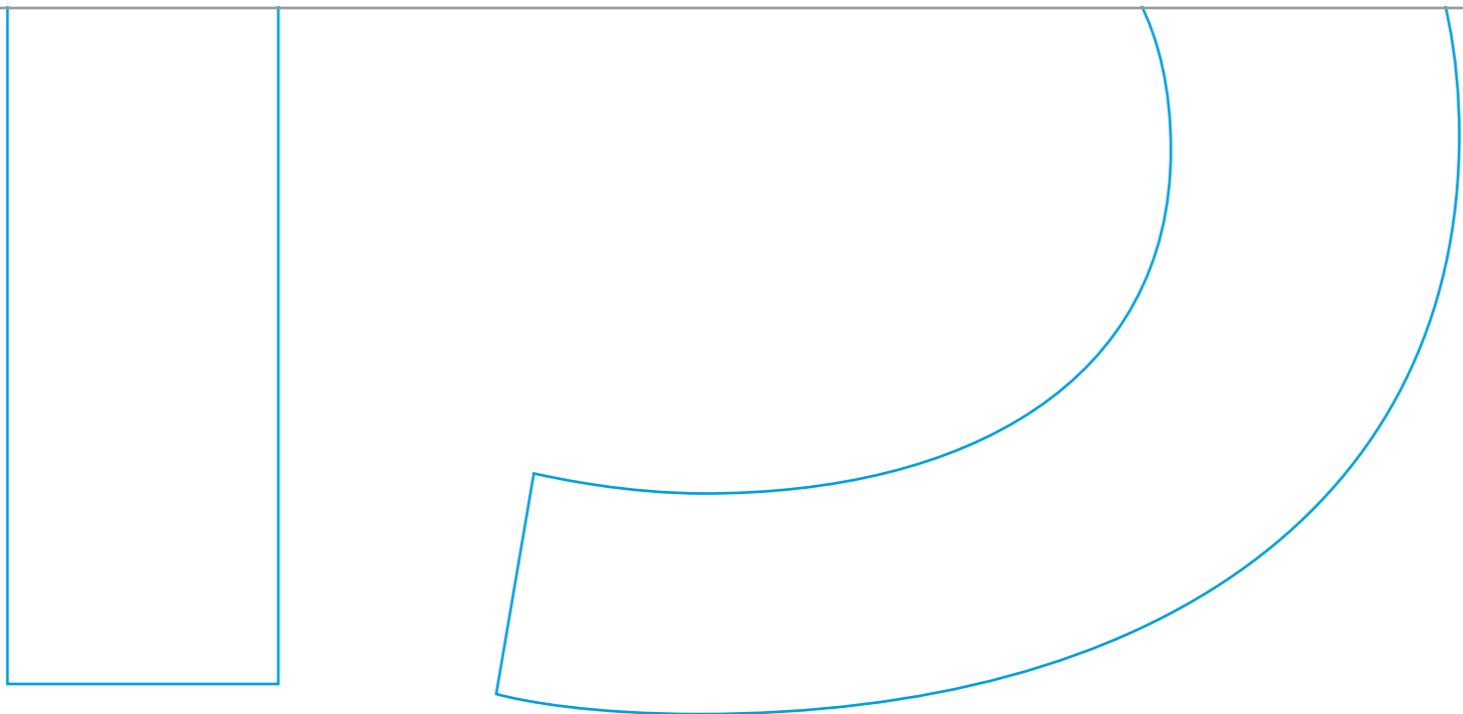


CSR Policy

BNG Bank 2015



This document forms an integral part of BNG Bank's 2015 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.

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Mission and core values

BNG Bank is a sector bank, founded by Dutch public authorities. It has been providing solutions to financing issues for its customers since its formation in 1914. This background is the determining factor for the bank's mission and financial services.

BNG Bank is the bank for public authorities and public sector institutions. The bank seeks to be an involved partner and makes a sustainable contribution to minimising the costs of social amenities for the public. BNG Bank is a specialist bank and has no retail arm. For customers who are also shareholders BNG Bank fulfils the de facto role of procurement organisation.

Substantial market shares and involved partnership with 'the customer' require knowledge of the sector and an individual approach. The services of BNG Bank are tailored to the needs and professionalism of the customer.

Sustainable, reliable and professional – these are the core values for which BNG Bank is known. 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. It aims to support customers in achieving their goals for a future-proof society.

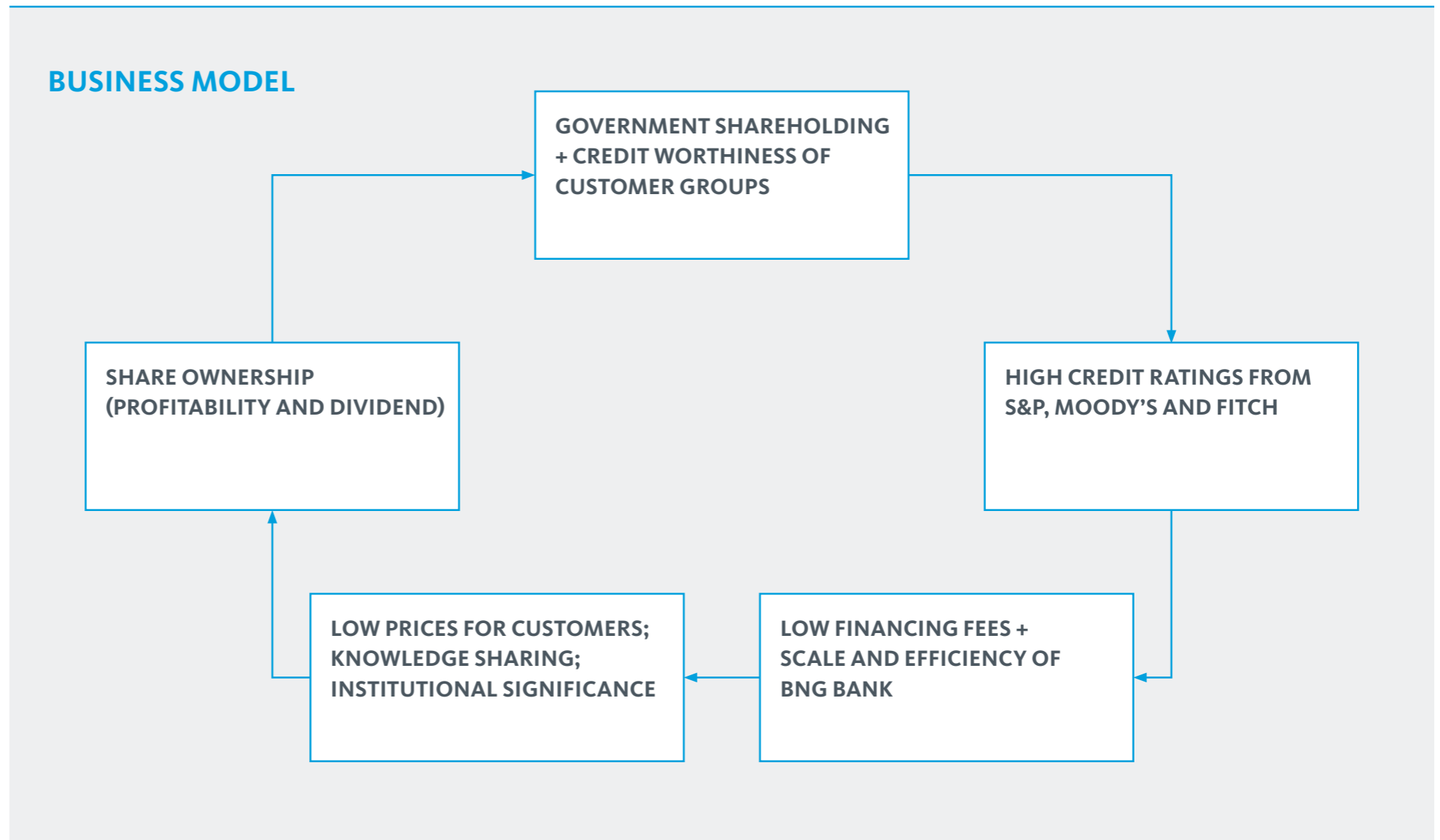
Corporate sustainability is also an important underlying principle for the activities of BNG Bank itself. Internally, BNG Bank seeks to achieve an open culture. Training and development are key focus areas of HR policy.

Financing of social amenities

BNG Bank's core business is to provide low-cost credit to, or guaranteed by public authorities in the Netherlands. In this way the bank plays an important role in the financing of social amenities required by public authorities.

BNG Bank seeks to work proactively with its customers on solutions for the financing of social tasks and their performance. BNG Bank's strategy and strategic objectives are fully described and annotated on [bngbank.nl](https://www.bngbank.nl).

How does BNG Bank make the low rates for its services possible? Five factors are important in this regard, see the business model on the next page.



Investors and rating agencies must have the confidence that the risk of lending by BNG Bank is very limited. This confidence is based on the share ownership of central government and local public authorities, the bank's field of activity limited by its articles of association and the creditworthiness of the customers and guarantee providers in the public sector.

The rating agencies have expressed this confidence by granting a triple A rating (Moody's and Standard & Poor's) and an AA+ rating (Fitch).

As a consequence of this BNG Bank is able to procure funds on the international money and capital markets at highly competitive keen rates.

Funds are therefore available to BNG Bank's customers at the lowest possible rates.

This is further enhanced as the bank can match the large combined demand of its customers with the needs of investors in terms of volume, currencies, liquidity and sustainability.

FAIR RETURN

BNG Bank seeks to achieve a fair rather than a maximised return on its equity. The low costs at which the bank carries out its mission contribute to this. These costs amount to less than 0.1% of the total portfolio of loans advanced.

The return is subsequently shared among public authority shareholders – mostly also customers of the bank – in the form of dividend payments. They in turn can invest it in further improving the performance of their social tasks, ultimately benefiting society at large.

SWOT ANALYSIS

Strengths and weaknesses and opportunities and threats can be derived from the analysis of the business model in combination with that of the developments in the bank's external environment. See the SWOT analysis below.

STRENGTHS

- share ownership of central and local public authorities;
- competitive position through low funding costs and fair return requirement of shareholders;
- promotional lender status contributes to low funding costs;
- good rating/credit quality through largely solvency-free lending;
- good access to capital market;
- long-term relationship with and detailed knowledge of customers. Good reputation. Customer satisfaction;
- customer loyalty through provision of wide range of products;
- low overhead costs.

WEAKNESSES

- profit and reputation are sensitive to negative events (impairment);
- limited standardization and automation make maintaining the reliability of the services more complex and more expensive;
- narrow capital base necessitates the incurrence of costs for hybrid capital;
- niche bank with few opportunities to diversify the customer base (framework under the articles of association) and limited diversification of funding sources (that is, capital market);
- relatively high age of workforce, limited internal mobility and relatively large amount of concentrated knowledge.

OPPORTUNITIES

- more explicit positioning as sustainable bank through need of customers;
- investment need in the context of the transition to renewable energy;
- as public authorities withdraw there is room in the market for a more (pro)active presence and taking action as an involved partner;
- consortium financing opportunities through more limited risk appetite of commercial banks;
- opportunities to finance small-scale PPS projects for local public authorities;
- European initiatives create opportunities for additional turnover;
- intermediary role of BNG Bank.

THREATS

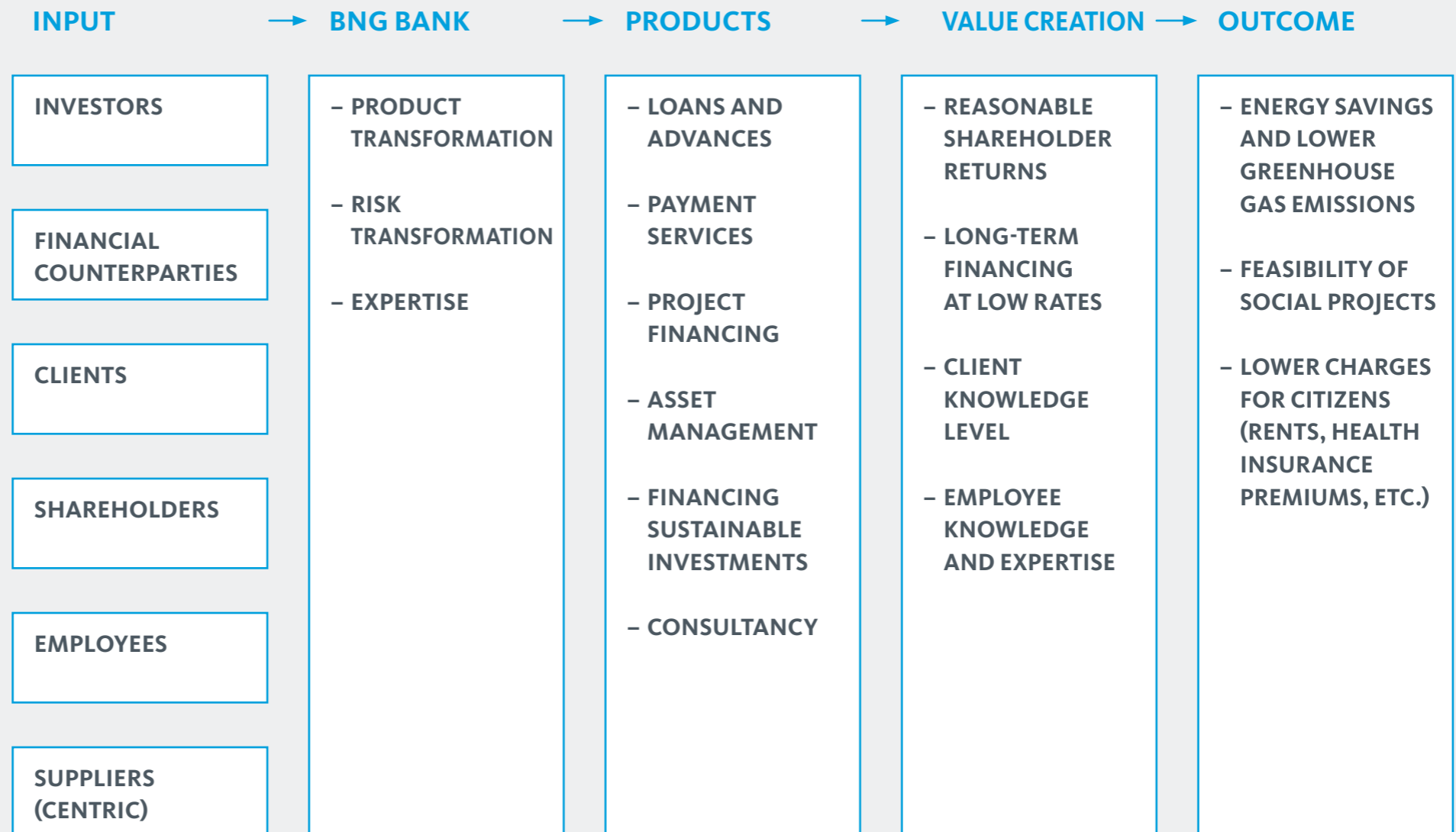
- low margins in niche market;
- persistent European debt crisis. Increase in portfolio defaults;
- withdrawing public authorities and decline in (need for) new financing in core customer groups as a consequence of decline in readiness to provide public authority guarantees;
- political debate about the readiness actually to give support in the event of financial need and its impact on the business model;
- growth in regulations (capital requirements) and supervision increases pressure on organisation (al model) and return;
- growth of competition: pension funds, banking with the treasury, mutual lending, EIB and commercial banks (cost reduction in combination with the scale). Decline in customer loyalty.

BNG Bank analyses the environment annually when preparing the long-range view, and adjusts the strategy if necessary. BNG Bank sets out the current strategy more fully in its annual report.

Value Chain

The way in which BNG Bank fulfils its role, thereby creating returns for society, leads to the value chain below. BNG Bank's contribution to public policy ultimately serves the interests of the Dutch public: the lower cost of (financing) numerous public amenities is reflected in lower fees charged by municipalities, lower rents for housing in the social sector and lower fees for care provision and education. BNG Bank also supports its customers in managing financial risks.

VALUE CHAIN



Supply chain responsibility

It goes without saying that BNG Bank does not have any desire to conduct business with parties that might harm its reputation.

FUNDING

BNG Bank does not have a retail savings arm for private individuals and in sourcing its funds relies almost entirely on issues on the international money and capital markets. Which parties invest in BNG bonds? The bank can only answer this in part. As the bonds are freely marketable through the stock market, BNG Bank has no insight into their holders. BNG Bank places its issues with renowned international institutions. This is important in order to bring about good placement of the bank's extensive issues. The bank has published a number of Capital Market Facts that are known to the bank on its investors' website.

The 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). BNG Bank's financial counterparties are covered by the bank's Customer Due Diligence policy, published on bngbank.nl.

This policy 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 this policy. Countries and parties sanctioned by the United Nations are therefore excluded. Existing positions will if possible be wound down in the event of sanctions being imposed.

EXPOSURES

Requests for funding received by BNG Bank come from institutions in the public domain and from organisations with a strong connection to government. The framework for the institutions that qualify for financing by BNG Bank is formed by the provisions laid down in Article 2 of the articles of association. Requests from these institutions have in many cases passed through a democratic decision-making process within the statutory and regulatory frameworks.

The focus of the public authorities on CSR supports the bank's policy in this area. The democratic decision-making process and monitoring by public institutions is generally a strong line of defence against investment in organisations that have a poor track record in respect of the environment. When this is considered necessary, the bank can ask its customers to submit the necessary approvals and permits, and it can run its own checks to assess whether customers meet the requirements. BNG Bank conforms to government policy and will not advance any financing to parties whose activities are regarded as undesirable. The bank conducts Client Acceptance and Customer Due Diligence procedures to assess customer admissibility and integrity risks, such as money laundering, fraud, negative facts relating to a client and reputational risk.

DUTY OF CARE PARAMOUNT

Under the regulations BNG Bank regards the majority of its customers as 'non-professional' counterparties. The duty of care, i.e. acting in the customer's interests, is of paramount importance in the bank's services. BNG Bank therefore aims to offer manageable, transparent, and simple products and does not provide products which entail unmanageable risks for the customer. Much attention is given to providing clear information to customers and warning them about risks associated with given products. Conflicts of interest are avoided or managed in line with BNG Bank's obligations under the Financial Supervision Act.

The bank's objective is to advance credit to its customers at the lowest possible cost, even in the event of changes in government policy. This approach enables the bank to contribute to socially responsible investments coming into being.

Financing of public authorities, housing corporations and healthcare institutions generally takes place via the balance sheet. For this reason the financing advanced cannot be linked to specific projects. Given the objectives of these institutions, BNG Bank regards loans and advances to these institutions as socially responsible.

SUSTAINABLE

In addition to balance-sheet financing, the bank aims to actively finance concrete projects and develop tailor-made forms of financing to facilitate sustainable, socially desirable projects. BNG Bank regards projects as sustainable if, for example, they:

- aim to reduce energy consumption or contribute to cutting the emissions of, for example, CO₂. Alongside investments in renewable energy, this includes investments in insulation measures in the context of major 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 construction of real estate largely using recycled or recyclable raw materials or built according to the life cycle approach, whereby the consumption of raw materials during the lifetime of the building is limited as far as possible.

As part of its exposures BNG Bank holds a portfolio of highly liquid paper, enabling it to meet all its repayment obligations under any circumstances. Approved paper of national public authorities and supranational institutions within the European Union is held for this purpose. Some is also held for this purpose in approved promotional loans, covered bonds and RMBSs with residential mortgages as collateral.

OTHER ACTIVITIES

BNG Gebiedsontwikkeling B.V. is engaged in the realisation of spatial planning projects. BNG Vermogensbeheer B.V. focuses on sustainable asset management for customers of the bank through investment funds and mandates*, 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 at the end of each year retrospectively determines whether the portfolios have been invested sustainably. BNG Vermogensbeheer is also 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. The activities of these wholly-owned subsidiaries make a contribution to BNG Bank's primary objective. BNG Bank also provides services through BNG Betalingsverkeer.

* BNG Bank has decided to proceed with the sale of BNG Vermogensbeheer. The sales process is expected to be completed in the second quarter of 2016.

SUPPLIERS

BNG Bank largely procures its funds from Dutch suppliers, to which Dutch legislation and regulations apply. Sustainability, in terms of environmental and social aspects, in the procurement policy is assured by using information and practical tips from the Dutch Public Procurement Expertise Centre (Pianoo.nl). Given the size of the organisation, the amount involved in procurement activities is limited in absolute terms.

Social themes

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. The bank shapes this vision on the basis of the role it fulfils as a financial institution in Dutch society. This is reflected in the five themes that the bank has formulated based on the core values in its mission and strategy:

- a safe bank
- responsible growth
- engaged employees
- social engagement
- sustainable operations

BNG Bank first presented its vision to its shareholders in 2011. It is updated each year where necessary and published through the annual report and accounts. The themes reflect the interests of the bank's different stakeholders. A number of key indicators have been specified for each theme and a number of objectives have been formulated against which progress is measured.

CSR VISION

LONG-TERM VALUE CREATION, BASED ON THREE DIMENSIONS:
MARKET, PEOPLE AND THE ENVIRONMENT

5 THEMES

A SAFE BANK

RESPONSIBLE GROWTH

ENGAGED EMPLOYEES

SOCIAL ENGAGEMENT

SUSTAINABLE BUSINESS OPERATIONS

15 SUB-THEMES

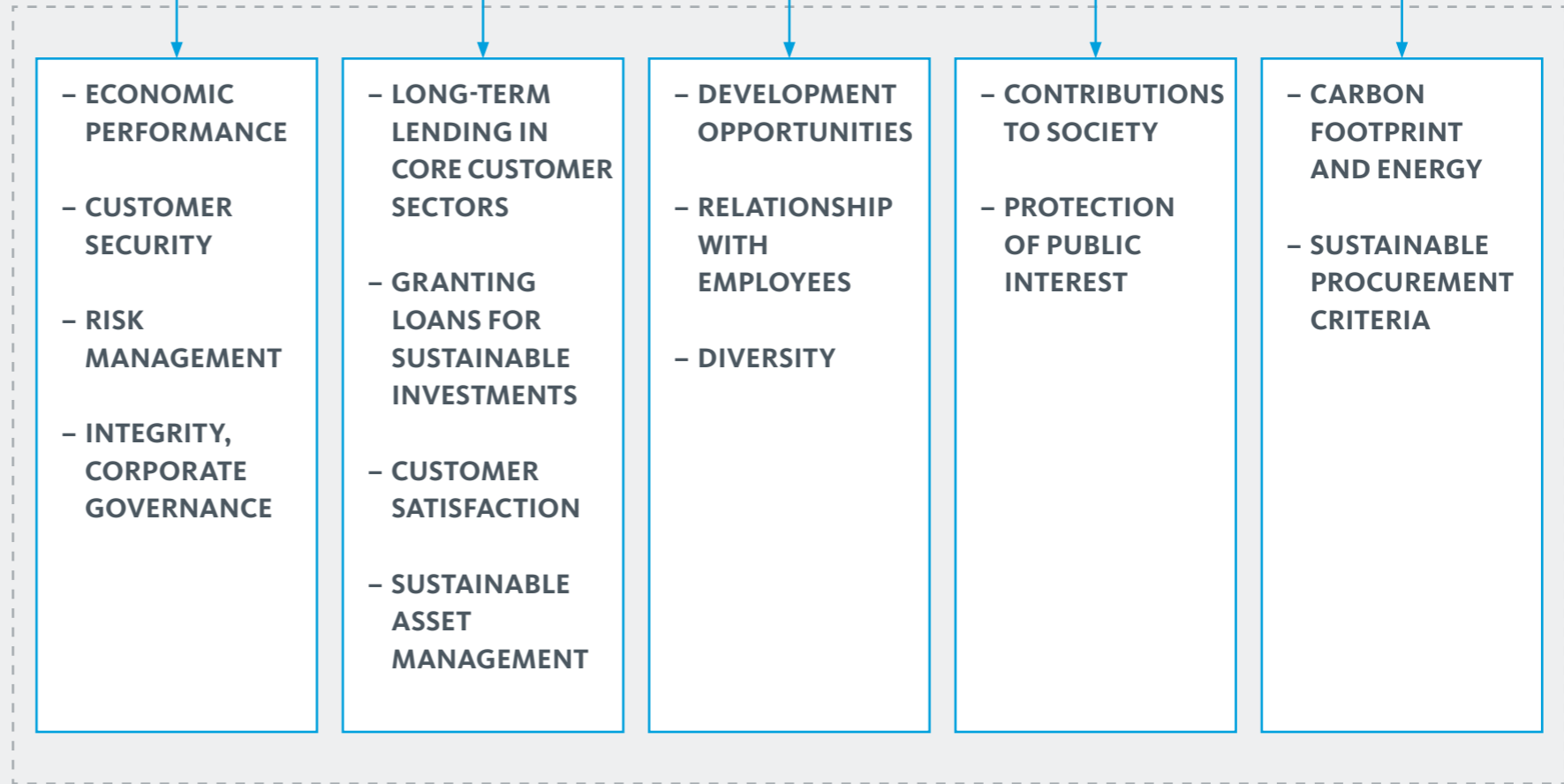
- ECONOMIC PERFORMANCE
- CUSTOMER SECURITY
- RISK MANAGEMENT
- INTEGRITY, CORPORATE GOVERNANCE

- LONG-TERM LENDING IN CORE CUSTOMER SECTORS
- GRANTING LOANS FOR SUSTAINABLE INVESTMENTS
- CUSTOMER SATISFACTION
- SUSTAINABLE ASSET MANAGEMENT

- DEVELOPMENT OPPORTUNITIES
- RELATIONSHIP WITH EMPLOYEES
- DIVERSITY

- CONTRIBUTIONS TO SOCIETY
- PROTECTION OF PUBLIC INTEREST

- CARBON FOOTPRINT AND ENERGY
- SUSTAINABLE PROCUREMENT CRITERIA



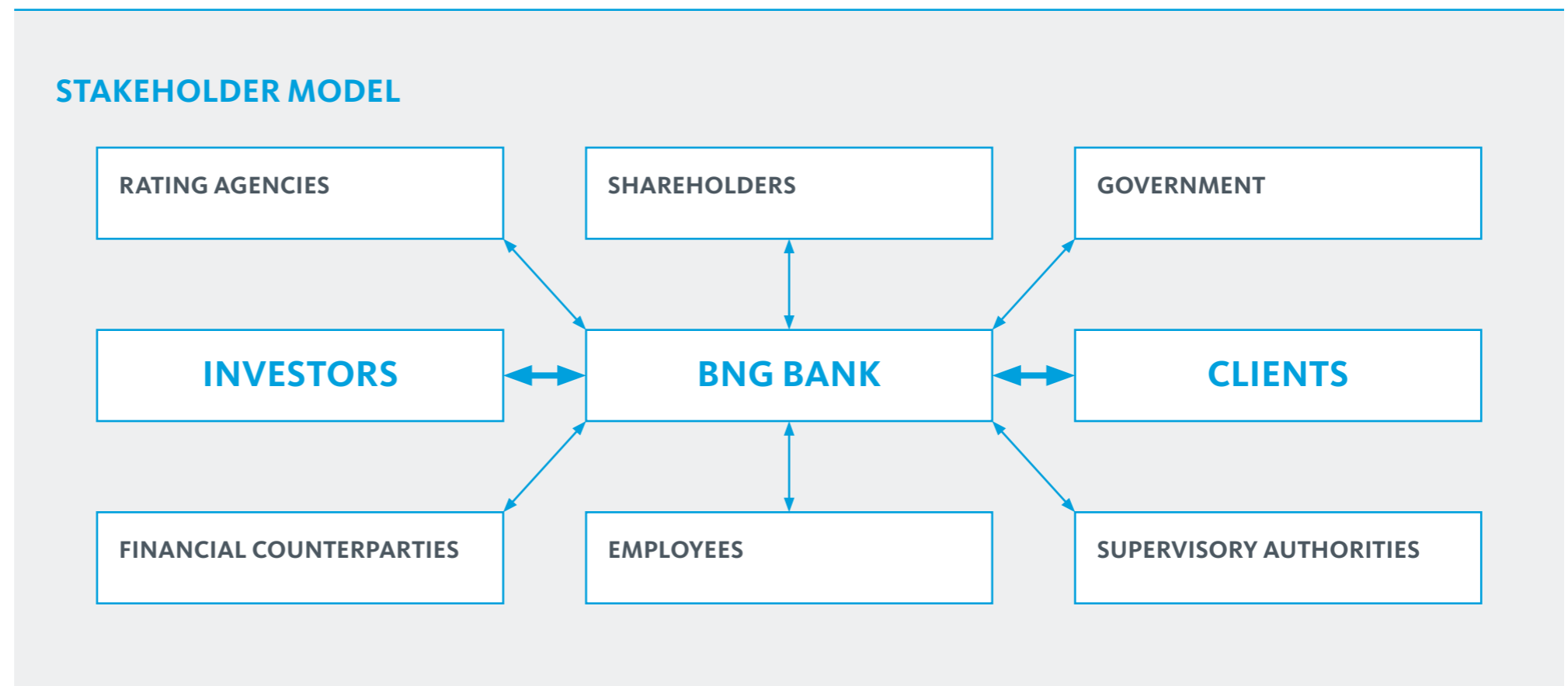
The subthemes chosen are set out in more detail below.

- [A safe bank](#). The value for money for customers and the return for shareholders are expressed in the ‘safe bank’ theme. Both elements are important in effectively performing our public service role. The success with which BNG Bank fulfils these elements can be measured against the economic performance achieved: market shares and the return on equity capital. These strategic bank objectives – see the Strategy section in the [annual report](#) – mirror the CSR objectives themed under ‘safe bank’. Customers must have confidence that the bank does not use differences in knowledge of financial products for its own benefit, in other words that it puts customer security first. 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. Equally important is the perception that investors, rating agencies, financial counterparties and regulators have of the bank’s integrity, compliance with legislation and regulations and corporate governance.
- [Responsible growth](#). The partnership with customers is an important aspect of BNG Bank’s public role. This is expressed under the theme ‘responsible growth’. The key indicator long-term lending in the core customer sectors is particularly relevant, including granting loans for sustainable investments, which the bank facilitates and promotes environmentally conscious business operations among customers. 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 using the proceeds for funding the most sustainable municipalities. The financing (which includes continuing the loan following the interest rate change) must be arranged and paid up in the year in which the SRI bond is issued. In this way the theme of responsible growth articulates the bank’s mission. The opinion of customers on BNG Bank’s products and financing activities and the degree to which their needs are met is reflected in customer satisfaction. This equally is a business interest. BNG Vermogensbeheer shapes sustainable asset management by cooperating with Sustainalytics in the design of investment funds for customers.
- [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’. The rating for the combined topics for employees is reflected in the Relationship with employees.

- Substance is given to the theme of [Social engagement](#) by contributions to society. To that end BNG Bank takes a stance in the relevant consultations with policy developers and interest groups and seeks attention from the government members concerned. 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 how to handle money among young people.
- An aspect relevant to the theme of [Sustainable business operations](#) is that BNG Bank is a small organisation with just one branch. Within the limited scale of the organisation the policy is aimed at using materials and energy as economically as possible and reducing the carbon footprint. In this context the sustainability of suppliers is a further area of attention. In its procurement policy BNG Bank applies the PIANOO sustainable procurement criteria.

Relationship with 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 customers and investors, but also with all 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 processes as its primary stakeholders. They might influence the organisation or be influenced by it. BNG Bank's stakeholders are shown in the diagram below.



The stakeholders’ trust in BNG Bank is necessary for achieving the bank’s mission and strategic objectives.

BNG Bank has identified the subjects that determine the relations with its stakeholders on the basis of the regular contacts with the different groups of stakeholders. In this way it can match the strategy and business processes carefully with each other from the stakeholder’s perspective and from its own perspective. The challenge is to serve the interests of its stakeholders and BNG Bank’s own interests at the same time. The perspective analysis is shown schematically below.

PERSPECTIVE ANALYSIS		
STAKEHOLDER	STAKEHOLDER PERSPECTIVE	BNG BANK PERSPECTIVE
<p>CUSTOMERS</p>	<ul style="list-style-type: none"> - good value for money - sustainable products - financing sustainable investments - solutions to problems - partnership - professionalism - good information supply - integrity - duty of care 	<ul style="list-style-type: none"> - market share/margin - customer appreciation - minimise risk of credit loss - financing possibilities from SRI bonds - continuity - statutory and regulatory compliance

STAKEHOLDER	STAKEHOLDER PERSPECTIVE	BNG BANK PERSPECTIVE
INVESTORS	<ul style="list-style-type: none"> - optimum return/security - liquidity - integrity and transparency - professionalism - sustainable investment opportunities (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
SHAREHOLDERS	<ul style="list-style-type: none"> - fair return/dividend - security of return - continuity/stability - active for the public interest - CSR policy - adequate corporate governance - cost control 	<ul style="list-style-type: none"> - continuity of share ownership - CSR policy - discharge from liability for the management conducted - discharge from liability for the supervision conducted
GOVERNMENT	<ul style="list-style-type: none"> - effective performance of public service role - CSR reporting - level playing field - enforcement of legislation and regulations 	<ul style="list-style-type: none"> - recognition of public service role of BNG Bank - partnership - CSR reporting - continuity of share ownership - political predictability

STAKEHOLDER	STAKEHOLDER PERSPECTIVE	BNG BANK PERSPECTIVE
<p>FINANCIAL COUNTERPARTIES</p>	<ul style="list-style-type: none"> - good returns - security - integrity and transparency - professionalism 	<ul style="list-style-type: none"> - access - favorable conditions - transparency - minimise risk of loss
<p>EMPLOYEES</p>	<ul style="list-style-type: none"> - attractive work - pleasant working conditions - competitive employment terms - development opportunities 	<ul style="list-style-type: none"> - appropriate staff numbers - motivated staff - appropriate costs - socially responsible behavior (integrity)
<p>SUPERVISORY AUTHORITIES</p>	<ul style="list-style-type: none"> - integrity and transparency - risk management - unqualified audit report - statutory and regulatory compliance - predictability 	<ul style="list-style-type: none"> - policy approval - retain permits - controlled and ethical business practices - compliance

Stakeholder dialogue

It makes sense that the dialogue with relevant stakeholders is influenced by the model chosen by BNG Bank. Structured periodic consultations are held with stakeholders about social and economic topics of importance to them, as well as the consequences of laws and regulations.

CUSTOMERS

BNG Bank engages in discussion with its customers on numerous occasions. The bank frequently welcomes delegations from individual municipalities and provinces in the Netherlands to discuss its activities and work practices with them. A member of the Executive Board attends regularly.

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 umbrella organisations VNG and IPO. BNG employees regularly engage in dialogue with the sector organisations for the housing association and healthcare sector, such as Aedes, the Central Housing Fund (CFV), the Social Housing Guarantee Fund (WSW) and the Healthcare Sector Guarantee Fund (WZF). The bank also engages in dialogue with customers 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 on the pages for investors on [bngbank.nl](https://www.bngbank.nl). The annual reports can also be found here.

Furthermore, BNG Bank organises regular international road shows, which allow it to enter into a more targeted dialogue with investors on developments at BNG Bank. The aim of this is to garner interest in the purchase of BNG bonds, and emphasise the significance of BNG Bank for Dutch society. The bank also engages in dialogue with parties in the world of investment through participation in conferences. Matters of relevance that emerge from the contacts are discussed in Executive Board meetings.

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 corporate in nature and take place in bilateral fashion.

BNG Bank is 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 issues. The purpose of this is to achieve joint advocacy in relation to public service financing.

SHAREHOLDERS

Because of shareholding by the central government together with the municipal and provincial authorities and in view of its customer base, BNG Bank forms 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 of the bank's shareholders are also customers of the bank.

Each year, the strategic objectives, the parameters, the policy and the activities of BNG Bank are clarified at the AGM. Dialogue with shareholders is held periodically to discuss business performance.

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 (Standard & Poor's, Moody's, Fitch) are therefore particularly important. Discussions with the rating agencies take place at regular intervals and as often as either party wishes. The Executive Board attends.

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 Union, instructions issued by the [European Central Bank \(ECB\)](#) and the [Dutch Central Bank \(DNB\)](#) where prudential supervision is concerned, [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.

Important formal consultations are held with DNB and the ECB during the annual policy discussion and the annual risk consultation. A member of the Executive Board attends both. Ad hoc consultations may take place as often as either party requires. The number of meetings has increased as a result of regulatory changes and the associated changes 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 the government departments relevant to its field of activity at both administrative and official levels. 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 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 customer sectors and cooperation in the financing field with EIB and EFSI.

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 conducts employee 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.

The value that the bank attaches to education for and communication with its employees is expressed through internal workshops on financial performance, as well as other topical issues, that are open to all employees.

Materiality analysis

The social themes, the perspective analysis and the results of the [stakeholder dialogue](#) form an important underlying principle for the materiality analysis. This in turn forms the basis of the content of the annual reporting topics. Further details of the course of the proceedings and the results of the analysis are given in the [annual report](#).

Management Approach to CSR

In line with the GRI reporting system and based on its materiality assessment, BNG Bank has selected 8 of the 15 subthemes which represent important controls and which the bank believes offer a fair view of the extent to which the policy pursued has been successful. They are:

- economic performance
- long-term lending to core customer sectors
- financing sustainable investments
- management of risks
- customer satisfaction
- training and development
- relationship with employees
- carbon footprint

The themes and the chosen subthemes constitute an integrated approach that balances all the 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 its strategy and the strategic objectives need to be adjusted based on an internally developed long-term plan. Adjustment of the strategy will at the same time affect the CSR objectives defined under ‘a safe bank’ and ‘responsible growth’.

The annual long-term plan addresses the business and sector-specific topics that BNG Bank deems to be of material importance. After consultations at Executive Board level and Management level, the long-term plan is adopted by the Executive Board and then 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 heads of staff.

BNG Bank renders account for its performance in its [annual report](#). The financial and CSR reporting have been integrated.

POLICY DEVELOPMENT

BNG 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 bank the Sustainability Committee was set up at the end of 2015 under the chairmanship of a member of the Executive Board.

The purpose of the committee is to boost the development of activities within BNG Bank in the CSR and sustainability fields to help it achieve its CSR objectives.

Among other things the committee assesses and advises on proposed activities in the field of CSR by the bank and prepares decision-making by the Executive Board. The committee also monitors, evaluates and reports on the state of affairs regarding CSR in the bank in relation to the sustainability objectives and ambitions laid down and if necessary initiates action to achieve these objectives and ambitions.

Decisions on policy proposals are taken by the entire Executive Board. 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 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 bank's [ratings](#) awarded by Moody's, Standard & Poor's and Fitch reflect its sound risk management, reliability and integrity in business processes; maintaining these is a condition for the bank in its core task.

That core task 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 fair return for them.

PEOPLE DIMENSION

Given its public role, BNG Bank aims to achieve responsible growth. Conventions in the areas of human rights, rights of minorities and workers' rights are respected.

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

The key question that the bank continues to ask itself is: how can BNG Bank's services contribute further to sustainable investments for its customers? Based in part on dialogue about related dilemmas with customers, shareholders and employees, the bank has decided on the policy directions explained in the [annual report](#). Controlling long-term lending is the responsibility of the relevant senior managers, who report to the Chairman of the Executive Board.

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

ENVIRONMENT DIMENSION

The bank keeps records of (the trend of) its energy consumption, waste flows as well as business miles driven by lease vehicles and air miles flown. The choice of vehicles available under the car lease scheme is partly determined on the basis of maximum CO₂ emission 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 carbon footprint and the volume of paper bought. There is also a focus on increasing sustainable procurement. Business procurement policy has been set out in a policy memorandum.

COLOPHON

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