

Nationale-Nederlanden Bank N.V.

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: April 2021

Approved verifier: Sustainalytics

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Scope and Objectives

Nationale-Nederlanden Bank N.V. (“NN Bank”, or the “Bank”) has engaged Sustainalytics to review and verify that NN Bank’s Green Bond (or the “Green Bond”) meets the requirements under the Low Carbon Buildings criteria of the Climate Bonds Standard.¹

NN Bank operates in the Netherlands and offers a range of retail banking products including mortgages and consumer loans, savings and investment products. The Bank is part of NN Group (or the “Group”) which provides financial services across 20 countries. In terms of environmental strategy, the Group has set out its approach to addressing the environmental impacts of its investment activities, operations, and supply chain and commits to the concept of “Sustainable company & society” as a strategic priority. In line with this commitment, the Bank offers financing options with an intent to encourage its customers to reduce emissions by making their homes more sustainable and to source green mortgages for themselves, and for third parties. NN Bank has a stated aim to encourage customers to reduce emissions by making their homes more sustainable.

NN Bank will allocate the net proceeds of the Green Bond to finance and/or refinance new and existing mortgages for energy-efficient buildings (or “Eligible Buildings”) in the Netherlands that meet the following criteria:

- Residential properties built prior to 31 December 2020, that have Energy Performance Certification² (“EPC”) label of “A” and belong to the top 15% low-carbon buildings in the Netherlands;³

By issuing Green Bonds, NN Bank intends to align its funding strategy with its mission, sustainability strategy and objectives while also contributing to the development of the green bond market. In addition, the Bank believes that the issuance will help diversify its investor base and broaden the dialogue with its existing investors.

Climate Bonds Standard Criteria

Pre-issuance requirements under Version 3.0:⁴

- Low Carbon Buildings⁵

¹ 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

² 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>

³ 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.

⁴ Climate Bonds Standard, Climate Bonds Standard Version 3.0. See more, at: https://www.climatebonds.net/files/files/Climate%20Bonds_Standard_Version%203_0_December%202017.pdf

⁵ CBI document, “The Buildings Criteria for the Climate Bonds Standard & Certification Scheme”, at: https://www.climatebonds.net/files/files/standards/Buildings/Low%20Carbon%20Building%20Criteria_V_1_1_July2020.pdf

- Residential buildings^{6,7}

Issuing Entity's Responsibility

NN Bank was responsible for providing information and documents relating to:

- The details concerning the selection process for Eligible Buildings
- The management systems for internal processes and controls for Eligible Buildings, including: tracking of proceeds, managing unallocated proceeds and Earmarking funds to Eligible Buildings
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of NN Bank's Green Bond, issued to finance and/or refinance Eligible Buildings, and provided an independent opinion informing NN Bank as to the conformance of the Green Bond with the Pre-Issuance requirements and Low Carbon Buildings criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by NN Bank. Sustainalytics is not responsible if any aspect of Eligible Buildings referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by NN Bank's management and used as a basis for this assessment were not correct or complete.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant NN Bank employees and review of relevant documentation to confirm the Green Bonds' conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of NN Bank's green bond with the Climate Bonds Standard Version 3.0;
- Conformance with the Low Carbon Buildings Technical Criteria;
- Conformance with the Internal Processes & Controls requirements;
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 3.0 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that NN Bank's Green Bond meets the requirements of the Climate Bonds Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that NN Bank will ensure compliance with Climate Bonds Standards requirements.

Conclusion

NN Bank will allocate the net proceeds of the Green Bond to finance and/or refinance new and existing mortgages for Eligible Buildings in the Netherlands per the criteria defined in the Bank's Green Bond Framework. Based on the limited assurance procedures conducted of NN Bank's Green Bond under the Low Carbon Buildings criteria of the Climate Bonds Standard, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, NN Bank's Green Bond is not in conformance with the Low Carbon Buildings of the Climate Bonds Standard's Pre-Issuance Requirements.

⁶ CBI document, "Residential Property Climate Bonds", at: <https://www.climatebonds.net/files/files/Residential%20Property%20Criteria.pdf>

⁷ CBI document, "Low Carbon Buildings- Approved proxies for "top 15%", at: <https://www.climatebonds.net/files/files/Netherlands%20-%20Residential%20Proxy.pdf>

Schedule 1A: Pre-Issuance General Requirements

<p>1. Use of Proceeds</p>	<p>1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the Bond.</p> <p>1.2 The expected Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.</p> <p>1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p> <p>1.3.1 distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments; or,</p> <p>1.3.2 the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p>
<p>2. Process for Evaluation and Selection of Projects & Assets</p>	<p>2.1 The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:</p> <p>2.1.1 A statement on the climate-related objectives of the Bond;</p> <p>2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p> <p>2.1.3 The Issuer's rationale for issuing the Bond;</p> <p>2.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard.</p> <p><i>Note to 2.1: A wide variety of climate-related objectives are possible. These can vary from increasing the installed capacity of low carbon assets, such as solar power facilities, to having a specific objective focused on the operations or indirect effects of the projects & assets, such as emissions reductions.</i></p> <p><i>The climate-related objectives of the Bond, as stated by the Issuer, have implications for the reporting requirements under the Climate Bonds Standard. See Clauses 2.3, 5.2, 5.8, 6.1.1 and 8.4.</i></p> <p>2.2 The Issuer should include under Clause 2.1 further aspects of the decision-making process, including:</p> <p>2.2.1 related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material</p>

	<p>environmental, social or governance risks associated with the Nominated Projects & Assets;</p> <p>2.2.2 any green standards or certifications referenced in the selection of Nominated Projects & Assets.</p> <p>2.3 The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.</p>
<p>3. Management of Proceeds</p>	<p>3.1 The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:</p> <p>3.1.1 Tracking of proceeds: The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.</p> <p>3.1.2 Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.</p> <p>3.1.3 Earmarking funds to Nominated Projects & Assets: An earmarking process can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.</p>
<p>4. Reporting</p>	<p>4.1 The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation:</p> <p>4.1.1 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.;</p> <p>4.1.2 A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement;</p> <p>4.1.3 A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2;</p> <p>4.1.4 Information on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.</p> <p>4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1;</p> <p>4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding;</p> <p>4.1.7 The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in</p>

	<p>Clause 9.1, and the Issuer shall provide an explanation of why detail on Nominated Projects & Assets is limited;</p> <p>4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.</p> <p><i>Note: Issuers are encouraged to disclose as much information as possible with respect to Nominated Projects & Assets. However, in many cases it is not possible for the Issuer to disclose detailed information about specific projects & assets prior to the issuance of the Bond. This limitation may be due to confidentiality arrangements with owners of projects & assets, the dynamic nature of the project portfolio, competitive considerations, or other legal provisions which limit the disclosure of detailed information.</i></p> <p>4.2 The Issuer shall include in the Disclosure Documentation:</p> <p>4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall;</p> <p>4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3;</p> <p>4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements;</p> <p>4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents;</p> <p>4.2.5 The Climate Bonds Initiative Disclaimer provided in the Certification Agreement.</p> <p><i>Note to 4.2.4: Issuers are encouraged to provide their Update Reports through existing reporting channels for the bond markets, such as the Electronic Municipal Market Access (EMMA) website for the US Municipality sector.</i></p>
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Schedule 1B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
1. Use of Proceeds	<p>1.1 NN Bank has developed eligibility criteria to finance and/or refinance Eligible Buildings in the Netherlands that comply with the Low Carbon Buildings sector criteria of the Climate Bonds Standard. The Eligible Buildings are Dutch residential properties built prior to 31 December 2020, that have EPC label of "A" and belong to the top 15% low-carbon buildings in the Netherlands;</p> <p>1.2 NN Bank's management confirms that the net proceeds of the future bond will not be greater than the total investment exposure to the proposed Nominated Projects & Assets.</p> <p>1.3 NN Bank's management confirms that the Nominated Projects & Assets will not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instrument, green bonds, green loans or other labelled instruments unless it is demonstrated by NN Bank that distinct portions of the Nominated Projects & Assets are being funded by different instruments or that the existing instrument is being refinanced via another labelled instrument.</p>	None
2. Process for Evaluation and Selection of Projects & Assets	<p>2.1.1. The NN Bank Green Bond Framework (or the "Framework") states that the intention of the green bond is to channel financing to projects that have demonstrated clear environmental or climate benefits and contribute to the achievement of the UN Sustainable Development Goals.</p> <p>2.1.2. NN Bank's environmental objectives are summarized in the Framework.</p> <p>2.1.3. NN Bank's rationale for issuing green bonds is to align its funding strategy with its mission, sustainability strategy and objectives while also contributing to the development of the green bond market.</p> <p>2.1.4. The Framework includes a process for project evaluation and selection in which its Treasury team is responsible for selecting Eligible Buildings while its Management Board has overall oversight of the Framework.</p> <p>2.2.1. NN Bank has sufficient measures in place to manage and mitigate environmental and social risks that are commonly associated with the eligible category.</p> <p>2.2.2. The Framework references the Green Bond Principles, Draft Delegated Act of the EU Taxonomy,⁸ and the EU Green Bond</p>	None

⁸ European Commission website, "EU taxonomy for sustainable activities", at: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en#regulation

	<p>Standard⁹ as guiding documents for establishing the eligibility criteria for the selection of Eligible Buildings.</p> <p>2.2.3. NN Bank’s Treasury team will verify that all Eligible Buildings conform to the Climate Bonds Taxonomy¹⁰ and Low Carbon Buildings sector criteria.</p>	
3. Management of Proceeds	<p>3.1.1 The Framework outlines a process by which proceeds will be tracked.</p> <p>3.1.2 Issuer will manage unallocated net proceeds by holding and/or investing, at its own discretion, in its treasury liquidity portfolio, in cash or other short-term and liquid instruments or to pay back a portion of its outstanding indebtedness.</p> <p>3.1.3 The Framework details the process NN Bank will use to allocate and manage green bond proceeds. This will enable the estimation of the share of the net proceeds being used for financing and refinancing.</p>	None
4. Reporting Prior to Issuance	<p>4.1.1. Bonds issued under the Framework are intended to align with the Climate Bonds Standard.</p> <p>4.1.2. The Framework indicates that green bond proceeds will be used, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement.</p> <p>4.1.3. The Framework provides detail on its decision-making process; in particular, the Bank’s intention to align its funding strategy with its mission, sustainability strategy, and objectives.</p> <p>4.1.4. Eligible Buildings will conform with the Low Carbon Buildings sector criteria. NN Bank may report on the following impact metrics: (i) estimated annual avoided emissions in tons of CO₂ equivalent, and (ii) estimated ex-ante annual energy consumption in KWh/m².</p> <p>4.1.5. NN Bank will manage unallocated net proceeds in accordance with Clause 3.1.</p> <p>4.1.6. NN Bank will provide allocation reporting after a year from the Green Bond issuance, to be renewed annually until full allocation of the Green Bond net proceeds.</p> <p>4.1.7. Eligible Buildings fall under Low Carbon Buildings sector criteria. To the extent practicable, NN Bank will report on the number, geography, and amount allocated to a portfolio of Eligible Buildings, and where feasible, the qualitative and quantitative impact metrics.</p> <p>4.1.8. NN Bank has estimated that it will provide more details regarding the amount or the percentage of financing and refinancing in the annual reporting.</p> <p>4.2.1. Eligible Buildings will conform with the Low Carbon Buildings sector criteria.</p>	None

⁹ European 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

¹⁰ CBI document, “Climate Bonds Taxonomy”, at: https://www.climatebonds.net/files/files/CBI_Taxonomy_Jan2021.pdf

	<p>4.2.2. The intended types of temporary investment instruments for the management of unallocated Net Proceeds are in accordance with Clause 7.3 of the Climate Bonds Standard.</p> <p>4.2.3. The NN Bank has confirmed that no third-party verifier has been appointed yet to conduct the Post-Issuance assurance exercise. Post-issuance will be carried out 12 months after issuance. However, conducting periodic Assurance Engagements over the term of the bond is at the discretion of the bond issuer, as per CBI guidelines.</p> <p>4.2.4. NN Bank will provide annual reporting on its website, at the portfolio level, until full allocation.</p> <p>4.2.5. Sustainalytics notes that under the terms of its certification, NN Bank must include the CBI Disclaimer provided in the Certification Agreement in disclosure documentation.</p>	
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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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**The
Green Bond
Principles**