

## SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

BNG Bank N.V.

3 July 2024

### VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Sustainability and Social Bonds

Relevant standards

- Green Bond Principles (GBP), as administrated by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Social Bond Principles (SBP), as administrated by ICMA (as of June 2023 with June 2023 Appendix 1)
- Sustainability Bond Guidelines (SBG), as administered by the ICMA (as of June 2021)

Scope of verification

- BNG Bank N.V. Sustainable Finance Framework (as of July 2, 2024)
- BNG Bank N.V. Eligibility Criteria (as of July 2, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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## SCOPE OF WORK

BNG Bank N.V. (“the Issuer”, “the Bank”, or “BNG Bank”) commissioned ISS-Corporate to assist with its Sustainability and Social Bonds by assessing three core elements to determine the sustainability quality of the instruments:

1. BNG Bank’s Sustainable Finance Framework (as of July 2, 2024) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Consistency of Sustainability and Social Bonds with BNG Bank’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

## BNG BANK OVERVIEW

BNG Bank N.V. provides banking and financial services. It specializes in providing financing for publicly owned organizations. The Bank's clients include local authorities, public sector housing, healthcare and educational institutions and public utilities. It provides customized financial services ranging from loans and funds transfers to electronic banking and investments. The Bank was founded in 1914 and is headquartered in The Hague, the Netherlands.

### *ESG risks associated with the Issuer*

BNG Bank is classified in the Mortgage and Public Sector Finance industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies<sup>1</sup> in this industry are: sustainability impacts of lending and other financial services/ products, customer and product responsibility, and employee relations and work environment.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

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<sup>1</sup> Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>2</sup>
<p><b>Part I:</b></p> <p><b>Alignment with GBP/SBP/SBG</b></p>	<p>The Issuer has defined a formal concept for its Sustainability and Social Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP, SBP, and SBG.</p> <p><i>* The categories identified by BNG are aligned with the Principles. As per ISS-Corporate’s methodology, specific sub-criteria within the Green Buildings,<sup>3</sup> Environmentally Sustainable Management of Living Natural Resources and Land Use,<sup>4</sup> Sustainable Water and Wastewater Management,<sup>5</sup> Pollution Prevention and Control,<sup>6</sup> Access to Essential Services,<sup>7</sup> Socioeconomic Advancement and Empowerment,<sup>8</sup> and Employment Generation<sup>9</sup> categories are assessed as providing no clear environmental and/or social benefits (cf. part II of this report). However, as there are currently several national and international initiatives and the definition of green and social might vary depending on sector and geography, it is recognized that those categories might be considered as eligible green and social categories by investors.</i></p>	<p><b>Aligned*</b></p>

<sup>2</sup> The evaluation is based on the BNG Bank’s Sustainable Finance Framework (July 2, 2024), on the analysed Selection Criteria as received on July 2, 2024.

<sup>3</sup> Installation of retrofitting technologies such as hybrid heating systems, local heat networks; installation of heat pumps powered by energy sources such as natural gas, and renewables; and expenditures relating to activities for agricultural and horticultural land.

<sup>4</sup> Construction and maintenance of public green spaces, such as the installation and maintenance of art in public spaces, play facilities, recreational facilities, hobby clubs, and allotment associations, and pest control.

<sup>5</sup> Levy costs and collection of sewerage levy.

<sup>6</sup> Garbage disposal, landfill and processing, and income from waste tax, levy costs and the collection of waste tax.

<sup>7</sup> Anti-vandalism; preparing to establish structure plans and visions; BGT (Key Register Large-Scale Topography); preparing and establishing the municipal environmental vision; preparing and establishing area-specific programs; preparing and establishing the environmental plan; CAI, broadband and fiber optic installation; preparing and establishing zoning plans; facilitating land policy (passive land policy); preparation for Environmental Act, and; (Fees) environmental permit extra-plan environmental plan activity.

<sup>8</sup> Cultural heritage; making cultural-historical values visible (digitally); cooperation and citizen participation; support participatory citizen initiatives, support volunteers and informal care.

<sup>9</sup> Construction of CAI, broadband and optical fiber, Tourist Tax and Entertainment Fees.

<p><b>Part II:</b></p> <p><b>Sustainability quality of the Eligibility Criteria</b></p>	<p>The Sustainability and Social Bonds will (re)finance eligible asset categories which include:</p> <p>Green categories: Green Buildings, Clean Transportation, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, and Pollution Prevention and Control.</p> <p>Social categories: Access to Essential Services, Socioeconomic Advancement and Empowerment, Employment Generation, and Affordable Housing.</p> <p>Product and/or service-related use of proceeds categories<sup>10</sup> individually contribute to one or more of the following SDGs:</p>  <p>Other use of proceed categories improve the operational impacts of BNG’s borrower(s) and mitigate potential negative externalities of its sector/their sectors on one or more of the following SDGs:</p> 	<p><b>Positive</b></p>
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<sup>10</sup> Clean Transportation, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Access to Essential Services, Socioeconomic Advancement and Empowerment, Employment Generation, and Affordable Housing.

	<p>For specific sub-criteria within the Green Buildings,<sup>11</sup> Environmentally Sustainable Management of Living Natural Resources and Land Use,<sup>12</sup> Sustainable Water and Wastewater Management,<sup>13</sup> Pollution Prevention and Control,<sup>14</sup> Access to Essential Services,<sup>15</sup> Socioeconomic Advancement and Empowerment,<sup>16</sup> and Employment Generation<sup>17</sup> categories, there is no evidence of an environmental and/or social contribution or of an improvement on the Issuer and/or end users' potential negative externalities.</p> <p>The environmental and social risks associated with those use of proceeds categories and the financial institution are managed.</p>	
<p><b>Part III:</b></p> <p><b>Consistency of Sustainability and Social Bonds with BNG Bank's Sustainability Strategy</b></p>	<p>The key sustainability objectives and the rationale for issuing Sustainability and Social Bonds are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p><b>Consistent</b></p>

<sup>11</sup> Installation of retrofitting technologies such as hybrid heating systems, local heat networks; installation of heat pumps powered by energy sources such as natural gas, and renewables; and expenditures relating to activities for agricultural and horticultural land.

<sup>12</sup> Construction and maintenance of public green spaces, such as the installation and maintenance of art in public spaces, play facilities, recreational facilities, hobby clubs, and allotment associations, and pest control.

<sup>13</sup> Levy costs and collection of sewerage levy.

<sup>14</sup> Garbage disposal, landfill and processing, and income from waste tax, levy costs and the collection of waste tax.

<sup>15</sup> Anti-vandalism; preparing to establish structure plans and visions; BGT (Key Register Large-Scale Topography); preparing and establishing the municipal environmental vision; preparing and establishing area-specific programs; preparing and establishing the environmental plan; CAI, broadband and fiber optic installation; preparing and establishing zoning plans; facilitating land policy (passive land policy); preparation for Environmental Act, and; (Fees) environmental permit extra-plan environmental plan activity.

<sup>16</sup> Cultural heritage; making cultural-historical values visible (digitally); cooperation and citizen participation; support participatory citizen initiatives, support volunteers and informal care.

<sup>17</sup> Construction of CAI, broadband and optical fiber, Tourist Tax, and Entertainment Fees

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES, AND SUSTAINABILITY BOND GUIDELINES

This section evaluates the alignment of the BNG Bank’s Sustainable Finance Framework (as of July 2, 2024) with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.

GBP, SBP AND SBG	ALIGNMENT	OPINION
<p><b>1. Use of Proceeds</b></p>	<p>✓ *</p>	<p>The Use of Proceeds description provided by BNG Bank’s Sustainable Finance Framework is <b>aligned</b> with the ICMA’s GBP, SBP and SBG.</p> <p>The Issuer’s green and social categories align with the project categories as proposed by the GBP, SBP, and SBG. Disclosure of an allocation period and commitment to report by project category has been provided and environmental and social benefits are described and quantified.</p> <p>The Framework notes that the refinancing of eligible projects will have a look-back period of 12 months.</p> <p><i>* The categories identified by BNG are aligned with the Principles. As per ISS-Corporate’s methodology, specific sub-criteria within the Green Buildings,<sup>18</sup> Environmentally Sustainable Management of Living Natural Resources and Land Use,<sup>19</sup> Sustainable Water and Wastewater Management,<sup>20</sup> Pollution Prevention and Control,<sup>21</sup> Access to Essential Services,<sup>22</sup> Socioeconomic Advancement and Empowerment,<sup>23</sup> and</i></p>

<sup>18</sup> Installation of retrofitting technologies such as hybrid heating systems, local heat networks; installation of heat pumps powered by energy sources such as natural gas, and renewables; and expenditures relating to activities for agricultural and horticultural land.

<sup>19</sup> Construction and maintenance of public green spaces, such as the installation and maintenance of art in public spaces, play facilities, recreational facilities, hobby clubs, and allotment associations, and pest control.

<sup>20</sup> Levy costs and collection of sewerage levy.

<sup>21</sup> Garbage disposal, landfill and processing, and income from waste tax, levy costs and the collection of waste tax.

<sup>22</sup> Anti-vandalism; preparing to establish structure plans and visions; BGT (Key Register Large-Scale Topography); preparing and establishing the municipal environmental vision; preparing and establishing area-specific programs; preparing and establishing the environmental plan; CAI, broadband and fiber optic installation; preparing and establishing zoning plans; facilitating land policy (passive land policy); preparation for Environmental Act, and; (Fees) environmental permit extra-plan environmental plan activity.

<sup>23</sup> Cultural heritage; making cultural-historical values visible (digitally); cooperation and citizen participation; support participatory citizen initiatives, support volunteers and informal care.

		<p><i>Employment Generation<sup>24</sup> categories are assessed as providing no clear environmental and/or social benefits (cf. part II of this report). However, as there are currently several national and international initiatives and the definition of green and social might vary depending on sector and geography, it is recognized that those categories might be considered as eligible green and social categories by investors.</i></p>
<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by BNG Bank’s Sustainable Finance Framework is <b>aligned</b> with the GBP, SBP, and SBG.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer and clearly show the intended benefit to the relevant population.</p> <p>The Bank’s Executive Committee is responsible for the evaluation and selection of projects. The environmental and social risks associated with the eligible projects are identified and mitigated following the Bank’s integration of “Do No Significant Harm” and “Minimum Safeguards” principles in its internal risk management policies. Additionally, the Bank also defines an exclusion criteria for harmful project categories.</p>
<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by BNG Bank’s Sustainable Finance Framework is <b>aligned</b> with the GBP, SBP, and SBG.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are credited to a tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Sustainability and Social Bonds (portfolio</p>

<sup>24</sup> Construction of CAI, broadband and optical fiber.

		<p>approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>BNG intends to fully allocate proceeds within 6-12 months of issuance. Pending allocation, proceeds will be temporarily invested in accordance with BNG’s cash and liquidity management funds.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by Bank’s Sustainable Finance Framework is <b>aligned</b> with the GBP, SBP, and SBG.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. BNG Bank has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the project category level. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>Allocation reporting will include information on the total amount of outstanding bonds’ volume, and the allocatable budget of environmental or social expenditures.</p> <p>Impact reporting includes impact metrics aligned with the Harmonized Framework for Impact Reporting and Working Towards a Harmonized Framework for Impact Reporting for Social Bonds. The relevant impact metrics may include annual GHG emissions reduced/ avoided in tonnes of CO<sub>2</sub> equivalent, energy use in buildings, number of residents benefitting from healthcare, and number of dwellings.</p>

## PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

### A. CONTRIBUTION OF THE SUSTAINABILITY AND SOCIAL BONDS TO THE UN SDGs<sup>25</sup>

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale:



Each of the Sustainability and Social Bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Clean Transportation</b></p> <p><i>Expenditures related to public transportation infrastructure and vehicles including:</i></p>	<p><b>Contribution</b></p>	

<sup>25</sup> The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

- *Electric and hybrid vehicles, such as buses, metros, and trams.*
- *Public transport infrastructure, such as bus lanes, trams, and/or metro lines, and charging stations.<sup>26</sup>*
- *Pedestrian and Cycling Infrastructure, including bike lanes, and bicycle sheds.*
- *Ferry Services*
- *Hybrid and electric taxis and related infrastructure, such as charging stations.*

**Pollution Prevention and Control**

*Financed activities may include waste separation and recycling, garbage disposal, and landfill and processing.*

**Contribution**



**Pollution Prevention and Control**

*Financed activities may include garbage disposal, landfill and processing, and income from waste tax, levy costs and the collection of waste tax.*

**No Net Impact**

**Environmentally Sustainable Management of Living Natural Resources and Land Use**

*Financed activities may include nature protection, and maintenance of forest land, heathland, and other natural areas.*

*BNG has communicated to ISS-Corporate that expenditures within nature protection follow the requirements under the Dutch Environment and Planning Act, which includes guidelines regarding the conservation of plants and wildlife.*

**Contribution**



<sup>26</sup> BNG has confirmed to ISS-Corporate that parking lots will be excluded from financing within this activity.

Furthermore, BNG has confirmed to ISS-Corporate that expenditures relating to forest conservation and management include sustainable forest management plans certified with FSC/PEFC and excludes the financing of commercial forestry projects.

**Environmentally Sustainable Management of Living Natural Resources and Land Use**

Financed activities may include the construction and maintenance of public green spaces, such as the installation and maintenance of art in public spaces, play facilities, recreational facilities, hobby clubs, and allotment associations.

**No Net Impact**

**Sustainable Water and Wastewater Management**

Financed activities may include the collection and processing of waste and rainwater, transport of household and industrial wastewater, prevention of discharge of excess groundwater, sewage treatment, reducing pollution of surface water, and collection of sewerage levy.

BNG has confirmed to ISS-Corporate that the treatment of industrial wastewater from fossil fuels and other high-emitting sectors will be excluded from financing under the Framework.

**Contribution**



**Sustainable Water and Wastewater Management**

Financed activities may include the management and repair of sewage and water facilities to increase their resiliency against climate change, and foster climate change adaptation.

**Contribution**



**Access to Essential Services**

Crisis management and fire brigade:

**Contribution**



- *Firefighting.*
- *Preventive measures for physical safety.*

*Public health:*

- *Monitoring the health situation.*
- *Implementation of prevention programs, early identification of specific disorders and health-threatening factors.*
- *Implementation of health promotion programs and measures against health threats.*
- *Combating infectious diseases and offering vaccinations.*
- *Providing information, advice, and guidance.*
- *Providing prenatal education to expectant parents.*
- *Monitoring health aspects in administrative decisions.*
- *Promoting medical environmental care.*
- *Promoting technical hygiene care.*
- *Promoting psychosocial assistance during disasters.*
- *Centres for Youth and Family.*
- *Ambulance and patient transport.*

*Target Population: The Framework notes that public health expenditures will particularly target at-risk groups, youth, and elderly populations.*

*Public Primary Education:*

- *Primary public primary education including physical education (i.e., school swimming classes.)*

*Educational Housing:*

- *Adaptation or expansion of current school buildings, including gyms.*

*Educational Policy and Student Affairs:*

- *Expenditures on special education (including physical education and school swimming for special education students).*

*Sports accommodations*

- *Sports halls, swimming pools, skating halls, etc.*
- *(Green and artificial) fields, sites and buildings, including facilities and technical provisions.*
- *Playgrounds in the neighborhood.*
- *Charges for extra subsidy for sports accommodations that have lost income due to the measures against COVID-19.*
- *Remission of rent for sports facilities that have lost income and must be accounted for as negative benefit.*

*Sports Policy and Activation*

- *Stimulating (amateur and professional) top sport.*
- *Support and encourage recreational sports.*
- *Supporting organizations involved in sports.*
- *Sports in the neighborhood and combination functions.*

**Access to Essential Services**

*Crisis management and fire brigade*

- *Disaster relief*

**Contribution**



**Access to Essential Services**

*Public primary education*

- *Administrative costs for municipalities that are themselves administrators.*
- *Primary public primary education.*
- *Suitable education.*

*Education policy and student affairs*

- *Arrears policy<sup>27</sup>*

*Target Population: The Framework notes that the expenditures within this category will particularly target the youth population.*

**Contribution**



**Access to Essential Services**

*Educational housing*

- *New construction, adaptation, and extension of existing school buildings.*
- *Drawing up an educational housing program.*

*Educational policy and student affairs*

- *Educational support: support teachers and management.*
- *Administrative costs for municipalities governing public secondary education themselves.*
- *Coordination to school together, appropriate education.*
- *Adult education.*
- *Playgroups*
- *Student care and student guidance.*

**Contribution**



<sup>27</sup> Expenditures related to Arrears Policy include the financing of extra-curricular pre-school education for children ages 2-6 years old who need additional educational support.

- *Stimulating school participation: compulsory education and preventing early school leaving.*

**Access to Essential Services**

*Educational policy and student affairs*

- *Student transport (including student transport for public education students).*

**Contribution**



**Access to Essential Services**

*Educational policy and student affairs*

- *Anti-Vandalism.*

*Spatial Planning*

- *Preparing to establish structure plans and visions.*
- *BGT (Key Register Large-Scale Topography).*
- *Preparing and establishing the municipal environmental vision.*
- *Preparing and establishing area-specific programs.*
- *Preparing and establishing the environmental plan.*
- *CAI, broadband, and fiber optic installation.*
- *Preparing and establishing zoning plans.*
- *Facilitating land policy (passive land policy).*
- *Preparation for Environmental Act, for example (capital) charges Digital System Environmental Act (DSO).*
- *(Fees) environmental permit extra-plan environmental plan activity.*

**No Net Impact**

**Access to Essential Services**

*Museums*

- *Museums, exhibitions.*
- *Archaeology, local history.*
- *Historical archives.*
- *Charges for extra subsidy for museums that have lost income due to measures against COVID-19.*
- *Remission of rent for museums that have lost income.*

*Cultural Heritage*

- *Historical buildings, protected city and village views and other objects with historical value in the public space.*
- *Subsidy, management, maintenance, supervision and maintenance of cultural heritage.*

**Contribution**



**Socioeconomic Advancement and Empowerment**

*Cultural Heritage*

- *Making cultural-historical values visible (digitally).*

*Cooperation and Citizen Participation*

- *Support participatory citizen initiatives, support volunteers and informal care.*

**No Net Impact**

**Socioeconomic Advancement and Empowerment**

*Cooperation and citizen participation*

- *Subsidies provided to non-profit organization for social and cultural work, General Social Work (AMW), neighborhood development*

**Contribution**



- *LGBT Policy<sup>28</sup>*
- *Expenditures of applying for and providing childcare allowance for Social Medical Indication*
- *Activities following the Integration Act.*
- *Emergency shelter for refugees*
- *Expenditures related to supporting new immigrants, such as the financing of primary schools for immigrants, volunteer activities, and international centres that provide guidance and orientation on services such as education, healthcare, and job hunting.*

*Customized Facilities (WMO)*

- *Residential and Transport Services*
- *Wheelchairs*
- *Transport facilities*
- *Residential facilities*
- *Financial compensation provided to people with physical, psychological or psychosocial disabilities.*

*WMO social support:<sup>29</sup>*

*Activities may include:*

- *Household help*
- *Guidance*
- *Daytime activities, including communal activities such as exercises and art programs for*

<sup>28</sup> BNG has communicated to ISS-Corporate that expenditures within LGBT policy may include expenditures related to the education and awareness of LGBT issues, events such as celebrations, and the development of "rainbow cities", which includes the painting of pedestrian crossings with rainbow colors. ISS-Corporate opines positively on financing related to the education and awareness of LGBT issues, and is of the opinion that financing related to coloring of pedestrian crossings and celebrations events generates No Net Impact.

<sup>29</sup> Activities related to WMO relate to the provision of services as included in the Social Support Act (2015), WMO.

*individuals with disabilities or seniors.*

*Activities financed within WMO are directed towards populations with physical, psychological or psychosocial disabilities.*

*Youth Care*

*Activities may include:*

- *Youth care guidance*
- *Youth care treatment*
- *Youth care daytime activities*
- *Youth care without stay, other.*

*Youth Care*

*Activities may include:*

- *Foster Care*
- *Family-Oriented*
- *Youth Care without stay*

*Youth Support*

*Activities may include:*

- *Youth care crisis/LTA/GGZ-stay, which provides care to youth under a crisis situation, which falls under the National Transition Arrangement (LTA).*
- *Closed Placement includes care where the youth stay with a youth care provider on the basis of closed youth care authorization or a BOPZ authorization (Special Admission to Psychiatric Hospitals Act), or WVGZ authorization (Compulsory Mental Health Care Act).*

*WMO housing shelters*

*Activities may include:*

- *Protected housing*
- *Social and women`s shelters*

*Youth protection and probation*

- Youth protection
- Youth probation

**Socioeconomic Advancement  
and Empowerment**

*Cooperation and citizen participation:*

- Accessibility of facilities (inclusion)
- Neighborhood and clubhouses
- Charges for extra subsidy for neighborhood and clubhouses that have lost income due to the measures against COVID-19.
- Remission of rent for neighborhood and club houses that have lost income.

**Contribution**



**Socioeconomic Advancement  
and Empowerment**

*Cooperation and citizen participation*

- Collective Additional Transport to provide multi-person transportation to the elderly or individuals with disabilities.

**Contribution**



**Socioeconomic Advancement  
and Empowerment**

*Access and first-line facilities*

- Prevention
- Early detection
- Walk-in function GGZ
- General practitioner support for youth
- Support carried out by a JGZ (youth healthcare) provider on commissioned by a municipality
- Provision of information, advice and client support.

**Contribution**



- Access to 1st and 2nd line facilities
- Support for affected parents in the childcare benefits affair
- Approach to 'Safe Home', approach domestic violence, and approach child abuse: access tasks and referrals

**Socioeconomic Advancement and Empowerment**

*Youth Support*

Activities may include:

- Youth treatment GGZ (Dutch Association of Mental Health and Addiction Care) without residence, which includes general or specialist treatment by GGZ providers.

*Income Plans*

- Medical and other advice in connection with assistance.

Target Population: The Framework notes the target population for financing towards income plans may include older and partially disabled unemployed employees, or former self-employed individuals, starting entrepreneurs, or low-income households.

**Contribution**



**Socioeconomic Advancement and Empowerment**

*Income Plans*

- IOAW (Income Provisions Act for Older and Partially Disabled Unemployed Employees)
- IOAZ (Income Provisions Act for Older and Partially Disabled Former Self-employed Persons)

**Contribution**



- *Government social security schemes such as one-off benefits for minima*
- *Income provisions and wage cost subsidies under the Participation Act.*

*Target Population: The Framework notes the target population may include older and partially disabled unemployed employees, or former self-employed individuals, starting entrepreneurs, or low-income households.*

**Socioeconomic Advancement and Empowerment**

*Income Plans*

- *Municipal poverty policy: special assistance, remission of municipal taxes and levies, discounts on museums, sports clubs, etc., additional costs for work in the event of a disability or chronic illness, etc.*

*Target Population: The Framework notes the target population may include older and partially disabled unemployed employees, or former self-employed individuals, starting entrepreneurs, or low-income households.*

**Socioeconomic Advancement and Empowerment**

*Income Plans*

- *Living costs from the Self-Employed Assistance Decree (Bbz 2004).*
- *Living costs for starting entrepreneurs from Bbz 2004.*
- *Debt assistance.*

*Target Population: The Framework notes the target population may include older and partially disabled*

**Contribution**



**Contribution**



*unemployed employees, or former self-employed individuals, starting entrepreneurs, or low-income households.*

**Socioeconomic Advancement and Empowerment**

*Cooperation and Citizen Participation*

- *Childcare: supervision and enforcement of the quality of childcare and playgroups.*
- *Charges in the event of extra childcare for vital professions or extra use of childcare and out-of-school care scheme for single parents.*

**Contribution**



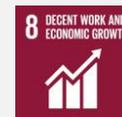
**Employment Generation**

*Economic Development*

*General policy to strengthen economic activity:*

- *Cluster development and strengthening of sectors, stimulation of (collaborative) projects of research institutions and companies.*
- *Local, regional, supra-regional, international partnerships aimed at strengthening the economic structure and innovation.*
- *Collaboration with industry and knowledge and research institutions; developing urban and neighborhood-oriented economic programs.*

**Contribution<sup>30</sup>**



*Business counter and business scheme*

<sup>30</sup> ISS-Corporate positively assesses these activities in cases where the financing is directed towards SMEs and/or individual business owners as it provides direct support in stimulating entrepreneurship and economic growth in local communities. BNG defines MSMEs following the EU's definition of SMEs as companies that have less than 250 employees, and an annual turnover equal to or less than EUR 50M or the total value of assets on the balance sheet is equal to or less than EUR 43M. For more information, please visit: <https://business.gov.nl/starting-your-business/first-steps-for-setting-up-your-business/what-is-an-sme/>.

*Support and services from the municipality aimed at companies and entrepreneurs (including companies and entrepreneurs in agriculture, horticulture and livestock):*

- *Business counter*
- *Stimulating and educating starting entrepreneurs*
- *Attracting and facilitating new companies*
- *Financial support schemes for businesses including agriculture, horticulture, livestock and fishing*

*Economic promotion*

*Activities aimed at "putting the municipality on the map":*

- *Promotional activities aimed at attracting new businesses and new workers.*
- *Attracting other institutions to strengthen the profile of the municipality;*
- *Invest in supra-local, regional, national and international knowledge and economic relations networks;*
- *Promotion tourism;*
- *Fairs and annual fairs*

**Employment Generation**

***Economic Development***

- *Construction of CAI, broadband and optical fiber.*

***Economic Promotion***

- *Tourist Tax*
- *Entertainment Fees*

**No Net Impact**

**Employment Generation**

*Guided participation*

**Contribution**



*Provisions to promote social participation that are not aimed at advancement to employment:*

- *Sheltered work*
- *Wage Valuation*
- *existing work relationships sheltered employment, existing WSW and supervised employment relationships.*
- *Work-related daytime activities, including activities organized and set up by municipalities for people with disabilities or elderly people, such as coffee morning in community center, doing physical exercising together, small excursions, making art together.*

### **Employment Generation**

*Labor participation*

*This task area includes all labor-oriented participation and reintegration facilities:*

- *Reintegration tools, including Work First, trial placement, participation placements, volunteer work / social activation, secondment jobs, training, dual pathways;*
- *Recognition of Acquired Competences (EVC), support in starting your own business, certain forms of temporary wage cost subsidies (insofar as used as a reintegration tool);*
- *Incentives, including Income Release, Incentive Premiums, Volunteer Allowance Release, Expense Allowances, No-Risk Policy;*

### **Contribution**



*Target Population: The Framework notes the target population may include unemployed individuals.*

**Employment Generation**

*Labor participation*

*This task area includes all labor-oriented participation and reintegration facilities:*

- *Facilities, including job coach, guidance. Work facilities such as: workplace adjustments, transport facilities, sign language interpreter, Braille rules, adapted wheelchair, etc.*

*Target Population: The Framework notes the target population may include unemployed individuals.*

**Contribution**



**Employment Generation**

*Labor participation*

*This task area includes all labor-oriented participation and reintegration facilities:*

- *Civic integration (WI)*

*Target Population: The Framework notes the target population may include unemployed individuals.*

**Contribution**



**Employment Generation**

*Labor participation*

*This task area includes all labor-oriented participation and reintegration facilities:*

- *Provisions for the preparation of an independent existence as a starting entrepreneur and for guiding starting entrepreneurs from the Decree on assistance for the self-employed (Bbz).*

**Contribution<sup>31</sup>**



<sup>31</sup> Ibid.

*Target Population: The Framework notes the target population may include unemployed individuals.*

**Employment Generation**

*Labor participation*

*This task area includes all labor-oriented participation and reintegration facilities:*

- *Dutch course*

*Target Population: The Framework notes the target population may include unemployed individuals.*

**Contribution**



**Affordable Housing**

*BNG intends to provide financing to Dutch social housing associations for the construction of affordable housing projects. The social housing associations are guaranteed by the Social Housing Guarantee Fund (WSW).<sup>32</sup>*

*The primary target population of social housing projects is lower-income households in the Netherlands. The Framework notes that social housing associations are required to allocate 85-92.5% of the social rental homes towards the identified target population.*

*Financed activities may include the following:*

- *Housing*
- *Residential Care Housing*
- *Houseboats with berths*
- *Caravans and stands*
- *Children’s home and youth boarding*

**Contribution**



<sup>32</sup> WSW, “Welcome to the Social Housing Guarantee Fund”, at: <https://www.wsw.nl/>

### **Affordable Housing**

*BNG intends to provide financing to Dutch social housing associations for the construction of affordable housing projects. The social housing associations are guaranteed by the Social Housing Guarantee Fund (WSW).<sup>33</sup>*

*The primary target population of social housing projects is lower-income households in the Netherlands. The Framework notes that social housing associations are required to allocate 85-92.5% of the social rental homes towards the identified target population.*

*Financed activities may include the following:*

- *Neighborhood houses*
- *Community Centres*
- *Youth centres*
- *Places and rooms used for social and welfare activities in the neighborhood*
- *Care support spaces within residential care buildings*
- *Youth and family centres*
- *Rooms for daycare*
- *Spaces for small-scale cultural activities*
- *Support centres for debt repayment and budget management advice for households with financial difficulties*
- *Multifunctional centers for social services*
- *Centres for work (opportunities) and/or*

### **Contribution**



<sup>33</sup> Ibid.

*promotion of activity in the neighborhood*

### **Affordable Housing**

*BNG intends to provide financing to Dutch social housing associations for the construction of affordable housing projects. The social housing associations are guaranteed by the Social Housing Guarantee Fund (WSW).<sup>34</sup>*

*The primary target population of social housing projects is lower-income households in the Netherlands. The Framework notes that social housing associations are required to allocate 85-92.5% of the social rental homes towards the identified target population.*

*Financed activities may include:*

- *Greening and play facilities*
- *Small-scale roads and paths*
- *Connection of residential areas to general utilities or infrastructural facilities*
- *Parking facilities in social housing*
- *Bicycle parking facilities in social housing*
- *Heat and cold storage installations in social housing*
- *Soil belonging to the appurtenances in the preamble*
- *Landscaping*

### **Affordable Housing**

*Financed activities may include the following:*

### **Contribution**



### **Contribution**



<sup>34</sup> WSW, "Welcome to the Social Housing Guarantee Fund", at: <https://www.wsw.nl/>

- *Elementary Schools*
- *Village or neighborhood libraries*
- *Vmbo-mbo-schools, vwo-schools, school buildings for special education*

**Affordable Housing**

*Financed activities may include the following:*

- *Shelter Centres for homeless populations or individuals with addictions*
- *Safety Houses*
- *Hospices*

**Contribution**



**Affordable Housing**

*Financed activities may include the following:*

- *Neighborhood sports facilities*

**Contribution**



**Affordable Housing**

*Refinancing of loans with WSW security guarantees.*

**Contribution<sup>35</sup>**



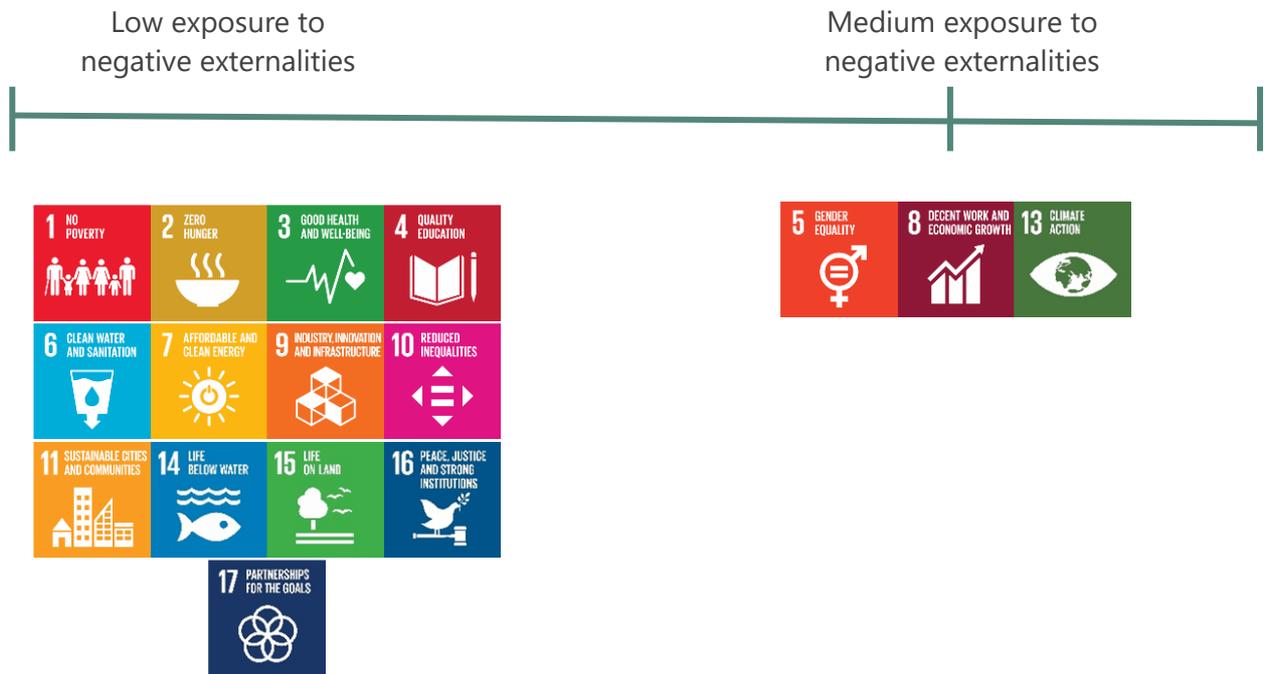
**2. Improvements of operational performance (processes)**

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities<sup>36</sup> in the Mortgage and Public Finance sector (to which BNG Bank belongs) are the following:

<sup>35</sup> The financing of these expenditures include the refinancing of all activities related to BNG’s Sustainable Finance Framework’s affordable housing category.

<sup>36</sup> Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3.B of the SPO.



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <sup>37</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><i>Management of Buildings and Grounds, which may include the management, rental, and maintenance of buildings, and lands through:</i></p> <ul style="list-style-type: none"> <li>Energy efficiency improvements that meet the Nearly-Zero Energy Building (NZEB) requirements as included in the Dutch building code, <i>Bijna Energieneutrale Gebouwen (BENG)</i>.<sup>38</sup> The energy efficiency improvements are assessed by the (i) maximum energy requirement in kWh per m<sup>2</sup> usable surface per year;</li> </ul>		

<sup>37</sup> Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

<sup>38</sup> Rijksdienst voor Ondernemend Nederland, "Energy Performance Indicators-BENG", at: <https://www.rvo.nl/onderwerpen/wetten-en-regels-gebouwen/beng/indicatoren>

(ii) maximum primary fossil energy use in kWh per m<sup>2</sup> usable surface per year; and (iii) minimum share of renewable energy in percentage.

BNG has confirmed to ISS-Corporate that as per the Dutch Climate Agreement, the renovation of all buildings requires a minimum energy label of A++ standard.

**Green Buildings**

Management of Buildings and Grounds, which may include the management, rental, and maintenance of buildings, and lands through:

- Installation of retrofitting technologies such as hybrid heating systems, local heat networks.
- Installation of heat pumps powered by energy sources such as natural gas, and renewables.

**Green Buildings**

Expenditures relating to the development and maintenance of land for business parks, business locations, restructuring business locations to increase sustainability, and shopping areas and strips.



BNG has communicated to ISS-Corporate that financed activities may include the construction or renovation of buildings that will meet the NZEB requirements as noted in the BENG above.

**Green Buildings**

Expenditures relating to activities for agricultural and horticultural land.

-

**Green Buildings**

Expenditures relating to the construction and renovation of houses that meet the following NZEB requirements as noted in BENG:



- Maximum energy requirement in kWh per m<sup>2</sup> usable surface per year
- Maximum primary fossil energy use in kWh per m<sup>2</sup> usable surface per year

- *Minimum share of renewable energy in percentage*

**Environmentally Sustainable Management of Living Natural Resources and Land Use**

*Financed activities may include the protection and remediation of soil and air quality.*

*BNG has communicated that all activities relating to soil and air quality will be in compliance with the Environmental and Planning Act.*



**Environmentally Sustainable Management of Living Natural Resources and Land Use**

*Financed activities may include control of noise pollution, protection against radiation, relocation of environmentally harmful companies, and Regional Implementation Services.*



**Environmentally Sustainable Management of Living Natural Resources and Land Use**

*Financed activities may include pest control.*

-

**Sustainable Water and Wastewater Management**

*Financed activities may include levy costs and collection of sewerage levy.*

-

## B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the eligibility criteria against issuance-specific KPIs. The entirety of the assets are and will be located in the Netherlands.

### ASSESSMENT AGAINST KPIs

#### ESG guidelines into financing process

BNG has three key policies in place, Sustainability Policy,<sup>39</sup> Customer Due Diligence Policy, and the Credit Policy, which guide ESG considerations in the Bank’s lending practices. The Sustainability Policy includes a double materiality analysis of BNG’s impact on environmental and social factors, and the impact of key ESG risks on the Bank’s performance. The ESG risks are included as a part of the Bank’s traditional risk categories, credit, market, liquidity, and operational risks, and include further specifications such as physical climate risks and transition risks. The Bank’s Executive Committee in collaboration with the Sustainable Banking Committee ensure that the financed activities are within BNG’s risk appetite and analyses the possible effects of strategic ESG risks. BNG performs an initial screening of existing and potential clients to identify ESG risks, which is followed by a more in-depth assessment of the client if risks are identified. Clients are assessed following BNG’s ESG-customer rating process, which analyzes current carbon intensity, reduction plans for future carbon intensity, ESG governance, ability to repay debt, and physical climate risks. Based on these factors, clients are assigned a risk category, and those falling within the higher risk categories entail more intense controls to mitigate the risk. If the clients’ profile is not in line with BNG’s screening criteria in terms of ESG risk, integrity, and exclusion as per definition in the Issuer’s Sustainability Policy, it is deemed not eligible for financing. BNG also takes an active portfolio management approach with respect to ESG risk management. The Credit Policy entails regular screenings at the client level on both the client integrity process and the credit process. In an instance, where clients surpass a certain threshold, it indicates excessive risk. The Bank’s Customer Due Diligence Policy guides BNG’s process for screening existing and potential clients.

The Bank also performs ESG Risk Materiality Assessments (RMAs), which are performed on short-term, medium-term, and long-term horizons. The RMAs inform BNG’s Risk Appetite Statement, which sets risk limits. The Bank also conducts climate risk assessments as a part of its Internal Capital Adequacy Assessment Process (ICAAP) and uses climate scenarios to identify tangible risks. The output of client-level risk assessments provides data to the ICAAP process to inform analysis.

The Sustainability Policy identifies clients as public authorities, as well as organizations that perform a public task, such as housing associations and healthcare and educational

<sup>39</sup> BNG Bank, “Sustainability at BNG Bank”, (2024), at: <https://www.bngbank.com/Sustainability/Environmental-Social-and-Governance-ESG>

institutions. The Bank's exclusion criteria for financing are further discussed at the end of this section.

### **ESG Guidelines into financing process for most sensitive sectors<sup>40</sup> financed under the Framework**

Direct and indirect financing involving the most sensitive sectors requires a dedicated risk management process. BNG is financing municipalities that may engage in forestry-related activities.

#### **ESG Guidelines into financing process for Forestry**

BNG finances Dutch municipalities that may conduct forestry-related activities limited to the maintenance of forest grounds. The Bank has confirmed to ISS-Corporate that the financing of forestry-related activities is expected to be minimal. The financed activities within this category will be required to follow mandatory legislation, such as the Environment and Planning Act (Omgevingswet) and the Code of Conduct for Forestry (gedragscode bosbeheer), to mitigate risks associated with forestry-related activities.

The Environmental and Planning Act requires permit approval for any spatial projects, including forestry, which ensures that the applicant is mitigating any risks relating to the management of natural resources, nature conservation, and the protection of landscapes.<sup>41</sup> Furthermore, the Code of Conduct for Forestry also provides guidelines on species habitat protection and forest management practices.<sup>42</sup> All municipalities financed are subject to this code.

#### **Labor, Health and Safety**

All assets financed will be located in the Netherlands, where high labor, health, and safety standards are upheld due to relevant national and European legislation. Moreover, BNG's borrowers are obligated to be in compliance with ILO Core Conventions ratified by The Netherlands.



Additionally, with respect to health and safety standards, the Dutch municipalities financed are governed by the municipal law (Gemeentewet) and are collectively part of the Association of Dutch Municipalities (Vereniging Nederlandse Gemeenten) that has established governance codes for care and safety tasks towards the population. The housing associations are subject to the Housing Act (Woningwet) and the Code of Conduct is supervised by the Housing Authority.

<sup>40</sup> The categorization of a sector as 'most sensitive' follows an evaluation of the number of controversies prevalent in the context of the financing operations of a financial institution.

<sup>41</sup> Overheid, "Environmental and Planning Act", at: <https://wetten.overheid.nl/BWBR0037885/2024-01-01/0>

<sup>42</sup> VBNE, "Code of Conduct for Species Protection Forest Management", at: <https://vbne.nl/bos-natuurbeheer/wetgeving-en-gedragscodes/gedragscode-soortenbescherming-bosbeheer/>

## Biodiversity



The Bank's borrowers are obligated to obtain necessary licenses and permits to mitigate the negative environmental impacts on biodiversity. All assets financed for the project categories assessed under the KPIs will be located in the Netherlands, which ensures that all biodiversity-related risks have been identified and mitigated in compliance with the EU's Environmental and Social Impact Assessment Directive (the "Directive").<sup>43</sup> Furthermore, the Directive also requires projects to undergo environmental impact assessments before approval, and demonstrate that measures have been taken to "avoid, prevent, reduce, and if possible, offset significant adverse effects on the environment, in particular on species and habitats".

Additionally, all Dutch municipalities are subject to the Environmental and Planning Act, which grants permits on the assurance that all tangible environmental risks will be identified and mitigated.

## Community dialogue



All assets financed for the project categories assessed under the KPIs will be in The Netherlands, which is an Equator Principles designated country. Designated Countries are those countries deemed to have robust environmental and social governance, legislation systems, and institutional capacity designed to protect their people and the natural environment. BNG has in place an Individual Appeal Procedure for its employees to provide them with an opportunity to file complaints.<sup>44</sup> This procedure allows employees to exercise their rights related to raising complaints, being informed about decisions timely, and appeal against the Executive Committee's decision without adverse effects on their position.

## Inclusion



The financing under the Framework will be provided to municipalities' public budgets, which will ensure that target populations will obtain free and equitable access to the services.

## Exclusion criteria

The Bank has an exclusion policy in place, which specifies a list of activities that will be excluded from financing including the exploration and/or extraction of new coal, oil and gas

<sup>43</sup> 3 EUR-Lex, "Directive 2014/52/EU", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

<sup>44</sup> Individual Appeal Procedure available at the following webpage: [https://www.bngbank.com/-/media/Project/CBB/BNG-Bank-COM/Documents/About-BNG-Bank/BNG-Bank\\_Individual-Appeal-Procedure-DEF.pdf?rev=c0340d5771d544618dcb7d06cfdae147](https://www.bngbank.com/-/media/Project/CBB/BNG-Bank-COM/Documents/About-BNG-Bank/BNG-Bank_Individual-Appeal-Procedure-DEF.pdf?rev=c0340d5771d544618dcb7d06cfdae147)

reserves, tobacco industry, and factory farming.<sup>45</sup> The Bank also has policies in place to govern the ethical conduct of its clients to mitigate practices such as corruption, and human rights violations.

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<sup>45</sup> Sustainability and BNG Bank Report available at the following webpage:  
<https://www.bngbank.com/Sustainability/Environmental-Social-and-Governance-ESG>

## PART III: CONSISTENCY OF SUSTAINABLE FINANCE FRAMEWORK WITH BNG BANK'S SUSTAINABILITY STRATEGY

*Key sustainability objectives and priorities defined by the Issuer*

TOPIC	ISSUER APPROACH
<p><b>Strategic ESG topics</b></p>	<p>The Issuer focuses on absolute decarbonization, sustainable housing, healthcare and education. These sustainability pillars have been defined through its Road to Impact Strategy.<sup>46</sup></p>
<p><b>ESG goals/targets</b></p>	<p>To achieve its strategic ESG topics, the Issuer has set the goal to reduce by 25% the Scope 1 and 2 CO<sub>2</sub> emissions of its loan portfolio by 2025 and by 43% (760kt CO<sub>2</sub>e) by 2030 compared to the 2019 baseline, achieving net zero by 2050, in line with the Paris Agreement. The CO<sub>2</sub> emissions cover 95% of the total Scope 1 and 2, are so divided:<sup>47</sup></p> <ul style="list-style-type: none"> <li>▪ In the housing association sector, they aim to:                     <ul style="list-style-type: none"> <li>○ Achieve 11kg CO<sub>2</sub>e/m<sup>2</sup> by 2030 of the overall loans portfolio and 0.3kg by 2050, in line with the CRREM's 1.5°C scenario for residential real estate;</li> <li>○ Phasing out energy labels E, F and G by 2028;</li> <li>○ Phasing out dependency on natural gas of 450,000 homes by 2030;</li> <li>○ Providing 'future-proof' insulation for 675,000 homes by 2030.</li> </ul> </li> <li>▪ For municipalities, reach 16.8kg CO<sub>2</sub>e/m<sup>2</sup> by 2030 and 0.5Kg by 2050.</li> <li>▪ In the healthcare sector, reach 25.1Kg CO<sub>2</sub>e/m<sup>2</sup> by 2030 and 0.8Kg by 2050.</li> <li>▪ In the education sector, reach 15.8Kg CO<sub>2</sub>e/m<sup>2</sup> by 2030 and 0.5Kg by 2050.</li> <li>▪ For own office building, through solar panels installation reach 3.6Kg CO<sub>2</sub>e/m<sup>2</sup> by 2030 and</li> </ul>

<sup>46</sup> BNG Bank, "Sustainability", at: <https://www.bngbank.com/Sustainability>

<sup>47</sup> BNG bank, Climate Plan, <https://www.bngbank.com/-/media/Project/CBB/BNG-Bank-COM/Documents/BNG-Bank-Climate-Plan-2023.pdf?rev=169c5d44104e4e6baeb459cd4dbd79e1>

	<p>0.7Kg by 2050, in line with the CRREM's 1.5°C scenario for office property type;</p> <p>In 2023 the Issuer has submitted its CO<sub>2</sub> emission reduction target to SBTi for validation. These targets are based on sectoral decarbonization pathways developed by the Carbon Risk Real Estate Monitor (CRREM).</p> <p>The goals are public on the Bank's website, and monitored on an annual basis.</p>
<b>Action plan</b>	<p>The Issuer has a 'Going Green' climate plan in place to achieve the 1.5°C target of the Paris Climate Agreement.<sup>48</sup></p>
<b>Climate Transition Strategy</b>	<p>In line with the Dutch Climate Agreement, the Issuer commits to provide financing to municipalities that will sustainably renovate their public real estate by 2050.<sup>49</sup> The goal is to reduce CO<sub>2</sub> emissions by 95% and make buildings fossil-free.</p> <p>The approach behind the main pillar of BNG's strategy is to make buildings energy-neutral or near-zero energy buildings through sustainable refurbishment measures.</p>
<b>Top three areas of breaches of international norms and ESG controversies in the industry<sup>50</sup></b>	<p>Financial market irregularities; failure to prevent money laundering; and failure to respect the right to just and favorable conditions of work.</p>
<b>Breaches of international norms and ESG controversies by the Issuer</b>	<p>At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.</p>
<b>Sustainability Reporting</b>	<p>The Issuer reports on its ESG performance and initiatives on an annual basis. The report is prepared according in line with the Global Reporting Initiative (GRI) guidelines.</p>

<sup>48</sup> BNG Bank's Climate Plan, <https://www.bngbank.com/-/media/Project/CBB/BNG-Bank-COM/Documents/BNG-Bank-Climate-Plan-2023.pdf>

<sup>49</sup> Dutch Climate Agreement, "Verduurzamen maatschappelijk vastgoed", at: <https://vng.nl/rubrieken/onderwerpen/verduurzamen-maatschappelijk-vastgoed>

<sup>50</sup> Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Mortgage and Public Sector Finance industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry

<p><b>Industry associations, Collective commitments</b></p>	<p>The Issuer is a signatory to the Partnership for Carbon Accounting Financials (PCAF) since 2019.</p>
<p><b>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</b></p>	<p>The Bank Issued Sustainability Bonds in 2018 (EUR 750 million) and 2021 (EUR 2 billion), and the latter have been verified by ISS-Corporate.<sup>51</sup></p>

*Rationale for issuance*

BNG Bank has provided financing to the public sector since 1914. Its clients are local authorities and are also in the social housing, healthcare, education, energy, and infrastructure sectors. The majority of the loans it provides (more than 90%) are loans that are guaranteed by government bodies. BNG Bank is a statutory two-tier company under Dutch law (“structuurvennootschap”). The criteria for BNG Bank’s Sustainability and Social Bonds for Dutch Municipalities and Social Bonds for Social Housing Associations are defined in BNG Bank’s Sustainable Finance Framework. The proceeds of BNG Bank’s sustainability and social bonds are earmarked and allocated to the loans provided to Dutch municipalities and social housing associations. As of 31 December 2023, respectively 36% and 49% of the Bank’s long-term loan portfolio. Ownership is restricted to Dutch public authorities, with registered shares only. BNG Bank bonds qualify as Level 1 assets in the European Union and the bonds are eligible under the Public Sector Purchase Program (PSPP) of the ECB.

Although the emphasis is still on activities that affect BNG Bank’s climate and environment, cities are gradually moving to investment projects and policy initiatives where reducing environmental pressure is coupled with improving long-term economic profitability and social performance. In a Sustainable City, all three P’s of people, planet and profit are in balance and benefit of initiatives at the same time.

With regards to the BNG Bank’s business model, the issuer showcases a clear rationale to issue sustainable finance instruments.

**Opinion:** *The key sustainability objectives and the rationale for issuing Sustainability and Social Bonds are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.*

<sup>51</sup> ISS ESG, “BNG Bank Second Party Opinion”, 2021, at: <https://www.iss-corporate.com/file/documents/spo/spo-20210411-BNG-NV.pdf>

## DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework and benchmarks to the Sustainability Performance Targets remain unchanged.
2. ISS-Corporate, a wholly-owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues Second Party Opinion, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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## ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.iss-corporate.com/file/publications/methodology/iss-corporate-green-social-and-sustainability-bond-loan-spo-methodology-summary.pdf>

## ANNEX 2: QUALITY MANAGEMENT PROCESSES

### SCOPE

BNG Bank commissioned ISS-Corporate to compile a Sustainable Finance Framework SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the Green Bond Principles, Social Bond Principles, and Sustainable Bond Guidelines to assess the sustainability credentials of its Sustainability and Social Bonds, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Social Bond Principles (SBP), as administered by the ICMA (as of June 2023 with June 2023 Appendix 1)
- Sustainability Bond Guidelines (SBG), as administered by the ICMA (as of June 2021)

### ISSUER'S RESPONSIBILITY

BNG Bank's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation of ESG risks management at the Framework level

### ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is a part of, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Sustainability and Social Bonds to be issued by BNG Bank has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles, Social Bond Principles, and Sustainable Bond Guidelines

The engagement with BNG Bank took place from April to July 2024.

### ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

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.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: [SPOsales@iss-corporate.com](mailto:SPOsales@iss-corporate.com)

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