

Second-Party Opinion

BNG Sustainability Bond for Dutch Social Housing Associations

Evaluation Summary

Sustainalytics is of the opinion that the BNG 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 association, Sustainalytics considers that the financing of top performing social housing associations in respect to sustainability can raise the benchmark for sustainability for the housing associations including social and environmental performance, 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 top performing 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.



REPORTING While BNG Bank does not provide annual allocation reporting, BNG Bank 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 disclose on an annual basis the selection of social housing associations, their sustainability score 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.

Evaluation date	October 2018
Issuer Location	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, payment services, 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 a sustainability bond framework under which it is issuing a sustainability bond and use the proceeds to finance 2018 expenditures related to improving social housing in the Netherlands.

The net proceeds of each sustainability bond will be used to finance expenditure to social housing associations with a focus on deprived neighbourhoods in the Netherlands.

BNG Bank engaged Sustainalytics to review the BNG Sustainability Bond for Dutch Social Housing Associations Framework, which is an update to its 2017 Sustainability Bond For Social Housing Associations, and provide a second-party opinion on the alignment of the framework with the Social Bond Principles 2018 (the "SBP"), the Green Bond Principles 2018 (the "GBP") and the Sustainability Bond Guidelines (the "SBG")¹ as administered by the International Capital Market Association (the "ICMA"), and the framework's social credentials. This sustainability bond framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of BNG's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the BNG's sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

² <https://www.bngbank.com/funding/social-housing-bond>

Sustainalytics' Opinion

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

Summary

Sustainalytics is of the opinion that the BNG Sustainability Bond for Dutch Social Housing Associations Framework is credible and impactful and aligns with the four core components of the Social and Green Bonds Principles 2018 and Sustainability Bond Guidelines. Sustainalytics highlights the following elements of BNG's sustainability bond framework:

- Use of Proceeds:
 - The Use of Proceeds category outlined in the BNG 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 top performing 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 project-based lending but for general purpose loans, which is considered a limitation as outlined below.
 - BNG Bank intends to use the proceeds for expenses that occurred in 2018.
- 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.
- Reporting:
 - 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 of the 200 elected social housing associations for the 2018 Sustainability Bond for Social Housing Associations on its website.³ 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.

³ <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 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 use⁴ 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 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 the BNG Bank's social bond aligns to the four core components of the Sustainability Bond Guidelines 2018. For detailed information please refer to Appendix 2: 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,⁵ 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 company 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, such as Social Housings and healthcare institutions, and promotes sustainability by issuing Socially Responsible Investment Bonds. In addition, BNG Bank focuses on its clients in order to reach its sustainability goals. For example, the bank provides solutions to address financial constraints in the area of sustainability and economic development.

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 top-performing social housing associations since 2014. Since the methodology has been revised yearly, with the most recent version being the of 2018 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 2018 framework update includes the following changes compared to the 2017 methodology, Telos added 4 indicators and deleted 6, which are outlined in detail in the Appendix 1. Changes to the methodology are made on a yearly basis dependent on data availability, new scientific insights and changing policies. Sustainalytics reviewed the changes in indicators and considers these to in part improve the methodology, e.g. removing indicators where there is no influence of associations, or at least not negatively affecting the credibility of the methodology.

Based on a detailed review of the Capitals, Themes and Indicators analysed in the Rating Methodology, Sustainalytics is of the opinion that internal performance data will be compiled using credible sources.

⁴ 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.

⁵ BNG Bank 2016 Sustainability Policy

<https://www.bngbank.com/Documents/About%20BNG%20Bank/2016%20Sustainability%20Policy%20BNG%20Bank.pdf>

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. Considering this data is currently inaccessible, Sustainalytics has a positive view of the methodology Telos has used to approximate the location specific sustainability characteristics of the property units.

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

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

Section 3: Impact of Use of Proceeds

Importance of social housing associations in Europe

Social housing initiatives align with the European priorities, such as the Europe 2020 Plan,⁶ 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,⁷ 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.⁸ In 2014, the social housing rent was on average 30% below permitted maximum rent.⁹ Given the role of social housing associations in the Netherlands, Sustainalytics is of the opinion that the financing of the top in class sustainable social housing associations contributes to improve the availability and quality of affordable housing in the Netherlands.

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

In the Netherlands, gas and electricity used in homes and other buildings accounts for around 15% of GHG emissions.¹⁰ 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",¹¹ indicating the importance of energy efficiency in buildings in reducing GHG emissions in the Netherlands.

⁶ Europe 2020 Plan

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

⁷ 2017 State of Housing in Europe Report

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

⁸ Rijksoverheid, Nieuwe Woningwet: hoofdlijnen: <https://www.rijksoverheid.nl/onderwerpen/woningcorporaties/woningwet-hoofdlijnen>

⁹ Aedes, Dutch Social housing in a Nutshell, 2016: <https://aedescms.getbynder.com/media/?mediaId=0A645A73-1A6F-4970-83F2CBF84A1E4136>

¹⁰ Government of the Netherlands, Measures to reduce greenhouse gas emissions, accessed October 2018: <https://www.government.nl/topics/climate-change/national-measures>

¹¹ 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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The methodology of Telos, used to identify top-in-class sustainable social housing associations, includes environmental indicators such as energy performance label class, electricity consumption, solar energy, CO₂ 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's sustainability bond includes only the best-in-class social housing associations and given that environmental indicators make up one third of indicators used, Sustainalytics is of the opinion that the bond can help to foster environmental improvements in the Dutch social housing associations and thus contribute to reducing GHG emissions, waste management and external negative environmental impacts.

Proven sustainability performance improvement

BNG Bank's approach to provide loans to Dutch social housing associations assessed as best-in-class for their sustainability performance is an innovative method that provides incentives for social housing associations to better understand and improve their performance. This is confirmed by the first and second Impact Report (2016- 2017, 2017-2018) of the 2016 and 2017 BNG Bank Social Bond for Dutch Housing Associations.¹² According to the report, 60% of the 88 elected associations improved in sustainability performance during the one-year period 2016-2017. The elected associations improved their total score slightly, by 0.94% in 2017 and 0.5% in 2018. While in 2016-2017, most types of housing associations improved scores, except for X-Large housing associations, all types of housing association in 2017-2018 improved their score by at least 0.3 points. While the overall increase in score of the entire group in 2017-2018 was bigger (0.7% points) than the elected association (0.5% points), the elected associations still outperformed the group by 2.7% points. 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. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Social housing associations	11. Sustainable Cities and Communities	<p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services;</p> <p>11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management;</p> <p>11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations;</p> <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management;</p> <p>11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.</p>

¹² https://www.bngbank.com/Documents/Investors/Impact_report_WOBO_2016-2017.PDF

Conclusion

Sustainalytics is of the opinion that BNG Bank's loans to social housing associations, with a focus on socially disadvantaged neighbourhoods in the Netherlands, will have a positive impact in addressing these 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's impact reporting is not directly linked to the impact achieved by the social housing association, which is a limitation, BNG will publish an impact report that outlines the sustainability improvements of the eligible associations. While the target population is part of the sustainability indicator set, it is not reported on separately, which is a limitation of the framework.

Based on the above considerations, Sustainalytics is of the opinion that BNG Bank's Sustainability Bond for 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 2018 compared to 2017

Added indicators

- CO2 emission of energy usage; average co2 emission of the energy used for heating the dwellings (gas-consumption and external heat supply).
- Conformity of dwellings and target group; Match between the housing stock of a corporation with regard to the target group in the area of the possession of the housing association
- Total amount of residual waste; Total amount of household waste produced in kg per inhabitant
- Assessment of dwelling quality; Index between the assessed dwelling quality and the reference value of the Dutch national average

Deleted indicators

- Share of forest and natural area; influence of housing associations is very limited. On top of that, we only selected neighbourhoods with a lot of dwellings. So, in general, there is little forest and natural areas in those neighbourhoods.
- Expenses on quality of life (physical activities); In the most recent dataset, there is no distinction between social- and physical expenses on quality of life. That's why this indicator was combined and moved to the social capital to the expenses on social activities indicator (social cohesion).
- Total risk prognosis (2x); Risk prognoses are not in the DPI dataset anymore. Deleted due to data insufficiency
- Percentage of proper allocations; was in the dataset twice. Total allocations within income limits is still in the dataset.
- Rental price per point in housing valuation points system; no available data
- Total maintenance costs; new scientific insights. Does not fit the goals of the stock (social, in internal business capital)

Changed indicators

- Distance to public green; This indicator was in the community nature and landscape stock (ecology) in the internal performance domain. Reconsidering the meaning of this indicator, it fits better in the nature and landscape stock in the external performance domain.
- Average amount of points in housing valuation system; scoring system is not used in DVI anymore. So now the NEN 2767 condition score is used.
- Total costs energy measures; new definition: costs of residential improvements per rental unit. Includes energy measures and accessibility costs for elderly people.
- Number of rental units per FTE; changed to personnel costs divided by rental income (DEAB), due to data availability.
- Share of low-cost- and affordable dwellings; taken together into one indicator, to prevent for skewed distributions of scores.
- Utilization potential workforce; replaced by unemployment level. Changes in stocks Because of these changes in the dataset, the stock community nature and landscape in the internal performance has been excluded. Resulting in a total of 25 stocks instead of the original 26 stocks.

Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form

Section 1. Basic Information

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Issuer name: BNG Bank N.V. (BNG Bank)

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: *[specify as appropriate]* BNG Sustainability Bond for Dutch Social Housing Associations Framework

Review provider's name: Sustainalytics

Completion date of this form: October 2018

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

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 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

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

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

Please refer to 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 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 top performing 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 expenses that occurred in 2018.

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 71 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 type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |

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- | | |
|--|---|
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input checked="" type="checkbox"/> Other (please specify): Sustainability score of social housing associations, including a total of 71 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

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

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

BNG Bank'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:

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

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 of the 200 elected social housing associations for the 2018 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 (<i>please specify</i>): |

Information reported:

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

Frequency:

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

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Impact reporting:

- Project-by-project
 On a project portfolio basis
 Linkage to individual bond(s)
 Other (please specify):

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

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

BNG Sustainability Bond for Dutch Social Housing Associations

- 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.
- 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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