



Sustainability at BNG Bank

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1 Introduction

For 110 years, BNG Bank has been the bank owned by and serving the public sector in the Netherlands. We were founded in the early twentieth century to solve the challenges then facing society. Although the world looks very different now, the fundamental principles of BNG Bank have not substantially changed in over a century. We're now helping the Dutch public sector meet the challenges of the twenty-first century.

BNG Bank is regarded as one of the safest banks in the world. This means we can raise funding on the international money and capital markets at the lowest possible interest rates. As a national promotional bank (NPB), we pass on these low interest rates to our clients. BNG Bank's main clients include local and regional government bodies, housing associations, healthcare institutions and educational institutions. BNG Bank also provides financing for projects, mainly in the areas of sustainable energy and infrastructure. In total, BNG Bank has approximately EUR 90 billion in outstanding loans. This makes us the fourth-largest bank in the Netherlands by balance sheet total.

In this document, we outline our policy in the area of sustainability. Through our sustainability policy, we aim to make a long-term contribution to society and the environment. This document also describes how we guard against the possible negative impact of environmental, social and governance (ESG) factors on our performance. In this document, we use the concept of "sustainability" to describe our impact on the world around us ("inside out"). We primarily use the concept of "ESG" in the context of risks to our own financial performance ("outside in"). ESG risks are mainly discussed towards the end of this document (Chapter 5.3).

Our sustainability policy is constantly developing in line with the dynamics of society. As an organisation we are working hard, for example, on implementing the Corporate Sustainability Reporting Directive (CSRD), on further developing our ESG data management system and on embedding ESG into our risk framework. This document should thus be seen as a snapshot of the current state of affairs within the bank on this subject.

In the next part of this document, we will discuss our purpose and strategy in the area of sustainability (Chapter 2). Chapter 3 outlines our corporate governance and HR policy, and explains how we focus on sustainability in our own business operations. Chapter 4 looks at the key sustainability goals we are pursuing as an organisation. In Chapter 5, we provide an insight into the policies we are pursuing within the key pillars of the bank: lending, funding and risk. In the final part of this document, we take a brief look into the future.

2 Purpose and strategy

2.1 Purpose

Our purpose is "BNG Bank: driven by social impact". We help the Dutch public sector meet the challenges facing society by providing financing on the most attractive possible terms.

BNG Bank does not aim to maximise its profit or return on equity, but does seek to achieve a healthy return. This allows us to grow our activities, weather financial setbacks and pay out dividends to our shareholders (public entities). Because of the public nature of our shareholders, these dividends are reinvested in the Dutch public sector.

BNG Bank is driven by three core values:

1. **Sustainability.** BNG Bank's actions are focused on making an impact, now and in the long term. We are aware of developments in society; we focus on solutions and our relationships with clients.
2. **Reliability.** We are clear and honest about what we can do, and we keep our promises. The reliability of BNG Bank is reflected in the transparency of our actions and communication.
3. **Professionalism.** This core value defines how BNG Bank works, how our bank develops and how our bank conducts itself when engaging with other parties in a professional context.

2.2 Strategy

We expect the years ahead to revolve around solving major environmental and social challenges. Significant work is required in the Netherlands in the areas of housing, public services, healthcare and education. For our clients, investors and other stakeholders, it is essential that as a

public bank, BNG Bank performs its tasks well. Accordingly, in 2023 we presented our strategy for the years 2024–2026. We aim to be the main lender in the public sector in order to make the Netherlands more social and sustainable. Our strategy determines which clients we issue loans to, how we serve our clients and how we structure our organisation.

Sustainability is at the heart of our strategy. We want to be “demonstrably sustainable”: we do our very best to be transparent about our performance. We want to improve our clients’ sustainability performance and thereby also our own. Our clients’ and our own CO₂ emissions¹ need to be reduced. We want to ensure that our organisation is resilient and prepared for opportunities and threats.

We aim for maximum social impact through our lending. We therefore hold strategic client conversations, with the goal of increasing our clients’ social impact. When we provide balance sheet financing, we encourage and support clients by sharing knowledge and providing innovative solutions. When we provide project financing, we perform a sustainability analysis for each loan application and, if necessary, prioritise lending for the most sustainable projects.

Our lending is focused on the Dutch public sector. This includes Dutch public authorities, organisations that perform a public task (such as housing associations, healthcare institutions and educational institutions), organisations of which half or more of the share capital is provided for by the government and/or activities where the government issues a 100% credit guarantee. BNG Bank also finances projects in the energy, environmental, mobility and networks sectors, provided they can be considered part of the public sector.

We want to be able to demonstrate our social impact. Since 2021, we have measured the impact of our clients, using the United Nations (UN) Sustainable Development Goals (SDGs) as a reference. We report annually on our impact. One of the SDGs we have embraced is “climate action”. In 2022, we published our climate plan, [Going Green](#). We measure the footprint of our loans and aim to bring it in line with the Paris Climate Agreement. More information about our goals can be found in Chapter 4 of this document.

3 Organisation

3.1 Corporate Governance

BNG Bank is a public limited company. BNG Bank’s corporate governance is primarily determined by the applicable provisions of Dutch company law and by BNG Bank’s Articles of Association. BNG Bank is owned by and serves the public sector. BNG Bank’s shares are exclusively held by Dutch public authorities. Half of the shares are held by the Dutch government, and the rest are held by Dutch municipalities, provinces and one water board.

BNG Bank is a statutory two-tier company under Dutch law and its governance structure comprises a Supervisory Board, a Management Board under the Articles of Association and an Executive Committee. The Supervisory Board oversees the policies of the Executive Committee and the general state of affairs at the company and its affiliate enterprise. The members of the Supervisory Board are appointed by a General Meeting of Shareholders on the recommendation of the Supervisory Board.

The Executive Committee is responsible for the day-to-day management of BNG Bank, the general state of affairs and the continuity of its business. The Executive Committee is responsible for charting the bank’s strategic course and business model, including in terms of sustainability-related topics. The Executive Committee comprises five directors, three of whom form the Management Board under the Articles of Association. The members of the Management Board under the Articles of Association are appointed and dismissed by the Supervisory Board. BNG Bank’s Executive Committee has established subcommittees to carry out preparatory work for decisions to be made by the Executive Committee, to provide advice to the Executive Committee and to make decisions with delegated authority. This is governed by the Executive Committee Rules on Subcommittees. One of these subcommittees is the Sustainable Banking Committee (SBC). Strategy, including sustainability, falls within the portfolio of the CEO.

BNG Bank [publishes](#) the remuneration details of its directors. No variable remuneration is paid. Consequently, no remuneration is paid on the basis of sustainability performance.

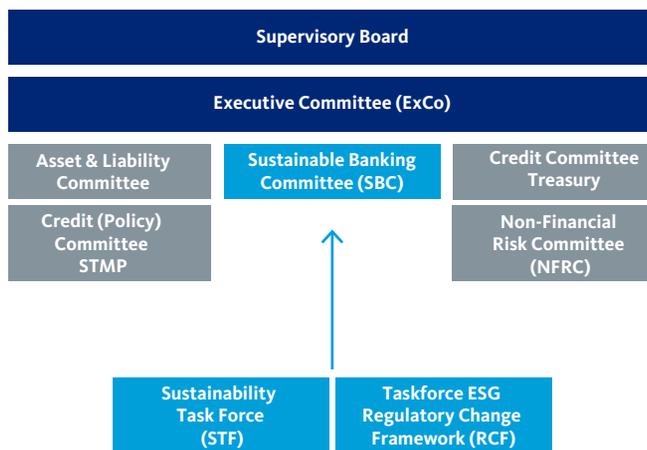
¹ Where we talk about CO₂ in this document, we refer to all greenhouse gases that contribute to climate change (CO₂e)

3.2 Focus on sustainability

The implementation of the sustainability policy affects the entire organisation, from our internal business operations (see the remainder of Chapter 3) to our interactions with clients (Chapter 5.1) and investors (Chapter 5.2).

In this section, we take a closer look at responsibilities and decision-making around sustainability and ESG. The Executive Committee has delegated the power to make decisions regarding the sustainability policy to the [Sustainable Banking Committee \(SBC\)](#). Two Executive Committee members sit on the SBC, along with the senior management from those business units most closely involved with sustainability. The SBC is tasked with setting, implementing and reporting on BNG Bank's comprehensive sustainability policy. This includes overseeing our long-term environmental and social contributions and identifying material ESG risks that could have a negative impact on our performance.

Figure 1: Sustainability governance at BNG Bank



ESG risks are embedded in the existing risk management framework. The ESG factors with a material impact on the bank have been laid down in the definitions of the traditional risk types. ESG factors are discussed in the relevant Executive Committee subcommittees. The Credit (Policy) Committee STMP manages and monitors the impact that ESG factors could have on the bank's credit risks. The Treasury Credit Committee monitors and manages the impact that ESG factors could have on the bank's credit risks

in relation to financial counterparties and investments. The Non-Financial Risk Committee (NFRC) supports the Executive Committee with regard to topics that fall under operational, compliance and security risks, including the impact that ESG factors could have on these risks. Finally, the Asset & Liability Committee manages the bank's liquidity, market, refinancing and solvency risks, including the impact that ESG factors could have on these risks.

The bank's senior management is responsible for achieving the goals within the policy frameworks and for measuring performance. Proposals for amending the bank's purpose, ambition, strategy, sustainability policy and sustainability goals are prepared by the Strategy and Sustainability department. The fact that responsibility for sustainability has been allocated to the Strategy and Sustainability department makes it clear that this topic affects BNG Bank as a whole and is an integral part of the bank's strategy.

In implementing the strategic sustainability goals, the SBC is supported by two other bodies. The Sustainability Task Force (STF) consists of representatives from the business units of the bank most closely involved with sustainability. The ESG Regulatory Change Framework (RCF) Task Force identifies upcoming legislation in the area of ESG and its impact on the bank.

3.3 BNG Bank's HR policy

BNG Bank employs more than 450 staff members. In view of our ambitions and strategic objectives, it is important to us that we are an attractive employer. BNG Bank offers opportunities and possibilities for personal growth and development to all staff members.

The Diversity and Inclusion Policy sets target figures. We aim for a male/female ratio with at least 40% women and at least 40% men across the entire organisation, including on the Supervisory Board and Executive Committee. We report on this ratio in our annual report. In terms of age distribution, as an organisation we aim for a 50/50 split between employees aged 45 or under and those aged over 45.

Being an attractive employer means providing a safe and healthy working environment. Our working conditions policy is focused on providing a healthy

working environment, in order to help prevent sickness absence and promote a healthy workforce.

3.3.1 Promoting ethical conduct

At BNG Bank, everyone must feel free to be who they are. Our [Code of Conduct](#) covers how we should treat each other and what constitutes appropriate and inappropriate behaviour. We have internal and external confidential advisers and an incident reporting procedure. In our employee surveys we ask our staff how they experience our working environment and if they feel it is a safe one. In addition, our Works Council plays an important role in ensuring healthy employment relationships. Our [Complaints Regulations](#) and [Inappropriate Behaviour Regulations](#) also help us to ensure a good working environment. Freedom of association is enshrined in Dutch law; the bank encourages trade union membership by providing a tax-efficient scheme for trade union membership fees.

BNG Bank is a bank of professionals. Expert and engaged employees are of crucial importance for the performance of the organisation. Integrity is a key aspect here. All staff, both internal and external, undergo a pre-employment screening before being hired. During the onboarding process, all new staff members receive a copy of the Code of Conduct and take the Banker's Oath. Internal rules of conduct to avoid conflicts of interest include rules on giving and accepting business gifts and invitations, as set out in the [Regulations on Business Gifts and Invitations](#), as well as rules on ancillary activities and private investment transactions.

3.3.2 Staff development

Providing development opportunities and possibilities is crucial for retaining our staff. Accordingly, we give a great deal of attention to offering opportunities for training and development. Over the course of the year, managers and staff members engage in dialogue about both results-oriented goals and personal development goals. These goals are recorded and discussed and action is taken to achieve them. BNG Bank has a wide range of training options and offers the Unlimited Learning concept, which allows all staff to take training courses (traditional, individual and e-learning) through our training platform. Staff are also given opportunities to develop their subject-matter knowledge. In addition, coaching and career development opportunities are provided to encourage internal mobility.

3.3.3 Working from home policy

BNG Bank has a working from home policy. This policy is based on close consultations between managers and staff members about the organisation of work activities in coordination with the other members of the team. The policy assumes that staff are present in the office at least two days a week. Not all positions are suitable for working from home. The working from home policy contributes to reducing travel to and from work, which helps to reduce our carbon footprint.

3.3.4 Health

To promote our employees' vitality, BNG Bank has a bicycle scheme and a sports budget is available for every employee. In addition, various physical activities are organised, such as yoga and a boot camp. Free fruit is available to staff on a daily basis.

BNG Bank works together with an occupational health and safety service. The occupational physician makes regular visits to the office and is available for consultations with staff members. In consultation with the relevant manager and the HR department, the occupational health and safety service creates action plans for the rehabilitation and return to work of employees on long-term sick leave.

3.3.5 Terms of employment

BNG Bank is affiliated with the Employers' Association for Banks through the Dutch Banking Association (NVB), and is thus bound by the collective agreement for the banking industry. This collective agreement provides a basis for healthy and balanced employment relationships. BNG Bank bases its employee benefits package on the collective agreement, but has also added further employee benefits. The collective agreement for the banking industry provides for parental leave, care leave, emergency leave and maternity leave, which are also offered by BNG Bank.

3.4 Sustainability in our business operations

We want to keep our carbon footprint as small as possible. In our annual report, we report on our energy consumption and gross and net CO₂ emissions.

We meet our energy needs via our own solar panels and by purchasing certified wind power that is generated in the Netherlands. Our building is heated through the district heating network. We do not use any natural gas in our building. Starting in 2023, our building will be undergoing major renovations, as a result of which its energy label will improve from A to A++. We aim to reduce our energy consumption in line with the targets set in the Paris Climate Agreement.

Our mobility policy is aimed at reducing CO₂ emissions from fossil fuels in line with the commitments made in the Paris Climate Agreement. We encourage travel by public transport. BNG Bank predominantly buys from Dutch suppliers, who must obviously comply with local laws and regulations. As stated in our [procurement policy](#), we strive for a good balance between sustainability and economic considerations.

3.5 External reporting

We are committed to transparency with regard to our performance in the areas of people and the environment. As such, we report on sustainability in our annual report. This reporting complies with the requirements of the Global Reporting Initiative (GRI). We are preparing to start reporting in accordance with the Corporate Sustainability Reporting Directive (CSRD). BNG Bank will fall within the scope of the CSRD from the 2025 financial year onwards. This means that we will start reporting under the CSRD in 2026. We regularly report on ESG risks in our Pillar III Disclosure Report, in accordance with the Capital Requirements Regulation (CRR). We report annually on our progress on implementing our climate plan. In accordance with the UN Guiding Principles Reporting Framework, we also report annually on our compliance with the Guiding Principles.

4 Sustainability goals

4.1 Social impact

4.1.1 Our ambition

In 2015, the United Nations adopted seventeen Sustainable Development Goals (SDGs) as a global sustainable development agenda for 2030. BNG Bank has chosen to align its operations with five specific SDGs:

- SDG 3: *Good health and well-being*
- SDG 4: *Quality education*
- SDG 7: *Affordable and clean energy*
- SDG 11: *Sustainable cities and communities*
- SDG 13: *Climate action*

These five SDGs were chosen because they are closely connected to the goals of BNG Bank's main client groups.

4.1.2 What we measure

To be able to demonstrate social impact, we have defined what we mean by "making an impact" and how we measure that. Banks make most of their social impact through their clients. BNG Bank provides balance sheet financing to many of its clients. The client groups included in the impact measurement are: municipalities, housing associations, healthcare institutions and educational institutions. These parties represent roughly 90% of the lending on our balance sheet.

To quantify our social impact, we have created an impact framework, which translates impact into societal effects. These societal effects have been chosen because they align with the SDGs, are relevant in the Dutch context and align with the ambitions of BNG Bank's main client groups. Our actions towards our clients indirectly contribute to these goals, and this framework guides our relations with our clients.

Figure 2: Translation of SDGs into social effects

SDG	BNG Bank contributes to ...	SDG target	Measurable societal effects
3	Health protection and accessible healthcare	3.9 3.8	Improving air quality Reducing waiting lists
4	Good educational facilities	4a	Upgrading or renovating educational buildings
7	Increasing energy efficiency	7.3	Decrease in electricity consumption in rental housing and educational and healthcare buildings
	Increase in share of renewables in the energy mix	7.2	Increase in number of households using renewable energy
11	Available and affordable rental housing	11.1	Increase in available rental housing Increase in affordable rental housing
	Liveable neighbourhoods	11.1	Increase in number of new-build homes
		11.2	Increase in sustainable public transport
		11.6	Decrease in municipal waste
13	Climate mitigation	13.2	Decrease in our clients' greenhouse gas emissions

We measure the societal effects using 35 indicators. This enables us to better direct our efforts. The annual measurement of indicators is performed by Het PON & Telos. This company has provided us with a [reporting manual](#) that describes in detail how data for the indicators has been compiled, where the data comes from, and what processes we have put in place to ensure reliability and consistency.

BNG Bank has been reporting on the impact of its clients in its annual reports since 2021. We were one of the first financial institutions in the Netherlands to do so, and we have learned a great deal from this. We will use what we have learned to further fine-tune our methodology in the future. You can read the full report, including an explanation of the methodology, in the document '[Methodology for measuring BNG Bank's impact](#)'.

4.2 Climate change

4.2.1 Commitment to climate action

In 2019, BNG Bank signed the climate commitment of the Dutch financial sector. That commitment includes reducing the CO₂ emissions of our clients

(“financed emissions”) in line with the Paris Climate Agreement. In 2022, we presented our climate action plan, [Going Green](#). This plan states that we intend to bring both our own as well as our financed CO₂ emissions in line with the Paris Climate Agreement and explains how we aim to achieve this.

To combat climate change, major investments must be made in the Netherlands. This also applies to our clients. Housing associations, for example, must improve the sustainability of their housing stock. They have agreed to phase out homes with E/F/G energy labels by 2028, to make 450,000 homes natural gas free by 2030 and to install future-proof insulation in 675,000 homes by 2030. By signing the Dutch Climate Agreement, other client groups, such as municipalities and healthcare institutions, have agreed to work to reduce CO₂ emissions by 55% by 2030 and to work towards net-zero CO₂ emissions by 2050. Major investments are also required to improve the sustainability of the buildings of educational institutions. In addition, the Netherlands must be made more resilient to the consequences of climate change (“climate adaptation”).

4.2.2 Our road to net zero by 2050

Our alignment with the climate agreement means that we will be reducing the emissions of our business operations and those of our clients to net zero. We apply a twofold CO₂ emissions reduction strategy, with a target for the emissions of our own organisation, as well as a target for the emissions related to our loan portfolio. In our climate action plan, “Going Green”, we have mapped the road that will lead to achieving these targets by 2050. We want to achieve a 25% decrease in our financed emissions compared to 2019 by 2025, and a 43% decrease compared to 2019 by 2030. By 2050, we will be a climate-neutral bank (“net zero”).

Starting from 2019, we have annually mapped the CO₂ emissions related to our loan portfolio, using a method developed by the Partnership for Carbon Accounting Financials (PCAF). At present, our annual calculation of our financed emissions covers 91% of our loan portfolio. We aim to increase this coverage each year. We are also working on improving the methodology. Calculating emissions data for the various sectors often still requires relying on sector averages or reasoned estimates.

However, we are increasingly able to measure actual energy consumption.

We have set science-based goals for the four main sectors we finance. We use 2019 as the reference year, because we do not have emissions figures for 1990. We have developed our [science-based goals](#) based on the Carbon Risk Real Estate Monitor (CRREM). For each sector, we have developed a transition path that states the maximum emissions per year in both CO₂/m² and kWh/m². We update the transition path based on the latest scientific insights and our financed emissions. We intend to also commission an independent third party to validate our science-based goals.

We report on our progress in our annual report. In these reports, we state the level of emissions we financed in the past year, our progress on the road to net zero, and the status of the actions we are taking to reduce our carbon footprint.

5 Policies in our key pillars

5.1 Lending

5.1.1 Who we finance

Our client base sets us apart as a bank. Who we lend to largely determines the impact we make.

5.1.1.1 Definition of our client base

As described in our strategy (Chapter 2), BNG Bank serves the public sector in the Netherlands. This is set out in Article 2 of our [Articles of Association](#) and provides the basis for which institutions are eligible for financing. These include public authorities, as well as organisations that perform a public task, such as housing associations and healthcare and educational institutions. In addition, organisations in which the government holds more than 50% of the shares and activities where the government issues a 100% credit guarantee are also eligible for financing. Based on this definition, we do not provide financing to certain sectors, such as for agricultural activities.

5.1.1.2 Exclusion policy

For various reasons, such as to help achieve our sustainability goals, BNG Bank applies an exclusion policy. Based on our exclusion policy, we do not provide any lending to the following sectors/activities

- The exploration and/or extraction of new coal, oil and gas reserves;
- The fur industry;
- The tobacco industry;
- The arms industry;
- Parties which, at the time of the loan application, are listed on the AFM's 'Indicative exclusion list for cluster munitions', and parties that are part of the same economic entity as such parties. The same applies to projects in which products are purchased from these parties;
- Pornography;
- Gambling, with the exception of organisations that devote a majority of their net income to supporting social organisations and activities;
- Animal testing (unless required for medical purposes);
- Factory farming – intensive livestock farming in very small spaces.

In addition, our clients (including potential clients) are not permitted to engage in the following business practices:

- Corruption, fraud, infringement of codes of ethics;
- Inadequate corporate governance;
- Structural human rights violations;
- The use of child labour in the production process;
- Structural infringement of environmental laws and regulations;
- Structural employment law and workers' rights violations;
- Structural violation of international laws and conventions.

These restrictions mitigate the risk of providing loans with high risks in relation to the environment or human rights. Our policy in the area of human rights is set out in our [Human Rights Policy](#).

5.1.1.3 Customer Due Diligence (CDD)

With our Customer Due Diligence (CDD) Policy, we identify and assess risks in the area of ESG for individual clients. The CDD process is always followed before entering into a transaction with a new client. The CDD Policy is aimed at clients of the bank to whom loans are provided, parties from whom interest-bearing securities are purchased for the liquidity portfolio and financial counterparties with whom we enter into derivative transactions.

The CDD investigation is performed according to a risk-based approach. In other words, if potential integrity risks are identified, a more comprehensive/detailed investigation of the client is required. Based on this investigation, a client is classed in a particular risk category. The higher the risk category, the more intensive the control measures to mitigate the risks to an acceptable level. Existing clients are reviewed at regular intervals that depend on the risk category in which they have been classed. Certain events may also prompt a review or, if necessary, a repeat of the entire due diligence process.

5.1.2 How we work with our clients to achieve sustainability goals

5.1.2.1 Client engagement strategy

BNG Bank keeps in close contact with its clients to provide them with financing, to share knowledge and to create innovative solutions. The key instrument that BNG Bank deploys to provide its clients with guidance on their societal impact are strategic client conversations. These conversations do not remain without obligation. We expect commitment from our clients in relation to social objectives, and we expect them to show progress. Depending on the progress made, these conversations may involve more stringent guidance. In this regard, BNG Bank does not rule out placing conditions on loans, or ultimately even excluding clients.

To help our relationship managers discuss societal topics, we have collated the key themes for each specific client group in a tool. This tool serves as both a guide for conversations and a database in which clients' answers are recorded. It enables us to gradually gain more insight into how our clients approach societal themes and how we can better help them to achieve their ambitions in this area.

We cannot conduct strategic client conversations with all clients. We divide clients into client groups based on absolute size of our lending to them and their societal importance. This determines whether BNG Bank adopts an advising (Alpha), observing (Beta) or monitoring (Gamma) position. The majority of our effort is spent on clients where we can have the greatest impact: our "Alpha" and "Beta" clients among

the housing associations, municipalities, healthcare institutions and educational institutions.

The themes discussed are based on sector ambitions and form a consistent whole with BNG Bank's impact framework (see Chapter 4). The energy transition is a relevant theme for all of these client groups. Since 2023, reducing CO₂ emissions has been on the agenda in strategic client conversations with all Alpha and Beta clients, including housing associations, municipalities and healthcare and educational institutions. With these clients, we check whether they have their own climate targets. From 2024 onwards, we will analyse whether the reduction plans of our larger clients are in line with the climate agreement or with their own sector targets. From 2025 onwards, for most of our clients, having a climate action plan in place, either at the corporate or asset level, will be a prerequisite for financing.

Sustainability fund

BNG Bank has set up the BNG Sustainability Fund to finance social initiatives that contribute to the sustainability goals of municipalities and provinces. The BNG Sustainability Fund mainly provides smaller sized loans to sports clubs to help them make sports accommodations more sustainable. The fund reports independently on its activities and its financial and non-financial performance.

BNG Culture Fund

BNG Bank set up the BNG Culture Fund in 1964. The fund promotes activities in the area of arts and culture that are important to municipalities and municipal policy. In addition, it encourages young talent by awarding prizes for achievements in theatre, literature, circus, music and dance. There is also an annual award for municipalities in the area of cultural heritage.

5.1.2.2 BNG Bank's agenda-setting role

As well as individual conversations with our clients, we also engage in dialogues with various umbrella organisations. In addition, we play an agenda-setting role for the Dutch public sector. Based on our knowledge, we try to steer the public debate on how the financing of the energy transition [can be structured](#).

5.1.2.3 Project financing

Part of our portfolio consists of project financing. When we provide project financing, we perform a sustainability analysis for each loan application and, if necessary, prioritise lending for the most sustainable projects. These include solar and wind power generation, as well as carbon capture in waste-to-energy plants and recycling facilities. As a rule the Equator Principles, an international standard for identifying and managing environmental and social risks, apply to project financing. As required under the Equator Principles, the loan documentation for project financing that meets our criteria includes clauses with regard to social and environmental aspects.

5.1.3 Ensuring we offer our clients suitable products

Acting in our clients' best interests is a top priority in the provision of our services. Accordingly, BNG Bank aims to provide straightforward and transparent products that meet our clients' needs and only involve risks that our clients can manage. Considerable attention is given to providing clients with clear information and warning them of the risks attached to certain products.

BNG Bank has a product approval and review process (PARP), which is used in the development of new products and the periodic evaluation of existing products. A number of the bank's business units are responsible for specific parts of this process. The PARP process ensures that the duty of care towards the client occupies a more central role in product approval through the definition of the target group (positive and negative) and identification of its needs and risk profile, so that the design of the financial instrument, including its characteristics, does not have adverse consequences for end clients or lead to problems with market integrity.

5.2 Funding

BNG Bank is dependent on the international capital markets for its funding. BNG Bank is one of the largest issuers of bonds in the Netherlands. In normal years, BNG Bank on average raises around EUR 16 to 18 billion by issuing bonds. In total, BNG Bank has over EUR 100 billion in bonds outstanding.

A large proportion of our investors is engaged in the topic of sustainability. Investors increasingly consider sustainability in their investment decisions and want their investments to contribute to their own sustainability goals. Together with our investors, we look at how we can achieve sustainability ambitions on both ends.

5.2.1 Sustainable Finance Framework

BNG Bank issues bonds with a social or sustainable label. For this purpose, BNG Bank has developed its own [Sustainable Finance Framework](#). This framework has been developed in accordance with the principles and guidelines of the [International Capital Markets Association](#) (ICMA). In accordance with these guidelines, our framework has been externally assessed by ISS ESG. This institution has also issued a [Second Party Opinion](#). Each year, Het Pon & Telos delivers an impact report on bonds issued under the framework in accordance with the ICMA principles. An important part of this report is a description of what the proceeds of the bonds were spent on. All our bonds are traded on the Luxembourg Green Exchange.

Under the Sustainable Finance Framework, BNG Bank has defined two pillars. The funds raised with "sustainability bonds" are used to provide loans to municipalities. The funds raised under the label "social bonds" are used to provide loans to housing associations. Under this framework, the budgets of municipalities and spending of housing associations are linked to the SDGs and the green and social categories of the ICMA. The full methodology can be found on [our website](#).

The Sustainable Finance Framework enables the bank to serve a broader investor base. BNG Bank has been issuing labelled bonds since 2014. Initially, we did so via a "best-in-class" framework. We have been issuing bonds under the Sustainable Finance Framework since 2021.

The proportion of labelled bonds has grown steadily since 2014. Sustainability and social bonds now make up around 30-45% of newly issued BNG Bank bonds each year, which corresponds to an amount of EUR 5-7 billion per year. We aim to maintain the total amount of our labelled bond issues at this level, and if possible, to gradually increase it.

5.2.2 ESG ratings

Investors are increasingly using ESG ratings. ESG ratings enable investors to assess the risks and opportunities presented by companies. It is important to BNG Bank to maintain high and representative ESG ratings. We currently hold ESG ratings from MSCI (A), ISS ESG (C+), Sustainalytics (9.2) and Vigeo Eiris (Advanced).

5.3 Risk

BNG Bank is a trusted bank. The majority of the loans that BNG Bank provides are granted to or guaranteed by government bodies. Compared with other banks, the risks BNG Bank faces are limited. This is reflected by the bank's strong external credit ratings.

Nevertheless, identifying and addressing risks is one of BNG Bank's core activities. This includes the risks arising from ESG. As is the case for the financial sector as a whole, BNG Bank has in recent years drastically increased the attention it pays to ESG risks.

We define ESG risks as the risk of financial losses and/or reputational damage for the bank as a result of ESG events. ESG risks can have a negative impact on clients' credit ratings or collateral. Examples include damage and losses caused by flooding ("physical climate risks"), an increased likelihood of bankruptcy due to the government's sustainability policies ("transition risks"), and the consequences of poor management or HR policy.

5.3.1 Governance of ESG risks

We see ESG risks as part of the traditional risk categories, such as credit, market, liquidity and operational risks.

The Executive Committee is responsible for formulating, establishing and monitoring the bank's risk appetite. This also includes translating the risk appetite into limits, targets and information triggers.

The Executive Committee then ensures that the bank's operational activities are conducted within the risk parameters that apply to the risk appetite. The Executive Committee is supported in this task by its various subcommittees, including the SBC, which coordinates ESG-related activities and analyses the possible effects of strategic ESG risks. ESG risks that specifically fall into a traditional risk category are subject to the same risk governance. For example, ESG risks related to credit risks are handled by the Executive Committee subcommittee that monitors credit risks.

BNG Bank bases its approach to managing risks on the Three Lines of Defence model. The Risk Management department is responsible for the risk policy in general, which includes risk governance and the Risk Appetite Framework (RAF). Quarterly reports on ESG risks are issued to the relevant Executive Committee subcommittees, the Executive Committee and the Supervisory Board.

5.3.2 Identification of ESG risks

ESG risks are an integral part of BNG Bank's Risk Management Framework (RMF), which is our policy framework for identifying risks. The Risk Appetite Statement (RAS) forms a central component of this framework. In the RAS we set risk limits. The RAS is updated annually on the basis of internal and external developments.

The ESG Risk Materiality Assessments (RMAs), which are performed for all relevant traditional risk categories, provide key inputs for the RAS. The RMAs are performed for the short-term (< 3 years), medium-term (4-10 years) and long-term horizon (>10 years). These analyses are updated according to a schedule to ensure that the risk assessments remain up to date. The short-term analysis is updated annually, the medium-term analysis every three years and the long-term analysis every six years.

For each sector, BNG Bank assesses the impact of ESG risks on credit risk. This involves looking at the transmission channels by which ESG risks can lead to credit risk. We then assess how material these risks are. For the most material ESG risks, metrics have been developed to monitor the risks.

These indicators allow us to set limits to enable us to focus on clients with an excessive ESG risk.

Climate risks are also part of our stress test programme. The impact of climate risks is assessed in our Internal Capital Adequacy Assessment Process (ICAAP). BNG Bank uses climate scenarios to identify its risks. These scenarios are partly calculated on the basis of the [Climate Impact Atlas](#). We link this data to the locations of our exposures by means of geocoding.

5.3.3 ESG risks on our balance sheet

BNG Bank has a conservative risk profile. BNG Bank applies a strict capital policy, places restrictions on services and counterparties and does not engage into proprietary trading. Guaranteed loans make up a large part of BNG Bank's portfolio. We expect that existing guarantees will be respected if ESG risks materialise.

The key ESG risks we have identified in the credit risk category are those relating to environmental risks. We consider the risk that climate policies could lead to an increased likelihood of bankruptcy to be the most material risk. For example, such policies may focus on further restricting CO₂ emissions or increasing the energy efficiency of buildings. Next come physical risks, which we consider to be somewhat material. These risks are underpinned by the assumption that, in the event of an environment-related disaster, insurance or government support will be available to partially mitigate the impact of the damage and losses. We consider social and governance factors (the "S" and "G" in ESG) to be less material risks for BNG Bank. This is because our exposure is primarily in the Netherlands, and the Netherlands has good governance practices. Any impact of social and governance risks is more likely to be caused by incidents than by structural factors. For the sake of completeness, Annex 1 lists the key ESG risks on our balance sheet we have identified for the medium term.

When it comes to ESG risks, the past is a poor indicator of the future. BNG Bank's loans have a significant geographic concentration in the Netherlands. We are aware that ESG factors could have an impact on the willingness of the Dutch public sector to provide new guarantees in the future. This in turn could have an impact on our business model and strategy.

BNG Bank closely monitors ESG policy developments and ensures that it protects itself against these risks. We are in the process of modelling client-related ESG risks and will use these insights to adjust our policies accordingly. In the coming period, we will work on further quantifying ESG risks. This will involve creating new models and calculating the impact of negative ESG scenarios and shocks. We are working towards being able to create ESG risk estimates for each individual client. We will then work on incorporating ESG risks into the rates we charge clients and into the collateral we require from clients.

6 Looking ahead to the future

Sustainability forms an inextricable part of our entire organisation. This document provided insights into our current activities in the area of sustainability. The policies described in this document serve as the foundations for our bank.

We will continue to build on these policies in the coming year. In the coming period, we will detail our sustainability ambitions and strategy to give shape to our ambition to make the Netherlands more social and sustainable. In the coming year, we will provide more insight into our new plans to achieve these ambitions, so we can continue to help the Dutch public sector meet the challenges facing society for the next 110 years.

Annex 1: Key ESG risks for BNG Bank for the medium term (RMA)

Risk type	Sector/portfolio/sub-risk		Material ESG factors
Credit risk (counterparty & concentration risk) – creditworthiness	Social housing		Emissions Energy Efficiency
	Healthcare		Emissions Energy Efficiency
	Education		Emissions Energy Efficiency
	Local authorities		Emissions Energy Efficiency Biodiversity
	Networks	Energy networks	Emissions Energy Efficiency
		Heat networks	Emissions Energy Efficiency
		Water networks	n/a
	Environment	Municipal cleaning companies	n/a
		Waste processors	Emissions Energy Efficiency
	Mobility	Infrastructure	Emissions Energy Efficiency Raw Material Sourcing Biodiversity
		Public transport	Emissions Energy Efficiency Raw Material Sourcing
	Energy	Solar	n/a
		Wind	Biodiversity
		Biomass	Raw Material Sourcing
Geothermal		n/a	
Credit risk (counterparty & concentration risk) – collateral value	Real estate		n/a
	Equipment		n/a
	Receivables		n/a
Market risk (credit spread risk)– collateral value	Governments		Emissions Energy Efficiency
	Financials		Emissions Energy Efficiency
	Covered bonds		n/a
	RMBSs		n/a
Liquidity risk (short-term liquidity risk)			n/a
Operational risk	Process risk		ESG Modelling
	Model risk		ESG Modelling
	Data management risk		n/a
	External event risk		n/a



**Gedreven door
maatschappelijke impact**

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