

# 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 2018. 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 2018. Sustainalytics considers that providing financing for energy-efficient residential properties and lending to support energy efficiency improvements will lead to positive environmental impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 7 and 11.



**PROJECT EVALUATION / SELECTION** NN Bank’s Treasury team is responsible for selecting loans eligible under the established criteria for inclusion in the Eligible Green Loan Portfolio (the “Portfolio”), while its Management Board has overall oversight of the Green Bond framework. This process is in line with market practice.



**MANAGEMENT OF PROCEEDS** NN Bank will manage the proceeds of its green bond using a portfolio approach and will seek to add green assets to the Portfolio so that, over time, the value of the Portfolio matches or exceeds the value of outstanding green bonds. 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 intends to provide annual reporting until full allocation. Allocation reporting will include the total amount allocated, the number of eligible loans, and the balance of any unallocated proceeds, while impact reporting will include, where feasible, a description of projects financed, and quantitative metrics related to energy intensity and emission reductions. These disclosures are in line with market practice.

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<b>Evaluation date</b>	June 1, 2021
<b>Issuer Location</b>	The Hague, The Netherlands

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### Report Sections

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Introduction.....	2
Sustainalytics’ Opinion.....	3
Appendices .....	8

**For inquiries, contact the Sustainable Finance Solutions project team:**

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#### Zach Margolis (Toronto)

Project Manager  
zach.margolis@sustainalytics.com  
(+1) 647 695 4341

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#### Hrithik Sharma (Toronto)

Project Support  
hrithik.sharma@sustainalytics.com  
(+1) 647 951 3309

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#### Enrico Tessadro (Amsterdam)

Client Relations  
susfinance.emea@sustainalytics.com  
(+44) 20 3880 0193

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## Introduction

Nationale-Nederlanden Bank N.V. (“NN Bank”, or the “Bank”) operates in the Netherlands and offers a range of retail banking products including mortgages, consumer loans, savings and investment products. The Bank is part of the NN Group (the “Group”) which provides financial services in 20 countries.

NN Bank has developed the NN Bank Green Bond Framework (the “Framework”) under which it may issue green bonds and use the proceeds to finance and/or refinance, in whole or in part, energy efficient buildings in the Netherlands. The Framework defines eligibility criteria in one area:

1. Green Buildings
  - a. Dutch residential properties built prior to 31 December 2020
  - b. Dutch residential properties built as of 1 January 2021
  - c. Refurbished Dutch residential buildings
  - d. Individual measures aimed at energy efficiency improvement and installation of renewables on-site in residential buildings

NN Bank engaged Sustainalytics to review the NN Bank Green Bond Framework, dated May 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)<sup>1</sup>. This Framework will be published in a separate document.<sup>2</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> 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 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; 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 1.7, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics communicated with members of the NN Bank 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 or 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.

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 proceeds but does not measure the actual impact. The

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>2</sup> The NN Bank Green Bond Framework will be available on Nationale-Nederlanden Bank’s website at: [www.nn-group.com/investors/nn-bank/green-bonds.htm](http://www.nn-group.com/investors/nn-bank/green-bonds.htm)

<sup>3</sup> 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.

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 realised allocation of the bond 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 and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of NN Bank's Green Bond Framework:

- Use of Proceeds:
  - The use of proceeds category, Green Buildings, is recognized as impactful by the GBP 2018. Sustainalytics notes that the Bank has drawn from the EU Taxonomy to inform the thresholds for identifying eligible residential properties, and residential properties built before 2021 additionally meet the requirements under the Low Carbon Buildings criteria of the Climate Bonds Standard.<sup>4</sup>
  - NN Bank will invest in energy efficient residential properties in the Netherlands, and has defined specific approaches for determining energy efficiency based on their energy performance:
    - Properties built before 2021 are eligible if they have Energy Performance Certification<sup>5</sup> (“EPC”) label of “A” and belong to the top 15% low-carbon buildings in the Netherlands. Sustainalytics notes positively that the Bank has engaged an external consultant to develop criteria for identifying the top 15% low-carbon residential buildings in the local market and considers the thresholds to be aligned with market practice.<sup>6</sup>
    - For properties built after 2021, NN Bank may finance those with a primary energy demand (“PED”) at least 10% lower than the PED resulting from the Bijna Energieneutrale Gebouwen (“BENG”) requirements.<sup>7</sup> Sustainalytics highlights that this criterion is aligned with that of the EU Taxonomy<sup>8</sup> and is therefore considered to be in line with market expectation.
    - Refurbished properties are eligible if they achieve at least 30% improvement in energy efficiency, equivalent to a two-step improvement in EPC label. Sustainalytics considers this degree of improvement to be aligned with market practice.<sup>9</sup>
  - NN Bank may also finance loans, including consumer loans, to specific individual energy efficiency improvements and/or the installation of on-site renewable energy systems. These may include improved insulation, upgrades of doors and windows, heat pumps, and solar electricity, and hot water systems. Sustainalytics views investments in these individual measures as having overall positive impacts and encourages NN Bank to select projects that

<sup>4</sup> Climate Bonds Standard, Low Carbon Buildings Criteria under the Climate Bonds Standard. See more, at: [https://www.climatebonds.net/files/files/standards/Buildings/Low%20Carbon%20Building%20Criteria\\_V\\_1\\_1\\_July2020.pdf](https://www.climatebonds.net/files/files/standards/Buildings/Low%20Carbon%20Building%20Criteria_V_1_1_July2020.pdf)

<sup>5</sup> EPCs play a central role in the context of the Article 20 (2) EPBD, which asks (EU) Member States to provide information on the energy performance certificates and the inspection reports, on their purpose and objectives, on the cost-effective ways and, where appropriate, on the available financial instruments to improve the energy performance of the building to the owners or tenants of the buildings. Further details available at: European Commission, EPC distribution per energy label, at: <https://ec.europa.eu/energy/en/content/epc-distribution-energy-label>

<sup>6</sup> This report has been provided to Sustainalytics for review.

<sup>7</sup> BENG is the Dutch implementation of the Nearly Zero-Energy Buildings requirements of the EU's Energy Performance of Buildings Directive. See: <https://business.gov.nl/regulation/building-regulations/>

<sup>8</sup> EU document, “Annex to the Commission Delegated Regulation (EU)”, at: [https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1\\_en.pdf](https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf)

<sup>9</sup> Sustainalytics notes that the 30% improvement threshold is aligned with those of recognizes initiatives, such as the Low Carbon Buildings sector criteria of the Climate Bonds Initiative and the EU Taxonomy as described by the Draft Delegated Act.

- provide the greatest environmental impacts and to report where possible on the enabled energy savings.
- Project Evaluation and Selection:
    - Implementation of NN Bank’s Framework is overseen by its Management Board, while its Treasury team will review and approve projects to be added to the Portfolio at least annually, drawing on representation from other departments where needed.
    - The Bank’s due-diligence processes support the mitigation of environmental and social risks potentially associated with the Eligible Green Loans. Additionally, the Bank intends to apply the do-no-significant harm criteria as defined in the EU Taxonomy and the EU Green Bond Standard<sup>10</sup> for including eligible loans in the Portfolio. Sustainalytics views positively this aim.
    - NN Bank may, as required, make use of external data and/or third-party consultants.
    - Based on the clear delegation of authority and commitment to annual review, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - NN Bank’s treasury team will manage the allocation of proceeds using a portfolio approach. The Bank will strive to ensure that the amount allocated matches or exceeds the balance of outstanding green bonds.
    - NN Bank has communicated that an eligible portfolio will be established prior to issuance, and full allocation will happen at this time. Should any proceeds remain unallocated, the Framework establishes that proceeds may be held in the Bank’s treasury liquidity portfolio in cash or other liquid instruments or to repay existing indebtedness.
    - Based on the definition of the management approach, the delineation of responsibility, and the disclosure of the intention to be fully allocated at time of issuance, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - NN Bank will provide annual reporting on its website, at the portfolio level,<sup>11</sup> until full allocation.
      - Allocation reporting will include the total amount allocated,<sup>12</sup> the number of eligible loans, the balance of any unallocated proceeds, and the share of new financing.
      - Impact reporting will be provided where feasible, published on a standalone basis or as part of existing sustainability reporting, and may include qualitative project descriptions, a breakdown of asset type, and quantitative metrics related to energy or emission reductions.
    - Based on the commitment to annual reporting, and the intention to provide quantitative impact metrics if feasible, Sustainalytics considers this process to be in line with market practice.

### Alignment with Green Bond Principles 2018

Sustainalytics has determined that the NN Bank Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of NN Bank

### Contribution of framework to Nationale-Nederlanden Bank’s sustainability strategy

Sustainalytics is of the opinion that NN Bank demonstrates a commitment to sustainability by adopting its Group-level strategic commitment “Sustainable company & society” as a strategic priority for the Bank. In terms of environmental strategy, the Group has set out its approach to address the environmental impacts of its investment activities, operations, and supply chain and commits to support key ESG-related principles and standards including the UN Environmental Programme Finance Initiative, UN Principles for Responsible Investment (“UN PRI”), and the UN Global Compact.<sup>13</sup> In 2020, the Group was awarded the top score (A+) from

<sup>10</sup> EU Commission website, “EU Green Bond Standard”, at: [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-green-bond-standard\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-green-bond-standard_en)

<sup>11</sup> NN Bank’s impact reporting will be provided in line with ICMA’s Harmonized Framework for Impact Reporting, on a best-effort basis: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-ReportingDecember-2020-151220.pdf>

<sup>12</sup> The Bank also intends to seek external assurance on the allocation of proceeds.

<sup>13</sup> NN Group website, “Environmental Statement”, at: <https://www.nn-group.com/nn-group/file?uuid=ab280c84-20b0-460d-b664-08ede65776ef&owner=84c25534-c28a-4a64-9c78-5cc1388e4766&contentid=7438>

UN PRI for its strategy and governance approach to responsible investing and its ESG integration and ranked sixth amongst the world's largest asset managers for action on climate and social issues.<sup>14</sup>

In line with its sustainability strategy, the Group has developed a Responsible Investment ("RI") Framework policy, through which it intends to systematically incorporate ESG factors in the investment decision-making process and active ownership practices.<sup>15</sup> In 2020, the Group published its intention to transition its proprietary investment portfolio to net-zero carbon emissions by 2050, in line with the Paris Agreement and reported that 74% of NN Investment Partner's Assets under Management are ESG-integrated.<sup>16</sup> In the same reporting year, the Group continued to be included in the Dow Jones Sustainability Indices, both the World and Europe index, and achieved an A- rating for its climate change disclosures to the CDP.<sup>17</sup>

In terms of the internal operations, the Group manages its environmental footprint through reduction of its use of natural resources, seeking green alternatives, sustainable procurement practices, and carbon offsetting. In 2020, the Group was able to offset 100% of its Scope 1, 2 and 3 CO<sub>2</sub> emissions, continuing its status of being "carbon neutral".<sup>18</sup>

Based on the above, Sustainalytics is of the opinion that the NN Bank Green Bond Framework is aligned with the Group's sustainability strategy and initiatives and will advance the Bank's action on its key environmental priorities.

### **Well-positioned to address common environmental and social risks associated with the projects**

Sustainalytics recognizes that while projects financed through issuances under this Framework are anticipated to provide environmental benefits, some projects may have associated environmental and social risks. These risks include, but are not limited to, land and biodiversity concerns associated with construction, improper disposal of site waste, and worker health and safety. Sustainalytics is of the opinion that the Bank is able to manage and/or mitigate potential risks through implementation of the following practices and regulations:

- Through the RI Framework policy, the Group incorporates ESG aspects into its strategy, policies and activities, including its investment policies, decision-making and related processes.<sup>19</sup>
- Regarding worker health and safety, NN Bank's "Investment Guidance paper on Human Rights" guides its lending decisions through a due diligence process based on key ESG issues including health and safety, and land right conflicts.<sup>20</sup> The most relevant legislation is the Working conditions law, or Arbeidsomstandighedenwet (Arbowet),<sup>21</sup> which requires that an official inspector supervises and assesses compliance with the legislation. The law holds employers and employees collectively responsible for ensuring safe working conditions. Employers and employees create health and safety procedures that are then submitted to the government.
- In addition, the projects funded by the Bank that may be assessed to pose a risk to the environment must comply with the European Union (EU) Environmental Impact Assessment (EIA) Directive (the "Directive") for development projects within the EU. The EIA Directive is aimed at ensuring that projects which are likely to have a significant impact on the environment are adequately assessed before approval. With respect to biodiversity, the Directive instructs that measures must be taken to "avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, in particular on species and habitats." Concerning land use, the Directive notes that the "EIA shall identify, describe and assess land use related impacts".<sup>22</sup> In the Netherlands, it is mandatory to carry out EIA's for projects that may have negative impact on the environment.<sup>23</sup>

<sup>14</sup> NN Group report, "NN Group reports full-year 2020 operating result of EUR 1.9 billion", at: <https://www.nn-group.com/nn-group/file?uuid=b2156bdc-b310-4b38-84c0-deee51cc1863&owner=84c25534-c28a-4a64-9c78-5cc1388e4766&contentid=11353>

<sup>15</sup> NN Group policy, "Responsible Investment Framework policy", at: <https://www.nn-group.com/nn-group/file?uuid=172f0b96-97bc-4a84-a849-a88333a495f9&owner=84c25534-c28a-4a64-9c78-5cc1388e4766&contentid=10777>

<sup>16</sup> NN Group website, "Facts & figures", at: <https://www.nn-group.com/sustainability/facts-figures.htm>

<sup>17</sup> Ibid.

<sup>18</sup> NN Group, "Managing our environmental footprint", at: <https://www.nn-group.com/sustainability/managing-our-environmental-footprint.htm>

<sup>19</sup> NN Group policy, "Responsible Investment Framework policy", at: <https://www.nn-group.com/nn-group/file?uuid=172f0b96-97bc-4a84-a849-a88333a495f9&owner=84c25534-c28a-4a64-9c78-5cc1388e4766&contentid=10777>

<sup>20</sup> 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>

<sup>21</sup> Ministerie van Sociale Zaken en Werkgelegenheid, "Arbowetgeving (Arbowet)", at: <https://www.arboportaal.nl/onderwerpen/arbowetgeving>

<sup>22</sup> EU, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eurlex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

<sup>23</sup> Ministerie van Infrastructuur en Waterstaat, "Milieueffectrapportage", at: <https://www.infomil.nl/onderwerpen/integrale/mer/>

- The Netherlands is recognized as a Designated Country under the Equator Principles,<sup>24</sup> which further demonstrates that the Dutch national legislation is robust in terms of environmental and social governance. Furthermore, the laws and regulations in the country must be considered in regard to zoning, integrated environmental permits and exemptions, including specific construction-related permits and additional approvals. Regarding environmental risks of construction projects, legislation may apply to soil protection, water abstraction, noise and vibration abatement, nature conservation, and heritage.<sup>25</sup>

Based on the above, Sustainalytics is of the opinion that NN Bank's policies and processes, and the EU and Dutch legislations make the Bank well-positioned to mitigate potential environmental and social risks associated with its green bonds.

### Section 3: Impact of Use of Proceeds

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

#### Importance of financing green buildings in the Netherlands

As of February 2020, the building sector accounted for 36% of greenhouse gas emissions and 40% of the EU's total primary energy consumption, making it a key contributor to the EU's emissions profile.<sup>26</sup> The EU has established climate objectives to be achieved by 2030, including a 55% reduction in GHG emissions and improving energy efficiency by 32%.<sup>27</sup> Considering that heat and cooling makes up half of EU's final energy consumption, 80% of which comes from buildings, the EU's climate objectives are closely linked to the development of sustainable and energy efficient buildings. Around 97% of the EU building stock is energy inefficient,<sup>28</sup> demonstrating the need for constructing buildings that integrate higher climate and energy requirements, such as the ones financed under this Framework. However, given that 85% of the EU's building stock was built before 2001 and 85-95% of those buildings will still be standing in 2050, renovations have a major role in decarbonising the buildings sector.<sup>29</sup> Estimations suggest that the renovation of existing buildings could reduce the total energy consumption and CO<sub>2</sub> emissions by approximately 5% to 6%.<sup>30</sup> Nevertheless, the current renovation speed is slow<sup>31</sup> and must triple from 1% to 3% annually to achieve a low-carbon building stock.<sup>32</sup>

In the case of the Netherlands, the country has set an absolute primary energy consumption target of 1,950 petajoule (PJ) by 2030, a reduction of 873 PJ of energy consumption compared to 2018.<sup>33,34</sup> In addition, through its 2019 Climate Act, the country has set a target to reduce 49% of the Netherlands' GHG emissions by 2030 (compared to 1990 levels) along with a 95% reduction target by 2050.<sup>35</sup> The building sector in the Netherlands accounts for approximately 28% of total energy consumption, and about 48% of Dutch residential dwellings were built before 1970 which translates into a large share of poorly insulated buildings. Towards this, the Dutch government has taken a proactive approach by establishing a national target of improving the average energy labels for the existing building stock to A<sup>36</sup> by 2030.<sup>37</sup>

<sup>24</sup> Equator Principles, "Designated Countries", (2019), at: <https://equator-principles.com/designated-countries/>

<sup>25</sup> Lexology, "Construction in the Netherlands", at: <https://www.lexology.com/library/detail.aspx?q=b603b073-a0c0-4e45-932e-fce5bb9e42ff>

<sup>26</sup> European Commission article, "In focus: Energy efficiency in buildings", at: [https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-feb-17\\_en](https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-feb-17_en)

<sup>27</sup> European Commission, 'Stepping Up Europe's 2030 climate ambition', at: [EUR-Lex - 52020DC0562 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/eur-lex-content/doc/text/html/eur-lex-2020-0134-en.htm)

<sup>28</sup> European Parliament, "Report on maximizing the energy efficiency potential of the EU building stock", (2020), at: [https://www.europarl.europa.eu/doceo/document/A-9-2020-0134\\_EN.htm](https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.htm)

<sup>29</sup> European Commission, "A Renovation Wave for Europe" (2020), at: [EUR-Lex - 52020DC0662 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/eur-lex-content/doc/text/html/eur-lex-2020-0134-en.htm)

<sup>30</sup> European Commission, "New rules for greener and smarter buildings will increase quality of life for all Europeans", (2019), at: [https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15\\_en](https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en)

<sup>31</sup> European Parliament, "Report on maximizing the energy efficiency potential of the EU building stock", (2020), at: [https://www.europarl.europa.eu/doceo/document/A-9-2020-0134\\_EN.htm](https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.htm)

<sup>32</sup> European Commission, "Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU", (2019), at: [https://ec.europa.eu/energy/sites/ener/files/documents/1\\_final\\_report.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/1_final_report.pdf)

<sup>33</sup> EU report, "Draft Integrated National Energy and Climate Plan 2021-2030" at [https://ec.europa.eu/energy/sites/ener/files/documents/netherlands\\_draftnecp\\_en.pdf.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/netherlands_draftnecp_en.pdf.pdf)

<sup>34</sup> International Energy Agency report, "The Netherlands 2020 - Energy Policy Review" at [https://www.connaissancedesenergies.org/sites/default/files/pdf-actualites/The\\_Netherlands\\_2020\\_Energy\\_Policy\\_Review.pdf](https://www.connaissancedesenergies.org/sites/default/files/pdf-actualites/The_Netherlands_2020_Energy_Policy_Review.pdf)

<sup>35</sup> Government of the Netherlands website, "Climate policy" at <https://www.government.nl/topics/climate-change/climatepolicy#:~:text=To%20combat%20climate%20change%2C%20the,Act%20on%20May%2028%2C%202019>

<sup>36</sup> A label- most energy-efficient building; G label- least energy-efficient building.

<sup>37</sup> Dutch Government, "Energy Report Transition to sustainable energy" (2016), at: [Energy Report Transition to sustainable energy | Report | Government.nl](https://www.government.nl/topics/energy-report-transition-to-sustainable-energy/report)



Based on the market-aligned energy efficiency thresholds defined in the Framework for green buildings, Sustainalytics is of the opinion that the financing of selected residential properties by NN Bank is expected to help the Netherlands achieve its environmental commitments.

#### Alignment with/contribution to SDGs

The SDGs were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds issued under the NN Bank Green Bond Framework advances 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 may issue green bonds and use of proceeds to finance or refinance loans for energy efficient residential buildings and energy efficiency improvements and installations of on-site renewables in residential buildings in the Netherlands. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The NN Bank Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Group and that the green use of proceeds category will contribute to the advancement of the UN SDGs 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 funded by the use of proceeds.

Based on the above, Sustainalytics is confident that NN Bank is well-positioned to issue green bonds and that the NN Bank Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

## Appendix

### Appendix 1: Green Bond / Green Bond Programme - External Review Form

#### Section 1. Basic Information

Issuer name:	Nationale-Nederlanden Bank
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	NN Bank Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 1, 2021
Publication date of review publication:	

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

#### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.



## 1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible category for the use of proceeds, Green Buildings, is aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that providing financing for energy-efficient residential properties and lending to support energy efficiency improvements will lead to positive environmental impacts and advance the UN SDGs, specifically SDGs 7 and 11.

### Use of proceeds categories as per GBP:

- |   |  |
|---|--|
| <input type="checkbox"/> Renewable energy   | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> :   |

If applicable please specify the environmental taxonomy, if other than GBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

NN Bank's Treasury team is responsible for selecting loans eligible under the established criteria for inclusion in the green portfolio, while its Management Board has overall oversight of the Green Bond framework. This process is in line with market practice.

### Evaluation and selection

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> Other <i>(please specify)</i> :  |

### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification       In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

NN Bank will manage the proceeds of its green bond using a portfolio approach and will seek to add green assets to the portfolio so that, over time, the value of the green portfolio matches or exceeds the value of outstanding green bonds. 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.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

#### Additional disclosure:

- Allocations to future investments only       Allocations to both existing and future investments
- Allocation to individual disbursements       Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds       Other (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

NN Bank intends to provide annual reporting until full allocation. Allocation reporting will include the total amount allocated, the number of eligible loans, and the balance of any unallocated proceeds, while impact reporting will include, where feasible, a description of projects financed and quantitative metrics related to energy intensity and emission reductions. These disclosures are in line with market practice.

#### Use of proceeds reporting:

- Project-by-project       On a project portfolio basis
- Linkage to individual bond(s)       Other (please specify): Number of eligible loans, amount or percentage of

new financing and refinancing,  
geographical distribution of assets (at  
country level)

**Information reported:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |  |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings  |
| <input type="checkbox"/> Decrease in water use              | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Ex-ante annual energy consumption |

**Frequency**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Means of Disclosure**

- |   |  |
|---|--|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report    |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): Bank's website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |  |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.nn-group.com/investors/nn-bank.html>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

## Disclaimer

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## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



**Named**  
2015: Best SRI or Green Bond Research or Rating Firm  
2017, 2018, 2019: Most Impressive Second Opinion Provider

