de volksbank

Green Bond Impact Report 2019

Introduction

De Volksbank wants to make a relevant and positive contribution to society by focusing on financial resilience and sustainability. By issuing Green Bonds, de Volksbank wants to add another element to its value chain. We want to make a positive contribution to society. With our core activities mortgages, savings and payments, we can have a considerable positive impact on sustainability in our chain and our customers' financial resilience. We have made our ambition measurable by means of objectives for a 45% climate-neutral balance sheet by 2020, rising to 100% by 2030, and an objective with regard to financial resilience.

Our long-standing commitment to sustainability is recognized by independent sustainability rating agencies that assess our sustainability performance annually. According to these sustainability rating agencies, de Volksbank has a leading position in environmental, social and governance issues.

In 2019, we designed a Green Bond Framework[1] that aligns with the ICMA Green Bond Principles 2018 (GBP). We have had our Green Bond Framework externally assessed and verified by ISS-oekom, a sustainability rating agency, based on quality, sustainability and transparency, in accordance with the GBP. In addition, a Climate Bond Initiative Certificate has been appointed to the Green Bond Framework. De Volksbank is also a member of the Green Bond Principles.

In September 2019, de Volksbank issued its first 'green senior preferred bond' in the amount of € 500 million. This issuance was rewarded with the Green Bond Award of the Year in the category Banks by Environmental Finance.

In this Green Bond Impact Report 2019, de Volksbank N.V. reports on the non-financial impact associated to the financed green buildings during the financial year 2019, in respect of the EUR 500.000.000 Notes due September 2024 (Green Bond) that de Volksbank N.V. issued in September 2019 (ISIN XS2052503872). This report compares the CO2-emission of the Eligible Green Loan Portfolio to that of a comparable group of buildings with an average energy-efficiency. The objective of the Impact Report is to demonstrate that the selected buildings belonged to the top 15% most sustainable buildings in the Netherlands and that it meets the requirements of the GBP.

Besides an Impact Report an Allocation Report has been published as well[2]. EY performed a limited assurance engagement on the Green Bond Allocation Report over the year 2019.

[1] For reporting requirements please visit the Green Bond website for the publication of the Green Bond Framework and Allocation Report on https://www.devolksbank.nl/investor-relations-1/green-bonds.html

[2] For reporting requirements please visit the Green Bond website for the publication of the Green Bond Framework and Allocation Report on https://www.devolksbank.nl/investor-relations-1/green-bonds.html

Impact Report

De Volksbank commits to provide an annual non-financial impact report on climate impact associated to major categories of Eligible Loans which are part of the green bond(s) issued, i.e.:

- For Green Buildings Eligible Loans:
  - Estimated ex-ante annual energy consumption and energy saving in KWh/m^2
  - Estimated annual financed emissions and avoided/reduced emissions in tons of CO_2 equivalents
- The contribution to de Volksbank's goal towards a climate neutral balance sheet
  - Estimated annual financed emissions and avoided emissions in tons of CO_2 equivalent
  - Contribution to the total annual financed emissions and avoided/reduced emissions in percentages

The Green Bond Impact Report, as well as the Green Bond Allocation report, will be made available via our website: https://www.devolksbank.nl/investor-relations-1/green-bonds.html

Impact Eligible Green Loan Portfolio

As indicated in the green bond framework, de Volksbank commits to an annual environmental impact report. Below an overview of the impact can be found. Calculations are made by Navigant, an external consultant who issued a report, detailing the environmental impact and calculation method of the Eligible Green Loan Portfolio as per December 31st 2019. The full report can be found on page 6. The entire eligible Green Loan Portfolio is situated in the Netherlands.

Portfolio date:
31 December 2019

Eligible Project Category	Number of Loans	Signed Amount (EUR)	Share of Total Portfolio Financing	Eligibility for Green Bonds	Less GHG Emissions in tCO2e
Green Buildings	23866	5.079.107.397	100%	100%	59.234
Total	23866	5.079.107.397	100%	100%	59.234

Table 1: Portfolio-based Green Bond Report according to the Harmonized Framework for Impact Reporting

- Total emissions of the Eligible Green Loan Portfolio per €mn is 20 ton CO_2 e
- Less emissions, compared to baseline, per invested €mn is 12 ton CO_2 e:

Figure 1: Less emissions per invested million euro in CO2 equivalents

An external consultant report detailing the environmental impact of the Eligible Green Loan Portfolio as per December 31st 2019, is presented from page 6.

From this study the following conclusions are determined:

- Based on the calculated energy consumption, the Eligible Green Loan Portfolio has a CO2-emission that is 59.234 tons per year lower than the reference, which is a difference of 37%.
- Total energy consumption is calculated at 147 kWh/m2.
- Based on the official and calculated energy labels, buildings in the Eligible Green Loan Portfolio belong to the top 10% most energy efficient buildings of the Dutch real estate market.

A climate-neutral balance sheet by 2030

The financial services sector in the Netherlands including de Volksbank have committed themselves to the Dutch Climate Agreement. We report the climate impact of loans and investments and define reduction targets. De Volksbank has set itself the goal of having a climate-neutral balance sheet by 2030 at the latest. The goal for year-end 2020 has been set at 45%. We have been measuring the climate impact of all our investments and loan portfolios since 2015.

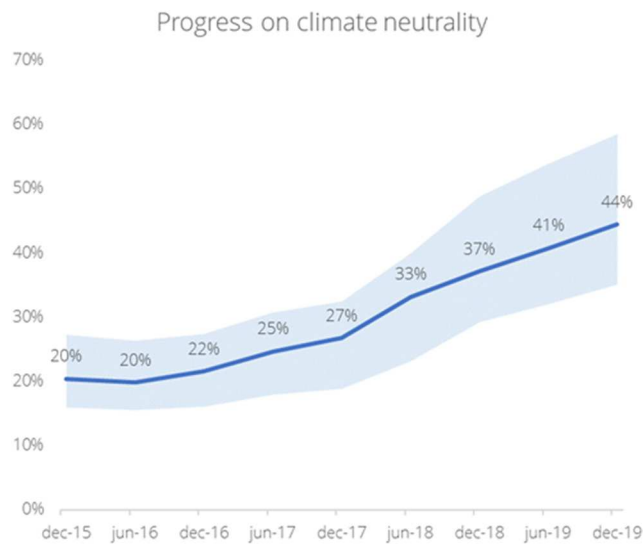

Figure 2: Progress on climate neutrality of de Volksbank ('15 –'19)

The measurement results are presented in a CO2 balance sheet. We have a climate-neutral balance sheet when our entire bank balance sheet causes as many emissions (CO2 loss) as we avoid, reduce or even take out of the air (CO2 profit). Virtually all activities that we finance as a bank cause greenhouse gas emissions to some extent, often indirectly, since the global economy currently still strongly depends on burning fossil fuels. This means that arriving at a climate-neutral bank balance sheet is a considerable challenge, but it is one we can live up to. The GHG Protocol 'Corporate Value Chain Standard' offers guidance to identify and report on the emissions from relevant loans. These also include emissions from assets, which are reported under scope 3, category 15, Investments. Category 15 is the most material category for banks. By excluding companies that are directly involved in the extraction and burning of fossil fuels and to invest in sustainable alternatives, we support the energy transition. We also support this transition by reducing energy consumption, for example by making homes more sustainable. We were already 44% climate neutral at the end of 2019, an improvement of 7 percentage points compared with 2018 (37%).

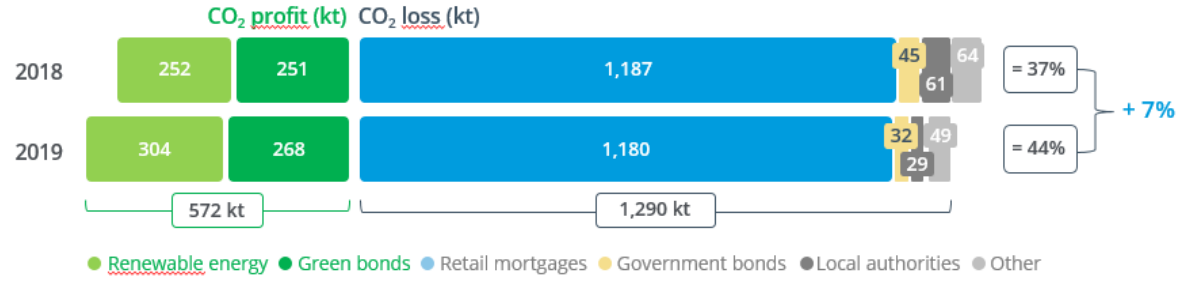

Figure 3: Climate Neutral Balance Sheet composition as per YE2019

The emissions of our bank balance sheet are largely caused by the high amount of funded mortgages on our balance sheet. A mortgage portfolio exceeding € 48 billion on the bank balance sheet accounts for 1,180 kilotons of CO2-emissions (2018: 1,187 kilotons) in total. The emissions are estimated on the basis of the provisional and final energy labels of the homes we finance. The average energy label of our mortgage portfolio remained unchanged at D. Of our customers, 25% have a home with energy label A or B. For the other homes that we finance with energy labels C to G, there is still much room for improvement through, for example, insulation and solar panels.

MEMO

Project: Impact assessment Eligible Green Loan Portfolio

Subject: CO_2-emission reduction calculation

Date: 29 June 2020

Status: Definitive

As requested by de Volksbank, CFP Green Buildings compared the CO_2-emission of a specific, energy-efficient group of real estate (in this document indicated as Eligible Green Loan Portfolio) to that of a comparable group of real estate with an average energy-efficiency (indicated as Reference). This Eligible Green Loan Portfolio consists of € 5 billion of assets, which is 11% of the € 45 billion mortgage portfolio of de Volksbank. The objective of this analysis is to demonstrate that the selected buildings belonged to the top most sustainable buildings in the Netherlands. In this document the results are shown.

Preface

No challenge poses a greater threat to future generations than climate change. de Volksbank considers its responsibility to contribute in a relevant and significant way to keep global temperature increase below 1.5 degrees Celsius. To support this goal, Volksbank has the ambition to become climate neutral through its entire balance sheet by 2030. With this unique approach, de Volksbank not only takes into account its own direct emissions but also includes emissions related to its lending and investment books.

de Volksbank applies the carbon profit and loss methodology to calculate the climate neutrality of its balance sheet. The methodology was developed by ASN Bank and Navigant in 2013 and expands on the Greenhouse Gas Protocol (GHG protocol) by providing guidance on the calculation of financed emissions, known as scope 3, category 15. Financed emissions is by far the most important category to consider when looking at the value chain of a financial institution. Because it relates directly to their core business and the financed emissions of a financial institution are reported to be about a hundred to a thousand times larger than the emissions from other scope 1, 2 and 3 sources combined. This figure is in line with figures at de Volksbank[3], where financed emissions were 290 times larger than all other categories combined at year end 2017.

Energy efficient housing is the focal point in the Volksbank's long term climate goal. As the balance sheet consists mainly of mortgages de Volksbank sees it as its social responsibility to make a difference in this respect and to encourage their customers to make their houses energy efficient. The bank brands of de Volksbank, i.e. SNS, BLG Wonen, RegioBank and ASN Bank, have drawn up a joint vision on sustainable housing. This policy document describes how the brands aim to contribute to both social and green housing in the Netherlands. This vision is a joint starting point for their mortgage loans and services to the retail customers. de Volksbank wants to make sustainable housing available to anyone, regardless of income class.

At the 2015 Paris Climate Summit, ASN Bank initiated the formation of the Platform Carbon Accounting Financials (PCAF). PCAF was launched through a Dutch Carbon Pledge calling on the negotiators at the Paris Climate Summit in 2015 to take on board the role that investors and financial institutions can play in delivering an essential shift to a low carbon economy. The group wants to create a uniform, open source and transparent approach to assessing the carbon footprint for stakeholders inside and outside the Dutch financial industry.

[3] Green Bond Framework (De Volksbank, April 2019)

Energy label comparison

Figure 1 shows the distribution of the energy labels of the Eligible Green Loan Portfolio and the Reference group. In the Eligible Green Loan Portfolio, 100% of the objects have an energy label A. The top 10% of the Reference has an energy label A. Therefore buildings in the Eligible Green Loan Portfolio belong to the top 10% most energy efficient buildings of the Dutch real estate market.

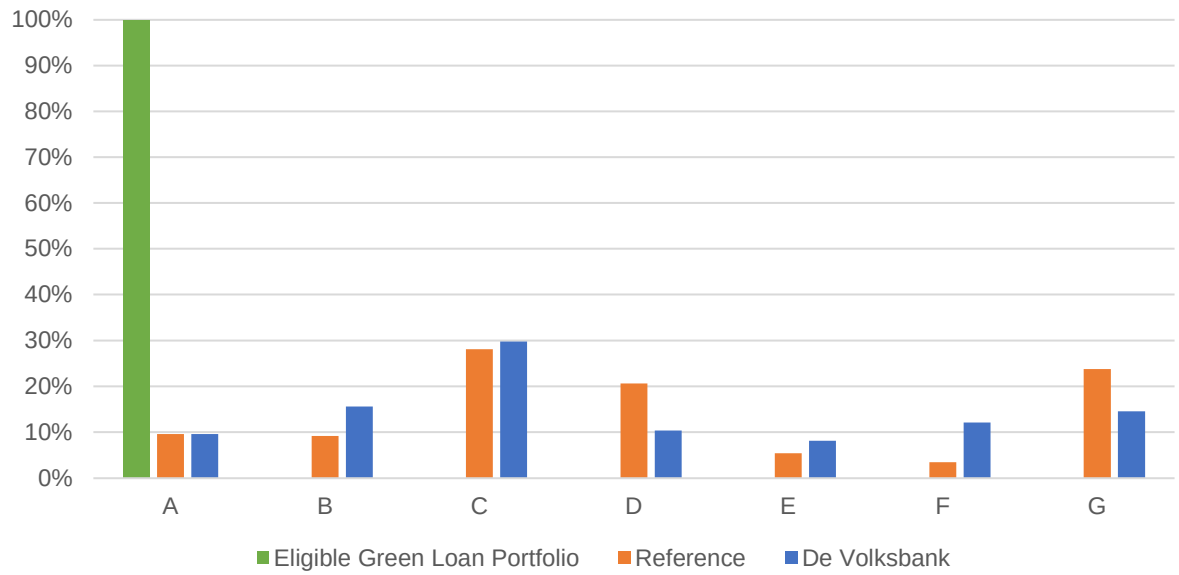

Figure 1: Distribution of energy labels Eligible Green Loan Portfolio and Reference

Methodology

Within this study the CO_2-emission of 23.866 objects, as selected by de Volksbank, was determined using the calculated energy consumption of these objects. The energy usage is based on the algorithms and benchmarks from the expert system of CFP Green Buildings. This is the largest building database in the Netherlands with actual data on energy consumption and building characteristics. In this study, the calculated energy consumption of Dutch real estate (the Reference) was determined and then corrected by the definitive Energy Index compared with the original built quality Energy Index.

The consumed gas and electricity on household level can be converted to CO_2-emissions using grid emission factors. Within the Netherlands, www.co2emissiefactoren.nl gives a list of widely accepted and uniform grid emission factors. PCAF has chosen to use the grid emission factor related to direct emissions, expressed under column TTW-value on www.co2emissiefactoren.nl. Whenever the origin of the consumed electricity is unknown, the emission factor for electricity from undefined energy source should be used. The factor for electricity is updated regularly to reflect changes in the Dutch electricity mix. For 2019 measurements this leads to the following emission factors: 0,405 kg CO2/kWh for electricity, and 1,785 kg CO2/m3 for natural gas.

Energy consumption

Table 1 shows the calculated energy consumption of the Eligible Green Loan Portfolio. Calculated energy consumption is 75 million kWh electricity each year and 38 million m^3 natural gas each year. Total calculated energy consumption is 147 kWh per m^2.

	Electricity consumption (kWh)	***Natural gas consumption (m^3)***
Consumption	75.485.858	38.488.469
Consumption per m^2	25	13

Table 1: Calculated energy consumption Eligible Green Loan Portfolio

CO_2-emission

Table 2 shows the CO_2-emisions of both groups, based on calculated energy consumption. The total CO_2-emission of the Eligible Green Loan Portfolio is 99.274 ton CO_2 per year. The Reference CO_2-emission is 158.508 ton CO_2 per year.

	CO_2-emission Eligible Green Loan Portfolio (ton CO_2)	***CO_2-emission Reference (ton CO_2)***	***Less CO2 emissions, compared to baseline (ton CO_2)***
Residential building	*99.274*	*158.508*	*59.234*

Table 2: CO_2-emission Eligible Green Loan Portfolio compared to Reference

Conclusion

From this study the following conclusions are determined:

- Based on the calculated energy consumption, the Eligible Green Loan Portfolio has a CO_2-emission that is 59.234 tons per year lower than the reference, which is a difference of 37%.
- Total energy consumption is calculated at 147 kWh/m^2.
- Based on the official and calculated energy labels, buildings in the Eligible Green Loan Portfolio belong to the top 10% most energy efficient buildings of the Dutch real estate market.