

Second-Party Opinion

NN Bank Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the NN Bank Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, Green Buildings, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.



PROJECT EVALUATION AND SELECTION NN Bank’s Treasury team is responsible for evaluating and selecting assets for inclusion in its Eligible Green Loan Portfolio. NN Bank’s Non-Financial Accounting Committee will review and approve the Eligible Green Portfolio on an annual basis. NN Bank has environmental and social risk management processes in place that apply to all allocation decisions made under the Framework. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS NN Bank’s Treasury team will be responsible for the allocation, management and tracking of net proceeds. The Treasury team will manage proceeds using a portfolio approach. The Treasury team will further ensure that the value of the portfolio matches or exceeds the value of the net proceeds. Pending allocation, proceeds may temporarily be held in the Bank’s liquidity portfolio or used to repay outstanding indebtedness. This process is in line with market practice.



REPORTING NN Bank commits to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the size of the identified loan portfolio, total amount of proceeds allocated, number of eligible green loans and balance of any unallocated proceeds. In addition, NN Bank intends to report on relevant impact metrics, which will be published on its website. Sustainalytics views NN Bank’s allocation and impact reporting as aligned with market practice.

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Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	10

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EU Taxonomy

Sustainalytics has assessed NN Bank’s Green Bond Framework for alignment with the EU Taxonomy. The criteria defined in the Framework’s use of proceeds categories map to two activities in the EU Taxonomy. Sustainalytics is of the opinion that the two activities align with the applicable technical screening criteria for substantial contribution (SC) to an environmental objective of the EU Taxonomy and one partially aligns with the “do no significant harm” (DNSH) criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy’s Minimum Safeguards.

Introduction

Nationale Nederlanden Bank N.V. (“NN Bank” or the “Bank”) is a Dutch retail bank that offers a diverse range of banking products, including mortgages, savings and investment products. Established on April 26, 2011, the Bank is a wholly owned subsidiary of NN Group N.V. (“NN Group” or the “Group”). NN Group is a financial services company that provides retirement services, pensions, insurance, investments and banking to approximately 20 million customers.

NN Bank has developed the NN Bank Green Bond Framework dated February 2024 (the “Framework”) under which it intends to originate green loans¹ and issue bonds, including senior unsecured bonds, subordinated bonds, covered bonds and securitized bonds,² and use the proceeds to finance or refinance, in whole or in part, existing or future mortgage loans for green residential buildings (the “Eligible Green Loan Portfolio”). These expenditures are expected to support an increase in the share of green buildings in the Netherlands.

The Framework defines eligibility criteria in one area:

1. Green Buildings

NN Bank engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)³ and the Green Loan Principles 2023 (GLP).⁴ The Framework has been published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The Use of Proceeds criteria alignment with the EU Taxonomy Climate Delegated Act; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of NN Bank’s Treasury team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. NN Bank representatives have confirmed (1) they understand it is the sole responsibility of NN Bank to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

¹ Debt issued under the Framework may include multi tranche loan facilities. The Issuer intends to label only those tranches of such facilities where proceeds will be allocated according to the eligibility criteria in the Framework. This is aligned with market practice.

² For securitizations, NN Bank has confirmed that it will: i) distinguish between a secured green standard bond and a secured green collateral bond in the respective offering documents, per the voluntary process guidelines published in the June 2022 Appendix 1 of the GBP 2021; and in the case of a secured green collateral bond, ensure that 100% of the underlying assets will align with the eligibility criteria set forth in the Framework. NN Bank has also confirmed to Sustainalytics that there will be no double counting of eligible projects under the secured green standard bond, secured green collateral bond and any other outstanding green financing instruments.

³ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

⁴ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁵ The NN Bank Green Bond Framework is available on NN Bank’s website at: <https://www.nn-group.com/investors/nn-bank/green-bonds.htm>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and NN Bank.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that NN Bank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the NN Bank Green Bond Framework

Sustainalytics is of the opinion that the NN Bank Green Bond Framework is credible, impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible category, Green Buildings, is aligned with those recognized by the GBP and GLP.
 - Sustainalytics notes that proceeds under the Framework will be allocated to finance or refinance an eligible green loan portfolio of new and existing mortgages. As financing is limited to mortgages, NN Bank has not defined a look-back period for refinancing. Sustainalytics considers this as aligned with market practice.
 - In the Green Buildings category, NN Bank may finance or refinance new or existing mortgage loans for residential buildings in the Netherlands that meet the following eligibility criteria:
 - Buildings built before 31 December 2020 that have obtained a minimum energy performance certificate (EPC) A or in the national top 15% of energy efficient buildings based on primary energy demand (PED).
 - Buildings built after 31 December 2020 with PED at least 10% lower than the nearly zero-energy building (NZEB)⁷ requirements in the Netherlands.
 - Refurbishment of buildings resulting in at least 30% energy savings compared to pre-renovation levels or for renovations meeting the criteria for major renovations under applicable building regulations.⁸ Sustainalytics notes that the EU Taxonomy⁹ requires buildings to meet the relevant cost-optimal minimum energy performance requirements in accordance with the Energy Performance of Buildings Directive, which vary among EU member states. Sustainalytics therefore encourages NN Bank to report on the actual improvement on primary energy demand performance or energy savings achieved in comparison with the existing building stock in the area or region.
 - Sustainalytics considers financing under this category to be in line with market practice.

⁷ European Commission, "Nearly zero-energy buildings", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

⁸ As required by applicable national and regional building regulations for "major renovations" implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded must meet the cost-optimal minimum energy performance requirements of the respective national law or regulation.

⁹ European Commission, "Annex to the Commission Delegated Regulation (EU)", at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PL_COM:C\(2021\)2800](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PL_COM:C(2021)2800)

- **Project Evaluation and Selection:**
 - The Bank’s Treasury team is responsible for evaluating and selecting assets in line with the Framework’s eligibility criteria for inclusion in the Eligible Green Loan Portfolio. The Non-Financial Accounting Committee will approve the Eligible Green Loan Portfolio and review it on an annual basis. To further support these processes the Bank’s Management Board will be responsible for overseeing the implementation and future updates to the Framework.
 - As part of the project evaluation and selection process, NN Bank is committed to ensure that all activities comply with internal environmental and social standards. NN Bank’s lending processes are subject to NN Bank’s dedicated ESG policies, including the NN Bank Climate and Environmental Risk Policy, which supplement NN Group’s policies, such as the Group Responsible Investment Framework Policy. In further support of environmental and social risk management processes, the Bank intends, where feasible, to apply the “do no significant harm” and Minimum Safeguards criteria defined in the EU Taxonomy as part of the project selection process. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with the requirements of GBP. For additional detail, see Section 2.2.
 - Based on the commitment for environmental and social risk evaluation of eligible loans and the clearly defined responsibilities for project selection, Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds:**
 - NN Bank’s Treasury department is responsible for the allocation, management and tracking of net proceeds. The Treasury department will manage the allocation of proceeds using a portfolio approach and will strive to ensure that the amount allocated matches or exceeds the balance of the outstanding green bond proceeds.¹⁰
 - The Bank intends to reach full allocation of proceeds within 36 months of issuance. Pending allocation of the net proceeds to the Eligible Green Loan Portfolio, the Bank may hold unallocated amounts in cash, invest in short-term liquid instruments or use them to repay outstanding debt not associated with carbon intensive activities.
 - Based on the delineation of responsibility and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - NN Bank intends to report on allocation of proceeds and corresponding impact, which will be published on its website on an annual basis until full allocation.
 - NN Bank has communicated to Sustainalytics that if it obtains revolving credit facilities under the Framework, it will report on allocation until loan maturity.
 - Allocation reporting will include the size of the identified Eligible Green Loan Portfolio, the total amount of proceeds allocated to the Eligible Green Loan Portfolio, the number of eligible loans and the balance of unallocated proceeds.
 - Impact reporting may include a qualitative description of the projects in the Green Loan Portfolio, a breakdown of asset type and quantitative metrics related to energy consumption (in kWh/m²) or emissions reductions (in tCO₂e).
 - Based on intention to report on both allocation and impact, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the NN Bank Green Bond Framework aligns with the four core components of the GBP and GLP.

Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework’s eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy’s three sets of requirements. The results of this assessment are as follows:

1. **Substantial Contribution to an Environmental Objective of the EU Taxonomy**
 - The criteria defined in the two categories of the Framework were mapped to two activities of the EU Taxonomy and were assessed as aligned with the applicable SC criteria of the EU Taxonomy.

¹⁰ For unsecured bonds issued under the Framework, NN Bank has confirmed to Sustainalytics that it will match 100% of the proceeds on an ongoing basis until bond maturity.

2. “Do No Significant Harm” Criteria
 A total of four individual DNSH criteria apply to the activities to which the criteria defined in the Framework were mapped. The Framework criteria are aligned with three and partially aligned with one of those individual DNSH criteria due to the Dutch regulatory context governing chemicals.
3. Minimum Safeguards
 - Based on a consideration of the policies and management systems applicable to the Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy’s Minimum Safeguards requirements will be met.
 - For Sustainalytics’ assessment of alignment with the Minimum Safeguard see Section 2 below.

Table 1 provides an overview of the alignment of the Framework with the applicable SC criteria and DNSH criteria of the EU Taxonomy.

Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy

Framework Criterion	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	SC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Acquisition and ownership of buildings	■	■	■	■	-	-	-	-
Renovation of existing buildings	■	□	■	■	-	■	□	-

Legend	
Aligned	■
Partially aligned	□
Not aligned	☒
No applicable DNSH criteria for this objective or activity	-
Grey shading indicates the primary EU Environmental Objective	

Section 2: Sustainability Strategy of NN Bank

Contribution to NN Bank’s strategy

NN Bank is committed to incorporating sustainability into its retail banking model. The Bank’s sustainability objectives are centred on two pillars: i) customer empowerment and ii) climate change and environment.¹¹

To mitigate climate change, and in alignment with NN Group’s commitment, NN Bank is dedicated to transitioning its banking product portfolio, including the Bank’s high-quality liquid asset investment portfolio, to net zero by 2050, in accordance with the Paris Agreement’s 1.5°C pathway.¹² NN Bank supports the Group’s commitment to the Netherlands’ Klimaatakkoord (Dutch Climate Agreement) to reduce GHG emissions from Dutch households. To achieve this goal, NN Bank will focus on developing and offering products and services that empower its customers to make a successful shift to a low-carbon economy. In line with these efforts, the Bank launched the Woonnu mortgage label in 2020, which aims to incentivize consumers to enhance the energy efficiency of their homes through differentiated pricing and discount rates. Additionally, NN Bank’s Powerly platform guides homeowners in the Netherlands through the process of enhancing their homes’ sustainability performance. The platform provides tailored recommendations for energy-efficient measures and facilitates their implementation by connecting customers to suitable partners.

NN Bank is also committed to empowering its customers to make better-informed decisions, including choices that help reduce individual housing and energy costs. For 2023, NN Bank has set a target to engage

¹¹ NN Bank, “2022 Annual Report”, at: <https://www.nn-group.com/investors/nn-bank/financial-reports.htm>

¹² Ibid.

and encourage 20,000 mortgage customers to reduce their carbon footprint. As part of these efforts, NN Bank launched the Healthy Living platform to raise awareness among customers about the importance of indoor air quality and provide them with information on improving air quality in their homes.^{13,14} To strengthen its customer proposition, the Bank is part of initiatives that aim to share expertise on sustainable living, such as Gezond Binnen (Healthy Indoors), and works actively with organizations such as the Netherlands Organization for Applied Scientific Research (TNO) and Longfonds (Lung Funds), for this purpose.¹⁵

Furthermore, NN Bank is a member of the Energy Efficient Mortgages Initiative¹⁶ and the Energy Efficient Mortgage Label,¹⁷ which work to promote sustainability for the mortgage market and mortgage investments. In addition, NN Bank is one of the founders of the Energy Efficient Mortgage NL Hub which focuses on the implementation of the EU Taxonomy in the Netherlands. The Bank also works with industry peers in the Partnership for Carbon Accounting Financials to help standardize the industry's carbon footprint measurement.¹⁸

Sustainalytics further notes that as a wholly owned subsidiary of the NN Group, NN Bank also shares the Group's commitment to promote sustainability under the group's updated Climate Action Plan, which lays out action plans for reaching net zero GHG emissions in its operations by 2040 and in its proprietary investments and insurance underwriting by 2050, and doubling its investments in climate solutions by investing an additional EUR 6 billion (totalling EUR 11 billion) by 2030.^{19,20}

Given the Bank's sustainability objectives and commitments aligned with the Group's sustainability targets, Sustainalytics is of the opinion that the NN Bank Green Bond Framework is aligned with the Bank's sustainability strategy and will further its actions on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving predatory lending; effluents, emissions and waste generated from renovation projects; and occupational health and safety.

Sustainalytics acknowledges that NN Bank has limited involvement in the development of the residential buildings, nevertheless, by offering lending and financial services, the Bank could be exposed to environmental and social risks associated with its lending decisions, such as predatory lending.

Sustainalytics is of the opinion that NN Bank is able to manage or mitigate potential risks through implementation of the following:

- Regarding predatory lending, NN Bank follows the Code of Conduct of the Nederlandse Vereniging van Banken (Dutch Banking Association, "NVB"),²¹ which outlines principles such as prevention of unethical lending practices and transparency to avoid over-indebtedness of financially vulnerable individuals.²² The Bank also publishes on the implementation of NVB's banking code in its annual report.²³
- For risks related to effluents, emissions and waste in renovation projects and occupational health and safety hazards, Sustainalytics notes that the residential properties in the Eligible Green Loan Portfolio are located in the Netherlands, which is categorized as a Designated Country under the Equator Principles,²⁴ indicating the presence of robust environmental and social governance, legislation and institutional capacity to mitigate the environmental and social risks associated with the renovation of residential buildings in the country.

¹³ NN Group, "Five questions about a healthy indoor climate" (2022), at: <https://www.nn-group.com/news/five-questions-about-a-healthy-indoor-climate/>

¹⁴ NN Group, "Climate Action Plan 2023 – Update", at: <https://www.nn-group.com/sustainability/taking-climate-action.htm>

¹⁵ NN Bank, "2022 Annual Report", at: <https://www.nn-group.com/investors/nn-bank/financial-reports.htm>

¹⁶ Energy Efficient Mortgages Initiative, "EEM Initiative at a glance", at: <https://energyefficientmortgages.eu/eem-initiatives-at-a-glance/>

¹⁷ Energy Efficient Mortgage Label, "What is the EEM Label?", at: <https://www.energy-efficient-mortgage-label.org/>

¹⁸ NN Bank, "2022 Annual Report", at: <https://www.nn-group.com/investors/nn-bank/financial-reports.htm>

¹⁹ NN Group, "Climate Action Plan 2023 – Update", at: <https://www.nn-group.com/sustainability/taking-climate-action.htm>

²⁰ NN Group, "NN Group creating long-term value for our stakeholders August 2023", (2023), at: <https://www.nn-group.com/investors/investor-events-presentations.htm>

²¹ Nederlandse Vereniging van Banken, "Future-oriented Banking", at: https://www.nvb.nl/media/1657/000597_future-oriented-banking.pdf

²² NN Bank, "2022 Annual Report", at: <https://www.nn-group.com/investors/nn-bank/financial-reports.htm>

²³ NN Bank, "Application of the Banking Code by NN Bank 2022", at: <https://www.nn-group.com/investors/nn-bank/financial-reports.htm>

²⁴ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

- As a 100% subsidiary of NN Group, NN Bank follows the Group's RI Framework policy, which outlines the Group's expectations and processes for assessing ESG and climate change-related risks and opportunities. The RI policy follows defined criteria that align with relevant laws, Group values and internationally recognized standards, such as the United Nations Global Compact.

Based on these policies and standards, Sustainalytics is of the opinion that NN Bank has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should comply with the International Labour Organisation's Declaration on Fundamental Rights and Principles at Work.

Human and Labour Rights

As a 100% subsidiary of NN Group, the Group's policies regarding human and labour rights are also applicable to NN Bank. These policies include the following:

- NN Group's Investment Guidance paper on human rights guides its investment decisions through a due diligence process based on key ESG issues, including health and safety, and land rights conflicts.²⁵ The paper aims to align the Group's RI Framework policy with the UN Global Compact's pillar of Human Rights.²⁶
- NN Group's Human Rights Statement outlines a commitment to the International Bill of Human Rights, which consists of the Universal Declaration of Human Rights,²⁷ the International Covenant on Civil and Political Rights²⁸ and the International Covenant on Economic, Social and Cultural Rights.^{29,30}
- The Group's Human Rights Statement also outlines its commitment to labour rights through its ratification of the core conventions of the International Labour Organization, the ILO's Declaration on Fundamental Principles and Rights at Work,³¹ the ILO's Tripartite Declaration Concerning Multinational Corporations and Social Policy,³² and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.³³ The Bank also reports compliance with national and international employment requirements and has a Human Capital policy that incorporates whistleblowing mechanisms, health and safety policies, diversity policies, and policies pertaining to community relations.

Based on the work of its research services and its ESG Risk Rating assessment, Sustainalytics has evaluated the performance of NN Bank in the areas of human and labour rights, and has not detected involvement in any relevant controversies that would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human and labour rights in relation to the activities of the Framework.

Anti-bribery and anti-corruption

As a wholly owned subsidiary of NN Group, the Group's policies regarding anti-bribery and anti-corruption are also applicable to NN Bank. These policies include the following:

²⁵ NN Group document "Investment Guidance paper on Human Rights", at: <https://www.nn-group.com/nn-group/file?uuid=5a636f65-e48f-4b47-a4d5-5f4c51f0c75e&owner=84c25534-c28a-4a64-9c78-5cc1388e4766&contentid=7611>

²⁶ Ibid.

²⁷ UN, "Universal Declaration of Human Rights", (1948) at: <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

²⁸ UN Human Rights Office of the High Commissioner, "International Covenant on Civil and Political Rights", (1966), at: <https://www.ohchr.org/en/instruments-mechanisms/instruments/international-covenant-civil-and-political-rights>

²⁹ UN Office of the High Commissioner for Human Rights, "International Covenant on Economic, Social and Cultural Rights", (1966), at: <https://www.ohchr.org/en/instruments-mechanisms/instruments/international-covenant-economic-social-and-cultural-rights>

³⁰ NN Group, "Human Rights Statement", at: <https://www.nn-group.com/nn-group/file?uuid=6ae48d99-2329-44c7-83f1-806fcb38a634&owner=84c25534-c28a-4a64-9c78-5cc1388e4766&contentid=7323>

³¹ ILO, "ILO Declaration on Fundamental Principles and Rights at Work", (2022), at: <https://www.ilo.org/declaration/lang-en/index.htm>

³² ILO, "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy", (2017), at: <https://www.ilo.org/empent/areas/mne-declaration/lang-en/index.htm#:~:text=MNE%20Declaration-,Tripartite%20Declaration%20of%20Principles%20concerning%20Multinational%20Enterprises%20and%20Social%20Policy,responsible%20and%20susta>

³³ OECD, "OECD Guidelines for Multinational Enterprises", (2011), at: <https://www.oecd.org/corporate/mne/>

- NN Group's Code of Conduct guides its policies and procedures on bribery and corruption-related topics, such as conflicts of interest, insider trading, fraud and anti-trust.³⁴ The Group makes available the content of the code via a digital portal to all employees and hosts regular global training sessions to maintain employee awareness on the risks of bribery and corruption, including insider trading and market abuse.

Sustainalytics has evaluated NN Bank's performance in the area of anti-bribery and anti-corruption based on its research services and its ESG Risk Rating assessment. Sustainalytics has not detected involvement in any relevant controversies that would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures appropriately safeguard anti-bribery and anti-corruption in relation to the activities of the Framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that NN Group's policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of financing green buildings in the Netherlands

The buildings sector accounted for 36% of the EU's energy-related emissions and consumed 42% of the EU's total primary energy in 2023.³⁵ An estimated 85% of the EU building stock was built before 2000, with 75% of those having poor energy performance, demonstrating the need for the EU to act on the energy efficiency of buildings to achieve the goal of having a fully decarbonized building stock by 2050.³⁶ The revised Energy Performance of Buildings Directive works in combination with other EU legislation, such as the revised Energy Efficiency Directive and the revised Renewable Energy Directive, as part of the Green Deal package, with a common objective to reduce emissions from the buildings sector by at least 60% by 2030 compared to 2015.³⁷ In this context, the EU's 2020 Renovation Wave aims to at least double the annual rate of renovation of buildings by 2030, focusing particularly on deep renovations.³⁸

In the Netherlands, the buildings sector accounted for approximately 19% of the country's national GHG emissions in the first quarter of 2023.³⁹ Nearly half (48%) of Dutch residential dwellings were constructed before 1970, resulting in a significant proportion of poorly insulated buildings.⁴⁰ In this sense, the Netherlands developed a long-term renovation strategy for the buildings sector, aiming to renovate 1.5 million dwellings by 2030,⁴¹ having also established a goal to achieve net zero emissions for all buildings by 2050 in its 2019 Climate Act.^{42, 43}

Given the above context, Sustainalytics is of the opinion that investments by NN Bank under the Framework are expected to contribute to increasing the number of green buildings in the Netherlands and more broadly to the country's environmental targets.

³⁴ NN Group, "Compliance – NN Group Code of Conduct", available at: <https://www.nn-group.com/our-company/corporate-governance/compliance.htm>

³⁵ European Commission, "Energy performance of buildings directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

³⁶ Ibid.

³⁷ Ibid.

³⁸ European Commission, "Renovation Wave", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en

³⁹ Statistics Netherlands, "Greenhouse gas emissions 4 percent lower in Q1 2023", (2023), at: <https://www.cbs.nl/en-gb/news/2023/24/greenhouse-gas-emissions-4-percent-lower-in-q1-2023>

⁴⁰ Climate KIC, "Building Market Brief- The Netherlands", (2018), at: https://cuesanalytics.eu/wp-content/uploads/2018/10/181023-CK-BMB-BMB_NETHERLANDS-DEF-CIE-Edition.pdf

⁴¹ European Commission, "Commission Staff Working Document, 2023 Country Report- the Netherlands", (2023), at: https://economy-finance.ec.europa.eu/system/files/2023-05/NL_SWD_2023_619_en.pdf

⁴² Government of the Netherlands, "Commitment COP 26 | The Netherlands", at: <https://www.government.nl/topics/climate-change/cop26-the-netherlands>

⁴³ Government of the Netherlands, "Climate policy", at: <https://www.government.nl/topics/climate-change/climate-policy>

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the NN Bank Green Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

Conclusion

NN Bank has developed the NN Bank Green Bond Framework under which it intends to originate green loan and issue bonds, including senior unsecured bonds, subordinated bonds, covered bonds and securitized bonds, and use the proceeds to finance mortgage loans for energy-efficient residential buildings in the Netherlands. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The NN Bank Green Bond Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Framework is aligned with the overall sustainability strategy of the Bank and that the green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics is of the opinion that NN Bank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Sustainalytics has assessed the NN Bank Green Bond Framework for alignment with the EU Taxonomy and mapped the criteria in the Framework's use of proceeds categories to two activities in the EU Taxonomy. Sustainalytics is of the opinion that the two activities align with the applicable technical screening criteria for substantial contribution to an environmental objective of the EU Taxonomy and one partially aligns with the applicable "do no significant harm" criteria. No categories were determined to be not aligned. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Based on the above, Sustainalytics is confident that NN Bank is well positioned to issue green bonds and loans, and that the NN Bank Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

Appendices

Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant activity in the EU Taxonomy. This appendix describes Sustainalytics’ process and presents the outcome of its assessment of alignment with the Taxonomy’s applicable technical screening criteria for substantial contribution (SC) to an environmental objective of the EU Taxonomy and the applicable “do no significant harm” (DNSH) criteria. Sustainalytics’ assessment involves two steps:

1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics’ assessment process involves mapping each criterion in the Framework to a relevant and applicable activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one activity in the EU Taxonomy and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a specific activity in the EU Taxonomy. In such cases, Sustainalytics has mapped to the activity that is most relevant with respect to the primary environmental objective established in the EU Taxonomy.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the EU Taxonomy. In other cases, some categories which are traditionally included in green bonds and loans may not be associated with a specific EU Taxonomy activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

Table 2 below displays Sustainalytics’ mapping process for this report.

2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics’ process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the SC criteria and the DNSH criteria is usually based on the specific criteria contained in the issuer’s Framework, and may in many cases (especially DNSH criteria) also be based on management systems and processes or regulatory compliance. To assess alignment with the EU Taxonomy’s Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds criteria, including the regulatory context in the geographical location of activities and projects. (See Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant technical screening criteria. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics’ detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU Taxonomy Activity	Corresponding NACE Code	Environmental Objective	Refer to Table
Green Buildings	New residential buildings	7.7 Acquisition and ownership of buildings	L68	Mitigation	Table 3
	Existing residential buildings				
	Renovation of existing buildings	7.2 Renovation of existing buildings	F41 and F43	Mitigation	Table 4

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of the Framework criteria with the technical screening criteria for substantial contribution to an environmental objective and the DNSH for each relevant EU Taxonomy activity.

Table 3

Framework Activity assessed		Green Buildings	
EU Taxonomy Activity		Acquisition and ownership of buildings	
Corresponding NACE Code		L68	
SC Criteria		Alignment	
Mitigation	<p>1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</p> <p>2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.</p> <p>3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.</p>	<p>1. The Framework includes the financing of residential buildings in the Netherlands built before 31st December 2020 which is certified by EPC class A or alternatively the PED is within the top 15% of the national building stock.</p> <p>2. The Framework includes the financing of residential buildings in the Netherlands built after 31st December 2020 where the PED is at least 10% lower than the threshold set for NZEB requirements in national measures implementing Directive 2010/31/EU.</p> <p>3. The criteria is not applicable as financing is limited to residential buildings.</p> <p>Sustainalytics considers the Framework criteria to be aligned with the EU Taxonomy.</p>	Aligned
DNSH Criteria		Alignment	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 5		

Table 4

Framework Activity assessed	Green Buildings
EU Taxonomy Activity	Renovation of existing buildings

Corresponding NACE Code		F41, F43	
SC Criteria		Alignment	
Mitigation	<p>The building renovation complies with the applicable requirements for major renovations.</p> <p>Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30 %.</p>	<p>The Framework includes financing for: i) the refurbishment of residential buildings that result in a reduction of PED of at least 30%; or ii) the refurbishment of residential buildings that comply with the applicable requirements for major renovations.</p> <p>The Framework criteria for the renovation of buildings is aligned with the EU Taxonomy criteria.</p>	Aligned
DNSH Criteria		Alignment	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 5		
Sustainable use and protection of water and marine resources	<p>Where installed as part of the renovation works, except for renovation works in residential building units, confirm that the specified water use for the following water appliances is attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to the Annex of the Climate Delegated Act:</p> <p>(a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min;</p> <p>(b) showers have a maximum water flow of 8 litres/min;</p> <p>(c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres;</p> <p>(d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre.</p>	The criteria are not applicable as financing is limited to residential buildings.	N/A
Circular economy	<p>At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.</p> <p>Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.</p>	<p>Directive 2008/98/EC outlines that by 2020, the preparing for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, of non-hazardous construction and demolition waste shall be increased to a minimum of 70 % by weight.</p> <p>In alignment with this Directive, the Third National Waste Management Plan (2017–2023) has established a goal to enhance the proportion of building and demolition waste prepared for reuse and recycling. This target aims to progress from 92% in 2014 to at least 95% by 2023.⁴⁴ Furthermore, the Dutch Building Decree includes guidelines for the separation, handling and reuse of</p>	Aligned

⁴⁴ Government of Netherlands, “ National Waste Management Plan”, at: <https://rwsenvironment.eu/subjects/from-waste-resources/national-activities/national-waste/>

	<p>Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887 or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.</p>	<p>construction and demolition waste in accordance with the waste hierarchy.</p> <p>In the Netherlands, building designs and construction techniques actively promote circularity, driven by legal mandates that require construction companies to assess the environmental performance of buildings through life cycle analysis. When applying for a permit to construct new buildings, including residential ones, applicants must disclose the environmental performance of the structure through "MilieuPrestatie Gebouwen" or MPG. The MPG serves as a measure of the building's sustainability, and it has been made more stringent, transitioning from 1.0 to 0.8, with the aim of halving it by 2030 at the latest. Furthermore, the Netherlands is committed to promoting transition to a circular by 2050. This is complimented by the 2030 target to use 50% less primary abiotic resources including minerals, metals and fossil carbon resources by 2030.</p> <p>Considering the Netherlands' track record and target for recycling construction and demolition waste and commitments to circular economy, Sustainalytics expects NN Bank to comply with the EU Taxonomy criteria.</p>	
<p>Pollution prevention and control</p>	<p>Building components and materials used in the construction complies with the criteria set out in Appendix C to this Annex.</p> <p>Building components and materials used in the building renovation that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011 or other equivalent standardised test conditions and determination methods.</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	<p>Use of hazardous chemicals, noise, dust, and pollutant emissions during construction or maintenance works are regulated by Dutch national building legislations. The Dutch Building Decree stipulates a limit on the concentration of formaldehyde which allows maximum of formaldehyde 0.12 mg/m³.⁴⁵</p> <p>Furthermore, the renovation activities are expected to comply with the Dutch Building Decree, which includes Article 8.4 – Undesirable Noise, Article 8.4a – Undesirable Vibrations, and Article 8.5 – Noise Pollution. The Building Decree specifies the daily permissible limits for exposure to noise, along with utilizing available techniques to reduce noise generation. The adherence to these regulations ensures that construction activities meet the required</p>	<p>Partially Aligned</p>

⁴⁵ European Commission, "Decree laying down the regulations for building, using and demolishing constructions (2012 Building Decree)", at: <https://technical-regulation-information-system.ec.europa.eu/en/notification/7312>

		<p>standards for noise and vibrations in accordance with the Building Decree.⁴⁶</p> <p>Additionally, the manufacturing, import, or trade of products containing mercury is strictly prohibited in the Netherlands. As financing is limited to the Netherlands, the activities are expected to comply with relevant EU laws and Directives including: i) EU Regulation 2019/1021 on Persistent Organic Pollutants (June 2019); ii) EU Directive on Environmental Impact Assessment in accordance with Directive 2011/92/EU; iii) EU Regulation 2017/852 on Mercury, and repealing Regulation (EC) No 1102/2008; iv) EU Regulation 1005/2009 (Sept 2009) on Substances that Deplete the Ozone Layer; v) EU Directive 2017/2102 (Nov 2017) amending Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment; vi) EU Regulation 1907/2006 (Dec 2006) concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation 793/93 and Commission Regulation 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC.</p> <p>Sustainalytics notes that the EU Taxonomy threshold for formaldehyde per m³ of material or component is stricter than what is required by the Dutch Building Decree. Therefore, Sustainalytics considers the activity to be partially aligned with the EU Taxonomy criteria.</p>	
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⁴⁶ Ibid.

Appendix 3: Criteria for “Do No Significant Harm” (DNSH) to Climate Change Adaptation and Protection and Restoration of Biodiversity and Ecosystems

Table 5

Criteria for DNSH to Climate Change Adaptation		
DNSH Criteria	Alignment	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.⁴⁷ The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections; for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments. <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under the Framework.</p> <ul style="list-style-type: none"> For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. 	<p>In 2022, the Bank conducted an assessment of the impact of climate risks on its portfolio, including an evaluation of foundation damage due to pole rot and flood risk. Additionally, NN Bank conducted scenario analysis and stress testing for climate risks.</p> <p>To further understand the material risks for NN Bank, NN Bank conducted its first qualitative climate risk materiality assessment in 2023 to identify most relevant climate risks. NN Bank has also developed an ESG roadmap that showcase its contribution to mitigating climate risks.</p> <p>NN Bank is further committed to continuous monitoring of climate risks and refinement of its methodologies as well as incorporating ESG factors into the credit risk policies and overall risk framework.</p> <p>In 2019, NN Group analyzed the impact of flooding and heavy precipitation on its Dutch residential mortgage portfolio and extended the analysis to cover the impact of the non-life underwriting book and drought on its portfolio in 2021. The analysis was based on the Dutch national datasets relevant to the climate risks identified, including using datasets from Klimaateffectatlas and global datasets such as IPCC as baseline to build scenario assessment. The findings of this assessment provided insights into areas of NN Group's portfolios that may face an elevated risk of flooding or pole rot by 2050. Based on the preliminary climate risk assessment conducted by NN Group, climate change is not expected to have a substantial impact on NN Bank's business operations in the near future.</p> <p>For green buildings, the Bank adheres to applicable laws and regulations in the Netherlands, including the Water Act and the Spatial Planning Act. These regulations mandate that the</p>	<p>Aligned</p>

⁴⁷ The EU Delegated Act identifies several climate related risks and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU's draft delegated regulation (Annex 1), at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW

	government conducts assessments related to water risks before granting permission for development, thereby mitigating the physical climate risks associated with floods.	
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