

Second-Party Opinion

BNG Bank Sustainability Bond for Dutch Social Housing Associations Framework



Evaluation Summary

Sustainalytics is of the opinion that the BNG Bank Sustainability Bond for Dutch Social Housing Associations Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds – Best-in-class Sustainable Social Housing Associations in the Netherlands – is aligned with those recognized by both the Green Bond Principles 2018 and the Social Bond Principles 2020. Although the proceeds of the bond will not be used for project financing, but general purpose loans for social housing associations, Sustainalytics believes that BNG Bank’s investments in best-in-class social housing associations can improve the sustainability standards of the social housing associations, while simultaneously financing affordable housing in the Netherlands and advancing the UN Sustainable Development Goals (SDGs), especially SDG 11.



PROJECT EVALUATION / SELECTION BNG Bank’s methodology for the identification of best-in-class social housing associations was developed by Telos, an official partner of Tilburg University that focuses on the sustainable development of municipalities in the Netherlands. Sustainalytics is of the opinion that the methodology is robust and credible.



MANAGEMENT OF PROCEEDS BNG Bank has systems to link the bond’s proceeds to individual loans for housing associations, which is controlled by internal audits. Pending full allocation, unallocated proceeds will be held in the Bank’s accounts in accordance with BNG Bank’s liquidity policy. This process is aligned with market practice.



REPORTING While BNG Bank will not provide annual allocation reporting, it intends to report to investors when the proceeds are fully allocated, which is expected to be shortly after issuance. In addition, BNG Bank is committed to disclosing on an annual basis; the performance comparison of the elected associations, the rationale behind the changes in performance, a list of elected associations which show the largest improvement, and the performance based on the SDGs. Identified performance indicators include total CO₂ emissions in kg per inhabitants, and the number of inhabitants that are below certain income thresholds. However, the total number of people benefitting from affordable housing of the eligible housing associations is not disclosed. While this is a limitation of the Framework, Sustainalytics considers the reporting of sustainability scores to be a sufficient indication of environmental and social improvements of the social housing associations financed.

Evaluation date	September, 2020
Issuer Location	The Hague, Netherlands

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Introduction

BNG Bank N.V. (“BNG Bank”, or the “Bank”) is the bank of and for local authorities and public-sector institutions in the Netherlands. Half of the bank’s share capital is held by the Dutch State and the other half by Dutch municipalities, provinces and a district water board. BNG Bank’s clients primarily comprise Dutch local authorities and public-sector institutions in housing, healthcare, education and public utilities. BNG provides customized financial services, ranging from loans and advances to payment services and electronic banking. BNG Bank’s specialized financial services help to minimize the cost of social provisions to the public. In this regard, the bank plays an essential role in the public sector.

BNG Bank has developed the BNG Sustainability Bond for Dutch Social Housing Associations Framework (the “Framework”) through which it plans to issue one or more sustainability bonds and use the proceeds to finance 2020 loans to eligible social housing associations with a focus on disadvantaged neighbourhoods in the Netherlands. The Framework defines the eligibility criterion as:

- Best-in-class sustainable social housing associations in the Netherlands, as identified by the 2020 TSC-Telos framework for measuring People, Planet, Profit (or “PPP”) sustainability

BNG engaged Sustainalytics to review the BNG Bank Sustainability Bond for Dutch Social Housing Associations Framework, dated September 2020, and to provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Social Bond Principles 2020 (or “SBP”), Green Bond Principles 2018 (or “GBP”) and the Sustainability Bond Guidelines 2018 (or “SBG”).¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The credibility and anticipated positive impact of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.5.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of BNG’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BNG representatives have confirmed (1) they understand it is the sole responsibility of BNG to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The BNG Bank Sustainability Bond for Dutch Housing Associations is available on BNG’s website at: <https://www.bngbank.com/funding/sustainability-bond-social-housing#:~:text=BNG%20Bank%20Sustainability%20Bond%20for,of%20sustainable%20social%20housing%20associations.>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BNG.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BNG has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the BNG Bank Sustainability Bond for Dutch Social Housing Associations

Sustainalytics is of the opinion that the Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP). Sustainalytics highlights the following elements of BNG's Framework:

- Use of Proceeds:
 - The use of proceeds category outlined in the Framework – Best-in-class Sustainable Social Housing Associations in the Netherlands – is recognized as impactful by the GBP and SBP as the category seeks to provide socio-economic benefits for target populations, namely neighbourhoods facing social challenges, while improving the environmental performance of housing units.
 - BNG intends to use the proceeds to provide general purpose loans to 100 best-in-class social housing associations selected based on their sustainability performance against the TSC-Telos Rating Methodology, which includes both social and environmental criteria. As obligated by government regulation,⁴ the selected social housing associations will allocate 80% of their social housing to household with a gross annual income below the national median income (EUR 39.055 as of 2020), while 20% of the social housing can be allocated to household with gross annual income above this threshold. While recognizing that the loans provided can increase access to social housing for lower-income people and incentivize higher environmental and social standards at the social housing associations, Sustainalytics considers the provision of general purpose loans to these associations to be a limitation to the Framework due to the limited targeting of disadvantaged groups.
 - BNG Bank intends to allocate proceeds to loans made in 2020.
- Project Selection Process:
 - The bond proceeds will be disbursed to the social housing associations assessed as best-in-class for their sustainability performance. The Bank's methodology for the identification of best-in-class social housing associations was developed by Telos, an official partner of Tilburg University. Sustainalytics is of the opinion that the TSC-Telos Rating Methodology provides a robust approach to rating the internal and external sustainability performance of Dutch social housing associations (additional details on the assessment of this methodology are provided in the section below). Furthermore, the methodology placed a greater emphasis on high level of investments by social housing associations in neighbourhoods with the social challenges.
 - Sustainalytics considers that this is a robust selection process.

⁴ Government of Netherlands, Social Housing, at: <https://www.government.nl/topics/housing/rented-housing>

- Management of Proceeds:
 - BNG Bank has systems to link the bond’s proceeds to individual loans for housing associations, which is controlled by internal audits. Under the systems, BNG Bank’s capital markets support officer collaborates with the sales team for the initial selection of eligible assets, whilst the internal audit team is responsible for final approval of the selected assets.
 - Pending full allocation, unallocated proceeds will be held in the Bank’s accounts in accordance with BNG Bank’s liquidity policy.
 - Based on these elements, Sustainalytics considers management of proceeds to be aligned with market practice.
- Reporting:
 - While BNG Bank will not provide annual allocation reporting, it intends to report to investors when the proceeds are fully allocated, which is expected to be shortly after issuance. The allocation will be verified as part of BNG Bank’s annual internal audit. For impact reporting, BNG will prepare an annual report on the sustainability scores and contribution to the SDGs of the 100 elected social housing associations for the 2020 Sustainability Bond for Social Housing Associations on its website.⁵ Investors and other stakeholders will be able to view impacts achieved by the social housing associations using 83 indicators, including total CO₂ emissions in kilograms per inhabitant; average electricity consumption of rental houses; average installed capacity of solar (PV) panels per address (kW peak); and the number of inhabitants that are below certain income thresholds. However, in Sustainalytics’ view the nature of such reporting does not directly link the bond proceeds to the impact achieved by the social housing associations, which is a limitation. Moreover, the methodology’s capital domains, i.e. categories, used in the internal and external sustainability performance scores use indicators that also correlate with economic factors.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the BNG Bank Sustainability Bond for Dutch Social Housing Associations Framework aligns, with the limitations noted above, to the four core components of the SBP, GBP, and SBG. For detailed information please refer to Appendix 3: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of BNG

Contribution of framework to BNG Bank’s strategy

Sustainalytics is confident that the objectives of this bond (described in the introduction) align with BNG Bank’s Sustainability Vision, included in its Sustainability Policy,⁶ in which the bank commits to provide financing to projects with a desirable positive impact on society, targeting long-term business activities that create value for the market, people, and the environment. In terms of its social engagement, the bank discloses its commitment to contribute to society, serve public interest and address human rights. Overall, BNG has integrated sustainable business practices as a key starting point of its activities and formulated social targets for project financing and its own operations.

In line with this investment approach, BNG Bank aims to finance sustainability-related initiatives in the Netherlands, including social housing and healthcare institutions, and promotes sustainability by issuing sustainability bonds.⁶

Given BNG Bank’s commitment to sustainability, and the integration of sustainability into its business activities, Sustainalytics is of the opinion that the proceeds from this bond will contribute to the bank’s sustainability strategy and create positive social impact.

Strengths and Limitations of TSC-Telos Rating Methodology

BNG Bank has been using a methodology to identify best-in-class social housing associations since 2016. The methodology has been revised yearly, with the most recent version being the 2020 version. The methodology measures the sustainability performance of social housing associations based on internal

⁵ <https://www.bngbank.com/funding/social-housing-bond>

⁶ BNG, “BNG Bank sustainability policy”, (2020), at:

<https://www.bngbank.com/Documents/Investors/BNG%20Bank%202020%20Sustainability%20policy.pdf>

performance, related to the building and tenants, and external performance, related to the environment of the housing unit, such as distance to schools and noise intensity.

The 2020 methodology includes the addition of six indicators and deletion of three, as well as the modification of one, which are outlined in detail in Appendix 1. Changes to the methodology are made on a yearly basis depending on data availability, new scientific insights and changing policies. Sustainalytics reviewed the changes in indicators and considers these to, in part, improve the methodology.

Based on a detailed review of the Capitals, Themes and Indicators analysed in the Rating Methodology, Sustainalytics is of the opinion that internal performance data will be compiled using credible sources. However, Sustainalytics recognizes that there are limitations in acquiring external performance data. In order to connect the neighbourhood characteristics and sustainability scores to the housing associations, detailed information is needed on the location of the association property. This data is only available to Telos on a municipality level and as such Telos developed a methodology to link the neighbourhood sustainability characteristics with the housing association property. Sustainalytics has a positive view of the methodology considering that Telos used to approximate the location-specific sustainability characteristics of the property units.

Additionally, Sustainalytics has a positive opinion on the identification of best-in-class associations considering that (i) internal and external performance indicators are weighed equally, (ii) consideration is given to different classes / types of associations depending on their size and property age, and (iii) a preselection step has been designed in order to assess the level of social challenges in a neighbourhood and the level of investment for each social housing association.

Overall, Sustainalytics is of the opinion that the process for selecting best-in-class social housing associations is transparent, and data is collected from reliable public sources, whenever feasible.

Section 3: Impact of Use of Proceeds

Social Housing Associations in Europe

Social housing initiatives align with European priorities, such as the Europe 2020 Plan,⁷ which sets out the priorities for Europe's social market economy. One of the priorities mentioned by this plan is inclusive growth through fostering a high-employment economy and delivering social and territorial cohesion. As stated by the EU goals, social and territorial cohesion is measured under the "European platform against poverty and social exclusion", which focuses on improving living conditions and social inclusion for people experiencing poverty.

According to the 2019 State of Housing in the EU, 10.2% of households in the EU spent over 40% of their disposable income on housing costs, with housing prices growing faster than income levels.⁸ In the Netherlands cities have been found to face a structural housing shortage, indicating the importance of social and affordable housing options. The main purpose of social housing associations is the creation and maintenance of affordable housing for people below a certain income threshold. The associations are private, non-profit organizations, for which the cost of rent for tenants is determined by Dutch law. In addition, the associations are controlled by an independent authority.⁹ In 2014, the social housing rent was on average 30% below permitted maximum rent.¹⁰

Given the role of social housing associations in the Netherlands, Sustainalytics is of the opinion that the financing of the best-in-class sustainable social housing associations contributes to improve the availability and quality of affordable housing in the Netherlands.

Contribution of the BNG Sustainability Bond on environmental performance of social housing associations

In the Netherlands, gas and electricity used in homes and other buildings accounts for around 15% of GHG emissions.¹¹ In 2013 the Netherlands issued its Energy Agreement for Sustainable Growth, a roadmap towards ensuring a sustainable, long-term energy supply for the country. Alongside commitments by industry, the plan also highlighted that the energy efficiency of residential buildings was key to ensuring a successful

⁷ European Commission, "Europe 2020, A European strategy for smart, sustainable and inclusive growth", (2010), at:

<http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf>

⁸ Housing Europe, "The State of Housing in the EU 2019", (2019), at: <https://www.housingeurope.eu/resource-1323/the-state-of-housing-in-the-eu-2019>

⁹ Rijksoverheid, Nieuwe Woningwet: hoofdlijnen: <https://www.rijksoverheid.nl/onderwerpen/woningcorporaties/woningwet-hoofdlijnen>

¹⁰ Aedes, Dutch Social housing in a Nutshell, 2016: <https://aedescms.getbynder.com/media/?mediaId=0A645A73-1A6F-4970-83F2CBF84A1E4136>

¹¹ Government of the Netherlands, Measures to reduce greenhouse gas emissions, accessed October 2019: <https://www.government.nl/topics/climate-change/national-measures>

execution of the Agreement and, more broadly, the shift to a sustainable economy. Furthermore, the government and other Dutch stakeholders have implemented stricter energy efficiency requirements for new homes, striving for “zero-energy by 2020”.¹² In June 2019, the Netherlands reached a new climate agreement (Klimaataakkoord).¹³ The agreement includes several measures related to the housing sectors, including the pursuit to make residential and commercial buildings carbon-neutral by 2050 and the establishment of a heat fund to subsidize improved insulation in buildings. Moreover, social housing associations have a key role to play in improving the energy performance of Dutch residential buildings,¹⁴ as social housing associations own 30% of the housing stock in the Netherlands, as of 2019.⁸

The methodology of Telos, used to identify best-in-class sustainable social housing associations, includes environmental indicators such as energy performance, electricity consumption, solar energy generation, CO₂ emission, household waste generation, as well as indicators related to the external performance of the housing association, such as air quality, flood risks, light and noise intensity and biodiversity.

Given that BNG’s sustainability bond includes only the best-in-class social housing associations and given that environmental indicators make up one third of indicators used, Sustainalytics is of the opinion that the bond can help to foster environmental improvements in the Dutch social housing associations and thus contribute to reducing GHG emissions, waste management and external negative environmental impacts.

Proven sustainability performance improvement

BNG Bank’s approach to provide loans to Dutch social housing associations assessed as best-in-class for their sustainability performance is an innovative method that provides incentives for social housing associations to better understand and improve their performance.

This is confirmed by the impact reports issued about past programs, including the 2016, 2017 and 2018 BNG Bank Sustainability Bond for Dutch Social Housing Associations.¹⁵

Housing associations improved their overall sustainability performance one year after the start of programme: by 0.94% between 2016 and 2017, 0.95% between 2017 and 2018 and by 1.3% between 2018 and 2019. Moreover, their score improved over the long term as the group of elected associations in the 2016 Framework saw its overall rating increase by 4.79% between 2016 and 2019 and the one in the 2017 Framework by 3.28% between 2017 and 2019. In the internal sustainability field, the ecological capital performance is one of the most increasing, highlighting the environmental benefits associated with the projects. It increased by 2.39 percentage points between 2016 and 2017, by 1.6 percentage points between 2017 and 2018 and by 2.5 percentage points between 2018 and 2019.

In both short and long term, it is worth mentioning increased convergence between the selected associations and the total group performance. The performance of the total group of associations tend to increase more than the selected associations. However, the elected group continues to outperform the total group. As for the 2018 Framework, the difference between the elected group of housing associations and the total group has lowered by 0.2 percentage point, from 3.2 percentage points in 2018 to 3.0 percentage points in 2019. Thus, Sustainalytics believes that the use of proceeds is likely to fund projects with good sustainability credentials and will continue to contribute to supporting sustainable development.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. The Telos 2020 methodology provided a framework to match the sustainability assessment to the SDGs. The mapping is provided in Appendix 2. Sustainalytics considers this sustainability bond to advance in particular the following SDG goal and targets:

Use of Proceeds Category	SDG	SDG target
Social housing associations	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services;

¹² This means that new homes must generate almost as much energy as they consume by 2020. To achieve this aim, the energy performance coefficient (EPC) will be reduced gradually.

¹³ Baker McKenzie, “Highlights of the Dutch Climate Agreement”, (2019), at:

<https://www.bakermckenzie.com/en/insight/publications/2019/07/highlights-of-the-dutch-climate-agreement>

¹⁴ Boerenfijn, P., et al., (2018), “A multi-case study of innovations in energy performance of social housing for older adults in the Netherlands”, at: <https://www.habion.nl/wp-content/uploads/2018/07/2018-Boerenfijn-et-al.-Energy-and-Buildings.pdf>

¹⁵ BNG Bank, “Social Bond for Dutch Housing Associations”, at: <https://www.bngbank.com/funding/sustainability-bond-social-housing>

		<p>11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management;</p> <p>11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations;</p> <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management;</p> <p>11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.</p>
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Conclusion

Sustainalytics is of the opinion that BNG’s loans to Best-in-class Sustainable Social Housing Associations in the Netherlands, with a particular focus on neighbourhoods facing social challenges, will contribute to increasing access to affordable housing for disadvantaged groups while improving the environmental and social standards of the social housing associations. Sustainalytics views BNG’s process to select social housing associations as innovative and robust. While recognizing that the loans provided can increase access to social housing for lower-income, Sustainalytics considers the provision of general purpose loans to these associations to be a limitation to the Framework due to the limited targeting of disadvantaged groups. However, Sustainalytics considers the inclusion of both social and environmental indicators to have the potential to foster improvements of social and environmental performance of the social housing associations.

Sustainalytics considers BNG’s selection process robust and its process for management of proceeds to be aligned with market standard. While BNG’s impact reporting is not directly linked to the impact achieved by the social housing association, which is a limitation, BNG will publish an impact report that outlines the sustainability improvements of the eligible associations. While the target population is part of the sustainability indicator set, it is not reported on separately, which is a limitation of the framework.

Based on the above, Sustainalytics is confident that BNG is well-positioned to issue sustainability bonds and that that BNG’s Sustainability Bond for Dutch Social Housing Associations Framework is robust, transparent, and, with the limitations noted above, aligns with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020), and Sustainability Bond Guidelines (2018).

Appendices

Appendix 1: Changes in Indicators in 2020 compared to 2019

Added indicators

- Industrial Risk; new data availability of industrial risk zones in living areas. Added to the Annoyance and Emergencies stock
- Noise disturbance neighbors; Noise disturbance by neighbors is a serious problem in highly dense neighborhoods. Added to the Annoyance and Emergencies stock
- Natural appearance; new data availability. Important for, amongst others, health, wellbeing, living quality, climate adaption and biodiversity. Added to the Nature and Landscape stock.
- Mental health care costs; New data availability. Added to the health stock
- Medicine use; New data availability. Added to the health stock
- Distance to recreational facilities; New insights. Leisure facilities are very important for well-being and quality of life. Added to the residential environment stock

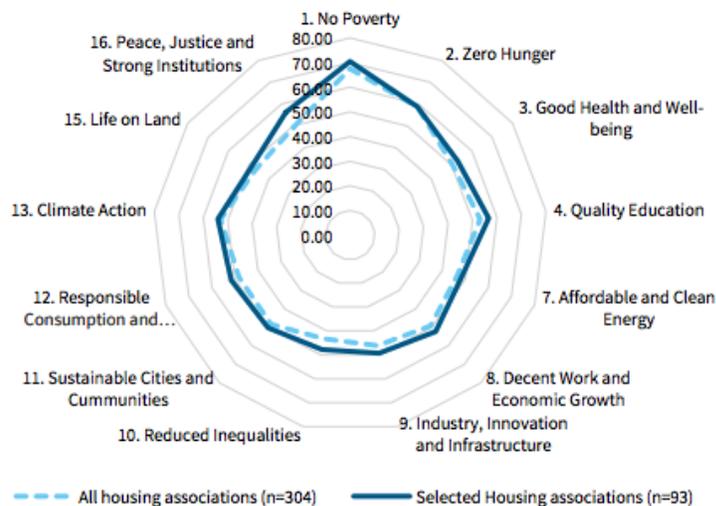
Deleted indicators

- Loss of rental income due to market conditions; no available data
- Personnel costs by rental revenues (DEAB); new scientific insights. This indicator was very hard to norm. when is the personnel cost vs. rental revenues sufficient? Especially for small social housing associations this is hard to figure out.
- Physically highly accessible dwellings; no available data

Changed indicators

- Total costs residential improvements; This now includes energy related improvements. Therefore it has been moved to the stock 'Energy'

Appendix 2: SDG mapping by 2020 Telos – methodology



Appendix 3: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:

BNG Bank N.V.

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	BNG Bank Sustainability Bond for Dutch Social Housing Associations
Review provider's name:	Sustainalytics
Completion date of this form:	September 15, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The use of proceeds category outlined in the Framework – Best-in-class Sustainable Social Housing Associations in the Netherlands – is recognized as impactful by the GBP and SBP as the category seeks to provide socio-economic benefits for target populations, namely neighbourhoods facing social challenges, while improving the environmental performance of housing units.

BNG intends to use the proceeds to provide general purpose loans to 100 best-in-class social housing associations selected based on their sustainability performance against the TSC-Telos Rating Methodology, which includes both social and environmental criteria. As obligated by government regulation, the selected social housing associations will allocate 80% of their social housing to household with a gross annual income

below the national median income (EUR 39.055 as of 2020), while 20% of the social housing can be allocated to household with gross annual income above this threshold. While recognizing that the loans provided can increase access to social housing for lower-income people and incentivize higher environmental and social standards at the social housing associations, Sustainalytics considers the provision of general purpose loans to these associations to be a limitation to the Framework due to the limited targeting of disadvantaged groups. BNG Bank intends to allocate proceeds to loans made in 2020.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify): Sustainability score of social housing associations, including social and environmental indicators, 83 in total. |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Social housing associations |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The bond proceeds will be disbursed to the social housing associations assessed as best-in-class for their sustainability performance. The Bank's methodology for the identification of best-in-class social housing associations was developed by Telos, an official partner of Tilburg University. Sustainalytics is of the opinion

that the TSC-Telos Rating Methodology provides a robust approach to rating the internal and external sustainability performance of Dutch social housing associations (additional details on the assessment of this methodology are provided in the section below). Furthermore, the methodology placed a greater emphasis on high level of investments by social housing associations in neighbourhoods with the social challenges. Sustainalytics considers that this is a robust selection process.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

BNG Bank has systems to link the bond's proceeds to individual loans for housing associations, which is controlled by internal audits. Under the systems, BNG Bank's capital markets support officer collaborates with the sales team for the initial selection of eligible assets, whilst the internal audit team is responsible for final approval of the selected assets. Pending full allocation, unallocated proceeds will be held in the Bank's accounts in accordance BNGBank's liquidity policy. Based on these elements, Sustainalytics considers management of proceeds to be aligned with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- | | |
|--|---|
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

While BNG Bank will not provide annual allocation reporting, it intends to report to investors when the proceeds are fully allocated, which is expected to be shortly after issuance. The allocation will be verified as part of BNG Bank's annual internal audit. For impact reporting, BNG will prepare an annual report on the sustainability scores and contribution to the SDGs of the 100 elected social housing associations for the 2020 Sustainability Bond for Social Housing Associations on its website. Investors and other stakeholders will be able to view impacts achieved by the social housing associations using 83 indicators, including total CO2 emissions in kilograms per inhabitant; average electricity consumption of rental houses; average installed capacity of solar (PV) panels per address (kW peak); and the number of inhabitants that are below certain income thresholds. However, in Sustainalytics' view the nature of such reporting does not directly link the bond proceeds to the impact achieved by the social housing associations, which is a limitation. Moreover, the methodology's capital domains, i.e. categories, used in the internal and external sustainability performance scores use indicators that also correlate with economic factors.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input checked="" type="checkbox"/> Other (please specify): once all proceeds have been allocated | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|--|--|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |

- Target populations
 Other ESG indicators (please specify): Sustainability scores of eligible housing associations

Frequency:

- Annual
 Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify):
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

BNG Bank, Social Bond for Dutch Social Housing Associations:
<https://www.bngbank.com/funding/sustainability-bond-social-housing>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- Consultancy (incl. 2nd opinion)
 Certification
 Verification / Audit
 Rating
 Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with

internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

