Green Bond Impact Report 2020

de volksbank

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 100% climate-neutral balance sheet by 2030.

Our long-standing commitment to sustainability is recognized by independent sustainability rating agencies that assess our sustainability performance annually.

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

Since the publication of the Framework in April 2019, there were some relevant publications at EU level which are likely to impact the green bond market – such as the final TEG report on the EU Taxonomy (March 2020), the EU Green Bond Standard (June 2019) and the final Delegated Act (April 2021). Therefore, de Volksbank has updated the Green Bond Framework April 2019 to reflect alignment with the EU Taxonomy (Delegated Act on the EU Taxonomy). We have had our Green Bond Framework 2021 externally assessed by ISS ESG, based on quality, sustainability ad transparancy, in accordance with the Green Bond Principles and the EU Taxonomy.

In September 2019, de Volksbank issued its first 'green senior preferred bond' in the amount of €500 million.

This Green Bond Allocation Report 2020 still reflects the allocation and reporting requirements as stated in the Green Bond Framework April 2019. We have had our Green Bond Framework April 2019 externally assessed and verified by ISS ESG. 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 by Environmental Finance.

In this Green Bond Impact Report 2020, de Volksbank N.V. reports on the non-financial impact associated to the financed green buildings during the financial year 2020, 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);
- the EUR 500.000.000 Notes due October 2030 (Green Bond) that de Volksbank N.V. issued in July 2020 (ISIN XS2202902636);
- the EUR 300.000.000 Notes due October 2022 (Green Bond) that de Volksbank issued in October 2020 (ISIN XS2242176258); and
- the EUR 200.000.000 Notes due June 2022 (Green Bond) that de Volksbank issued in December 2020 (ISIN XS2271346152).

This report compares the CO_2-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 Green Bond Principles.

Besides an Impact Report an Allocation Report has been publised. EY performed a limited assurance engagement on the Green Bond Allocation Report over the year 2020. The report contains allocation reporting on a portfolio level.

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, has be made available via our website.

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 2020					
Eligible Project Category	**Numbers of loans**	**Signed Amount** (EUR)	**Share of Total Portfolio Financing**	**Eligibility for Green Bonds**	**Less GHG Emissions in $tC0_2e$**
Green Buildings	35.268	7.753.779.621	100%	100%	94.670
Total	35.268	7.753.779.621	100%	100%	94.670

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 23 ton CO_2 e
- Less emissions, compared to baseline, per invested €mn is 13 ton CO_2 e

Less emissions in CO_2 equivalents

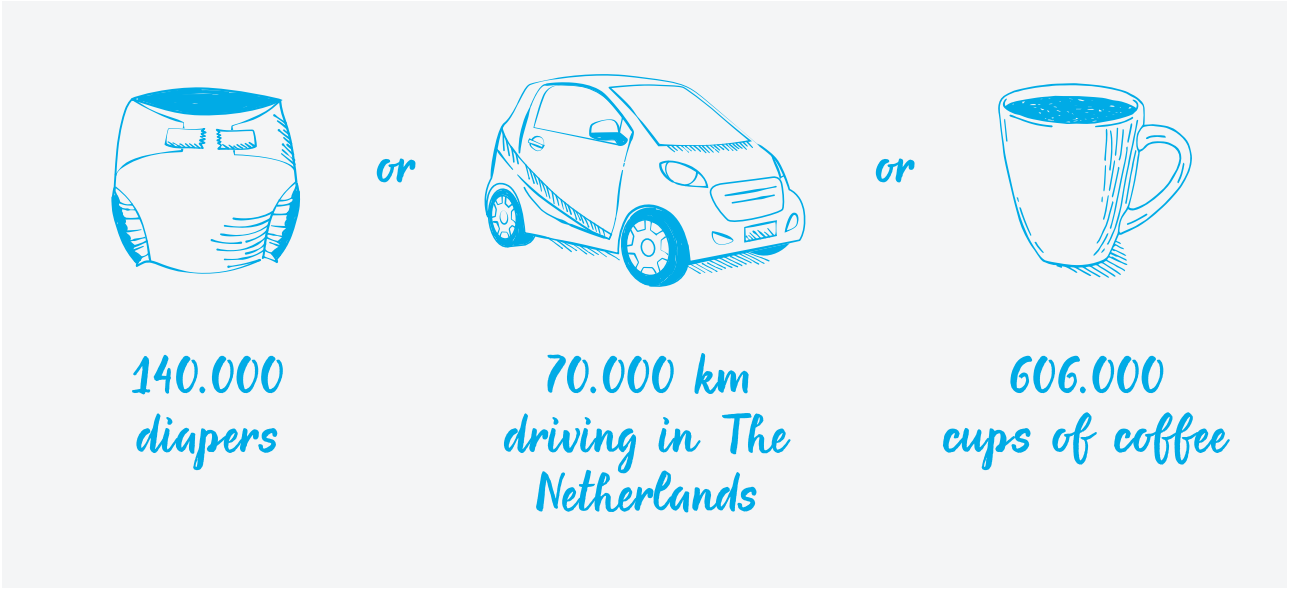

Figure 1: Less emissions per invested million euro in CO_2 equivalents

An external consultant report detailing the environmental impact of the Eligible Green Loan Portfolio as per December 31st 2020, 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 CO_2-emission that is 94.670 tons per year lower than the reference, which is a difference of 36%.
- Total energy consumption is calculated at 153 kWh/m2.
- Based on the official and calculated energy labels, buildings in the Eligible Green Loan Portfolio belong to the top 15% 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. At the end of 2020, our balance sheet was 59% climate-neutral and we therefore reached our interim target of 45%. This result is an improvement of 15 percentage points compared with the end of 2019 (44%) and is primarily driven by additional project financing and the purchase of climate bonds.

The measurement results are presented in a CO_2 balance sheet, see figure 2. Our balance sheet is climate neutral when our entire bank balance sheet causes as much CO_2 as we avoid, reduce or even take out of the air. We have been measuring and reporting on the steps we take towards a climate-neutral balance sheet since 2015. We present the measurement results in a CO_2 balance sheet. We will continue to increase the climate neutrality of our balance sheet by funding renewable energy projects and making our residential portfolio more sustainable.

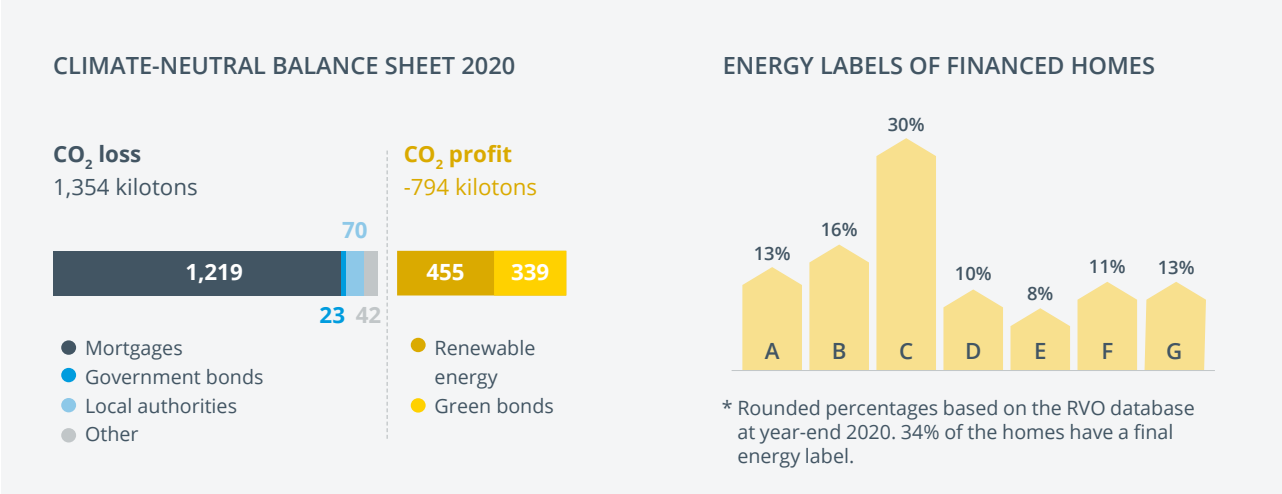

Figure 1: Climate Neutral Balance Sheet as per December 2020

The emissions of our bank balance sheet mainly comes from the high number of mortgages we finance. Our mortgage portfolio accounts for 1,219 kilotons of CO_2 emissions (2019: 1,180 kilotons). These emissions are based on 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, 29% have a home with energy label A or B.

For the homes with energy labels C to G, there is still much room for improvement through, for example, insulation and solar panels. Incidentally, a higher grade energy label does not mean that the energy consumption, and thus the CO_2 emission, is automatically reduced. For this reason, we are exploring options to calculate the CO_2 emissions of the residential portfolio on the basis of actual energy consumption data.

For instance, in May 2020 we cooperated with Statistics Netherlands (CBS) in publishing the actual energy consumption of the residential portfolios of de Volksbank and six other financial institutions for 2015 and 2016. We are presently exploring within the Partnership for Carbon Accounting Financials (PCAF) whether the currency and accuracy of this CBS survey can be improved, allowing us to use it in our calculations.

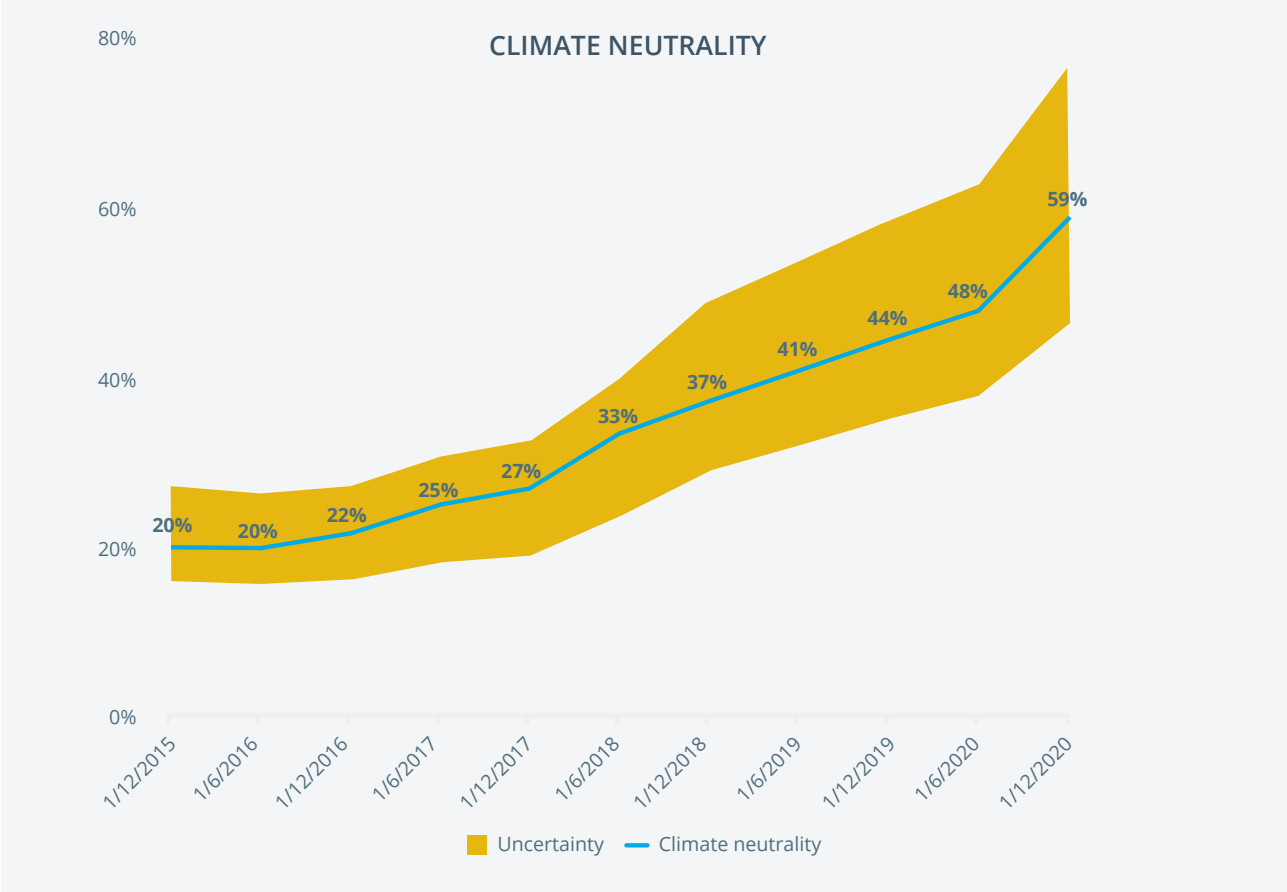

Figure 2: Progress on climate neutrality of de Volksbank ('15 –'20)

MEMO

Project: Impact assessment Eligible Green Loan Portfolio

Subject: CO_2-emission reduction calculation

Date: 31 March 2021

Status: Final

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 € 7,8 billion of assets, which is 15% of the € 48 billion mortgage portfolio of de Volksbank. The objective of this analysis is to demonstrate that the selected buildings belonged to the topmost 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 it its responsibility to contribute in a relevant and significant way to keep global temperature increase below 1.5 degrees Celsius. To support this goal, de 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 considers 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[2] 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 as it relates directly to their core business, because financed emissions of a financial institution are reported to be about a thousand times larger than their Scope 1 and 2 emissions combined[3].
The methodology works as a scale, measuring the climate impact of loans and investments in both CO2 emissions and avoided CO2 emissions[4]. At one side of the scale are positive climate impacts, i.e. investments that lead to avoidance of CO2 emissions, such as wind turbines and solar parks. On the other side are the negative climate impacts, i.e. investments that still lead to CO2 emissions, which can include sovereign bonds and small, medium enterprise (SME) loans and mortgages. The avoided emissions must equal the emissions in order to achieve a climate neutral balance sheet.

Energy efficient housing is the focal point in de 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.

An important part of sustainable living is green living. Living with awareness of sustainable use of materials and the energy performance of the house. We believe that we can contribute to this by focusing on making the housing- and construction sector more sustainable and by focusing specifically

[2] ASN Bank was the first bank in the world to engage in carbon foot-printing in 2007 for one of their sustainable investment funds. ASN Bank was also the first in the world to announce a climate goal in 2013 on its financed emissions involving their whole balance sheet.

[3] Rainforest Action Network, Bankrolling Climate Disruption: The Impacts of the Banking Sector's Financed Emissions

[4] The term 'CO2 emissions' refers to all relevant GHG emissions expressed in CO2-equivalents.

on sustainable housing solutions for private home owners. This vision is the common starting point for mortgage financing and services for our private customers.

Since 2015, fourteen financial institutions from the Netherlands, an initiation and under the leadership of de Volksbank's ASN Bank, have worked together to harmonize, develop and implement carbon accounting methodologies for eight asset classes. Both for risk indicators (effect of the world on you) or impact indicators (effect of you on the world), it is important to deduct the financed climate impact (CO_2 e) in a uniform and transparent manner. Since then, 83 financial institutions like Bank of America and Barclays, worldwide have joined forces to develop and implement open-source methodologies to measure the GHG emissions of all asset classes within their loans and investments portfolios. The global carbon accounting standard builds upon the GHG Protocol's technical guidance for calculating GHG emissions financed by loans and investments. The goal of PCAF is to have an international uniform, transparent and widely accepted methodology. "Follow the money" is a key principle of the global standard, i.e. the money should be followed as far as possible to understand and account for the carbon impact in the real economy. It includes scope 1, 2 and relevant categories of scope 3 of the investee.

Energy label comparison

Figure 1 shows the distribution of the energy labels of the Eligible Green Loan Portfolio and the energy labels in the Netherlands. In the Eligible Green Loan Portfolio, 100% of the objects have an energy label A. In the Netherlands, 19% of the residential buildings have a registered or provisional energy label A. Out of all buildings built in the Netherlands after 2002, 14,6% have an energy label A. Therefore buildings in the Eligible Green Loan Portfolio belong to the top most energy-efficient buildings of the Dutch real estate market.

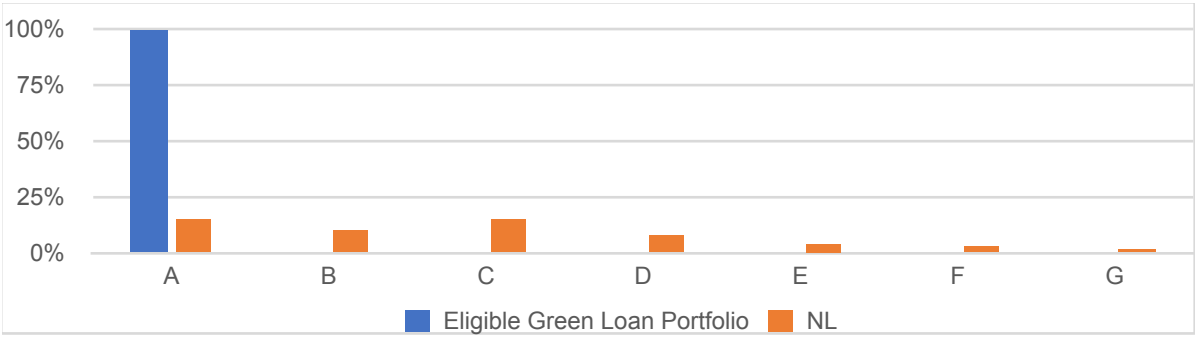

Figure 1: Distribution of energy labels in the Eligible Green Loan Portfolio and in the Netherlands

Methodology

Within this study the CO_2-emission of 35.416 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 at the 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 an undefined energy source should be used. The factor for electricity is updated regularly to reflect changes in the Dutch electricity mix. For 2020 measurements this leads to the following emission factors: 0,405 kg CO_2/kWh for electricity, and 1,785 kg CO_2/m^3 for natural gas.

Energy consumption

Table 1 shows the calculated energy consumption of the Eligible Green Loan Portfolio. Calculated energy consumption is 112 million kWh electricity each year and 70 million m^3 natural gas each year. The total calculated energy consumption is 153 kWh per m^2.

	Electricity consumption (kWh)	***Natural gas consumption (m^3)***
Consumption	112.292.378	69.870.813
Consumption per m^2	22	13

Table 1: Calculated energy consumption Eligible Green Loan Portfolio

CO_2-emission

Table 2 shows the CO_2-emissions of both groups, based on calculated energy consumption. The total CO_2-emission of the Eligible Green Loan Portfolio is 170.198 tons CO_2 per year. The Reference CO_2-emission is 264.868 tons CO_2 per year.

	CO_2-emission Eligible Green Loan Portfolio (ton CO_2)	***CO_2-emission Reference (ton CO_2)***	***CO_2-emission Reduction (ton CO_2)***
Residential building	*170.198*	*264.868*	*94.670*

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 94.670 tons per year lower than the reference, which is a difference of 36%.
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Fotografie: Dreamstime **Ontwerp:** subsoda