

**Nordex**  
**Green Financing Framework**  
**March 2023**

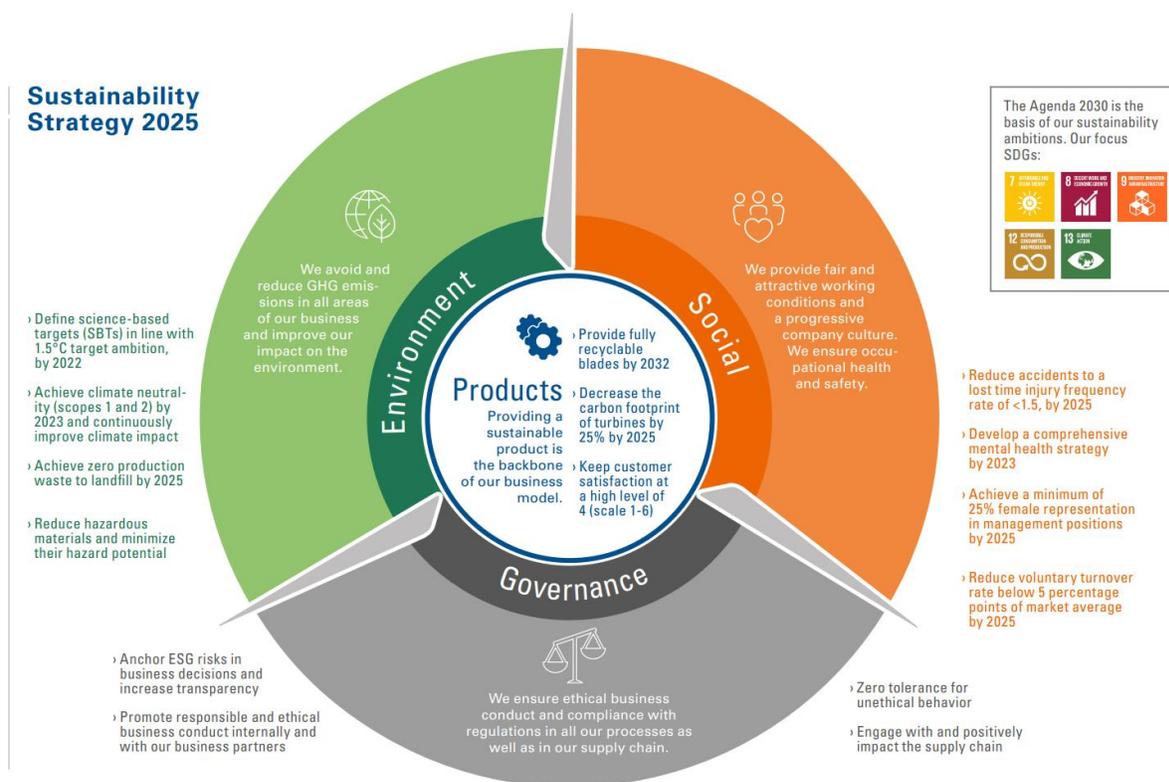
## Introduction

Headquartered in the German city of Rostock, The Nordex Group develops, manufactures, sells and installs onshore multi-megawatt wind turbines for use in heavy, moderate and light wind locations worldwide. With the globally successful Delta4000 turbines series, the Nordex Group offers a comprehensive product portfolio of highly efficient onshore wind turbines in the 4-6.X MW+ class. The Nordex Group also offers a complete spectrum of services over the entire operating life of the wind turbines with servicing and maintenance.

## Sustainability at the Nordex Group

In 2015, we established our Sustainability Management organizational unit to coordinate sustainability measures in a target-oriented way and meet our stakeholders' growing information requirements. As of 2023, the Sustainability Management reports directly to the Executive Board.

In 2021, we defined our sustainability strategy for 2025, *Together for change – Wind for a sustainable future*, which identifies seven strategic focus topics.



The Nordex Group is committed to the goal of sustainable development and the UN Sustainable Development Goals (UN SDGs) form the basis of our sustainability ambitions. We have identified five SDGs that we influence:



**Affordable and Clean Energy**

- ❖ Contribute to steadily increase the share of renewable energy in the global energy mix
- ❖ Nordex has already installed turbines with a combined output of 44.1 GW which ensure a reliable, cleaner and future-oriented power supply in over 40 countries



**Decent Work and Economic Growth**

- ❖ Create jobs in emerging countries such as South Africa, India and Brazil through our project sites and production facilities
- ❖ Committed to corporate diversity and gender-independent pay-levels



**Industry, Innovation and Infrastructure**

- ❖ Promoting sustainable industrialization through our business model of manufacturing clean and environmentally sound technology for energy generation
- ❖ We support the establishment of sustainable and resilient infrastructures in developing and emerging countries



**Responsible Consumption and Production**

- ❖ We consider sustainability aspects in all phases of our wind turbines' life cycle – from development through responsible sourcing, production, and operation, to dismantling and recycling
- ❖ We seek to continuously improve the environmental footprint and our wind turbines



**Climate Action**

- ❖ Our product portfolio is designed to promote green energy generation on a global level
- ❖ All Nordex turbines running in 2022 avoided around 60 Mt of CO<sub>2</sub>e emissions in that same year
- ❖ We have set goals for counteracting climate change and its effects, addressing all emissions (scope 1, 2 and 3)

## Green Financing Framework

As part of our continued commitment to sustainability, the Nordex Group has elected to create a Green Financing Framework (the “Framework”) which is in accordance with the Green Bond Principles (GBP) 2022<sup>1</sup> and Green Loan Principles (GLP) 2023<sup>2</sup> under which the Nordex Group can issue Green Financing. It is further intended to be aligned with the anticipated EU Green Bond Standard consequently the EU taxonomy.

Green Financing Instruments include both bonds and loans and other financial instrument of which an eligible green asset or project is allocated.

The five components included in the GBP/GLP are described below:

1) [Green-Bond-Principles\\_June-2022-280622.pdf \(icmagroup.org\)](https://www.icmagroup.org/green-bond-principles-2022/)

2) [Green Loan Principles 23 February 2023.pdf \(lma.eu.com\)](https://www.lma.eu.com/green-loan-principles-2023/)

- 1) Use of Proceeds: Eligible Green Projects
- 2) Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting
- 5) External Review

## 1. Use of Proceeds:

The net proceeds raised from green financing in accordance with this framework can be allocated for the financing of a pool of eligible projects. Eligible expenditures within this pool include new and maintenance capital expenditure, research and development costs, and working capital financing.

Proceeds may be allocated to new and ongoing projects with disbursements up to 2 years prior to the issuance and up to 24 months after issuance of any instrument. Nordex will disclose the share of refinancing vs. financing in transaction documentation, where feasible.

ICMA GBP 2022 Project Category	Eligibility criteria in alignment with the EU Taxonomy's Climate Delegated Acts	Alignment with the UN SDG targets
<p><u>Renewable Energy</u></p> 	<p><b>4.3</b> Electricity generation from wind power<sup>3</sup></p> <p><b>7.6</b> Installation, maintenance and repair of renewable energy technologies</p>	<p><b>SDG 7.2:</b> By 2030, increase substantially the share of renewable energy in the global energy mix</p>

## 2. Project Evaluation and Selection:

The Nordex Group proposes to select expenditures in alignment with the eligibility criteria defined above for inclusion into Green Finance. The Nordex Group will establish a Green Finance Working Group (GFWG) for the evaluation and selection process for Eligible Projects, which will be made up of representatives from the below departments:

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3) In 2022, the Nordex Group revised its EU Taxonomy alignment from 3.1 to 4.3, following the December 2022 publication of FAQs on the Climate and Disclosures Delegated Act and on recommendation from recognised auditor. Additional details on this change are provided in our 2022 Sustainability Report.

- Finance & Treasury
- Sustainability Management

The GFWG will be chaired by Finance & Treasury.

Eligible projects will be aligned with the Nordex Group's internal guidelines, policies and risk management procedures, in addition to applicable social and environmental standards and regulations, to ensure stringent management of any potential negative social and environmental impacts.

The pool of eligible expenditures is determined through the analysis of our business activities for fulfillment of the alignment criteria for activities with substantial contribution to climate change mitigation under the EU Taxonomy.

In order to analyze the eligibility of our business activities and apply the Technical Screening criteria for the alignment check, the Sustainability department assumed a coordinating role. The department is in coordinates with representatives from Accounting, Controlling, Investor Relations and Corporate Development. In addition, we commissioned external consultants to ensure the correct and unified interpretation of the regulatory requirements.

For our turnover-generating activity 4.3, the Substantial Contribution criteria require the generation of electricity from wind power which is fulfilled by the described projects and services above. Once a wind turbine is erected and connected to the grid, the customer benefits from the performance of the wind turbine. This activity meets all the requirements to avoid significant harm to the remaining environmental objectives. Therefore, all related turnover, CapEx and OpEx are considered as Taxonomy-aligned. Most of the DNSH criteria are assessed through our environmental and social risk assessment, conducted by HSE Managers on an annual basis for all activities, products and services under the Nordex Group's operational control. Our environmental and social standards are maintained throughout our supply chain through the Nordex Group's Code of Conduct for suppliers and subcontractors, as well as alignment to the UN Global Compact Principles.<sup>4</sup>

To avoid significant harm to the environmental objective of climate change adaptation, the Taxonomy-alignment assessment requires an analysis of potential physical climate risks for all previously mentioned economic activities. To determine our compliance, we conducted a climate risk and opportunity analysis following the TCFD framework. We considered chronic and acute physical risks. We conducted a site-specific high-emissions scenario analysis, evaluating the climate impacts on all production sites and main offices worldwide on the background of a 4°C to 5°C temperature increase. In addition, we performed a region-based assessment of physical risks for service activities. As a result, we identified two main physical risks for all activities: Heat waves and changing precipitation patterns and types. In response to these two risks, we assessed adaptation solutions and summarized them in a climate change adaptation plan.

The GFWG will review all eligible expenditures identified under the taxonomy alignment exercise to identify and recommend eligible projects or expenditures for inclusion as Eligible Use of Proceeds. On a biannual basis throughout the life of any instrument issued under the framework, the GFWG will review

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<sup>4</sup> For more details, see <https://www.nordex-online.com/en/governance/> and [Nordex-Group-QHSE-Policy\\_ENG\\_signedJLB.pdf \(nordex-online.com\)](#)

all proposed Eligible Use of Proceeds to determine their compliance with the Nordex Group's Green Financing Framework in order to approve the allocation of proceeds.

The GFWG will also review the existing allocation of the proceeds to the Eligible Use of Proceeds and determine if any changes are necessary (for instance, in the event that projects or expenditures have been cancelled, sold or otherwise become ineligible). If changes are deemed necessary, the GFWG will reallocate proceeds to other eligible assets as identified under the taxonomy alignment exercise.

The GFWG will also review the management of proceeds (as described in Section 3) and facilitate reporting (as described in Section 4). Committee meetings will be documented with minutes.

### **3. Management of Proceeds:**

The net proceeds will be allocated to the new projects and / or refinancing of existing projects identified under the use of proceeds section above. To manage the proceeds, the Nordex Group will establish a Green Financing Register.

The proceeds of each Green Financing Transaction will be earmarked against the pool of eligible projects and expenditures identified in the Green Financing Register. At the end of each year the net proceeds will be reduced by the amounts invested in eligible green projects within the annual period.

The Finance & Treasury Department will set-up a dedicated tracking process in the internal information systems and database to monitor and account for the allocation of the proceeds.

The Green Financing Register will be reviewed annually by the GFWG to account for any re-allocation, repayments or drawings on the eligible projects and expenditures within the pool. The Green Financing Register will contain relevant information including:

- (1) **Details of the Bond(s):** key information including transaction date, principal amount of proceeds, settlement date, maturity date, and interest margin or coupon, ISIN number etc.;
- (2) **Details of Use of Proceeds, including:**
  - Summary detail of eligible projects/expenditures to which the proceeds of the Bonds have been earmarked in accordance with this Framework;
  - Amount of allocation made;
  - Any unallocated Bond proceeds yet to be earmarked against eligible projects/expenditures;
  - Estimated environmental and social impact, where available;
  - Other necessary information

In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be held in line with Issuer's general liquidity guidelines in cash or cash equivalents until allocation to Eligible Green Projects.

Proceeds will be fully allocated by the Nordex Group within 24 months of issuance to new projects and / or refinancing of existing projects identified under the use of proceeds section above.

### **4. Reporting:**

The Nordex Group will publish an Allocation and Impact Report within one year from the date of any Green Financing and thereafter on an annual basis, until the instruments' maturity and if any material changes occur to allocation of proceeds.

**Allocation reporting:**

- Allocation of Green Financing proceeds across Eligible Expenditures
- Breakdown of nominated Projects and Assets by geography
- Breakdown between refinancing and financing
- Any unallocated proceeds

**Impact reporting:**

The Nordex Group discloses the following metrics across the company globally in its annual sustainability report, and in the context of any Green Financing, will estimate the proportion of these impacts that can be attributed to Eligible Expenditures:

- CO<sub>2</sub>e emissions avoidance (tonnes of CO<sub>2</sub> eq.)
- Capacity of renewable energy installed in MW/GW

**5. External Review:**

The Nordex Group has appointed Moody's to provide an external review on the Green Financing Framework, and confirm its alignment with the ICMA GBP & the LMA GLP. This Second Party Opinion document will be made available on the Nordex Group's website.

**6. Post issuance external verification**

The data points included within the Allocation and Impact Report will be assured by a recognized auditor as part of Nordex Group's annual reporting.

**7. Amendments to this Framework**

The Sustainability and Finance & Treasury teams will review this Framework on a regular basis, including its alignment to updated versions of the ICMA GBP & the LMA GLP as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Nordex Group and Moody's. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. The updated Framework, if any, will be published on the Nordex Group's website and will replace this Framework.