

Sustainability policy

BNG Bank 2016

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Who we are

BNG Bank is a National Promotional Bank, the bank of and for local authorities and public sector institutions. It has been providing solutions to financing issues for its customers since its formation in 1914. It is this background that determines the bank's mission and financial services.

The bank is a committed partner and makes a sustainable contribution to minimising the costs of social provisions for the public. BNG Bank is a specialist bank and has no retail arm. For clients and shareholders, BNG Bank fulfils the de facto role of a procurement organisation. The bank's core clients – local authorities, housing associations and healthcare institutions – are financed through the balance sheet. BNG Bank is also active in project financing, specifically in the areas of energy transition, infrastructure and social provisions. Substantial market shares and a committed partnership with clients require knowledge of the sector and an individual approach. BNG Bank's services are tailored entirely to the client's needs and professionalism.

Our core values

Sustainable, reliable and professional are the core values embraced by BNG Bank. Based on its public role, BNG Bank seeks to be and remain a safe bank that is visible to and distinctive for its stakeholders.

SUSTAINABLE

Sustainable by helping clients achieve their objectives for a future-proof society. Sustainable business practices also form a key starting point for BNG Bank's own activities. The bank's approach to sustainability (market, people, the environment) is linked to the definition applied by the Telos research institute, which is based on the principles described in the 1987 Bruntland report entitled 'Our Common Future' (people, planet, profit). This has resulted in the following definition: BNG Bank considers an activity sustainable if it contributes to a positive long-term total impact in the ecological, socio-cultural and economic domains. BNG Bank has signed the Climate Statement of the Dutch Banking Association (NVB) and the UN Guiding Principles for Business and Human Rights.

RELIABLE

Reliable by maintaining a strong risk profile, by being open in liaising with stakeholders and by offering transparent products, adhering to the principles of ethical conduct.

BNG Bank considers an activity **sustainable** if it contributes to a **positive long-term total impact** in the **ecological, socio-cultural** and **economic domains**.

PROFESSIONAL

Professionalism reflected by an expert and motivated workforce, with training and development as the cornerstones of the bank's human resource policy. BNG Bank pursues an open internal culture.

What we do

BNG Bank's core business is to provide credit at low rates to or guaranteed by public authorities in the Netherlands. The bank therefore plays an important role in financing the social provisions required by public authorities.

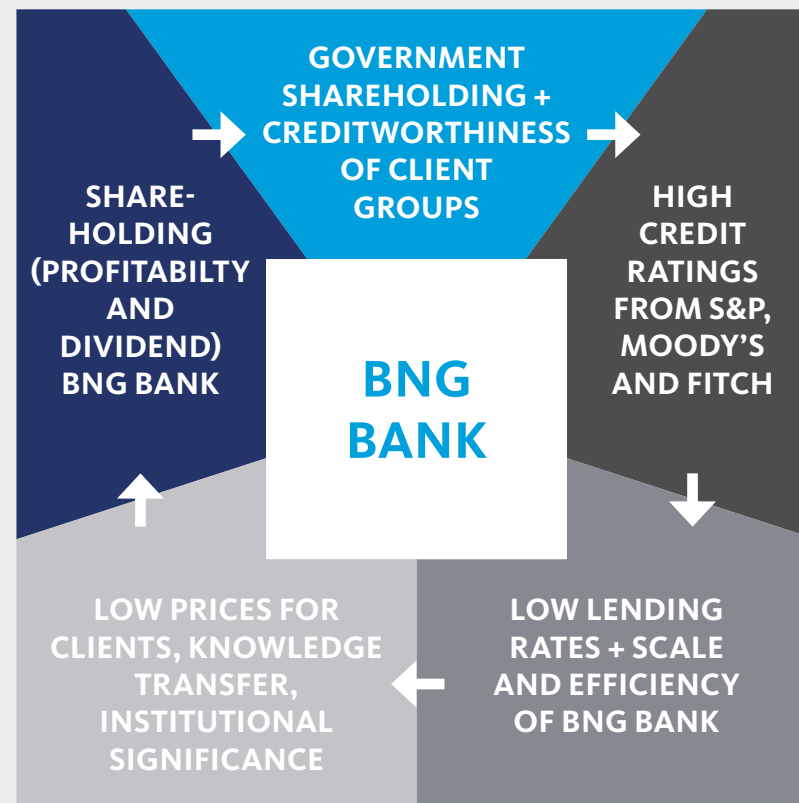
BNG bank collaborates proactively with its clients in seeking financing solutions for socio-economic projects and in implementing them. The bank's strategy and strategic objectives are explained in detail on [bngbank.com](https://www.bngbank.com). BNG bank applies its expertise to help the public authorities achieve their sustainability objectives.

Firstly, the value creation process at BNG Bank is described below using the International Integrated Reporting Council (IIRC) model. The model serves as the basis for determining the material themes in the Annual Report in accordance with the Global Reporting Initiative (GRI). These themes are discussed later on in this document.

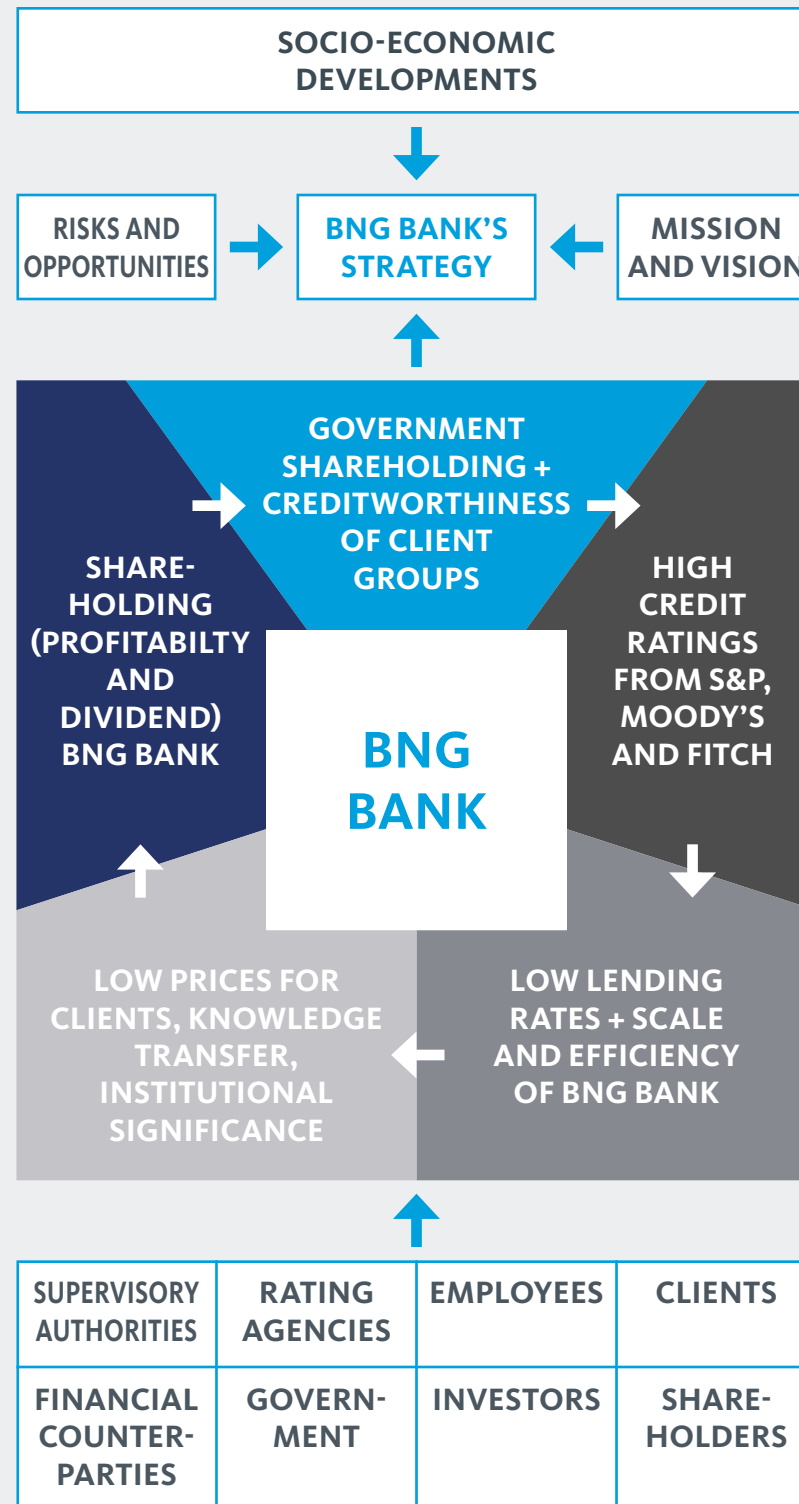
How we create value

In what way does BNG Bank contribute to society? The relevant elements are shown in the model on the following pages.

Business model



Business model



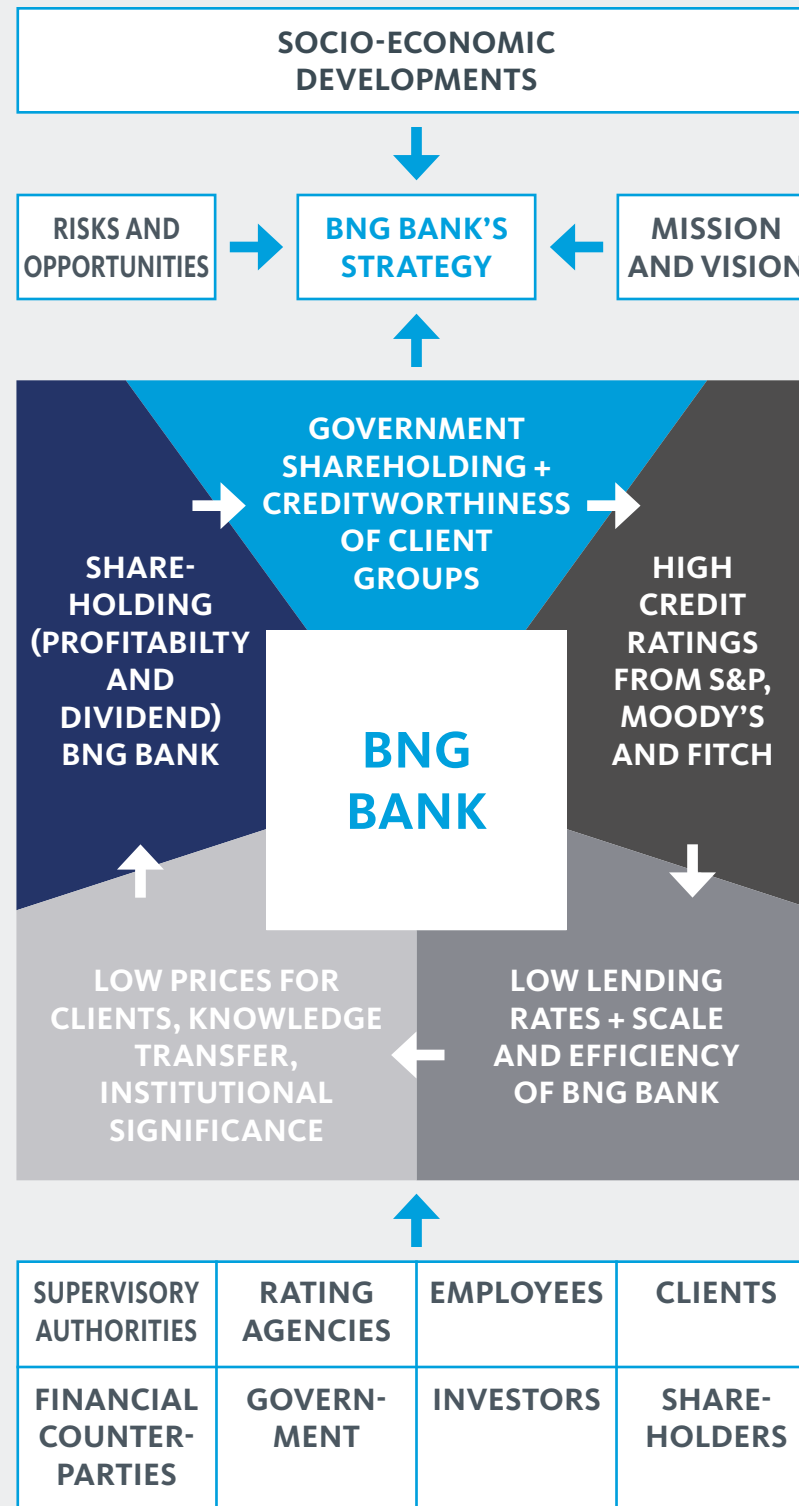
Five central themes

- A SAFE BANK
- RESPONSIBLE GROWTH
- SOCIALLY ENGAGED
- SUSTAINABLE BUSINESS OPERATIONS
- ENGAGED EMPLOYEES

Input Capitals

- FINANCIAL
- SOCIAL
- ECOLOGICAL
- PROFESSIONAL
- EMPLOYEES

Business model

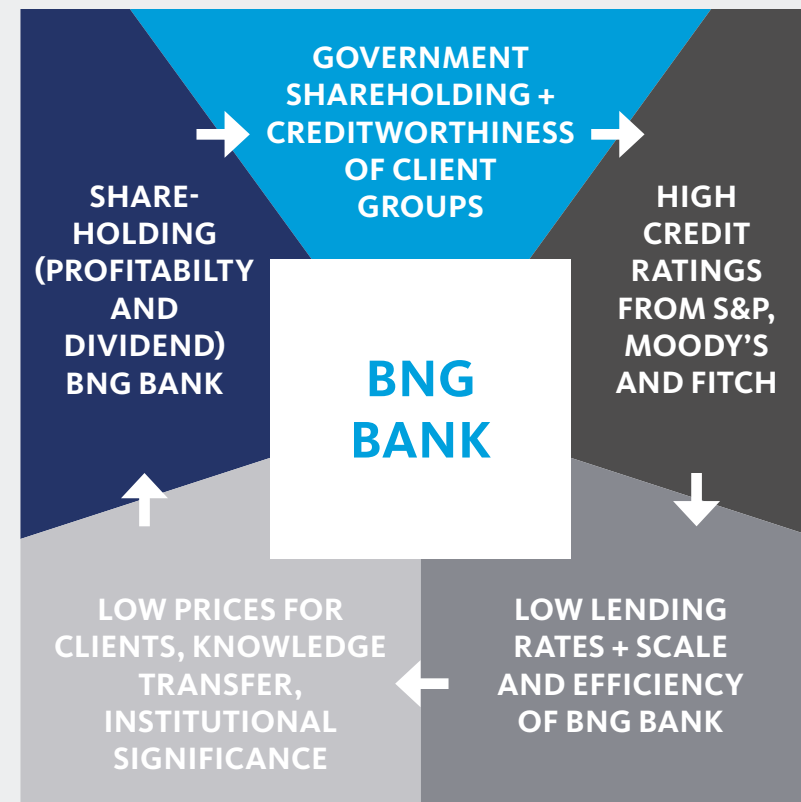


Output Capitals

- FINANCIAL
- SOCIAL
- ECOLOGICAL
- PROFESSIONAL
- EMPLOYEES

Our business model

BUSINESS MODEL



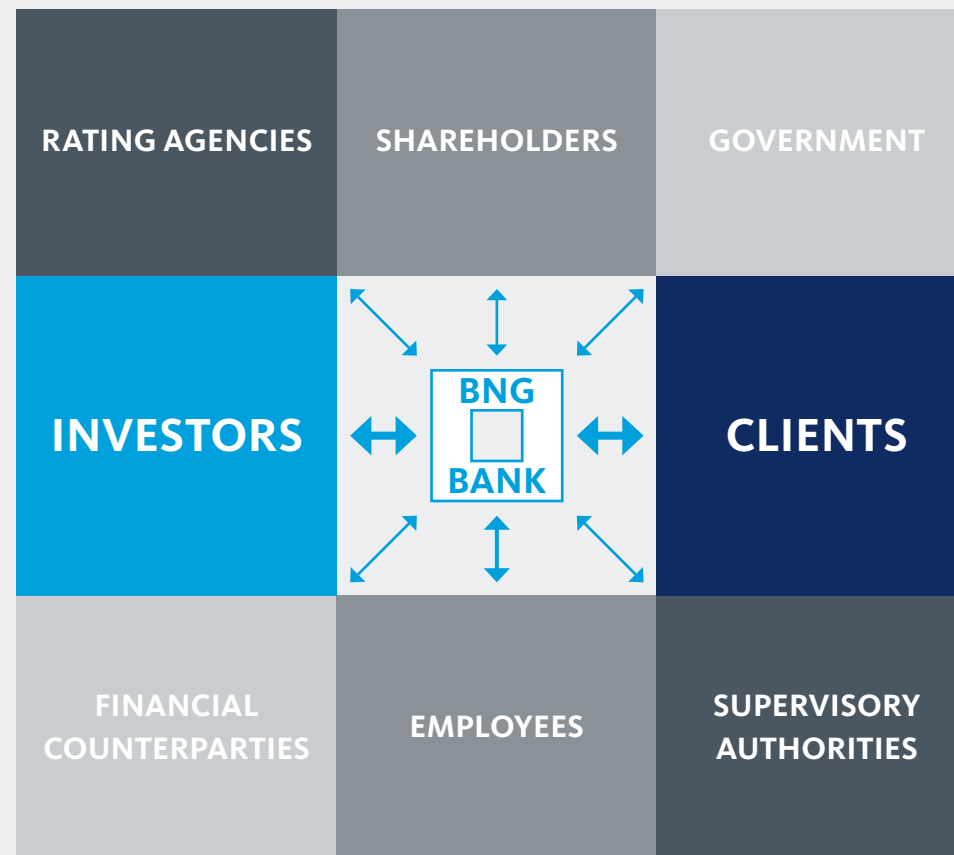
Investors and rating agencies must have confidence that BNG Bank's lending activities carry very limited risks. The shareholdings of the central government and the local authorities, the limited field of operation of BNG Bank imposed by its Articles of Association, the creditworthiness of its public sector clients and guarantors, together with its status as a National Promotional Bank constitute key factors in this regard.

The credit rating agencies have expressed their confidence in BNG Bank by assigning triple A ratings (Moody's and Standard & Poor's) and an AA+ rating (Fitch) to the bank. As a result, BNG Bank can raise funding on the international money and capital markets at competitive rates, and funds can be made available to BNG bank's clients at the lowest possible rates. This is reinforced by the fact that the bank can match the large combined demand from its clients with investor needs in terms of volume, currencies, liquidity and sustainability.

BNG Bank seeks to achieve a fair rather than a maximised return on equity. The low operating costs associated with the implementation of the bank's mission, representing less than 0.1% of the total loan portfolio, are a contributory factor. The return is distributed among the public authority shareholders – the majority of whom are also the bank's clients – in the form of a dividend payment which they, in turn, can spend on their social tasks and consequently on wider society.

Our stakeholders

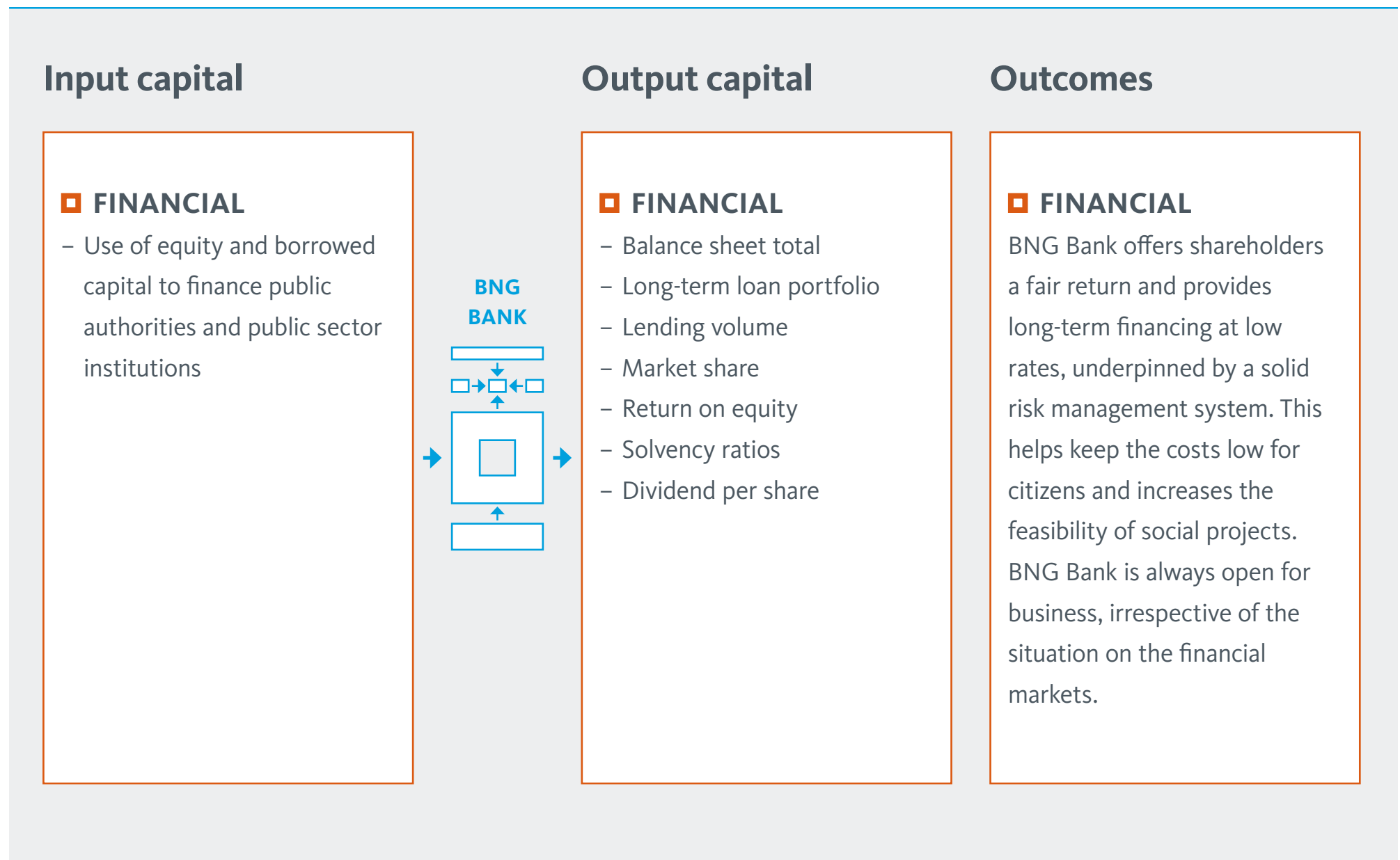
STAKEHOLDER MODEL



In order to fulfil its role effectively, it is important that BNG Bank maintains good relations not just with its clients and investors, but with all its stakeholders. BNG Bank defines individuals and groups that in one way or another have a direct interest in or influence on the bank's relevant business processes as its primary stakeholders. The manner in which the bank communicates with its stakeholders and the mutual expectations are discussed further on in this document.

FROM INPUT TO OUTCOME

The sources that BNG Bank uses, the results achieved through the bank's activities and the effects arising for society or key aspects thereof are stated for each element of the value creation model. The results are reported in the bank's [Annual Report](#).

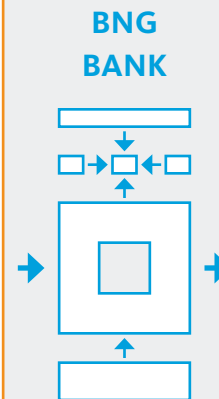


The bank uses its equity (share capital and reserves) and the funds it raises on the financial markets to provide financing to its clients. The bank's activities and the degree of success are reflected among other things by the development of the balance sheet total, the loan portfolio, market shares and net profit. Low rates help to keep the costs of public facilities low, from which citizens ultimately benefit. They benefit from lower municipal rates, lower rents for social housing and lower rates for healthcare and education.

Input capital

▣ SOCIAL

- Good relations with and trust from clients and investors
- Paying attention to and asking about relevant client-related developments
- Excellent corporate governance and high integrity
- Participation in public-private partnerships



Output capital

▣ SOCIAL

- Financing social rented housing
- Financing local authorities
- Client satisfaction
- Promoting sustainability by issuing SRI bonds
- BNG Cultuurfonds activities
- Volunteering activities

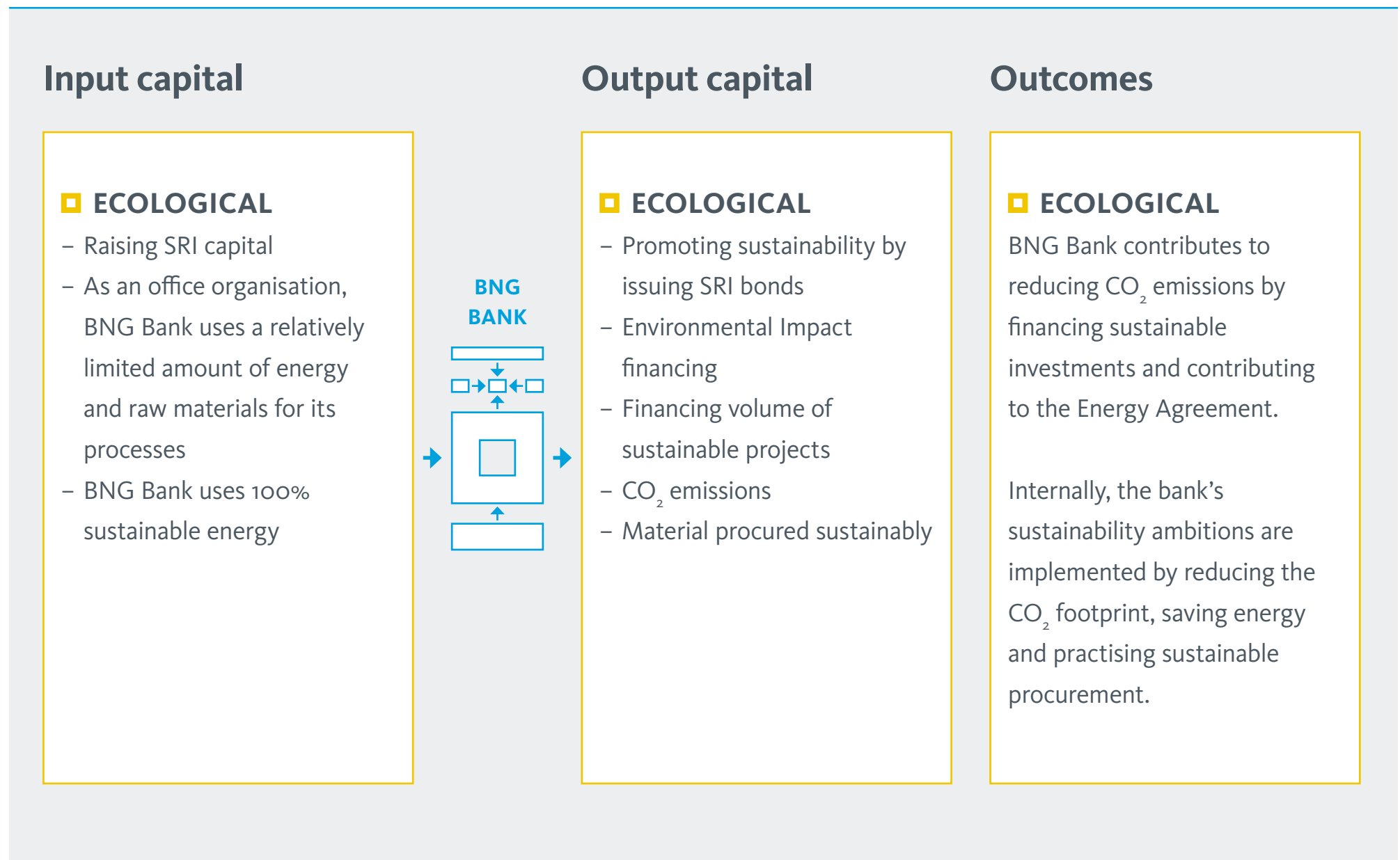
Outcomes

▣ SOCIAL

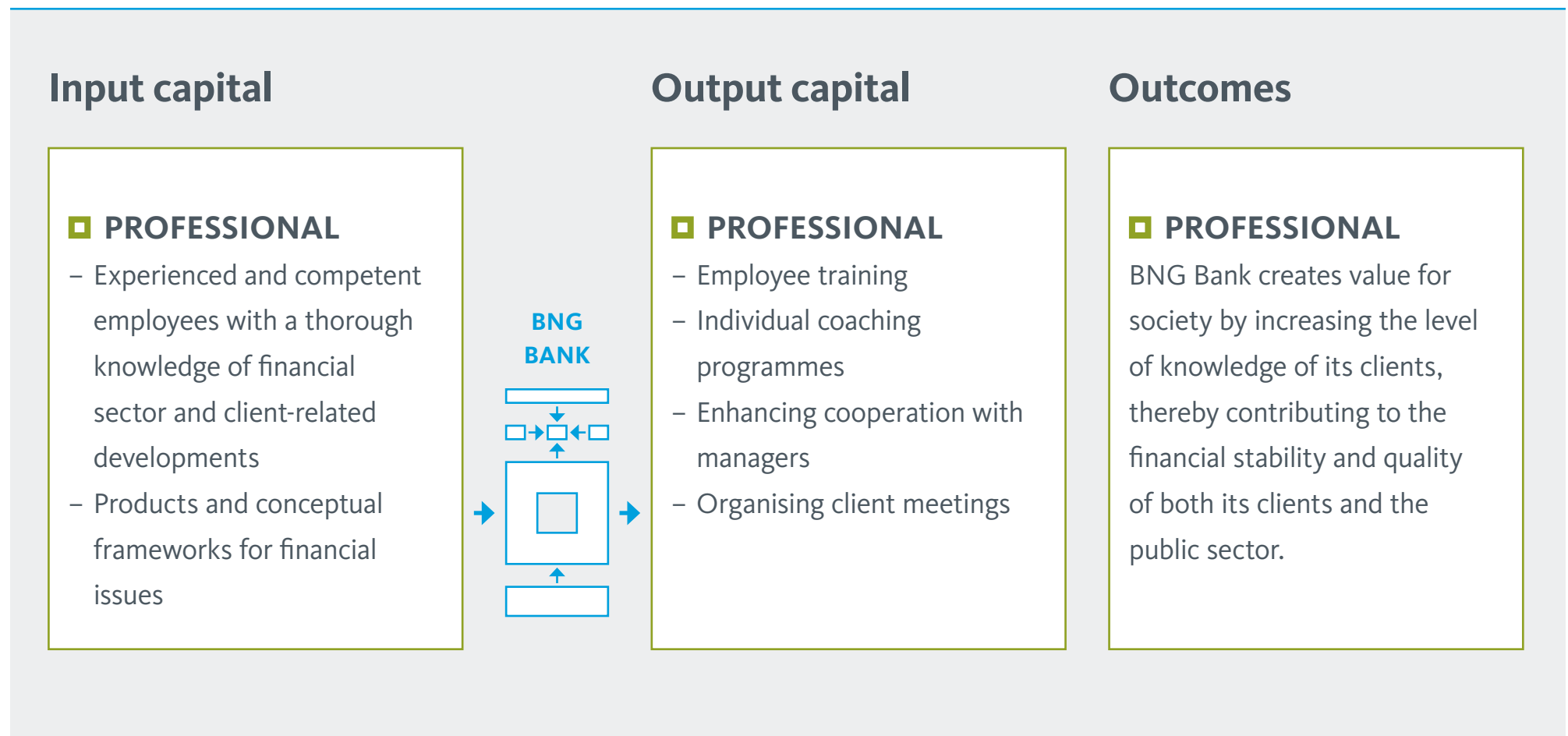
The bank helps to keep the costs of social provisions low for citizens (rents, health insurance premiums, etc.) and thus makes a contribution to society by serving the public interest. Moreover, the bank helps to raise awareness among its clients of the implications of laws and regulations through consultations with the relevant bodies. With safe products, BNG Bank contributes to building public trust in banks. BNG Bank helps bring social projects to fruition.

The bank can only operate successfully if all parties concerned have confidence in the bank. Risk management, ethical conduct, compliance with the corporate governance rules, client security and product security logically define the framework within which the bank conducts business. The bank considers the provision of financing to public sector organisations, such as housing associations and healthcare institutions, as its core business. The bank participates in public-private partnerships to create socially relevant provisions. BNG Bank has a team of employees specialised in assessing the feasibility of DBFMO (design-build-finance-maintain-operate) projects/public private partnerships. The bank also applies a system of standards for lending and a product approval procedure.

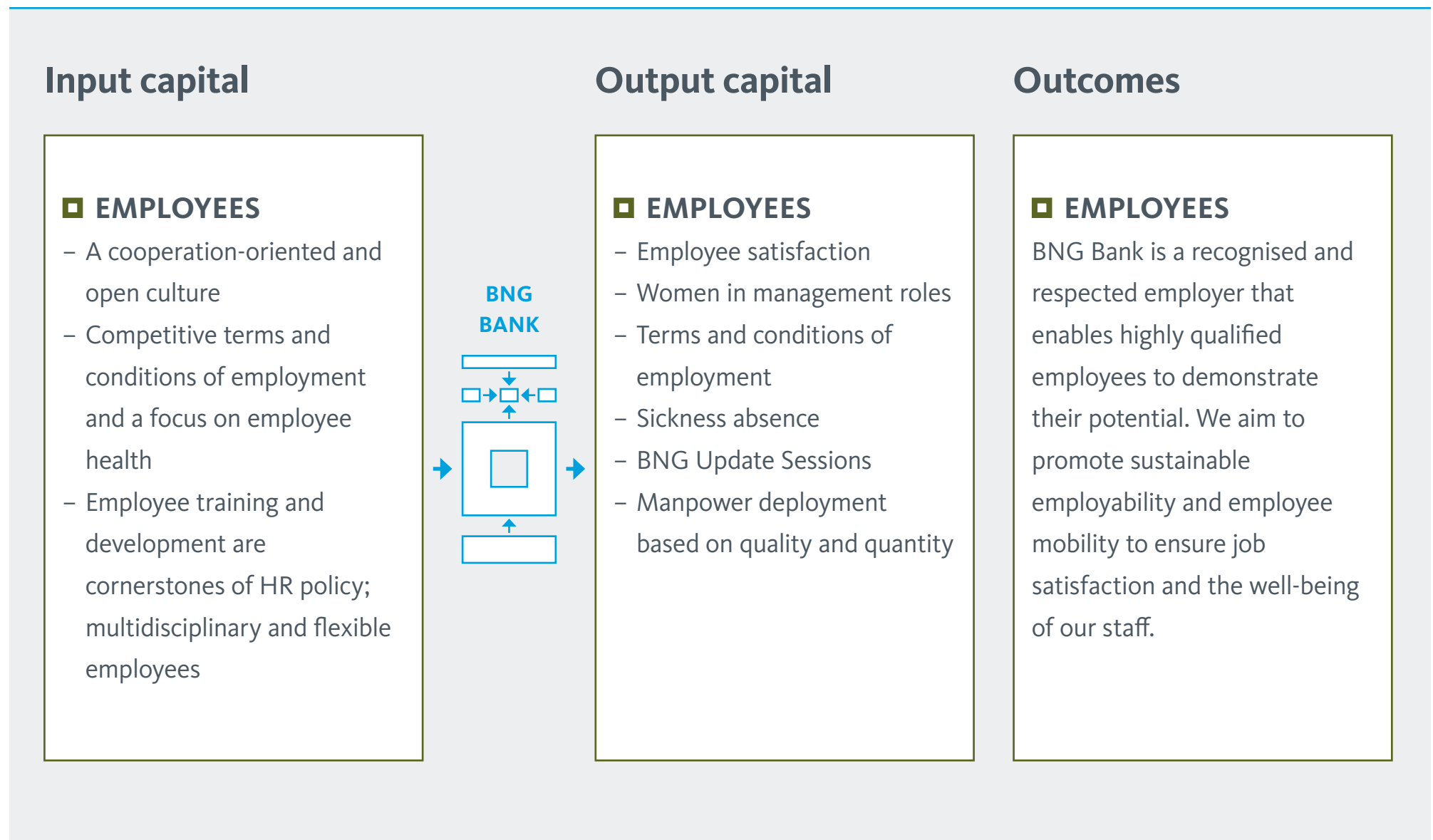
Promoting sustainability among clients is a focus area. The bank takes the initiative, where necessary, in providing solutions to financial constraints in the area of sustainability and economic development. As a result of its strong client relationships, the bank will, if it deems this necessary, take positions on developments and policy proposals that affect the financeability of its clients and will discuss these with the government, political circles and interest groups. The bank also demonstrates its social engagement by supporting cultural projects through BNG Cultuurfonds. The bank's market share in providing financing to housing associations and healthcare institutions, plus client satisfaction, serve to illustrate the success of the bank's activities. The activities aimed at promoting sustainability include issuing Socially Responsible Investment Bonds (SRI bonds) to finance the most sustainable municipalities and housing associations.



As an organisation with one office and a small workforce, the impact of business operations in itself is not large. Nonetheless, the bank pays considerable attention in its business operations to reducing CO₂ emissions and to procuring goods and services as sustainably as possible. An important element in implementing the sustainability ambitions is raising sustainable capital through SRI bonds. Sustainability aspects are taken into consideration in project financing. The impact on the environment therefore is an important factor to consider when choosing the type of project financing.



The bank's reputation hinges on employee expertise and motivation. Every employee fulfils a crucial role, not only in terms of external relations but also in terms of the internal organisational structure and processes. Employee expertise is equally important in developing services and products that respond to client and investor needs. The bank encourages employees to take training courses and focuses considerable attention on effective internal communications. During client meetings, the bank also offers clients the opportunity to raise and discuss current issues, thus helping to expand their level of knowledge, from which the public sector as a whole can benefit.



Mutual cooperation and openness about the bank's performance are essential in a small organisation. Good employment practices reflected by competitive terms and conditions of employment, a pleasant working environment and employee development opportunities constitute the basis of our human resource policy with the aim of safeguarding the flexibility and sustainable employability of employees. The bank is developing policy to safeguard workforce diversity.

Operating sustainably in the value chain

Needless to say, BNG Bank has no desire to conduct business with parties that might damage the bank's reputation. The bank has set out a number of procedures and guidelines aimed at preventing the bank from doing business with inappropriate parties in an unethical manner.

The bank has identified a number of sectors/industries, business processes and modes of conduct with which it has no desire to be associated, even if this would be possible within the scope of the bank's Articles of Association. Businesses that are directly and demonstrably associated with any of the above – subject to the proviso referred to below under exposures – are excluded from doing business with the bank.

They are as follows (not exhaustive):

ACTIVITIES

The fur, tobacco, arms, pornography and games of chance industries.

BUSINESS PROCESSES

Animal procedures (unless needed for medical purposes), bio-industry.

MODES OF CONDUCT

Corruption, fraud, violation of codes of conduct, inadequate corporate governance, structural violation of human rights, structural violation of environmental legislation and regulations, structural violation of labour legislation and workers' rights.

Structural violation of international laws and conventions.

EXPOSURES

The bank is aware of the needs of its public sector clients for investments and other services through the customer contacts maintained by its account managers. The bank is also aware of a considerable portion of the demand for loans through the same channels. The same applies to the demand for project financing through a consortium. When applying the sustainability theme to the product portfolio, the following guiding principles are observed: a link to the bank's strategy and business activities, a positive incentive for sustainable investments and creating a win-win situation for both the client and the bank. In providing financial services, the bank aims to support Dutch government policy, and in this context the bank has defined the following key objectives: financing more sustainable public real estate and housing association homes and the generation of sustainable energy. As a financial services provider, the bank believes it has a key role in raising awareness among its clients:

- as an advisor on the financial structure of concrete investment projects; in other words, proactively advising clients of sustainability opportunities;
- as a provider of tailored financing arrangements for sustainable investments that are acceptable to the bank in terms of risk profile. This concerns tailored services which are shaped and implemented in collaboration with the client. BNG Bank's strong position on the financial markets means that clients benefit from competitive rates;
- as a guide. In granting loans, where applicable, the bank imposes the requirement that the borrower must meet the relevant legal requirements, including those relating to environmental legislation.

In practice, there are three financing options:

- balance-sheet financing: the bank follows the client;
- project financing: the client/government is the initiating party, the bank searches for the client/project;
- proactive financing: the bank develops the financing solution, making life easier for the client.

During client meetings, clients are also asked whether they have any sustainable investment plans that focus on energy savings, and opportunities for sustainable investments are discussed. BNG Bank receives loan applications from public sector institutions and organisations with a strong government involvement. The provisions in Article 2 of the [Articles of Association](#) set out the framework for institutions that are eligible for BNG Bank financing. Applications from these institutions for loans to or backed by a guarantee from the public authorities have undergone a democratic decision-making process within the applicable legislative framework.

The bank's policy is to proactively support the public authorities in implementing their sustainability ambitions. The democratic decision-making process and monitoring by public institutions generally constitutes a strong line of defence against non-sustainable investments. However, the bank reserves the right to reject a loan application if it is to be used for activities that clearly have a negative total impact on the sustainability pillars.

On the whole, the public authorities, housing associations and healthcare institutions are financed through the balance sheet. For this reason, the financing granted cannot be linked to specific projects. In view of the objectives of the institutions concerned, BNG Bank considers lending to these institutions as socially responsible business practice. The bank aims to increase the sustainability of its loan portfolio for these client groups and has chosen the following working method for the period ahead:

- based on the Telos definition, a 'sustainability score' will be generated for the 'Housing' and 'Municipalities' portfolios. The level of sustainability of the 'Healthcare and Education' and 'Project Financing' portfolios will also be identified;
- BNG Bank aims to gradually improve the sustainability score for these four segments of its loan portfolio in the long term, in line with the National Energy Agreement, among other policy documents;
- using a baseline measurement, from 2017 the sustainability scores for the above client groups will be published every year so that the bank will be accountable for its sustainability ambition; in order to improve the sustainability scores for the loan portfolio, the bank will proactively enter into discussions with its clients. In balance sheet financing, this usually takes place by encouraging and supporting the least sustainable clients (usually smaller organisations) by sharing knowledge and through innovative solutions. BNG Bank's mission dictates that it must always provide financing to its core clients (the housing, healthcare and education, and public sectors) if their activities follow from democratic decision-making. Balance-sheet financing does not rule out the fact that clients may undertake less sustainable activities.

Alongside balance sheet financing, the bank actively undertakes to finance concrete projects and to develop tailored financing arrangements to facilitate sustainable, socially relevant projects. Examples are projects aimed at reducing energy consumption or CO₂ emissions. Besides investments in renewable energy, further examples include investments in insulation measures as part of major maintenance and projects that contribute to sustainable mobility and transportation, including investments in air, water and soil quality improvement measures and noise reduction measures. Other examples are building projects using primarily recycled or recyclable raw materials, or building according to the life cycle approach where the consumption of raw materials is minimised throughout the life cycle of the building.

Loan applications for project financing (DBFMO) are given a sustainability score, with sustainable projects taking priority. Furthermore, BNG Bank is developing policy to simplify and in doing so promote the financing of small-scale sustainable projects. Projects are assessed against the bank's sustainability exclusion criteria and will be rejected if one or more of the criteria apply.

If deemed necessary, the bank will ask its clients to present the necessary approvals and permits and will examine whether clients meet the conditions imposed.

Client Acceptance and Customer Due Diligence procedures are conducted to assess customer admissibility and integrity risks, such as money laundering, fraud, negative facts and reputational damage for the bank.

Among its exposures, BNG Bank holds a portfolio of very liquid paper in order that it can fulfil its redemption obligations under all circumstances. The liquidity portfolio consists of authorised paper from national governments and supranational institutions within the European Union. In addition, the bank holds authorised promotional loans, covered bonds and securitisations (RMBS) backed by home mortgages in its portfolio.

DUTY OF CARE PARAMOUNT

From a regulatory perspective, BNG Bank regards the majority of its clients as 'non-professional' counterparties. The duty of care, i.e. acting in the client's interests, is of paramount importance in the services provided by the bank. BNG Bank therefore seeks to offer well-defined, transparent and uncomplicated products. Products with risks

which are not immediately clear to the client are not offered. If services or products attract external criticism, they are adjusted or withdrawn. The bank pays considerable attention to providing clear information to clients and warning them of the risks associated with certain products. The duty of care towards guarantors for loans granted is set out in policy. Conflicts of interest are avoided or managed in line with BNG Bank's obligations under the Financial Supervision Act (Wft).

OTHER ACTIVITIES

BNG Gebiedsontwikkeling B.V. is engaged in the development of spatial planning projects. The activities of this wholly-owned subsidiary contribute towards BNG Bank's primary objective. Furthermore, BNG Bank offers services through BNG Betalingsverkeer.

BNG Bank holds 100% of the shares in Hypotheekfonds voor Overheidspersoneel (HvO). HvO has, in principle, no longer issued any new mortgages since 2013. The management of the existing – wind-down – portfolio has been transferred to Delta Lloyd Bank.

FUNDING

BNG Bank does not have a retail savings business and in sourcing its funds relies almost entirely on public issues on the international money and capital markets. Who are the parties that invest in BNG bonds? The bank can only partially answer this question. As the bonds are freely tradeable on the stock exchange, BNG Bank has no insight into the bond holders. BNG Bank places its public issues with renowned institutions with international operations. This is essential to ensure that BNG Bank's sizeable issues are successfully placed. The bank has published a number of [Capital Market Facts](#) known to the bank on its investors' [website](#).

The bank fulfils its supply chain responsibility when issuing bond loans by informing potential investors in accordance with the transparency requirements under the Dutch Financial Supervision Act (Wft). The financial counterparties with whom the bank conducts business fall under the bank's Customer Due Diligence (CDD) policy. This policy is based on the ethical business practices requirement stipulated in the Financial Supervision Act and on Dutch anti-money laundering legislation. Organisations that deposit funds directly with BNG Bank are also subject to this policy. Countries and parties subject to sanctions measures by the United Nations are therefore excluded. These parties are

also assessed against the exclusion list. Any existing positions will be wound down as quickly as is reasonably possible in the event sanctions are imposed or if parties oppose the exclusion list.

SUPPLIERS

BNG Bank largely procures its supplies from Dutch suppliers who are subject to Dutch laws and regulations. In terms of the environmental and social aspects, under the bank's procurement policy set out in the bank's procurement vision, sustainability means that supplies should be procured in line with actual use and that there should be a good balance between the environmental and economic aspects. The bank uses information and practical tips from PIANOo, the Dutch Public Procurement Expertise Centre (Pianoo.nl). Suppliers who are awarded larger contracts must adhere to sound sustainability principles. The bank's preferred suppliers are those who hold ISO14001 or EMAS certification. The bank's exclusionary provisions apply to suppliers. BNG Bank's procurement policy is based on the PIANOo sustainable procurement criteria. Given the size of the bank's organisation, the amount of expenditure on procurement activities is limited in absolute terms. The bank's [procurement policy](#) has been published on bngbank.com.

Social themes

Five themes have emerged from the bank's mission, strategy, core values and the value creation process which the bank considers essential for the success of the business. These themes constitute the basis for the reporting in the Annual Report. The five themes are as follows:

- a safe bank;
- responsible growth;
- committed employees;
- social engagement;
- environmentally conscious operations.

The vision is updated annually, where necessary. The themes reflect the interests of the bank's different stakeholders. A number of sub-themes have been identified under each theme.

SUSTAINABILITY VISION

LONG-TERM VALUE CREATION ACROSS THREE DIMENSIONS:
MARKET, PEOPLE AND THE ENVIRONMENT

5 THEMES

A SAFE BANK

RESPONSIBLE
GROWTH

COMMITTED
EMPLOYEES

SOCIAL
ENGAGEMENT

ENVIRONMENTALLY
CONSCIOUS
OPERATIONS

15 SUB-
THEMES

- ECONOMIC PERFORMANCE
- CLIENT SECURITY
- PRODUCT SECURITY
- RISK MANAGEMENT
- INTEGRITY, CORPORATE GOVERNANCE

- LONG-TERM LENDING TO CORE CLIENT SECTORS
- FINANCING SUSTAINABLE INVESTMENTS

- TRAINING AND DEVELOPMENT
- WORKING RELATIONS WITH EMPLOYEES
- DIVERSITY

- MAKING A CONTRIBUTION TO SOCIETY
- SERVING THE PUBLIC INTEREST
- HUMAN RIGHTS

- CO₂ FOOTPRINT AND ENERGY
- SUSTAINABLE PROCUREMENT

The selected sub-themes are explained in greater detail below.

- A safe bank. The value for money for clients and the return for shareholders are expressed under the ‘safe bank’ theme. Both elements are important in effectively performing our public service role. The bank’s level of success in delivering these elements can be measured in terms of actual economic performance: market shares and return on equity. These strategic BNG Bank objectives – see the Strategy section in the Annual Report – mirror the CSR objectives themed under ‘a safe bank’. Clients need to be confident that the bank will not abuse differences in knowledge of financial products; product security – transparent and understandable products, with a clear explanation of how they work – is the underlying principle. BNG Bank avoids complex, exotic products, such as derivatives with option-style elements and products which it believes carry high or even excessive risks for the client. Clients also need to be confident that the bank handles the client data entrusted to it with due care and that the bank’s systems are properly secured. Client security therefore is an underlying principle. To BNG Bank, risk management is a business interest that is crucial to creating added value for Dutch society and serves to safeguard the high credit ratings underpinning its business model. Equally important is the perception that investors, rating agencies, financial counterparties and regulators have of the bank’s integrity, compliance with legislation and regulations and corporate governance.
- Responsible growth. Partnering with clients is an important aspect of BNG Bank’s public role. This is expressed under the theme of responsible growth. The key indicator ‘long-term lending to the core client sectors’ is particularly relevant, including the financing of sustainable investments, with which the bank facilitates and stimulates environmentally conscious business operations among clients. BNG Bank stimulates the sustainability drive among municipal authorities and responds to the interest in sustainable investment options among investors by issuing SRI bonds. It then uses the proceeds to fund the most sustainable municipalities or housing associations. The financing (which includes continuing the loan following the change in interest rates) must be arranged and paid up in the year in which the SRI bond is issued. This is how the theme of responsible growth is articulated in the bank’s mission. Clients’ opinions on BNG Bank’s products and financing arrangements and the degree to which the bank meets their needs are reflected in customer satisfaction. This equally is a business interest. The bank regularly conducts customer satisfaction surveys.

- Committed employees. Motivated employees are instrumental in ensuring effective and efficient business operations, thereby serving the public interest. Sufficient employee training and development opportunities constitute the basis for a strong workforce. The bank endeavours to offer competitive terms of employment. Employee remuneration is based on the salary scale corresponding to the position, irrespective of the employee's gender. The bank pursues an open culture and workforce diversity, including in management roles.
- In terms of the theme social engagement, BNG Bank serves the public interest by taking a stance in the relevant consultation forums with policy developers and interest groups, and accordingly seeks attention from the government members concerned. In addition, through various activities and BNG Cultuurfonds, the bank makes contributions to society, primarily to art and cultural programmes that are important to municipalities. The bank moreover contributes to raising young people's awareness with regard to managing money. Given the framework for lending activities defined in the Articles of Association, the sub-theme of human rights plays a limited role in the area of lending. However, this is an aspect that must be considered when raising funding and when procuring goods and services.
- An aspect that is relevant to the theme of environmentally conscious operations is that BNG Bank is a small organisation with only one office. The policy within the small-scale organisation focuses on using materials and energy as efficiently as possible and on reducing the CO₂ footprint. Supplier sustainability is an aspect that must also be considered in this regard.

Each year, the bank requests the views of stakeholder groups concerning the materiality of the sub-themes, and discusses these during a meeting. The themes that stakeholders consider important, or the impact of which the bank considers important, are reported on in the bank's Annual Report. The process and the results of the dialogue are explained in further detail in the Annual Report.

Relationship with stakeholders

The trust of all stakeholders in BNG Bank is crucial in order for the bank to achieve its mission and strategic objectives.

BNG Bank has identified the topics that define its relationship with its stakeholders based on the regular contact the bank maintains with its various stakeholder groups. This enables the bank to closely align strategy and the business process from the perspective of stakeholders and from its own perspective. The challenge for BNG Bank is to serve stakeholder interests and its own interests at the same time. The perspective analysis is shown schematically on the following pages.

PERSPECTIVE ANALYSIS		
STAKEHOLDER	STAKEHOLDER PERSPECTIVE	BNG BANK PERSPECTIVE
<p>CLIENTS</p>	<ul style="list-style-type: none"> - good value for money - sustainable products - financing sustainable investments - innovation - proactive approach - partnership - professionalism - ensuring proper information - integrity - duty of care 	<ul style="list-style-type: none"> - market share/margin - client appreciation - minimal risk of credit loss - financing possibilities from SRI bonds - continuity - statutory and regulatory compliance
<p>INVESTORS</p>	<ul style="list-style-type: none"> - optimum return/security - liquidity - integrity and transparency - professionalism - sustainable investment opportunities (SRI bonds) 	<ul style="list-style-type: none"> - permanent access to the capital and money markets - optimum funding prices/mix
<p>RATING AGENCIES</p>	<ul style="list-style-type: none"> - integrity and transparency 	<ul style="list-style-type: none"> - maintain high ratings

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STAKEHOLDER

SHAREHOLDERS

STAKEHOLDER PERSPECTIVE

- fair return/dividend
- security of return
- continuity/stability
- active for the public interest
- sustainability policy
- adequate corporate governance
- cost control

BNG BANK PERSPECTIVE

- continuity of share ownership
- sustainability policy
- discharge from liability for the management conducted
- discharge from liability for the supervision conducted

GOVERNMENT

- effective performance
- public service role
- CSR reporting
- level playing field
- enforcement of legislation and regulations

- recognition of public service role of BNG Bank
- partnership
- sustainability reporting
- continuity of share ownership
- political predictability

FINANCIAL COUNTERPARTIES

- good returns
- security
- integrity and transparency
- professionalism

- access
- favourable conditions
- transparency
- minimal risk of loss

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STAKEHOLDER

EMPLOYEES

SUPERVISORY AUTHORITIES

STAKEHOLDER PERSPECTIVE

- attractive work
- pleasant working conditions
- competitive employment terms
- development opportunities

- integrity and transparency
- controlled conduct of business (risk management)
- unqualified audit report
- statutory and regulatory compliance
- predictability

BNG BANK PERSPECTIVE

- appropriate staff numbers
- motivated staff
- appropriate costs
- socially responsible behaviour (integrity)

- policy approval
- retain permits
- controlled and ethical business practices
- compliance

Stakeholder dialogue

The dialogue with the relevant stakeholders is logically derived from the model chosen by BNG Bank. The bank regularly holds structured consultations with its stakeholders about socio-economic topics that are important to them, as well as about the implications of laws and regulations.

CLIENTS

BNG Bank engages in discussion with its clients on numerous occasions. The bank frequently welcomes delegations from individual municipalities and provinces in the Netherlands to discuss BNG Bank's activities and work practices with them. A member of the Executive Board regularly attends these events.

The bank periodically organizes the 'G4 talks' (with the four largest municipalities), consultations with municipalities with a population of 20,000 to 50,000, the 50,000+ consultations and the 100,000+ consultations. The bank also maintains frequent contact with the umbrella organisations VNG and the IPO. BNG employees regularly engage in dialogue with the sector organisations for the housing association and healthcare sector. They include the umbrella organisation Aedes, the Netherlands Authority for Housing Associations (AW) and the Social Housing Guarantee Fund (WSW) in the public housing domain. Examples in the healthcare domain are the Healthcare Sector Guarantee Fund (WFZ) and the umbrella organisations ACTIZ, the Dutch Mental Healthcare Association/GGZ Nederland, the Dutch Association for Care and Support for People with a Handicap (VGN) and the Netherlands Association of Hospitals (NVZ). The bank also engages in dialogue with clients by participating in conferences.

INVESTORS

BNG Bank provides information to investors across the various continents primarily on the [bngbank.com](https://www.bngbank.com) investor pages, in view of the fact that investors in BNG bonds are largely anonymous. The bank's annual reports can also be viewed there.

In addition, BNG Bank regularly organises international road shows, which allow it to enter into a more focused dialogue with investors on developments at BNG Bank. The aim of these events, in which the significance of BNG Bank for Dutch society features prominently, is to attract investor interest in purchasing BNG Bank bonds. The bank also engages in dialogue with parties in the world of investment by participating in conferences. Any relevant matters arising from these dialogues are discussed during Executive Board meetings.

FINANCIAL COUNTERPARTIES

Financial counterparties mediate with current and prospective investors on behalf of BNG Bank. The bank also works with financial counterparties to buy derivative products and to cover short-term surpluses or deficit requirements. BNG Bank selects its financial counterparties carefully, with creditworthiness being the most important criterion. The contact maintained with these parties is of a corporate and bilateral nature.

BNG Bank is a member of a number of interbank collaborative partnerships. It is an active member of the Dutch Banking Association (NVB). In Europe, the bank is active within the European Association of Public Banks (EAPB). During these consultations, banks with a more or less similar business objective discuss and share information on topical themes, with the aim of achieving joint advocacy in Brussels concerning public service financing.

SHAREHOLDERS

Given that the central government and municipal and provincial authorities are its shareholders and in view of its customer base, BNG Bank belongs to the Dutch public sector. The bank knows all its shareholders and meets many of them at the Annual General Meeting of Shareholders (AGM). The bank also engages with its shareholders outside the AGM. Most of the bank's shareholders are also the bank's clients. Each BNG Bank shareholder has the formal right to submit written proposals for the AGM agenda.

Each year, the strategic objectives, the parameters, the policy and the activities of BNG Bank are clarified at the AGM. The bank regularly discusses business performance with its shareholders.

RATING AGENCIES

Because the bank relies entirely on the national and international money and capital markets for its funding, it is essential that the bank maintains its excellent credit ratings in order to implement its mission. Therefore, the periodic and open discussions with the various rating agencies (Standard & Poor's, Moody's, Fitch) are particularly important. Discussions with the rating agencies, which are attended by an Executive Board member, take place at regular intervals and as often as either party wishes.

SUPERVISORY AUTHORITIES

BNG Bank complies with the laws and regulations applicable to the banking industry, mainly the Financial Supervision Act (Wft), the European Union regulations, the instructions of the European Central Bank (ECB) and the Dutch Central Bank (DNB) concerning prudential supervision, the instructions of the Netherlands Authority for the Financial Markets (AFM, concerning the supervision of conduct) and, increasingly, the instructions of the European Banking Authority (EBA) and the European Supervisory Markets Authority (ESMA). The bank maintains frequent contact with the ECB and DNB.

Important formal consultations are held with DNB and the ECB during the annual policy discussion and the annual risk consultation, which are attended by an Executive Board member. Ad hoc consultations also take place as often as either party requires. The number of discussions has increased as a result of regulatory changes and the associated changes in supervision. The number of topics subject to supervision is also increasing, such as the remuneration policy, information security and the internal audit function.

GOVERNMENT

BNG Bank maintains contact at both the administrative and official level with all the government ministries relevant to its field of activity. Apart from the Ministry of Finance, these are mainly the Ministry of the Interior and Kingdom Relations, the Ministry of Health, Welfare and Sport, the Ministry of Education, Culture and Science and the Ministry of Economic Affairs. The topics discussed with the relevant ministries include the implications of forthcoming financial laws and regulations, the Local and Regional Authorities (Funding) Act, the financeability of BNG Bank's core client sectors and collaboration with the EIB and EFSI in the area of financing.

EMPLOYEES

Employees constitute the foundation on which BNG Bank is built. The bank has a competitive HR policy and offers good working conditions and good development opportunities. BNG Bank conducts an employee satisfaction survey once every three years.

BNG Bank has an employee-elected Joint Works Council which regularly consults with the Executive Board. Almost all BNG Bank employees are formally represented by the Joint Works Council, which holds regular meetings with the Executive Board (six meetings a year). Recurring themes in these consultations are the bank's strategy, the general course of business, the Annual Plan, the budget and social policy.

Each year, three consultation meetings are attended by representatives of the Supervisory Board. A meeting is held between the plenary Joint Works Council and the Supervisory and Executive Boards once a year. Further information on the Joint Works Council can be found in the Annual Report.

The value the bank attaches to education for and communication with its employees is reflected by themed internal meetings for all employees. In addition to the financial results, various current issues are covered during these meetings.

Materiality analysis

The social themes, the perspective analysis and the results of the stakeholder dialogue form an important starting point for the materiality analysis, which in turn serves as the basis for the content of the annual reporting topics. The course of the proceedings and the results of the analysis are explained in further detail in the Annual Report.

Management approach to sustainable business practices

The process, the manner in which policy is developed and the management approach by BNG Bank to the various dimensions included in its definition of sustainability are set out below.

PROCESS

Each year, BNG Bank evaluates the extent to which its strategy and the strategic objectives need to be adjusted based on an internally developed long-term plan. Adjustment of the strategy will also have implications for the sustainability objectives defined under ‘a safe bank’ and ‘responsible growth’.

The business and sector-specific topics that BNG Bank deems of material importance are addressed in the long-term plan. After consultations at Executive Board level and Management level, the long-term plan is adopted by the Executive Board and subsequently presented to the Supervisory Board for discussion and approval.

The long-term plan and the results of the discussions in the Supervisory Board form the basis for a planning document written by the Executive Board detailing the key material themes and projects for the year ahead. After the planning document has been fine-tuned and approved internally, the relevant managers use it as the basis for the annual plans for their own directorate or department. All plans include policy objectives and performance indicators.

The activities proposed in these plans are consistently included in the BNG Bank's annual plan. The strategy is harmonised with the business processes in the written plan, with due consideration for stakeholders' and the bank's interests.

After consultations at Executive Board level and Management level, the plans are approved by the Executive Board and the annual plan is submitted to the Supervisory Board for discussion and approval. The annual plan sets out the objectives that will be reported on in the Annual Report. Financial and CSR reporting are integrated in the Annual Report.

POLICY DEVELOPMENT

The Executive Board determines BNG Bank's sustainability policy, which is subsequently discussed by the Supervisory Board. The relevant aspects in BNG Bank's long-term and annual plans are discussed by the Supervisory Board.

The Sustainability Committee was established at the end of 2015 and is chaired by a member of the Executive Board. The committee aims to stimulate the development of sustainability activities at BNG Bank, thereby implementing its core value of sustainability.

The committee's activities include assessing and advising on proposed sustainability activities to be undertaken by the bank and preparing decision-making by the Executive Board. The committee also monitors, evaluates and reports on sustainability performance by the bank in relation to the sustainability objectives and ambitions defined and, if necessary, initiates activities to achieve these objectives and ambitions.

MARKET DIMENSION

BNG Bank seeks to be a safe bank. The ratings of Moody's, Standard & Poor's and Fitch reflect sound risk management, reliability and integrity in conducting business; maintaining good credit ratings is a prerequisite for the bank in executing its core task.

That task is to fulfil a substantial portion of credit demand at low rates or guaranteed by public authorities in the Netherlands; the bank does not seek to maximise profit. Accordingly, the same public authorities – to the extent they are BNG Bank shareholders – expect that the bank will generate a fair return for them.

Each year, the Supervisory Board sets the targets for market shares and the return on equity. The Executive Board and senior management are responsible for achieving these targets. The Supervisory Board assesses actual performance each year based on a report by the independent auditor.

In qualitative terms, in pursuing responsible growth, BNG Bank must offer an appropriate range of products. The development of new products is subject to a product approval process at BNG Bank which is also used to periodically evaluate existing products. A number of the bank's business units are responsible for specific parts of this process.

In providing services, BNG has set itself the ambition of making a further contribution towards sustainable client investments. Based in part on a dialogue about related dilemmas with clients, shareholders and employees, the bank has decided on the policy directions explained in the Annual Report. Controlling long-term lending is the responsibility of the relevant senior managers, who report to the chairman of the Executive Board.

PEOPLE DIMENSION

In view of its public role, BNG Bank aims to achieve responsible growth. The bank respects conventions concerning human rights, the rights of minorities and workers' rights. The bank's contribution to employment is limited, given the size of its workforce. Expert and engaged employees, however, are crucially important for the organisation's performance. Management and the Human Resource department are responsible for implementing human resource policy.

ENVIRONMENTAL DIMENSION

The bank keeps records of, among other things, (the development of) energy consumption, waste flows and business kilometres travelled by lease vehicle and aircraft. The bank's maximum CO₂ emissions standards also determine the choice of vehicles available under the car lease scheme.

Another option offered is a public transportation business travel pass. BNG Bank uses green power derived from renewable sources and also generates electricity using solar panels. BNG Bank's policy and targets for environmentally conscious business practices are established each year and evaluated under the responsibility of the Executive Board.

There is a drive to reduce the CO₂ footprint and the volume of paper bought. There also is a focus on increasing the level of sustainable procurement. The procurement policy for the business has been formally documented.

Facility Services is the organisational unit responsible for coordinating internal business operations. Various departments are involved in implementing these operations, depending on the topic.

Appendix: Corporate governance

MANAGEMENT AND CONTROL

The Executive Board is charged with the day-to-day management of the bank. The Executive Board consists of three members, including the chair, and is supervised by the Supervisory Board. The chair and other members of the Executive Board are appointed and dismissed by the Supervisory Board. Specific Executive Board meetings are the Management meeting and the meetings of the Asset & Liability Committee. BNG Bank also has the following committees, each of which are headed by a member of the Executive Board: 1) the Credit Committee, 2) the Investment Committee, 3) the Financial Counterparties Committee, 4) the Capital Policy and Financial Regulation Committee and 5) the Sustainability Committee. Decision-making on the sustainability policy takes place during Executive Board meetings. One board member is responsible for preparing and implementing the sustainability policy. The management approach to sustainability is set out in this memorandum. The Executive Board members are responsible for implementing the policy under the various themes. They receive assistance with the various aspects from the senior management members who are responsible for achieving the various sustainability objectives and for the corresponding measurement methods. The Executive Board monitors the implementation of the annual plans based on quarterly reports, which are drawn up by and discussed with the relevant directors and senior managers. New policies and procedures are shared with the departments through presentations, or are announced by email or on the intranet.

The Supervisory Board's task is to monitor the policy of the Executive Board and the general course of events at BNG Bank. The Supervisory Board evaluates the Executive Board's performance and its own performance each year. An external supervisor is engaged to conduct the self-evaluation of the Supervisory Board once every three years.

The process and the actions arising from the findings are described in the report of the Supervisory Board. The Compliance department and the IAD carry out internal monitoring on behalf of the Supervisory Board. BNG Bank's business processes, including those of its subsidiary, and compliance with policies and procedures are audited periodically by the IAD. Each year, the IAD reviews the CSR sections of the Annual Report and the GRI index containing the environmental and social aspects. The Supervisory Board conducts an annual assessment of the Executive Board.

ETHICAL CONDUCT

BNG Bank has a policy aimed at preventing inappropriate behaviour. BNG Bank's Compliance department is entrusted with the task of managing integrity risks. The department advises and reports on the implementation of and compliance with integrity regulations: regulations for ethical business practices, service provision observing the principles of due care and ethical market conduct. Compliance has a monitoring and corrective role in the event of an integrity risk or incident. All employees, executive directors and supervisory board members have taken the oath or affirmation for the financial sector. The bank has a company code of practice with a corresponding set of internal rules of conduct aimed at anchoring ethical conduct in the organisation. The 'client's interests take centre stage' is one of the key principles underlying the activities carried out by the bank and its employees. The Company Code of Practice was drawn up by Human Resources in collaboration with the Compliance and Marketing & Communication departments. Following the approval of the Executive Board and the Supervisory Board, the code was distributed to the employees, together with background information. The Executive Board is responsible for the Company Code of Practice. On commencing employment, particular attention is paid to employee and executive integrity. BNG Bank pursues a pre-employment screening policy. New employees receive the Company Code of Practice when joining the bank and take the oath or affirmation for the financial sector. Internal rules of conduct to avoid conflicts of interest include rules for accepting and giving business gifts and rules for entering into private transactions with suppliers. See also the section on employees in the Annual Report.

COLOPHON

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