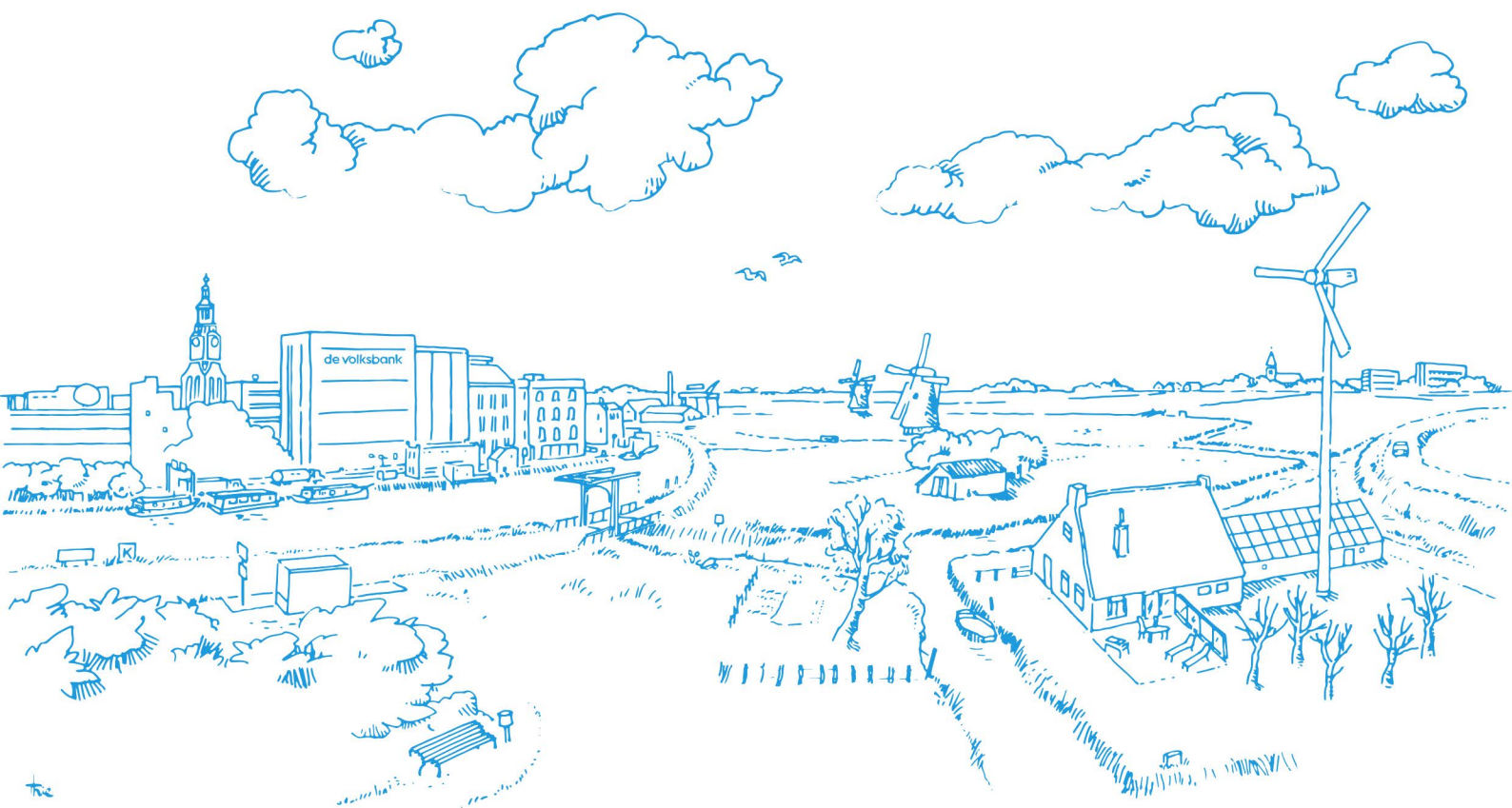


de volksbank

# Green Bond Framework

April 2019



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**DISCLAIMER 11**



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# 1.

## DE VOLKSBANK'S SUSTAINABILITY STRATEGY

## 1.1 INTRODUCTION

Boasting a history that stretches back to 1817, de Volksbank is a bank at the heart of society. Virtually all of its legal predecessors were savings banks for the common good (in Dutch called 'nutsspaarbanken' or 'bondsspaarbanken') -banks that were close to their customers thanks to their local character and social objectives. This history has been decisive for de Volksbank's unique profile as well as its strength, now shaped in a modern way.

De Volksbank is a bank with a focus on the Dutch market, offering clear and transparent mortgage, savings and payment products to private individuals. De Volksbank also offers insurance, investment and lending services through its brands and serves smaller companies in a retail manner while maintaining its strong liquidity profile and capital structure. De Volksbank is pursuing a multi-brand strategy with ASN Bank, BLG Wonen, RegioBank and SNS. Each of these brands has its own distinctive profile that meets the needs of its customer group. A single back office, a powerful IT organization and a central staff organisation allow de Volksbank to operate effectively and efficiently.

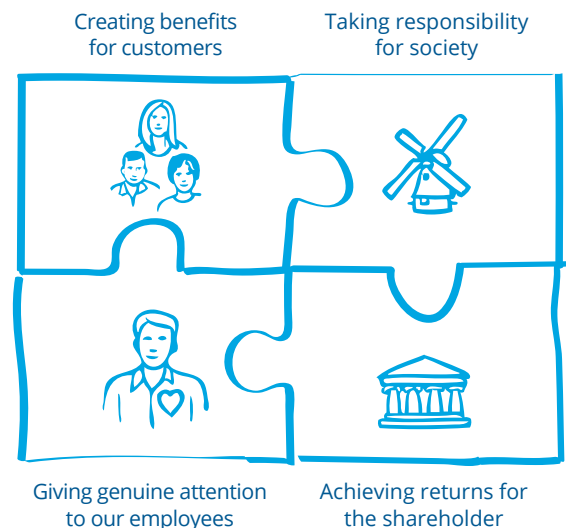
De Volksbank's mission – banking with a human touch – is described in a Manifesto and is geared to the public appeal to give meaning to helpful banking. A society that allows people to live confidently and full of optimism and to do the things that benefit the next generation – that is the kind of society de Volksbank wishes to contribute in. It is de Volksbank's *raison d'être*: to help every single individual – in a personal way – to be financially resilient, each in his own way.

Accordingly, reaching back to the social roots, de Volksbank is taking its responsibility to shape the banking trade based on what people really need. It means that its financial services are about benefit rather than return – about value rather than money. It particularly means that de Volksbank is sincere in putting its customers' interests first in order to safeguard fundamental things in life such as housing, education and a buffer for unexpected expenses, now and in the future.

De Volksbank also understands that the Netherlands today is very diverse and that each individual wants to be 'financially resilient' in his own way. That is why de Volksbank is a diverse family of brands: ASN Bank, BLG Wonen, RegioBank and SNS. Together, yet each in its own way, de Volksbank chooses to build a future based on the principle of sustainability. De Volksbank chooses to offer people insight, clarity and prospects in finance, to make 'good housing' accessible and to reinstate sincere personal contact as the cornerstone of banking. De Volksbank is continuously inspired to work closely with its customers and develop simple services that bring back the human dimension in finance. To live up to this mission, de Volksbank has formulated the ambition of optimizing shared value.

## 1.2 SHARED VALUE

By optimizing shared value de Volksbank serves the joint interests of customers, society, employees and shareholder(s). With its core activities de Volksbank creates benefits for customers, take responsibility for society, provide meaning for its employees and achieve returns for the shareholder(s). Below the creation of benefits and taking responsibility for society will be discussed in more detail.



In scope of the Green Bond Framework the shared values *benefits for customers* and *taking responsibility for society* are discussed below.

### BENEFITS FOR CUSTOMERS

In line with our ambition to be relevant and useful to customers by means of our various brands, we are a bank that makes customers feel at home, offers fair products and proactively contributes ideas. Each brand has its own distinct way of doing this.

- ASN Bank aims for sustainable progress by investing customers' money in projects and initiatives that benefit people, animals and nature.
- BLG Wonen aims to make housing affordable to people by being the most personal and expert financial services provider of the Netherlands. Together with independent advisers, BLG Wonen provides solid financial solutions.
- RegioBank aims to be close to its customers, both literally and figuratively, with the presence of 528 independent advisers in villages and small towns in the Netherlands.
- SNS aims to be a bank that comes up with clever ideas for ordinary Dutchmen about the management of their financial affairs.

### RESPONSIBILITY FOR SOCIETY

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.

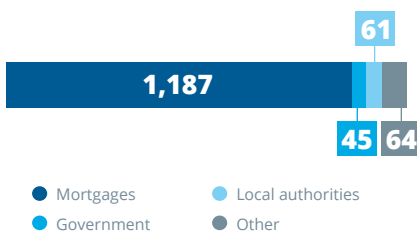
De Volksbank applies the carbon profit and loss methodology to calculate the climate neutrality of its balance sheet. The methodology was developed by ASN Bank<sup>1</sup> and Navigant in 2013 and expands on the Greenhouse Gas Protocol (GHG protocol) by providing guidance on the calculation of financed 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 hundred to a thousand times larger than the emissions from other scope 1, 2 and 3 sources combined<sup>2</sup>. This figure is in line with figures at de Volksbank, where financed emissions were 290 times larger than all other categories combined at year end 2017.

The methodology works as a scale, measuring the climate impact of loans and investments in both CO<sub>2</sub> emissions and avoided CO<sub>2</sub> emissions<sup>3</sup>. At one side of the scale are positive climate impacts, i.e. investments that lead to avoidance of CO<sub>2</sub> emissions, such as wind turbines and solar parks. On the other side are the negative climate impacts, i.e. investments that still lead to CO<sub>2</sub> 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.

**Climate-neutral balance sheet**

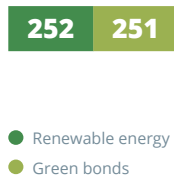
**CO<sub>2</sub> loss**

1,357 kilotons



**CO<sub>2</sub> profit**

-503 kilotons

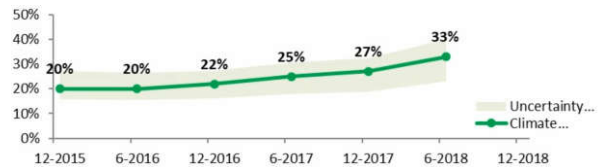


In 2017 de Volksbank set up the Climate Neutral Committee (CNC), chaired by the CFO of de Volksbank. The CNC determines how it wishes to achieve the climate neutrality goal. In addition, the CNC monitors progress, establishes actual figures and determines

<sup>1</sup> ASN Bank was the first bank in the world to engage in carbon footprinting 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.  
<sup>2</sup> Rainforest Action Network, Bankrolling Climate Disruption: The Impacts of the Banking Sector’s Financed Emissions,  
<sup>3</sup> The term ‘CO<sub>2</sub> emissions’ refers to all relevant GHG emissions expressed in CO<sub>2</sub>-equivalents.

the methodologies and policies. De Volksbank steers on its climate neutral target primarily by reducing its emissions caused by the mortgages it provides and increasing its investments in renewable energy projects it finances. Since the start in 2015 de Volksbank’s climate neutrality increased from 20% (YE2015) to 37% (YE2018).

**The progress of the Volksbanks' climate neutrality goal**



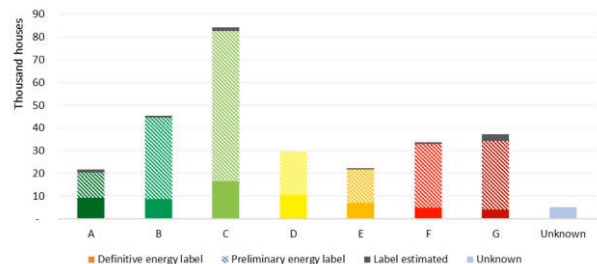
**Sustainable housing vision**

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.

**Energy label distribution of de Volksbank**

Energy label distribution of the mortgage portfolio. When both definitive and preliminary energy labels are not available, an conservative estimation can be made based on construction year.



The CO<sub>2</sub> emissions of our mortgage portfolio are calculated by linking the preliminary and definitive energy labels in a portfolio to national averages on gas and electricity consumption per energy label. About 8% of the mortgage portfolio consists of A energy labels. Even though this methodology is widely accepted and currently uses the best publicly available data, de Volksbank realizes it has its limitations. A better grade energy label does not necessarily mean that the actual energy consumption, and thus the CO<sub>2</sub> emissions of a home, is reduced. De Volksbank is

therefore investigating possibilities to improve the calculation methodology for mortgage portfolios by calculating the CO<sub>2</sub> emissions by means of average gas and electricity consumption data specific to a certain portfolio. At year end 2018 de Volksbank agreed with grid managers Enexis, Liander and Steding to receive the actual energy consumption of de Volksbank's residential portfolio in an anonymous form.

**Sustainable housing vision**

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.

Fourteen Dutch financial institutions participate actively in the platform by jointly developing open source methodologies to measure the carbon footprint of their investments and loans. The most recent report, from November 2018, describes methodologies and case studies for listed equities, project finance, government bonds, mortgages, corporate finance and real estate. The report is publicly available on the website of PCAF. PCAF is also part of the Dutch Sustainable Finance Platform, chaired by the Dutch Central Bank (DNB). The carbon profit and loss methodology and the experiences from over ten years of carbon accounting formed important input in the harmonized methodology that PCAF offers. As chair of PCAF, de Volksbank aims to replace the carbon profit and loss methodology by implementing the PCAF methodology.

**1.3 DE VOLKSBANK'S SUSTAINABILITY POLICY**

De Volksbank supports efforts which intend to put an end to processes whose harmful effects are shifted to future generations or foisted onto the environment, nature and vulnerable communities. Sustainability is paramount in all of de Volksbank's activities through the adoption of the strict sustainability policy developed by ASN Bank. The sustainability policy rests on three pillars: climate, biodiversity and human rights. The sustainability policy can be downloaded from [de Volksbank website](#).

De Volksbank has a strict investment policy; it takes human rights and the environment into consideration in all its activities. Starting from (inter)national guidelines and laws, de Volksbank intends not to invest in companies that (are complicit in and systematically) violate human rights or harm the environment. Independent institutions assess our policies and activities in the area of sustainability. With almost 60 years' experience in sustainable banking, de Volksbank's extensive sustainability policy has received very high marks from various parties.

**1.4 ALIGNMENT WITH UNITED NATIONS' SUSTAINABLE GOALS (UN SDGS)**

In 2015, countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). De Volksbank strongly acknowledges the importance of working towards a sustainable society in the broadest sense. De Volksbank Green Bond Framework advances the following SDG goals and targets:

Green Bond Principles	SDG	SDG GOAL	SDG Target description
Green Buildings		Sustainable cities and societies	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Climate neutral balance sheet		Climate Action	13 Take urgent action to combat climate change and its impacts

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# 2.

## DE VOLKSBANK GREEN BOND FRAMEWORK



The ICMA Green Bond Principles (GBP) are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. De Volksbank's Green Bond Framework follows the GBP 2018 which provides guidelines in the following key areas:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External review

This framework will be applied to any green bond issued by de Volksbank and may, from time to time, be updated for future issues.

## 2.1 USE OF PROCEEDS

The net proceeds of the green bonds issued by de Volksbank under this framework will be allocated to an Eligible Green Loan Portfolio of new and existing loans, defined below, that contribute to a climate neutral balance sheet through reduced or avoided emissions.

Because of de Volksbank's climate goal on its balance sheet, CO<sub>2</sub> emissions, both caused and avoided, is a key investment parameter for all investment decisions by de Volksbank.

The Eligible Green Loan Portfolio can include financing and refinancing to investments, expenditures and/or loans as defined in the following criteria:

- **Green buildings:** defined as buildings which meet the following criteria:
  - i. New or existing residential buildings with an Energy Performance Certificate (EPC) label "A" in the Netherlands
  - ii. Refurbished Dutch residential buildings with at least a 30% improvement in energy efficiency. De Volksbank may provide dedicated residential refurbishment loans.
- **Energy Efficiency:** Measures contributing to a more efficient use of energy, such as but not limited to:
  - Geothermal or Hybrid heat pumps
  - Alternative heating
  - Floor, wall and roof isolation
  - Energy efficient windows, doors and frames
  - Energy efficiency advisory
  - Energy storage
  - Energy efficient lighting such as LED

## 2.2 PROCESS FOR PROJECT EVALUATION AND SELECTION

De Volksbank requires that loans comply with official national and international environmental and social standards, laws and regulations. It is also part of de Volksbank's transaction approval process to ensure that loans comply with de Volksbank's sustainability policy<sup>4</sup>, including those financed with the proceeds of the Green Bonds.

Projects as proposed by various business areas of de Volksbank are evaluated and selected by de Volksbank's Climate Neutral Committee (CNC), based on compliance with the Eligibility Criteria brought forward in this framework. Chaired by the CFO of de Volksbank, the CNC determines how it wishes to achieve the climate neutrality objective for the bank balance sheet. In addition, the CNC monitors progress, establishes actual figures and determines the Carbon Profit & Loss Methodology. The CNC is composed out of representatives of the Treasury Department, Balance Sheet Management and Accounting, Reporting and Control, the director of ASN Bank, a sustainability process manager and a climate impact advisor of ASN Bank and the director of the Mortgage Competence Center. The CNC will approve any future updates to the Framework, including expansions to the list of Eligible Categories for future bond issues, and oversee its implementation. In identifying eligible assets (such as green buildings) and their non-financial impacts, de Volksbank may rely on external consultants and their data sources as well.

ASN Bank's Sustainability Expertise Center takes the lead in maintaining and implementing the investment policy and policies relevant to the climate impact to arrive at a climate neutral balance sheet by 2030 and in developing other human rights and biodiversity initiatives. Once every quarter, the results of the climate neutral balance sheet are discussed and approved by the climate neutral committee chaired by the CFO. Sustainable Housing and Financial Resilience have been assigned to the Marketing department. These eligibility criteria, minimum requirements and ESG related matters are continuously developed and reviewed in its external and internal policy frameworks.

## 2.3 MANAGEMENT OF PROCEEDS

The Green Bond Proceeds will be managed by de Volksbank in a portfolio approach. De Volksbank intends to allocate the proceeds from the Green Bonds to an Eligible Green Loan Portfolio, selected in accordance with the Use of Proceeds criteria and Evaluation and Selection Process presented above.

De Volksbank will strive, over time, to achieve a level of allocation for the Eligible Green Loan Portfolio which matches or exceeds the balance of net proceeds from its outstanding Green Bonds. Additional Eligible Green Loans will be added to de Volksbank's Eligible Green Loan Portfolio to the extent required.

Pending the full allocation of the Proceeds, or in case of an insufficient Eligible Green Loan Portfolio, de Volksbank will hold and/or invest, at its own discretion, the balance of net proceeds not yet allocated to the Eligible Green Loan Portfolio in its treasury liquidity portfolio, in cash or other short term and liquid instruments with a sustainable character (such as green and social bonds). De Volksbank CNC will review and approve allocations of bond proceeds to Eligible Green Loan Portfolio on at least an annual basis.

<sup>4</sup> The extensive guide on sustainability criteria of de Volksbank can be found on ASN Bank's website.

## 2.4 REPORTING

De Volksbank will make and keep readily available reporting on the allocation of net proceeds to the Eligible Green Loan Portfolio after a year from the issuance of the applicable Green Bond, to be renewed annually.

De Volksbank will report the allocation of the Use of Proceeds to the Eligible Green Loan Portfolio at least at the category level and on an aggregated basis for all of de Volksbank's green bonds. De Volksbank will also report on the progress of the climate neutral balance sheet, and the extent to which the green bond has contributed to the climate neutral balance sheet.

De Volksbank intends to align the reporting with the methodology proposed by PCAF as proposed in the latest report of December 2018; 'Harmonising and implementing a carbon accounting approach for the financial sector'.

### ALLOCATION REPORTING

The allocation report will provide, for each Eligible category:

- the total amount of proceeds allocated to Eligible Loans per category
- the number of Eligible Loans
- the balance of unallocated proceeds
- the amount or the percentage of new financing and refinancing

### ENVIRONMENTAL IMPACT REPORTING

De Volksbank commits to provide an annual non-financial impact report on climate impact associated to major categories of Eligible Loans, i.e.:

- For Green Buildings Eligible Loans on:
  - Estimated ex-ante annual energy consumption and energy saving in KWh/m<sup>2</sup>
  - Estimated annual financed emissions and avoided/reduced emissions in tons of CO<sub>2</sub> equivalents
- For Energy Efficiency Loans on:
  - Number of loans
  - Total amount committed
  - Examples and/or case studies of selected projects
  - If available, estimated avoided emissions in tons of CO<sub>2</sub> equivalent
- The contribution to de Volksbank's goal towards a climate neutral balance sheet
  - Estimated annual financed emissions and avoided emissions in tons of CO<sub>2</sub> equivalent
  - Contribution to the total annual financed emissions and avoided/reduced emissions in percentages

Both the allocation report as well as the impact report will be made available via the [de Volksbank website](#).

## 2.5 EXTERNAL REVIEW

### SECOND PARTY OPINION

De Volksbank Green Bond Framework has been reviewed by ISS-oekom who has issued a Second Party Opinion. The Second Party Opinion as well as the Green Bond Framework will be made available to investors through the [de Volksbank website](#).

### VERIFICATION

De Volksbank will request on an annual basis, starting one year after issuance and until maturity, a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its external auditor (EY or any subsequent external auditor).

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