

Risk Management Charter BNG

20 May 2025

[Our reference: 3673274/3673285]



1. Introduction

Introduction

This Risk Management Charter defines the purpose, scope, objectives, governance, and responsibilities of the second-line Risk Management function (hereafter: Risk Management) within BNG. It applies to all business activities and departments, including the 100% subsidiary BNG Gebiedsontwikkeling. The Charter is aligned with applicable legislation and regulatory guidance, such as those issued by De Nederlandsche Bank (DNB), the European Central Bank (ECB), and other relevant authorities.

Purpose

The purpose of the Risk Management Charter is to define the objective of Risk Management and to explain the nature, stature, authority and roles & responsibilities of Risk Management within BNG.

Ownership and maintenance

This Charter is owned by the Head of Integrated Risk Management (IRM) and is part of the internal governance framework of BNG. Risk Management is responsible for maintaining the Charter and ensuring its alignment with other internal policies and frameworks.

Approval

The Risk Management Charter is approved by the Executive Committee ('ExCo') in its meeting of 22 May 2025. The charter is reviewed and updated every two years by IRM in consultation with the Head of FRM, Head of NFRM and Head of Compliance, or more frequently if required.

2. Scope of this Charter

This Charter applies to all activities performed by Risk Management. Its scope includes the oversight of Financial Risk, Operational Risk, Strategic Risk, Reputation Risk, and ESG Risk — the latter being a risk driver that can influence traditional risk types. The compliance function is addressed in the separate Compliance Charter.

3. Objective and Scope of the Function

Risk Management supports the sound and prudent operation of the bank by promoting a strong risk culture and ensuring that (material) risks are identified, assessed, monitored, and managed effectively in accordance with the bank's risk appetite and strategic objectives.

Risk Management provides independent oversight of the bank's risk profile and risk management activities, ensuring that these are consistent with internal policies, regulatory requirements, and best practices. Risk Management supports Senior Management and the business in their responsibility for managing risks in line with the Risk Management Framework (RMF).

Through the development, implementation, and continuous improvement of the risk management framework, methodologies, and reporting practices, Risk Management aims to enhance the bank's ability to make risk-informed decisions, preserve financial resilience, and safeguard the interests of stakeholders.

Risk Management operates independently from the first line and is accountable for maintaining a robust second-line control environment. It also monitors alignment with applicable regulatory standards and guidelines, including those issued by the European Banking Authority (EBA), the Dutch Central Bank (DNB), and other supervisory bodies.

Risk Management is a second-line function positioned within three separate departments: Financial Risk Management, Non-Financial Risk Management, and Integrated Risk Management, reporting to the CRO.

3.1 Objective of Financial Risk Management

Financial Risk Management (hereafter FRM) is responsible for identifying, assessing, and monitoring the bank's exposure to financial risks, including market, liquidity, and credit risks. This function is pivotal in ensuring that the bank's risk profile remains aligned with its strategic objectives and risk appetite.

FRM's key activities include:

- Regular market risk, liquidity risk, credit risk, and capital risk reports provided to the ExCo committees.
- Second-line opinions on credit risk decisions.
- ICAAP (including capital management) and ILAAP.
- Bank-wide stress testing (including EBA stress testing).
- Recovery plan.
- Ownership of the risk models.
- Model risk management (including model validation).

The FRM team works closely with other business units to manage financial risks, adhering to internal policies, external regulations, and best practices.

3.2 Objective of Financial Risk Management

Non-Financial Risk Management (NFRM) is responsible for:

- Identifying, assessing, and managing the bank's exposure to operational risks (refer to the overview of operational risk in chapter 4).
- Coordinating the operational incident management process.

This function is pivotal in ensuring that the bank's risk profile remains aligned with its strategic objectives and risk appetite. The NFRM team works closely with all business units in the bank (process owners, project owners, application owners, etc.) to manage operational risks, adhering to internal policies, external regulations, and best practices. Detailed responsibilities and processes are outlined in the operational risk policy document and related guidelines on incident management, risk assessment methodologies, and key control monitoring.

3.3 Objective of Integrated Risk Management

Integrated Risk Management (IRM) provides a holistic, comprehensive view of all risks that are relevant to BNG. IRM plays a central role in ensuring that the bank achieves its strategic objectives while managing risks effectively in line with regulatory expectations.

IRM's key activities include:

- The quarterly Integrated Risk Report.
- Annually updating risk definitions and frameworks.
- Managing the Risk Appetite Framework.
- Contributing to the development of the Pillar III report.
- Monitoring changes in prudential laws and regulations.
- Promoting sound risk culture.
- Managing the integration of ESG and strategic risks into the overall risk framework, ensuring that (emerging) risks are adequately addressed.

The ambition regarding the nature and level of risk management activities, as well as the more detailed objectives within BNG, are explained in the Risk Management Framework (RMF) and the 3 Lines of Responsibility (3LoR) policy.

4. Positioning including roles and responsibilities

The Three Lines of Responsibility model is used as the organizational governance model for managing risks.

The CRO, Heads of Risk Management and the Head of Compliance form the Management Team CRO (MTCRO).

Heads of Risk Management

The Head of Risk Management function encompasses three distinct roles—Head of Financial Risk, Head of Non-Financial Risk, and Head of Integrated Risk—each with its own area of responsibility, collectively forming the overall Head of Risk function.

The Heads of Risk Management have a direct reporting line to the CRO, ExCo and Risk Committee of the Supervisory Board.

Each role carries distinct responsibilities on specific risk types or topics:

Head of Financial Risk:

- Market Risk
 - Interest Rate Risk
 - Spread Risk
 - Foreign Exchange Risk
 - Volatility Risk
- Credit Risk
 - Counterparty Risk
 - Concentration Risk
 - Settlement Risk
- Liquidity Risk

- Funding Capacity Risk
- Funding Spread Risk
- Short-term Liquidity Risk

Head of Non-Financial Risk:

- Operational Risk
 - Process Risk
 - Model Risk* (model risk resides with NFRM, expertise and input are provided by FRM)
 - People Risk,
 - Data Management Risk,
 - Technology Risk
 - Third Party Risk
 - Legal Risk,
 - Business Continuity Risk
 - Statutory Reporting and tax Risk,
 - Information Security (including cyber) Risk,
 - Physical Security & Safety Risk

Head of Integrated Risk:

- Strategy Risk
- Reputation
- ESG (Risk drivers)

The Heads of Risk Management participate in the meetings of the Risk Committee. Risk Committee members can decide to have a separate meeting with (one of) the Heads of Risk Management.

The Head of Integrated Risk Management specifically reviews the incentives- and performance elements of senior management as supervised by the Remuneration Committee of the Supervisory Board.

The Heads of Risk Management have unlimited access to the chairman of the RC. Depending on the topic, one or more Heads of Risk Management are involved in evaluating the impact of material changes or exceptional transactions on the overall risk profile and report their findings to the ExCo. For the approval of decisions on which the Heads of Risk Management have expressed a negative opinion, a strengthened procedure is in place, as follows:

- The members of the ExCo have an additional discussion and, if unaltered, formally document the arguments for overruling the opinion of Risk Management, explicitly addressing the objections of RM. -

Reporting line, access to Board and escalation

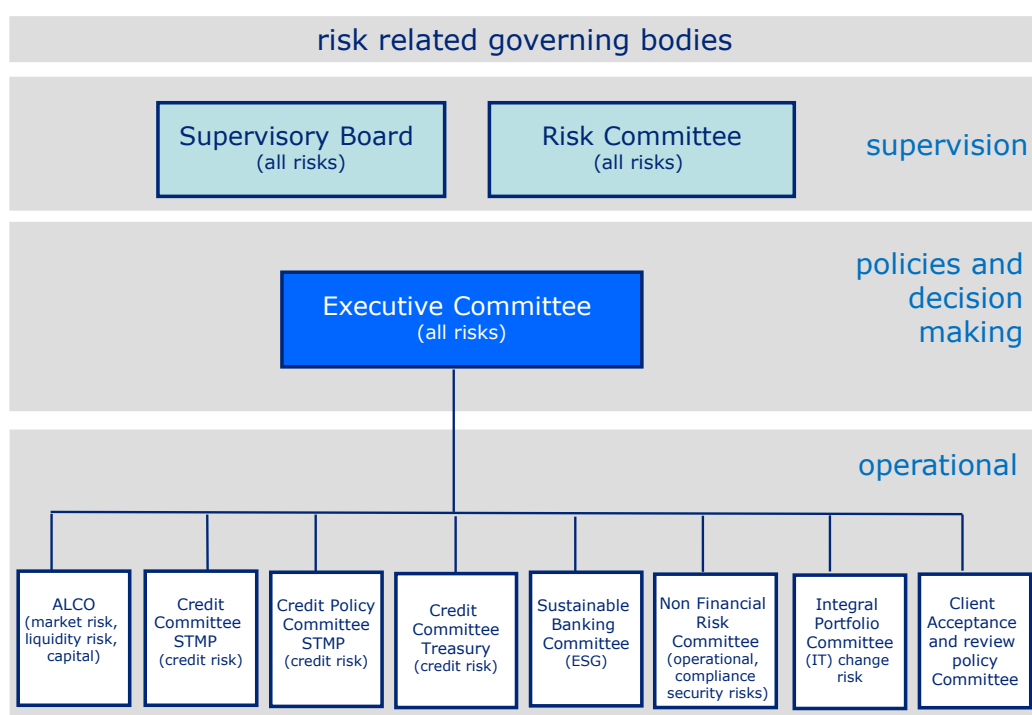
The Heads of Risk Management can escalate or report to the ExCo, respectively the Risk Committee in case of insufficient follow-up of a Risk advice, instruction or finding, in order to keep identified risks within the risk appetite of the bank.

The following reports are provided to the ExCo, including but not limited to:

- Quarterly 'Integrated Risk Report' relating to monitoring the actual risk profile

- against the risk appetite and analyzing actual developments;
- Risk analysis report on remuneration in general to the Risk Committee of the Supervisory Board;
- Risk analysis report on incentives and performance-measurement to the Remuneration Committee of the Supervisory Board; and
- Various reports on request as well as reports with unsolicited opinions at Risk Management's own initiative.

Committees



Role in Executive Committees:

The detailed roles and responsibilities of each committee are defined in the specific Committee Regulations

(Heads of Risk can delegate their attendance to a colleague of the specific risk department):

- ALCO: Head of Financial Risk Management participates in the Asset & Liability Committee that is responsible for liquidity and market risk, including capital aspects;
- CC: Head of Financial Risk Management participates in the Credit Committee which is responsible for credit risk on statutory market clients ('Statutaire Markt Partijen', STMP)CPC STMP: Head of Financial Risk Management participates in the Credit Policy Committee STMP which is responsible for policy setting and monitoring of credit risk for STMP on a portfolio level.
- CCT: Head of Financial Risk Management participates in the Credit Committee Treasury which is responsible for credit risk on financial counterparties (and countries);
- SBC: Head of Integrated Risk Management participates in the Sustainable Banking Committee. The committee is responsible for the oversight on the management of ESG risks. Where ESG drivers impact traditional risks these are however managed in

the corresponding Executive Committee responsible for that risk.

- NFRC: Head of Non-Financial Risk Management participates in the Non-Financial Risk Committee which is responsible for oversight on the management of non-financial risks.
- IPC: Head of Financial Risk Management participates in the Integral Portfolio Committee as Chief Product Owner for the risk domain to safeguard proper focus and priority in the change portfolio on risk-related requirements.
- *Client Acceptance and review acceptance Policy Committee is covered by Compliance.*

The role in the committees can also include

- 1) approval of new products (in NFRC),
- 2) approval of non-standard transactions (in the financial risk related committees)
- 3) authorisation of changes in limits or temporarily breeches as far as delegated by the ExCo.

5. General principles

The following general principles apply to all 2nd line functions:

- **Assignment and Withdrawal Procedure**
The appointment or removal of the head of a second-line function must be approved by the Executive Board. The Heads of Risk Management cannot be removed without prior approval from the Supervisory Board. Competent authorities must be informed promptly regarding the approval and the reasons for removal.
- **Authority**
The second-line function derives its authority directly from the Executive Committee. The Heads of Risk Management are empowered to execute this role effectively, including having full access to all necessary information and appropriate IT systems. The function also has the authority to request timely input from other departments to meet supervisory requests.
- **Independence**
The second-line function operates independently from the business (first-line functions). This independence is guaranteed by the fact that the second-line function is not involved in day-to-day business decisions. It may, however, be involved in an advisory capacity.
- **Objectivity**
The second-line function must execute its duties impartially, with an unbiased mindset, and avoid conflicts of interest.
- **Resources**
The Heads of the second-line function ensure sufficient resources are allocated to perform the function's duties. If needed, additional capacity or expertise can be requested to fulfill the requirements set out in this Charter.
- **Expertise and Quality**
The Heads of Risk Management ensure the adequate expertise and quality of resources within the second-line function, including regular training and, where necessary, hiring external expertise to remain qualified. The function also complies with relevant external standards and market practices, aligned with BNG's ambitions.

6. Roles & responsibilities and authority

In line with the bank's Three Lines of Responsibility model, the 2nd line functions monitor that risks are appropriately identified and managed, thus enabling the organization to be 'In Control'. The overall roles and responsibilities of 2nd line functions generally consist of three fundamental roles: 1) Advise, 2) Facilitate & Support and 3) Challenge & Monitor.

The following figure provides an overview:

Topics	Advise	Facilitate & Support	Challenge & Monitor
Risk strategy	▶ Advise ExCo and 1st line on risk related matters, including risk appetite, changes/new products and capital management ▶ Advise on implementation of sound risk management practices and standards	▶ Bring business together, facilitate information exchange and sharing of good practices/best in class ▶ Draw up annual risk management plan covering all activities and entities of BNG Bank	▶ Challenge new business proposals and risk taking decisions with material impact on the risk profile ▶ Monitor actual risk profile against risk appetite and compliance with risk and capital related laws & regulations and report to ExCo and SB
Risk governance & framework	▶ Advise ExCo and 1st line on risk governance design and Risk Management Framework design (including methodologies and policies)	▶ Develop and maintain the Risk Management Framework (risk cycle, risk definitions, risk appetite and cascading in risk limits, risk models, risk policies) ▶ Support business with implementing, communicating and embedding the Risk Management Framework ▶ Support ExCo in ensuring of effective framework operation ▶ Develop reporting structure for 1st line, management and governing bodies (risk committee in ExCo and SB)	▶ Challenge quality of risk management activities in daily operations and consistent use of Risk Management Framework ▶ Monitor compliance with risk governance requirements and risk policies including risk limits and detect and report (potential) violations ▶ Monitor effectiveness of remediation measures incl. action plan progress tracking ▶ Report serious risk related incidents to ExCo and SB
Risk culture	▶ Advise ExCo and 1st line on sound risk culture and adequate awareness	▶ Promote a strong, sound risk culture ▶ Develop and maintain education material for 1st line	▶ Challenge effectiveness of management performance and remuneration processes ▶ Monitor actual embedding
Relation with supervisor	▶ Advise ExCo on compliance with prudential regulatory requirements and on follow-up on supervisory recommendations	▶ Support ExCo with pro-active and effective coordination and communication with supervisor	▶ Monitor compliance with prudential regulatory requirements ▶ Ensure that relevant risk related incidents are reported by the CRO to the supervisor

Figure 1: Overview of roles & responsibilities Risk Management function