



BNG Bank

Socially Responsible Investment Bond 2015

**Sustainability Framework document for
Best-in-Class Municipality Investment**

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Summary

BNG Bank asked Telos, of Tilburg University, to develop a Socially Responsible Investment (SRI) Bond framework to promote BNG Bank's investment in the best-in-class of sustainable municipalities in the Netherlands in 2015.

Telos developed a similar framework in 2014 for the BNG Bank SRI bond of October 2014, using the methodology applied in its Dutch National Monitor of Sustainable Municipalities 2014. For the BNG Bank SRI Bond of 2015 Telos has developed a new framework that is adapted to the further developed methodology of the National Monitor, published 10 September 2015, and its outcome. This methodology is an operationalization of a similar approach known as the European Reference Framework for Sustainable Cities (RFSC). It is based on a detailed comparison of all 393 Dutch municipalities using 107 scientific indicators for which quantitative data are available from reliable public sources.

Moreover, the Dutch National Monitor of Sustainable Municipalities 2015 categorized 14 types of municipalities to reflect e.g. size, historical and geographical differences in developmental challenges. The Framework presents, out of the 393 Dutch municipalities, a list of 97 municipalities which are the top-15 best-in-class municipalities for the 14 types of municipalities involved.

Furthermore, a structure for yearly performance reporting is presented.

1 Scope and objectives

BNG Bank asked Telos of Tilburg University to help create a 'Socially Responsible Investment' (SRI) or 'Green Bond' framework to support investments made by BNG Bank in the top class of sustainable municipalities in the Netherlands. This framework is consistent with the Green Bond Principles (2014), which are voluntary Process Guidelines for issuing Green Bonds, established in January 2014 by a group of international banks. A SRI bond is a normal bond with specific use-of-proceeds requirements, namely for sustainable projects or borrowers, resulting in improved sustainability performance.

The first principle of green bonds is that there must be a clear definition of the relevant criteria. BNG Bank asked Telos for the first time in 2014 to develop a document to describe the sustainability criteria that Telos would use to assess the sustainability of Dutch cities. In March 2014, Telos published a National monitor for sustainable municipalities at the request of the Dutch Ministry of Infrastructure and Environment. This National Monitor includes a framework and data that provide a useful source for the requirements of BNG Bank in defining its criteria for the "Sustainability Bond". The Framework for BNG Bank's first SRI bond of October 2014 helped investors and other stakeholders to understand these criteria. In 2015 Telos published an updated National Monitor Sustainable Municipalities, which contained several changes. The number of municipalities in the Netherlands changed from 403 to 393 and the number of indicators was expanded from 90 to 107. Furthermore the typology of municipalities was refined from 8 till 14. Because of these changes the Framework for selecting best-in-class municipalities for a new BNG bank SRI bond had to be adapted. This document describes the adapted Framework.

Telos is part of the Tilburg Sustainability Center at Tilburg School of Economics and Administration of Tilburg University. It is an independent academic research institute which specializes in operationalizing sustainable development in regional and urban initiatives. Established in 2000, its work concentrates on innovative designs for the facilitation and monitoring of sustainable development processes. Telos takes an integrated view of sustainability monitoring which not only includes environmental sustainability but also economic and social sustainability. The data for this type of 'public accounting' used in sustainability monitoring as carried out by Telos come from official public sources such as Statistics Netherlands (CBS),

the Netherlands Environmental Assessment Agency (PBL) and the Netherlands Institute for Social Research (SCP), all located in The Hague.

This report provides an outline of the above mentioned Framework for BNG Bank's second "Sustainability Bond". Section 2 describes the concept of a sustainable municipality, the policy context in the Netherlands and the EU, and likely societal developments in relation to sustainable cities in the coming years. Section 3 presents the methodology that Telos uses to monitor municipal sustainability and its rationale. Section 4 discusses the way in which municipalities have been selected, the data used, and the best-in-class approach as a fair way to value the different individual challenges that municipalities have to face when improving municipal sustainability. Section 5 presents the results of the sustainability scores for each type of municipality. In Section 6 the overall result is presented by means of a list of Elected Sustainable Municipalities. Subsequently, Section 7 discusses performance reporting.

2 Growing role of urban sustainability

The triple P approach

The concept of sustainable development is launched in 1987 by the UN Brundtland Commission in its report *Our Common Future*. It envisages a move towards responsible environmental performance on the part of nations, businesses and cities as well as towards an economic and social performance that results in greater prosperity for all (Zoeteman, 2012). ICLEI (Local Governments for Sustainability) (2015) has defined sustainable municipalities as:

'Cities (that) work towards an environmentally, socially, and economically healthy and resilient habitat for existing populations, without compromising the ability of future generations to experience the same'.

Its essence is characterized as the 'triple P' (People, Profit and Planet) approach, which integrates these three elements in all initiatives on the territory of a municipality or nation. Although the emphasis is still on activities that affect our climate and environment, cities are moving to investment projects and policy initiatives where reducing environmental pressure is coupled with improving long-term economic profitability and social performance. In a Sustainable City, all three P's of people, planet and profit are in balance and benefit of initiatives at the same time.

Growing role of sustainability in The Netherlands

The Netherlands has a long tradition of national policy planning that values environmental improvement while simultaneously building long-term economic strength and improving social-cultural conditions. This is reflected in its earlier mentioned national Agencies for Economic Planning (CPB), Social-Cultural Planning (SCP) and Environmental Planning (PBL). The Dutch government has given priority to sustainability and green growth (Regeerakkoord, 2012). It has recently been recognized, however, that many issues are better addressed by local authorities than at the national level. The Dutch government has therefore started a process of decentralizing many of its activities to promote sustainability at the municipal level. Furthermore, it has established covenants with societal actors to forge major transformations in the national governance structures that

have an impact on sustainable development. A recent example is a major covenant on climate change measures (SER, 2013), in which 40 organizations, including the Association of Dutch Municipalities, have agreed to implement the transition towards a CO₂-neutral society by saving energy and introducing clean technologies and climate measures. These commitments have a long-term horizon and are likely to be retained or further strengthened by future governments, given EU commitments.

Sustainability initiatives at the EU level

At the EU level, a similar movement is taking place towards emphasizing the role of cities in generating sustainable development, since it is at the municipal level that most problems become visible and have to be addressed. An example is URBACT, a European exchange and learning program for (currently) 500 participating cities, jointly financed by the European Commission (DG Regional and Urban Policies) and the member states, to promote sustainable urban development. A voluntary tool with which to monitor urban sustainability (Reference Framework for European Sustainable Cities - RFSC) is included in URBACT's activities as a means of promoting sustainability of cities. Another initiative of the European Commission (DG Environment) to promote sustainable development among cities is the Green Capital Award program. Furthermore, the Dutch Government has announced that it will make the Urban Agenda a key issue of the Dutch Presidency of the EU in 2016 (Frequin, 2014; Koenders, 2015). Similar initiatives are expected from the European Commission. In addition, the Covenant of Mayors (2014) strongly promotes sustainable energy in European cities.

The position of Dutch municipalities in the wider EU context

The Netherlands is a densely populated and wealthy region within the EU. The Dutch population contributes 3.3% to the total EU population, while the surface area of the country is only 0.9% of the total EU surface. Its GDP contributes 4.3% to the total GDP of the EU. The high population density and high economic output, in combination with its location in a delta of several larger European rivers, defines to a large extent the specific sustainability challenges of municipalities in the Netherlands. The Dutch have struggled to gain land from the sea; spatial planning and water safety therefore have been a high policy priority for centuries. An additional characteristic of Dutch municipalities is their relative large number and small size. An inventory of the distribution of city sizes in the EU has been made by Dijkstra and Poelman (2012). Cities are defined in this EC-OECD study as municipalities with more than 50,000 inhabitants. An overview of the results of their study is presented in table 1, in which corresponding data for Dutch cities have been added.

Table 1 City types (sizes in population) in the EU (Dijkstra and Poelman, 2012, Zoeteman et al., 2015b)

Type	Population Sizes	Number of EU Cities	Number of Dutch Cities
Small	50,000 – 100,000	410	44
Medium	100,000 – 250,000	261	27
Large	250,000 – 500,000	71	1
XLarge	500,000 – 1,000,000	38	3
XXLarge	1,000,000 – 5,000,000	24	0
Global City	more than 5,000,000	2	0
Total		806	75

The comparison, given in table 1, shows that the Netherlands has relatively few cities of 250,000 - 500,000 inhabitants (only Utrecht) and no cities at all of more than 1 million inhabitants. Its three largest cities are Amsterdam, Rotterdam and The Hague. Sometimes these three cities are regarded as forming a metropolis of about 2 million inhabitants, with a green center (heart) that is left open.

Most municipalities in the Netherlands are rather small to very small. Among the total of 393 municipalities, the main group of 140 municipalities has a population size of 25,000-50,000, while some 180 municipalities in the Netherlands have less than 25,000 inhabitants. This shows that the metropolis type of sustainability problems, as can be found in Paris, London, Rome, Hamburg, Vienna and Barcelona, which are all above 1 million inhabitants, are less likely to be as intense in the largest cities of the Netherlands.

Yet, other factors than size, such as GDP/capita, yearly diminishing population size, sea harbor activities, industrial history, tourism, etc. are also important from a sustainability point of view. Dutch villages and cities are characterized by high specialization in an environment of close neighbors and the need to offer their population a high potential of environmental, social and economic qualities.

From a recent scoping study of Telos among 58 large EU cities, in which sustainability data were collected or estimated for 87 indicators from public sources (Zoeteman et al., 2015b), highest scores were found for Munich, Stockholm and Helsinki, and lowest for Thessaloniki, Larissa and Pitesti. Cities in the north-western part of the EU seem to perform better on sustainability, although this is not always the case.

Current efforts to monitor city sustainability

As shown above, sustainability monitoring of cities is being explored only recently. Sub-aspects of sustainability monitoring, including climate and environmental issues, have been best developed. Separately, socio-economic developments have traditionally been measured and reported. But an integrated environmental, economic and social monitoring is not yet systematically taking place (Zoeteman et al., 2015c). Several, mostly voluntary, initiatives for more or less integrated

sustainability monitoring of European cities are underway. An example is the Reference Framework for European Sustainable Cities (RFSC)¹, an online toolkit to help cities promote and enhance their work on integrated sustainable urban development which was initiated since the Leipzig Charter of May 2007 by amongst others the Member States and the European Commission (EC). RFSC, however, does not provide a standardized database of participating cities. Another example is the process leading to the yearly selected European Green Capital Award² for a city which was launched in 2008 by EC DG Environment after an initiative of 15 European cities in Tallinn, Estonia in 2006. The awarded city is committed to ambitious goals and shows consistent records of achieving high environmental standards and therefore can act as a role model to inspire other cities.

A longer pursued broad monitoring instrument at European urban level is the Urban Audit, carried out by EUROSTAT for EC DG Regional and Urban Policy with the help of amongst others the national statistics organizations. A first pilot of the Urban Audit started in 1999.³ The Urban Audit assesses socio-economic urban conditions across cities in the EU and for this purpose collects data every two to three years to help 'improve the attractiveness of regions and cities as one of the priorities targeted by the renewed Lisbon Strategy and the EU's strategic guidelines for cohesion policy for 2007-2013'. The first round of data collection took place in 2003/2004, followed by similar rounds in 2006/2007, 2009 and 2011. In 2009 329 variables were collected for 323 EU cities. However, not all Member States have fulfilled their commitments to provide data. Parallel to the Urban Audit a perception survey was conducted in 75 cities in the EU-27 in December 2006 and again in later years. The outcome is published in EUROSTAT's Regional Yearbooks. Together with the websites of cities themselves and environmental data collected by the European Environment Agency⁴ in Copenhagen, the Urban Audit data are at present main sources of publicly available data on sustainability of EU cities.

An example of private environmental sustainability reporting was published in 2009 by Economist Intelligence Unit, sponsored by Siemens (Watson, Shields and Langer, 2009).⁵ This European Green City Index for 30 leading European cities is based on assessing 30 environmental indicators and offers a tool to enhance the understanding and decision-making abilities of all those interested in environmental performance. Later initiatives have followed. Also the International Standardization Organization is taking initiatives to help standardize the collection and assessment of sustainability data of municipalities (ISO, 2015).

¹ <http://www.rfsc-community.eu/about-rfsc/rfsc-at-a-glance/>

² <http://ec.europa.eu/environment/europeangreencapital/about-the-award/>

³ http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/introduction and http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-BD-04-002

⁴ <http://www.eea.europa.eu/data-and-maps>

⁵ http://www.siemens.com/entry/cc/features/greencityindex_international/all/en/pdf/report_en.pdf

3 Methodology

The public accounting methodology used by Telos is developed since 2000 and is strongly related to a later developed similar approach known as the mentioned EU RFSC. It is based on a detailed comparison of municipalities using 107 scientific indicators for which quantitative data are available from reliable public sources. The EU RFSC also applies the 'triple-P' approach. Each 'P' can be composed of some five to seven sustainability themes.

The Planet pillar may consist of themes such as Soil, Water, Air, Nature and Landscape, Raw (waste) materials, Energy and Climate, Annoyance and Emergencies. The People pillar can be composed of themes such as Social and Economic Participation, Arts and Culture, Health, Safety, Residential Environment, and Education (primary and secondary). The Profit pillar may consist of Labor, Spatial Local Conditions for Businesses, Competitiveness, Infrastructure and Mobility, Knowledge. The themes themselves are based on specific indicators such as CO₂- and NO_x-emissions for the theme Air, the use of solar and wind power for the theme Energy and Climate, and so on. The RFSC tool adds a fourth pillar of Governance (Zoeteman et al., 2011) to the other three. The RFSC does not prescribe any specific indicators or sustainability goals, as it is a voluntary webtool that can help individual cities to organize their sustainability strategy and its implementation by applying the monitoring tool.

The method Telos developed since 2000 and applied in its Dutch National Monitor Sustainable Municipalities is based on similar principles to the RFSC approach (Hermans et al., 2011; Mommaas and Eweg, 2011; Zoeteman, 2012). However, the governance pillar is not included because data on governance aspects of municipalities are not generally available at the moment. The RFSC webtool allows its users to define their own sustainability goals and indicators. The disadvantage of this element is that cities cannot be compared to one another. Furthermore, it is in practice rather difficult to collect relevant and comparable data for cities. Because Telos wanted to study differences and common factors among municipalities, Telos made the monitoring method more specific and concrete. It applied the instrument in such a way that for each theme and subsequently for each indicator, sustainability goals were defined and applied. The outcome of the monitor was therefore determined by the detailed sustainability requirements that Telos formulated as goals for each indicator (figure 1).

TELOS SUSTAINABILITY MONITOR METHOD

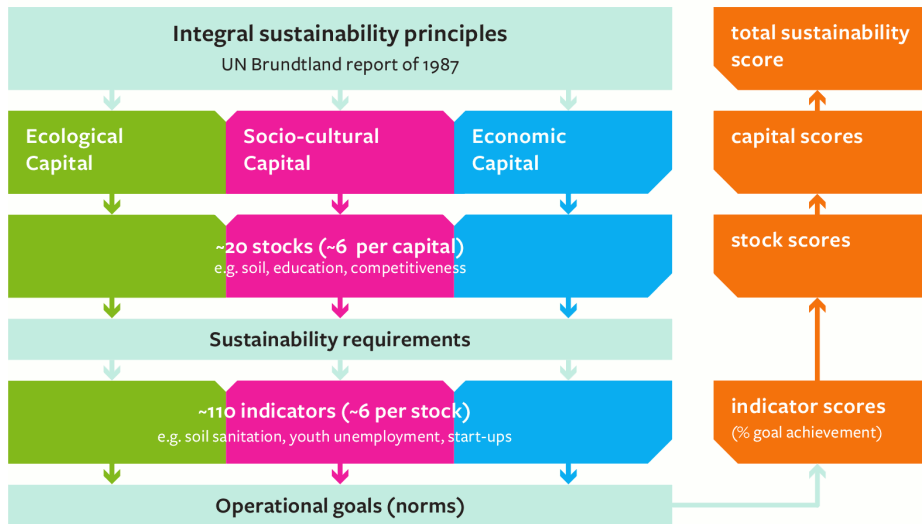


Figure 1 Overview of the Telos Sustainability Monitor method

Table 2 gives an overview of the indicators used. Quantitative data for the 107 indicators have been collected from public official sources and are specified in the National Monitor report, referred to earlier.

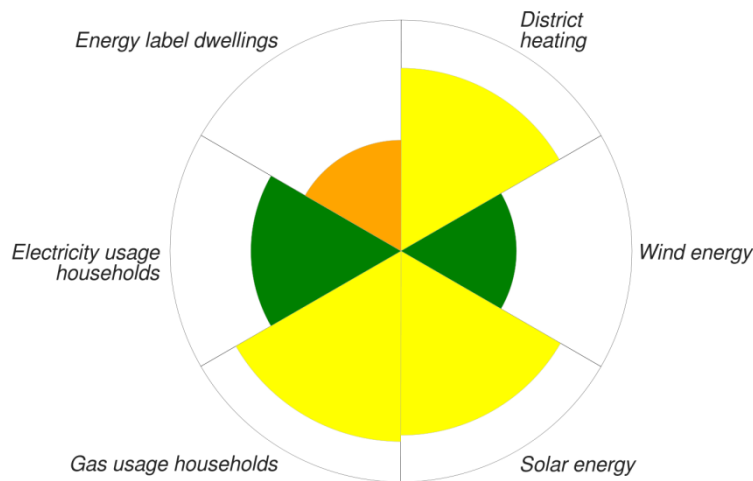
Table 2 The three pillars (capitals), the 19 themes and the 107 indicators used for quantitative monitoring

THEME	INDICATORS
ECOLOGICAL CAPITAL	
Soil	Soil clean-up, Manure- Nitrogen quantity produced, Manure- Phosphorous quantity produced
Air	Emission of CO ₂ , Emission of NO _x , Emission of Particulate Matter (PM10), Emission of Volatile Organic Substances, Concentration NO _x , Concentration of Ozone, Concentration of PM10
Noise/Odors/External safety	Noise intensity, Noise annoyance, Light intensity during the night, Annoyance by odors, Risk of road transport of dangerous chemicals, Land surface with a 10 ⁻⁶ risk contour, Earthquakes, Floods
Water	Ecological quality of surface water, Chemical quality of surface water, Nitrogen emissions to surface water, Phosphorous emissions to surface water, Drinking-water quality, Mixed sewerage system
Nature and Landscape	Satisfaction with green in city, Share of forest and natural area, Distance of public green, Share inland recreational water, Biodiversity total, Biodiversity red list species
Energy and Climate	Wind energy, Solar energy, Average natural gas consumption households, Average electricity consumption households, Energy label houses
Waste and Raw Materials	Household waste, Organic waste, Paper and cardboard waste, Packaging glass, Plastic
SOCIAL-CULTURAL CAPITAL	
Social Participation	Cohesion, Volunteers, Turnout municipal elections, Turnout national elections, Informal care
Economic Participation	Disposable income, Financial assets household, Long lasting unemployment, Long lasting social assistance, Poor households
Arts and Culture	Performing arts, National monuments, Municipal monuments, Museums, Protected city/village views, Archeological preserved sites
Health	Insufficient exercise, Risky behavior, Number of GP practices, Quality of hospitals, Distance to hospital, Life expectancy, Assessment of own health, Chronically sick people, Confused people
Safety	Violent crimes, Crimes against property, Youth crime, Vandalism, Road safety, Feeling of insecurity
Residential Environment	Housing deficit, Distance to supermarket, Satisfaction with living environment, Satisfaction with shops, Real Estate value, Mutations in number of residents, Population development
Education	Youth unemployment, Number of elementary schools, Number of secondary education schools, Early school leavers, Real-time to diploma, Graduation rate, Education level population
ECONOMIC CAPITAL	
Labor	Employment function, Human resources exploitation, Unemployment, Hazing and ageing, Incapacity for work
Spatial Local Conditions for Businesses	Stock business parks, Net/gross area ratio business parks, Share out of date business parks, Vacant office space, Vacant retail space

Competitiveness	Share starters, Bankruptcies, Gross Regional Product per capita, Share nationally promoted (top) sectors, Fast growing businesses
Infrastructure and Mobility	Access to public railway transport, Access to main roads, Sustainable mobility
Knowledge	Share highly educated people, Capacity science education/higher vocational education, High- and medium tech employment, Creative industry employment

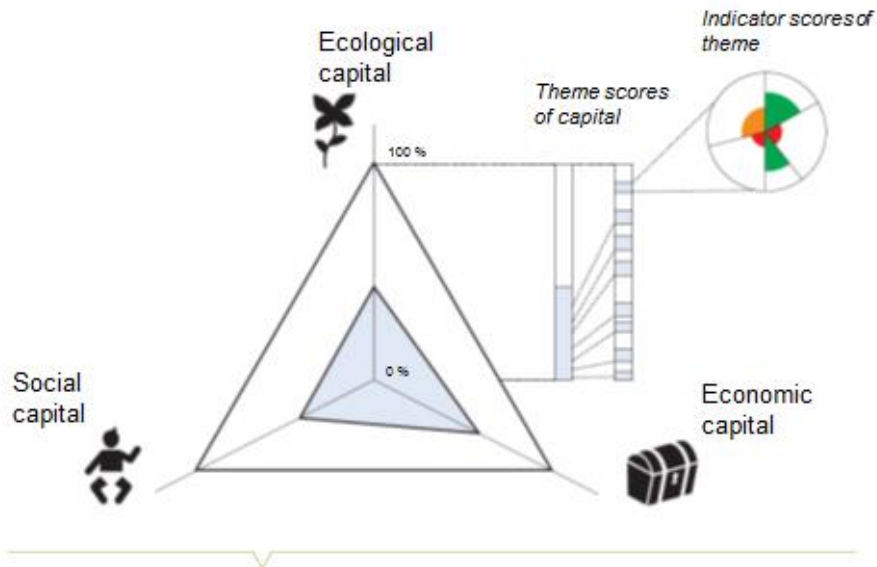
The actual value for each indicator (e.g. capacity of solar power installed on roofs, or % of wind power in total energy supply of municipality) is compared with its sustainability goal and subsequently the achievement percentage of the goal is calculated. The sustainability goals are derived by Telos from EU and national regulations and experiences with municipal practices. The achievement percentages are subsequently combined per theme resulting in a theme achievement percentage. Figure 2 shows an example of a diagram of the six indicators within the Energy and Climate theme of a Dutch city. The higher the achievement percentage the longer the pie piece.

Figure 2 Example of a pie-diagram showing the sustainability score (0-100%) of the six 'Energy and Climate theme' indicators for a Dutch city



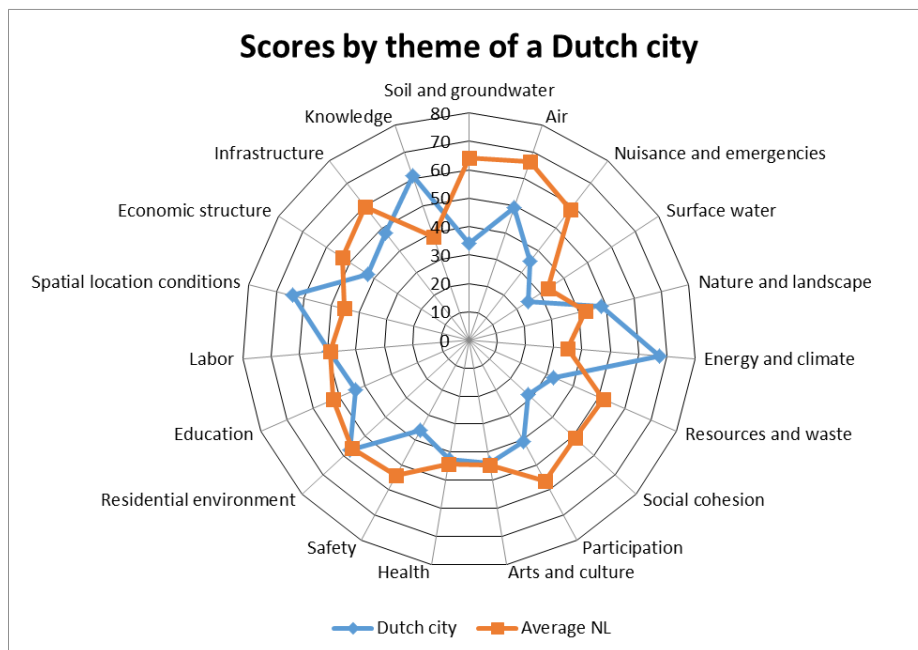
The average theme scores are subsequently added to calculate the average score for a sustainability capital. Finally the average score of the total of the three capitals is calculated as the overall sustainability score of a municipality (Figure 1 and 3).

Figure 3 The aggregation of indicator scores to theme scores, capital scores and overall sustainability score



The overview of all 19 theme scores for a city can also be used to benchmark cities among each other and with a group of cities. Figure 4 shows for example how the theme scores for a major Dutch city compare to the average scores of the 393 municipalities in the Netherlands.

Figure 4 Illustrative example of theme scores for a Dutch city in comparison with the average outcome of all Dutch municipalities



A Factsheet provides for each of the 107 indicators the technical specifications of the indicator, etc., as well as the year of data collection. These Factsheets are available in Dutch at the Telos website www.telos.nl under "Nationale monitor duurzame gemeenten 2015: Factsheets. Annex 1 to this report gives an example of such a factsheet. The sources and year of collection of data are summarized in Annex 2 of the National Monitor report 2015.

The final result is that for all 393 municipalities an overall sustainability score has been calculated, varying between in principle 0-100% (in practice between 39-59%) achievement of the integrated sustainability goals.

4 Eligibility / SRI criteria

SRI Criteria for sustainable municipalities have been defined in this Framework in the same broad sense as in the Dutch National Monitor Sustainable Municipalities 2015, including not only climate and other green investments, but also socio-cultural and economic aspects.

Telos recognized from the beginning disadvantages of ranking municipalities using a standard set of sustainability goals, which does not take into account different historic and geographical backgrounds. Municipalities have quite different sustainability challenges. Telos therefore designed an approach that compensates for the limitations of simply ranking cities using their sustainability score. This approach is based on the application of so-called city typologies. A city type characterizes a typical sustainability feature of a group of cities that has far-reaching consequences for a number of sustainability indicators such as a historic environmental pollution level, a certain proportion of the population working in low wage jobs, the role of immigrants, the level of education, the diversity of economic sectors, and so on. In the National Monitor 2015, 14 types of cities are described. Three are based on city size: small, middle-sized and large municipalities, and 11 are qualitative ones: 'Agricultural', 'Center', 'Former industrial', 'Green', 'Growth', 'Historic', 'Living', 'New Town', 'Shrink', 'Tourist' and 'Work' cities. This typology is more detailed and, due to a sharper definition of the types, more specific than the typology used for the 2014 Framework. It will also be the basis for the selection of best-in-class municipalities in this Framework report as described in Section 5. The criteria used to define the characteristics of the different types of municipalities are specified in the National Monitor Report 2015 (p 89). These criteria and types are tailor-made for the Dutch situation. In an EU context types would be partially different or defined by deviating criteria.

5 Eligible Municipalities

Based on the 14 types of municipalities mentioned in section 4, the best-ranking 15 municipalities for each type of municipality in the National Monitor 2015 will be presented below.

5.1 Quantitative types

Three quantitative types are presented: small (<50.000 inhabitants), mid-sized and large (>100.000 inhabitants) municipalities. Below the best-in-class scoring municipalities for each type are listed with their total sustainability score.

Small Municipalities 2015		
1	Midden-Delfland	58,7
2	Rozendaal	58,0
3	Naarden	57,8
4	Bloemendaal	57,4
5	Houten	57,3
6	Bunnik	56,9
7	Voorschoten	56,8
8	Oegstgeest	56,5
9	Veere	56,1
10	Wageningen	56,0
11	Mook en Middelaar	56,0
12	Haren	55,8
13	Nunspeet	55,3
14	Bussum	55,3
15	Oostzaan	55,3

Mid-sized Municipalities 2015

1	Katwijk	55,6
2	Pijnacker-Nootdorp	54,0
3	Lansingerland	53,8
4	Zeist	53,6
5	Hilversum	53,0
6	Barneveld	52,7
7	Amstelveen	52,6
8	Woerden	52,4
9	Kampen	51,4
10	Nieuwegein	50,7
11	Veenendaal	50,5
12	Hoorn	50,0
13	Hengelo (O.)	49,7
14	Leidschendam-Voorburg	49,6
15	Gouda	49,5

Large Municipalities 2015

1	Westland	55,2
2	Delft	55,2
3	Utrecht	54,6
4	Groningen	54,3
5	Nijmegen	54,3
6	Amersfoort	54,0
7	Ede	53,9
8	Amsterdam	53,6
9	Leiden	53,3
10	Zwolle	53,1
11	Almere	52,6
12	Haarlem	52,5
13	Apeldoorn	52,0
14	Eindhoven	51,2
15	Arnhem	50,8

5.2 Qualitative types

The 11 qualitative types with their best-in-class municipalities will be presented in alphabetical order.

Agricultural Municipalities 2015

1	Midden-Delfland	58,7
2	Bunnik	56,9
3	Dalfsen	55,1
4	Zoeterwoude	54,5
5	Voorst	53,5
6	Sint Anthonis	53,4
7	Renswoude	53,2
8	Eijsden-Margraten	53,2
9	Eemnes	53,2
10	Zuidhorn	53,1
11	Wierden	53,1
12	Montfoort	52,9
13	Sint-Michielsgestel	52,4
14	Woerden	52,4
15	Staphorst	52,1

Center Municipalities 2015

1	Katwijk	55,6
2	Westland	55,2
3	Delft	55,2
4	Castricum	54,8
5	Utrecht	54,6
6	Groningen	54,3
7	Nijmegen	54,3
8	Ede	53,9
9	Amsterdam	53,6
10	Leiden	53,3
11	Zwolle	53,1
12	Hilversum	53,0
13	Almere	52,6
14	Middelburg	52,6
15	Haarlem	52,5

Former Industrial Municipalities 2015

1	Oostzaan	55,3
2	Hendrik-Ido-Ambacht	54,2
3	Waalre	54,2
4	Putten	53,9
5	Landsmeer	53,8
6	Nuenen, Gerwen en Nederwetten	53,7
7	Hatterm	53,6
8	Wierden	53,1
9	Rijssen-Holten	53,0
10	Best	52,4
11	Edam-Volendam	52,3
12	Bunschoten	52,2
13	Schinnen	52,0
14	Bladel	51,8
15	Laarbeek	51,8

Green Municipalities 2015

1	Rozendaal	58,0
2	Bloemendaal	57,4
3	Mook en Middelaar	56,0
4	Nunspeet	55,3
5	Laren (NH.)	55,2
6	Noordwijk	54,5
7	Baarn	54,2
8	Waalre	54,2
9	Utrechtse Heuvelrug	54,1
10	Putten	53,9
11	Ede	53,9
12	Leusden	53,8
13	Zeist	53,6
14	Wassenaar	53,1
15	Ermelo	53,1

Growth Municipalities 2015

1	Midden-Delfland	58,7
2	Houten	57,3
3	Voorschoten	56,8
4	Oegstgeest	56,5
5	Wageningen	56,0
6	Bussum	55,3
7	Kapelle	55,2
8	Westland	55,2
9	Delft	55,2
10	Utrecht	54,6
11	Groningen	54,3
12	Nijmegen	54,3
13	Hendrik-Ido-Ambacht	54,2
14	Amersfoort	54,0
15	Pijnacker-Nootdorp	54,0

Historic Municipalities 2015

1	Veere	56,1
2	Delft	55,2
3	Utrecht	54,6
4	Amsterdam	53,6
5	Vlieland	53,5
6	Leiden	53,3
7	Eijsden-Margraten	53,2
8	Zuidhorn	53,1
9	Middelburg (Z.)	52,6
10	Haarlem	52,5
11	Waterland	51,8
12	Ameland	51,7
13	Schiermonnikoog	51,5
14	Oudewater	51,5
15	Kampen	51,4

Residential Municipalities 2015

1	Rozendaal	58,0
2	Bloemendaal	57,4
3	Voorschoten	56,8
4	Oegstgeest	56,5
5	Mook en Middelaar	56,0
6	Katwijk	55,6
7	Castricum	54,8
8	Heumen	54,8
9	Wijk bij Duurstede	54,2
10	Hendrik-Ido-Ambacht	54,2
11	Pijnacker-Nootdorp	54,0
12	Landsmeer	53,8
13	Uitgeest	53,4
14	Eijsden-Margraten	53,2
15	Langedijk	53,2

New Town Municipalities 2015

1	Midden-Delfland	58,7
2	Houten	57,3
3	Oegstgeest	56,5
4	Oostzaan	55,3
5	Heumen	54,8
6	Teylingen	54,4
7	Hendrik-Ido-Ambacht	54,2
8	Amersfoort	54,0
9	Pijnacker-Nootdorp	54,0
10	Ede	53,9
11	Lansingerland	53,8
12	Woudenberg	53,6
13	Uitgeest	53,4
14	Renswoude	53,2
15	Langedijk	53,2

Shrink Municipalities 2015

1	Mook en Middelaar	56,0
2	Laren (NH.)	55,2
3	Castricum	54,8
4	Heumen	54,8
5	Zoeterwoude	54,5
6	Teylingen	54,4
7	Utrechtse Heuvelrug	54,1
8	Nuenen, Gerwen en Nederwetten	53,7
9	Vlieland	53,5
10	Waddinxveen	53,1
11	Valkenburg aan de Geul	52,9
12	Boxmeer	52,7
13	Schinnen	52,0
14	Horst aan de Maas	51,8
15	Schiermonnikoog	51,5

Tourist Municipalities 2015

1	Rozendaal	58,0
2	Veere	56,1
3	Wageningen	56,0
4	Mook en Middelaar	56,0
5	Delft	55,2
6	Utrecht	54,6
7	Noordwijk	54,5
8	Groningen	54,3
9	Nijmegen	54,3
10	Amsterdam	53,6
11	Vlieland	53,5
12	Leiden	53,3
13	Eijsden-Margraten	53,2
14	Zwolle	53,1
15	Terschelling	53,0

Work Municipalities 2015

1	Utrecht	54,6
2	Groningen	54,3
3	Nijmegen	54,3
4	Amersfoort	54,0
5	Amsterdam	53,6
6	Zeist	53,6
7	Ermelo	53,1
8	Zwolle	53,1
9	Hilversum	53,0
10	Barneveld	52,7
11	Boxmeer	52,7
12	Middelburg (Z.)	52,6
13	Apeldoorn	52,0
14	Geldermalsen	51,8
15	Eindhoven	51,2

6 Selection process

From the eligible municipalities shown in Section 5, a final list of Elected Sustainable Municipalities is derived as will be presented in this section. Table 3 shows this list, which is based on a compilation of the top-15 best-in-class municipalities of the 14 municipal types presented in section 5.

The table shows the scores and the number of municipality types for which the municipality classified.

In principle this list should include $14 \times 15 = 210$ municipalities. However, a number of municipalities qualify for more than one type. When this is taken into account, a final list of 97 Elected Sustainable Municipalities results. This selection represents 25% of the total number of Dutch municipalities. All 97 municipalities score 50% or higher on total sustainability.

Table 3 List of Elected Sustainable Municipalities 2015 for the BNG SRI Bond in alphabetical order (also see Annex 2 for a score based ranking)

Nr	Elected best-in-class municipality	Number of relevant types	Total sustainability score
1	Almere	2	52.59
2	Ameland	1	51.69
3	Amersfoort	4	54.05
4	Amstelveen	1	52.62
5	Amsterdam	5	53.61
6	Apeldoorn	2	51.95
7	Arnhem	1	50.78
8	Baarn	1	54.18
9	Barneveld	2	52.72
10	Best	1	52.37
11	Bladel	1	51.77
12	Bloemendaal	3	57.39
13	Boxmeer	2	52.68
14	Bunnik	2	56.85
15	Bunschoten	1	52.21

16	Bussum	2	55.32
17	Castricum	3	54.83
18	Dalfsen	1	55.06
19	Delft	5	55.15
20	Edam-Volendam	1	52.33
21	Ede	4	53.89
22	Eemnes	1	53.16
23	Eijsden-Margraten	4	53.18
24	Eindhoven	2	51.24
25	Ermelo	2	53.09
26	Geldermalsen	1	51.78
27	Gouda	1	49.52
28	Groningen (gemeente)	5	54.29
29	Haarlem	3	52.54
30	Haren	1	55.76
31	Hatterum	1	53.62
32	Hendrik-Ido-Ambacht	4	54.19
33	Hengelo (O.)	1	49.68
34	Heumen	3	54.80
35	Hilversum	3	52.98
36	Hoorn	1	49.98
37	Horst aan de Maas	1	51.77
38	Houten	3	57.28
39	Kampen	2	51.42
40	Kapelle	1	55.23
41	Katwijk	3	55.57
42	Laarbeek	1	51.76
43	Landsmeer	2	53.75
44	Langedijk	2	53.18
45	Lansingerland	2	53.76
46	Laren (NH.)	2	55.24
47	Leiden	4	53.31
48	Leidschendam-Voorburg	1	49.61
49	Leusden	1	53.77
50	Middelburg (Z.)	3	52.56
51	Midden-Delfland	4	58.70
52	Montfoort	1	52.89
53	Mook en Middelaar	5	55.99
54	Naarden	1	57.81
55	Nieuwegein	1	50.66

56	Nijmegen	5	54.29
57	Noordwijk	2	54.49
58	Nuenen, Gerwen en Nederwetten	2	53.66
59	Nunspeet	2	55.33
60	Oegstgeest	4	56.52
61	Oostzaan	3	55.30
62	Oudewater	1	51.47
63	Pijnacker-Nootdorp	4	54.04
64	Putten	2	53.90
65	Renswoude	2	53.25
66	Rijssen-Holten	1	52.97
67	Rozendaal	4	58.01
68	Schiermonnikoog	2	51.53
69	Schinnen	2	51.97
70	Sint Anthonis	1	53.45
71	Sint-Michielsgestel	1	52.44
72	Staphorst	1	52.09
73	Terschelling	1	52.97
74	Teylingen	2	54.41
75	Uitgeest	2	53.39
76	Utrecht (gemeente)	6	54.64
77	Utrechtse Heuvelrug	2	54.05
78	Valkenburg aan de Geul	1	52.93
79	Veenendaal	1	50.50
80	Veere	3	56.06
81	Vlieland	3	53.50
82	Voorschoten	3	56.83
83	Voorst	1	53.50
84	Waalre	2	54.18
85	Waddinxveen	1	53.14
86	Wageningen	3	56.02
87	Wassenaar	1	53.14
88	Waterland	1	51.77
89	Westland	3	55.23
90	Wierden	2	53.06
91	Wijk bij Duurstede	1	54.19
92	Woerden	2	52.43
93	Woudenberg	1	53.56
94	Zeist	3	53.61
95	Zoeterwoude	2	54.54

96	Zuidhorn	2	53.09
97	Zwolle	4	53.06

From these 97 Elected Municipalities for the second BNG Bank Sustainability bond, 52 were also elected in 2014. In 2015 municipalities have a higher chance to be elected as the number of types is expanded from 8 to 14. Table 3 shows, however, that municipalities often qualify for several types. The end result is that the total number of Elected Municipalities is in 2015 (97) practically the same as in 2014 (96).

7 Performance reporting

Telos will prepare annually a Performance Report to investors. This report will give an update on the sustainability scores of the 97 Elected Municipalities for the second BNG Bank Sustainability Bond showing:

- performance of the group of Elected Municipalities compared to the previous year(s);
- a list of Elected Municipalities showing the largest improvement or reduction in overall score and an indication of the main causes for these results;
- performance of the group of Elected Municipalities in comparison with the total group of Dutch Municipalities;
- more detailed performance reporting on changes for the group of Elected Municipalities at the level of the three P's, selected themes and selected impact indicators of interest (e.g. CO₂-emission).

In order to improve the sustainability score, municipalities can use the framework provided for the Sustainability Bond to select best performing investments and practices, such as:

- allowing a common language and decision framework in the municipal executive board and city council by measuring economic, social and environmental goals on a same basis;
- learning, by comparing own performance with performance of municipalities with a similar typology, to apply proven sustainability practices or avoid less productive approaches;
- shaping all major projects and initiatives from a sustainability point of view by optimizing projects and initiatives for economic as well as environmental and social performance, e.g. by applying in an early phase a PPP-scan;
- allowing room for sustainability optimization in procurement and during permitting procedures for new buildings,(re)constructions, etc.;

- forming coalitions and alliances with parties concerned (other municipalities, businesses, NGOs, co-investors, etc.) to develop innovative best possible solutions for sustainability challenges of the municipality;
- building trust by open communication practices showing performance changes on the broad issues of municipal sustainability.

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Annex 1: Factsheet example for Solar energy use indicator

Indicator	3	Solar energy
Stock / Theme	Energy and climate	
Requirement	All consumed energy is generated from a renewable energy source	
Color code	Red	

Description indicator
Installed capacity solar energy within a municipality.

Relationship with requirement
Within the region, energy is generated by an alternative method that does not emit CO2 and does not deplete fossil fuels. One of the methods to generate energy from a renewable energy source is via solar power.

Unit	Kwh
Aggregation level	Municipality
Weighting	16.67
Direction	+
Norm Red	< 500
Norm Orange	500 - 1000
Norm Green	1000 - 2500
Norm Gold	> 2500
Year of data	2014

Annex 2: Elected Sustainable Municipalities 2015 ranked by their total sustainability score

Nr	Elected best-in-class municipality	Total sustainability score 2015
1	Midden-Delfland	58,70
2	Rozendaal	58,01
3	Naarden	57,81
4	Bloemendaal	57,39
5	Houten	57,28
6	Bunnik	56,85
7	Voorschoten	56,83
8	Oegstgeest	56,52
9	Veere	56,06
10	Wageningen	56,02
11	Mook en Middelaar	55,99
12	Haren	55,76
13	Katwijk	55,57
14	Nunspeet	55,33
15	Bussum	55,32
16	Oostzaan	55,30
17	Laren (NH.)	55,24
18	Kapelle	55,23
19	Westland	55,23
20	Delft	55,15
21	Dalftsen	55,06
22	Castricum	54,83
23	Heumen	54,80
24	Utrecht (gemeente)	54,64
25	Zoeterwoude	54,54
26	Noordwijk	54,49
27	Teylingen	54,41
28	Groningen (gemeente)	54,29
29	Nijmegen	54,29
30	Wijk bij Duurstede	54,19
31	Hendrik-Ido-Ambacht	54,19
32	Baarn	54,18
33	Waalre	54,18
34	Utrechtse Heuvelrug	54,05

35	Amersfoort	54,05
36	Pijnacker-Nootdorp	54,04
37	Putten	53,90
38	Ede	53,89
39	Leusden	53,77
40	Lansingerland	53,76
41	Landsmeer	53,75
42	Nuenen, Gerwen en Nederwetten	53,66
43	Hatterm	53,62
44	Amsterdam	53,61
45	Zeist	53,61
46	Woudenberg	53,56
47	Voorst	53,50
48	Vlieland	53,50
49	Sint Anthonis	53,45
50	Uitgeest	53,39
51	Leiden	53,31
52	Renswoude	53,25
53	Eijsden-Margraten	53,18
54	Langedijk	53,18
55	Eemnes	53,16
56	Waddinxveen	53,14
57	Wassenaar	53,14
58	Ermelo	53,09
59	Zuidhorn	53,09
60	Wierden	53,06
61	Zwolle	53,06
62	Hilversum	52,98
63	Terschelling	52,97
64	Rijssen-Holten	52,97
65	Valkenburg aan de Geul	52,93
66	Montfoort	52,89
67	Barneveld	52,72
68	Boxmeer	52,68
69	Amstelveen	52,62
70	Almere	52,59
71	Middelburg (Z.)	52,56
72	Haarlem	52,54
73	Sint-Michielsgestel	52,44
74	Woerden	52,43

75	Best	52,37
76	Edam-Volendam	52,33
77	Bunschoten	52,21
78	Staphorst	52,09
79	Schinnen	51,97
80	Apeldoorn	51,95
81	Geldermalsen	51,78
82	Waterland	51,77
83	Bladel	51,77
84	Horst aan de Maas	51,77
85	Laarbeek	51,76
86	Ameland	51,69
87	Schiermonnikoog	51,53
88	Oudewater	51,47
89	Kampen	51,42
90	Eindhoven	51,24
91	Arnhem	50,78
92	Nieuwegein	50,66
93	Veenendaal	50,50
94	Hoorn	49,98
95	Hengelo (O.)	49,68
96	Leidschendam-Voorburg	49,61
97	Gouda	49,52