics based on additional asset-specific characteristics.

An overview is given in the table below:

DKB Asset Category	Client type	Economic sector
Social housing	Housing – municipal company	
	Housing – cooperative association	
Public supply	Water / wastewater	Operation of main sewer system
		Operation of sewage treatment plants
	Transport	Transport of persons in commuter traffic (excluding taxis)
		Transport of persons in overland transport

	Municipal clients (PPPs ¹)	
Health and care	Outpatient care	Outpatient social services
	Inpatient care	Nursing homes
	Hospitals	Hospitals (excluding university clinics)
		University clinics
	Inpatient, outpatient rehabilitation facilities	Prevention and rehabilitation clinics
	Healthcare property segment	Retirement homes, residential institutions for the elderly and disabled
		Social welfare/youth welfare organisations
	Municipal clients (PPPs)	
Education and research	Schools	
	Day-care centres for children	
	Universities	
	Further education	
	Research	
	Student services	
		Municipal clients (PPPs)
Inclusion	Foundations	
	Workshops for disabled persons	
	Child/youth welfare services	
	Sports associations and clubs	
		Municipal clients (PPPs) - refugee homes

Additionally, DKB considers quantitative, financial criteria such as internally defined specific minimum rating criteria (depending on categories) to ensure a high loan quality within the proceeds.² Assets included in the Social Bond Asset Pool are exclusively intended to be refinanced via Social Bonds.

¹ Public private partnership

² ISS-oekom did not assess the minimum rating criteria and / or the financial quality of the assets.

In addition to DKB's selection process, ISS-oekom has defined Social Bond KPIs (see Annex 1 of this document). For each eligible project/asset category, it comprises a list of specific sustainability criteria. On this basis, the sustainability quality of the assets has been assessed by ISS-oekom.

3) Management of Proceeds

DKB states that any bond issuance based on the Social Bond Programme will exclusively refinance the selected portfolio and that the loans will be earmarked by an internal system key within DKB's core bank system.

Further, DKB ensures that the nominal amount of the loan portfolio will not fall below the nominal amount of the outstanding Social Bonds to be issued within the programme.

The portfolio will be monitored on a yearly basis. In case of any changes to the loans with respect to the selection criteria mentioned above, DKB commits to substitute the loans in the Social Bond Programme. DKB commits that these substitutions will be in line with the sustainability criteria of the Social Bond Analysis Framework.

4) Reporting

DKB commits to report annually towards the Social Bond Programme's investors. According to DKB, this includes portfolio-based statements on the categories, allocation information and specific KPIs for certain sub-categories. This will include issues addressed in reference to the Social Bond Principle Categories, contributions of projects to the Sustainable Development Goals (see below for more details) and the BBSR-Indicator (see below for more details).

Further reporting may include the following according to DKB:

- Target group (if applicable)
- Signed amount
- Share of total financing
- Allocated amount
- Portfolio lifetime or budgeted year
- Additional indicators (absolute and relative)

For the purpose of reporting, the SDGs are mapped to DKB categories as follows:

DKB Asset Category	Sustainable Development Goals
Social housing	Goal 1: No poverty Goal 11: Sustainable cities and communities
Public supply	Goal 3: Good health Goal 6: Clean water and sanitation Goal 9: Innovation and infrastructure Goal 10: Reduced inequalities Goal 11: Sustainable cities and communities Goal 16: Peace, justice, and strong institutions Goal 17: Partnership for the goals
Health and care	Goal 3: Good health Goal 17: Partnership for the goals
Education and research	Goal 4: Quality education Goal 10: Reduced inequalities Goal 17: Partnership for the goals

Inclusion	Goal 8: Good jobs and economic growth Goal 10: Reduced inequalities Goal 11: Sustainable cities and communities Goal 12: Responsible consumption and production Goal 17: Partnership for the goals
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Goal 17 “Partnership for the goals” is indicated for all DKB asset categories including public private partnerships.

DKB will likewise report on the type of municipality the assets of the Social Bond Asset Pool are located in according to the classification of municipalities of the BBSR-Indicator “Growing and Shrinking Cities and Communities”. The indicator is created and maintained by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) within the Federal Office for Building and Regional Planning. The indicator uses socio-economic indicators including total migration balance, job creation and the development of the labor force, unemployment rate and trade location.

DKB uses the BBSR-Indicator as an indication whether assets are located in regions in Germany that are at risk of marginalization.

1) ISS-oekom Social Bond KPIs

The ISS-oekom Social Bond KPIs serve as a structure for evaluating the sustainability quality of the use of proceeds of DKB's Social Bond Asset Pool. It comprises firstly the definition of the use of proceeds category offering added social and – as applicable - environmental value and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the Social Bond Asset Portfolio can be clearly identified and described. The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the Social Bond Asset Pool and which can also be used for reporting. Details on the individual criteria and indicators for the categories can be found in Annex 1 „ISS-oekom Social Bond KPIs“.

2) Evaluation of the assets

Method

ISS-oekom has evaluated whether the assets included in the Social Bond Asset Pool match the categories and criteria listed in the ISS-oekom Social Bond KPIs. The evaluation was carried out using information and documents provided to ISS-oekom on a confidential basis by DKB (e.g. sample loan contracts). Further, national legislation and standards, based on all assets' location in Germany, were drawn on to complement the information provided by DKB. Amounts outstanding were used to calculate the share of underlying assets which fulfil an indicator requirement.

Findings

A. Social housing and housing cooperatives

All percentages refer to the amount of assets within the category.

The category Social housing and housing cooperatives positively contributes to the achievement of the following Sustainable Development Goals:

Goal 1: No poverty
Goal 11: Sustainable cities and communities

- ✓ All assets are either housing cooperatives or organisations with over 25% ownership of the local government.
- 1. Standards for social housing and housing cooperatives
 - ✓ 100% of the assets assigned to cooperatives are democratically organized and allow for participation (according to national legislation).
 - ✓ Within a sample of 69 out of 180 assets, 100% of assets have rents lower than the local average rent level according to DKB.
 - For more than 50% of assets (111 out of 180), no information on rent level compared to local averages is available.
 - For all assets, no information is available on what assets include lifelong right of residence for their tenants.
- 2. Safety of building users
 - ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).
- 3. Site selection
 - ✓ 100% of assets have basic measures in place for responsible site selection (national legislation).
 - 73 out of 180 assets are located within metropolitan areas and thus do not require a specific policy on responsible site selection. 7 assets are not located within metropolitan areas. For the remaining assets, no information is available.
 - 76 out of 180 assets are located within a maximum of 1 km from one or more modalities of public transport. 4 assets are not located within a maximum of 1 km from one or more modalities of public transport. For the remaining assets, no information is available.
- 4. Construction standards
 - ✓ 100% of assets are located in Germany, a country where high labour standards are in place for construction work conducted by own employees and contractors (e.g. ILO core conventions).
 - For all assets, no information is available on sustainable procurement measures regarding building materials (e.g. recycled materials, third-party certification of wood based materials).
- 5. Water use minimisation in buildings
 - For all assets, no information is available on measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

6. Energy efficiency

- ✓ 100% of the assets must observe the requirements of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) in the version applicable at the time of credit application.

Controversies

- ✓ A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

B. Wastewater treatment

All percentages refer to the amount of assets within the category.

The category Wastewater treatment positively contributes to the achievement of the following Sustainable Development Goals:

Goal 3: Good health
Goal 6: Clean water and sanitation
Goal 9: Innovation and infrastructure
Goal 11: Sustainable cities and communities
Goal 17: Partnership for the goals

1. Site selection

- ✓ 100% of assets have basic measures in place for responsible site selection (national legislation).
- ✓ More than 50% of assets are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).
- ✓ All assets are required to conduct an environmental impact assessment at the planning stage.

2. Community dialogue

- ✓ For all assets there are basic community dialogue measures in place.

3. Working conditions during construction and operation

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place for construction and maintenance work (e.g. ILO core conventions).

4. Environmental aspects of construction and operation

- ✓ For all assets, measures are in place to reduce the environmental impacts of sewage sludge disposal (national and regional legislation).
- ✓ 100% of assets are required to meet high standards regarding the quality of treated water (national and regional legislation).
- For all assets, no information is available on measures to prevent leakage of sewerage systems (e.g. monitoring systems, adequate maintenance and repair).

Controversies

- ✓ A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

C. Public transportation

All percentages refer to the amount of assets within the category.

The category Public transportation positively contributes to the achievement of the following Sustainable Development Goals:

Goal 9: Innovation and infrastructure
Goal 10: Reduced inequalities
Goal 11: Sustainable cities and communities

1. Social aspects of trains/buses

- ✓ For all assets, measures to ensure safety for both passengers and operators as well as quality assurance are in place (national and EU legislation).
- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).
- 100% of assets must observe requirements regarding accessibility and explain any exceptions to the requirements (national legislation).
- For all assets, no information is available for asset specific measures to ensure accessibility.

2. Production standards

- For 1 asset, information on a comprehensive environmental management system at the manufacturing sites of trains/buses is available. For all other assets, no information is available.
- For all assets, no information is available on high labour and health and safety standards at the manufacturing sites of trains/buses.

3. Environmental aspects of trains/buses

- For all assets, no information is available on comprehensive life-cycle-assessments of the buses / trains.
- For all assets, no information is available on optimisation of energy efficiency during operation (e.g. through energy recovery systems for trains/ E-buses, hybrid and biofuel buses).

Controversies

- ✓ A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

D. Public administration

All percentages refer to the amount of assets within the category.

The category Public administration positively contributes to the achievement of the following Sustainable Development Goals:

- Goal 10: Reduced inequalities
- Goal 11: Sustainable cities and communities
- Goal 16: Peace, justice, and strong institutions
- Goal 17: Partnership for the goals

1. Standards for public administration

- ✓ 100% of assets are located in Germany, a country with a low-level of corruption and a stable and democratic political system.

2. Safety of and accessibility for building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).
- ✓ 100% of assets ensure accessibility (according to legislation).

3. Site selection

- ✓ More than 50% of the assets are located within a maximum of 250m from one or more modalities of public transport.

4. Construction standards

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place for construction and maintenance work (e.g. ILO core conventions).
- For all assets, no information is available on sustainable procurement regarding building materials (e.g. recycled materials, third-party certification of wood-based materials).

5. Water use minimisation in buildings

- For all assets, no information is available on measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

6. Energy efficiency

- ✓ 100% of the assets must observe the requirements of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) in the version applicable at the time of credit application.

Controversies

- ✓ A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

E. Medical/care facilities and nursing homes

All percentages refer to the amount of assets within the category.

The category Medical/care facilities and nursing homes positively contributes to the achievement of the following Sustainable Development Goals:

Goal 3: Good health
Goal 17: Partnership for the goals

1. Standards for care/medical facilities

- ✓ More than 50% of assets have a quality management system in place.
- Indicator on resident-centred environment not applicable to over 50% of assets. No information available for the remaining assets.

2. Site selection (n/a for ambulatory care practices)

- ✓ More than 50% of assets are located within a maximum of 250m from one or more modalities of public transport.

3. Labour standards

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).

4. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

5. Waste reduction and disposal

- ✓ For all assets, measures are in place to correctly dispose of waste (according to national legislation).

6. Energy efficiency

- ✓ 100% of the assets must observe the requirements of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) in the version applicable at the time of credit application.

Controversies

- ✓ A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

F. Education

All percentages refer to the amount of assets within the category.

The category Education positively contributes to the achievement of the following Sustainable Development Goals:

Goal 4: Quality education
Goal 10: Reduced inequalities
Goal 17: Partnership for the goals

1. Quality standards

- ✓ All assets are located in countries with strong education standards and supervising bodies.
- ✓ 100% of assets are required by law to have quality management systems in place.

2. Labour standards

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).

3. Access to education

- ✓ 100% of assets are located in countries with high social standards regarding non-discrimination.
- ✓ 100% of assets must observe the General Equal Treatment Act (Allgemeines Gleichstellungsgesetz / AGG) requiring non-discrimination in education.

4. Access to transportation

- ✓ More than 50% of assets are located within a maximum of 250m from one or more modalities of public transport.

5. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

6. Energy efficiency of buildings (if applicable)

- ✓ 100% of the assets must observe the requirements of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) in the version applicable at the time of credit application.

Controversies

- ✓ A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

G. Inclusion

All percentages refer to the amount of assets within the category.

The category Inclusion positively contributes to the achievement of the following Sustainable Development Goals:

- Goal 8: Good jobs and economic growth
- Goal 10: Reduced inequalities
- Goal 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 17: Partnership for the goals

1. Policy of facility

- ✓ 12 out of 17 assets, information is available relating to their role in promoting inclusion. For the remaining 5 assets, no information is available.

2. Staff and volunteers

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).

3. Non-discriminatory and free/fairly priced and/or subsidised participation in programmes/initiatives

- ✓ For 9 out of 17 assets, information is available relating to non-discriminatory access to programmes and services. For 8 assets, no information is available.

4. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

Controversies

- ✓ A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

Part III – Assessment of DKB’s Sustainability Performance

In the ISS-oekom Corporate Rating with a rating scale from A+ (excellent) to D- (poor), DKB was awarded a score of B- and classified as “Prime”. This means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS-oekom. In ISS-oekom’s view, the securities issued by the company thus all meet the basic requirements for sustainable investments.



As at 07.09.2018, this rating puts DKB in place 1 out of 95 companies rated by ISS-oekom in the Financials/Public & Regional Banks sector.

In this sector, ISS-oekom has identified the following issues as the key challenges facing companies in term of sustainability management:

- 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 of these key issues, DKB achieved a rating that was significantly above the average for the sector.

Further, oekom research’s analysis did not reveal that DKB is involved in any controversies and the company’s controversy score is zero.

Details on the rating of the issuer can be found in Annex 2 “issuer rating results”.

A handwritten signature in blue ink, appearing to read "A. Geyer", is written over a faint, illegible stamp.

ISS-oekom

Munich, 07 September 2018

Disclaimer

1. ISS-oekom 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.
2. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS-oekom in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
3. 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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About ISS-oekom

ISS-oekom is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries with regard to their environmental and social performance. ISS-oekom has extensive experience as a partner to institutional investors and financial service providers, identifying issuers of securities and bonds which are distinguished by their responsible management of social and environmental issues. More than 100 asset managers and asset owners routinely draw on the rating agency's research in their investment decision-making. ISS-oekom's analyses therefore currently influence the management of assets valued at over 600 billion euros.

As part of our Sustainability 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 verify the compliance with the criteria in the selection of projects and draw up an independent second party opinion so that investors are as well informed as possible about the quality of the loan from a sustainability point of view.

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Annexes

- Annex 1: ISS-oekom Social Bond KPIs
- Annex 2: ISS-oekom Corporate Rating of Deutsche Kreditbank AG

Annex 1: ISS-oekom Social Bond Analysis Framework

ISS-oekom Social Bond KPIs

The ISS-oekom Social 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 DKB's Social 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.

Use of Proceeds

- A. Social housing and housing cooperatives
- B. Wastewater treatment
- C. Public transportation
- D. Public administration
- E. Medical/care facilities and nursing homes
- F. Education
- G. Inclusion

Sustainability Criteria and Quantitative Indicators for Use of Proceeds

A. Social housing and housing cooperatives

Prerequisite for social housing and housing cooperatives: All projects are non-profit-oriented housing organisations.

1. Standards for social housing and housing cooperatives

- Percentage of assets assigned to cooperatives which are democratically organized.
- Percentage of assets for which rents are lower than the local average rent level.
- Percentage of assets for which tenant rights include lifelong right of residence.

2. Safety of building users

- Percentage of assets that ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems).

3. Site selection

- Percentage of assets for which a policy on responsible site selection is in place (e.g. brownfield development, exclusion of protected areas and sites of high environmental value).
- Percentage of assets located within a maximum of 1 km from one or more modalities of public transport.

4. Construction standards

- Percentage of assets that provide for high labour and health and safety standards (e.g. ILO core conventions).
- Percentage of assets that provide for sustainable procurement regarding building materials (e.g. recycled materials, third-party certification of wood based materials).

5. Water use minimisation in buildings

- Percentage of assets that provide for measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

6. Energy efficiency

- Percentage of assets for which good energy efficiency standards are in place (e.g. heating energy demand below 50 kWh/m²a).

Controversies

- Description of controversial projects (e.g. location in biodiversity areas, insufficient community involvement, labour rights violations, accidents, adverse biodiversity impacts).

Possible impact indicators: Energy consumption, avoidance of CO₂ emissions, number of units built

- Average energy consumption (in kWh/m²) / reduction of energy consumption after upgrade.
- Annual CO₂ emissions (in kg/m²) compared to the local average / reduction of CO₂ emissions after upgrade.
- Number of units built

B. Wastewater treatment

1. Site selection

- Percentage of assets that are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).
- Percentage of assets that underwent environmental impact assessments at the planning stage.

2. Community dialogue

- Percentage of assets that feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).

3. Working conditions during construction and operation

- Percentage of assets that provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

4. Environmental aspects of construction and operation

- Percentage of assets that feature measures to prevent leakage of sewerage systems (e.g. monitoring systems, adequate maintenance and repair).
- Percentage of assets that feature measures to reduce the environmental impacts of sewage sludge disposal (e.g. exclusion of introduction into waterways and landfill, exclusion or standards for agricultural use, utilisation of energy).

- Percentage of assets that provide for high standards regarding the quality of treated water.

Possible impact indicators: Litres of water recycled and/or treated

- Litres of water recycled
- Litres of water treated

Controversy Assessment

- Assessment of controversial assets (e.g. due to labour rights violations, adverse biodiversity impacts).

C. Public transportation

1. Social aspects of trains/buses

- Percentage of assets which ensure health and safety for both passengers and operators (e.g. vigilance control, minimisation of noise exposure, accessibility).

2. Productions standards

- Percentage of assets that provide for a comprehensive environmental management system at the manufacturing sites of trains/buses.
- Percentage of assets that provide for high labour and health and safety standards at the manufacturing sites of trains/buses. (e.g. ILO core conventions).

3. Environmental aspects of trains/buses

- Percentage of assets for which comprehensive life-cycle-assessments have been conducted.
- Percentage of assets for which energy efficiency during operation is optimised (e.g. through energy recovery systems for trains/ E-buses, hybrid and biofuel buses).

Possible impact indicators: Passenger capacity created and/or passengers transported

- Amount of additional passenger capacity created
- Amount of additional passengers transported

Controversy Assessment

- Assessment of controversial assets (e.g. due to labour rights violations, adverse biodiversity impacts).

D. Public administration

1. Standards for public administration

- Percentage of assets located in a country with a low-level of corruption and a stable and democratic political system.

2. Safety of and accessibility for building users

- Percentage of assets that ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems).
- Percentage of assets that ensure accessibility (e.g. ramps).

3. Site selection

- Percentage of assets located within a maximum of 250m from one or more modalities of public transport.

4. Construction standards

- Percentage of assets that provide for high labour and health and safety standards (e.g. ILO core conventions).
- Percentage of assets that provide for sustainable procurement regarding building materials (e.g. recycled materials, third-party certification of wood-based materials).

5. Water use minimisation in buildings

- Percentage of assets that provide for measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

6. Energy efficiency

- Percentage of assets for which good energy efficiency standards are in place.

Controversies

- Description of controversial projects (e.g. insufficient community involvement, labour rights violations, accidents).

Possible impact indicators:

- Energy savings: Average energy consumption (in kWh/m²) / reduction of energy consumption after upgrade.
- Avoided emissions: Annual CO₂ emissions (in kg/m²) compared to the local average / reduction of CO₂ emissions after upgrade.
- Number of people served

E. Medical/care facilities and nursing homes (Nursing homes, Clinics, Hospitals, Mobile Care, Rehabilitation)

1. Standards for care/medical facilities

- Percentage of assets that provide a resident-centred environment, i.e. services and facilities (e.g. trained staff, privacy, recreational areas etc.). (n/a for medical facilities)
- Percentage of assets that have a quality management system in place.

2. Site selection (n/a for ambulatory care practices)

- Percentage of assets located within a maximum of 250m from one or more modalities of public transport.

3. Labour standards

- Percentage of assets that provide for high labour and health and safety standards (e.g. ILO core conventions).

4. Safety of building users (n/a for ambulatory care practices)

- Percentage of assets that ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems).

5. Waste reduction and disposal

- Percentage of assets that provide for measures to reduce and correctly dispose of waste (e.g. sorting and separation, safe storage).

6. Energy efficiency

- Percentage of assets for which good energy efficiency standards are in place (i.e. for buildings and/or fleets).

Possible impact indicators: Number of persons served or number of facilities

- Number of persons served by facilities
- Number of facilities

Controversies

- Description of controversial projects (e.g. labour rights violations, accidents).

F. Education (School, Kindergarten, University, Continued Education, Research and Student Unions)

1. Quality standards

- Percentage of assets that are located in a country which has strong education standards and supervising bodies.
- Percentage of assets that have quality management systems in place.

2. Labour standards

- Percentage of assets that provide for high labour, health and safety standards (e.g. ILO core conventions) for its staff and volunteers.

3. Access to education

- Percentage of assets that have high social standards regarding non-discrimination (according to national legislation/standards).

4. Access to transportation

- Percentage of assets that have measures in place (e.g. school busses) to ensure access to transportation or are located within a maximum of 250m from one or more modalities of public transport (for School, Kindergarten).
- Percentage of assets located within a maximum of 250m from one or more modalities of public transport (for University, Continued Education, Research and Student Unions).

5. Safety of building users

- Percentage of assets that ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems).

6. Energy efficiency of buildings (if applicable)

- Percentage of assets for which good energy efficiency standards are in place (e.g. heating energy demand below 50 kWh/m²a).

Possible impact indicators: Number of persons served or number of facilities

- Number of persons served by and/or enrolled in facilities
- Number of facilities

Controversies

- Description of controversial projects (e.g. labour rights violations, accidents).

G. Inclusion (Foundations, Sport Clubs, Child and Youth Welfare, Employment for handicapped people)

1. Policy of facility

- Percentage of assets with an element in their policies / statues / charters relating to promoting inclusion and non-discriminatory access to programmes / offers / services.

2. Staff and volunteers

- Percentage of assets that provide for high labour, health and safety standards (e.g. ILO core conventions) for its staff and volunteers

3. Non-discriminatory and free/fairly priced and/or subsidised participation in programmes/initiatives

- Percentage of assets that reference in their policies / statues / charters free, fairly priced and/or subsidised participation for socially disadvantaged participants.

4. Safety of building users

- Percentage of assets that ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems).

Controversies

- Description of controversial projects (e.g. accidents, labour rights violations).

Possible impact indicators: Number of persons served or number of facilities

- Number of persons served by and/or enrolled in facilities
- Number of facilities

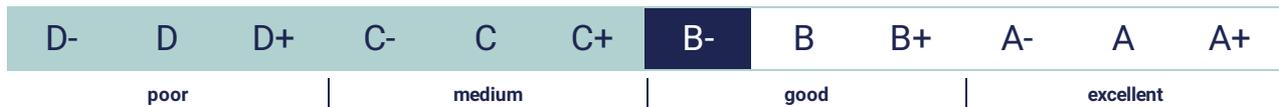
ISS-oekom Corporate Rating

Deutsche Kreditbank AG

Industry: Financials/Public & Regional Banks Status: **Prime**

Country: Germany Rating: **B-**

ISIN: DE000DKB0176 Prime Threshold: **C**

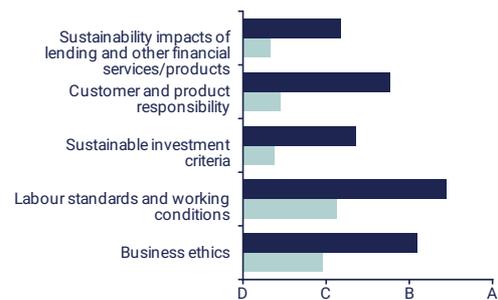


Industry Leaders

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

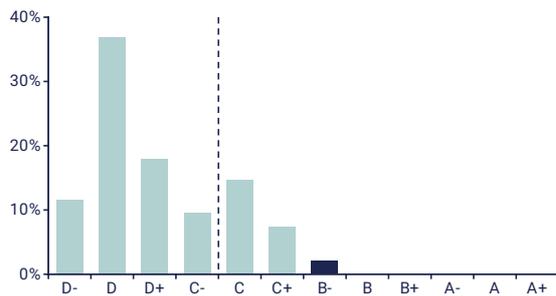
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance



Distribution of Ratings

95 companies in the industry



Rating History



Controversy Monitor

Company		Industry	
Controversy Score	0	Maximum Controversy Score	-16
Controversy Level	Minor	Controversy Risk	Moderate



Deutsche Kreditbank AG

Methodology - Overview

oekom Corporate Rating - The oekom Universe comprises more than 3,800 companies (mostly companies in important national and international indices, but also small and mid caps drawn from sectors with direct links to sustainability as well as significant non-listed bond issuers).

The assessment of a company's social and environmental performance is based on approximately 100 environmental, social and governance criteria, selected specifically for each industry. All criteria are individually weighted and evaluated and the results are aggregated to yield an overall score (rating), in which the key issues account for at least 50 per cent of the total weight. In case there is no relevant or up-to-date company information available on a certain criterion and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the criterion is graded 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 itself as well as information from 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.

An external rating committee assists the analysts at oekom research with the content-related design of industry-specific criteria and carries out a final plausibility check of the rating results at the end of the rating process.

Controversy Monitor - The oekom Controversy Monitor is a tool for assessing and managing reputational and financial risks associated with companies' negative environmental and social impacts.

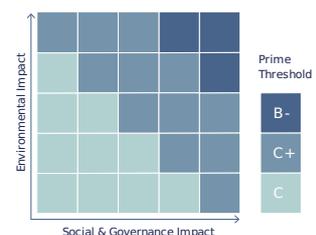
The controversy score is a unit of measurement for the number and severity of a company's current controversies. All controversial business areas and business practices receive a negative score, which can vary depending on the significance, number and severity of the controversies. Both the company's score and the maximum score obtained in the industry are displayed.

For better classification, the scores are assigned different levels: minor, moderate, significant and severe. The industry level relates to the average controversy score.

Only controversies for which reliable information from trustworthy sources is available are recorded. In addition to proven misconduct and activities of companies, alleged misconduct and activities are also assessed when the facts and circumstantial evidence provided by those sources, taking into account the experience of specialised analysts for each topic, is estimated to be sufficiently reliable. It should be noted that large international companies are more often the focus of public and media attention. Thus, the information available on those companies is often more comprehensive than for less prominent companies.

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

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analysed is classified in a Sustainability Matrix. Depending on this classification, the two dimensions of the oekom Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the oekom 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 oekom 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.

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).

Status & Prime Threshold - Companies are categorised as Prime if they achieve/exceed the minimum sustainability performance requirements (Prime threshold) defined by oekom for a specific industry (absolute best-in-class approach) in the oekom Corporate Rating. Prime companies rank among the sustainability leaders in that industry.

Strengths & Weaknesses - Overview of selected strengths and weaknesses of a company with regard to the key issues of the industry from a sustainability point of view.