

CSR strategy 2019 – 2025

Updated in 2020

DeNederlandscheBank

EUROSYSTEEM



Sustainable prosperity

Corporate social responsibility (CSR) is an integral part of our mission. As a central bank, supervisor and resolution authority, we are committed to safeguarding financial stability and contributing to sustainable prosperity in the Netherlands. For the years 2019-2025 we have developed a CSR strategy that matches our mission and mandate. This strategy focuses on two themes:

- Sustainable economic growth that has no harmful effects on the environment
- An inclusive financial and economic system

As an independent organisation with a long-term horizon, we are well-positioned to promote CSR initiatives. To this end, we use our ability to bring parties together. In 2016, we established the Dutch Sustainable Finance Platform. We were also one of

the founding members of and currently chair the international Central Banks and Supervisors Network for Greening the Financial System (NGFS). In 2020 we are planning to bring several parties together to develop objective sustainability statistics.

We address the two themes through our core tasks as a central bank, supervisor and resolution authority. For example, in 2019 we adjusted our supervisory methodology to include climate risks, signed the Principles for Responsible Investment and made a transition to 100% use of organic cotton in our banknote production. The two themes are closely interconnected. Sustainable prosperity, after all, depends on sustainable economic growth that has no harmful effects on the environment (theme 1) and on an inclusive financial and economic system (theme 2).

Both themes contribute to the achievement of the Sustainable

Development Goals (SDGs) of the United Nations. Through these 17 global goals, organisations, businesses and governments commit to substantially improve the state of the world by 2030. We specifically focus on contributing to the realisation of the following four SDGs:

- 8. Decent work and economic growth
- 12. Responsible consumption and production
- 13. Climate action
- 17. Partnerships for the goals

We have defined six priorities to direct and shape our efforts on the two themes. We explain these in more detail in this strategy.



Sustainable economic growth that has no harmful effects on the environment

Almost 200 countries agreed in the Paris Climate Agreement to keep the increase in the global average temperature well below 2°C. Both global warming and the transition to a climate-neutral economy are sources of prudential risks, and as such affect our mission and core tasks.

Since the financial crisis we have put more emphasis on forward-looking supervision with a stronger focus on sustainability. As an independent economic advisor, we also participate in the public debate on the energy

transition, carbon pricing and a climate-neutral economy. We are also integrating sustainability aspects in our own reserve management and the payment system.

To promote economic growth that has no harmful effects on the environment, we have defined four priorities.

1. We identify climate and environmental risks for the financial sector and we encourage financial institutions to manage these risks appropriately.
2. We put sustainability issues, such as the transition to a climate-neutral economy, on the agenda.

3. We invest our reserves in a sustainable manner.
4. We reduce our environmental impact.

Through these four priorities we contribute to SDGs 8, 12, 13 and 17.



An inclusive financial system

Sustainable prosperity calls for an inclusive financial system, in which financial services are readily accessible and the continuity of critical financial functions is safeguarded. We contribute to this theme through our advisory role as a central bank, supervisor and resolution authority.

Through our role as an independent economic advisor, we promote an inclusive economic system. For example, we examine the drivers of prosperity, including the distribution of income and wealth and access to the financial system and social security. We also advocate the equal treatment of present and future generations in the pension system.

Through our supervisory, resolution and payment tasks, we strongly support an accessible financial system. Our supervision aims to ensure that financial institutions are reliable and can meet their commitments. If institutions nevertheless encounter problems, we ensure that they are resolved in a controlled and careful manner to make sure that customers retain access to critical functions. In addition, we

focus on keeping payment systems accessible to vulnerable groups with limited financial or digital knowledge, and on financial inclusion in countries with less developed financial sectors. For example, we chair the National Forum on the Payment System to promote the social efficiency of retail payments, provide financial education to a broad public, render technical assistance to young central banks, and

represent countries that are emerging in financial and economic terms in our IMF constituency.

To promote an inclusive financial and economic system, we have defined two priorities:

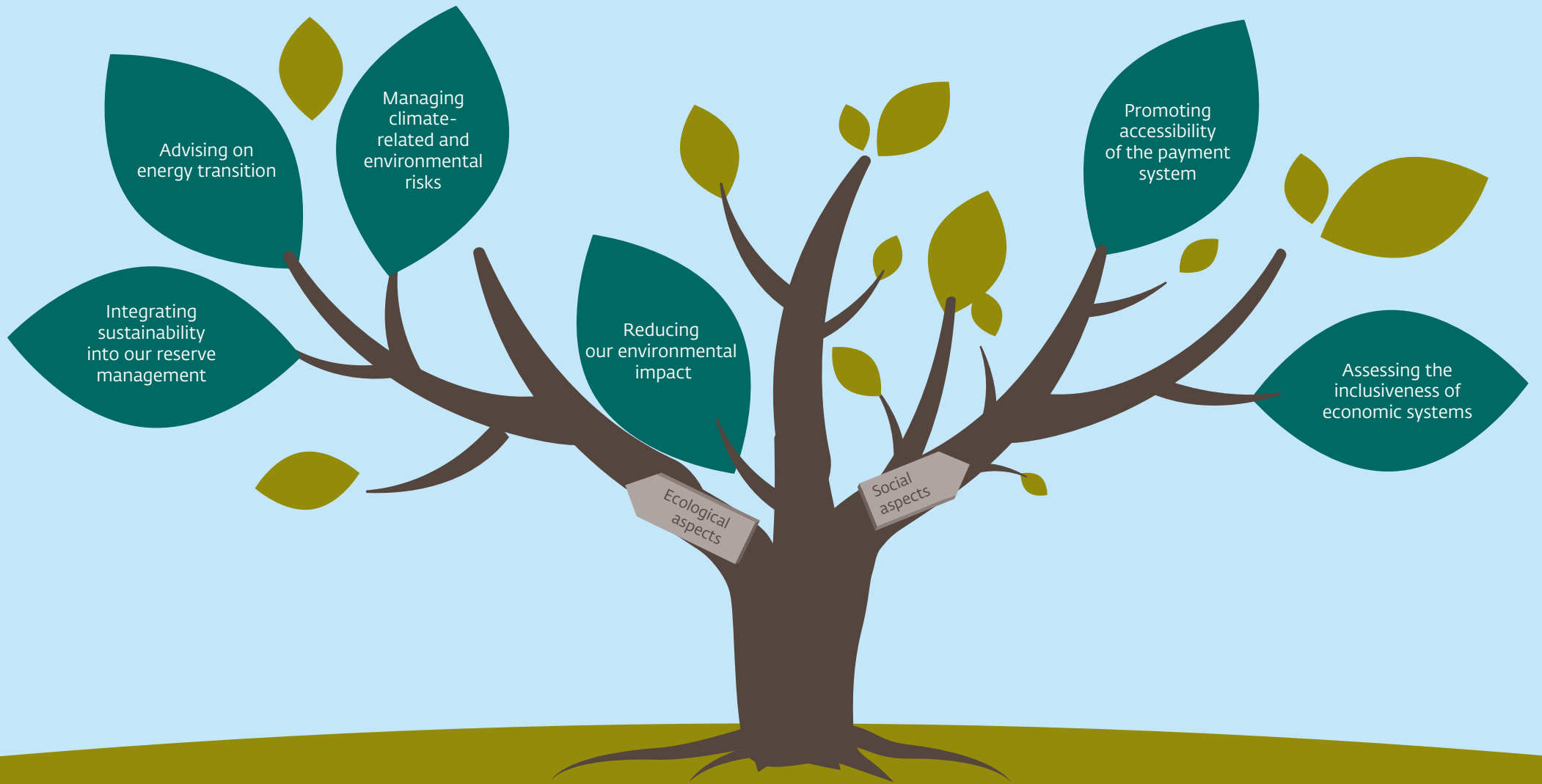
5. We conduct research and advise on the inclusiveness of economic systems.
6. We promote the accessibility of payment systems.

Through these two priorities we contribute to SDGs 8 and 17.



Sustainable prosperity

Priorities





Climate and environmental risks

Priority 1 We identify climate and environmental risks for the financial sector and encourage financial institutions to manage these risks appropriately

Why we do this

Climate change and the energy transition pose a potential risk to the financial sector. By determining the prudential impact of these risks and urging the financial sector to improve its prudential controls, we contribute to sustainable financial stability. As a supervisor, we consider it important that financial institutions integrate sustainability into their core processes and that they are transparent about this to society. In addition, it is expected that engagement of financial institutions on this topic can help build public trust in the financial sector as a whole.

What we want to achieve – long term

We embed climate and environmental risks in our supervision and expect financial institutions to anticipate

changes in a timely manner. The goal is for them to understand how climate and environmental risks affect their short- and long-term solidity and, where appropriate, to take measures to control these risks. We also provide insight into the impact of ecological changes on financial institutions and financial stability. We will share this knowledge through various channels, including the Dutch Sustainable Finance Platform and the international NGFS. Furthermore, we are international frontrunners in integrating climate-related risks into relevant supervisory rules.

What we plan to do in 2020 – short term

In 2019, we largely integrated climate risks into our supervisory methodology for banks, insurers and pension funds

and we will continue this process in 2020. In concrete terms, this means that we address climate risks in supervisory meetings, on-site inspections, and the mandatory periodic own risk assessments of institutions.¹ In 2020 we will also explore how to integrate climate-related risk management into market access requirements and fit and proper assessments. We will also investigate the extent to which behaviour and culture at financial institutions affect sustainable finance decisions. Another priority is to broaden the approach used for climate risks to other sustainability risks, such as the risk of decreasing biodiversity. Furthermore, we aim to increase awareness of climate-related risks in the financial sector and urge for the integration of these risks into international financial

legislation and regulation. For example, in 2020 we will put climate risks on the agenda in meetings with institutions in the payment and securities chains and we will publish a climate risk analysis for the real estate sector. We will also refine the climate stress test methodology to better understand the impact of a disruptive energy transition on the financial sector. This new methodology could serve as a basis for an international approach to climate stress testing. Lastly, we will work together with the European Central Bank (ECB) to map the carbon emissions from financial market infrastructures and explore the possibilities for reducing them.

¹ This concerns the internal capital adequacy assessment process (ICAAP) for banks, the own risk and solvency assessment (ORSA) for insurers and the own risk assessment (ORA) for pension funds.





Energy transition

Priority 2 We put sustainability issues on the agenda

Why we do this

DNB sees climate change and the energy transition as two of the biggest economic challenges. Energy and the economy are inextricably linked. After all, almost all economic activity requires energy. The Paris Climate Agreement and resulting climate policy will have an impact on the economy. Economic growth that causes large-scale ecological damage is not sustainable. It is therefore imperative to take into account the effects of economic growth on environmental and climate change and vice versa. As a central bank, we have a role to play in putting such challenges on the agenda.

What we want to achieve – long term

We want to play an active role in the climate debate. Our emphasis is on the economic effects of climate change and the energy transition, and on the role of the financial sector. We want to conduct innovative and agenda-setting research and publish the results to inform the public debate with substantiated facts. In this context, we identify the main economic risks and opportunities to assist the formulation of effective climate policies without unnecessary (economic) costs. We also play an active role in the development of international statistics to measure the sustainability of the financial sector in order to facilitate internationally comparable analyses.

What we plan to do in 2020 – short term

In 2020, we will continue to closely monitor the commitments in the Dutch Climate Agreement and, where appropriate, advise the government on related topics. This is particularly the case for economic measures, such as the possible merits of introducing a carbon tax. We will also encourage the government to strengthen climate policy if the agreed climate targets are at risk of not being achieved. At EU level, we will closely look at the commitments as part of the new Green Deal. We will also further explore the role of sustainable financial products in the transition to a climate-neutral economy. Finally, together with the

IMF, we will draft a statistical paper on the measurability of sustainable finance, which will form the basis for the further development of internationally comparable official statistics on sustainability in the financial sector. Finally, we will proactively contribute to discussions on the role of climate considerations in the evaluation and possible review of the ECB's monetary policy strategy.





Sustainable reserve management

Priority 3 We invest our reserves in a sustainable manner

Why we do this

We aim to invest our assets in a responsible manner (RI). As an investor, we promote making the economy more sustainable and reducing the environmental, social and governance (ESG) risks of our reserves. In shaping our RI policy, we seek to act in line with internationally accepted principles, standards and codes such as the Principles for Responsible Investment (PRI) and the UN Global Compact. By integrating RI into our investment portfolios we aim to set the right example and prompt more institutions to invest in a sustainable manner.

What we want to achieve – long term

By signing the PRI on 20 March 2019, DNB committed itself to integrating six responsible investment principles. For example, we increasingly integrate environmental and social aspects into our investment practices and report on our progress in this area. We also want to have a good understanding of how climate and other ESG risks affect our portfolios, and of the role that our investments can play in the transition to a climate-neutral economy. In addition, we want to maintain a pioneering role in the Eurosystem in relation to RI. For

this purpose, we participate in national and international working groups on the topic. For example, we share our knowledge with other central banks through the NGFS and we contribute to the publications of this network.

What we plan to do in 2020 – short term

This year we will further integrate responsible investment principles in our investment policy. For internally managed investments, we are developing a framework to structurally integrate ESG criteria into the investment process. For the investments

managed externally, we take steps to further bring the equity portfolio in line with our RI policy on exclusions, norm-based screening, voting & engagement and ESG integration. We have already completed this process for the externally managed bond portfolios. We will also start implementing our new climate strategy. In the short term, this means that we will map the carbon footprint of our own portfolios and carry out a climate stress test.² We will also build up a target allocation of at least EUR 400 million towards green bonds over a period of two years.

² An energy transition risk stress test for the financial system of the Netherlands, De Nederlandsche Bank, 2018.





Sustainable operations

Priority 4 We reduce our environmental impact

Why we do this

We want to practice what we preach by turning words (external promotion of sustainability issues) into action (integrating sustainability into our operations). Sustainability is therefore factored into our decision-making on issues such as housing, procurement, ICT and our travel policy.

What we want to achieve – long term

In the coming years, we will have a zero net energy cash centre built in Zeist and our head office in Amsterdam will be refurbished. In 2019, a high sustainability ambition was set for the renovated office. For example, the energy label will improve from G to A+++.

The building will not be using any gas and is expected to reduce carbon emissions by more than 80%. In addition, it will meet a

set of sustainability standards.³ It is expected that both the cash centre and the renovated head office will be ready in 2023.

Sustainability is also an important criterion in our procurement policy. The aim is to reduce the use of raw materials as far as possible. In this context, we are signatory to the Green Deal Circular Procurement. We will also pursue social return with our procurement policy. That is why we contractually lay down that part of the contract value is spent on jobs for people with a distance to the labour market.

Finally, we want to be a climate-neutral organisation by only using green energy for our electricity supply and offsetting our carbon emissions. Our employees

travel appropriately and restrained.

For international travel within a range of 500 km, we generally use public transport. We discourage the use of cars for commuting and DNB-facilitated commuter traffic will be emission-free.

What we plan to do in 2020 – short term

In 2020, the refurbishment of our head office will start and our staff will move to temporary accommodation. The renovation will be done in a sustainable manner, with certification objectively measuring that both the refurbishment and the renovated building meet our sustainability ambition. The temporary accommodation has energy label C and for its refurbishment we use existing furniture as much as possible. We will also discuss with four major suppliers

the implementation of our agreements on labour participation. We are also revising our procurement policy with the aim of integrating circularity, sustainability and, if possible, social return into each procurement. One of the tenders we will hold in 2020 is for our lease cars. In view of our long-term goal of emission-free commuting, sustainability will be an important criterion in these tenders. In 2020 we will review and adjust, where necessary, the implementation of our travel policy. Finally, in mid-2020, the transition to new energy-efficient ICT data centres will start. Together with our ICT sourcing partners we will report on the energy consumption of our various ICT environments.

³ We aim for the building to be awarded the BREEAM Outstanding (***) and WELL Platinum label.





Research on inclusive economic system

Priority 5 We conduct research and advice on the inclusiveness of economic systems

Why we do this

We strive for sustainable prosperity and an inclusive economic system. Prosperity is not just about material aspects. It also includes other – non-financial – aspects. Inclusiveness entails that the financial and social security systems are and remain accessible to everyone. The development and efficient deployment of human capital is crucial to achieving a labour market that values and uses every talent. By conducting research and advising on these non-financial aspects of prosperity, we contribute to an inclusive financial and economic system.

What we want to achieve – long term

As an independent party, our primary role is to provide research and advice. We aim to provide insight into the trade-off between the various aspects of prosperity. Our focus on sustainability and the long-term viability of, for example, the pension system implies that we take into account the prosperity of both present and future generations in our advice and research. It is also important that groups are not systematically excluded or disadvantaged in terms of, for instance, access to the labour market, the housing market and social services.

What we plan to do in 2020 – short term

We will carry out in-depth analyses of the labour and housing markets and the lending and payment systems in 2020. The analyses will focus on possibilities for enhancing accessibility and inclusiveness of these markets. The results of these analyses are the basis for our policy advice. Our labour market research will focus on a more balanced structure for and financing of permanent and flexible work arrangements. In our lending analysis, we will focus on the proper functioning and accessibility of the credit market for small and medium-

sized enterprises (SMEs). We also pay attention to accessibility in our housing market and payment analyses, including first-time home buyers and people with limited financial knowledge. Finally, we will continue to fulfil our advisory role in the context of our involvement in the further elaboration of the Pension Accord to ensure the future sustainability of the pension system.





Accessibility of payments system

Priority 6 We promote the accessibility of payment systems

Why we do this

DNB has the task to promote the smooth operation of payment systems. Given the speed at which payment methods are changing, there is a risk that certain vulnerable groups are left behind or excluded. Financial education and inclusion are essential to ensure broad access to payment systems.

What we want to achieve – long term

Everyone should have access to payment systems. This calls for clear and understandable information. The importance of financial education is increasing due to the far-reaching digitalisation of payment systems and the trend that financial decision making is increasingly left to consumers themselves. We are working to preserve a fully functioning cash chain, in which cash remains generally accepted, deposit and withdrawal points remain available

and the reliability and safety of cash are guaranteed.

What we plan to do in 2020 – short term

Through the National Forum on the Payment System (NFPS), chaired by DNB, we examine the accessibility of the retail payment system for consumers and SMEs, in order to identify vulnerable groups and bottlenecks in payment systems. The NFPS is of the opinion that even in a context of declining use

of cash, it is important for our society that cash continues to function well. In 2020 the NFPS will also focus on the question whether cash can continue to play its role as a means of payment at points of sale. Finally, we offer clear and understandable financial education, including through our own visitor centre and participation in initiatives such as the Money Week and Money Wise Platform.