

# de volksbank Climate Action Plan

Version February 10, 2023



## CEO statement

The importance of climate action can hardly be overstated. In many respects the unprecedented global warming lies at the very heart of the challenges we are facing today. Global warming is intricately related to the current energy crisis, it is making droughts, floodings and food shortages worse, it is entangled with the functioning of ecosystems and the loss of biodiversity, and it is even exacerbating social inequalities around the world.

Alarming reports from organisations, such as the IPCC, concur in a haunting conclusion: globally, we are not acting swiftly and decisively enough to halt global warming. Antonio Guterres, Secretary-General of the United Nations, summarised the current situation possibly best: “we are on a highway to climate hell with our foot on the accelerator”.

In fact, slowing down global warming is proving to be very difficult. This daunting fact means only one thing; we must step up our efforts to avoid burdening the next generations with the consequences of our inability to act. As a bank with a social identity that stretches back to 1817, we have been at the forefront of combatting climate change in the financial sector. We have been joined by like-minded financial institutions, for example in the Partnership Carbon Accounting Financials. Therefore, we have welcomed the Dutch Financial Sector Climate Commitment as an important collective call to action.

In a time of uncertainty, collaborative action is challenging to establish but essential for success. The Climate Commitment can be the collective effort in the financial sector to combat climate change, adapt to its consequences and to finance the energy transition. Although cooperation in the financial sector is very important, but it is even more important that our sector openly interacts with other economic sectors to really make progress. We need to keep incorporating scientific insights and expect to be more effective if governments establish clear frameworks.

It is a serious concern that people might be unequally affected in their daily lives by meaningful climate action. Basic human rights are fundamentally connected to our response to global warming. For instance, the transition to a climate-neutral economy has the potential to reduce inequality, but serious care is needed so as to not exacerbate it. We will pay genuine attention to the social impact of climate action.

We consider it our duty to strengthen our climate ambition and undertake bold action. Our response to this challenge is rooted in our strategy: we aim to create a positive social impact. Our sustainability policy has long been the cornerstone in this respect. Our Climate Action Plan is the next tangible step in expanding and intensifying our efforts: we need to do more and we need to do it faster. We intend to contribute significantly to collaborative efforts, we

will intensify our actions to reduce GHG emissions in our loan portfolio by offering (new) solutions to our customers and training of our staff. Furthermore, we maintain our efforts in renewable energy and will be exploring financial opportunities in carbon removal. We do all this to meet our objective of being net zero 2050, and earlier if possible.

I am confident that the execution of our Climate Action Plan will contribute to mitigating and adapting to climate change and its consequences, and that it will benefit our customers, society, the environment and our bank.”

On behalf of the  
Executive Board  
of de Volksbank,

**Martijn Gribnau**  
Chief Executive Officer





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## Summary

The world is facing a series of unprecedented risks. We hold the opinion that climate change and the loss of biodiversity are by far the most pressing risks that may have irreversible impacts on our society.

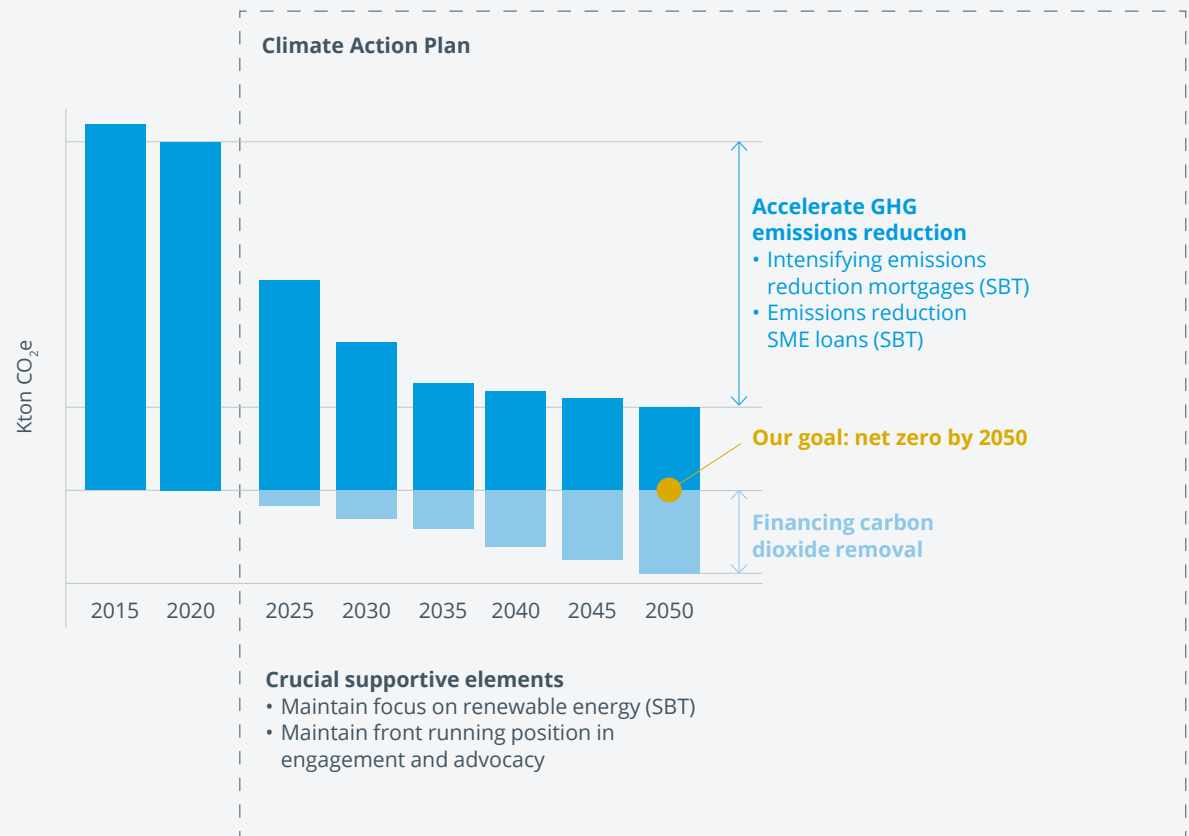
Although we made significant progress in combatting climate change in the last decade, we now understand that we need to step up our efforts to make more positive impact. We need to act faster and more inclusively.

In line with our 2022-2025 strategy ('a large proven social impact'), the main step is to raise the bar: with our Climate Action Plan we will embark on a path to alter our KPI from a climate-neutral balance sheet in 2030 into a net-zero balance sheet by 2050 by the reporting year 2024. Our impact on climate change is mainly through our loan portfolio (scope 3 – category 15 (investments)). To manage our mitigating actions, we will use the Mitigation Hierarchy as a framework, and we will act in the spirit of the evolving EU legislation, i.e. avoid causing adverse impacts and 'do no harm'.

The implementation of our Climate Action Plan will be integrated in our regular governance and decision-making processes, after a period in which a dedicated project team will have coordinated and supported the kick-off phase.

Our Climate Action Plan sets out how we want to step up our existing initiatives by eliminating and

### Schematic overview of our Climate Action Plan



reducing GHG emissions, and by contributing to the global phasing out of fossil fuels by increasing our investments in renewable energy, and how we will explore new investment opportunities to compensate for the remaining GHG emissions. However, first and foremost we will focus on the reduction in GHG

emissions in line with the Paris Agreement. In many aspects, 2023 will be the year for us to accelerate existing initiatives and develop and detail plans for new actions. We will flesh out intended actions and assign the responsibilities for their execution, as from 2024.

### We have already committed ourselves:

- To have a climate-neutral balance sheet by 2030 at the latest, with an interim target to become at least 75% climate neutral by 2025;
- And, according to the SBT methodology, to reduce scope 1 and 2 from operational GHG<sup>1</sup> emissions and to reduce scope 1 from fleet-related GHG emissions, to reduce our mortgage portfolio GHG emissions, both for the retail and SME mortgage portfolios, and that an increasing part of our corporate bonds portfolio by total value held will have set science-based targets.

### New commitments are:

- A net-zero balance sheet by 2050 ('net zero 2050')\*, and earlier if possible.
- To 2023 to more precisely assess the required actions, to gain a better understanding of the consequences and to make decisions for the years to come to realise our ambition. To do so, we will explore and decide on:
  - More detailed targets for implementing our net-zero 2050 plan and a KPI to reflect the importance of the ambition (from reporting year 2024 onwards);
  - How to further strengthen our organisation's efforts in making our (retail and business) customers aware of the need to reduce GHG emissions and the potential risks (of not acting) and benefits (of acting);
    - In addition, we will support them in finding the best solutions;

- We are also considering to educate and train our (customer-facing) staff and advisers more effectively;

- Reassessing all product and service proposals of the last couple of years with the aim to support our retail mortgage customers in reducing their energy consumption and GHG emissions of their homes by providing them with loans and advice.
- We found that relatively small adjustments in the credit position of a customer, e.g. to invest in energy-savings solutions, can lead to a disproportionate administrative burden, partly due to strict regulation. Together with our peers we will engage with legislators and supervisory authorities to seek appropriate solutions in this respect. We will actively engage in dialogue with peers on this matter.
- We will reassess the possibilities for our Sustainable Finance department to participate in a wider range of projects such as deal sizes, maturities and investment objects.
- Although the size of our current SME loan portfolio is limited, we will develop sector-based SBTs, especially since we foresee a growth of our lending activity in this market segment.
- Investing in projects and companies that are actually removing CO<sub>2</sub> from the atmosphere (removal) is new to virtually all financial institutions, including us. We will develop an

approach and assess the consequences for our bank with respect to our risk appetite, pricing models and capital allocation.

- We aim to have a portfolio that only consists of loans of corporate issuers, who have adopted SBTs (year-end 2021: 12%). Therefore, we will include a SBT criterium in our set of sustainability requirements as from the beginning of 2023.
- We aim to have completed all our assessments by the end of 2023. Based on the outcomes we will decide how we want to proceed on each specific action.

### Climate neutral and net zero

Climate neutral means emitted CO<sub>2</sub>e emissions are equalled by avoided or sequestered CO<sub>2</sub>e emissions.

Net zero means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for instance.

1. GHG = Greenhouse Gases.

\*) with clear targets for the period 2024-2050. We will publish the outcomes in our annual reporting cycle and adjust our actions and targets if required.

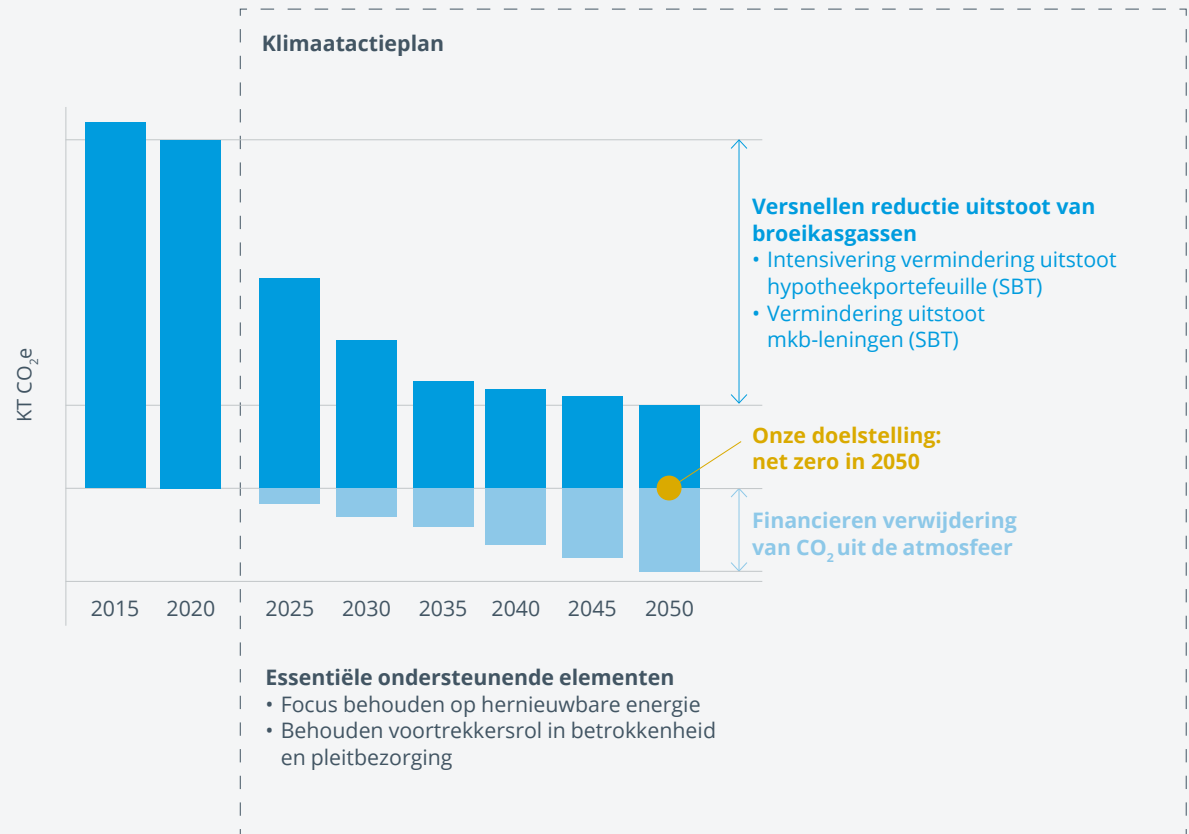
## Samenvatting

De wereld wordt geconfronteerd met een aantal risico's die hun weerga niet kennen. Klimaatverandering en het verlies aan biodiversiteit zijn naar onze mening de meest urgente risico's zijn die onomkeerbare gevolgen voor onze samenleving kunnen hebben.

Hoewel we de afgelopen tien jaar aanzienlijke vooruitgang hebben geboekt in de strijd tegen klimaatverandering, is het inmiddels duidelijk dat we onze inspanningen moeten opvoeren om meer positieve impact te maken; we moeten sneller en inclusiever handelen.

De belangrijkste stap is om, in lijn met onze strategie 2022-2025 ('een grote bewezen maatschappelijke impact'), de lat hoger te leggen: we gaan met ons Klimaatactieplan een traject in om in 2024 onze KPI te hebben aangepast van een klimaatneutrale balans in 2030 in een net zero balans in 2050. Onze impact op de klimaatverandering verloopt voornamelijk via onze kredietportefeuille (scope 3 - categorie 15 (beleggingen)). Om onze mitigerende maatregelen te sturen, gebruiken wij de Mitigatie-hiërarchie als kader, en zullen wij handelen in de geest van het zich ontwikkelende milieubeleid van de Europese Unie, dat wil zeggen negatieve effecten vermijden en geen schade berokkenen.

### Schematisch overzicht Klimaatactieplan



Na een periode waarin een speciaal projectteam de startfase heeft gecoördineerd en begeleid, integreren we de uitvoering van ons Klimaatactieplan in onze reguliere bestuurs- en besluitvormingsprocessen.

Ons Klimaatactieplan beschrijft hoe wij onze bestaande initiatieven willen intensiveren door de uitstoot van broeikasgassen te elimineren en te verminderen, en door onze investeringen in hernieuwbare energie te vergroten om zo bij

te dragen aan de wereldwijde uitfasering van fossiele brandstoffen. Maar ook hoe wij nieuwe investeringsmogelijkheden zullen verkennen om de resterende uitstoot van broeikasgassen te compenseren. Wij zullen ons echter in de eerste plaats richten op de vermindering van de uitstoot van broeikasgassen in lijn met het Klimaatakkoord van Parijs.

In veel opzichten zal 2023 voor ons het jaar zijn om bestaande initiatieven te intensiveren en plannen voor nieuwe acties te ontwikkelen en uit te werken. Vanaf 2024 zullen wij de geplande acties concretiseren en de verantwoordelijkheden voor de uitvoering ervan toewijzen.

#### Reeds gedane toezeggingen zijn om:

- Uiterlijk in 2030 een klimaatneutrale balans te realiseren, met een tussentijdse doelstelling om in 2025 ten minste 75% klimaatneutraal te zijn;
- Volgens de SBT-methodiek een vermindering van de uitstoot van broeikasgassen<sup>1</sup> afkomstig van alle bedrijfsactiviteiten (scope 1 en 2), van bedrijfsauto's (scope 1), en een vermindering van de uitstoot van broeikasgassen afkomstig uit onze particuliere en mkb-hypotheekportefeuilles te realiseren.

#### Nieuwe toezeggingen zijn om:

- In 2050 en eerder indien mogelijk een net zero balans (net zero 2050)\* te realiseren;
- In 2023 de vereiste acties nader te onderzoeken, beter inzicht te verwerven in de gevolgen en

beslissingen te nemen om deze ambitie de komende jaren te verwezenlijken. Daartoe zullen wij onderzoeken en beslissen over:

- meer gedetailleerde doelstellingen voor de uitvoering van ons net zero 2050 ambitie en een KPI om het belang van de ambitie weer te geven (vanaf verslagjaar 2024);
- hoe de inspanningen van onze organisatie te intensiveren om onze particuliere en zakelijke klanten bewust te maken van zowel de noodzaak om de uitstoot van broeikasgassen te verminderen als de potentiële risico's (van niet handelen) en voordelen (van handelen). Daarbij zullen wij:
  - onze klanten tevens ondersteunen bij het vinden van de beste oplossingen;
  - overwegen om onze (klantgerichte) medewerkers en adviseurs effectiever op te leiden en te trainen;
  - alle proposities op het gebied van producten en diensten van de afgelopen jaren opnieuw beoordelen met als doel onze particuliere hypotheekklanten te ondersteunen hun energieverbruik en de uitstoot van broeikasgassen van hun woning te verminderen door het verstrekken van leningen en advies.

- Wij hebben ondervonden dat relatief kleine aanpassingen in de kredietpositie van een klant, bijvoorbeeld om te investeren in energiebesparende oplossingen, tot onevenredig hoge administratieve kosten kunnen leiden, deels als gevolg van strikte wet- en regelgeving. Samen

met onze branchegeenoten gaan wij in gesprek met wetgevers en toezichthouders om hiervoor een passende oplossing te vinden. Wij gaan hierover actief in gesprek met branchegeenoten.

- De mogelijkheden (zoals transactieomvang, looptijden en beleggingsobjecten) voor onze afdeling Duurzame Financieringen opnieuw te evalueren om deel te nemen aan een breder scala van projecten.
- De volgende activiteiten op haalbaarheid te onderzoeken:
  - het ombouwen van kantoren en winkels tot woningen, waarbij materialen ter plaatse worden hergebruikt;
  - het isoleren van woningen met circulaire materialen;
  - het recyclen van energiebesparende producten met partners om restafval te voorkomen, grondstoffen te besparen en circulariteit te bevorderen, zoals recycling van zonnepanelen in samenwerking met partners.
- Specifieke SBT's voor het mkb te ontwikkelen, met name omdat wij een groei van onze kredietactiviteit in dit marktsegment voorzien, ook al is de omvang van onze huidige mkb-kredietportefeuille beperkt.

1. GHG = Greenhouse Gases.

\*) met duidelijke doelstellingen voor de periode 2025-2050. We publiceren de uitkomsten in onze jaarlijkse rapportagecyclus en passen onze acties en doelstellingen zo nodig aan.

- Een aanpak te ontwikkelen en de gevolgen voor de bank te onderzoeken ten aanzien van het investeren in projecten en bedrijven die daadwerkelijk CO<sub>2</sub> uit de atmosfeer verwijderen (compensatie). Dit is nieuw voor vrijwel alle financiële instellingen, en dus ook voor ons. Op basis daarvan zullen wij onze risicobereidheid, prijsstellingsmodellen en kapitaalallocatie vaststellen.
- Wij willen in 2050 een portefeuille hebben die uitsluitend bestaat uit leningen van corporate emittenten die SBT's toepassen (eind 2021: 12%). Daarom zullen wij vanaf begin 2023 een SBT-criterium opnemen in ons pakket duurzaamheidseisen.
- Eind 2023 streven we er naar om al onze onderzoeken te hebben afgerond. Op basis van de uitkomsten besluiten wij hoe wij verder willen gaan met elke specifieke actie.

### **Klimaatneutraal en net zero**

Klimaatneutraal betekent dat de uitgestoten CO<sub>2</sub>e gelijk zijn aan vermeden of opgevangen, verwijderde en opgeslagen CO<sub>2</sub>e-emissies.

Net zero betekent dat de uitstoot van broeikasgassen zo dicht mogelijk bij nul wordt gebracht, waarbij de resterende uitstoot weer uit de atmosfeer worden geabsorbeerd, bijvoorbeeld door oceanen en bossen.





# I. About de Volksbank



**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 -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, with ASN Bank as its frontrunner, was one of the first financial institutions to take responsibility in sustainable development, which has shaped our identity over the last decades. Nonetheless, we can develop and make more improvements. This report will shed more light on what we are doing well, and what can be improved.

### De Volksbank

De Volksbank is the fourth largest retail bank operating in the Dutch market, having nearly 3.5 million customers. Through our four brands (ASN Bank, BLG Wonen, RegioBank and SNS) we offer simple and transparent mortgage, savings and payment products to private individuals, self-employed persons and SMEs. We also offer insurance and investment products.

In addition, we provide loans to SMEs and we have a specialised unit that finance renewable energy projects.

ASN Impact Investors (AII) is an asset management company that operates independently under its own AIFMD and UCITS licenses. AII launched its first investment fund in 1993 and currently manages, primarily for retail customers, twelve different investment funds, which invest in companies, governments, microfinance institutions, green bonds and projects all around the world. Two funds have specific objectives to mitigate climate change (see page 24). All funds are marketed through a network of distribution partners.

Figure 1. Overview: Sustainability assessments

Rating agency	Type of rating	Assesment date	Rating	Scale (worst to best)
CDP	Disclosure on Climate Change Questionnaire	2021	B	D - - A
ISS ESG	Corporate Rating	2022	B (prime)	D-/1.00 - A+/4.00
MSCI	ESG Assesment	2022	AA	severe (100-40) - negligible (10-0)
Sustainalytics	ESG Risk Rating	2022	9.1	1 - 100

Figure 2. Some key figures (year-end 2021)



ASN Impact Investors has developed a separate Climate Action Plan in parallel with de Volksbank. In de Volksbank's Climate Action Plan the highlights from the All plan are included, to illustrate our aligned ambitions and goals.

De Volksbank aims to meet the specific financial needs of its customers in a people-oriented, efficient and sustainable manner. We have a clear mission: banking with a human touch. We achieve this by creating value for all our stakeholders: our customers, society, our employees and our shareholder. We aim for optimum shared value rather than maximisation of a single value and call this our shared value ambition. We monitor, measure - against specific objectives - and report on this shared value ambition for each stakeholder group.

## Our 2021 – 2025 strategy

Our 2021 – 2025 strategy entitled 'Better for each other – from promise to Impact' has two main objectives. In 2025, we want to be the bank with the strongest customer relationship in the Netherlands and a large proven social impact.

De Volksbank wants to stand out from its peers as the bank with the strongest customer relationship. Traditionally, our brands have their own focus and identity. Each brand focuses on a specific societal theme. ASN Bank's focus is on sustainability, BLG Wonen strives for an accessible housing market, RegioBank is committed to improving the quality of life of local communities, and SNS pays attention

to personal growth for everyone. Our customers recognise and sense our values, this offers us the opportunity to create strong relationships with them.

The second objective of our strategy is increasing our positive impact on society. By making our impact demonstrable and measurable, we can realise our goals and can be held accountable for it. We aim to enlarge our social impact across the board and reduce the negative impact. We do this by offering relevant propositions and by being a driving force in initiating, developing and coordinating actions with a clear impact on our customers, society and the environment.

Being an active member of the Principles for Responsible Banking (PRB) we aim to learn from, and support, other banks to contribute to solutions that benefit society.

By implementing our strategy we contribute to achieving the Sustainable Development Goals (SDGs). Our main activities and strategic objectives can make the largest long-term contribution to the following five SDGs<sup>2</sup> in particular:

- SDG 8: Decent work and economic growth. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
- SDG 11: Sustainable cities and communities. Make cities and human settlements inclusive, safe, resilient and sustainable;
- SDG 13: Climate action. Take urgent action to combat climate change and its impacts;

- SDG 15: Life on land. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss;
- SDG 17: Partnerships for the goals. Strengthen the means of implementation and revitalise the global partnership for sustainable development.

We do realise that developing solutions to tackle the climate crisis requires cooperation between relevant organisations. In 2015 and 2019 respectively, we were the initiators of the Partnership Carbon Accounting Financials (PCAF) and the Partnership Biodiversity Accounting Financials (PBAF) in an effort to align methodologies and increasing comparability.

De Volksbank is the first financial institution in the Netherlands with approved Science Based Targets (SBT) for our scope 1, 2 and 3 emissions. The latter includes emission reduction targets on mortgages (real estate), renewable energy (power), and investments covering relevant balance sheet categories.

<sup>2</sup> For more information on our contribution to the Sustainable Development Goals, see our Principles & Standards Report 2021.





## II. Responding to climate change: where do we stand?



**Our response to the climate crisis has largely been driven by intrinsic motivation. One of our brands, ASN Bank, has been a frontrunner in striving for a fair society and a flourishing environment since 1960. At the launch of its first sustainable investment fund, ASN Bank decided to not invest in fossil fuels at all, as part of a strict sustainability policy.**



Our response to the climate crisis has largely been driven by intrinsic motivation. One of our brands, ASN Bank, has been a frontrunner in striving for a fair society and a flourishing environment since 1960. At the launch of its first sustainable investment fund, ASN Bank decided to not invest in fossil fuels at all, as part of a strict sustainability policy.

In 2017, de Volksbank as a whole adopted ASN Bank's sustainability policy. We believe in contributing to a more sustainable world by selecting our investments carefully. We have decided to exclude investments in various activities such as arms, fossil fuels, nuclear energy, tobacco, gambling, pornography, genetic modification, fur, leather and feathers. For a significant number of other activities we avoid investments in the transport sector, financial services, agriculture and mining, unless these activities meet our very strict criteria.

Moreover, our aim is to invest in activities that contribute to solutions and that support society (such as inclusion, housing) and the environment (such as wind and solar energy projects).

Climate, biodiversity and human rights are the pillars of our sustainability policy. In general, our sustainability policy is the foundation for the way in which we operate and thus also for our Climate Action Plan.

We consider climate change and the loss of biodiversity to be amongst the biggest threats mankind has faced. The threats of irreversible outcomes are huge on their own, but due to the intense interaction between the two, the complexity increases even further. Therefore, we fully support the worldwide ambition to limit global warming and we initiate and participate in initiatives that enable the energy transition and the protection and restoration of biodiversity and ecosystems.

Naturally, we have committed to the Dutch Financial Sector Climate Commitment.

In line with our mission and corporate strategy we are ambitious in this respect. We are convinced that mitigating climate change and adapting to its consequences will benefit society, our customers and our organisation.

We are currently witnessing a rapid increase in attention to climate change-related issues by supervisory and regulatory authorities, which is shaping global climate action: a welcome and important development.

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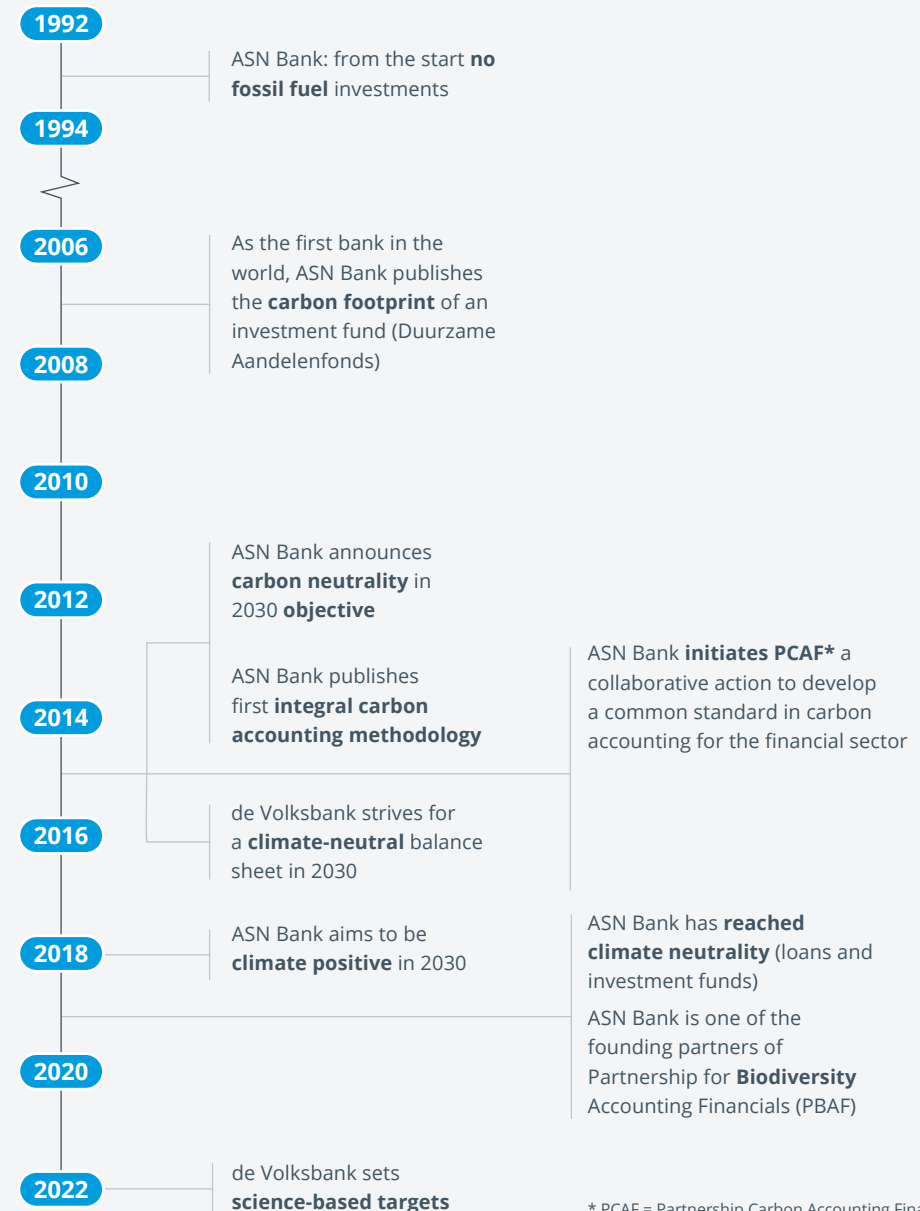
3. We avoid companies that operate in the mining industry. This involves owners of mining companies and companies that manage mining activities. The starting point is that we avoid companies involved in the extraction of non-renewable primary raw materials. But in exceptional cases (e.g. raw materials that are essential for sustainability) we can invest in leading mining companies that meet all our criteria in the areas of human rights, climate change and biodiversity. In practice, we have yet to encounter such mining companies.

However, initiatives such as the EU Taxonomy may in our opinion turn out to be less effective and inherently flawed. One example of this is the inclusion of nuclear energy and natural gas as potentially 'green'. We diametrically oppose the classification as neither one can be seen as sustainable. It degrades the potential of regulatory initiatives such as the EU Taxonomy and the Pillar 3 ESG risks.

We want to move faster than the legislators. We illustrate our determination in this respect by two examples: our founding roles in the PCAF and PBAF, and ASN Impact Investors being the first organisation to launch a biodiversity investment fund available for retail customers focused on biodiversity conservation and recovery. These examples also reflect the connections between climate change and biodiversity and the necessity to act on both issues.

**We want to  
move faster than  
the legislators**

Figure 3. Historical overview of our climate mitigation efforts



\* PCAF = Partnership Carbon Accounting Financials



# 1. Our initial strategic objective: a climate-neutral balance sheet by 2030

We are committed to make a positive contribution to society and the environment. This implies that we will direct our efforts towards the largest impacts first. As far as climate change is concerned, it is obvious that virtually all of the GHG emissions are generated through our loan portfolio, so it makes sense that we remain focused on helping our customers reduce their emissions.

**Back in 2015 we set ourselves the goal of having a climate-neutral balance sheet by 2030 at the latest, and an interim goal of at least 75% climate neutrality by 2025.**

In our definition, our balance sheet is climate neutral if all of our loans and investments avoid or remove as much GHG emissions as we emit. In this context, we also speak of financed emissions and avoided emissions.

4. ASN Bank, one of our brands, reached a carbon-neutral balance sheet in 2019 and aims to be net zero in 2030. ASN Impact Investors aims to be net zero in 2030 as well.

As we were pioneers in this field, we coined the terms climate neutral and climate positive. The latter implies that we will be removing more carbon dioxide from the atmosphere than we are emitting through our loan portfolio. Hence, climate positive goes beyond what is nowadays understood as 'net zero'. We have measured and reported the steps we have taken towards a climate-neutral balance sheet since 2015. By year-end 2021, we stood at 55% of avoided emissions compared to the total emissions of our customers' loans.

Our current strategic objective to have a climate-neutral balance sheet consists of an estimation of

the emissions avoided with our activities and the emissions caused by us. These calculations are based on the PCAF methodology and cover scope 1, 2 and 3 emissions.

Our climate-neutral balance sheet is an instrument that helps us manage the emitted and avoided emissions that we finance.

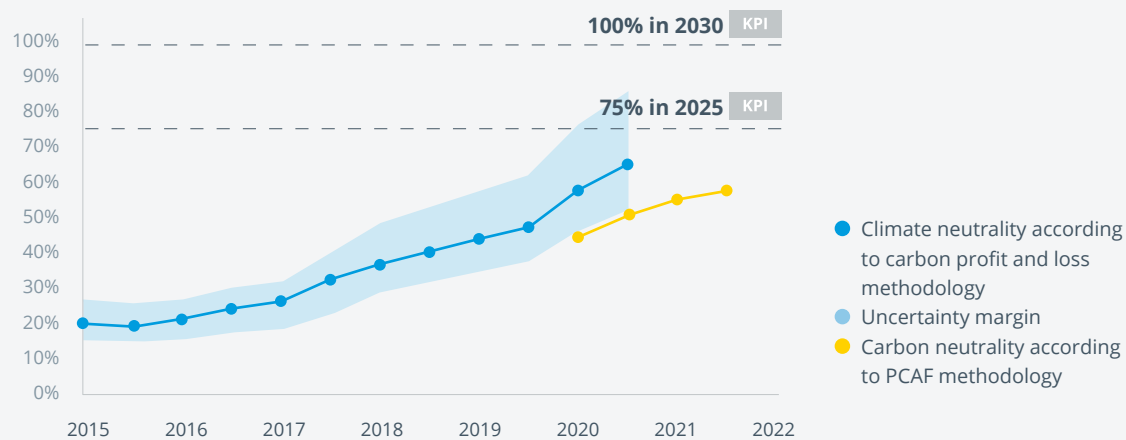
We increase the climate neutrality of our balance sheet by investing in green bonds, funding of renewable energy projects and making our residential portfolio more sustainable.

## 1.1 GHG emissions and goals of our business operations

Compared to all the assets on our balance sheet, the total CO<sub>2</sub> emissions of our offices and mobility account for only 1%. Nevertheless, we do not consider our sustainability ambition credible without sustainable business operations. Our business operations have been net zero since 2013 as we have compensated for our GHG emissions since that time.

Our current climate-neutral balance sheet by 2030 will remain an interim target for us. The core element of our approach is GHG reduction. We have committed ourselves to operate according to the

Figure 4. Heading for a climate-neutral balance sheet by 2030



Note: All relevant assets are included in the calculation of the climate-neutral balance sheet. Out of scope are cash and derivatives, which do not have real world impacts.

Figure 5. Emissions from our business operations

Gross CO<sub>2</sub>e-emissions in kilotons

2021	2020	2019
4,448	6,070	7,621



SBTi, which includes our own business operations. We apply absolute and relative reduction objectives.

We are committed to reducing absolute scope 1 and 2 from operational GHG<sup>5</sup> emissions by 45% by 2030.

## 1.2 Our financing activities: GHG emissions and goals

The vast majority of GHG emissions fall into the so-called scope 3 – category 15 emissions (investments), which are mostly the result of our financing activities. Our sustainability policy excludes and avoids financing GHG-intensive sectors and companies, such as fossil fuel companies. Nonetheless, our mortgages, corporate loans and other assets do account for a significant amount of GHG emissions.

**Figure 6. Breakdown of our scope 3 – category 15 emissions (investments)**

Asset class	Financed emissions (scope 1, 2 and 3) in ton CO <sub>2</sub> e	Avoided emissions in ton CO <sub>2</sub> e	Net emissions in ton CO <sub>2</sub> e	Economic emission intensity (t/M€)	Data quality score *
Business loans	51,262	-	51,262	11.7	4.7
Unlisted equity	2	-7	-5	0.2	2.8
Listed equity	-	-	-	-	-
Corporate bonds	53,903	-422,616	-368,713	21.8	2.8
Sovereign bonds	18,232	-	18,232	5.6	5.0
Commercial real estate	-	-	-	-	-
Mortgages	1,208,916	-	1,208,916	24.8	2.0
Project finance	9,162	-319,211	-310,050	10.7	3.1

\* A lower data quality score indicates a better data quality (1 to 5 scale).

### A. Sustainable housing

De Volksbank's balance sheet largely consists of (retail) mortgages. We understand that housing has an impact on the climate and that is why we consider it our responsibility to encourage homeowners to make their homes energy-efficient, and why we help them do so. For our customers it would be increasingly financially attractive and it would enhance their comfort of living.

Our efforts on limiting the impact of the mortgage portfolio on climate change is based on two key elements, namely advising on and supporting our customers on the:

- reduction in energy consumption (insulation, better appliances);
- substitution of energy sources (solar panels and solar heat).

Both, if possible, in combination with other benefits such as green roofs. The latter having a

5. GHG = Greenhouse Gases.

small, positive impact on biodiversity as well. A crucial prerequisite for us is that our solutions are affordable for all.

**We are committed to reducing our mortgage portfolio GHG emissions by 59% per square meter by 2030 (taking 2020 as the base year).**

As far back as 2016, we took several new initiatives on sustainable housing. Helping homeowners to make their homes more sustainable is something that we consider to be in line with our broader integral customer approach and this is key in realising our ambition to reduce emissions. From 2016 onwards, we have taken numerous actions to

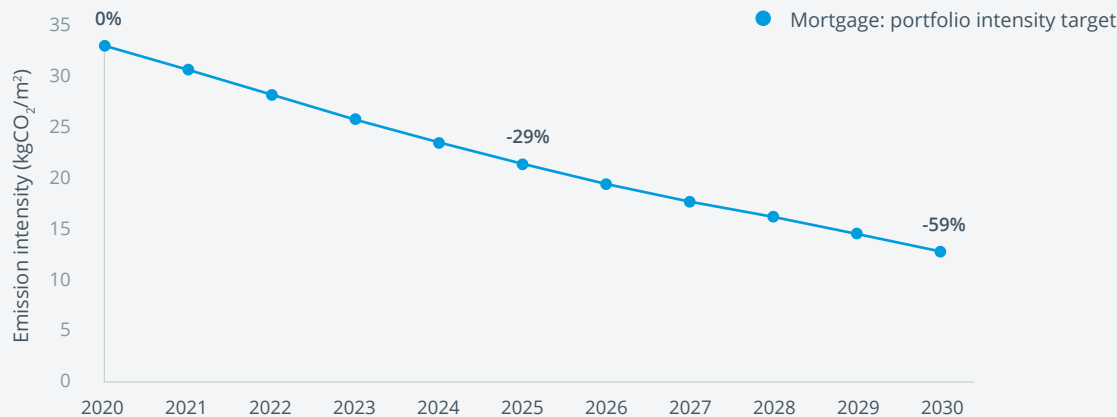
make our customers aware of the benefits of making their homes more sustainable, some examples of which are:

- mailings;
- different cooperative agreements with specialised partners offering our customers discounts on specific energy-savings solutions;
- events for internal and external audiences (awareness raising, information transfer and stimulation);
- the incorporation of sustainability as standard element in customer meetings, after having educated and trained our financial advisers on this subject);
- launching websites (developed in cooperation with partners) offering concrete advice and

personalised solutions, such as the *Slimwoner* (smart living) and *Woningverbetersaars* (home improvers) websites.

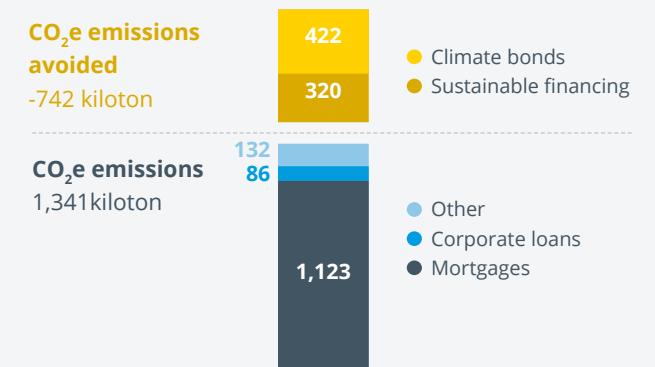
We keep looking for new ways to step up emissions reductions for homes. ASN Bank plans to give a new boost to the sustainability measures implemented in existing homes. The climate has a lot to gain from simple measures in existing, older houses that are not very energy efficient. Aiming to make sustainability measures in these houses accessible and affordable to everyone, we want to remove the financial barriers: customers can take out an ASN sustainable housing loan at a low interest rate simultaneously with their ASN mortgage.

**Figure 7. Mortgage portfolio intensity target<sup>6</sup>**



6. An intensity target is a normalised metric that sets an organisation's emissions target relative to an economic or operational variable. Intensity targets allow an organisation to set emissions reduction targets while accounting for economic growth

**Figure 8. Impact of mortgage portfolio on our climate-neutral balance sheet**



## Three recent examples

In 2022, we ran four major campaigns to provide customers with a concrete offer of sustainability measures. In January, we launched the 'heating test' in collaboration with our partner 'Stichting Milieu Centraal', "the practical guide for sustainable tips and advice". This campaign focused on testing whether a home had adequate insulation for a hybrid or electric heat pump. Over 650 customers participated in the heating test. Some of these homes were not yet ready to go off natural gas. We helped these homeowners with an insulation offer through our home-improvement platform Woningverbeters.nl. We raffled off 5 vouchers of €2,000 worth of insulation measures in cooperation with partner *Natuur & Milieu*, an environmental organisation that works on solutions to climate and nature problems in the Netherlands.

In April, we launched the campaign focusing on green roofs. Customers received a 15% discount on the purchase of a green roof through partner Het Groene Loket, a provider of green roofs which supports homeowner (groups) in realising neighbourhood initiatives. If they made this request with neighbours, they received an extra discount on delivery and installation. Almost 600 customers responded to this offer by requesting a quote and over 100 customers proceeded with installation.

Throughout the year, the brands of de Volksbank communicated about solar panels at different times. From February to the end of June, customers thereby received a €20 discount per solar panel through our installation partner. Because of the energy crisis, our brands again approached our customers about solar panels and insulation measures at the end of summer. This time, the message was not about a discount, but the message was that our installation partner was able to supply and install the solar panels; something not so obvious in a market with global shortages and supply problems. This led to 1,157 quotation requests for solar panels and 552 quotation requests for insulation measures.

## B. SME loans

In 2017 we assessed our SME portfolio, when the ASN Bank Sustainability Policy entered into force for de Volksbank as a whole. We examined which activities were not compliant with the sustainability policy, such as activities in fossil fuels.

We ended the relationship with customers, if they were involved in non-compliant activities. But only if it was feasible for them to end the activities or they were able to transfer the banking services to another bank. In all other cases, we continued the existing relationships as we felt - and still feel - that we cannot force business customers into financial and personal distress as a result of losing their source of income due to our (i.e. unilateral) changes in the conditions of an existing agreement.

Obviously, after implementing the sustainability policy for SMEs, we have not offered any loans to prospects in activities that we exclude.

Some businesses in which we invest have opted for changes in the way they are conducting their businesses. We are keen to support them in their ambition and transition towards climate-neutral business operations.

**In line with our retail mortgage portfolio we are committed to reduce our mortgage portfolio GHG emissions by 59% per square meter by 2030 (taking 2020 as the base year) for our SME portfolio as well.**

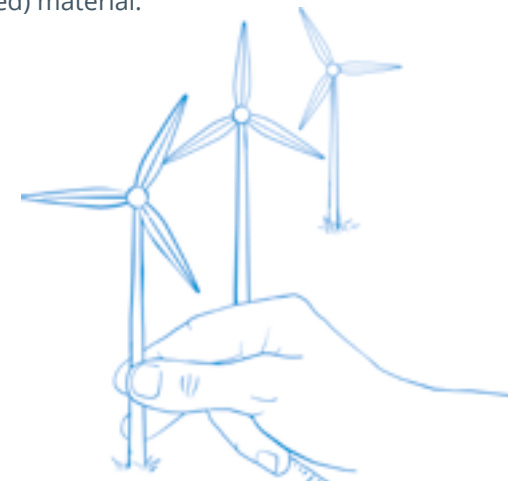
## C. Project Finance

The ASN Bank Sustainable Finance department (ASN SF) aims to positively contribute to both our climate change mitigation goals, i.e. through GHG emission avoidance and negative CO<sub>2</sub> emissions. We are financing several types of GHG emission-avoiding activities, mainly within the renewable energy sector.

The following are some examples of emission-avoiding activities that we finance:

### Wind turbines, solar parks and biomass

ASN SF has played a prominent role in financing projects which avoid GHG emissions such as wind turbines and solar parks. ASN SF plans to continue financing projects in these sectors and envisages growth of its international portfolio through further international expansion across Europe. Under very strict conditions we finance biomass projects too, although we exclude wood, manure and palm-oil-(related) material.



### SeaMade Wind Farm

ASN Bank started to finance wind turbines located 40-50 km in the North Sea off the coast in Belgium in 2018. This wind farm consists of 58 turbines, which together avoid more than 500 kilotons CO<sub>2</sub>e emissions on an annual basis. ASN Bank's share is 48 kilotons CO<sub>2</sub>e emissions.

### Green energy from newer technologies

ASN SF aims to continue financing new green energy technologies such as solar thermal, residual heat utilisation and transmission, geothermal energy and synthetic sustainable fuels.

### Eteck Energy – Aquifer Thermal Energy Storage

At year-end 2021, we invested approximately € 22 million in Aquifer Thermal Energy Storage (ATES). One of ATES' customers is Eteck, which uses cold and/or warm groundwater stored in aquifers to heat/cool homes and offices. The loans from Eteck contributes to 2 kilotons avoided CO<sub>2</sub>e emissions. Over the next few years, we will strengthen through additional financing, thus ensuring that more funds will go into CO<sub>2</sub>-reducing installations.

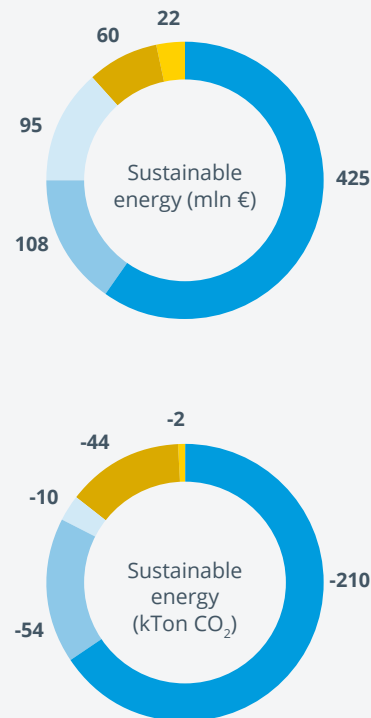
### Energy storage

In the transition to clean energy, one of the current challenges is shortage of clean energy during peak hours. To stabilise the energy grid and to gradually phase out fossil fuels, energy storage is a key ingredient to a successful energy transition and it is enabling further GHG avoidance.

### iWell – energy storage

As from 2022, ASN Bank finances large batteries that can store energy made by iWell, enabling the energy grid to remain stable as the proportion of fluctuating sources of energy such as solar and wind energy, is increasing. Therefore, battery storage technologies play a substantial role in facilitating and enabling the energy transition.

**Figure 9. The portfolio of sustainable energy projects amounts to € 710 million and avoids 320 kilotons of CO<sub>2</sub>e emissions (year-end 2021)**



- Wind energy
- Energy efficiency
- Solar energy
- Biomass
- Seasonal thermal energy storage

### D. Bank's capital

De Volksbank aims to remain a reliable and sound financial institution. We manage the bank's capital carefully. We have been paying special attention to the application of strict sustainability criteria to the investments of our capital since 2017, thus limiting the number of countries, companies and other organisations that are eligible for investment. We have a preference for investing our capital in green bonds.

We are committed that an increasing part of our corporate bonds portfolio by total value held will have set science-based targets.

As for our funding, we also aim to optimise the impact on society. We increased the portion of green bonds<sup>7</sup> from 22% in 2020 to 31% of total capital market funding mix (nominal) in 2021.

7. All green bonds comply with our strict sustainability policy. In addition, it is recommended that the green bonds comply with the Green Bond Principles and it is desirable for green bonds to comply with the Climate Bonds Initiative.





## 2. We do more than just banking

As stated before, our main impact on climate change is through our investments. However, we are convinced that we need to do more than providing banking services. Therefore, we have been trying to engage with others to find common ground in areas that may not necessarily be our core business, but are strongly related to our banking activities. To make progress on sustainability challenges, we have an open mind for collaboration with relevant stakeholders.

### 2.1 The importance of measuring

Our approach and methodologies are data driven. We believe it is important to have good-quality data, i.e. data that is accurate, systematically gathered, timely, based on identical definitions. We apply widely accepted methodologies. It is hard to achieve this on your own. As we understand the need for collaboration, we have initiated some collaborative actions (PCAF and PBAF).

#### A. Carbon Accounting (PCAF)

In 2015, on the initiative of ASN Bank, the Partnership Carbon Accounting Financials<sup>8</sup> (PCAF) was set up in cooperation with thirteen other Dutch financial

<sup>8</sup> In the early days, the PCAF was an abbreviation for Platform Carbon Accounting Financials.

institutions. The initiative was launched via a Dutch Carbon Pledge calling on the negotiators at the Paris Climate Summit in 2015 to take ambitious steps. While the committed financial institutions take their share in delivering an essential shift to a low carbon economy, starting with measuring and disclosing the GHG emissions of their loans and investments.

Since then, more financial institutions from the Netherlands 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. In 2018, the PCAF expanded to North America. In 2019, leaders of 28 banks of the Global Alliance for Banking on Values (GABV) decided to assess and disclose the GHG emissions of their loans and investments by using the PCAF approach.

Due to the global financial institutions' increasing interest in the transparent and harmonised assessment of the GHG emissions of their loans and investments, ABN AMRO, Amalgamated Bank, ASN Bank, the GABV and Triodos Bank decided to expand the initiative globally.

## We want to contribute to society by putting effort in activities that go beyond banking

By now, 322 financial institutions have committed to measure and disclose the GHG emissions associated with their portfolio. Currently, their combined assets amount to US\$ 80.6 trillion.

We consider our initiating role as a successful example of the way in which we want to contribute to society by putting effort in activities that go beyond banking. Now that the PCAF has such wide support, we have opted to play a more modest role to be able to focus on other pressing challenges in relation to environmental and social issues.

### B. SBTi

The SBTi is complementary to our approach of a climate-neutral balance sheet: the initiative gives an indication of the speed and extent to which we need to reduce CO<sub>2</sub>e emissions from our own business operations and our main portfolios. In collaboration with Guidehouse, a consultancy firm with capabilities in sustainability, we have set targets for our buildings and car fleet, mortgage portfolio and renewable energy portfolio. The targets are ambitious and in line with a 1.5 degrees Celsius scenario, based on the International Energy Agency's Net Zero Emissions by 2050 scenario. We will update the targets on an annual basis and report on the progress in our annual report.

### C. Improving climate impact measurements in housing

To measure progress in reducing the impact on climate change, mortgages make up the largest

portion of our loan book. It is crucial to have accurate data. In 2017, we estimated the climate impact of homes by means of energy efficiency ratings. We were aware that the energy efficiency rating of a home and the actual energy consumption might differ significantly. For this reason, we investigated ways to recalculate the GHG emissions of the residential portfolio on the basis of the actual energy consumption data. In 2019, we held discussions on this subject with Statistics Netherlands and Dutch grid managers on the supply of data at portfolio level. Since 2021, thanks to the cooperation with three grid operators, we have received anonymised energy consumption data of the customers in our residential mortgage portfolio: covering 89% of the gas consumption data and 93% of the electricity consumption data. This allowed us to make a much more accurate estimation of the GHG emissions of our portfolio. We apply the same approach to our SME customers.

Compared with the calculation based on energy efficiency ratings, we now attribute an additional 94 kilotons CO<sub>2</sub>e emissions to this portfolio, i.e. an increase of around 9%.

### D. Biodiversity Accounting (PBAF)

Climate change – besides land use change, overexploitation and pollution - is one of the main threats to the loss of nature and biodiversity, while we need this same biodiversity to counteract climate change. After all, forests, peatlands, soil and oceans are key in the absorption of CO<sub>2</sub>. Biodiversity is

indispensable to mankind as it provides us with food, clean water, clean air, building materials and even natural substances for the development of many medicines.

Our buildings have a relatively small impact on biodiversity compared with the impact of our investments and loans in projects, countries and companies. Our aim is to prevent further biodiversity loss and contribute to biodiversity gain. That is why we want our investments and loans to have a net positive impact on biodiversity, i.e. an impact that is overall more positive than negative, by 2030. We aim to achieve this by reducing our negative impact on biodiversity by investing in nature development and restoration, renewable energy and the circular economy.

In light of this ambition, de Volksbank co-launched the Partnership for Biodiversity Accounting Financials (PBAF) in 2020 and signed the Finance for Biodiversity Pledge, thus contributing to the restoration and protection of ecosystems. ASN Bank aims to be one of the frontrunners on the theme of biodiversity and an active member of the Biodiversity Working Group of the Platform for Sustainable Financing of the Dutch Central Bank.

## CO<sub>2</sub> compensation: the financial uptick by investing in biodiversity

Biodiversity and ecosystems are under pressure, virtually all over the world. This may have huge impact on the stability of the global ecosystem, including our food provision, and the climate.

One of the most promising ways of mitigating climate change, apart from reducing carbon emissions, is withdrawing CO<sub>2</sub> from the atmosphere by using the absorption capacity of nature. This can be done by investing in forests, regenerative agriculture, etc. So, by investing in ecosystems in a well-thought-out way, we may be contributing to solving two problems at once!

This sounds promising. Investors tend to be cautious, however. For many of them the potential financial return of investing in nature-based CO<sub>2</sub> compensating projects does not provide sufficient certainty. The least uncertain element of the financial return is related to the returns on carbon offsets. There is a relatively mature carbon market and, consequently, a fairly reliable pricing mechanism. Other benefits of investing in nature can be valued in monetary terms as well, but there are hardly any markets due to the unique nature of the investment objects.

### CO<sub>2</sub> compensation 2.0: ecosystem services

Nature-based investments are in fact investments in ecosystem services. Ecosystem services are defined as 'the direct and indirect contributions of ecosystems (biodiversity and nature) to human wellbeing'. These services may be classified as:

- Provisioning services such as products or resources that can be harvested or extracted from ecosystems (e.g., food and raw materials);

- Regulating services (ecosystem processes that maintain environmental conditions beneficial to individuals and society such as climate regulation, air quality, flood protection, biological control, pollination);
- Habitat services, i.e. protecting a minimum area of natural ecosystems to allow evolutionary processes needed to maintain a healthy gene pool and by providing essential space in the life cycle of migratory species;
- Cultural services bringing experiential and intangible benefits such as spiritual enrichment, cognitive development, recreation, aesthetic enjoyment, and the appreciation of the existence of diverse habitats and species.

So investing in nature generates more return in money terms than carbon credits alone.

To mitigate climate change and to protect and enhance biodiversity, it is crucial for investors to get better insights in the (financial) benefits of financing nature-related projects. ASN Bank has commissioned the Foundation for Sustainable Development (FSD) to assess four different projects around the globe on their financial impacts<sup>9</sup>. The first estimates of financial return have been calculated by means of the Ecosystem Services Value Database. It is an initial step to get a better understanding of nature valuation in specific circumstances. It gives some tangible substance to the statement of Frans Timmermans, Vice President of the European Commission, in which he introduced the new Nature Restoration Law on 22 June 2022: "Investment into nature restoration adds € 8 - € 38 in economic value for every € 1 spent, thanks to the ecosystem services that support food security, ecosystem and climate resilience and mitigation, and human health."

<sup>9</sup>. Make nature count - Integrating nature's values into decision-making. A pilot study: assessing expected changes in ecosystem services and the valuation of these changes in four different (ASN Bank) projects, 2022.



## 2.2 Engagement and partnerships

We have been at the forefront of combatting climate change in the banking sector for many years. We are convinced that we can have an impact on society that exceeds regular banking activities by interacting with relevant stakeholders, like our peers, media and politicians. In addition to initiating the PCAF and the PBAF, we have participated in the COP26 and have regular meetings with politicians at local, national and European level.

Impact can also be increased by collaborating with other parties. Over the years we have provided financial and in-kind support to many social organisations and (scientific) research institutions. Our partners are predominantly, but not exclusively, based in the Netherlands. Together they offer a wide variety of interests and insights. To add some flavour: some partners focus on helping specific groups of people, some primarily care about a certain aspect of nature, while others are researching ways to measure impact.

## 2.3 Investment funds

ASN Impact Investors applies very strict sustainability criteria to their investment policy. Under the Sustainable Finance Disclosure Regulation (SFDR), all funds are labelled 'article 9' (dark green). Long-term goals for these themes have been established and translated into one or more sustainable investment targets for each investment fund. The three pillars of our sustainability policy are climate, biodiversity and human rights.

ASN Impact Investors manages two specific funds directly related to climate mitigation and adaptation. The ASN *Groenprojectenfonds* invests in renewable energy projects. A clear example with tangible impact is the investment in the National Heat Fund (*Nationaal Warmte Fonds*). One out of five homeowners cannot afford to make their home more sustainable<sup>10</sup>. Homeowners with an annual income of € 45,000 or less may apply for an interest-free energy savings loan from this fund to implement energy-savings measures.

The fact that the ASN Biodiversity Fund is available to retail customers, makes it unique in the world. The fund, which was launched in 2021, invests in projects and companies that protect, restore and strengthen biodiversity.

### Black Rhino Loan

In 2022, the ASN Biodiversity Fund invested in a 5-year World Bank loan to protect the black rhino and its natural habitat. Although the number of these impressive animals has dropped dramatically since the 1960s, the black rhino numbers seems to be continuing to rise gradually again.

<sup>10</sup>. [nos.nl/artikel/2416227-eeen-op-vijf-huizenbezitters-kan-verduurzaming-niet-betalen](https://nos.nl/artikel/2416227-eeen-op-vijf-huizenbezitters-kan-verduurzaming-niet-betalen) (in Dutch).





# III. Our Climate Action Plan: net zero by 2050

## We have the ambition to become net zero by 2050, and earlier if possible. The Executive Board is fully committed to meet the targets of our Climate Action Plan, developed with input from employees from different lines of business.

In this chapter we will first describe our ambition, governance and methodology, and then focus on intensifying existing initiatives and assessing new actions to reach our goals. Next, we will describe our actions, which we believe need further investigation before deciding on the actual implementation. We will use 2023 to detail the plan and roll out the implementation as from 2024.

In developing our Climate Action Plan, we have applied the insights and guidelines from the Intergovernmental Panel on Climate Change (IPCC), the Paris Agreement, the Taskforce on Climate-related Financial Disclosures (TCFD), the Taskforce on Nature-related Financial Disclosures (TNFD), the International Energy Agency (IEA) and the Net Zero Banking Alliance (NZBA).

The plan is made up of different components and several successive periods, so-called building blocks. This approach allows us to be focused on the one hand and to be flexible on the other. We are aware

that the plan's goals are very long-term goals, and we foresee that our scope may be altered in due course as a result of altered insights and new information and/or requirements.

As the climate crisis is extremely complex and (scientific) insights and potential (political and technological) developments will change constantly, we need flexibility. Naturally, our plan has been designed around regulatory and supervisory requirements.

The main focus of our Climate Action Plan is on our impact on climate change and its implications. But we are very much aware that climate change may have a significant negative impact on the (financial) results of the bank as well. Since both developments interact, we will briefly explain how the impacts of climate change may impact our bank.

**We are very much aware that climate change may have a significant negative impact on the (financial) results of the bank as well**

When drawing up the plan, we constantly balanced the impacts on our most relevant stakeholders. Since we are modifying our approach on climate change to meet the 'net-zero-2050' ambition, we are also faced with some dilemmas, for example:

- How do we quickly reduce the GHG emissions from our mortgage portfolio that also consists of customers with low incomes and energy inefficient homes, and who we want to support in making their homes more energy efficient? On average, the carbon footprint of these types of houses is the highest and the energy transition may materialise at a slower pace.
- how do we balance the financial and social impacts of our Climate Action Plan ([see page 35](#))?

We believe we are relatively well positioned to meet our net-zero-2050 ambition, because we are one of the few financial institutions that have virtually no exposure to the fossil fuels sectors and their main buyers. Also, our project finance portfolio almost exclusively exists of renewable energy projects. Furthermore, we are at the forefront of exploring ways to remove CO<sub>2</sub> from the atmosphere.

We believe the main challenges lie in altering our approach on our mortgage customers and in creating an optimal balance between financial and social value creation in the short run. Although we are confident that we will succeed, we are very much aware that we will face some hurdles in the execution phase of our plan.





# 1. Scope

Since the emissions from our business operations are very limited compared with the emissions from our loan portfolio, our focus will be on the latter. Nevertheless, our plan covers both.

## 1.1 Business operations

We do not consider our sustainability ambition credible without sustainable business operations. In general, we already have very energy-efficient buildings, have been buying certified green energy for many years now, and other uses of energy, such as business travel, are continuously optimised with respect to reducing consumption and GHG emissions.

To keep our business operations 100% climate neutral, we want to continue to save energy, so that we have to compensate increasingly less GHG emissions. Our target for 2024 is to decrease our CO<sub>2</sub>e emissions by 13% compared to 2019, for example by exclusively leasing electric cars (year-end 2021: 77%).

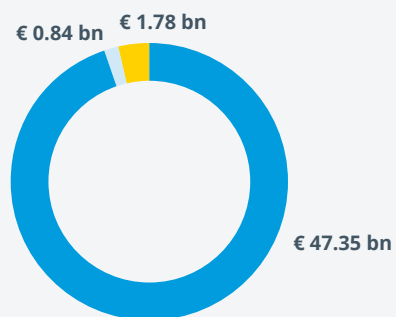
**To keep our business operations 100% climate neutral, we want to continue to save energy**

## 1.2 Loan portfolio

Zooming in on scope 3, category 15 emissions (investments), our Climate Action Plan covers almost 70% of our total financial assets (year-end 2021), so all major activities of the bank are in scope. For our loans and advances to customers, we will develop action plans for the following categories:

- residential mortgages (€ 47.35 billion)
- SME loans (including mortgages) (€ 0.84 billion)
- other corporate and government loans (€ 1.78 billion), including project finance loans for renewable energy projects (slightly over 50%).

**Figure 10. Our loan portfolio (year-end 2021)**



- Residential mortgages
- SME loans
- Project finance and other loans



## 2. Our approach

In this section, we will explain our commitment to manage the implementation of our Climate Action Plan, i.e. our ambition, the governance of our actions and the methodology behind the approach, in that order.

### 2.1 Ambition: net zero by 2050

We have the ambition to reach a net-zero balance sheet by 2050, but we strive to be ahead of the Paris Agreement objective. The Executive Board is fully committed to meet the targets of our Climate Action Plan, developed with input from employees from various lines of business.



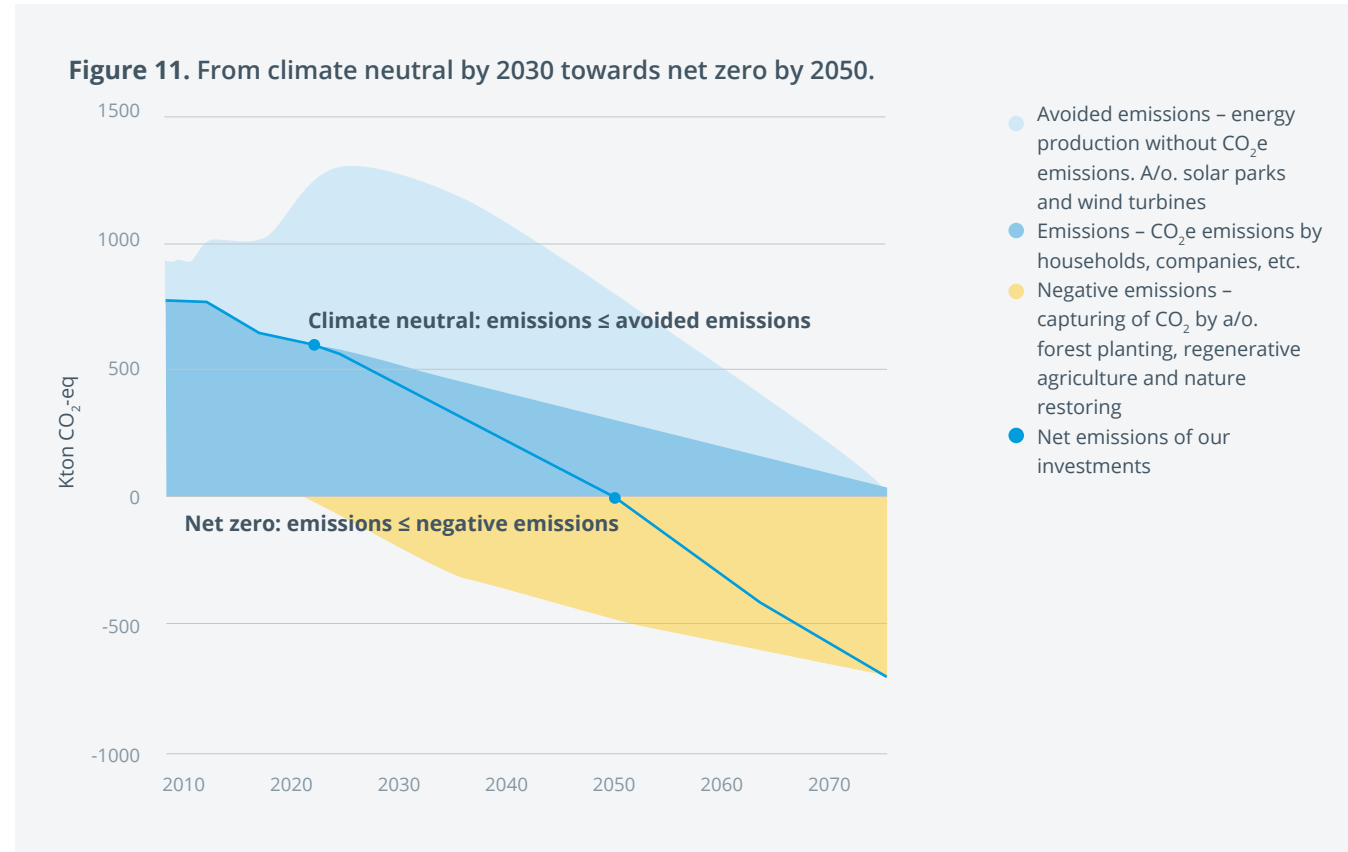
As far as we know, we were the first bank in the world that – in 2015 – announced a KPI to reach a climate-neutral balance sheet by 2030. The progress made since then is illustrated on [page 16](#).

Since 2015 we have aimed for, and are making progress towards, a GHG-neutral balance sheet. When we began our climate mitigation journey, there were virtually no CO<sub>2</sub> compensating opportunities. So, we first focused on avoiding new emissions by investing in renewable energy projects such as wind turbines and solar farms.

Now, we are stepping up our efforts with the aim to have a net-zero balance sheet.

The cornerstone of our approach has been - and will be - the reduction in GHG emissions. We have embraced the SBTi approach. In short, this means that on a global level there is only a stipulated amount of 'GHG budget' left as a buffer to remain below the maximum 1.5 degrees Celsius temperature rise in 2050. The latest updates on the size of the budget are alarming. The current scenarios and the remaining GHG budget leaves little or no manoeuvrability. It is absolutely necessary, therefore, to reduce the GHG emissions: avoiding new emissions is of vital importance, albeit focusing on avoidance alone will certainly not be enough to stay within the budget.

However, it may not be feasible to reduce GHG emissions to zero within the coming decades. As a consequence, we have to intensify our efforts



exploring possibilities to compensate these emissions by actually removing greenhouse gases from the atmosphere, i.e. carbon dioxide removal. In this way, we will be in the position to reach net zero in all circumstances.

But this will be complicated, not many projects or companies that focus on nature-based CO<sub>2</sub> capturing are available for investment for us at this point in time. Especially if we take into consideration our

current risk appetite, capital allocation, and risk and pricing frameworks. If changes are required on these crucial elements, we need to reassess our internal convictions and methodologies on these topics first, before we can start investing in these type of projects and companies. The implementation of these potential modifications may take a couple of years.



**Action:**

**In 2023, we will provide more detailed targets for implementing our net-zero-2050 ambition and also define a KPI to reflect the importance of the ambition.**

By setting the net-zero-2050 ambition we have defined an internal focal point for our actions. A key element of our ambition to reach net zero 2050 is to be constantly aware of the planetary and social boundaries in our decision-making processes. In line with the reasoning of the EU Taxonomy we aim to avoid any adverse impacts. We believe that environmental impacts and social consequences of our climate actions need to be included in our considerations and decisions in reaching the net zero 2050 ambition.

**We support the energy transition by financing solar panels and supporting (retail) customers with the installation of the panels through certified companies**

We would like to illustrate this by two examples.

- For us, it is crucial to make our whole mortgage portfolio more energy efficient. We aim to be a responsible and inclusive bank and want to offer our services to everyone in every situation, including people with a mortgage for a house with a low energy-efficient rating. We support the latter to transition their home to a higher energy efficiency rating.
- We support the energy transition by financing solar panels and supporting (retail) customers with the installation of the panels through certified companies. Many solar panels are manufactured in China and quite often under very poor labour conditions. The companies that we have selected for project finance and as partners in providing solar energy to our mortgage customers are required to use solar panels from approved suppliers only, i.e. suppliers that meet our sustainability criteria. We have analysed the specific situation for our suppliers the same way we analyse investment proposals. For a detailed explanation, a description of our research methodology is available<sup>11</sup>.

<sup>11</sup>. [Beleidsdocumenten duurzaamheid - ASN Bank: Guide ASN Sustainability Criteria](#). The ASN Bank Sustainability Policy is being applied throughout de Volksbank organisation.

**Dealing with a dilemma:  
solar panels and human rights**

To slow down global warming, it is important to switch to natural energy sources worldwide. Solar energy is the most accessible form. Solar panels make an important contribution to the energy transition. By 2021, more than 1.5 million homes in the Netherlands had solar panels installed, equal to about 20% of all homes.

One of the materials used in solar cells, and as such solar panels, is polysilicon. This important raw material is produced in China's Xinjiang province. Several reports have stated that there is evidence of forced labour in this production process, with Chinese authorities forcing minorities, such as Uyghurs, to work. Companies are also involved in this controversy. Forced labour is one of the most serious violations of human rights.

We finance renewable energy projects and companies. We also provide (mortgage) loans to individuals to install solar panels on their homes and support them in their purchase by selecting specialised solar panel installers.

Before proceeding with an investment or partnership, we check whether the investment or partnership meets all our sustainability criteria with respect to climate, biodiversity and human rights. In doing so, we look at the entire supply chain. We also investigate new investments or projects for possible involvement in serious abuses.

Almost all major solar panel manufacturers that also sell their products in the Netherlands work with suppliers from Xinjiang, presenting us with a dilemma. We have investigated the situation thoroughly by studying relevant reports and publications, analysing policy documents of the companies involved and engaged with these companies. In particular, we looked at their policies to combat forced labour, where they source polysilicon and whether they have production sites in Xinjiang. We are in fact conducting this research on an ongoing basis.

The outcome of this research is that we presently consider only a limited number of companies to be an investment opportunity or partner.

## 2.2 Governance

Ultimate responsibility for the implementation of the Climate Action Plan lies with the Executive Board. The Climate Action Plan is entirely in line with our strategy in which we aim to have a proven positive impact on society. To implement the Climate Action Plan, we will therefore use the same governance principles, processes and procedures as for all other strategically relevant issues.

The Social Impact Committee (SIC) has an important risk-related role, for example in monitoring our sustainability policy set by ASN Bank. This includes the implementation of the Climate Action Plan into our organisation. This multidisciplinary risk committee gets advice from the Advisory Team Sustainability (AT), which comprises representatives from different units in our organisation, such as Expertise Centre Sustainability, Risk Management, Compliance and the Legal Department. The AT aims to provide well-balanced views to support the development of de Volksbank's social impact.

Because of the plan's strategic importance and large number of corporate teams involved in its implementation, the Executive Board will provide guidance. As such it will thus be extensively incorporated into the bank's existing decision-making processes.

We intend to establish a temporary bank-wide project team to kick off and coordinate the plan's (new) initiatives. After approval of the elaborated plan,

we foresee that multiple project teams will focus on developing and supporting the implementation of the plan's specific elements.

Once the targets have been defined (in KPIs) and processes are under way, we will use the existing monitoring processes. To adequately manage the plan's execution, we see the need to regularly measure and evaluate the results of our actions; especially since the execution will take place in an environment in which we expect to see many changes in scientific, legal, technological, social and political insights.

Our legislators and supervisory authorities pay special attention to the impact of climate change too. Apart from our desire to contribute to mitigating the impact of climate change, we will therefore explicitly involve the Risk Management, Compliance and Audit departments in the implementation process.

The results of the Climate Action Plan's implementation will be included in the appraisals of the employees and managers involved. For the record, de Volksbank does not have a variable remuneration scheme.

As we believe that climate change has a big impact on society as a whole, including our customers and therefore de Volksbank, the Supervisory Board has also been informed about the plan.

## 2.3 Methodology: moving from climate neutrality to net zero

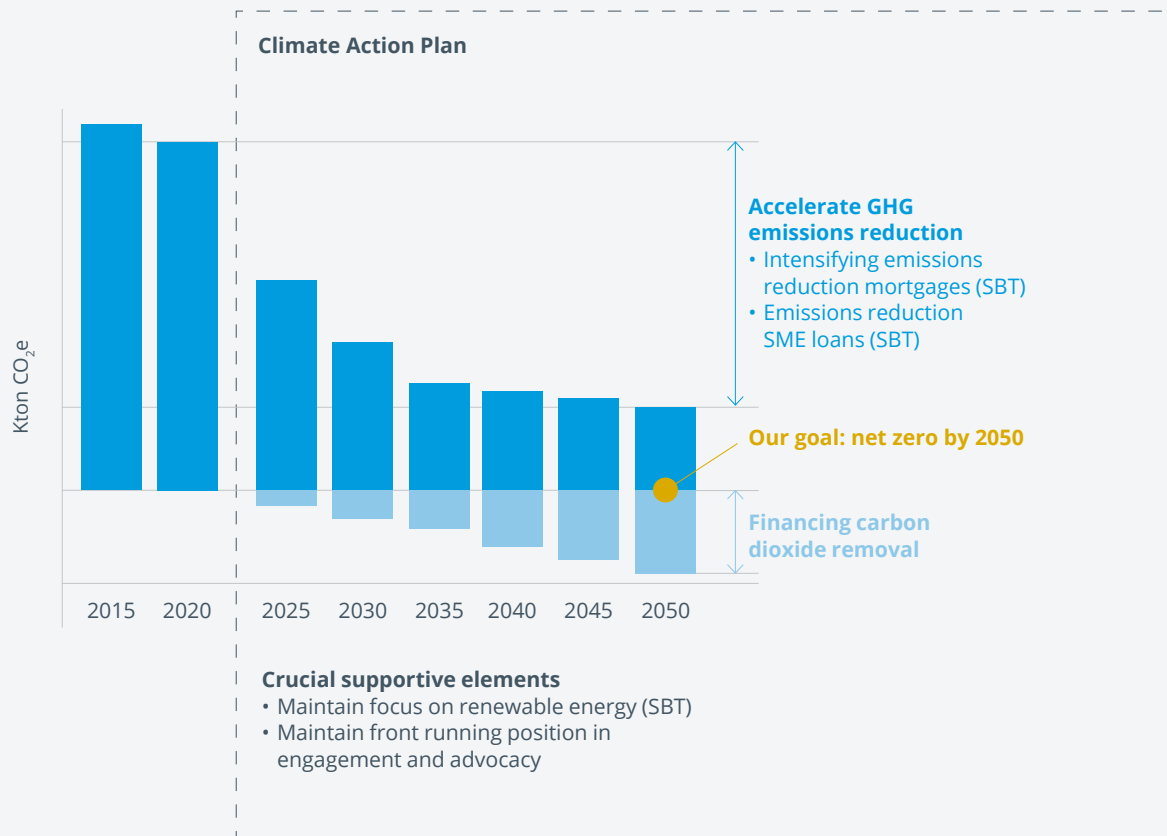
The climate change crisis, and the connected biodiversity crisis, will have an unprecedented impact on our society if we do not act collectively. Mitigating global warming is crucial. We have structured our approach in line with the Mitigation Hierarchy. The focus of our approach is to reduce GHG emissions as much as possible, in other words to zero.

### Mitigation Hierarchy

To end the climate warming impact of human activities, we can distinguish four steps. First of all, it is important to eliminate activities that contribute to global warming by ending these activities and a developing new designs. Elimination is the most fundamental way of mitigating climate change. Secondly, GHG emissions must be reduced by making existing activities more efficient. Thirdly, CO<sub>2</sub> emitting activities should be substituted for activities that deliver the same outcome, but do not generate CO<sub>2</sub> emissions. And the final step is compensation. Through compensation<sup>12</sup>, greenhouse gasses are actively removed from the atmosphere to balance for CO<sub>2</sub>e emitting activities, where a complete reduction in greenhouse gasses is not (yet) feasible.

12. The terms 'balancing', 'neutralising', 'removing' and 'compensating' are all used to describe the capturing of carbon dioxide from the atmosphere to the extent that the amount of carbon dioxide emissions are equal to the amount of carbon dioxide stored.

Figure 12. Schematic overview of our Climate Action Plan



## Applying the Mitigation Hierarchy

### Elimination: exclusion and avoidance policy

Elimination has both the most and a direct impact on reducing GHG emissions. For a bank, eliminating GHG emissions generally means terminating fossil fuel-related investments. At the launch of its first investment fund back in 1993, our ASN Bank brand decided not to invest in activities related to fossil fuels, i.e. the exploitation and refining of fossil fuels as well as in companies that are involved in the energy production of fossil fuels. In addition, we have been very cautious about investing in companies that use large amounts of fossil fuels. In principle, we avoid investing in such of companies.

The exclusion approach, which is embedded in our sustainability policy, applies for our SME portfolio as well. We do not on board customers in this segment if their business relies on activities mentioned above.

### Reduction: making our loan portfolio more sustainable

We will continue to focus on the reduction in GHG emissions as it is the crucial cornerstone of our approach. We will support our (retail) customers in reducing their household energy consumption by providing loans for insulation and providing them with advice on reducing energy consumption by supporting them with options to alter their energy consumption patterns and switching to energy-efficient appliances such as led lighting.

We believe that even with our customers – and our - best intentions, it would be very difficult to achieve zero emissions in our mortgage portfolio, because we are dealing with several hundred thousands of retail customers with different kinds of homes in a wide variety of different local circumstances. This makes a structured and fast-to-implement approach complex.

### Substitution: continuing our efforts

In addition to reducing GHG emissions we will continue to invest in projects that generate energy in a (virtually) GHG-free way. We have been an active financier of solar parks and wind turbines for many years. You might even say that by investing in renewable energy, we have been supporting the reduction in GHG emissions on a macro level. By investing in emission avoidance projects, we have aimed to ‘substitute fossil fuel energy generation for renewable energy generation for our customers’.

As a society, we will need (more) energy in the future and this energy has to be generated without GHG emissions. Investing in wind turbines and other renewable sources will, therefore, also be part of our approach in the years to come. We find that market dynamics for renewables are changing and in anticipation of this, we are assessing our current market approach.

### Nuclear energy as a substitute for fossil fuels?

We do not invest in companies that generate nuclear energy, operate nuclear power stations, or distribute or trade in nuclear products. Although nuclear energy generation does not result in GHG emissions, it is linked to several potentially very severe sustainability risks, including:

- Safety: although nuclear power plants have become safer over the years, safety is not guaranteed and if accidents do happen, the consequences are severe (e.g. Harrisburg, Tsjernobyl and Fukushima);
- Storage: currently, no final storage facilities for nuclear waste are available. For us, this is a precondition;
- Non-compliance with biodiversity policy: today's uranium mining is not meeting the criteria of our biodiversity policy.
- Nuclear weapon production: nuclear power plants produce elements that may be used to produce nuclear weapons.

### Removal – nature-based carbon dioxide storage

With the current state of technology and the global economic structure, the world will still be facing GHG emissions in the next few decades. The same is true for our loan portfolio. Based on our current insights, it will be a challenge to contact, inform and encourage all of our mortgage customers to start implementing energy-saving and GHG-reduction measures. And even if we succeed in doing so, not all of our customers are willing and/or in the position to make the required investments before 2050, due to financial constraints and practical obstacles such as the size of their home (heat pumps) or local regulations (like local Building Aesthetics Committees).

With this in mind, we are exploring ways to compensate for the remaining GHG emissions of our loan portfolio in a more strategic way. Capturing carbon from the atmosphere can be done technologically by storing the captured carbon in empty natural gas fields, for example. We have a strong preference for removing carbon by means of enhancing existing or new natural CO<sub>2</sub> stocks such as forests, soils and biobased materials.

In line with our role of frontrunner over the years, we are now exploring the possibilities for nature-based CO<sub>2</sub> storage. Based on the current insights, we will be exploring the financial and non-financial impact of bio-based construction, regenerative agriculture, forestry, etc. Although more research needs to be done, we currently believe that nature-based carbon storage could also be a contributing factor to protecting ecosystems and biodiversity.

By investing in nature-based CO<sub>2</sub> solutions we will remove CO<sub>2</sub> from the atmosphere and thus balance the remaining emissions from our loan portfolio by capturing an equal amount of CO<sub>2</sub>.

From this perspective, we consider our current KPI, i.e. a climate balance sheet in 2030, as a logical intermediate step towards a net-zero balance sheet by 2050.

We will review our goals at least once a year and make adjustments if required.





## 3. Our actions

As far as the implementation of our Climate Action Plan is concerned, 2023 will be an important year for us. While we will continue to work on a series of ongoing activities, some with more focus and dedication, we will at the same time examine new initiatives. At year-end 2023, we aim to have a clear overview of concrete actions and of how to implement them in the years to come.

In this section we will explain the concrete actions that we are determined to take for our bank's major lines of business. In our plans, we will combine different aspects from the Mitigation Hierarchy, for example, providing a loan to a homeowner for insulation (reduce) and solar panels (substitute).

The Climate Action Plan will not address actions related to our business operations due to its limited relevance and the fact that we have already reached net-zero operations through carbon offsets.

**At year-end 2023, we aim to have a clear overview of concrete actions and of how to implement them in the years to come**



## Dilemma: balancing financial and social value creation

The key objective of our Climate Action Plan is to achieve a net-zero balance sheet by 2050. If we are successful, we will have achieved a very important objective, especially from an environmental perspective. In addition, we are convinced that supporting our customers in making their homes more energy efficient will turn out well financially for them in the long term too. So, tangible social value creation is quite a likely outcome if the Climate Action Plan is executed well.

There is less certainty in terms of financial value creation, especially in the short term. First of all, we have to invest in engaging and training our employees and advisers to be effective in advising and selling sustainable mortgage(-related) solutions.

Secondly, carbon dioxide removal projects are still rare and subject to some degrees of financial uncertainty. However, initial insights indicate that these types of projects, such as forestation, may turn out to be profitable in the long run.

Thirdly, we want to remain active in financing renewable energy projects. This market is evolving quickly since more and more institutions are entering this market, causing margins to drop.

So for us, in our strategy, it will remain a balancing act between return for society, risk and financial return in the years to come.

## 3.1 Intensifying and expanding ongoing activities

De Volksbank has many years of experience in mitigating and adapting to climate change. Our actions have led to some remarkable results, such as the PCAF and ASN Bank having a climate-neutral balance sheet. We will therefore continue these efforts.

Admittedly, we have not always achieved what we wanted to achieve. So, as far as our net-zero-2050 ambition is concerned, we are aware that we need to focus and to intensify our efforts.

### Actions related to intensifying ongoing initiatives:

- We will further strengthen our organisation's efforts in making our (retail and business) customers aware of the need to reduce GHG emissions and the potential risks (of not acting) and benefits (of acting). In addition, we will support them in finding the best solutions to reduce GHG emissions. We have not made final decisions yet, but we are considering to train our (customer-facing) staff and advisers more effectively and enable them to do their work with confidence. We will develop an approach before the end of 2023.
- Reassessing all product and service proposals of the last couple of years with the aim to support our retail mortgage customers in reducing their energy consumption and GHG emissions of their homes by providing them with loans and advice.
- We found that relatively small adjustments in the credit position of a customer, e.g. to

invest in energy-saving solutions, can lead to a disproportionate administrative burden, partly due to strict regulation. Together with our peers we will engage with legislators and supervisory authorities to seek appropriate solutions in this respect. We will actively engage in dialogue with peers on this matter.

- We will reassess the possibilities for our project finance department to participate in a wider range of projects such as deal sizes, maturities and investment objects. We will finalise these above-mentioned assessments by the end of 2023.
- The outcomes of the assessments will be the starting point for more detailed actions with starting points as from 2024.

### A. Sustainable housing

As indicated, we expect that stimulating our customers to invest in energy-saving measures and facilitating them to do so to be a huge effort. We must act more decisively than we have so far.

Realistically, actions from other stakeholders such as local governments and project developers, will make it easier for us to reach our goals to reduce our GHG emissions. For example:

- The requirements that houses to be built are required to meet increasingly stricter criteria on energy consumption and insulation for instance (*Bijna Energieneutrale Gebouw-eisen (BENG-eisen)* – Virtually Energy-Neutral Building requirements), will decrease the energy consumption in residential properties in the Netherlands on average.

- A wide range of government subsidies is forthcoming encouraging people to act on insulation and other energy-saving measures.
- Electricity in the Netherlands will increasingly be generated by renewable sources.

So, indirectly the GHG emissions of our mortgage customers will autonomously decrease on average.

In the last few years, we took several new initiatives and increased our understanding of potential consequences of climate change for the Dutch housing market and our bank. We believe it is the moment to reassess these initiatives. Some examples are:

- ‘Solar as a service’ (mortgage customers can lease solar panels);
- Financing energy-saving measures by means of using the energy bill (the energy savings will be used to finance the measures).

We will continue to focus on several existing initiatives. Like:

### **Woningverbeteraars (Home-improvement platform) guides customers on sustainable housing solutions**

All year around, our four brands inform customers about energy-saving measures: by means of content on their websites, customer campaigns on specific measures and promotion through our shops. We refer our customers to the Home-improvement platform. We developed this platform especially so that customers can obtain not only information,

## **All year around, our four brands inform customers about energy-saving measures**

but also financial and technical advice on making their homes more sustainable. On this platform they can also do a personal home scan to see which sustainability measures they can take and what the costs and returns will be. The customer can then request a quote from one of our partners. This allows us to offer products and services that best fit a customer’s personal situation. ASN Bank’s Sustainability Centre of Expertise assesses and approves the partners that we collaborate with. All of them are obliged to meet our strict sustainability requirements. We intend to permanently expand the possibilities offered via the Home-improvement platform with bio-based building and insulation materials, heat pumps, charging stations and green gardening.

### **Crucial role for financial advisers**

As far as sustainable housing solutions are concerned, our own financial advisers actively draw our customers’ attention to various measures and financing options. We train them to give this advice in various ways by means of e-learnings, webinars and expert sessions on sustainable living. Through knowledge sessions and peer-to-peer learning, advisers share their knowledge and best practices. To be able to help our customers properly with issues

on the subject of sustainable housing, our financial advisers use an in-house developed interview tool in which solutions are integrated into existing software and advisory reports.

We joined the Sustainable Housing Sector Collective in early 2020. One of the things we promised is to train 80% of our advisers to become an Approved Sustainable Housing Adviser before the end of 2021<sup>13</sup>. We have achieved this objective: all our advisers are now Approved Sustainable Housing Advisers.

### **Financing as a solution**

Energy-saving measures can help reduce housing costs. Such measures are often paid for from savings. If customers do not have sufficient own funds, or do not want to use these funds, we offer financing products via their mortgages or a personal loan. We also help to make the payback period of sustainability measures as short as possible. In addition to providing insight into our own products, we also offer insight into subsidies and tax schemes.

At all our brands, customers can finance up to 106% of the value of the home after renovation. The 6% additional financing may be used for energy-saving measures. Even if no decision on the measures to be taken has yet been taken, this budget may be reserved. For 95% of owner-occupied houses, energy-saving measures can lead to energy-efficiency rating in band A (very efficient)<sup>14</sup>.

13. <https://www.adviseurduurzaamwonen.nl/home>

14. Rijksoverheid, Cijfers over Wonen en Bouwen 2018, p. 83.

**Figure 13. Overview of actions and targets**

	Our business operations <sup>1</sup>	Our loan portfolio <sup>2</sup>			Bank's capital <sup>2</sup>	Engagement <sup>2</sup>	ASN Impact Investors investment funds <sup>3</sup>
		MORTGAGES	SME LOANS	PROJECT FINANCE			
	education program*	education program*	education program*				
Eliminate	no fossil fuels	n.a.	no fossil fuels	no fossil fuels	no fossil fuels	advocacy	no fossil fuels
						partnerships	
Reduce	energy savings	focus on actual energy consumption	green roofs	new technologies	green bonds	advocacy	new voting approach
	insulation	green roofs	insulation		engagement on SBTs	partnerships	
	circularity (10Rs)	insulation	sector-specific SBTs				
Substitute	green energy	solar energy	solar energy	renewable energy	green bonds	advocacy	Green projects fund
				new technologies		partnerships	new voting approach
				energy storage			
Compensate	through certificates	green roofs	green roofs	bio-based building		advocacy	Biodiversity fund
				regenerative agriculture		partnerships	new voting approach
				forestry and nature			

- In place/fully implemented & ongoing
- In progress
- New initiatives

1. Out of scope de Volksbank's Climate Action Plan  
 2. Scope de Volksbank's Climate Action Plan  
 3. Scope ASN Impact Investors' Climate Action Plan  
 \* not limited to staff members in commercial roles

### Homeowners without financial resources

We pay extra attention to homeowners who cannot afford the energy-saving measures. They are often not in the position to buy another home. We believe it is important that they invest in energy-saving measures for their existing home. Our focus is on customers in homes with energy-efficient ratings in band F or G. We will set up a Task Force Energy Efficiency to support our customers in making their homes more sustainable.

For these customers, we seek appropriate financing solutions, in cooperation with partners such as the National Heat Fund, to help them improve their home and save costs structurally on a monthly basis too. In this way, we work on improving our climate performance without social exclusion.

Customers can also opt for an ASN Bank mortgage. With this mortgage, you take out a Sustainable Housing loan part at an advantageous rate. When taking out this loan part, customers also receive an interest rate discount on the total mortgage loan. For an energy-efficient house with an energy efficiency rating in band A or higher, the customer also receives a discount as a reward.

We are in the process of expanding the personal loan facility for energy-savings measures to customers of all our brands (at the moment only SNS is providing this specific solution).

### Mortgage increase for the benefit of energy-saving measures

New customers may borrow extra money for sustainability measures based on their income or home value in relation to their income.

We believe existing customers should also have easier access to funds for energy-saving measures to their home without incurring high costs for a visit to a financial adviser or Notary Public. To this end, we are developing a solution that helps both the customer and society.

In 2023 SNS will launch a pilot to make it easier to increase their mortgage amount, allowing them to pay only the bank's handling fee instead of the higher consulting fee charged by advisers.

We prefer to work with renowned NGO partners such as Milieu Centraal Foundation, Natuur & Milieu, Susteen (a mission-driven company aiming at a sustainable home for everybody) and the Nationale Duurzame Huizenroute (a platform for everybody with interest for sustainable housing). In terms of content, the cooperation with our partners varies: we work with specialists in campaigns, research and content.

### Dilemma: not for energy-efficient rating in band A mortgages only

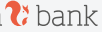


If the aim is to reduce GHG emissions generated through the use of energy in homes and other buildings as quickly as possible, it is crucial to reduce energy consumption in existing real estate quickly. As part of our mission, we not only focus on newly-built homes, but we support homeowners of existing and older homes as well. Because the 'race to net zero' is in full swing, we identify a trend in the market to provide mortgages for homes with higher energy-efficient ratings only. As we are committed to a swift reduction, we focus on customers with financial means to act is very valuable.

But especially now, with the war in the Ukraine and the skyrocketing energy prices, we are convinced that owners of homes with a low energy-efficient rating and limited financial manoeuvring space also need our support. It may take a little longer to develop more solutions for these customers.

We are currently offering an interest rate discount. This discount is not only based on the energy-efficient rating, but also on the energy-savings measures a customer is willing to take. We thus contribute to good accessibility to sustainable housing for everyone. This is but a first step. We will take 2023 to develop more ways to support customers who have a low income and a home with a low energy-efficient rating. This may slow down the reduction in the GHG emissions of our mortgage portfolio.



**Figure 14. Housing – our current sustainable product range**

	asn  bank	 BLGwonen	RegioBank	 SNS
Facility to borrow up to 106% of the home value in case of sustainability measures through mortgage (adviser)	✓	✓	✓	✓
Facility to borrow up to 106% of the home value case of sustainability measures through mortgage (online mortgage, without advice)	✗	✗	✗	✓
Additional loan of €9,000 in case of sustainability measures. The loan is on top off a customer's maximum mortgage borrowing capacity*	✓	✓	✓	✓
ASN Bank mortgage with Sustainable Housing loan part	✓	✗	✗	✗
Discount for energy-efficient rating in band A ASN Bank mortgage	✓	✗	✗	✗
Attractive conditions and terms for mortgage for newly-built home (attracting energy-efficient rating in band A)	✓	✓	✓	✓
Personal loan sustainability (energy-savings measures)	✗	✗	✗	✓
Private mortgage increase	✓	✓	✓	✓

\* If a mortgage loan is granted to finance a "NulopdeMeter" home and an energy performance guarantee has been issued for a period of at least ten years, an amount of €25,000 may be disregarded when determining the financing costs.  
If a mortgage loan is granted to finance a home with an energy efficiency rating, an energy performance coefficient equal to or lower than zero with a maximum primary fossil energy consumption equal to or lower than 0 kWh/m2 per year, an amount of €15,000 can be disregarded when determining the financing cost.

## B. SME Loans

We have not yet started a systematic approach in supporting customers in this market segment to make their properties more energy efficient and more environmentally friendly.

But we do have some solutions in place for them. Customers with intentions to make their properties more sustainable (to at least an energy-efficient rating in band C) will be able to borrow up to 90%, instead of the regular 80%, of the collateral value of their buildings. The same financial opportunity is available for companies acquiring an energy efficient building (energy-efficient rating in band C). In line with our offer for retail customers, we offer SMEs the possibility to obtain technical advice from our partners on energy savings. We also help them with the implementation of the measures by providing a network of installation partners.

**Customers with intentions to make their properties more sustainable will be able to borrow up to 90%, instead of the regular 80%**

## C. Project finance

In specific situations we finance companies that are developing circular products and participate in projects focusing on developing and implementing new techniques.

### Avantium

Through ASN Bank, we have provided a loan to the technology company Avantium. The funds will be used for constructing a factory for producing FDCA (furandicarboxylic acid) on a commercial scale. FDCA is a plant-based chemical that can be converted into PEF (polyethylene furanoate). PEF, in turn, is the main substitute for fossil-based PET, used for the production of plastic bottles. In addition, PEF is a recyclable material that will decompose in a matter of years, if, in unintended circumstances, the material would end up disposed in nature. With this investment in a circular value chain, we make a major contribution to mitigating the climate crisis through the avoidance of oil-based products.

## D. Engagement

We also carry out joint lobbying activities to raise issues such as nature-inclusive building or the call for the insulation voucher. Together with 80 other parties, including construction companies and nature organisations, we drew up the Manifesto 'Building for Nature'. The goal is to amend the Decree on construction works in the living environment and the Decree on quality of the living environment. In this manifesto, we call for more nature in and around the houses in new construction projects. Examples include nesting stones in the facade, green roofs and facades and more greenery in neighbourhoods. We also support our partner and initiator Nature & Environment in the call for the introduction of the insulation voucher. With this voucher, households receive credit to insulate their homes.

## 3.2 Managing climate risks

Our Climate Action Plan emphasises the need to align our investments optimally with the objectives of the Paris Agreement: we are developing ways of actively limiting GHG emissions of our loan portfolio and ways of capturing greenhouse gases from the atmosphere.

However, transitioning to a climate neutral economy and climate change causing physical damage to real estate can have a significant financial impact on the bank and on the business environment in which we operate. In order to contribute to net zero, we have to be a solid bank with a strong capital position.

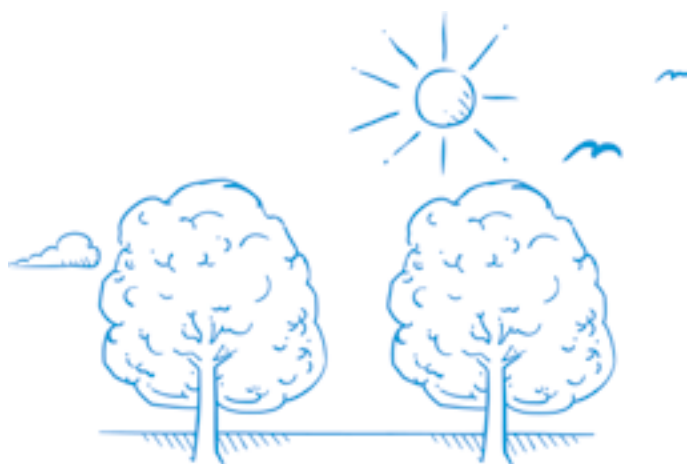
Therefore, it is important that we understand the potential financial impact of climate change on de Volksbank. We have analysed this impact and are further integrating it in our risk management framework, with the aim to manage and mitigate the impact of these risks.

Due to our strict sustainability policy, we have limited or no exposure to carbon-intensive industries. Companies operating in high carbon-intensive sectors may pose a significant transition risk. Increases in credit costs for these companies may affect their ability to repay outstanding debts to banks. So we estimate this risk to be low.

As de Volksbank has a high concentration of residential mortgage loans in the Netherlands, we are aware that climate risks (physical and transitional) can impact households as well.

An example of a physical risk is flooding. Floodings can lead to high repair costs, which can negatively affect the value of the home and the ability of our mortgage customers to cover their mortgage payments.

A transition risk occurs, for example, if stricter energy efficiency requirements are becoming obligatory for newly built homes. Owners of existing homes, especially if they do not invest in comparable energy-savings measures, may be faced with a lower value of their homes, because the relative attractiveness of their homes has decreased.



Consequently, climate adaptation is part of our Climate Action Plan, in addition to climate mitigation. The interaction between climate adaptation and climate mitigation is undeniable.

Climate adaptation is beneficial for the bank as well. For example, a significant part of a household budget is needed for energy. We will be supporting our customers in making their homes more energy efficient by using insulation as a tool to mitigate extreme temperatures. This will help our customers financially, since their energy bills will be lower due to a reduction in energy consumption. In the winter they will need to use less energy for heating and in the summer they will use less energy for cooling. Insulation is a way to adapt to extreme weather conditions, one of the consequences of climate change, as it helps them to more effectively manage in-house temperatures. The war in Ukraine has triggered a unprecedented price increase for energy. Many households are negatively impacted by the financial consequences of the war and are now made aware of the importance of using energy wisely in a harsh and unwanted way.

Less energy consumption by our customers also mitigates the risk for the bank. By limiting energy expenses as part of their budgets, the financial resilience of households will increase on average. This will reduce the risk of customers not meeting their mortgage obligations and thus the risk of default. In addition, if energy-saving measures have been taken, the value of the property will rise too, in general providing the bank with a more valuable

collateral. And obviously, lower energy consumption is better for the environment as well.

### 3.3 Developing new activities

To further expand our impact on climate change mitigation, we continuously develop new potential solutions. We are currently assessing the following possibilities:

- We plan to examine the following activities for feasibility by mid-2024:
  - Converting offices and shops into homes, reusing materials on site;
  - Home insulation with circular materials;
  - Recycling energy-saving products with partners to avoid residual waste, saving raw materials and promoting circularity, such as recycling solar panels in collaboration with partners.
- Although our current SME loan portfolio is limited, we will develop sector-based SBTs, especially since we foresee a growth in our lending activity in this market segment. We will start the development process in 2023.
- Investing in projects and companies that are actually removing CO<sub>2</sub> (compensation) is new to virtually all financial institutions, including us. We will develop an approach and assess the consequences for our bank with respect to our risk appetite, pricing models and capital allocation.
- We aim to have completed our analyses by the end of 2023. Based on the outcomes we will decide how we want to proceed.

### A. Sustainable housing

The reduction in GHG emissions in the Dutch housing market is (very) gradually materialising. To meet the objectives of the Dutch Climate Agreement the emissions need to be decreased by around 60% by 2030 (based on 2021 data).

This is a huge challenge for entities and people alike; it requires a fundamental change of the housing market with implications for all players, including financial institutions, construction companies, (local) government(s), in which all parties need to 'think out of the box' and act accordingly.

We aim to contribute to the efforts to reach the 2030 goal. As a bank we will have to re-think our product offering and the way in which we can support our customers. In addition, we need to explore to possibilities for collaboration with other sectors such as utility companies and project developers. For example, we might combine green electricity contracts with mortgage contracts.

But one thing is certain: it is hard to imagine that all of these efforts will not have any financial implications for businesses and financial institutions as avoiding externalities comes at a price.

#### **Advice: homeowners with financial resources**

One out of five Dutch homeowners cannot afford to make their home more sustainable; this means that four out of five homeowners are able to make their home more sustainable. Given the current energy prices, the latter category has no time to lose. To

help these homeowners make their homes energy efficient, we will focus on customers in the mortgage portfolio who have a home with an energy-efficiency rating in band D to G. These customers will receive tailor-made advice from us. This means that, based on registered features of the home, comparable homes and other available data, they will receive direct digital customised quotations from our partners. Contrary to what regularly occurs, the customer then has full insight into the investment amount and the payback time of this investment, without being confronted with surprises after an on-site technical survey of their home by an expert.

### Building and renovation: environmental requirements

When making homes energy efficient and building new homes, we consider it important for the housing sector to be aware of the impact of the use of materials on the environment. Therefore, we value the construction sector's use of sustainable materials such as FSC wood, locally available materials as well as recycled materials. We also want to encourage that materials have been produced in a fair way. Finally, waste materials need to be disposed of properly and safely. All this is important so that the quality of air, soil and water is preserved and risks to human and environmental health are kept at a minimum.

We also consider the location and impact of a new building on its surroundings (both on greenfields<sup>15</sup> and brownfields<sup>16</sup>) to be important. We are also committed to using existing buildings through

renovation and reuse of materials. This circularity of material also applies to new buildings.

### Biobased building

In the transition to a CO<sub>2</sub>e neutral society with enough affordable housing, biobased construction is going to play an important role. Biobased construction uses natural, renewable materials to build and insulate houses. Building houses from good-quality, light and fireproof cross-laminated timber, for example, not only avoids the use of conventional and harmful raw materials, but also removes CO<sub>2</sub> from the air and stores it in the construction materials for a long time. Moreover, the construction time is usually faster than via conventional materials like steel and concrete. We aim to finance more biobased projects as part of the biobased production and/or housing chains. We not only pay attention to what materials are used, but also to modularity and flexible housing.



### B. SME loans

An important initiative for our SME loan portfolio will be a deepening of our approach on fighting climate change. In line with the guiding documents from the Dutch Banking Association we will develop sector-based SBTs, although our current SME loan portfolio is limited. However, as we foresee a growth of our lending activity in this market segment we believe it is a necessity to work in line with the SBTi. We will start the process in 2023.

On a more practical note, our home-improvement platform Woningverbeteraars.nl will soon also be made available for business customers.

### C. Project Finance

The realisation of negative GHG emissions can be achieved in several ways: technologically - for example by injecting CO<sub>2</sub> emissions in an empty gas field – or through nature-based solutions – by stimulating and preserving nature.

Neither technological methods, nor nature-based solutions currently have a convincing business case from a purely (project) finance perspective (i.e. without a substantial price for CO<sub>2</sub> emissions) currently, technological capturing (and compressing and liquifying) CO<sub>2</sub> emissions is expensive. Nature-based solutions tend to have long project durations and payback times.

15. Greenfields are areas of land that have previously never been developed, for example nature or agricultural land.

16. Brownfields are areas of previously developed land.

Therefore, de Volksbank is still in the process of identifying financially viable CO<sub>2</sub> capture and storage projects and companies. In 2023, de Volksbank will investigate whether and to what extent to finance projects that capture CO<sub>2</sub> emissions. Part of the investigation will be the impact on biodiversity of nature-based removal opportunities.

### Regenerative agriculture

Intensive agriculture is a source of GHG emissions. Financing sustainable forms of agriculture will have a positive impact on biodiversity and leads to CO<sub>2</sub> capture. The duration of loans tend to be longer (40 years) compared with our traditional renewable energy sectors. Business cases will become financially viable with subsidies. The transition of a traditional farm to a biological one takes roughly three years<sup>17</sup>. Current limitations are small ticket sizes resulting in low return on investments.

### Biobased and modular construction

We consider biobased buildings as a promising perspective for our retail customers. In addition, we believe that we may also contribute to the construction transition from a project finance perspective. In 2023, we will explore the economic and environmental potential of cooperation with the bank's retail market departments.

### Forestry and nature conservation

Could land with a destiny for forestry and nature produce both a financial gain for investors and a positive effect on nature? Part of the positive business cases for nature conservation is the sale of CO<sub>2</sub> emissions certificates to companies that want to compensate their GHG emissions. There may be a contradiction in this. Companies should reduce the GHG emissions in the first place. It should be taken into account that trees are not only planted for wood production or CO<sub>2</sub> capture. Forests must evolve to a strong ecosystem that positively impacts biodiversity and is resilient to external threats such as drought, bush fires, mould and bugs.

#### Financing forestry

To finance forestry or conservation of nature, there should be a positive business case from a financial perspective. Investors in ecosystems should, therefore, be rewarded, as investing in the ecosystems benefits humans and society. Financial revenues could for instance come from the sale of GHG certificates, forest management and sale of wood, lease from providing land for sustainable energy, subsidies or a combination of these revenues.

### D. Bank's capital

We apply SBTs to manage our capital as well. According to the SBTi only a part of our investments is in scope, notably debt securities to financial institutions and corporates. Government bonds and covered bonds are out of scope. A SBT for investments implies that issuers in our portfolio are required to have set a SBTs themselves.

As indicated, we are committed that 29% of our corporate bonds portfolio by total value held will

have set science-based targets by 2025 and 53% by 2030 (from a 2020 base year).

#### Action:

By 2050, we aim to have a portfolio that only consists of loans of corporate issuers that have set SBTs (end of 2021: 12%).

Therefore, in assessing corporate loans we will include an SBT criterium in our set of sustainability requirements as from the beginning of 2023, and we will start to engage with issuers on this topic from 2028 onwards. After 2030, will we not take any new positions in loans of issuers that have not set SBTs.

### E. Pioneering role in engagement and advocacy

The process of global warming is alarming, especially since the urgency to act is not universally present. For many years, we were at the forefront of raising awareness of the impact of climate change by expressing our concern about climate risks and the need to act. Expressing our concern has never been the goal, but for us it was a way to engage others and to develop strategies and methods jointly. PCAF is a very clear example of how collaboration can bring benefits to all participants and their stakeholders. We strongly believe that partnering with a variety of participants will make combatting climate change and its consequences more effective. Therefore, we will actively join, and, if need be, initiate) collaborative efforts in this respect, at both local or international level.

17. Source: [Omschakelen: van gangbaar boeren naar biologisch boeren - BioNederland](#)



### F. Investment funds

ASN Impact Investors will modify its voting policy: the focus of the policy will shift from voting on specific climate and biodiversity-related issues to voting against board members who are nominated for appointment to the board and who do not take decisive action on climate change mitigation and adaptation.

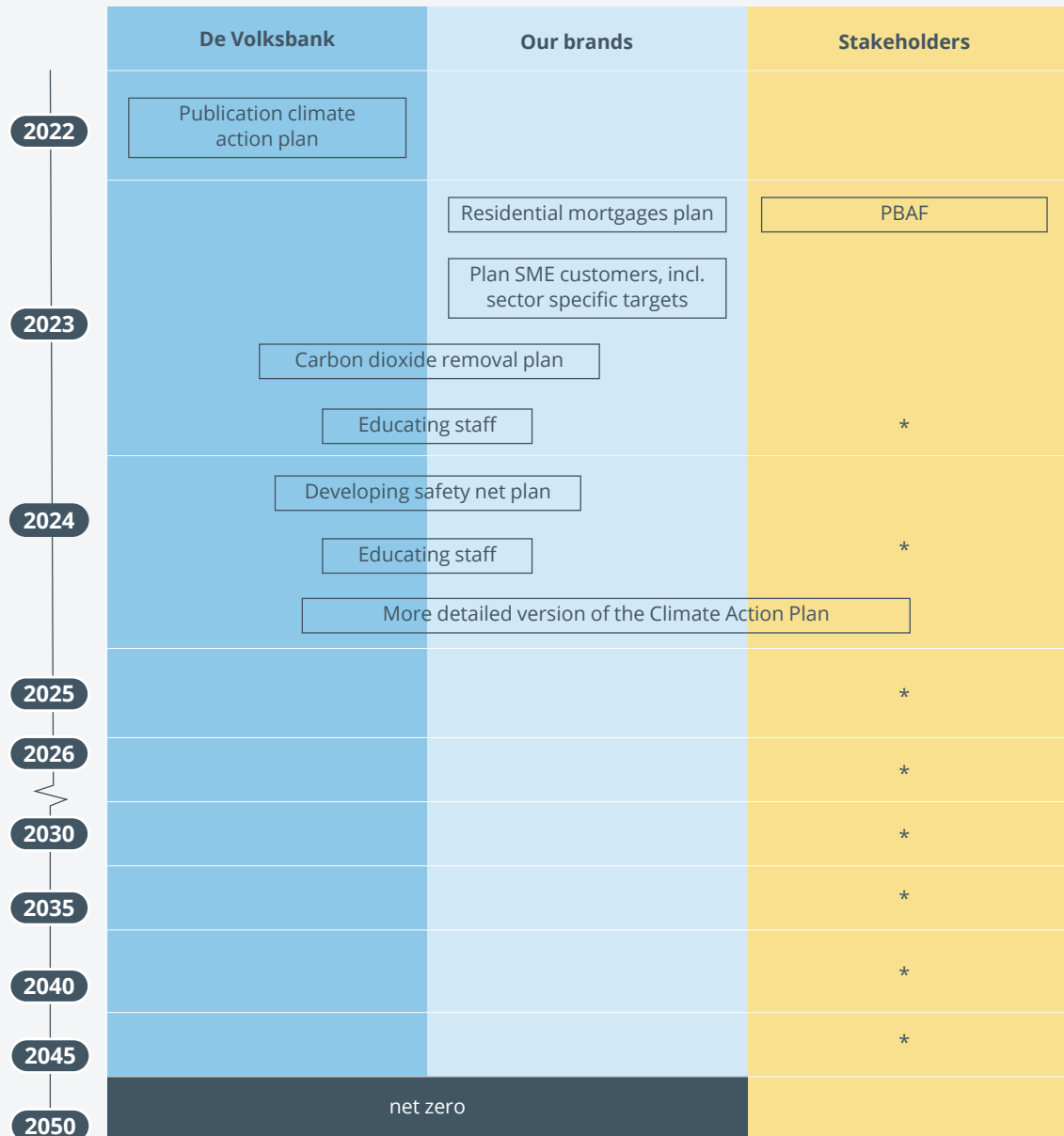
## 4. Timeline

Mitigating climate change and adapting to its consequences is a complex task, especially since our operating environment will constantly change in the decades to come. We expect changes in legislation and possibly in taxation, we foresee technological developments with potentially disrupting impacts and we are aware that customers, business partners and other stakeholders may change their way of thinking and consequently change their way of acting.

This requires an approach which includes regular moments of evaluation and adjustment of policies and practices, if and when required. In the scheme we provide a high-level overview of activities in the next few decades.

In many aspects, 2023 will be the year for us to accelerate existing initiatives and develop and detail plans for new actions. We will flesh out intended actions and assign the responsibilities for their execution, as from 2024.

Figure 16. Indicative planning (not exhaustive)



\* annual progress reviewing & reporting



## 5. Safety Net Scenario

We are determined to have a net-zero balance sheet by 2050. One of the elements to keep us on track is the annual review of the results, which will give us the opportunity to re-prioritise our efforts, if required.

We do not expect that major changes in the plan will be necessary. But in the year to come, we will examine potential 'safety nets', if our plan will lag compared with our (intermediate) objectives. For example, we may consider to buy carbon offsets.

**We are determined to have a net-zero balance sheet by 2050**



## 6. Transparency

We believe that being transparent about one's actions and impacts is an important value to uphold. The core of our reporting approach is based on the pillars of transparency, relevance, reliability, accuracy and comparability. Therefore, we not only report on our successes, but also address our dilemmas, improvement opportunities and negative impact. We attach great value to producing reliable and accurate reports. On that account, we annually ask for a limited assurance by an independent auditor on

our sustainability statements for many years now. In our annual reporting, we structure the sustainability statements with the use of the Global Reporting Initiative's reporting standards (GRI). On the topic of climate change in particular, we use the 'climate topic specific standard' to structure our disclosures and to enhance the comparability.

### Sustainable Finance Action Plan initiatives

A number of legislative initiatives promote the transparency on climate-related matters to a considerable extent. The EU Taxonomy, the Pillar

3 ESG Risks templates and the proposals for the Corporate Sustainability Reporting Directive (CSRD) are bound to increase the availability of climate-related information of a large share of the companies in the European economy. Although these are important and potentially helpful initiatives, we do want to stress some crucial concerns.

Disclosures on climate-related matters have the potential to accelerate the transition to a sustainable and just society. However, the magnitude and extensiveness of the disclosures combined have some potential drawbacks.

- The disclosures run the risk of becoming so extensive that the practicality, the quality and the understandability may suffer.
- The burden on the large, but mostly smaller entities, may hamper other urgent climate action. In addition, the information that is needed to comply with the sustainability disclosure requirements on the topic of climate change will be very difficult to collect bilaterally due to data-quality issues or sheer lack of capabilities from both sides, i.e. the banks and the customers.

As far as the implementation of our Climate Action Plan is concerned, we intend to provide at least annual updates on the progress, in line with our regular reporting cycle.

As indicated earlier, we foresee our Climate Action Plan developing in a continuously changing environment. Modifications of our plan will be based on the results that we have realised and external influences.



## Glossary

Topic	Definition
<a href="#">Avoided emissions</a>	Emission reductions that the financed project produces versus what would have been emitted in the absence of the project (the baseline emissions). In the context of the PCAF Global Standard, avoided emissions are only from renewable energy and energy efficiency projects.
<a href="#">Biodiversity</a>	We define biological diversity, or biodiversity, in line with the Convention on Biological Diversity (CBD) from 1992. The CBD describes biodiversity as: "The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems, and the ecological complexes of which they are part; this includes diversity within species, between species and between ecosystems".
<a href="#">Carbon Capture and Storage (CCS)</a>	CO <sub>2</sub> captured from industrial processes, and fossil fuel power plants, and stored in deep, sedimentary geological formations, or initially in depleted oil & gas reservoirs or through enhanced oil recovery practices modified to ensure long-term storage.
<a href="#">Carbon dioxide removal</a>	CO <sub>2</sub> that, regardless of the source, is already in the atmosphere, and is being removed from the atmosphere and stored in natural carbon sinks, such as forests, soil and the ocean.
<a href="#">Carbon Profit and Loss Methodology</a>	A carbon profit and loss account is a way to present the carbon emissions and avoided emissions of a company in line with financial terminology. The carbon emissions are seen as losses and presented as such in the carbon profit and loss account. The avoided carbon emissions are seen as profits. A company and its operations are net climate neutral when losses are equal to profit.
<a href="#">Climate Commitment (Dutch Financial Sector)</a>	The commitment of around 50 Dutch banks, insurers, pension funds and asset managers to contribute to the realisation of the Paris Agreement and the Dutch Climate Agreement. They have signed up to a commitment for mandatory reporting on the climate impact of their loans and investments from 2020 onwards. In addition, they agreed to have action plans in place by 2022 that contribute to reducing their climate impact.
<a href="#">Climate Neutral</a>	Emitted CO <sub>2</sub> e emissions are equalled by avoided or sequestered CO <sub>2</sub> e emissions.
<a href="#">CO<sub>2</sub> = carbon dioxide</a>	A greenhouse gas that is produced primarily through the burning of fossil fuels and that contributes to climate change.
<a href="#">CO<sub>2</sub>e = CO<sub>2</sub>equivalent</a>	CO <sub>2</sub> e is a measure that was created by the United Nations' Intergovernmental Panel on Climate Change (IPCC) in order to make the effects of different greenhouse gases comparable.
<a href="#">Dutch Climate Agreement (Klimaatakkoord)</a>	The Dutch Climate Agreement is a set of measures and agreements between corporates, civil society and Dutch government entities to jointly halve the GHG emissions in the Netherlands by 2030 (compared to 1990).
<a href="#">Ecosystems</a>	An ecosystem is a geographic area where plants, animals, and other organisms, as well as weather and landscapes, work together to form a bubble of life.
<a href="#">Global GHG Budget</a>	If we are to stay below the 1.5 degrees Celsius threshold the atmosphere can absorb, calculated from the beginning of 2020, no more than 400 gigatons (Gt) of CO <sub>2</sub> , according to the IPCC with the presentation of the first part of its Sixth Assessment Report in its estimate of the remaining carbon budget in summer 2021.
<a href="#">GHG = Greenhouse Gases</a>	The seven gases mandated under the Kyoto Protocol and to be included in national inventories under the United Nations Framework Convention on Climate Change (UNFCCC) are carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF <sub>6</sub> ), and nitrogen trifluoride (NF <sub>3</sub> ). Every gas has a different global warming potential.
<a href="#">Greenhouse Gas Protocol</a>	Greenhouse Gas Protocol establishes comprehensive global standardised frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations and value chains, and mitigation actions.

Topic	Definition
KPI	Key Performance Indicator.
Mitigation Hierarchy	The Mitigation Hierarchy is a tool to mitigate climate change by eliminating and reducing GHG emissions, substituting techniques with lower or no emissions and compensating for GHG emissions (i.e. carbon capture or carbon removal).
Negative emissions	CO <sub>2</sub> withdrawn from the atmosphere.
Net zero	Net zero means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, for instance by oceans and forests.
Overshoot scenario	The period of time in which global warming is increasing past the 1.5 degrees Celsius mark and then cooling back down is called a climate overshoot.
Paris Agreement	The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. To achieve this long-term temperature goal, countries aim to reach global peaking of GHG emissions as soon as possible to achieve a climate neutral world by mid-century.
Partnership Biodiversity Accounting Financials (PBAF)	An industry-led partnership facilitating the financial industry to transparently assess and disclose their impact and dependency on biodiversity.
Partnership Carbon Accounting Financials (PCAF)	An industry-led initiative to enable financial institutions to consistently measure and disclose the GHG emissions financed by their loans and investments.
PCAF Methodology	The Global GHG Accounting and Reporting Standard for the Financial Industry provides detailed methodological guidance for asset classes. Using this Standard equips financial institutions with harmonised, robust methods to measure financed emissions, a metric that enables them to: <ul style="list-style-type: none"> <li>• Assess climate-related risks in line with the Task Force on Climate-related Financial Disclosures (TCFD).</li> <li>• Set science-based targets (SBTs) using the sectoral decarbonisation approach developed by the Science Based Targets initiative.</li> <li>• Report to stakeholders with the Carbon Disclosure Project (CDP).</li> <li>• Inform climate strategies and actions to develop innovative financial products that support the transition toward a net-zero emissions economy.</li> </ul>
Principles for Responsible Banking (PRB)	Principles for Responsible Banking: “We work with the banking community through the UN Principles for Responsible Banking to accelerate a positive global transition for people and the planet. With over 300 signatory banks representing almost half of the global banking industry, the Principles are the world’s foremost sustainable banking framework. Through the Principles, banks take action to align their core strategy, decision-making, lending and investment with the UN Sustainable Development Goals, and international agreements such as the Paris Climate Agreement.” In 2019 de Volksbank became a signatory to the PRB.
Science Based Targets initiative (SBTi)	The SBTi mobilises the private sector to take the lead on urgent climate action. The SBTi: <ul style="list-style-type: none"> <li>• Defines and promotes best practice in emissions reductions and net-zero targets in line with climate science.</li> <li>• Provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science.</li> <li>• Brings together a team of experts to provide companies with independent assessment and validation of targets.</li> <li>• The SBTi is the lead partner of the Business Ambition for 1.5 degrees Celsius campaign - an urgent call to action from a global coalition of UN agencies, business and industry leaders, mobilising companies to set net-zero science-based targets in line with a 1.5 degrees Celsius future.</li> </ul>



Topic	Definition
<a href="#">Scope 1, 2 and 3 emissions</a>	<p>The The Greenhouse Gas Protocol describes:</p> <ul style="list-style-type: none"> <li>• scope 1 as ‘direct Green House Gas (GHG) emissions’, i.e. emissions that occur from sources that are owned or controlled by the company;</li> <li>• scope 2 as ‘electricity indirect GHG emissions’, i.e. emissions from the generation of purchased electricity consumed by the company; and</li> <li>• scope 3 as ‘other indirect GHG emissions’, i.e. emissions that are a consequence of the activities of the company, but that occur from sources not owned or controlled by the company. Scope 3 is an optional reporting category that allows for the treatment of all other indirect emissions. Scope 3 uses a classification for fifteen different types of indirect emissions.</li> </ul>
<a href="#">Scope 3, category 15 emissions (investments)</a>	<p>Within scope 3, category 15 (investments) is designed primarily for private financial institutions (e.g. commercial banks). However, this category is also relevant to public financial institutions (e.g. multilateral development banks, export credit agencies) and other entities with investments not included in scope 1 and scope 2.</p>
<a href="#">Social Impact Committee (SIC)</a>	<p>De Volksbank has set up a Social Impact Committee. The SIC is chaired by the Chief Risk Officer and the Vice Chair of ASN Bank’s Hub Lead. The SIC monitors the proper integration of long, medium and short term ESG risks in the overall business strategy, governance, risk management framework, organisational structure and reporting practices.</p>
<a href="#">Sustainable Development Goals (SDGs)</a>	<p>The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice.</p>

## Publication details

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The Climate Action Plan was compiled by a team of de Volksbank employees from Corporate Communications, Strategy, Integrated External Reporting, Investor Relations, Financial Markets, Marketing, Risk Management, Sustainable Finance Department, ASN Impact Investors, Housing & Mortgages and the Sustainability Centre of Expertise.

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