



CSR Policy

BNG Bank

This document forms an integral part
of BNG Bank's 2014 Annual Report.

DISCLAIMER

This is an unofficial translation of the
BNG Bank's Corporate Social Responsibility Policy
(Dutch MVO-beleid BNG Bank.pdf)
which is provided for convenience purposes only.

In the event of any ambiguity,
the Dutch text will prevail.

MISSION AND STRATEGY

BNG Bank is the bank of and for local authorities and public sector institutions. The bank makes a sustainable contribution to minimizing the costs of social provisions for the public.

BNG Bank's core business is to provide low-cost credit to, or guaranteed by public authorities in the Netherlands. BNG Bank provides its clients financial services in times of economic upturn and downturn, even when other parties have withdrawn. BNG Bank thus plays an essential role in the financing of public services. The services provided by BNG Bank support government policy which aims to ensure the sustainability of public finances in the Netherlands.

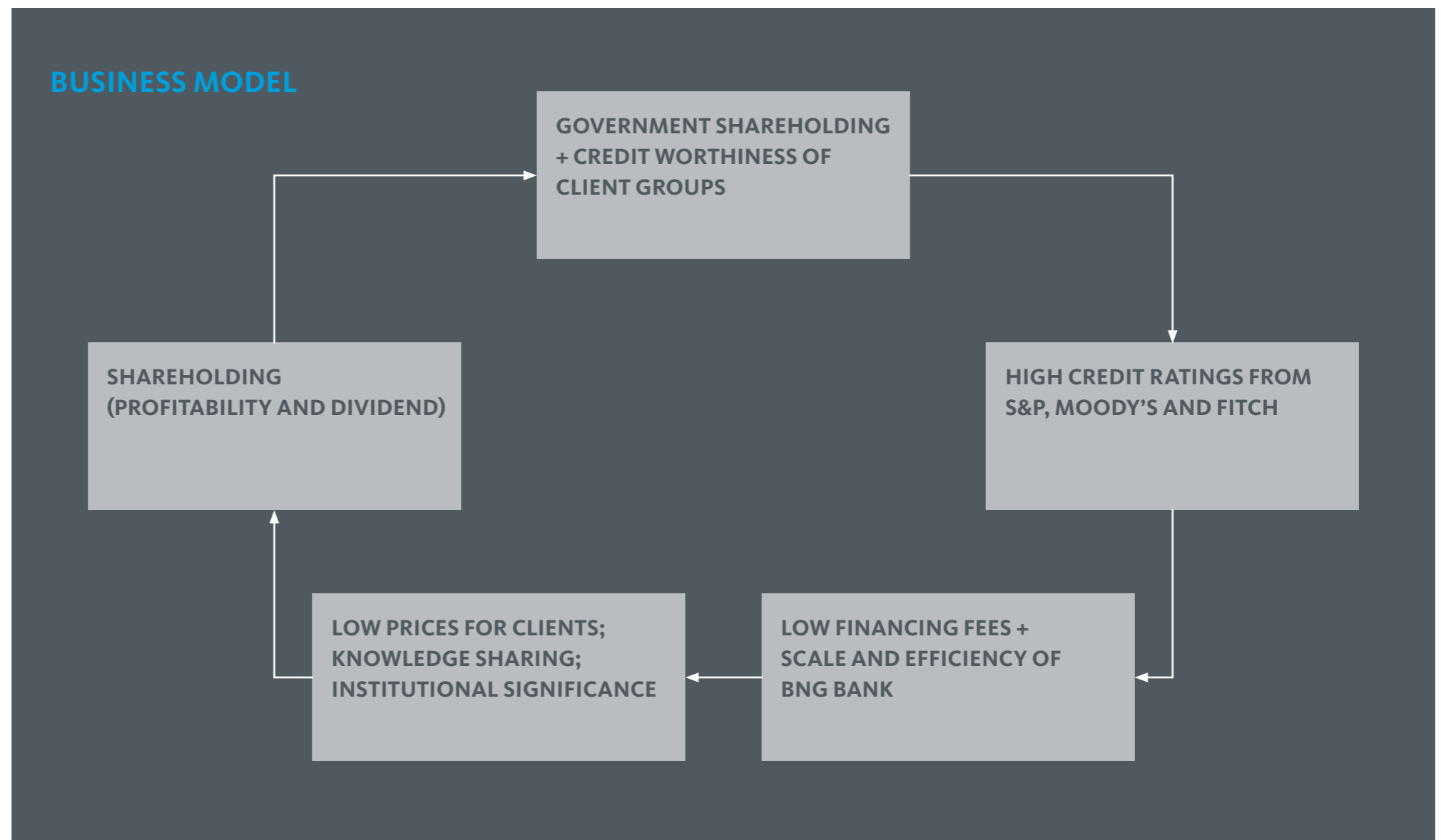
BNG Bank is a specialist bank. For clients – who are also shareholders – BNG Bank fulfils the de facto role of procurement organisation.

The strategy and [strategic objectives](#) of BNG Bank are described and annotated more extensively elsewhere on [bngbank.nl](#).

The shareholding by the central government as well as the municipal and provincial authorities, the limited field of operation of BNG Bank imposed by its Articles of Association, and the credit rating of its public-sector clients give rating agencies and international money and capital market investors the assurance that the risk to which BNG Bank is exposed in its lending activities is highly limited. On this basis, BNG Bank enjoys triple A ratings from Moody's and Fitch and a Standard and Poor's AA+ rating. The [ratings](#) are in line with those of the State of the Netherlands. This gives the bank a solid starting position to source funding on the international money and capital markets, which means that adequate funds are available to BNG Bank's clients at the lowest possible prices. This is further enhanced as the bank can match the large combined demand of its clients to the demands of investors in terms of volume, currencies and liquidity. In doing so, BNG Bank strives to achieve a fair rather than a maximized return on its equity. The low costs with which the bank carries out its mission (the annual costs are less than 0.1% of the total loan

portfolio) contributes to this. The return is subsequently shared among public authority shareholders in the form of dividend payments. These public authority shareholders are usually also the bank's clients. They share in the profits of BNG Bank and benefit from the low prices that the bank charges them.

The following diagram, which illustrates the business model, summarizes the process.



BNG Bank's contribution to public policy ultimately serves the interests of the Dutch public: the lower cost of financing numerous public facilities is reflected in lower fees charged by municipalities, lower rents for social housing and lower fees for care provision and education. Furthermore, the bank supports its clients in managing financial risks.

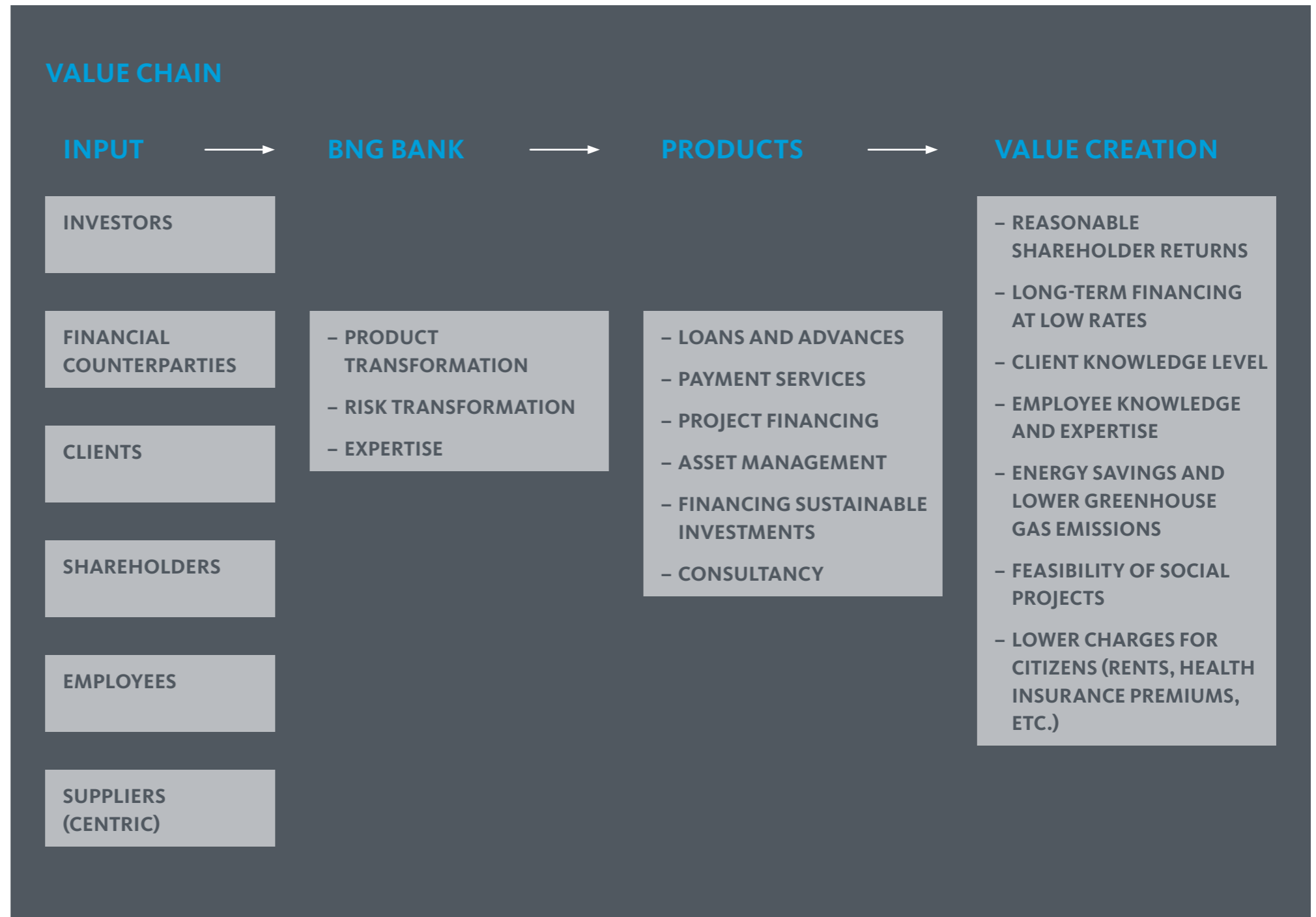
The bank's strengths and weaknesses as well as opportunities and threats facing the bank can be deduced from the diagram. The quality of the loan portfolio, the ownership structure, the diversification of funding, the high risk-weighted capital ratio and the manner in which BNG Bank manages risk are recognised as strengths. However, there are also weaknesses. BNG Bank is dependent on the international financial markets as well as a limited number of funding sources, which may hamper access to funding in extreme crisis situations. The competitive rates the bank can demand impose high standards on credit quality and the bank's ability to manage risks. Changing regulations have a significant impact on the market in which BNG Bank operates. Maintaining the highest possible credit rating is crucial for the success of the bank's business model. The growing number of increasingly stringent regulations puts considerable pressure on the organisation, which is small in terms of size.

The bank's intrinsic knowledge of its clients offers the bank the opportunity to translate the financial consequences of measures into tailor-made financial services. A threat identified is that due to government measures a number of our current clients may fall outside the scope of our current field of operation as set out in the Articles of Association. The field of operation defined in the Articles of Association only offers the bank a limited number of alternative exposure options should lending opportunities that tie in with the bank's risk profile decrease.

VALUE CHAIN

The factors described determine the manner in which the bank fulfils its role, thus creating returns for society,

and lead to the value chain summarised in the diagram shown below.



IMPLEMENTATION IN CSR POLICY

The bank's mission and strategy constitute the core of its CSR Policy. To BNG Bank, CSR means guaranteeing its right of existence and utilising its market potential. To that end all the bank's relevant stakeholders must be fully aware of the role it fulfils for both clients and society. BNG Bank's public role is served well by satisfied shareholders, employees and parties on the capital and money markets who have faith in the bank. They must be assured that BNG Bank lives up to their expectations and interests. Maintaining this balance and contributing to a well-developing society, with a focus on sustainability – this is Corporate Social Responsibility. The key challenges that BNG Bank sees in the coming three to five years in terms of 'market, people and the environment' are set out in the Annual Report.

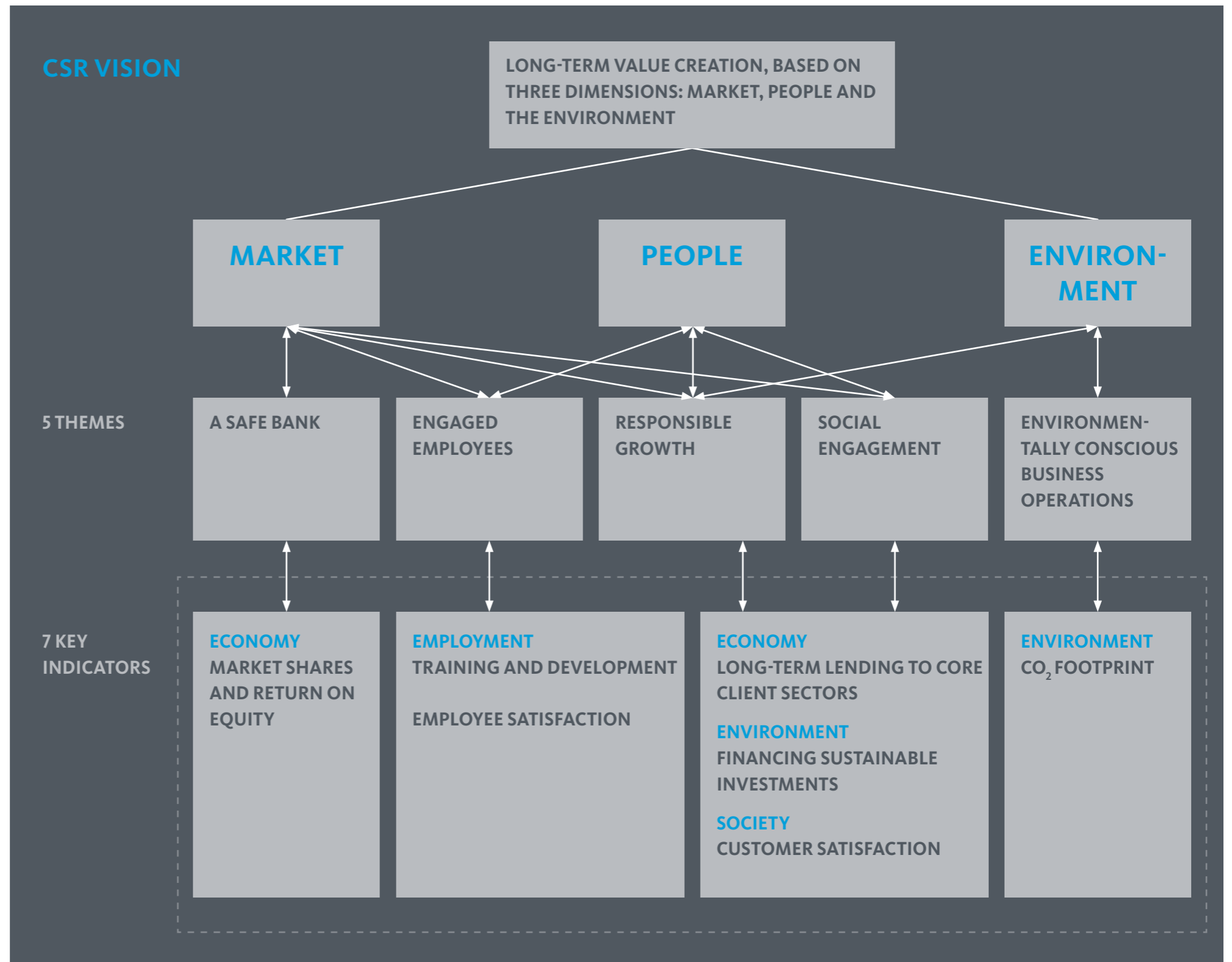
By setting out explicit objectives in its CSR Policy, BNG Bank aims to align itself with and support the sustainability objectives of its stakeholders. The second consideration in explicitly developing its CSR Policy is to maintain the bank's reputation and credit rating. Finally, CSR Policy increases engagement among BNG Bank employees.

BNG Bank subscribes to the Social and Economic Council of The Netherlands' (SER) definition of CSR: consciously focusing business activities on the longer term and on value creation in three dimensions: market, people and the environment. BNG Bank shaped this vision on the basis of the role it fulfils as a financial institution in Dutch society in relation to the policy pursued by its clients. The themes defined by BNG Bank in its CSR Policy are linked to this and strike a good balance between the bank's business activities, today and in the longer term.

BNG Bank desires to adopt and support the sustainability objectives of its stakeholders. The manner in which the bank aims to add value for people, the environment and the market was elaborated after consultation with its employees and clients in five themes as shown in the diagram below. The bank first presented its vision to its shareholders in 2011. It is updated each year and presented to shareholders through the Annual Report.

Reporting by the bank is compliant with the Global Reporting Initiative (GRI-4). The bank has selected seven key indicators which represent important controls and which the bank believes offer a fair view of the extent to which the policy pursued by the bank has been successful. The distribution of these key indicators across the themes constitutes an integrated approach that balances all relevant stakeholders' interests.

The items described are shown in the diagram below.



The key topics lie at the heart of the themes and the key indicators in which BNG Bank's CSR Policy is elaborated.

- **A SAFE BANK.** The value for money for clients and the return for shareholders are expressed in the 'safe bank' theme. Both elements are important in effectively performing our public service role. BNG Bank regards the key indicators for market share and return on equity as an expression of the extent to which stakeholders consider us to be a safe bank. These strategic BNG Bank objectives – see the Strategy section – mirror the CSR objectives themed under 'safe bank'. To BNG Bank, risk management is a business interest crucial to generating added value for Dutch society and serves to safeguard the high credit ratings underpinning its business model. This key indicator also reflects the perception of the bank's transparency and integrity by investors, rating agencies, financial counterparties and regulators.
- **RESPONSIBLE GROWTH.** Partnering with clients is an important aspect of BNG Bank's public role. The bank's public role is expressed under the theme 'responsible growth'. The key indicator long-term lending in the core client sectors is particularly relevant, including granting loans for sustainable investments, which lends shape to facilitating environmentally conscious business operations among clients. BNG Bank stimulates the sustainability drive among municipal authorities and responds to the interest in sustainable investment options among

investors by issuing socially responsible investment bonds (SRI bonds), and uses the proceeds for funding the most sustainable municipalities. The theme of responsible growth thus articulates the bank's mission. The opinion of clients on BNG Bank's products and financing activities is reflected in the key indicator for client satisfaction. This equally is a business interest. It moreover reflects BNG Bank's initiatives in granting loans for the purpose of sustainable investments.

- **ENGAGED EMPLOYEES.** Motivated employees are instrumental in ensuring effective and efficient business operations and thus serve the public interest. Development opportunities for employees are expressed under the theme 'engaged employees' and in the key indicator training and development. The rating for the combined topics / focus areas for employees is reflected in the key indicator for employee satisfaction. Public interest is expressed in the indicators relating to integrity, compliance with laws and regulations and corporate governance.
- Substance is given to the theme of **SOCIAL ENGAGEMENT** by seeking attention for pertinent developments in client sectors. To that end BNG Bank takes a stance in the relevant consultation forums with policy developers and interest groups and seeks attention from the government members accordingly. Through BNG Cultuurfonds the bank supports art and cultural programs that are of

importance to municipalities. The bank additionally contributes to raising the level of awareness of finance and the value of money among young people.

- An aspect relevant to the theme of **ENVIRONMENTALLY CONSCIOUS INTERNAL BUSINESS OPERATIONS** is that BNG Bank is a small organisation with only one office. The benefits to be derived are small in absolute terms. Nonetheless the bank places emphasis on using materials and energy as efficiently as possible.

SUPPLY CHAIN RESPONSIBILITY

BNG Bank has no desire to conduct business with parties that might harm the bank's reputation.

INVESTORS

BNG Bank does not have a retail savings business and in sourcing its funds relies almost entirely on public issues on the international money and capital markets.

As trading in BNG Bank bonds takes place on the stock exchange, the bank is unable to fully answer the question of who invests in its bonds. BNG Bank places its public issues with renowned institutions. The bank has published a number of [Capital Market Facts](#) known to the bank on its investors' website.

In the circumstances described, BNG Bank fulfils its supply chain responsibility when issuing bond loans by informing potential investors in accordance with the transparency requirements of the Dutch Financial Supervision Act (Wft).

The financial counterparties that BNG Bank does business with are covered by the bank's [Customer Due Diligence \(CDD\) policy](#), which is based on the ethical business practices requirement stipulated in the Financial Supervision Act and on Dutch anti-money laundering legislation. Organisations that deposit funds directly with BNG Bank are also subject to CDD policy. BNG

Bank regards investors and financial counterparties as primary suppliers. The parties that purchase BNG paper on the stock exchange, and on which it has no influence, are regarded as secondary suppliers. BNG Bank cannot accept any responsibility in this regard.

CLIENTS

Requests for funding received by BNG Bank come from institutions in the public domain and from organisations with a strong connection to government; in many cases they will have undergone a democratic decision-making process within the statutory and regulatory frameworks. The focus of the public authorities on corporate social responsibility supports the bank's policy in this area. The democratic decision-making process and monitoring by public institutions generally is a strong line of defence against investment in organisations that have a poor track record in respect of the environment. Where appropriate, the bank requests that its clients supply the necessary approvals and permits, and runs its own checks to assess whether clients meet the requirements, such as drawing up an Environmental Impact Assessment.

BNG Bank warns its clients of the risks that its products may entail. The bank deems it vital that clients fully understand the consequences of a specific transaction. Inherent in the bank's mission is the proper discharge of its duty of care, in other words: acting in the client's interests. Conflicts of interest are avoided or managed

in line with BNG Bank's obligations under the Financial Supervision Act. In the event of a client lodging a complaint against the bank's service, various avenues are open to clients to seek a solution (see also [bngbank.nl](https://www.bngbank.nl)).

The objective of which the bank is continually mindful is to continue to provide financing at the lowest possible rates, even in the face of government policy changes. Through its approach, the bank seeks to encourage socially responsible investment within the public domain. Examples include the financing of social housing, broad schools, assisted living projects, and organisations providing sheltered employment. In many cases there is no direct link between the sustainable investments of these institutions and the funds provided to them by BNG Bank, since most of those funds concern balance-sheet financing. In view of its market shares among the client groups, it seems obvious that the bank provides a substantial part of the required investment. In addition to balance-sheet financing, the bank aims to actively finance concrete projects and develop tailor-made forms of financing.

BNG Bank regards investments as sustainable if, for example, they:

- aim to reduce energy consumption or contribute to lowering CO₂ emissions. Alongside investments in renewable energy, this includes investments in insulation measures as part of major or regular maintenance; or
- contribute to sustainable mobility and transport. This includes investments in air, water and soil quality improvement measures and noise reduction measures; or
- provide for the realisation of building property largely using recycled or recyclable raw materials.

Notable examples of projects relating to the environment include the financing of energy-efficient heat pump installations in newbuild projects, the financing of energy-saving measures in swimming pools, the financing of wind parks and a bio-heat plant and the financing of the installation of solar panels on the roofs of rented homes.

Bridging the knowledge gap between the public or semi-public sector and the world of finance is an area where BNG Bank can add value. Examples include advising clients on optimising their loan portfolios and tailored finance that BNG Bank provides its clients in response to changing market conditions, regulations applicable to clients and changing structures in the public domain.

To further improve the financial expertise and processes of its clients, BNG Bank hosts seminars to share its financial expertise across a variety of sectors. The bank also offers clients an individualised consultancy service. The consultancy and training courses of BNG Advies are primarily aimed at improving the effectiveness and efficiency of the financial processes and client expertise. Consultancy services take account of any relevant legislation, including the Local and Regional Authorities (Funding) Act.

New and existing clients are appraised in accordance with Customer Due Diligence (CDD) policy for compliance with BNG Bank's Articles of Association and standards of integrity. CDD policy is published on the bank's [website](#). The bank has its own acceptance systems which it uses to appraise the creditworthiness of clients and financial counterparties.

BNG Bank publishes its own quarterly journal called 'B&G', which features articles relevant to institutions in the public domain. The publications are largely contributed by client representatives, officials from the Association of Netherlands Municipalities (VNG), an umbrella organisation, and by the bank itself.

Clients who want to invest surplus cash are welcome at either the bank or at BNG Vermogensbeheer, a wholly-owned BNG Bank subsidiary. BNG Vermogensbeheer sustainably manages investment funds and mandates on behalf of clients in partnership with the Sustainalytics research institute. Sustainalytics pre-screens the portfolios of BNG Vermogensbeheer, provides data to BNG Vermogensbeheer which is used to enhance the sustainability of the portfolios, and retrospectively determines at the end of each year whether the portfolios have been invested sustainably. BNG Vermogensbeheer is a signatory to the UN Principles for Responsible Investment. The investment products of BNG Vermogensbeheer comply with government policy, as set out in the Local and Regional Authorities (Funding) Act and the Financial Supervision Act. BNG Gebiedsontwikkeling is engaged in the realisation of spatial planning projects. The activities of both wholly-owned subsidiaries make a contribution to the primary objective. Furthermore, BNG Bank offers services through BNG Betalingsverkeer and BNG Advies. Further information on the bank's specific activities can be found in the Annual Report and on [bngbank.nl](https://www.bngbank.nl).

TO APPLY SUSTAINABILITY CRITERIA OR NOT?

Should BNG Bank refuse financing applications that do not meet certain sustainability criteria? This does pose a dilemma. Democratic decision-making and monitoring by public sector institutions already form a strong line of defence against investment by organisations that have a poor record in respect of the environmental impact. To what extent do we impinge on the autonomy of municipalities if BNG Bank refuses financing requests by municipalities on matters of principle, or demands that the requests be amended?

The bank has concluded that the most appropriate course is to encourage the financing of sustainable investments, but that refusing finance on the basis of sustainability criteria would not be appropriate.

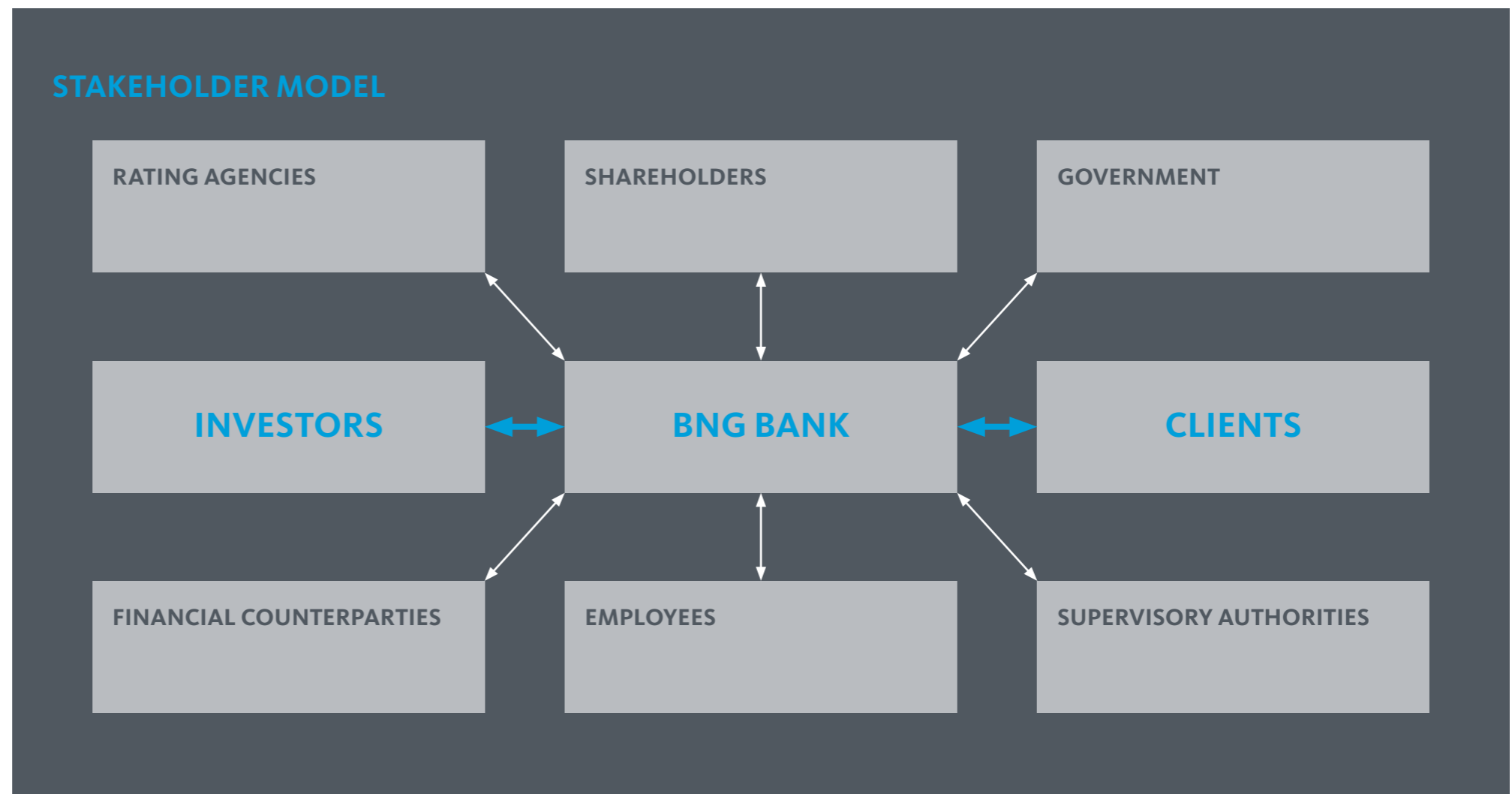
PERSPECTIVE ANALYSIS STAKEHOLDERS

Reliable, professional and contemporary – these are BNG Bank's core values. In the light of its public role, BNG Bank seeks to be and remain a safe bank that is visible to and distinctive for its stakeholders.

In order to properly fulfil its role in the value chain, it is in BNG Bank's interests to maintain good relations not just with its clients and investors, but also with its

stakeholders. BNG Bank defines individuals and groups that in one way or another have a direct interest in, or influence the corporation's relevant business processes as its primary stakeholders. They might influence an organisation or be influenced by it.

BNG Bank's stakeholders are shown in the diagram below.



Trust in BNG Bank's stakeholders is crucial for achieving the bank's mission and strategic objectives. Integrity and transparency are key concepts and form the foundation of BNG Bank's corporate social responsibility policy.

To ensure that the bank's strategy and business processes are carefully aligned, based on regular discussions with various stakeholder groups BNG Bank has identified a

number of topics / focus areas which are critical factors in the relations it enjoys with its stakeholders, from both the stakeholder's perspective (what does the stakeholder want from BNG Bank?) and from the bank's perspective (what does BNG Bank want to achieve?). The ongoing challenge is to serve the interests of its stakeholders and BNG Bank's own interests at the same time. The parties and their interests are set out in the matrix below.

STAKEHOLDER	STAKEHOLDER PERSPECTIVE	BNG BANK PERSPECTIVE
CLIENTS	<ul style="list-style-type: none"> good value for money sustainable products (CSR) financing of sustainable investments solutions to problems partnership good information provision integrity duty of care 	<ul style="list-style-type: none"> market share/margin client appreciation minimise risk of credit loss financing options from SRI bonds continuity statutory and regulatory compliance
INVESTORS	<ul style="list-style-type: none"> optimise return/security liquidity integrity and transparency sustainable investment options (SRI bonds) 	<ul style="list-style-type: none"> permanent access to the capital and money markets optimise funding prices/mix
RATING AGENCIES	<ul style="list-style-type: none"> integrity and transparency 	<ul style="list-style-type: none"> maintain high ratings

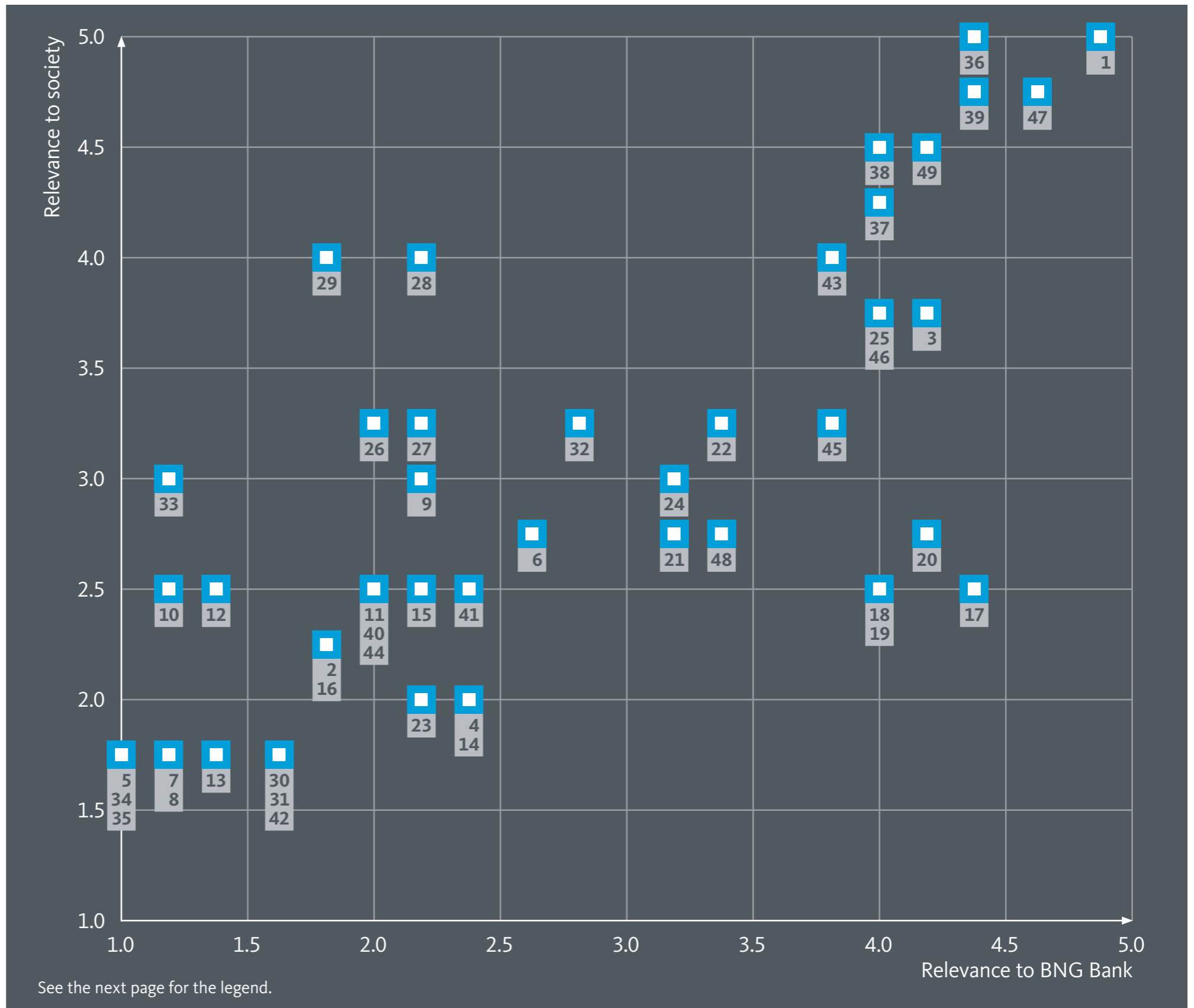
STAKEHOLDER	STAKEHOLDER PERSPECTIVE	BNG BANK PERSPECTIVE
SHAREHOLDERS	fair return/dividend security of the return continuity/stability interest of public authorities CSR Policy adequate corporate governance cost control	continuity of shareholding CSR Policy discharge from liability for the management conducted discharge from liability for the supervision conducted
GOVERNMENT	effective performance of public service role CSR reporting level playing field enforcement of legislation and regulations	recognition of public service role of BNG Bank CSR reporting continuity of shareholding political predictability
FINANCIAL COUNTERPARTIES	good returns security integrity and transparency	access favorable conditions transparency minimise risk of loss
EMPLOYEES	attractive work pleasant working conditions competitive employment terms development opportunities	appropriate staff numbers motivated staff appropriate cost socially responsible behavior (integrity)

STAKEHOLDER	STAKEHOLDER PERSPECTIVE	BNG BANK PERSPECTIVE
SUPERVISORY AUTHORITIES	integrity and transparency controlled operations unqualified audit report statutory and regulatory compliance predictability	policy approval retain permits controlled and ethical business practices compliance

MATERIALITY ANALYSIS

The perspective analysis constitutes an important point of departure for the materiality analysis which, in turn, determines the selection of topics for the annual reporting. The process steps in the materiality analysis are as follows.

The topics that are potentially relevant to the report are selected on the basis of the perspective analysis. Topics based on current developments and those arising from stakeholder discussions are added to this list, where necessary. These relevant topics are ‘translated’ into one or more of the 49 aspects of the GRI-4 reporting guideline. Using nine criteria, the aspects are weighted by BNG Bank itself and by an external party separately on the basis of the impact on the bank’s business performance as well as on the impact on all the stakeholders and on social environment. Following consultation in response to the outcomes of the two analyses, the bank defined the reporting priorities as indicated in the diagram below. The results of the priorities set determine which topics will be reported on and where they are reported (in the integrated report, CSR Policy, GRI Index or on [bngbank.nl](https://www.bngbank.nl)).



- 1 Economic performance
- 2 Market presence
- 3 Indirect economic impacts
- 4 Procurement activities
- 5 Materials
- 6 Energy
- 7 Water
- 8 Biodiversity
- 9 Emissions
- 10 Effluents and waste
- 11 Products and services
- 12 Compliance with environmental laws and regulations
- 13 Transport
- 14 Overall
- 15 Supplier environmental assessment
- 16 Grievance procedure for environmental topics
- 17 Labour practices
- 18 Labour/management relations
- 19 Occupational health and safety aspects
- 20 Training and education
- 21 Diversity and equal opportunity
- 22 Equal remuneration for men and women
- 23 Supplier assessment for labour practices
- 24 Labour practices grievance mechanism
- 25 Investments with an impact on human rights
- 26 Non-discrimination
- 27 Freedom of association and collective bargaining
- 28 Child labour
- 29 Forced or compulsory labour
- 30 Safety practices
- 31 Indigenous rights
- 32 Assessment
- 33 Supplier human rights assessment
- 34 Human rights grievance mechanism
- 35 Local communities
- 36 Anti-corruption
- 37 Public policy
- 38 Anticompetitive behaviour
- 39 Compliance with laws and regulations
- 40 Supplier assessment for societal aspects
- 41 Grievance mechanisms for impacts on society
- 42 Consumer health and safety
- 43 Product and service labelling
- 44 Marketing communications
- 45 Customer privacy
- 46 Compliance with laws and regulations
- 47 Composition of portfolio (previously FS1 – FS8)
- 48 Audit (previously FS9)
- 49 Active ownership (previously FS10, FS11 and FS12)

On this basis the topics are divided into the three following categories.

HIGHLY MATERIAL: the topics that are directly linked to the five themes identified by BNG Bank. These topics are discussed in the Report of the Executive Board with a focus on developments in the reporting year. More statistical information is incorporated in the GRI index or in CSR Policy.

AVERAGE MATERIALITY: for the purpose of transparent reporting, BNG Bank believes it is important to provide information on these topics. They are reflected in the GRI index, CSR Policy or on [bngbank.nl](https://www.bngbank.nl).

LOW TO NOT MATERIAL: in principle the bank does not report on these topics.

To illustrate this, from the perspective of social impact as well as impact on the bank, the aspect of economic performance is deemed to be very material. The materiality of the aspect emanates from the perspective of clients, shareholders, financial counterparties and the government. This aspect is relevant to the bank, in view of the continuity of the business.

The use of materials is positioned at the other end of the spectrum. Material consumption arising from financial services is limited to office supplies. Because BNG Bank is a small organisation, the quantities of raw materials used are marginal in absolute terms.

The determination of materiality shows how relevant the five CSR themes continue to be as the basis for the bank's CSR Policy. All highly material aspects can be linked to one of these five core themes:

A SAFE BANK

- Economic performance
- Indirect economic impacts
- Compliance with laws and regulations
- Product information
- Product compliance with laws and regulations
- Customer privacy

RESPONSIBLE GROWTH

- Economic performance
- Indirect economic impacts
- Product portfolio
- Active ownership

ENGAGED EMPLOYEES

- Labour practices
- Training and education

SOCIAL ENGAGEMENT

Investments and acquisitions

Anti-corruption

Public policy

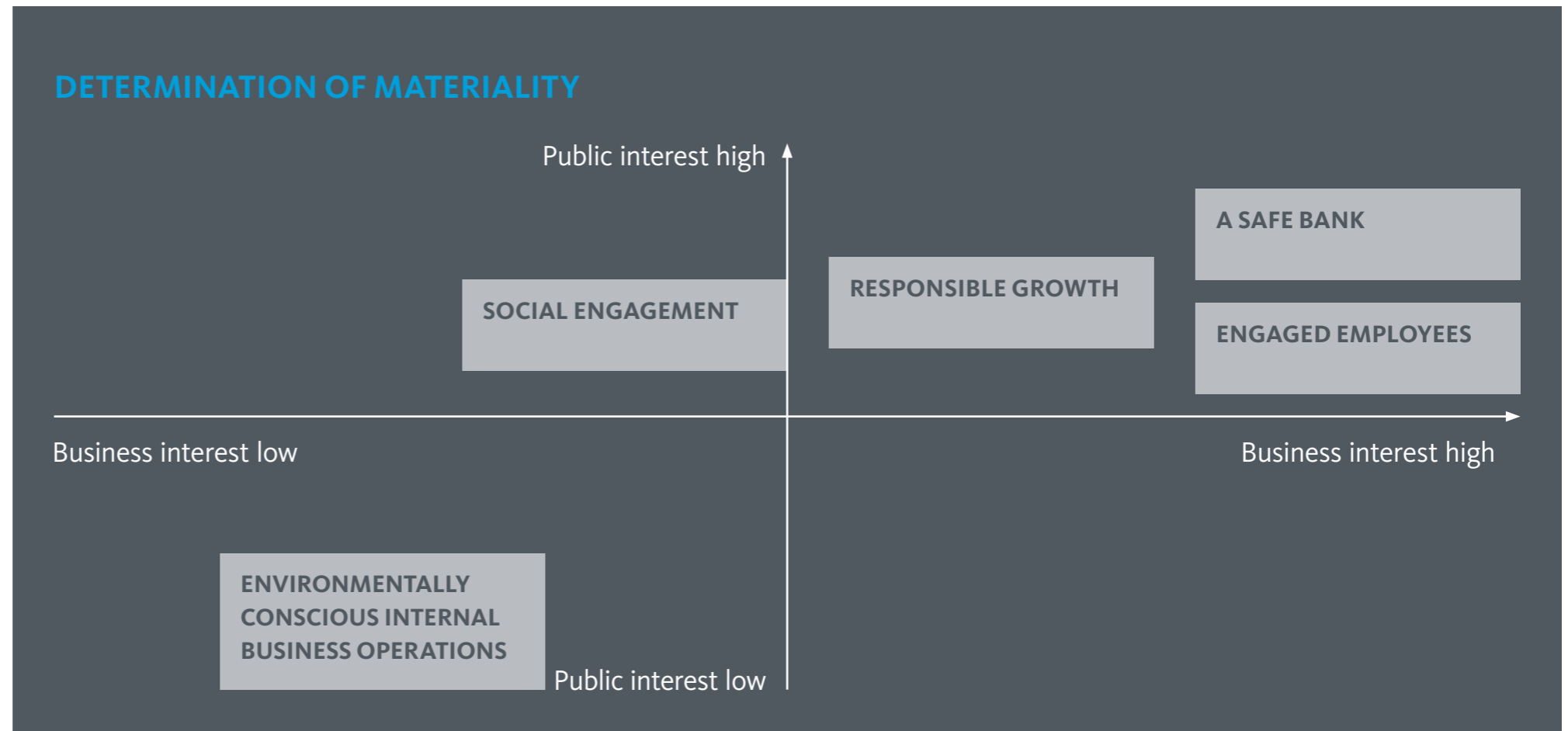
Anti-competitive behaviour

**INTERNAL ENVIRONMENTALLY CONSCIOUS
BUSINESS OPERATIONS**

CO₂ emissions (average materiality)

Energy consumption (average materiality)

The following diagram illustrates the materiality of the themes in terms of the relationship between the public interest and business interests. The themes on the right-hand side of the diagram are deemed to be the most material and embody the focus areas relevant to stakeholders.



The report on the determination of materiality and the management approach relating to the various aspects are incorporated in the GRI Index.

STAKEHOLDER DIALOG

It makes sense that the dialog with relevant stakeholders is influenced by the model chosen by BNG Bank. Structured, periodic consultations are held with stakeholders about social and economic topics, as well as the consequences of laws and regulations. Dialog is tailored to the specific information needs of the respective stakeholders.

CLIENTS

BNG Bank engages in discussion with its clients on numerous occasions. The bank frequently welcomes delegations from individual municipalities and provinces in the Netherlands to discuss BNG Bank's activities and work practices with them. The bank periodically organises the 'G4 talks' (for the four largest municipalities), consultations with municipalities with a population of 20,000 to 50,000, the 50,000+ consultations and the 100,000+ consultations.

The bank also maintains frequent contact with the umbrella organisations: the Association of Netherlands Municipalities (VNG) and the Interprovincial Consultation body (IPO). BNG Bank employees regularly engage in dialog with the sector organisations for the housing association and healthcare sector, such as Aedes (the Federation of Housing Associations, an umbrella organisation), the Central Housing Fund (CFV), WSW (Social Housing Guarantee Fund) and WFZ (Healthcare Sector Guarantee Fund). The bank

also engages in dialog with clients by participating in conferences.

INVESTORS

In view of the fact that investors in BNG Bank bonds are largely anonymous, information to investors across the various continents is primarily communicated through BNG Bank's English language [website](#). The bank's Annual Reports can also be found on the investors' website. Furthermore, BNG Bank organises regular international road shows, which allow it to enter into a more targeted dialog on developments at BNG Bank with investors. The aim of this is to generate interest in the purchase of BNG bonds, and emphasise the significance of BNG Bank for Dutch society. The bank also engages in dialog with parties in the world of investment through participation in conferences.

FINANCIAL COUNTERPARTIES

Financial counterparties mediate on behalf of BNG Bank with prospective investors. The bank also uses financial counterparties to buy derivative products and to cover short-term surpluses or deficit requirements. BNG Bank selects its financial counterparties carefully, its most important criterion being that of credit worthiness. Contacts are at arm's length and bilateral.

BNG Bank is also a member of a number of interbank collaborative partnerships. It is an active member of the Dutch Banking Association (NVB), and in Europe it is active within the European Association of Public Banks (EAPB). During these consultations banks with a more or less similar business objective discuss and share information on topical themes, the aim of which is to represent collective interests in the light of financing public services.

SHAREHOLDERS

Being owned by central government together with the municipal and provincial authorities and in view of its client base, BNG Bank forms an integral part of the public sector in the Netherlands. The bank knows all its shareholders and meets many of them at the Annual General Meeting of Shareholders (AGM). The bank also engages with its shareholders outside the AGM. Most shareholders in the bank are also the bank's clients. Each year, the strategic objectives, the parameters, the policy and the activities of BNG Bank are clarified at the AGM. Dialog with the Dutch state is held periodically to discuss business performance. The other shareholders are also regularly updated.

RATING AGENCIES

Because the bank relies entirely on the international money and capital markets for its funding, it is essential that it maintains its outstanding credit rating in order to

accomplish its mission. The periodic and open discussions with the various rating agencies (Moody's, Fitch, Standard & Poor's) are therefore particularly important. Discussions with the rating agencies take place at regular intervals and furthermore as often as either party wishes.

SUPERVISORY AUTHORITIES

It goes without saying that BNG Bank seeks to comply with banking industry laws and regulations. This primarily relates to the Financial Supervision Act, the regulations of the European Central Bank (ECB) and the Dutch Central Bank (DNB, prudential supervision), The Netherlands Authority for the Financial Markets (AFM, supervision of conduct) and, increasingly, the regulations of the European Banking Authority (EBA) and the European Supervisory Markets Authority (ESMA). The bank is in frequent contact with DNB and ECB. Formal consultations are held with DNB and ECB during the annual policy discussion and the annual risk consultation. Ad hoc consultations may take place as often as either party requires. The number of consultations has increased as a result of regulatory changes and, in turn, in supervision. The number of areas subject to supervision is also increasing, such as remuneration policy, information security and the internal audit function.

GOVERNMENT

BNG Bank maintains contact with all government departments relevant to its field of activity. Apart from the Ministry of Finance, these are mainly the Ministry of the Interior and Kingdom Relations, the Ministry of Health, Welfare and Sport, the Ministry of Education, Culture and Science and the Ministry of Economic Affairs. Subjects which are discussed with the relevant government departments include the implications of forthcoming financial laws and regulations, the Local and Regional Authorities (Funding) Act and the financeability of BNG Bank's core client sectors.

EMPLOYEES

Employees are the foundation on which BNG Bank is built. The bank has a competitive HR policy, offers good working conditions and good development opportunities. BNG Bank holds employee satisfaction surveys once every three years.

BNG Bank has an employee elected Joint Works Council (GOR), which regularly consults with the Executive Board. Recurring themes in these consultations are the bank's strategy, the general course of business, the annual plan, the budget and social policy.

Each year, three consultation meetings are attended by representatives of the Supervisory Board. Once a year, a meeting is held between the entire Joint Works Council,

the entire Supervisory Board and the Executive Board. Further information on the Joint Works Council can be found in the Annual Report and on [bngbank.nl](https://www.bngbank.nl).

The value that the bank attaches to education for and communication with its employees is expressed through themed internal meetings open to all employees. Besides financial performance, these meetings also look at other topical issues.

MANAGEMENT APPROACH TO CSR

In line with the Global Reporting Initiative (GRI) reporting system, BNG Bank has selected seven key indicators which represent important controls and which the bank believes offer a fair view of the extent to which the policy pursued by the bank has been successful.

They are:

- market shares
- return on equity
- long-term lending to core client sectors
- financing sustainable investments
- customer satisfaction
- training and development
- employee satisfaction
- CO₂ footprint

The distribution of these key indicators across the themes constitutes an integrated approach that balances all relevant stakeholders' interests. Periodic appraisal of the materiality of the selected key indicators takes place within the regular evaluation and planning process conducted by BNG Bank. The process, the manner in which policy is developed and the management approach by BNG Bank to the various dimensions addressed in its definition of CSR are set out below. All relevant aspects of the GRI focus areas are covered.

PROCESS

Each year, BNG Bank evaluates the extent to which the bank's strategy and the strategic objectives need to be adjusted based on an internally developed long-term plan. As highlighted above, this would equally affect the CSR objectives defined under 'a safe bank' and 'responsible growth'. The long-term plan developed annually addresses the business and sector-specific topics that are deemed to be of material importance to BNG Bank. After consultations at Executive Board level and Management level, the long-term plan is adopted by the Executive Board and subsequently presented to the Supervisory Board for discussion and approval. The long-term plan and the results of the discussions in the Supervisory Board form the basis for a planning document written by the Executive Board detailing the key, material themes and projects for the year ahead. Once the planning document has undergone the internal fine-tuning and approval process, the relevant managers take it as the basis for the annual plans for their own directorates or departments. An annual plan for BNG Bank is also produced. All plans include policy objectives and performance indicators. Strategy is harmonised with the business processes in the written plan whilst due consideration is given to the interests of stakeholders and those of the bank. After consultations at Executive Board level and Management level, the plans are approved by the Executive Board and the annual plan is submitted to the Supervisory Board for discussion

and approval. The Executive Board monitors the implementation of the annual plans based on quarterly reports, which are discussed with the relevant directors and senior managers. BNG Bank renders a public account of its performance in its Annual Report. Financial and CSR reporting have been integrated.

POLICY DEVELOPMENT

The bank's CSR Policy is subject to Supervisory Board approval. The discussion of this topic by the entire Board is prepared by the Market Strategy Committee. This likewise applies to the relevant aspects of BNG Bank's long-term plan and annual plan. Within the Executive Board, the responsibility for CSR Policy lies with the Chairman. Decisions on policy proposals are taken by the entire Executive Board. Policy proposals are prepared by the CSR committee and the Financing of Sustainable Investments Working Group in consultation with the relevant senior management. The members of the Executive Board are responsible for implementing policy on the various themes. They receive assistance on the various aspects from the senior management members responsible for achieving the different CSR objectives and for the corresponding measurement methods. Each year, the Supervisory Board establishes the targets for market shares and the return on equity. The Executive Board and senior management are

responsible for meeting these targets. The Supervisory Board assesses actual performance each year based on a report by the independent auditor.

MARKET DIMENSION

BNG Bank seeks to be a safe bank. The ratings of Moody's, Standard & Poor's and Fitch indicate sound risk management, reliability and integrity in business processes; maintaining these is a condition for the bank in its core task, which is to fulfil a substantial portion of credit demand at low rates or guaranteed by public bodies in the Netherlands; the bank does not seek to maximise profit. In line with this, these same public bodies – to the extent they are BNG Bank shareholders – expect that the bank will generate a reasonable return for them.

HUMAN DIMENSION

Given its public role, BNG Bank aims to achieve responsible growth. Controlling long-term lending is the responsibility of the relevant senior managers, who report to the Chairman of the Executive Board. The key question that the bank continues to ask is: how can BNG Bank's services contribute further to sustainable investments for its clients? Based in part on dialog about related dilemmas with clients, shareholders and employees, the bank has decided on the policy directions explained in the Annual Report.

In qualitative terms, in pursuing responsible growth BNG Bank must offer an appropriate range of products.

The bank's contribution to employment is limited, given the size of its workforce. Expert and engaged employees, however, are crucially important for the organisation's performance.

ENVIRONMENTAL DIMENSION

The bank keeps records of its energy consumption (and the trend), waste flows as well as business miles driven by lease vehicle and air miles flown. The choice of vehicles available under the car lease scheme is partly determined on the basis maximum CO₂ emissions standards. Another option offered is a public transportation business travel pass. BNG Bank uses electricity from renewable sources. BNG Bank's policy and targets for business operations that respect the environment are established each year and evaluated under the responsibility of the Executive Board. There is a drive to reduce the CO₂ footprint and the volume of paper bought. There is also a focus on increasing sustainable procurement. Business procurement policy is set out in a policy memorandum.

COLOPHON

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