

# Social Bond Framework

2025



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# 1 INTRODUCTION

## 1.1 NWB BANK

NWB Bank is a promotional bank of and for the Dutch public sector with a special focus on water and sustainability. We provide loans to, among others, water authorities, housing associations, drinking water companies, municipalities, healthcare institutions, as well as infrastructure and renewable energy projects. The public sector's sustainable investment agenda is central to our mission, vision and strategy. We use our strong credit ratings to contribute to making the Netherlands more sustainable in an affordable way.

Our strategy consists of five elements: three pillars, a foundation of being a sustainable, efficient and socially engaged organisation and the keystone of responsible returns and social impact.

**The first pillar** of our strategy is that we are the bank of and for the public water sector. All shares in our bank are owned by water authorities and the government. As a promotional bank, we do not seek to maximize our profits, although it is important to generate a reasonable level of profit to achieve our objectives

and distribute an appropriate dividend. At least 90% of the loans provided by a promotional bank must be directly or indirectly guaranteed by central, regional and/or local authorities. This guarantee enables us to provide appropriate financing at the lowest possible cost, supporting our clients to obtain their objectives in a sustainable and affordable way.

**The second pillar** is that we are a key player in financing the Dutch public sector. Next to the water sector, we also finance municipalities, housing associations and healthcare and educational institutions.

**The third pillar** of our strategy is that we are a financing partner for enhancing sustainability in the Netherlands.

Responsible returns and societal impact are the final elements of our strategy. Sustainability objectives are an integral part of our strategic goals. The Managing Board sets these objectives in coordination with the Supervisory Board. Social impact and managing sustainability risks are increasingly an integral part of our organization and internal processes. Sustainability is a recurring topic on the agendas of the Managing Board and Supervisory Board. The **sustainability policy** provides an overview

of how sustainability is integrated within the bank. In 2019, we committed to the government's climate goals, helping to implement the Paris Climate Agreement and limit global warming to no more than 2 degrees and preferably 1.5 degrees Celsius. In 2020, we signed the Finance for Biodiversity Pledge, an initiative by financial institutions to support biodiversity and combat nature loss. Additionally, in 2024, we entered into agreements





with the government and other banks to move towards a circular economy and signed the Green Deal on Sustainable Healthcare.

In 2024, we transformed our Climate Action Plan into an overarching **ESG Transition Plan**. The Climate Action Plan included targets and actions to reduce CO<sub>2</sub> emissions from our loan portfolio and our own operations. The ESG transition plan covers a wider range of environmental, social and governance aspects. Social factors relate to the well-being, rights and interests of people and communities, and include aspects such as the right to (affordable) housing, (in)equality, health, inclusiveness and labour relations.

In our ESG Transition Plan we discuss the problem of energy consumption and GHG emissions. Energy poverty is on the rise, and even more sustainable housing must remain affordable for people with limited financial means. The quality of housing is of great importance to tenants and overdue maintenance of the building stock is a challenge, which contributes to overall climate and social challenges we face in our society.

We explicitly look at the social impact that we have through our lending. We have designed a 'value creation model' to express the value that we add to society and the process underlying this. The various components of this

model all reflect our strategy, i.e. input, business model, output, outcome and impact. Our core business activity is to provide our borrowers with the financing they need on the best possible terms. For this reason, we regard our lending activities as our prime output.

Outcome is about the direct impact of the financing we provide. Our financing has various effects at the outcome level, both inside and outside the bank. For our clients, for example, 'Availability and affordability of financing' is an outcome that we measure in terms of market share in financing certain sectors. To measure our impact, we examine the added value our clients create for society through our financing. This includes the (indirect) impact of our lending on climate, nature and social issues.

According to the activities of the Bank we have identified the Sustainable Development Goals<sup>1)</sup> (SDGs) that best reflect our impact. Across key sectors, the targets for Clean water (SDG 6) and Sanitation, Affordable and Clean Energy (SDG 7), Sustainable Cities and Communities (SDG 11), Climate Action (SDG 13), Life Below Water (SDG 14), and Life on Land prove highly relevant (SDG 15).



We report on our activities and impact based on our strategy and value creation model, please refer to our **Annual Report 2024** and **CSRD Impact of NWB Bank's loan portfolio** in this regard.

1) The Sustainable Development Goals, sometimes referred to as 'the world's strategy', offer 17 targets that aim to end poverty, protect the planet, and improve the lives and prospects of everyone, everywhere. The Sustainable Development Goals were set by UN member states in 2015 as part of the 2030 'Agenda for Sustainable Development'.

## 1.2 SOCIAL HOUSING IN THE NETHERLANDS

In the Netherlands, social housing associations ensure access to adequate and affordable housing. According to the Dutch Housing Act of 2015, the purpose of the social housing associations is "to develop, maintain and rent social housing below a certain rent level to persons who, because of their income or other circumstances, have difficulties in finding suitable housing".<sup>2)</sup>

Since this Dutch Housing Act came into force, social integration has been successfully implemented in the Netherlands through a well-established infrastructure of large stocks of social housing. There are about three million rental homes in the Netherlands, of which 75% is owned by housing associations. Housing associations have the primary responsibility to provide affordable rental housing to people who cannot access this by themselves. These are usually low-income households, or people with social, physical or mental disabilities. Other target groups include students and refugees. Social housing is built, rented, managed and maintained by these housing associations, who also work together with tenants, municipalities, welfare and care organisations, contractors or other partners such as local communities to improve the quality of life by developing actions at neighbourhood levels.

Housing associations are also responsible for:

- Housing elderly people, people with a disability and those needing assisted housing;
- Building and letting social property such as schools and sport facilities;
- Appointing caretakers and neighbourhood managers;
- Maintaining houses and the immediate surroundings, such as alleyways and parking spaces;
- Selling rented properties to tenants and other house seekers.

The Netherlands is struggling with a severe housing shortage whereas the target group for social housing is only increasing. To address the housing shortage, housing associations have set a target in their performance agreements to build at least 30,000 new homes a year from 2029 to 2035. The pace of construction will need to increase significantly in the coming years in order to meet this target.

The Dutch government decides, on an annual basis, the yearly income limit to determine the group of households that is eligible for social housing. This group is entitled to rent allowances and forms the target group for housing associations. In specific occasions this group is expanded. In 2023, for example, this group is expanded to status holders (refugees granted residence permits). Every year, housing associations must let 92.5% of their vacant social housing to the target group. In some regions the housing

shortage is too high for a 7.5% free allocation to suffice. In that case, housing associations are allowed to agree to a locally higher percentage of free allocation with the municipality and tenant's association, up to a maximum of 15%. Municipalities may define urgency target groups through local housing ordinances, as permitted under the Housing Act. Housing associations are required to consider urgent housing seekers set by the municipality and priority groups set in national agreements. If the income of a tenant belonging to these groups exceeds the yearly income limit, social housing associations need to use their free allocation quote to allocate.

Housing to the target group is called services to general economic interest (SGEI) housing, i.e. 'housing in general economic interest'. To avoid market disruption, housing associations must separate their commercial (non-SGEI) activities from their SGEI activities. To further improve the viability of the investments to the social/SGEI housing, registered social housing associations have access to the Social Housing Guarantee Fund (WSW). WSW only guarantees loans of which the proceeds are used to finance the social/SGEI activities of social housing associations.

Housing associations manage approximately 2.3 million rental homes in which 4 million people currently live, accounting for about 28% of all Dutch housing stock (as of December 2024). Due to the scale of their stock, as

2) Dutch Housing Act: <https://wetten.overheid.nl/BWBR0005181/2025-02-12>

well as the social role they fulfil, housing associations are expected to play a leading role in the field of sustainability.

Achieving CO<sub>2</sub>-equivalent neutrality by 2050 will require major investments, for example, making existing homes more energy efficient through insulation, smart lighting, smart meters and the installation of renewable energy systems. The houses that are yet to be built are to comply with the latest environmental requirements and be built in a circular and sustainable manner.

## 1.3 NWB BANK AND SOCIAL HOUSING ASSOCIATIONS

Since 1994 we finance social housing associations. In line with our Articles, we only finance the portion of housing associations' debt that falls under the guarantee provided by the Social Housing Guarantee Fund (WSW). This concerns the financing of SGEI activities. This ensures that all our lending to housing associations helps create added value for society. In terms of outstanding debt, the social housing sector is the largest within the Dutch public sector and hence also our biggest client group when it comes to volume. This is not surprising, as they have the largest financing needs of all our client groups in the Dutch public sector.

We create impact and manage risk by providing affordable and appropriate financing to housing associations, enabling them to invest in the quantity and quality of homes. Our goal is to maintain a market share of at least 33% in lending to housing associations.

For social housing associations the access to low-cost financing is crucial for sustaining the required investments in affordable housing. Their investments and their social involvement in communities are beneficial for society. These days, the most significant challenge for social housing associations is making their current housing stock more sustainable, while maintaining affordability as a core objective.

Binding national performance agreements are in place between the sector, municipalities, the national association for tenants and the government<sup>3)</sup>. In addition to doubling the production of social housing, these agreements also include the sustainability performance of more than 675,000 social dwellings.

Climate change mitigation and implementation can only be successful if it is social and inclusive. We contribute to the Just Transition<sup>4)</sup> through financing social housing associations. Housing associations expect to invest more than €50 billion in their existing stock of social housing over the next 10 years. This amount is intended for

sustainability improvements, such as insulation, making homes gas-free and upgrading homes that have an E, F or G energy label. These improvements help to guard against energy poverty and to ensure that tenants fully benefit from these measures, it has been agreed that no rent increase will be applied following insulation improvements.

Our outcome and direct impact of the social bond financing have various effects, both inside and outside the bank. To assess the positive social and green impacts and contribution to the United Nations' SDGs, 2 + 1 specific housing-related SDG indicators have been mapped to the use of proceeds of the Social Bonds. The main 2 SDGs the bond proceeds are contributing to are:

- SDG 1 No poverty;
- SDG 11 Sustainable cities and communities; and
- SDG 7 Affordable and clean energy as the additional SDG as a green co-benefit.



3) Nationale Prestatieafspraken 2025-2035 | Rapport | Rijksoverheid.nl.

4) ILO definition Just Transition: "Greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind".

**SDG 1** to end poverty in all its forms everywhere with the target 1.4 ensures all, the poor and the vulnerable, have equal rights to economic resources, as well as access to basic financial services and forms of property. Social housing associations in the Netherlands provide affordable and stable housing to individuals and families with low incomes, thereby reducing the risk of housing poverty, homelessness, and social exclusion. Access to affordable housing helps people manage living costs, maintain employment, and achieve financial stability, all of which are critical to escaping and preventing poverty. Housing security is provided, which is a foundation for social participation and economic opportunity, particularly for vulnerable groups such as people with disabilities, elderly people, and low-income families.

**SDG 11** to make cities and human settlements inclusive, safe, resilient and sustainable with target 11.1 aims to ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums. Social housing associations play a key role in preventing homelessness and housing exclusion, while also promoting socially mixed and liveable neighbourhoods. Many associations invest in energy-efficient renovations, climate-adaptive infrastructure, and sustainable building practices, supporting targets related to urban resilience and environmental sustainability.

Additionally, by maintaining long-term affordability and collaborating with local governments and tenant organizations, they help create inclusive, safe, and well-connected urban environments for current and future generations.

**SDG 7**, ensure access to affordable, reliable, sustainable and modern energy for all with the target 7.1 ensures access to affordable, reliable, sustainable and modern energy for all is seen as strong co-benefit to the other impact drivers. NWB Bank finances the ambitious energy transition measures of social housing corporations that aim to improve the energy performance of their buildings, the use of renewable energy and energy efficient behaviour among tenants. This contributes to lower and energy costs, less energy poverty and reductions in CO<sub>2</sub> emissions.

# 2 SOCIAL BOND FRAMEWORK

## 2.1 OUR UPDATED SOCIAL BOND FRAMEWORK

Since 2017, we have been financing the activities of housing associations with ESG bonds, initially with Affordable Housing Bonds. The proceeds of these bond are specifically used to finance social housing. In 2019, we modified and extended the framework for Affordable Housing Bonds into the SDG Housing Bond Framework. This change was intended to reflect the housing associations' efforts to enhance sustainability. Since then, this ESG bond has been linked to several of the United Nations' Sustainable Development Goals (SDGs).

The updated Framework aligns with the 2025 ICMA Social Bond Principles (SBP) and the 2025 ICMA Harmonised Framework for Impact Reporting for Social Bonds. The updated Framework follows recent market practice and will continue to support our sustainability agenda. The framework consists of the four key core components for alignment with the Social Bond Principles and the key recommendations for heightened transparency as well as the recommended External Review.

## 2.2 USE OF PROCEEDS

The Proceeds from the Social Housing Bonds will exclusively fund NWB's lending to Social Housing Associations, and only if such a loan has been approved and guaranteed by the social housing guarantee fund WSW<sup>5)</sup>. This ensures that the financing is exclusively used to finance or re-finance in part or in full new and/or existing 'Affordable Housing' projects, i.e. Eligible Social Loans. "Eligible Social Loans" refers to the selected pool of loans funded, provided in whole or in part, by NWB Bank to promote the social housing system in The Netherlands as determined by The Guarantee Fund (WSW). Due to the Dutch financing system of social housing associations, the proceeds are used for balance sheet financing and not directly allocated to individual projects. The Social Housing Associations will use the funds to finance and refinance social housing projects according to Dutch law.

In accordance with our Articles of Association, we only finance activities within the Dutch public domain. In principle, therefore, all our clients serve the public interest in line with their Articles of Association, which



implies that they operate in a sustainable manner. The bank's financing activities that do not fit within this statutory framework are not eligible for financing. In effect, NWB Bank applies exclusion criteria for its financing and liquidity portfolio. These criteria are applied in advance to new loans, and the exclusion lists are reviewed every second year. This full list is outlined in our **Sustainability Policy**, and example of projects that are excluded from financing are for example manufacturing or other activities that are carried out in violation of human rights and destruction of areas and species that have high conservation value.

New financing is defined as Eligible Social Loans that have been approved by NWB's Sustainability Advisory Board (SAB) during the reporting year. Refinancing is defined as Eligible Social Loans that have been approved by the SAB prior to the reporting year. NWB will ensure that Eligible Social Loans adhere to applicable laws and regulations, as well as the Code of Conduct set out in the 'Future-Oriented Banking' package issued by the Dutch Banking Association (NVB) and NWB's Sustainability Framework.

5) See Rules of Participation WSW, available at [wsw.nl](http://wsw.nl).



## ELIGIBLE SOCIAL LOAN CATEGORIES

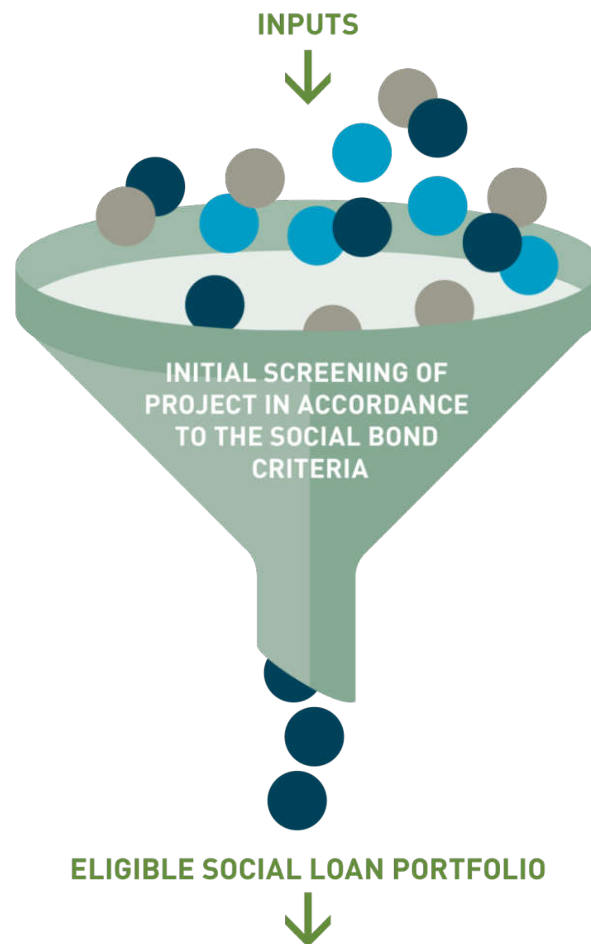
ICMA Social Bond Principles Categories	Affordable housing
UN Sustainable Development Goals	  Target 1.4 en Target 11.1
Eligible Social Projects	<p>Loans to social housing associations that build, renovate and manage social housing for people with low incomes:</p> <ul style="list-style-type: none"> <li>Housing associations must allocate at least 85% of available social rental homes (with a maximum rent set annually<sup>1)</sup> to their target groups;</li> <li>Corporations can freely allocate 7.5% of available homes, including to those with incomes above the SGEI limit. Locally, this discretionary allocation can be increased to 15% if agreed upon by housing corporations, tenant organizations, and municipalities.</li> </ul>
Intended Social Benefit	<p>The intended social benefit can be split into four areas:</p> <ul style="list-style-type: none"> <li><b>Increased access</b> to safe and affordable housing;</li> <li><b>Promoting social inclusion</b> ensuring the availability of affordable housing for the low-income families, elderly people and people with disabilities;</li> <li>Enabling investments in the construction and maintenance of community facilities which contributes to <b>community development</b>;</li> <li><b>Supporting the development of energy-efficient and sustainable housing projects</b>, contributing to environmental sustainability and reducing the carbon footprint of residential areas.</li> </ul>
Target Population Group	<p>The target populations:</p> <ul style="list-style-type: none"> <li>The primary target group includes household with incomes below the SGEI income limit that is set by the Dutch government annually<sup>2)</sup>;</li> <li>Urgent target groups defined by municipality's housing regulations, such as refugees with a residence permit, residents of homes scheduled for demolition or renovation or citizens with severe housing issues (medical reasons, threats of/or violence or imminent homelessness with children. Next to households identified as urgent, the next groups have priority:               <ul style="list-style-type: none"> <li>Households with problems regarding health, safety, social factors, force majeure or disasters;</li> <li>Households that would like to swap homes with each other (with permission of the housing association);</li> <li>Co-tenants who want to become tenants (with permission of the housing association).</li> </ul> </li> </ul>

- 1) SGEI maximum rent is equivalent to the maximum rent for rent allowances and is €900.07 in 2025. <https://www.volkshuisvestingnederland.nl/actueel/nieuws/2024/11/18/indexering-inkomensgrenzen-voor-woningcorporaties-en-huurtoeslagparameters-per-2025>.
- 2) Income limits 2025: €49.669 one-person household and €54.847 multi-person household. <https://www.volkshuisvestingnederland.nl/actueel/nieuws/2024/11/18/indexering-inkomensgrenzen-voor-woningcorporaties-en-huurtoeslagparameters-per-2025>.

## 2.3 PROCESS FOR PROJECT EVALUATION AND SELECTION

Potential Eligible Social Loans are subject to the standard credit process, including customer due diligence and credit risk assessments. Regardless of the risk profile, we apply our due diligence policy to new clients and to existing clients on a regular basis. The aim is to combat money laundering, terrorist financing and sanctions evasion. As part of the CDD process, we assess the actual and potential negative human rights impacts of our clients' operations and value chain, based on the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, with the aim of limiting or, better, preventing abuses. The clients are also screened against the exclusion criteria set out in NWB Bank's sustainability policy.

The Sustainability Advisory Board (SAB) draws up, monitors and amends plan and policies with a direct relationship to sustainability and is also responsible for formulating our sustainability policy. The committee includes employees with an ESG focus from various departments and is chaired by the Chief Commercial Officer (CCO). The Sustainability Advisory Board advises and reports to the Managing Board, which is ultimately responsible for all sustainability-related policy, direction and control.



### GUIDELINES:

1. Dutch Housing Association Act
2. Guarantee requirements of the Social House-building Guarantee Fund (WSW) (the fund is guaranteed by the Dutch state)

### SELECTION ACCORDING TO THE CRITERIA BY:

Housing associations in consultation with their stakeholders such as tenants organizations and municipalities

### POTENTIAL ELIGIBLE SOCIAL LOAN SELECTION:

1. The individual housing association
2. NWB Bank's Lending Department

The SAB is responsible for:

- Monitoring the Eligible Social Loans portfolio;
- Review and approve the allocation of the proceeds from Social Housing Bonds to the Social Loans portfolio;
- Review and approve the annual Social Housing Bond newsletter, including the allocation and impact report;
- Review and approve any future updates of the Social Housing Bond framework;

Eligible Social Loans are selected by NWB Bank's Lending Department and, although 100% of the lending is to social housing associations, we will not consider more than 90% of lending to social housing associations as Eligible Social Loans, given that there are limited mechanisms to monitor income levels of populations after they have qualified for social housing. This is to provide headroom, as a proportion of the tenants could improve their income while continuing to live in social housing stock. According to 'Woononderzoek (Housing Research)' published by the Dutch government, 6 to 7% of tenants have improved their income whilst still living in the same rental<sup>6)</sup>. We take a conservative approach by accounting for 10% for this issue. The flowchart on the previous page illustrates the selection of Eligible Loans for the bank's Social Housing Bond Portfolio.

## 2.4 MANAGEMENT OF PROCEEDS

The Treasury department of NWB Bank will manage the proceeds from Social Bonds on a portfolio basis, and all Social Bonds will be tracked to ensure traceability. These proceeds will be allocated to an Eligible Social Loan portfolio, selected on the predefined eligibility criteria and a thorough evaluation and selection process.

We aim to maintain or exceed the allocation level of the Eligible Social Loans portfolio relative to the net proceeds from our outstanding Social Bonds. To ensure this, additional Eligible Social Loans will be added to the portfolio as needed. Any assets that no longer meet the eligibility criteria will be promptly removed from the portfolio. NWB Bank intends to allocate the proceeds from Social Bonds at the earliest convenience and to reach full allocation within one year. Unallocated net proceeds will be managed in accordance with NWB Bank's liquidity management policy, and will be held in cash or other short term and liquid instruments.

## 2.5 TRANSPARENCY AND REPORTING

To enable investors to follow the development of our Social Bond Programme, and to provide insight into prioritised areas, an annual Social Bond Report is provided on our [website](#). The annual Social Bond Report will be provided until full allocation as long as there are social bonds outstanding, or on a timely basis in case of material developments. The Social Bond Report includes information both on allocation and impact reporting. The report will update investors on the progress made based on quantitative- (KPI's) and qualitative (project examples) information per impact driver including amounts allocated. On a best effort basis, we will align the reporting with the portfolio approach described in the ICMA Handbook – Harmonised Framework for Impact Reporting for Social Bonds<sup>7)</sup>.

As the bank provides balance sheet financing and the large number of underlying projects limits the amount of detail available, reporting is presented on an aggregated portfolio basis on a sector level. Where it is possible to attribute impact to the bank, this is explicitly stated.

6) Woononderzoek 2024: Kernpublicatie van het WoonOnderzoek Nederland 2024 | Publicatie | Home | Volkshuisvesting Nederland

7) ICMA Handbook Harmonised Framework for Impact Reporting for Social Bonds 2025: [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf)

Overall, NWB Bank's annual Social Bond Report includes:

1. Total of outstanding Social Housing Bonds;
2. List of bonds issued respective year;
3. Allocation report of Eligible Social Loans;
4. Non-disbursed cash (if any);
5. Summary of the sector developments, incl attributable emissions;
6. Quantitative- and qualitative information on impact indicators;
7. Where possible and if relevant, the positive social and green impacts from the expenditures will be linked to the United Nations' SDGs.

#### ICMA Social Project Category

Affordable housing

#### Examples of Indicators

##### Core indicators

- Number of people reached
- Number of affordable units/houses/dwellings constructed, improved, rented, financed, or acquired
- Number of outstanding affordable housing loans

##### Other indicators

- Ratio of average affordable housing cost to average market-rate cost
- Share of residents accessing non-financial supportive services
- Number or percent of affordable units meeting quality/sustainability standards
- Share of residents satisfied with the housing



# 3 EXTERNAL REVIEW

## **Second Party Opinion (pre-issuance)**

To secure alignment with the Social Bond Principles and market practice, NWB Bank has engaged Sustainalytics to act as an external reviewer of this Social Bond Framework and to provide a Second Party opinion which will be made publicly available on [NWB Bank's website](#) and Sustainalytics' website.

## **External Verification (post-issuance)**

NWB Bank plans to engage an independent third party to verify allocation reports on an annual basis, to ensure continued transparency and accuracy.

## **Publicly available documents**

The Social Bond Framework, the Second Party Opinion, Social Bond Report and External Verification will be publicly available on [NWB Bank's website](#).