

Second-Party Opinion

# BNG Bank Sustainability Bond for Dutch Social Housing Associations

## Evaluation Summary

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



**USE OF PROCEEDS** The eligible category for the use of proceeds is aligned with those recognized by the Social and Green Bond Principles that seek to achieve positive environmental and socio-economic outcomes for target populations. While the proceeds of the bond will not be used for project financing, but general purpose loans for social housing associations, Sustainalytics notes that the financing of best-in-class social housing associations can raise the bar for sustainability for the housing associations, while simultaneously financing affordable housing. In addition, the use of proceeds advances the UN Sustainable Development Goal 11.



**PROJECT EVALUATION / SELECTION** BNG Bank’s methodology for the selection of best-in-class social housing associations was developed by Telos of Tilburg University. Sustainalytics is of the opinion that the methodology is robust and credible.



**MANAGEMENT OF PROCEEDS** BNG Bank’s processes for management of proceeds is aligned with market practice. BNG Bank has systems to link the bond’s proceeds to individual loans for housing associations, which is controlled by internal audits. Unallocated proceeds are managed according to 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 selection of social housing associations, their sustainability score and contribution to the SDGs as well as changes in Sustainability scores compared to previous years. While the indicators consider the number of inhabitants that are below certain income thresholds, 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 good indication of environmental and social improvements of the social housing associations financed.

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<b>Evaluation date</b>	30 September 2019
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<b>Issuer Location</b>	The Hague, Netherlands
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## Introduction

BNG Bank N.V. (BNG 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 Bank 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 Bank Sustainability Bond for Dutch Social Housing Associations (the "framework") through which it plans to issue a sustainability bond and use the proceeds to finance 2019 expenditures to eligible social housing associations with a focus on disadvantaged neighbourhoods to improve social housing in the Netherlands. The framework defines the eligibility criterion as

- Best-in-class sustainable social housing associations in the Netherlands, as identified by the 2019 TSC-Telos framework for measuring PPP- sustainability

BNG Bank engaged Sustainalytics to review the Framework, dated August 2019, which is an update to its 2018 Sustainability Bond For Social Housing Associations, and provide a second-party opinion on its alignment with the Social Bond Principles 2018 (the "SBP"), the Green Bond Principles 2018 (the "GBP") and the Sustainability Bond Guidelines (the "SBG")<sup>1</sup> as administered by the International Capital Market Association (the "ICMA"). This sustainability bond framework has been published in a separate document.<sup>2</sup>

As part of this engagement, Sustainalytics held conversations with various members of BNG Bank'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 BNG Bank's sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the BNG Bank Sustainability Bond for Dutch Social Housing Associations Framework Associations and should be read in conjunction with that framework.

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<sup>1</sup> ICMA's Sustainability Bond Guidelines 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>2</sup> The BNG Bank Sustainability Bond for Dutch Social Housing Associations Framework is available on BNG Bank's website at: <https://www.bngbank.com/funding/social-housing-bond>

## Sustainalytics' Opinion

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

#### Summary

Sustainalytics is of the opinion that the Framework is credible and impactful and aligns with the four core components of the SBP, GBP, and SBG. Sustainalytics highlights the following elements of BNG Bank's sustainability bond framework:

- Use of Proceeds:
  - The Use of Proceeds category outlined in the BNG Bank sustainability bond framework—affordable housing – is recognized as socially impactful by the Social Bond Principles 2018. Sustainalytics considers that the projects financed will contribute to improving the quality and availability of social and affordable housing in the Netherlands. In addition, as the methodology used for defining best-in-class sustainable social housing associations includes both environmental and social indicators, Sustainalytics considers that the use of proceeds can foster improvements in the environmental and social performance of the social housing associations.
  - BNG Bank does not intend to use the proceeds for project-based lending but for general purpose loans, which is considered a limitation as outlined below.
  - BNG Bank intends to use the proceeds for 2019 expenses.
- Project Selection Process:
  - The bond proceeds will be disbursed to the social housing associations assessed as best-in-class for their sustainability performance. 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 largest social challenges. Sustainalytics considers that this is a robust selection process.
- Management of Proceeds:
  - BNG Bank's processes for management of proceeds is aligned with market practice. BNG Bank has systems to link the bond's proceeds to individual loans for housing associations, which is controlled by internal audits. Unallocated proceeds are managed according to BNG Bank's liquidity policy, which is aligned with market practice.
- Reporting:
  - BNG Bank will not provide annual allocation reporting, which is considered a limitation of the bond. However, BNG Bank 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 the impact reporting, BNG Bank will prepare an annual report to give an update on the sustainability scores and contribution to the SDGs of the 100 elected social housing associations for the 2019 Sustainability Bond for Social Housing Associations on its website.<sup>3</sup> Investors and other stakeholders will be able to view impacts achieved by the social housing associations using 79 indicators. 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.

<sup>3</sup> <https://www.bngbank.com/funding/social-housing-bond>

### **Identified limitations for risk management and impact measurement through non-project-based lending**

Sustainalytics recognizes that the SBP, GBP and SBG prefer project-based lending and financing. While Sustainalytics is of the opinion that BNG Bank's approach provides positive social impacts (as noted above), Sustainalytics recognizes that the lending approach directed at general-purpose use<sup>4</sup> has the following limitations:

- (i) Ability to manage social and environmental risks associated with the financed projects;
- (ii) Ability to report on impact (reporting does not directly link the bond proceeds to the impact achieved by the social housing associations, and therefore the reporting cannot be regarded as an indicator of the impact of the use of the proceeds of the bond).

Investors and other stakeholders will be able to view aggregate impacts and contribution to the SDGs achieved by the social housing associations by reviewing publicly disclosed impact information published by BNG Bank and TSC-Telos.

### **Alignment with Sustainability Bond Guidelines**

Sustainalytics has determined that BNG Bank's sustainability bond aligns to the four core components of the Sustainability Bond Guidelines 2018. For detailed information please refer to Appendix 3: External Review Form.

## **Section 2: Sustainability Strategy of the Issuer**

### **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,<sup>5</sup> 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 Bank 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.<sup>6</sup>

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 of 2019 version. The methodology measures the sustainability performance of social housing associations based on internal 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 2019 Framework update includes the addition of two indicators and deletion of two, which are outlined in detail in the Appendix 1. Moreover, the Internal Sustainability Performance is now made up of three capitals instead of four indicators: the Ecological Capital, Socio-Cultural Capital and the Economic Capital. The Internal Business indicator has been incorporated to the three capitals. Sustainalytics is of the opinion that this change is in alignment with the PPP (People Planet Prosperity) sustainability approach of the United Nations Brundtland Report from 1987. 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.

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<sup>4</sup> In this case, funding provided by the sustainability bond will not be separated from other types of funding sources such as the Dutch government, taxation and loans from other financial institutions.

<sup>5</sup> BNG Bank 2019 Sustainability Policy

[https://www.bngbank.com/Documents/Investors/Sustainability\\_policy%20BNG\\_Bank\\_2019.pdf](https://www.bngbank.com/Documents/Investors/Sustainability_policy%20BNG_Bank_2019.pdf)

<sup>6</sup> Ibid.

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 selecting best-in-class social housing 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

#### Importance of social housing associations in Europe

Social housing initiatives align with the European priorities, such as the Europe 2020 Plan,<sup>7</sup> which sets out the priorities for Europe's social market economy. One of the priorities mentioned by the 2020 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 2017 State of Housing in Europe Report,<sup>8</sup> housing has become the highest expenditure for Europeans, with housing prices growing faster than income levels. In addition, especially cities have been found to face a structural housing shortage, indicating the importance of social and affordable housing. In the Netherlands, 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.<sup>9</sup> In 2014, the social housing rent was on average 30% below permitted maximum rent.<sup>10</sup> 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 Bank 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.<sup>11</sup> 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 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",<sup>12</sup> indicating the importance of energy efficiency in buildings in reducing GHG emissions in the Netherlands. In June 2019, the Netherlands reached a new climate agreement

<sup>7</sup> Europe 2020 Plan

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

<sup>8</sup> 2017 State of Housing in Europe Report

<http://www.housingeurope.eu/resource-1000/the-state-of-housing-in-the-eu-2017>

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

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

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

<sup>12</sup> 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.

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(Klimaatakkoord).<sup>13</sup> The agreement includes several measures related to the housing sectors, including the pursuit to make residential and commercial buildings' carbon-neutrality by 2050 and the establishment of a heat fund to subsidize insulation in buildings. Moreover, social housing associations have a key role in improving the energy performance of Dutch residential buildings,<sup>14</sup> as social housing associations own a large share of the housing stock in the Netherlands, 32% in 2010.<sup>15</sup>

The methodology of Telos, used to identify best-in-class sustainable social housing associations, includes environmental indicators such as energy performance label class, electricity consumption, solar energy, CO<sub>2</sub> emission of energy usage, household waste, as well as indicators related to the external performance of the housing association, such as air quality, annoyances like floods, light and noise intensity and biodiversity.

Given that BNG Banks 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 sector 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 Housing Associations.<sup>16</sup>

The groups of elected associations improved their overall 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 2019 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;  11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management;

<sup>13</sup> 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>

<sup>14</sup> 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>

<sup>15</sup> Housing Europe, Social Housing in Europe, The Netherlands March 2010: <http://www.housingeurope.eu/resource-117/social-housing-in-europe>

<sup>16</sup> BNG Bank, "Social Bond for Dutch Housing Associations", at: <https://www.bngbank.com/funding/social-housing-bond>

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		<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 Bank's loans to Dutch social housing associations, with a focus on socially disadvantaged neighbourhoods in the Netherlands, will have a positive impact in addressing social housing challenges. Sustainalytics views BNG Bank's process to select social housing associations as innovative and robust. The use of proceeds clearly seeks to achieve positive socio-economic outcomes for target populations, as demonstrated by the consideration of both the sustainability performance of social housing associations and their investments in socially disadvantaged neighbourhoods. In addition, 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 Bank's selection process robust and its process for management of proceeds to be aligned with market standard. While reporting the BNG Bank's impact reporting is not directly linked to the impact achieved by the social housing association, which is a limitation, BNG Bank 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 considerations, Sustainalytics is of the opinion that BNG Bank's Sustainability Bond for Dutch Social Housing Associations' Framework is credible and will provide direct funding towards improving the availability and quality of affordable housing in the Netherlands.

## Appendices

### Appendix 1: Changes in Indicators in 2019 compared to 2018

**Added indicators**

- Urban Heat Islands; average yearly difference in temperature due to the heat-island effect. Added in the Annoyance and Emergencies stock.
- Solvency ratio; measures the resistivity of the housing association in relation to the total capital. Replacement for the risk indicator (risk is no longer measured by ILT). Added to the future constancy stock.

**Deleted indicators**

- Total personnel costs; new scientific insights. Does not fit the goals of the stock (social, in internal business capital). Hard to norm: when is it sufficient?
- Costs of complaint services; new scientific insights. Does not fit the goals of the stock (social, in internal business capital). Hard to norm: when is it sufficient? Replaced by Rating of tenants with repair request.

**Changed indicators**

- All the indicators from the GGD source are now available on neighborhood level instead of municipality level. This makes it possible to be more accurate in the database
- The indicator electric vehicle charging stations, is now on neighbourhood level instead of municipality level.
- Tenants satisfaction moved from the social stock to the residential satisfaction stock

### Appendix 2: SDG mapping by 2019 Telos – methodology

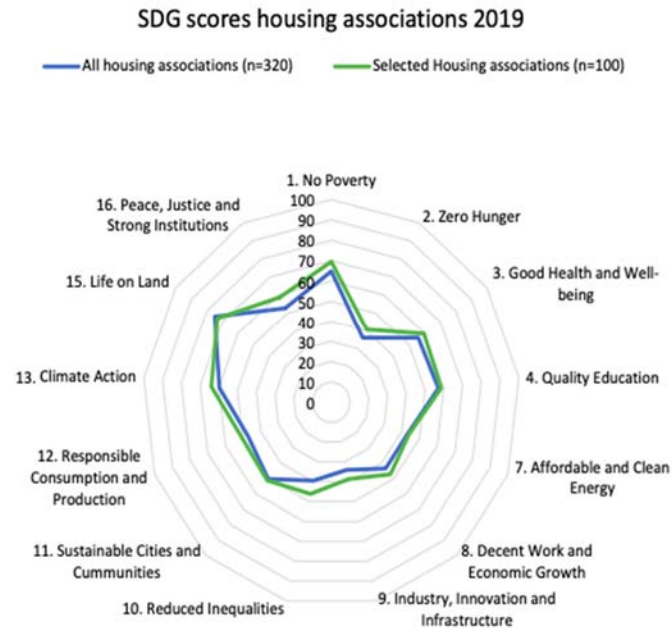


Figure 1 Appendix 1: Changes in Indicators in 2019 compared to 2018



# BNG Bank Sustainability Bond for Dutch Social Housing Associations

## Appendix 3: Sustainability Bond/ Sustainability Bond Programme -External Review Form Section 1. Basic Information

<b>Issuer name:</b>	BNG Bank N.V. (BNG Bank)
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	BNG Bank Sustainability Bond for Dutch Social Housing Associations Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	30 September 2019
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	

## 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 GBPs and SBPs:

- |  |  |
|--|--|
| <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 <sup>nd</sup> 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 Executive 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 BNG Bank sustainability bond framework– affordable housing – is recognized as socially impactful by the Social Bond Principles 2018. Sustainalytics considers that the projects financed will contribute to improving the quality and availability of social and affordable housing in the Netherlands. In addition, as the methodology used for defining best-in-class sustainability social housing associations includes both environmental and social indicators, Sustainalytics considers that the use of proceeds can foster improvements in the environmental and social performance of the social housing associations.

BNG Bank does not intend to use the proceeds for projects based lending but for general purpose loans, Sustainalytics considers the approach to have limitations in terms of social and environmental risk management and impact reporting.

BNG Bank intends to use the proceeds for 2019 expenses.

#### 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 ( <i>please specify</i> ): Sustainability score of social housing associations, including a total of 79 indicators, social and environmental ones. |

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 checked="" 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                      |

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- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs
  Other (please specify): Sustainability score of social housing associations, including a total of 79 indicators, social and environmental ones.

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

### 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. 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 largest social challenges. Sustainalytics considers this to be a robust selection process.

#### Evaluation and selection

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

#### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
  In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

BNG Bank's processes for management of proceeds is aligned with market practice. BNG Bank has systems to link the bond's proceeds to individual loans for housing associations, which is controlled by internal audits. Unallocated proceeds are managed according to BNG Bank's liquidity policy.

#### Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds

## BNG Bank Sustainability Bond for Dutch Social Housing Associations

- 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):

BNG Bank does not provide annual allocation reporting, which is a limitation of the bond. However, BNG Bank 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 the impact reporting, BNG Bank will prepare an annual report to give an update on the sustainability scores and contribution to the SDGs of the 100 elected social housing associations for the 2019 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 79 indicators. 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):                 |

# BNG Bank Sustainability Bond for Dutch Social Housing Associations

### Frequency:

- Annual
  Semi-annual  
 Other (please specify):

### Information reported (expected or ex-post):

- GHG Emissions / Savings
  Energy Savings  
 Decrease in water use
  Number of beneficiaries  
 Target populations
  Other ESG indicators (please specify): Sustainability scores of eligible housing associations

### 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 Housing Associations: <https://www.bngbank.com/funding/social-housing-bond>

### SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

#### Type(s) of Review provided:

- Consultancy (incl. 2<sup>nd</sup> 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. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.

## BNG Bank Sustainability Bond for Dutch Social Housing Associations

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- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

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