

# Climate Plan Going Green

Progress report 2023



# Summary

BNG Bank is the bank of and for the public sector in the Netherlands. We were founded more than a hundred years ago to solve social and sustainability challenges. This Climate Plan focuses mainly on the sustainability component.

## Net zero by 2050

In 2019, BNG Bank signed the Dutch financial sector's Commitment to the Paris Climate Agreement. As a follow-up to this commitment, BNG Bank published the Going Green Climate Plan in December 2022. In Going Green, we explained how BNG Bank brings its own organisation's emissions and the emissions associated with the loan portfolio in line with the targets stipulated in the Paris Climate Agreement. This target entails that we have reduced our CO<sub>2</sub>e emissions<sup>1</sup> to net zero by 2050. With this progress report, we aim to provide insight into our current situation.

On our way towards net zero, the greatest impact we can achieve is through our clients' impact. Emissions caused by our loan portfolio (known as 'financed emissions') are many times higher than emissions caused by our own business operations. For this reason, the main impact a bank can have is helping clients to make their core activities more sustainable. This indirect approach requires us to fully embed sustainability in our relationships with our clients. This is a change that will require time

and adaptability, both from ourselves and from our clients. We have already taken a number of steps in 2023.

## Where are we on our road to net zero?

- The absolute scope 1 and 2 emissions of clients in our loan portfolio fell by 9.5% in 2022<sup>2</sup> relative to 2021. Compared with our reference year 2018, this is a decrease of 21.8%. This means that our target of a 25% reduction in CO<sub>2</sub>e emissions by 2025 seems within reach. If we succeed in continuing this annual reduction in emissions, our target of a 43% reduction by 2030 seems feasible. This will require us not to be diverted from the actions we are taking in this regard.
- For our four largest client groups, we compared the emissions per m<sup>2</sup> against sectoral decarbonisation pathways. These sectoral decarbonisation pathways indicate what the target emissions per year should be to be in line with the 1.5°C scenario. We see that the emissions per m<sup>2</sup> from the real estate of the municipalities and educational Institutions in our portfolio are below the required reduction path. With educational

institutions, we expected a different picture. We will research this further.

- Emissions from our social housing associations are still slightly above the required emissions per m<sup>2</sup> based on the decarbonisation pathway. As this is our largest client group, it is important that we match the sectoral decarbonisation pathway by 2030 at the latest. To achieve this, the annual reduction in emissions will have to be greater than what we have achieved on average over the past four years.
- We believe that within our loan portfolio the client group of healthcare institutions currently represents the larger challenge in terms of decarbonisation.

The emissions of this client group are well above the target pathway. Given this starting position, we cannot assume that we will be able to meet the target emission level by 2030. We will have to work actively with this portfolio. Many of our clients have signed the Healthcare Green Deal, which can be an important step towards further positive development.

- Emissions from our own office building are well in line with the 1.5°C scenario. Emissions caused by our lease cars fell by 27% in 2023 compared with 2022.

<sup>1</sup> Where possible, the seven greenhouse gases from the Kyoto Protocol have been included in the calculation and converted to their CO<sub>2</sub> equivalents. All emissions are therefore reported in the CO<sub>2</sub>e unit; see section 2.2.

<sup>2</sup> Owing to the availability of data, we are one year behind in the emission calculation. The most recent year for which we can present our financed emissions is 2022.



### Results of targeted actions 2023

- In *Going Green* we indicated that we would start recording our clients' emission reduction plans. Sustainability has become an integral part of our dialogue with clients. We discuss sustainability issues with clients and record the information obtained.
- Knowledge of sustainability has been strengthened within the client facing departments of our organisation by organising ESG training sessions. This is done both interactively (the 'Sustainability Days') and through e-learning programmes.
- Governance with regard to sustainability within our business operations has been strengthened by the establishment of the Sustainable Banking Committee. This is led by the CEO and supported by the Sustainable Task Force and the ESG Regulatory Change Framework committee.

We also made some promises that we have been unable to keep:

- In *Going Green*, we indicated that we would sign the Paris Proof commitment of the Dutch Green Building Council. Our office building will be extensively renovated in 2024. We have therefore decided to put signing the Paris Proof commitment on hold and to reassess it.
- In *Going Green*, we stated our ambition to present our CO<sub>2</sub>e reduction targets to the Science Based Targets initiative (SBTi) for verification. In its guidance, the SBTi mainly focuses on corporate loans, while our loan portfolio mainly concerns public loans. We therefore decided to wait for the announced update of the guidelines. The SBTi did specify public loans in that update. This provides our bank with sufficient tools to aim to submit reduction targets in 2024.

- We have indicated that we would expand the scope of our Climate Plan. The scope of our Climate Plan differs for the measurement of our emissions, our reduction targets and action plans. In this progress report, we have made this distinction even more transparent, in accordance with the guidelines from the Climate Commitment. We will endeavor annually to expand and increasingly align the different scopes so that they ultimately cover all relevant activities in our value chain. In 2023 we focused mainly on improving the methodology of emission calculation and less on expanding the scope. We will still take steps in this in 2024.

### Looking ahead

We expect the next 10 years to be dominated by improvements to the sustainability of all aspects of our society. This is an important task for the public sector. Within this sector, there will continue to be a substantial need for a reliable and socially committed financial partner like BNG Bank. We will fulfil our responsibilities, and the sector can count on us.





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# 1 Introduction

BNG Bank is the bank of and for the public sector in the Netherlands. Our purpose is 'Driven by social impact'. We were founded over a hundred years ago to solve social and sustainability challenges. This Climate Plan focuses mainly on the sustainability component.

To keep the earth as liveable as possible for our own and future generations, 195 countries signed the Paris Climate Agreement back in 2015. In it, they agreed to reduce worldwide CO<sub>2</sub>e emissions to net zero by 2050 at the latest. That is the only chance we have to limit global warming to 1.5°C (relative to the 1850–1900 period). That we do so is crucial for life on earth. If temperatures rise above that target, the negative consequences – from an ecological, economic and social perspective – will be overwhelming. In the Netherlands and Europe, it has been agreed that, by 2030, CO<sub>2</sub>e emissions have to be reduced by 55% compared with 1990 levels.

In 2019, BNG Bank signed the Dutch financial sector's Commitment to the Paris Climate Agreement. Our bank has therefore committed itself to financing the energy transition, measuring the CO<sub>2</sub> contribution of financing and formulating science-based reduction targets in line with the Climate Agreement.

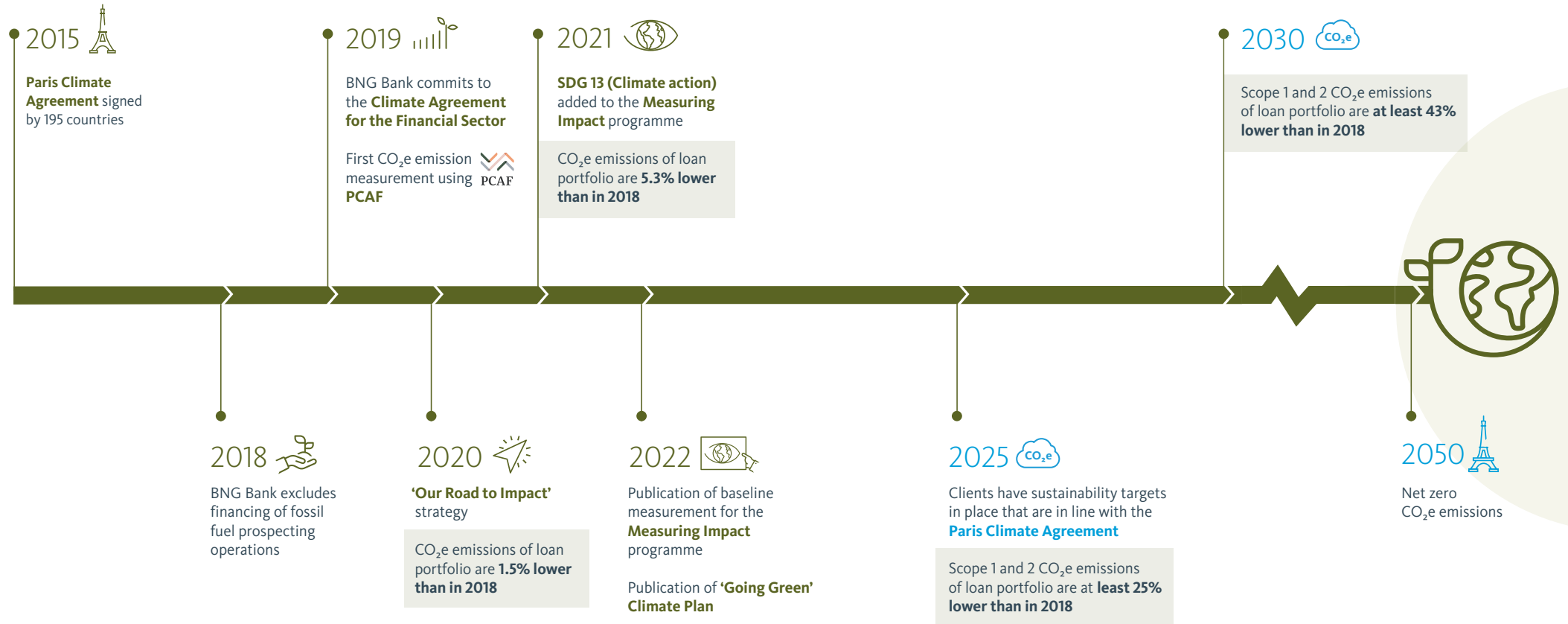
As a follow-up to this commitment, BNG Bank published the Going Green Climate Plan in 2022. In this plan, we state that we aim to bring the emissions caused by the relevant activities in our value chain in line with the targets laid down in the Paris Climate Agreement. This means that, by 2050 at the latest, we will have reduced the CO<sub>2</sub>e emissions from relevant activities in our value chain to net zero. To achieve this goal we set clear near-term reduction targets and associated action plans.

By signing the Climate Commitment, BNG Bank has committed itself to publishing the progress of its reduction targets annually. This is done in this progress report. We have taken steps in some areas, although we have been unable to deliver on our promises on all fronts. In this update, we will reflect on our activities in 2023, the results that have been achieved and our outlook for the future.



## Our road to net zero

In Going Green, we presented our long-term target, i.e. that we intend to achieve net zero emissions within our value chain by 2050. The CO<sub>2</sub>e emissions resulting from our lending operations are the largest category within our value chain. For this reason, we have formulated separate near-term targets for scope 1 and 2 emissions from our loan portfolio. This involves a reduction in CO<sub>2</sub>e emissions of at least 25% by 2025 and a reduction of at least 43%<sup>3</sup> by 2030, both relative to our 2018 reference year.<sup>4</sup>



<sup>3</sup> This 43% is a departure from the 55% mentioned in the Climate Act. This is because we use 2018 as a reference year instead of 1990.

<sup>4</sup> The year referred to in Going Green was 2019. This concerned the reporting year 2019 and data for 2018. In this report, for the sake of transparency, we are using the year for which the emissions were calculated instead of the reporting year.

Figure 1: Scope 1, 2 and 3 emissions

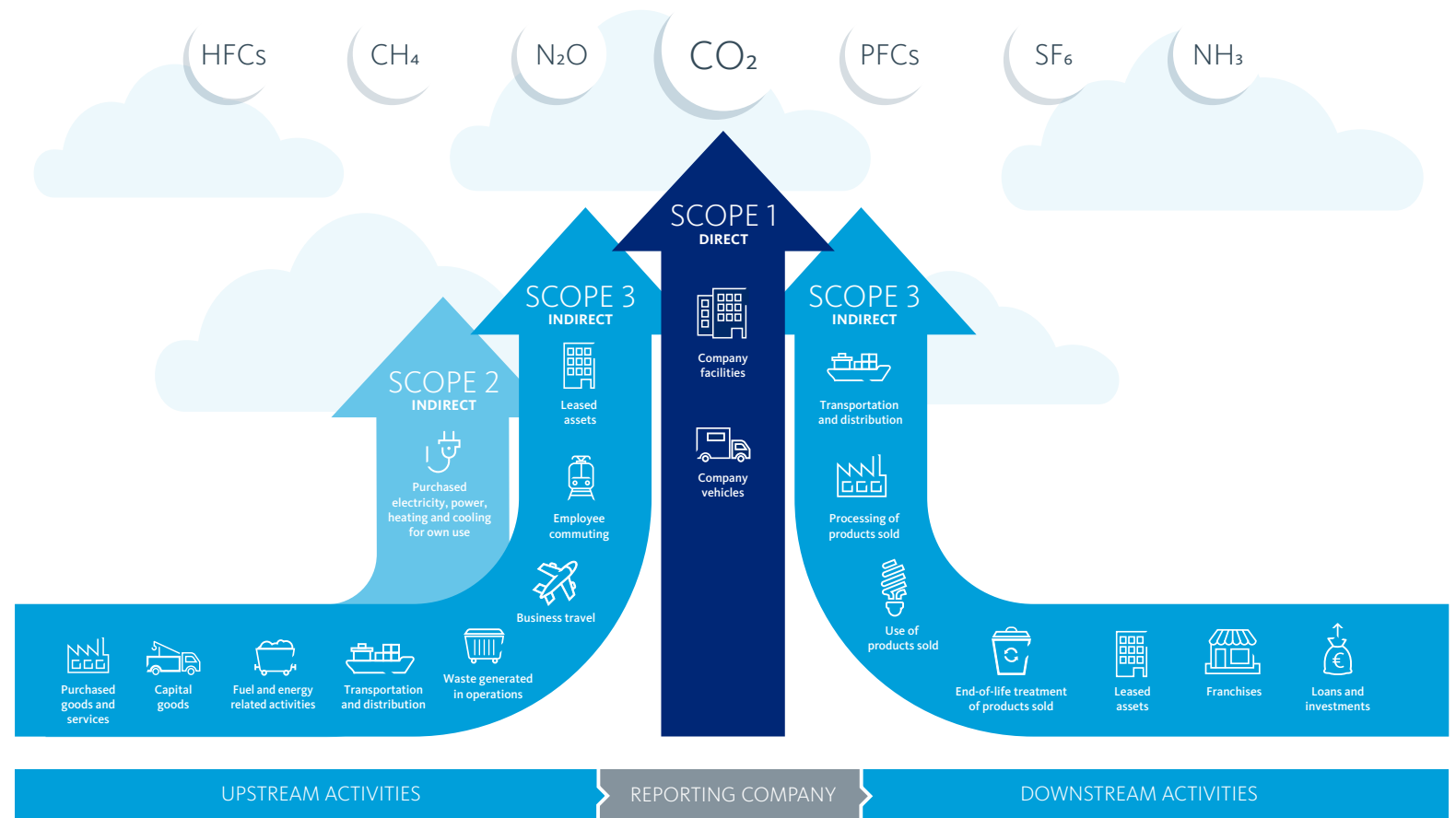


Image based on the Greenhouse Gas Protocol

### Scope of the Climate Plan

BNG Bank uses the Greenhouse Gas Protocol (GHG Protocol) to calculate CO<sub>2</sub>e emissions in the value chain. The activities are divided into three categories:

**Scope 1:** Direct CO<sub>2</sub>e emissions caused by sources owned or controlled by the organisation. These are emissions caused by our own buildings and transport and production-related activities.

**Scope 2:** Indirect CO<sub>2</sub>e emissions associated with our own business operations. These are emissions from the generation of purchased electricity, steam, heat or cooling.

**Scope 3:** All other indirect greenhouse gas emissions (not included in scope 2) that occur in the value chain of the reporting company. These are CO<sub>2</sub>e emissions caused by the business activities of another organisation that are beyond the direct control of our institution.

Figure 1 indicates which BNG Bank scope 1, 2 and 3 emissions are included in this progress report. In the BNG Bank value

chain, the main emissions are those caused by the loan and investment portfolios (scope 3, Category 15). These are called 'financed emissions'. BNG Bank has been measuring the emissions associated with its own business operations since 2010 and the financed emissions since 2018.





Figure 2: Scope of the measurement of CO<sub>2</sub>e emissions, reduction targets and action plans for the BNG Bank value chain

Type of emissions	Scope	Category	Emissions measured?	Near-term reduction targets formulated?	In scope of our net-zero target?	Action plans in place?
Direct	1		Lease cars	No	Yes	No
Indirect	2		Purchased electricity and district heating for own use	Yes, based on sectoral decarbonisation pathway	Yes	Yes
	3 - Upstream	6. Business travel	Air travel	No	Yes	No
		8. Leased assets	Gas consumption and purchased electricity for leased properties	No	No	No
	3 - Downstream	15. Loans and investments	Loan portfolio (90%)	Scope 1 and 2 emissions of our loan portfolio: 2025: at least 25% reduction compared with 2018 2030: at least 43% reduction compared with 2018	Yes	Yes, for our largest client groups

With regard to the Climate Commitment, a guideline<sup>5</sup> has been drawn up that gives financial institutions more insight into the concept of 'relevant financing and investments'. This guideline gives guidance on determining which elements should be included in the steps in the Climate Commitment, i.e. measuring

the CO<sub>2</sub>e emissions, setting reduction targets, reporting and creating action plans. The guideline also identifies a number of priority sectors that are eligible for all steps in the Climate Commitment. A large part of the financing provided by BNG Bank concerns real estate and, based on the previously mentioned guideline,

has been identified as a priority sector. This also applies to our 'Mobility' client group. We aim to make these client groups an integral part (at 100%) of our emission calculation, reduction targets and action plans in every respect. Figure 3 shows which client groups were part of the various steps in our Climate Plan in 2023.

<sup>5</sup> In 2022, the Dutch Banking Association (NVB), the Dutch Association of Insurers, the Dutch Pension Federation and the Dutch Fund and Asset Management Association (DUFAS) developed a guideline for the Climate Commitment. It was revised in July 2023.

Figure 3: Scope of the measurement of CO<sub>2</sub>e emissions, reduction targets and action plans for the loan portfolio

		CO <sub>2</sub> e emissions measurement for the year 2022					Part of near-term reduction targets?			
Sector	Client group	Coverage rate	PCAF data quality score for scope 1 and 2 emissions	Scope 3 relevant?	Scope 3 measured?	PCAF data quality score scope 3 emissions	Scope 1 and 2 emissions	Scope 3 emissions	In scope of action plans?	Priority sector?
<b>Social housing</b>	Social housing associations	95.3%	2.0	tbd	no	-	yes	no	yes	yes
	Others	-	-	tbd	no	-	no	no	no	yes
<b>Public sector</b>	Municipalities	100.0%	3.0	tbd	Yes, partly	4.0	yes	no	yes	yes
	Provinces	100.0%	3.0	tbd	Yes, partly	4.0	yes	no	no	yes
	Water Authorities	100.0%	2.8	tbd	yes	2.0	yes	no	no	yes
	Joint regulations	-	-	tbd	no	-	no	no	no	yes
	Others	-	-	tbd	no	-	no	no	no	yes
<b>Healthcare</b>	Healthcare	95.9%	3.0	tbd	Yes, partly	5.0	yes	no	yes	yes
<b>Education</b>	Education	62.2%	3.0	tbd	no	-	yes	no	yes	yes
<b>Networks</b>	Networks	-	-	tbd	no	-	no	no	no	no
	Drinking water utilities	94.3%	2.0	tbd	yes	3.0	yes	no	no	no
<b>Mobility</b>	Mobility	89.7%	4.0	tbd	Yes, partly	4.0	yes	no	no	yes
<b>Others</b>	Miscellaneous	28.3%	4.0	tbd	Yes, partly	4.0	yes	no	no	no
	Energy	-	-	tbd	no	-	No, this only concerns avoided emissions in our portfolio			
	Financial institutions	-	-	tbd	no	-	no	no	no	no
	Environment	-	-	tbd	no	-	no	no	no	no

# 2 Outcome of our planned actions in 2023

BNG Bank has committed to bringing emissions caused by activities within its value chain in line with the Paris Climate Agreement. That is why our bank has drawn up a CO<sub>2</sub>e reduction strategy with the ultimate goal of net zero by 2050. In addition to emission-related targets, Going Green also describes actions in the area of governance and the expansion of the scope of the Climate Plan. In this chapter, we provide feedback on what we have achieved with regard to these actions.

## 2.1 Our own organisation

### Making our own business operations more sustainable

Our mobility policy and our own accommodation are the most important activities with which we can influence our own emissions.

In 2023, 46% of our lease cars were fully electric, 36% hybrid, 13% petrol and 5% diesel. Compared with our reference year 2018, absolute consumption of petrol and diesel decreased by 68% and 91% respectively. The CO<sub>2</sub>e emissions caused by our lease cars decreased by 27% in 2023 relative to 2022.

Our office building is currently undergoing major refurbishment, so we are temporarily using other accommodation. We also have a fallback location. BNG Bank aims to set a new standard for her office building: a building that is not marginally better, but one that actively contributes to the environment. The building itself will generate energy, buffer water, act as a resource bank, improve soil and increase biodiversity. We define sustainability based on well-being and experience for users, positive impact on the environment, circular materials, energy efficiency, social impact and flexibility regarding future purposes.

During the demolition work, we set high demands when it comes to circularity. We aim to reuse material as much and as fully

as possible, be that in our own building, in other buildings or for other purposes. The demolition contractor will also be invited to apply new circular insights and innovations in the demolition work. The selected demolition contractor will also deliver a final report following completion of the project. This will include a materials passport that provides insight into the CO<sub>2</sub> impact of re-use of materials.

The Paris Climate Agreement prompted the Dutch Green Building Council (DGBC) to develop a Sustainable Renovation Delta Plan. This is a long-term sustainability programme for commercial and social real estate, including schools, healthcare institutions and housing.

It was announced in Going Green that BNG Bank would sign this commitment in 2023. In connection with the extensive renovation of our office building, we have decided to put signing the Paris Proof commitment on hold and to reassess it.





## Governance

In order to be able to properly implement the CO<sub>2</sub>e reduction strategy, it is important that it is firmly anchored in the governance structure. As promised, from 2023, BNG Bank changed the governance structure and introduced the Sustainable Banking Committee (SBC). The SBC had its first meeting in February 2023 and since then has been meeting every six weeks. This committee, chaired by our CEO, aims to safeguard the overall sustainability policy. The SBC is supported by two other bodies that meet every two weeks: the Sustainability Task Force (STF) and the ESG Regulatory Change Framework (ESG RCF) committee. The STF consists of representatives from different parts of our bank and is tasked with operationalising sustainability in the bank's processes. The ESG RCF identifies upcoming ESG legislation and assesses its relevance and impact. This is the next step in ensuring sustainability in our business processes. BNG Bank will continue this policy in 2024.

## Knowledge and development

The 'Sustainability Days' are one of the initiatives set up to strengthen knowledge levels. A tailor-made e-learning course has been put together to prepare for these meetings: the 'BNG Bank Sustainability Essentials'. During the Sustainability Days, sustainability was discussed in the broadest sense of the word. Topics such as climate change, the legislative and regulatory framework, ambition and funding were discussed. A total of 200 employees attended the Sustainability Days.

In order to anchor sustainability even more firmly in the business processes, BNG Bank will press ahead with its activities on deepening knowledge in 2024. We will also work to make these activities a structural part of the onboarding of new colleagues.



## Risks resulting from

# Climate change

Reducing emissions is necessary not only to make our contribution to combating climate change, but also because of the financial and non-financial risks associated with climate change. BNG Bank is running a risk through its clients owing to the physical consequences of climate change. The same applies to the transition to a climate-neutral economy. Transition risks may include a reduction in the value of collateral, for example because a client does not move from energy label G to C and therefore deviates from the pathway to net zero, or an increased risk of client bankruptcy as a result of new government policy or a change in market sentiment. In addition to transition risks, BNG Bank also has physical climate risks to contend with. For example, loss or damage suffered by clients as a result of floods and storms (acute physical risks), in addition to the consequences of long-term climate and environmental events such as sea level rises or biodiversity loss (chronic physical risks).

For financial institutions, combating the effects of climate change and climate change itself are important concerns forming a central feature of business operations. BNG Bank has provided insight into the material climate and environmental risks and translated them into conventional risk categories, such as credit, market, liquidity and operational risks.

By actively focusing on our Climate Plan targets, we can contribute to reducing climate change and thus also to reducing the associated risks, both directly and indirectly, as climate change is seen as one of the main drivers for biodiversity loss, for example. If climate targets are not achieved, the risk of physical risks (with a financial consequence) will only increase.





Proposed action 2023:

## Strategic client interviews

Sustainability is a fixed theme in all regular client interviews with **housing associations**. BNG Bank will monitor whether individual clients have a climate roadmap or other type of climate target in place to make their housing stock more sustainable.

Sustainability is on the agenda in all regular client interviews with **municipalities**. BNG Bank wants to know what concrete plans municipalities have in place to implement the Dutch Climate Agreement. This could be a climate road map in the case of real estate (or real estate portfolios) or a different type of target for other emissions. BNG Bank aims to ensure that, by the end of the year, real estate that should have been made sustainable up to EPC label C or higher under the Structures (Living Environment) Decree at least has a sustainability improvement plan in place. We will register these data.

Sustainability is a fixed theme in all regular client interviews with **healthcare institutions**. BNG Bank wants to know whether individual clients in healthcare have a climate road map or other type of climate target in place to make their buildings more sustainable. Our bank will register these data.

Sustainability is a fixed theme in all regular client interviews with **educational institutions**. Our bank will monitor the extent to which clients have concrete plans in place for making school buildings and other real estate more sustainable. for example via an integrated accommodation plan or a climate road map.

## 2.2 Client contact

### Strategic client interviews

BNG Bank has set itself the goal of achieving a reduction in the absolute financed scope 1 and 2 emissions of at least 43% by 2030 relative to the reference year 2018. Strategic client interviews are the tool our bank uses for this purpose. In this way, we try to help our clients make an impact. We realise that this will be a lengthy journey, i.e. the results will not be visible overnight.

In the Climate Plan, we formulated targets for 2023, 2024 and 2025 for our four main client groups (social housing associations, municipalities, healthcare institutions and educational institutions). The targets for 2023 were:

1. putting sustainability on the agenda as a fixed theme in client interviews;
2. identifying the extent to which the client has plans as prescribed by its own sector; and
3. registering this in a structured manner in BNG Bank's client management system.

The strategic interviews focus primarily on clients where we can make the most impact. We expect our clients to show progress on the social objectives. This can be broader than emissions alone.

At BNG Bank, the client managers are the first point of contact for clients. They conduct the strategic client interviews. Their role is therefore crucial to the success of our climate goals. For this group of employees, BNG Bank has made additional investments in knowledge development in the area of sustainability.

### Registration

A great deal of work was done last year to enable client managers to report on sustainability in a structured manner. We have worked on a registration system featuring specific questions about the objectives set. Registering this information will enable the organisation to gain more insight in the future. We will take this further and expand the registering system in 2024.

## 2.3 Emission measurement and targets

### Verification of reduction targets

In Going Green, we announced that BNG Bank would submit the CO<sub>2</sub>e reduction targets for verification to the Science Based Targets initiative (SBTi). Through verification and validation of our targets by a reputable external party, we are able to justify and account for those targets to our clients, investors, shareholders and society at large. However, this validation can be challenging, as our loan portfolio mainly concerns public loans – loans granted to public sector institutions. The SBTi did not specify the required procedure for reduction targets for public loans in its guidelines. BNG Bank has therefore decided to wait for the update of these guidelines (published by the SBTi in November 2023). The update does specify public loans. The update remains a pilot, which is likely to be finalised in 2024. The specific guidance with regard to public loans offers our bank sufficient guidance to aim to submit reduction targets in 2024.

Sustainability was discussed in all strategic client interviews with social housing associations, municipalities, healthcare institutions and educational institutions in 2023. The client managers have observed that all clients are keen to discuss sustainability. Almost all clients have climate road maps and/or sustainability plans that are in line with the sectoral ambition. At the same time, the client managers indicated that they are having to become used to discussing sustainability. They feel that it is far removed from traditional banking matters, such as taking out a new loan. As a result, performing the role of client manager is also an internal transition. BNG Bank is keen to contribute ideas proactively on solutions that can help our clients make the social transition. With innovative financing solutions, we can make innovative projects possible. This is where we see great added value in the coming years.

### Measuring and comparing results

Parties that have signed the Climate Commitment of the financial sector in the Netherlands are expected to share experiences, ensure that results can be compared and take steps to improve and deepen the measuring process.

BNG Bank uses the method developed by PCAF, the Partnership for Carbon Accounting Financials, to calculate financed emissions. This method has broad support within the

financial sector. Since BNG Bank has an overlapping client group with NWB Bank, it is important that financed emissions are calculated in the same way. Both BNG Bank and NWB Bank have their financed emissions calculated by research firm Het Pon & Telos, using the same PCAF methodology. BNG Bank is transparent in the calculation method for financed emissions. In parallel with the annual report, we publish an extensive report every year in which we describe the method applied and sources used in detail.





### Expanding the scope of CO<sub>2</sub>e measurement, reduction targets and action plans

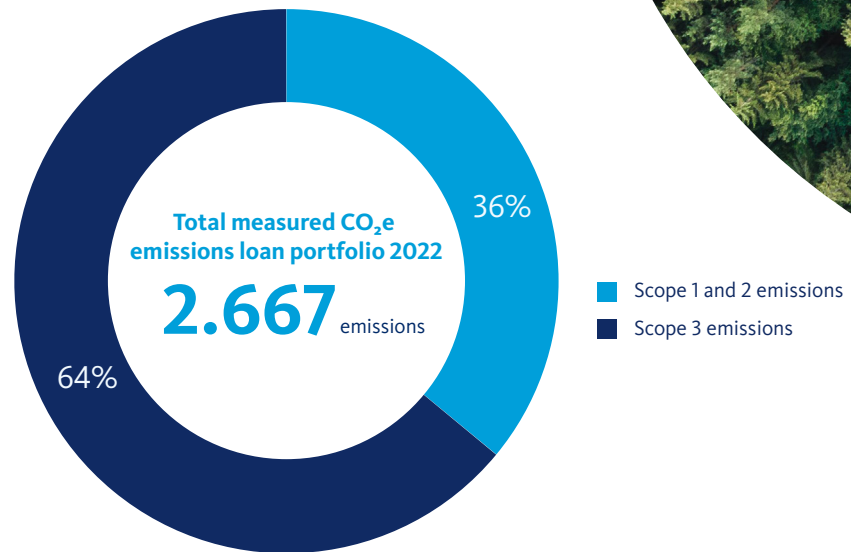
For 90% of our loan portfolio we are able to calculate the related financed emissions. Our near-term reduction targets cover the calculated scope 1 and 2 emissions of our clients. This currently represents 36% of the total calculated absolute emissions of our clients. The scope 3 emissions of our clients are therefore a significant part of our total calculated emissions. 97% of these scope 3 emissions come from the municipalities in our loan portfolio. We have chosen to keep these beyond the scope of our near-term objectives for now. The extent of the scope 3 emissions argues in favour of their inclusion in our targets, but we would like to investigate the relevance further. The purpose of our financing to municipalities mainly concerns real estate, with a small part of our financing going to other purposes. However, we calculate the scope 3 emissions of our municipalities based on 100% of our financing. In 2024, we will investigate whether this is the right way of measuring the scope 3 emissions of our municipalities.

Within the calculated scope 1 and 2 emissions of our clients, 95% of the CO<sub>2</sub>e emissions are caused by our four largest sectors: housing associations, municipalities, healthcare and education. To draw up sector-specific action plans, we have therefore deliberately chosen to focus on these four sectors first. In our Going Green Climate Plan, we outlined science-based CO<sub>2</sub>e decarbonisation pathways for these client groups. These decarbonisation pathways are aimed at the emissions caused by the building-related scope 1 and 2 activities of clients. As soon as we have access to science-based CO<sub>2</sub>e reduction pathways for our clients' fleets, we will add these to our report.

In addition to our financed emissions, in Going Green, we also outlined a science-based CO<sub>2</sub>e decarbonisation pathway for emissions originating from our own office building. We aim to expand the scope of our emission calculations further. In this way, an ever more complete picture will be created of the total emissions from relevant activities in our value chain. In addition, we aim to extend reduction targets and action plans with regard to these emissions. That is why, in this progress report,

we are also presenting, in addition to the emissions caused by our office building, the emissions caused by our lease cars and our air travel. In addition to our air travel, we will also measure emissions from our other business trips in 2024. We will also map out the emissions resulting from our commuting.

Figure 4: Measured CO<sub>2</sub>e emissions loan portfolio



# 3 Our road to net zero: achieved reduction in emissions



In our Going Green Climate Plan, we presented our long-term goal of achieving net zero emissions within our value chain by 2050. In addition, two near-term targets were formulated for our loan portfolio: a reduction in absolute scope 1 and 2 emissions of at least 25% by 2025 and at least 43% by 2030, both relative to our reference year 2018. For the real estate of our four largest client groups, we use science-based decarbonisation pathways to monitor where we stand with regard to our targets. In this chapter, we explain where we stand on our road to net zero.

## 3.1 Our financed emissions

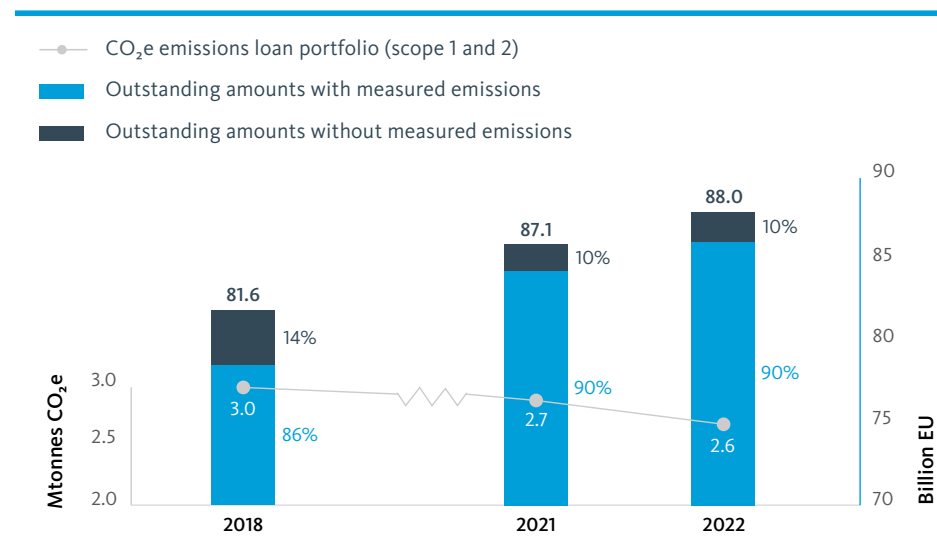
As previously outlined, we use the PCAF methodology to calculate the financed emissions. BNG Bank is now able to calculate financed emissions for 90% of the loan portfolio. Within our client groups, we mainly finance real estate, which is why the scope 1 and 2 emissions of our clients are the most relevant. Where possible and relevant, though, BNG Bank also tries to calculate the scope 3 emissions of client groups. We currently do this for municipalities, provinces, water authorities, healthcare institutions and drinking water utilities. Figure 7 in the next section shows for each sector which emissions within scope 1, 2 and 3 have been included in the calculation of

financed emissions. Owing to the availability of data, we are one year behind in the emission calculation. The most recent year for which we can present our financed emissions is 2022.

### Results 2022

In 2022, 2,667 ktonne CO<sub>2</sub>e of absolute emissions were generated by our loan portfolio (2021: 2,724 ktonne CO<sub>2</sub>e). This represents a decrease of 2.1% in absolute emissions compared with 2021. If the total financed emissions are not considered but only the scope 1 and 2 emissions of clients, the decrease in absolute emissions is 9.5%.

Figure 5: Development loan portfolio and CO<sub>2</sub>e emissions



Source: PCAF report 2023 BNG Bank

Within the portfolio, the decrease in absolute scope 1 and 2 emissions is greatest among the client groups municipalities (-/- 49 ktonne CO<sub>2</sub>e), housing associations (-/- 22 ktonne CO<sub>2</sub>e) and the healthcare sector (-/- 22 ktonne CO<sub>2</sub>e). Within these segments, a fall in both gas consumption (-8%) and electricity consumption (-3%) can be observed. The energy mix in the Netherlands is changing: an increasing share of electricity is generated from renewable sources. This is a major reason why the CO<sub>2</sub>e emitted per kilowatt hour generated has decreased compared with the previous year. This development means that the percentage decrease in electricity consumption has a greater effect on the decrease in emissions than the decrease in gas consumption.

For a complete picture of our financed emissions, please see the PCAF report on our website.

### Towards net zero emissions

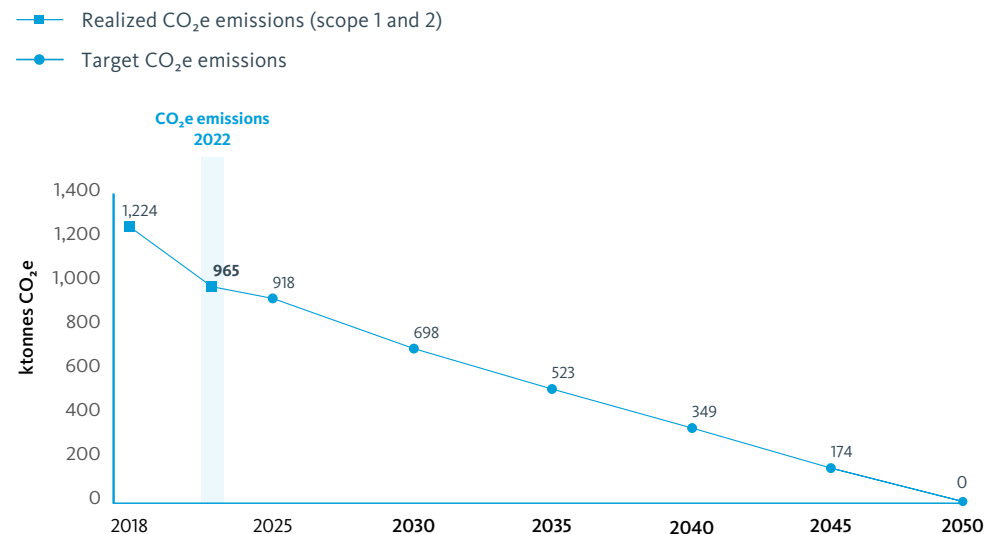
In order to achieve our target of net zero emissions by 2050, we will initially focus on our near-term targets. Our 2025 and 2030 targets for our loan portfolio concern the scope 1 and 2 emissions of our loan portfolio. This means

that our targets are focused on the real estate of our clients and, for some client groups, on the company vehicles. Figure 3 shows for which client groups scope 1 and 2 emissions have been calculated and are therefore part of our targets for 2025 and 2030.

Compared with our reference year 2018, the absolute scope 1 and 2 emissions of our loan portfolio decreased by 21.2%. As a result, we are well on track to achieve the target reduction of at least 25% by 2025.

To achieve a reduction of at least 43% by 2030, our financed scope 1 and 2 emissions will have to decrease by another 28%. This amounts to an annual reduction of 3.5%. Compared with the annual reduction of 5.5% achieved between 2018 and 2022, this should be feasible. However, there are also effects involved that are beyond our control. For example, the annual decrease that has already been achieved will have been positively influenced by increased gas prices, while the COVID-19 pandemic had the opposite effect in a number of client groups. We focus on where we can make an impact: client engagement, in other words the strategic interview with the client.

Figure 6: Absolute decarbonisation pathway scope 1 and 2 emissions loan portfolio



Source: PCAF report 2023 BNG Bank





## 3.2 Method used to calculate financed emissions

### Assumptions

Based on the general principles of the GHG Protocol and PCAF, BNG Bank uses the following assumptions when calculating financed emissions:

- Where possible, the seven greenhouse gases from the Kyoto Protocol have been included in the calculation and converted to their CO<sub>2</sub> equivalents. All emissions are therefore reported in the unit CO<sub>2</sub>e;
- Absolute emissions are expressed in metric tonnes of CO<sub>2</sub> equivalents (ktonne CO<sub>2</sub>e);
- The attribution method has been used. This means that BNG Bank reports only its share in the client's emissions;
- The kg CO<sub>2</sub>e/m<sup>2</sup> used in the decarbonization pathways for our largest client sectors relates to the total emissions of the client. Our share was therefore not taken into account in this respect;
- In the event of a change in the methodology whereby the emissions between years are no longer comparable, BNG Bank will recalculate the emissions for both the previous reporting year and the reference year (2018) on the basis of the new methodology;

- Owing to the availability of data, reported financed emissions are based on data from the year prior to the bank's reporting year. The emission calculation for reporting year 2023 is therefore based on the bank's outstanding loans as at year-end 2022.

### Improvements made in financed emissions

Compared with the emissions presented in our Going Green Climate Plan, the following changes have taken place:

- Social housing associations: emissions are no longer based on energy data from Statistics Netherlands (CBS), but on data requested from energy suppliers. This does not result in an increase in the PCAF data score, but it does provide more recent data. This report now uses energy data from 2022 instead of 2021 for calculations.
- Municipalities: in the new calculation method, we no longer look at the real estate of the municipalities as an organisation, but rather take into account all the real estate owned by the municipality. This includes, for example, sports halls and cultural institutions. As a result of this expansion, an increase in scope 1 and 2 emissions can be seen as compared with the applied methodology used in Going Green

- Education: in previous years, we calculated the scope 1 and 2 emissions of educational institutions based on the costs incurred by each educational institution for water and energy. Based on assumptions, these were converted into estimates for natural gas and electricity consumption. In the new approach, the energy consumption of educational institutions is requested from the energy suppliers based on the cadastral plots owned by the educational institutions. This new methodology leads to a more accurate estimate of emissions resulting from gas and electricity consumption.

In order to assess the development of emissions over the years, the emissions of the relevant sectors have been recalculated on the basis of the new methodology for 2018 (reference year) and 2021. In most cases, this recalculation resulted in a decrease in the calculated CO<sub>2</sub>e emissions. For more details on the data used per client segment and the effects of the change in the methodology, please see the PCAF BNG Bank 2023 report on our website.



### Emission sources in our calculated financed emissions

The table below shows for each sector which client activities have been included in the calculation of our financed emissions. Our reduction targets focus on the scope 1 and 2 activities of our clients.

Figure 7: Emission sources per sector

Sector	Client group	Source of scope 1 emissions	Source of scope 2 emissions	Source of scope 3 emissions
<b>Social housing</b>	Social housing associations	Gas consumption	Purchased electricity and district heating	
	Others	Emissions not measured		
<b>Public sector</b>	Municipalities	Gas consumption, mileage of company vehicles	Purchased electricity	Purchased goods and services
	Provinces	Gas consumption, mileage of company vehicles	Purchased electricity	Purchased goods and services
	Water authorities	Consumption of gas and other fuels, mileage of company vehicles	Purchased electricity and heating, mileage of electric company vehicles	Commuting, outsourced transport and maintenance, (raw) materials
	Joint regulations (only measured for 2021)	Gas consumption, mileage of company vehicles	Purchased electricity and heating, mileage of electric company vehicles	
	Others	Emissions not measured		
<b>Healthcare</b>	Healthcare	Gas consumption	Purchased electricity	Commuting
<b>Education</b>	Education	Gas consumption	Purchased electricity	
	Networks			
<b>Networks</b>	Drinking water utilities	Extraction and treatment of groundwater, gas consumption, fuels used for aggregates, mileage of company vehicles	Purchased electricity	Commuting, air travel, chemicals, transport (suppliers, disposal of residues)
<b>Mobility</b>	Mobility	Breakdown not possible		
	Others	Breakdown not possible		
<b>Others</b>	Energy	Emissions not measured		
	Financial institutions			
	Environment			

### 3.3 Decarbonisation pathways for our four largest sectors

In order to steer on our near-term targets for the scope 1 and 2 emissions of our clients and monitor them in more detail, we use science-based decarbonisation pathways. We focus on our four main client groups: social housing associations, municipalities, healthcare institutions and educational institutions. In our action plans, we are currently concentrating on the direct and indirect emissions caused by the energy consumption of the real estate belonging to those clients. This is because BNG Bank mainly finances real estate. These building-related scope 1 and 2 emissions cover 99.7% of our total calculated financed scope 1 and 2 emissions for these four client groups. We also calculate the emissions emitted by company vehicles for municipalities. In the future, we also plan to demonstrate a decarbonisation pathway for this type of emissions.

For the real estate we finance, we use the decarbonisation pathways of the Carbon Risk Real Estate Monitor (CRREM). These decarbonisation pathways provide insight into the level of CO<sub>2</sub>e emissions required

for a particular sector to remain within the limits of the Paris Agreement. CRREM has decarbonisation pathways for various types of real estate and for a 1.5°C scenario and a beyond 2°C scenario. These pathways are expressed in CO<sub>2</sub>e per kilowatt hour and CO<sub>2</sub>e per m<sup>2</sup> and regularly updated. In this Climate Plan, we focus on the decarbonisation pathways that are consistent with the 1.5°C scenario, expressed in CO<sub>2</sub>e per m<sup>2</sup>. For each sector, the type of decarbonisation pathway most suitable for real estate in that sector has been determined. The decarbonisation pathways used date from 1 March 2023 and can be found on the CRREM website.<sup>6</sup> This is an update compared with the CRREM decarbonisation pathways used in Going Green. Since the CRREM decarbonisation pathways have been recalibrated, our intended decarbonisation pathways have also been changed.

In this section, we present the results on these decarbonisation pathways of our four largest client groups.

<sup>6</sup> <https://www.crrem.org/pathways/>





### 3.3.1 Social housing associations

*Emissions of housing associations are slightly above the required emissions per m<sup>2</sup> based on the CRREM decarbonisation pathway, reduction targets still achievable, but action is required.*



For social housing associations, the calculation method for scope 1 and 2 emissions has changed. To be able to continue to assess the development of emissions over the years, the emissions of the relevant segments have been recalculated for 2018 (reference year) and 2021 on the basis of the new methodology. In Going Green, we presented 31 kg CO<sub>2</sub>e/m<sup>2</sup> as the (physical) emission intensity for 2021. Based on the new method, this is 28.7 kg CO<sub>2</sub>e/m<sup>2</sup>.

In 2022, emissions fell to 26.6 kg CO<sub>2</sub>e/m<sup>2</sup>. This represents a decrease of 7.3% compared with 2021. We see a decrease in both gas consumption (-6%) and electricity consumption (-3%). The use of district heating has increased considerably

(+37%). However, in absolute emissions, district heating has only a small share in the total scope 1 and 2 emissions of social housing associations. The decrease in electricity consumption has the greatest impact on emissions because there is also a decrease in CO<sub>2</sub>e emissions per kilowatt hour generated. This is a logical consequence of the change in the energy mix, where the share of green energy increases annually.

Around 60% of the homes operated by social housing associations are apartments and shared housing units.<sup>7</sup> Our emissions per m<sup>2</sup> are therefore compared with a weighted average of the CRREM decarbonisation pathway for the 'Multi-family house'<sup>8</sup> and 'Single-family house' real estate types. In Going Green, we used only the CRREM decarbonisation pathway for 'Multi-family house'. This pathway had a fairly linear slope and was also much higher than the updated pathways for 'Multi-family house' and 'Single-family house'. If we compare our realised emissions per m<sup>2</sup> against the CRREM decarbonisation pathway, we see that we are still slightly above the target emissions in 2022. Between 2018 and 2022, our CO<sub>2</sub>e emissions per m<sup>2</sup> decreased by an average of 2.5% annually. To be in line with the presented CREMM decarbonisation pathway from 2030, we will have to achieve an annual decrease of 7.3%. Our reduction achieved in 2022 is therefore the lower limit for the coming years.

Social housing associations can have the most influence on the reduction of gas consumption. Significant steps are being taken to reduce emissions by making homes more sustainable. Housing associations have far less influence over the CO<sub>2</sub>e emissions per kilowatt hour generated as a result of electricity consumption. The reduction in emissions caused by the use of electricity will largely depend on the energy mix being made more sustainable.

Figure 8: Outstanding amounts 31-12-2022

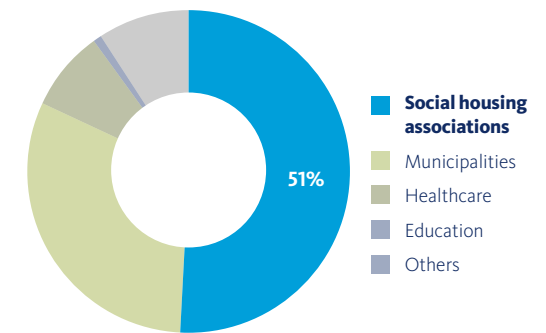
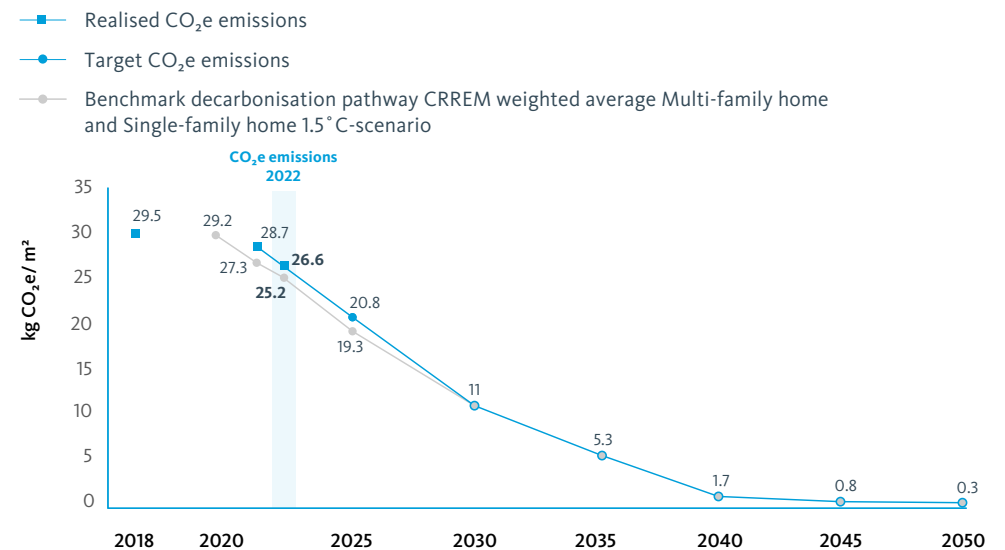


Figure 9: Decarbonisation pathway for social housing associations (kg CO<sub>2</sub>e/ m<sup>2</sup>)



<sup>7</sup> Source: aedesdatacentrum.nl.

<sup>8</sup> Definition of multi-family house: several separate residential units for residents within one building or several buildings within a single complex.





### 3.3.2 Municipalities

*The emissions of municipalities are well on track for the 1.5°C scenario.*



The calculation method for scope 1 and 2 emissions has also changed for municipalities. In the new methodology, we no longer look at the real estate of a municipality as an organisation, but rather take into account all the real estate owned by the municipality. This includes, for example, sports halls and cultural institutions. As a result of this expansion, an increase in scope 1 and 2 emissions can be seen as compared with the applied methodology used in Going Green. In the decarbonisation pathways we presented at the time, we used a realised emission of 43 kg CO<sub>2</sub>e/m<sup>2</sup> for 2021. Based on the new methodology, this is 45.3 kg CO<sub>2</sub>e/m<sup>2</sup>.

In 2022, emissions fell to 39.8 kg CO<sub>2</sub>e/m<sup>2</sup>. The decrease in these emissions was caused by both a decrease in gas consumption (-14% compared with 2021) and a decrease in CO<sub>2</sub>e emissions per kilowatt hour generated. The latter is a logical consequence of the change

in the energy mix where the share of green energy increases annually. As a result of this development, we see a decrease in emissions caused by electricity purchases.

Our emissions per m<sup>2</sup> are compared with the CRREM decarbonisation pathway for the 'Office' real estate type. Compared with the CRREM pathway used in Going Green, we see that the new decarbonisation pathway is lower overall than the previous version. Nevertheless, the emissions per m<sup>2</sup> of the municipalities in our portfolio are below the CRREM decarbonisation pathway.

The real estate of municipalities is a mix of different types, such as libraries, educational institutions, theatres, swimming pools, community centres, etc. In general, the time frame in which these types of real estate are used is more limited than that of office buildings, which are sometimes open (and heated) 24 hours a day. This could explain why municipalities generate less CO<sub>2</sub>e per m<sup>2</sup>. In addition to 'Office', CRREM also has the property type 'Leisure'. This could potentially be a more appropriate type of property because it involves a diverse mix of real estate. However, the corresponding decarbonisation pathway is above the pathway for 'Office'. That is why we have chosen to follow the more ambitious pathway.

Figure 10: Outstanding amounts 31-12-2022

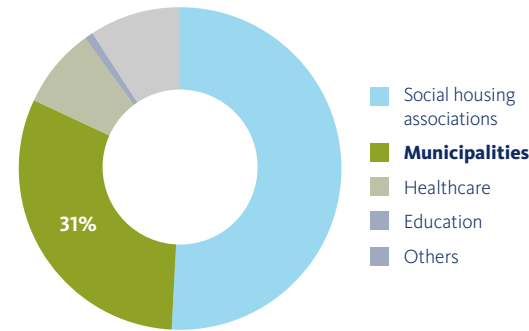
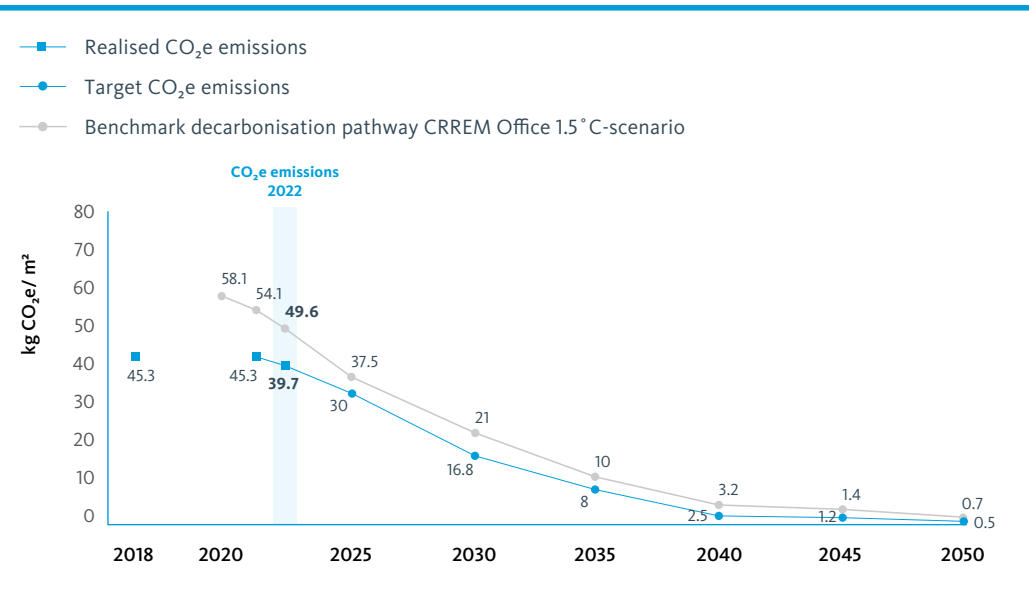


Figure 11: Decarbonisation pathway for municipalities (kg CO<sub>2</sub>e/ m<sup>2</sup>)





### 3.3.3 Healthcare institutions

*CRREM targets have become more ambitious, BNG Bank healthcare clients are no longer on track with the CRREM decarbonisation pathway*



Our emissions per m<sup>2</sup> are compared with the CRREM decarbonisation pathway for the 'Healthcare' real estate type. Compared with the CRREM pathway used in Going Green, we see a significant reduction. As a result, the emissions per m<sup>2</sup> of the healthcare institutions in our portfolio are no longer below the intended decarbonisation pathway, but rather above it. We aim to ensure that our clients achieve the level of the CRREM decarbonisation pathway by 2030. Given our starting position, we cannot simply assume that we will achieve this goal. We will have to actively get to work with this portfolio.

Like us, many of our clients have signed the Healthcare Green Deal. This means that they must draw up road maps to make it clear how they are going to reduce their emissions. This will help us in our client interviews and give us an insight into the client's intended targets.

In 2022, emissions fell to 78.1 kg CO<sub>2</sub>e/ m<sup>2</sup> (2021: 87.6 kg CO<sub>2</sub>e/m<sup>2</sup>). The percentage decrease in emissions caused by gas and electricity consumption is almost identical, 11% versus 12%. However, the cause of this decrease is different. The decrease in emissions owing to gas consumption was caused entirely by the decrease in the volume consumed. The decrease in emissions caused by electricity consumption is mainly the result of a decrease in the emitted CO<sub>2</sub>e emissions per kilowatt hour generated (owing to the greener energy mix). To a lesser extent, there was a decrease in clients' electricity consumption.



Figure 12: Outstanding amounts 31-12-2022

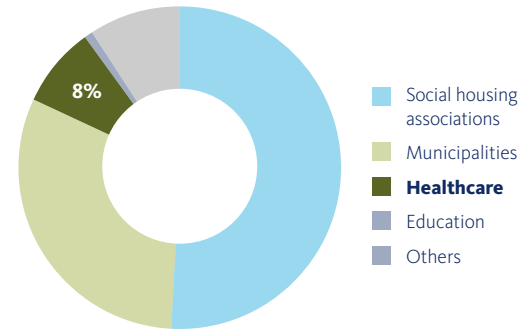
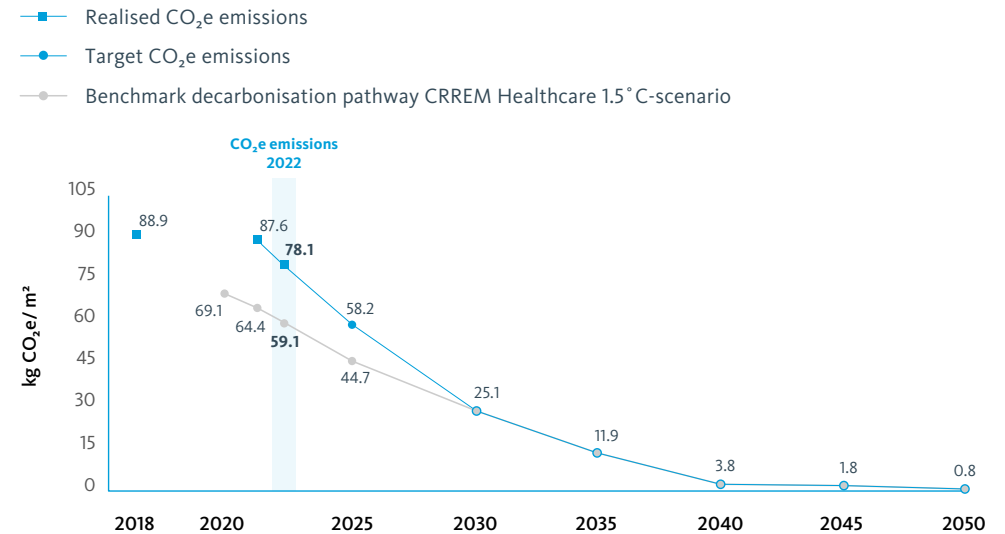


Figure 13: Decarbonisation pathway for healthcare institutions (kg CO<sub>2</sub>e/ m<sup>2</sup>)





### 3.3.4 Educational institutions

*More ambitious CRREM decarbonisation pathway in 2023, educational institutions are nevertheless below the CRREM decarbonisation pathway.*



The fall in emissions from electricity consumption is mainly caused by the decrease in emitted CO<sub>2</sub>e emissions per kilowatt hour generated (owing to the greener energy mix).

The methodology for calculating scope 1 and 2 emissions for educational institutions in our portfolio has changed. We are now able to make a more accurate estimate of gas and electricity consumption. For this reason, emissions for 2018 and 2021 have been recalculated. Based on this new approach, emissions for 2021 now amount to 40.4 kg CO<sub>2</sub>e/m<sup>2</sup>. In Going Green, 35 kg CO<sub>2</sub>e/ m<sup>2</sup> was presented.

In 2022, emissions fell to 37.3 kg CO<sub>2</sub>e/m<sup>2</sup> (2021: 40.4 kg CO<sub>2</sub>e/m<sup>2</sup>). The percentage decrease in emissions from gas and electricity consumption is the same – 17% for both. As with healthcare institutions, there is a different reason for this decrease. The reduction of emissions from gas consumption is caused entirely by the fall in gas consumption.

Our emissions per m<sup>2</sup> are compared with the CRREM decarbonisation pathway for the ‘Office’ real estate type. CRREM does not have a decarbonisation pathway for educational institutions. Owing to the nature of the accommodation, ‘Office’ seemed to be the most appropriate type of property. As has already been mentioned in the section on municipalities, the decarbonisation pathway for ‘Office’ as a whole has decreased. Despite this, the emissions per m<sup>2</sup> of the educational institutions in our portfolio are below the CRREM decarbonisation pathway. Educational institutions are generally not housed in very well-insulated premises. This also makes it difficult for us to explain why our clients’ emissions are below the decarbonisation pathway. This is something we aim to understand better.



Figure 14: Outstanding amounts 31-12-2022

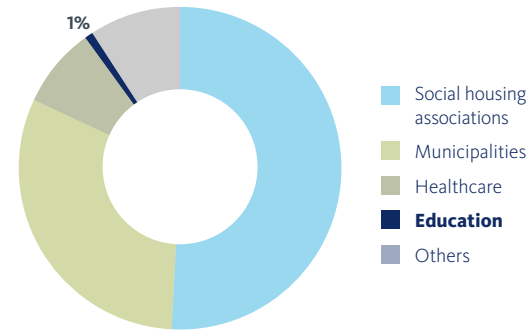
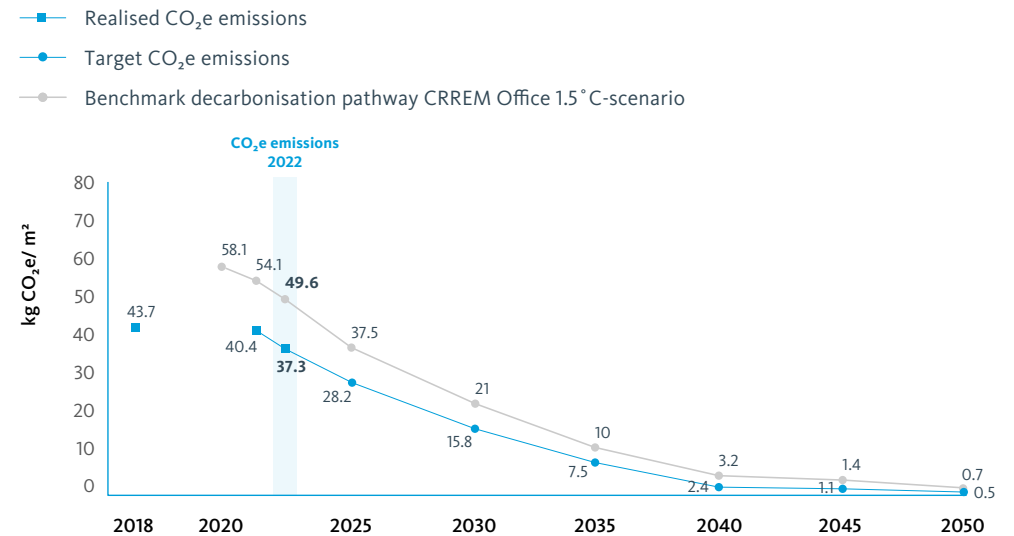


Figure 15: Decarbonisation pathway for educational institutions (kg CO<sub>2</sub>e/ m<sup>2</sup>)





### 3.4 Emissions our own business operations

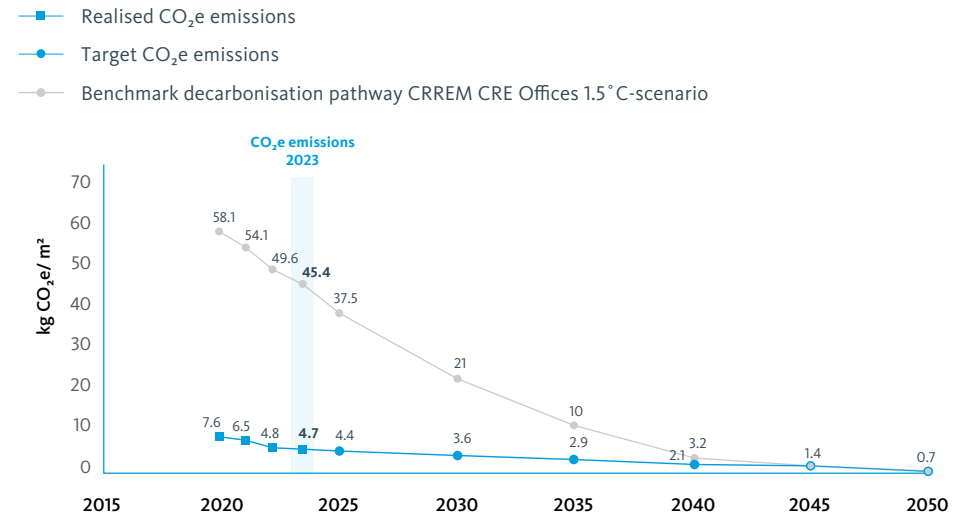
We believe that our contribution to a net zero society starts by setting a good example. At BNG Bank, we aim to take full responsibility for the footprint of our own business operations. Energy consumption in our office building and mobility-related mileage are the main sources of emissions.

Our reduction target for our own business premises is to bring energy consumption in line with the CRREM decarbonisation pathway.

To help reach this target, the renovation of our office building began at the end of 2023. Section 1.1 has already outlined the principles that have been applied in the new design, which aims for an energy-positive office building. Even before the renovation of our office building, many energy-saving measures had already been taken. Figure 16 shows the

CRREM decarbonisation pathway for the 'Office' property type. Our own CO<sub>2</sub>e emissions per m<sup>2</sup> up to October 2023 have also been plotted in the figure.<sup>9</sup> Since our reference year 2018, our emissions per m<sup>2</sup> have been below the CRREM decarbonisation pathway, which means that we are well in line with the 1.5° C scenario.

Figure 16: CO<sub>2</sub>e emissions office building BNG Bank (kg CO<sub>2</sub>e/ m<sup>2</sup>)



<sup>9</sup> In Going Green, we mistakenly counted on grey generation of our electricity instead of green generation. For this reason, our result is lower than presented in Going Green.





In 2023, BNG Bank measured the following emissions resulting from its own business operations:

- Emissions caused by the mileage of lease cars used by BNG Bank employees (scope 1);
- Emissions from the purchase of electricity and district heating for the business premises at Koninginnegracht in The Hague (scope 2);
- Emissions from gas consumption and the purchase of electricity for the leased temporary property at Bordewijklaan in The Hague (scope 3, upstream);
- Emissions from gas consumption and the purchase of electricity for the leased fallback location in Voorburg (scope 3, upstream);
- Emissions from air mileage for business travel purposes (scope 3, upstream).

Emissions from our own business operations rose sharply compared with 2022 (+40.3%). This is a temporary situation related to the renovation work that is currently being carried out, during which time BNG Bank is temporarily housed in a rental property. The CO<sub>2</sub>e emissions caused by our lease cars decreased by 27% in 2023 relative to 2022.

In 2024, we will expand the scope of our emission calculation. In addition to air travel, we will also include the other emission sources in the 'Business Travel' category. In addition, we will measure the emissions caused by our commuting.

Figure 17: CO<sub>2</sub>e emissions office building BNG Bank (tonnes CO<sub>2</sub>e)

	2023	2022	2021	2020	2019	2018
<i>Emission source</i>						
<b>SCOPE 1</b>						
Lease cars	59.3	81.2	67.4	103.4	197.8	265.6
<b>SCOPE 2</b>						
Purchased green electricity	0	0	0	0	0	0
Purchased district heating	63.3	65.1	88.1	103.2	118.2	144.9
<b>SCOPE 3</b>						
Air travel	42.4	25.2	0.5	0.9	61.0	42.9
Leased assets	103.4	19.9	22.0	13.8	-	-
<b>TOTAL</b>	<b>268.4</b>	<b>191.3</b>	<b>178.0</b>	<b>221.3</b>	<b>377.0</b>	<b>453.4</b>



# 4 Looking ahead

Our organisation believes it is important to make a social contribution. The sense of urgency is growing, and so is the willingness to do things differently. However, learning to work in a new way can be challenging. This is a challenge that we are not alone in facing; it is one with which society at large is confronted. How are we going to make the transition from traditional banker to proactive client partner for social impact? Reducing climate change goes beyond focusing on CO<sub>2</sub>e reduction – and we are aware of that. A system change is needed, and we intend to do our bit. Even without knowing the full story, it is a journey that we will continue, full of conviction.

The year 2024 has started well. The sustainable renovation of BNG Bank's office is in full swing. The analysis of the extent to which our clients' reduction plans are in line with sector objectives will be the next step in strategic client interviews.

We expect the next ten years to be dominated by improvements to the sustainability of all aspects of our society. This is an important task for the public sector. Particularly in relation to CO<sub>2</sub>e reduction in conjunction with other themes aimed at making the Netherlands cleaner, greener and more future-proof. In the years ahead, society will rely on the public sector to make our country more sustainable. The sector will also continue to play a leading role in traditional public tasks such as healthcare, education, housing and social services. All of this will mean a substantial increase in the responsibilities of our public-sector partners. In these circumstances,

the public sector will continue to have a strong need for a robust, reliable and socially engaged financial partner such as BNG Bank. We accept our responsibility, and the sector can continue to count on us in the way our partners are accustomed to.





## 2024

### HOUSING

We will start analysing the available emission reduction plans of clients with credit facilities of five million euros or more. This will give us an overview of the extent to which those plans are in line with the National Performance Agreements on Sustainability. In addition, BNG Bank is developing client propositions focused on greening the social housing stock.

### MUNICIPALITIES

We will start analysing the available emission reduction plans of municipalities with credit facilities of five million euros or more. This will give us an overview of the extent to which those plans are in line with the Dutch Climate Agreement. In addition, we will develop product propositions aimed at helping municipalities to become more sustainable.

### HEALTHCARE

We will analyse the extent to which the available emission reduction plans of clients with credit facilities of five million euros or more are in line with the Green Deal Sustainable Care 3.0. In addition, BNG Bank is developing client propositions focused on making real estate in the healthcare sector more sustainable.

### EDUCATION

We will analyse the extent to which the available emission reduction plans of clients with credit facilities of five million euros or more are in line with the sectoral sustainability targets. In addition, BNG Bank is developing client propositions focused on making real estate in the education sector more sustainable.

## 2025

### HOUSING

If a client has not yet formulated sustainability targets at portfolio level that are in line with the Paris Climate Agreement, for every new real estate financing request of five million euros or more, it will have to submit a plan to demonstrate that the envisaged investment is compatible with the 1.5°C scenario.

### MUNICIPALITIES

In 2025, municipalities will have formulated emission reduction targets in line with the Paris Climate Agreement.

### HEALTHCARE

If a client has not yet formulated sustainability targets at portfolio level that are in line with the Paris Climate Agreement, for every new real estate financing request of 5 million euros or more, it will have to submit a plan to demonstrate that the envisaged investment is compatible with the 1.5°C scenario.

### EDUCATION

If a client has not yet formulated sustainability targets at portfolio level that are in line with the Paris Climate Agreement, for every new real estate financing request of five million euros or more, it will have to submit a plan to demonstrate that the envisaged investment is compatible with the 1.5°C scenario.



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