

Principles of the BNG Bank sustainability policy

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Introduction and definition

At BNG Bank, sustainability is a core value. BNG Bank puts itself forward as a partner committed to its clients and shareholders.

The bank has aligned its approach to sustainability with the Global Goals (the Sustainable Development Goals) of the United Nations (serving people, markets and the environment through sustainability). BNG Bank applies 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.

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Principles of our sustainability policy

BNG Bank is a committed partner for a more sustainable world. In specific terms, this principle means that BNG Bank:

- is a committed partner who contributes proactively to greater sustainability within the Dutch public sector on both sides of the balance sheet;
- works to make its own operations more sustainable.

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The business areas of lending, funding and operations reflect our principles as follows:

Lending

- Based on definition by Telos, the Brabant centre for sustainable development linked with the Tilburg University, a 'sustainability score' has been generated for the Housing and Municipalities portfolios. We will also assess the sustainability level of the Healthcare & Education and Project Financing portfolios.
- Our goal is to improve the sustainability score gradually across these four segments of the BNG Bank loan portfolio over the long term.
- Using a baseline measurement, we will publish the sustainability scores for each of the above client groups on an annual basis so we can be held accountable for our sustainability ambition.
- To improve the sustainability scores for the loan portfolio, we will proactively enter into discussions with our clients:
 - a. In balance sheet financing, we will do so by sharing knowledge and providing innovative solutions that encourage and support clients.
 - b. In project financing, we will assign an expected sustainability score to each loan application and prioritise the most sustainable projects.
 - c. We have expressly laid down our exclusion criteria for lending (Appendix 1).
 - d. BNG Bank has set up the BNG Sustainability Fund to promote small-scale sustainable projects through simple financing.

Funding

- BNG Bank applies exclusion criteria as established by the European Commission, based on UN criteria and published in our Customer Due Diligence policy. This list is dynamic and may be revised in future.
- BNG Bank has set itself the objective of gradually increasing the frequency and

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volume of the SRI Bonds issued to finance sustainability efforts of clients. We will do so at a pace which matches the gradual increase in our sustainable lending initiatives.

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Operations

- BNG Bank aims to reduce the carbon footprint of its operations to net zero by 2020 at the latest. The bank will seek to achieve this goal through a maximum reduction of CO₂ emissions, including through additional sustainability measures for its office (which was granted the A label in 2017) and by compensating any remaining CO₂ emissions.
- Another aim in this regard is to seek out suppliers who comply with sound sustainability principles. Certifications (ISO, FIRA) would be one method to illustrate this compliance. For all products that we source, it must be possible to demonstrate that they are the result of sustainable practices (including in relation to workers' rights, CO₂ emissions and similar). Specific areas for attention are IT support services, catering and cleaning services. The purchasing policy has been set out in a separate document.

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Appendix 1: Exclusion criteria for lending

Through its activities, BNG Bank has the aim of contributing to a more sustainable society. We work to achieve this goal by proactively encouraging initiatives and projects in the area of sustainability. In addition, we have identified a number of sectors, business processes and business practices with which we have no desire to be associated. Any relevant scenarios in which the government has set specific policies or provides explicit guarantees will be independently reviewed by the bank (on a case-by-case basis). Furthermore, businesses that are demonstrably associated with the following activities, processes and business practices are excluded from doing business with the bank.

They are as follows (not exhaustive):

Activities

- Exploration and/or extraction of new coal, oil and gas reserves
- The fur industry
- The tobacco industry
- Arms trading
- Pornography
- Games of chance

Business processes

- Animal testing (unless required for medical purposes)
- Bio-industry

Business practices

- Corruption, fraud, infringement of codes of ethics
- Inadequate corporate governance
- Structural human rights violations
- Structural infringement of environmental laws and regulations
- Structural employment law and workers' rights violations
- Structural infringement of international laws and conventions

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Appendix 2: VNG and BNG Bank work together to achieve the Global Goals

BNG Bank and the association of Dutch municipalities (VNG) have joined forces in the UN campaign around the Global Goals for Sustainable Development. By means of the associated agreement, the parties wish to encourage municipalities in developing specific initiatives for the implementation of the 17 Global Goals (also known as the Sustainable Development Goals), which were adopted by 193 Member States of the United Nations in 2015. The agreement includes a Challenge to municipalities which aims to inspire them in developing innovative ideas. The Dutch government has endorsed the Global Goals campaign and has asked VNG to implement it in collaboration with municipalities.

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