

## **SECOND PARTY OPINION (SPO)**

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Sustainability Quality of the Issuer and Asset Pool

Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft  
mbH

24 October 2019

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## Overall Evaluation of the Green Bond

Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH (NHW) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the Bond:

1. NHW'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. NHW's sustainability performance, according to the ISS ESG Corporate Rating.

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b>  <b>Performance against the GBPs</b>	<p>The issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs.</p>	<p><b>Positive</b></p>
<b>Part 2:</b>  <b>Sustainability quality of the asset pool</b>	<p>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 Green Bond KPIs contain a clear description of eligible asset categories which include the modernisation of green residential buildings.</p> <p>All assets of the asset pool are located in Germany, a highly regulated and developed country. Legislative frameworks in Germany set minimum standards, which reduce environmental and social risks.</p>	<p><b>Positive</b></p>
<b>Part 3:</b>  <b>Issuer sustainability performance</b>	<p>Within the methodology of the ISS ESG Corporate Rating, the issuer shows a moderate sustainability performance and is not part of the Top 35 performers out of 362 sector peers (these top performers are classified as Prime in the ISS ESG methodology).</p> <p>The issuer is rated 45<sup>th</sup> out of 362 companies within its sector as of 24.10.2019.</p>	<p>Status: <b>Not prime</b></p> <p>Rating: <b>C-</b></p> <p>Prime threshold: <b>C</b></p> <p>Ranking against Peers: <b>Top 20%</b></p>

<sup>1</sup> The ISS ESG's present evaluation will remain valid until any modification of the Sustainability Bond Framework or addition of new assets into the asset pool by the issuer and as long as the Country Rating does not change (last modification on the 18.06.2019). The controversy check of the underlying assets has been conducted on the 24.09.2019.

## Contribution of the Green Bond to the UN SDGs

Based on the assessment of the sustainability quality of the green bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the NHW's green bond 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	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Residential Green Buildings</b>	<b>Significant contribution</b>	

NHW's green bond significantly contributes to the SDG 11 thanks to its 'Use of Proceeds' categories promoting sustainable buildings.

## ISS ESG SPO ASSESSMENT

### PART I: GREEN BOND PRINCIPLES

#### 1. Use of Proceeds

##### General information on financing requirements:

- **Issue volume:** 75-80 million euros
- **Description of the project categories:** Green Buildings (Residential Buildings)
- **Number of projects already financed and to be financed:**
  - 2019: 29 already financed projects / modernizations
  - 2020: 38 projects to be financed / modernizations
- **Geographical location of the projects** (cities in Germany):  
Frankfurt am Main, Eschborn, Bad Homburg, Oberursel, Fulda, Kassel,  
Lohfelden, Stadtallendorf, Marburg, Dillenburg, Darmstadt, Langen, Dreieich,  
Wiesbaden, Offenbach, Oestrich-Winkel, Kirchhain
- **Sustainability aspects that guide the selection process:**
  - Sustainability in real estate management, energy and social neighborhood development: Both portfolio development and the conservation of value are carried out under the premises of maximizing the positive effects for NHWs customers and environmental and climate protection as well as securing the future of NHWs core business.
  - Sustainability in construction and operation: NHW manage and modernize high-quality buildings, which are both environmentally- and tenant-friendly, at optimized costs. To this end, NHW considers the entire life cycle including supply chain and disposal.
  - Responsible procurement: The aim is to increase sustainability in the supply chain to achieve economic efficiency, risk and quality as well as sustainability goals.
  - Sustainable urban development: Reduction of land consumption and the creation of affordable living space through inner development and surface recycling.
  - Strategy: Definition of a sustainable "2-degree climate strategy", determination of the investment costs and integration of sustainability in business processes.
  - Sustainable mobility: Contribution to traffic turnaround and sector coupling through innovative mobility concepts.
- **Start date for projects:** 01.01.2019
- **End date for completed projects/modernisation measures:** 31.12.2020
- **Credit Period:** There will be different maturity bands for 10-20 years.

#### Eligibility criteria:

- **Project status:** The financing relates to buildings with a clearly identified need for modernization (MOD). The subject of the MOD is the entire building body with all its residential units inside, and does not refer to individual residential units only.
- **Technical specifications:** The predominant initial situation relates to residential areas, properties and housing units with an energy certificate class D or worse ( $> 100 \text{ kWh/m}^2\text{a}$ ). A distinction is made between the following two modernization schemes, of which full modernization is preferred:
  - **Full modernization:**
    - Initial situation: Housing unit with an energy certification class of at least category E or worse.
    - Objective: After the implementation of the full modernization, a category B energy certificate class ( $<75 \text{ kWh/m}^2\text{a}$ ) or better is achieved.
  - **Partial modernization:**
    - Initial situation: Housing unit with an energy certification class of at least category D or worse.
    - Objective: After the implementation of the partial modernization, a category C energy certification class ( $<100 \text{ kWh/m}^2\text{a}$ ) or better is achieved.

**Opinion:** ISS ESG considers the Use of Proceeds description provided by NHW's Green Bond Framework as aligned with the GBPs. Expected sustainability benefits are both qualitatively and quantitatively defined and the share of financing and refinancing is clearly stated.

## 2. Process for Project Evaluation and Selection

The Portfolio Management ("PM") unit identifies suitable candidates for modernization on the basis of energy use indicators in the real estate portfolio as well as under inclusion of the objectives from the portfolio and sustainability strategy.

For suitable objects, indicative investment calculations are prepared. This results in a modernization ranking that is reviewed from a management ("RC") and technical ("UB Mod") perspective. Integral component of the technical evaluation are the sustainability aspects and in particular the energy saving potentials.

In coordination talks between the three areas mentioned (PM, RC and UB Mod), the proposed list is modified and finalized and - supplemented by the final investment calculations - approved as action planning by the management (GF).

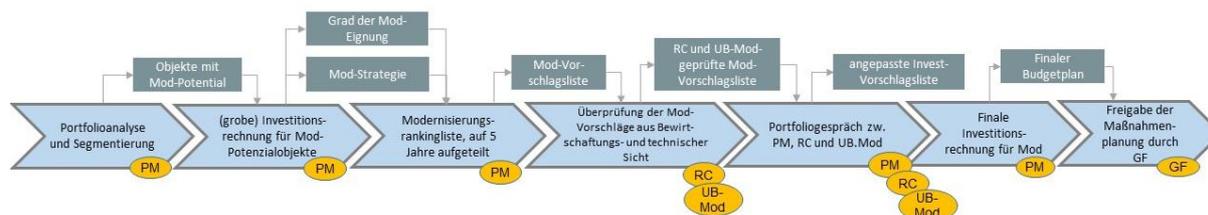


Figure 1: Project selection schema.

**Opinion:** ISS ESG finds that NHW has well defined and transparent criteria for evaluating and selecting eligible projects for green bond proceeds with various departments involved. However, improvements can be made on the commitment to transparency in case of controversies.

### 3. Management of Proceeds

#### Establishment and review of internal control systems

In addition to the appropriate design and planning of the modernisation measures, NHW itself fulfils certain requirements in order to ensure the proper use of funds. In addition to the personnel and financial resources required for project implementation, this also applies to an internal management and controlling system that meets the requirements and observance of a four-eyes principle.

If the expenditures exceed the proceeds, then these expenditures are financed from internal cash and cash equivalents. Unallocated proceeds will be invested in temporary investment instruments or buildings under construction.

An external verification company or management consultancy checks whether NHW has a functioning internal management and controlling system for the monitoring of the use of funds and, if necessary, supports the establishment of an internal control system and in the definition of the corresponding responsibilities.

#### Verification of the proper use of funds

Within the framework of the audit of the use of funds, the proper implementation of the modernization award and the award of contracts are examined. It also examines whether internal monitoring, including monitoring of the use of funds and disbursements from project funds, comply with the following self-determined requirements:

- Allocation of funds for modernisation and guarantee of earmarking
- Unallocated proceeds will be invested in investment instruments or buildings under construction
- Use of internal cash and cash equivalents, if expenditures exceed the proceeds
- Exclusion of environmentally and socially harmful modernisation measures
- Exclusion of double financing

An external verification company or management consultancy verifies whether the funds have been used properly. This includes a random audit of the implementing organizations and of the NHW with

regard to the planning and implementation of the modernization measures. This depends on whether the requirements have been adequately met, whether the expenditure incurred has been in accordance with the contracts, rules and agreements and whether the expenditure is supported by meaningful supporting documents. The audit shall include an on-the-spot physical audit.

**Opinion:** ISS ESG finds that NHW follows good market practice by earmarking the proceeds. The intended types of temporary investment instruments for unallocated proceeds as well as the portfolio balance of unallocated proceeds are disclosed, even though no specific ESG criteria are defined.

#### 4. Reporting

NHW will inform investors in 2020 about the use of proceeds for implemented modernization measures of the modernization program 2019 and, in 2021, about the used proceeds for implemented modernization measures of the modernization program 2020. This will be done by means of a status quo and a full report, which will be provided exclusively to investors. In case of the proceeds not having been fully allocated by the end of 2021, NHW will provide additional reports (status quo, full) for modernization measures implemented in 2022.

- The **status quo report** will be provided with the publication of the sustainability report in 2020, 2021 and 2022 or will be part of the sustainability report. The status quo report will not be subject to an external audit.
- The **full report** will be provided to investors only in Q4 2020, 2021 and 2022 and will be subject to an external audit.

The full reports provide a qualitative description of the progress of the projects with reference to the requirements and impact indicators. The documentation is based on SAP accounting data and energy certificates before/after the implementation of modernization measures. NHW use the following indicators to measure the impact:

- **Energy consumption:** average energy consumption (in kWh/m<sup>2</sup>) or reduction of energy consumption after modernization.
- **Avoided CO<sub>2</sub> emissions:** Comparison of annual CO<sub>2</sub> emissions (in kg/m<sup>2</sup>) to the local average or reduction of CO<sub>2</sub> emissions due to the modernization.

After the proceeds are exhausted, an annual impact report will be provided by the end of the year for the different maturity bands.

**Opinion:** ISS ESG finds that the transparency on the level of expected reporting and on the type of information to be reported is aligned with the Green Bond Principles. The impact reporting has clearly defined levels of expected reporting and indicators on which will be reported.

#### External review

NHW has obtained a Second Party Review from ISS ESG to confirm the alignment of this Green Bond Framework with the Green Bond Principles.

## PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

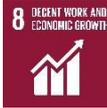
### Evaluation of the assets

#### Green residential buildings

As a 'Use of Proceeds' category, green residential buildings have a significant contribution to the SDG 11 "Sustainable cities and communities".

Additionally, when considering the deeper ESG management, commercial real estate 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
<b>Energy Efficiency prerequisites</b>	
<ul style="list-style-type: none"> <li>✓ All the assets underwent an appropriate and detailed selection process that ensures substantial increases in energy efficiency in existing buildings through modernisation.</li> </ul>	 
<b>Site selection</b>	
<ul style="list-style-type: none"> <li>✓ All of the assets are developed on brownfield sites (e.g. previously developed land that is not used anymore at the time of construction).</li> </ul>	
<ul style="list-style-type: none"> <li>✓ All of the assets are located within a maximum of 1km from one or more modalities of public transport.</li> </ul>	
<b>Construction standards</b>	
<ul style="list-style-type: none"> <li>✓ All of the assets are located in Germany, where high labour, and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).</li> </ul>	
<ul style="list-style-type: none"> <li>✓ All of the assets fulfill the sustainable procurement regarding building materials (e.g. life cycle assessment).</li> </ul>	
<b>Water use minimization in buildings</b>	
<ul style="list-style-type: none"> <li>✓ All of the assets provide measures to reduce water consumption (e.g. rainwater harvesting).</li> </ul>	

### Safety of building users

- ✓ All of the funds allocated to building projects for which the operational safety is ensured (e.g. fire safety, elevator safety).



### Sustainability labels / Certificates

- None of the assets have a sustainability label.



### Controversy assessment

A controversy assessment on the included projects did not reveal any controversial activities or practices that could be attributed to the building projects.

The methodology for the asset evaluation can be found in Annex 2.

## PART III: ASSESSMENT OF NASSAUISCHE HEIMSTÄTTE WOHNUNGS- UND ENTWICKLUNGSGESELLSCHAFT MBH'S ESG PERFORMANCE

The ISS ESG Corporate Rating comprises a rating scale from A+ (excellent) to D- (poor).

COMPANY	RATING	STATUS
<b>Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH</b>	<b>C-</b>	<b>Not Prime</b>

This means that the company has a medium performance in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG.

As of 24.10.2019, this rating places NHW 45<sup>th</sup> out of 362 companies rated by ISS ESG in the Real Estate sector.

In the Real Estate sector, ISS ESG has identified the following key challenges facing companies in terms of sustainability management:

- Green building considerations
- Climate protection, energy efficiency and renewables
- Environmental and social aspects in site selection
- Worker safety and accident prevention
- Health and well-being of occupants

In two of the key issues, NHW rates differently from the sector average. A significant outperformance was achieved in “Climate protection, energy efficiency and renewables” and “Worker safety and accident prevention”.

The company does not face any controversy, which is in line with its sector’s minor controversy risk.

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



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

## DISCLAIMER

1. Validity of the SPO: For NHW's first issuance following the SPO release date.
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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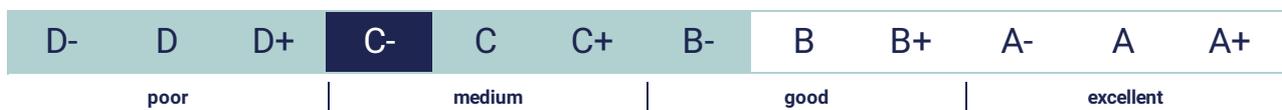
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# ESG Corporate Rating

## Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH

Industry	Real Estate	Status	<b>Not Prime</b>
Country	Germany	Rating	<b>C-</b>
ISIN		Prime Threshold	<b>C</b>
		Decile Rank	<b>2</b>

### 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**

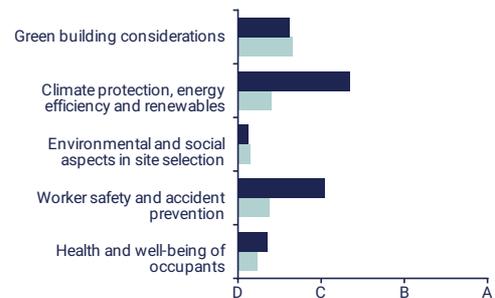
Indicates decile rank relative to industry group. A decile rank of 1 indicates a high relative ESG performance, while a 10 indicates a lower relative ESG performance.

### Industry Leaders

Company name (in alphabetical order)	Country	Grade
Gecina S.A.	FR	B-
Mercialys	FR	B-
Vasakronan AB	SE	B-

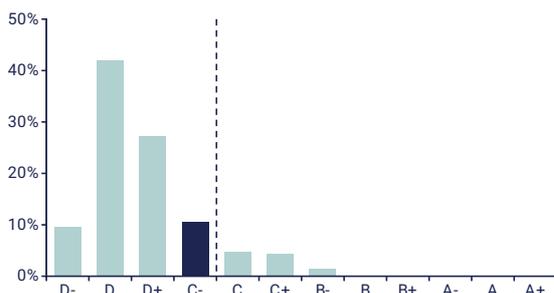
Legend: ■ Industry ■ Company --- Prime

### Key Issue Performance

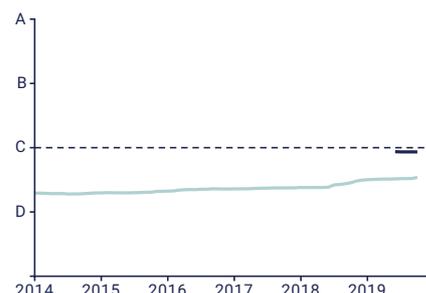


### Distribution of Ratings

362 companies in the industry



### Rating History



# Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH

## Analyst Opinion

**Susanne Schwind-Elsner**  
Sector specialist



### Sustainability Opportunities

Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH owns around 60,000 apartments in the German federal state of Hesse. Of these, more than 13,000 residential units (approximately 23% of the total portfolio - a high percentage compared to the rest of the real estate sector) are state-subsidized and only accessible to tenants below certain income thresholds. On the environmental side, the company refers to an urban quarter (Melibocusstraße in Frankfurt-Niederrad) comprising of four residential buildings which was certified to the green building certification DGNB Gold. Yet, the certified properties constitute less than 1% of floor space in the company's portfolio (as at June 2019).

### Sustainability Risks

For real estate companies managing and developing residential properties, the main sustainability issues are the health and safety of employees and tenants, climate change and resource efficiency. While Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH's exposure to most of these sustainability risks is limited due to the geographic concentration of its assets in Germany, these risks do exist and need to be systematically addressed. In the absence of a comprehensive strategy, the company has taken important steps in various areas. To manage social risks for example, the company has implemented important elements of a company-wide occupational health and safety system. Its efforts there have led to a decreasing accident rate and zero fatal accidents among the company's employees in recent years. Yet, health and safety aspect with regards to contractors and suppliers are not comprehensively addressed. The company is also committed to ensuring tenant health, well-being and security. On the environmental side, the company has a climate strategy in place. Further, measures have been implemented to improve the insulation of buildings and increase the share of energy from renewable sources in the rental properties. However, there is no indication of a systematic approach to improve the energy efficiency of all existing and new buildings.

### Governance Opinion

Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH is not publicly listed. Its major shareholders comprise the German State of Hesse (holding 59% of the company's share capital) and the German city of Frankfurt am Main (holding 29% of the company's share capital, as at June 17, 2019). As the chairman of the board, Tarek Al-Wazir is Minister of State of the State of Hesse (as at May 14, 2019) and a large number of board members are governments representatives thus representing the major shareholders, the board along with the audit committee in place cannot be considered independent (as at January 2018 and March 2018 respectively). Independent committees in charge of nomination and remuneration are not in place. Regarding the latter, the company discloses compensation schemes for members of the executive management team on an individual basis and sub-divided according to fixed amounts, variable performance-related components and long-term incentive components.

As far as the governance of sustainability is concerned, there is no indication of the existence of an independent sustainability committee on board level. It remains also unclear how the mentioned sustainability performance objectives are integrated into the variable part of executive remuneration. A code of business ethics for the company's employees seems not to be in place, yet company agreements cover single issues such as corruption, and gifts, favors and entertainment, but do not address further important topics including antitrust violations, insider dealings, conflicts of interest and validity of financial information. In order to ensure compliance with the agreements, anonymous and confidential reporting channels are provided for employees and employees receive compliance trainings, yet on an irregular basis.

# Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH

## 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.

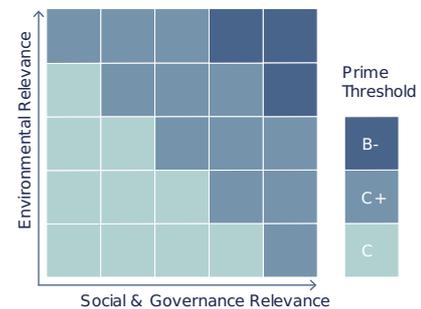
**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

# Nassauische Heimstätte Wohnungs- und Entwicklungsgesellschaft mbH

## 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 serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of NHW's Green Bond.

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 NHW (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 NHW's Green Bond 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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