



Principles for Responsible Banking

First report and self-assessment

March 2021

de volksbank

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Foreword

"Welcome to de Volksbank's first 'Principles for Responsible Banking' Report 2020."

Since 1817, social involvement and sustainability have been part of our DNA. Since then, we have continuously strived for creating value for our stakeholders, with some notable achievements along the way. We can, however, not stop here. The banking sector has a tremendous opportunity to contribute to society, while it is also still true that the sector can be associated with serious negative impacts.

To strengthen our commitment to a sustainable and fair society, we signed the UNEP FI¹ Principles for Responsible Banking (PRB) in 2019. We believe that implementing the principles in our organisation will further anchor our ambition of standing out on social impact both within and outside our organisation.

Globally, the environment is under severe pressure and social imbalances in many shapes and forms limit people to flourish. We have assessed our operations by using the Portfolio Impact Identification Tool. Our main positive impacts on society are related to "housing" and "inclusive, healthy economies". Our main negative impacts are "resource efficiency and security". Not coincidentally, we have been actively working on these topics for some time already. For example, for our impact on the climate. In 2015 we defined targets and key performance indicators with the aim to have a climate-neutral balance sheet in 2030.

On 12 February 2021, we have presented our strategy for the period 2021-2025: 'Better for each other - from promise to impact'. As a bank, we want to continue to stand out with our social impact. We will also continue to work on a strong customer relationship and at the same time on solid financial results. Our mission 'banking with a human touch' and our promise 'better for each other' remain unchanged.

We are currently in the process of executing our new strategic objectives. This implies that we are defining specific, tangible and executable targets right now. We have the intention to further align these targets with reducing our negative impacts on the environment and society, and strengthening our positive impacts. We are committed to raise the bar on the above-mentioned topics by, amongst others, developing new concepts, methodologies and monitoring techniques. Furthermore, we will involve more staff members and other stakeholders in implementing all six principles.

In this report we highlight our achievements so far and explain our commitment for the coming years to meet the Principles. We hope that you will be enthused and we encourage you to provide us with your remarks and suggestions."

On behalf of the Board of
Directors of de Volksbank,

Martijn Gribnau
Chairman



1 UNEP FI = United Nations Environmental Programme – Finance Initiative



Introduction – “A future based on Sustainability”

"Better for each other" is our promise to the Netherlands. We give substance to this through our shared value strategy and we distinguish ourselves within the banking landscape with our four brands. We bank with a human touch, whereby sustainability is the starting point for the future. This means that, from our social origins, we take responsibility to shape the banking profession based on what people really need. That's why our financial services are about utility instead of return - about value, instead of money. Above all, it means that we sincerely put the interests of our customers first, so that fundamental things in life such as housing, education and a buffer for unexpected expenditure are safeguarded now and in the future. De Volksbank wants to make a positive contribution to society. From our core activities of mortgages, savings and payments, we can have a

significant positive influence on the sustainability in our chain and the financial resilience of our customers. In 2017, de Volksbank adopted the sustainability policy of its ASN Bank brand and implemented it in all its activities and processes. The sustainability policy is built on three pillars: climate, human rights and biodiversity, and is captured in a Sustainability House of Policies.

The sustainability policy can be downloaded from de Volksbank [website](#). De Volksbank has a strict investment policy; it takes human rights and the environment into consideration in all its activities. Starting from (inter)national guidelines and laws, de Volksbank intends not to invest in companies that (are complicit in and systematically) violate human rights or harm the environment. Independent institutions assess our policies and activities in the area of sustainability.

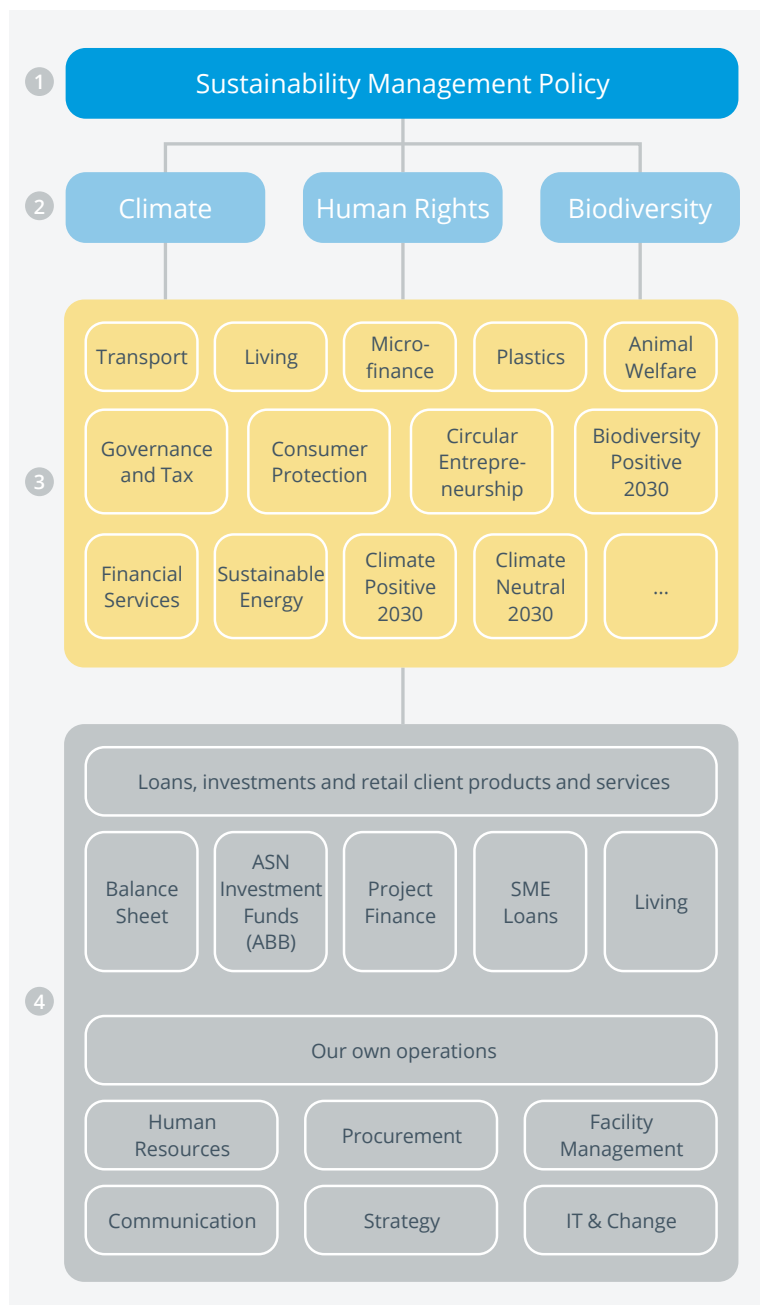


Figure 1. Sustainability Management Framework

With almost 60 years' experience in sustainable banking, de Volksbank's extensive [sustainability policy](#) has received very high marks from various parties.

To strengthen our commitment to a sustainable and fair society, de Volksbank signed the UN Principles for Responsible Banking, together with 129 other international banks in 2019. The signatories, representing one-third of the total assets of all banks worldwide, agreed that they

will align their business strategies with the UN Sustainable Development Goals and with the Paris Climate Agreement. In this publication, de Volksbank reports on its progress towards implementing the Principles for Responsible Banking, using the self-assessment template and the Portfolio Impact Identification Tool provided by the UNEP FI.

Reference: Green Bond Framework 2021, p. 6-7.



1. Principle 1 - Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 Our business

De Volksbank is the fourth-largest retail bank operating in the Netherlands. We offer simple and transparent mortgage, savings and payment products to private individuals, self-employed persons and smaller companies. We also offer insurance and investment products. It is important to note that our partners in the chain operate mostly in the Netherlands.

De Volksbank has always been at the heart of society. Our history dates back to 1817, the year in which a number of regional savings banks merged

with the aim of taking good care of the money that the Dutch people entrusted to them and promote financial resilience.

Our total assets amount to €67.5 billion. In 2020 our net profit (adjusted) was €208 million. We service over 3.3 million clients, mainly in the Dutch retail market.

De Volksbank aims to meet the specific financial needs of its customers in a people-oriented, efficient and sustainable manner. Our mission is 'banking with a human touch'. We invest in Dutch society together with our four bank brands. Each brand contributes to one joint promise of being 'better for each other' based on its own distinctive and social profile. Together, these brands are greater than the sum of their parts.

SNS – Financial resilience

SNS is for anyone looking to manage their financial affairs with an accessible, straightforward and humane bank. SNS likes to keep things simple and smart. Personal advice and direct contact increase customers' financial confidence.

RegioBank

RegioBank – Quality of life in the neighbourhood

RegioBank makes sure that consumers and business owners are able to manage their financial affairs. The bank is also committed to improving the quality of life in neighbourhoods by promoting local cohesion. Regiobank is specifically targetting villages and small town

ASN Bank – Sustainability

Since its origin in 1960 ASN Bank invests customers' money in a way that respects human rights, climate and biodiversity. That is how customers contribute to sustainable progress and a liveable world, now and in the future.

BLG Wonen – Good housing

BLG Wonen seeks to create a housing market that is accessible to all and just for all. Owning your own home gives people a feeling of security and happiness.

Reference: Integrated Annual Review 2020, p. 8, 10, 18 21.

1.2 Alignment with society

1.2.1 Strategy 2016-2020

De Volksbank's mission – banking with a human touch – is geared to the public appeal to give meaning to helpful banking. A society that allows people to live confidently and full of optimism and to do the things that benefit the next generation – that is the kind of society de Volksbank wishes to contribute to. To live up to this mission, de Volksbank has formulated the ambition of optimising shared value. With its core activities de Volksbank is creating benefits for customers, taking responsibility for society, giving genuine attention to our employees and achieving returns for our shareholder.

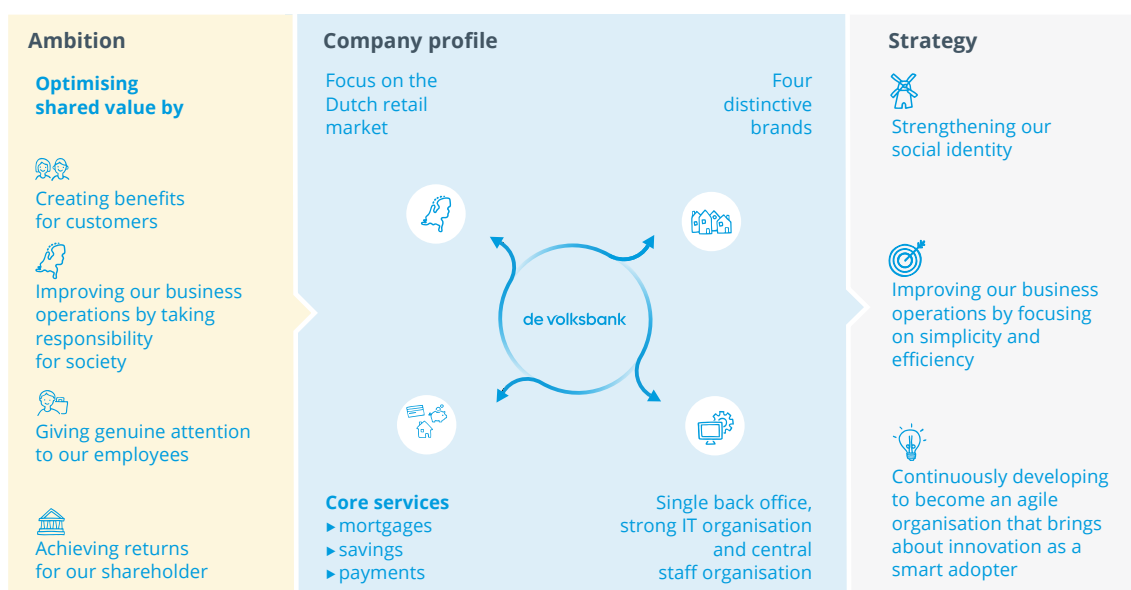


Figure 2. Our mission: Banking with a human touch

De Volksbank aims to be a bank where people feel at home. A bank that cares about easy-to-understand products, privacy and security, technological innovation and that wholeheartedly supports society. Our strategy (2016-2020) was underpinned by three strategic pillars that helped us reach our goals.

- **Strengthening our social identity**

The Volksbank continues to strengthen its social identity. We want to make a positive contribution to society on four themes: financial resilience, sustainability, livability in the region and good living for all.

- **Simplicity and efficiency**

We continue to simplify our business operations. Simple and digitised processes and products make the provision of services to customers easier, more efficient and more transparent. Efficient business operations also ensure a low cost level and a future-proof organisation.

- **Smart adopter**

In order to keep up with technological developments, we invest in an agile organisation that brings about innovation as a smart adopter. We closely monitor innovations around the bank's core functions, allowing us to serve our customers better and faster in a way that meets their expectations and needs.

the pressing issue of climate change we have set ambitious goals to contribute to CO₂ reduction and biodiversity promotion. The strategy also shows how we aim to control costs and distribute our income to alleviate the pressure that the low interest rates exert on our returns. For more information on the strategy 2021-2025: please refer to the [Integrated Annual Review 2020](#), p. 29-30.

1.2.3 Alignment with SDGs and Paris Agreement

Sustainable Development Goals

In 2015, the United Nations drafted seventeen social and sustainable goals for the year 2030, which guide our policy as a social bank. As a result, our sustainability policy affects all seventeen SDGs to a greater or lesser extent. From our ambition to create optimum value for all our stakeholder groups, we formulated objectives per stakeholder group in 2015 for the period 2016-2020. We also have objectives to meet the conditions of a healthy and solid bank. Our objectives per stakeholder group are linked to both the eight 'most material topics' for our stakeholders as well as our five main Sustainable Development Goals. We believe that our shared value strategy can have a significant long-term contribution to these five global goals.

1.2.2 Strategy for 2021-2025

On February 12, 2021 we presented our strategy for the period 2021-2025: 'Better for each other - from promise to impact'. It is intended as a response to developments such as the increasing customer demand for digitisation in our services and more personal and good contact. To address

We make the greatest contribution towards the following SDGs:

- 8 Decent work and economic growth
- 11 Sustainable cities and communities
- 13 Climate action
- 15 Life on land
- 17 Partnerships for the goals



Figure 3. SDGs - our greatest contributions

We have also identified the specific targets, underlying each SDG, that we directly address with our activities and initiatives. Please refer to our [ESG Report](#), p. 48-49.

The Paris Agreement

We took the Paris Agreement into account when formulating and updating our [climate policy](#) after the accord. We are fully committed to contribute to the Paris Agreement. In 2015, we had already set ourselves the goal of having a [climate-neutral bank balance sheet](#) by 2030 at the latest. Our balance sheet is climate neutral when our entire bank balance sheet causes as much CO₂ as we avoid, reduce or even take out of the air. We have been measuring and reporting on the steps we take towards a climate-neutral balance sheet since 2015. We present the measurement results in a CO₂ balance sheet. We will continue to increase the climate neutrality of our balance sheet by funding renewable energy projects and making our residential portfolio more sustainable².

To read more about this goal, please refer to page 42 in our [Integrated Annual Review 2020](#).

Together with the financial sector, we committed ourselves to the Dutch Climate Agreement at the end of 2019. This means that we:

- publish the climate impact of loans and investments;
- actively contribute to the energy transition;
- phrase objectives to improve our climate impact.

In addition, we have been working on setting 'Science-Based Targets' ([see page 30](#)) to ensure our climate commitment is aligned with the Paris Agreement.

Other frameworks

We have based our sustainability policy on a large number of international frameworks and we have initiated (like PCAF, PBAF and PLWF – [see page 30](#)) and contributed to cooperative efforts on strengthening society and protecting the environment.

2 We also make sure that our business operations are climate neutral. As in previous years we offset over CO₂ emissions. In 2020 by donating to a sustainable forest project in Kibale National Park in Uganda through Trees for All.' (IAR, p. 41).

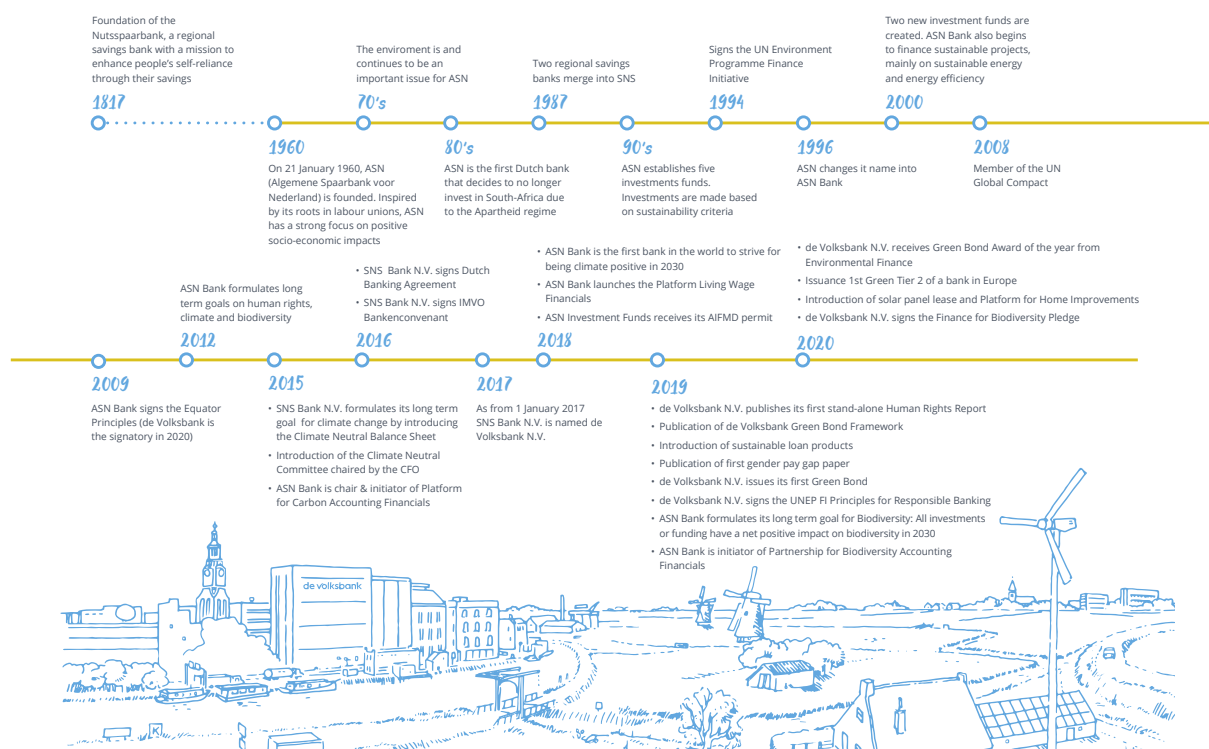


Figure 4. Our history

1.2.4 Sustainable Milestones de Volksbank

It is important that we act on our responsibility for the joint interest of society, customers, employees and our shareholder. We again took a number of meaningful steps in the past year to live up to our mission and our promise of being 'better for each other'. See for some examples of our commitments to contribute to society's goals Figure 4.

1.2.5 Recent developments in our operating environment

The year 2020 was exceptional and mostly dominated by the Covid-19 crisis for virtually everyone. The pandemic had far-reaching consequences for society, for the economic environment in which we operate, for our customers, and for our employees. It also gave us the opportunity to make society better, more inclusive and more sustainable. This meant that the pressure to shape the recovery in a sustainable way increased at the end of 2020. The three planning agencies (The Netherlands Institute for Social Research (SCP), the CPB Netherlands Bureau for Economic Policy Analysis, and the PBL Netherlands Environmental Assessment Agency) and the National Institute for Public Health and the Environment (RIVM) made an appeal in the summer to transition from crisis policy to recovery policy ([PBL](#)). Politicians did not turn a blind eye to this appeal and the European Union even raised its climate target for 2030 to a 55% reduction in CO₂ emissions. De Volksbank is

glad with the attention for a sustainable recovery from the Covid-19 crisis. In 2020, we were one of the Dutch companies to express support for putting sustainability first in the Covid-19 recovery plans.

Another important development was that the European Commission presented various parts of the European Green Deal (see link), including the Sustainable Finance Action Plan (SFAP). The Green Deal is a roadmap to make the EU economy sustainable and climate neutral by 2050. Sustainable finance is an essential part of achieving these policy goals. We closely monitor relevant initiatives and changing laws and regulations. In 2020, for example, we mapped out how changing laws and regulations in the field of sustainable finance will affect various organisational units. Based on this, action points have been defined. In concrete terms, this means further anchoring sustainability throughout the organisation, integrating sustainability into regular processes (such as risk management) and making the contribution of de Volksbank tangible through reporting.

The EU has also developed the EU taxonomy, a classification system of economic activities that contribute to and do not harm the environment. Banks are expected to show in 2022 which part of their portfolio or loans is in line with this classification, De Volksbank will gladly comply with that.

References: Integrated Annual Review 2020, p. 3, 5, 7, 16, 19, 23, 41; ESG Report 2020, p. 48-49.



2. Principle 2 – Impact and target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact analyses

We have assessed our impacts on society and the environment by, amongst others applying the Portfolio Impact Identification Tool³ provided by the UNEP FI. We have included our most important lines of business: retail banking and

mortgages in the Netherlands, loans and project finance mostly in the Netherlands (see Figure 5).

In addition, we have an asset management business unit. The investments include portfolios of globally diversified listed equity (€2.5 billion), fixed income (€0.6 billion, mainly sovereign bonds, partly green and social bonds), project finance (€0.4 billion – mainly renewable energy projects in the Netherlands) and microfinance (€0.2 billion in loans to and equity stakes in MFIs⁴ – developing countries around the globe).

Since a very large portion of our business is linked to the Netherlands we have established that our main impacts are in the Netherlands. We have

³ <https://www.unepfi.org/wordpress/wp-content/uploads/2020/10/Guide-to-Holistic-Impact-Analysis-Oct-20.pdf>

⁴ MFIs = microfinance institutions, other financial institutions and companies



Figure 5. Overview of activities

taken into account the most relevant challenges and priorities and we have considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from our activities and provision of products and services based on the sources provided in the Portfolio Impact Identification Tool.

2.1.1 Most significant (potential) positive and negative impact

Our main negative impacts on society are:

- **Climate**

With a substantial portfolio of mortgage loans we have found that our most salient impact is on climate. However, compared to many other financial institutions, our total impact on climate is mitigated by our [investment policy](#) in which activities related to fossil fuel extraction, exploitation, production and refining are excluded and activities which use large amounts of fossil fuels are avoided. In addition, we finance projects in solar and wind generated energy to avoid carbon emissions.

We have had many dialogues with a variety of stakeholders over the last couple of years on developing our climate neutral balance sheet approach (also see PCAF – page 30).

- **Resource efficiency and security**

The negative impact on resource efficiency and security is linked to our mortgages and to a lesser extent to loans from our SME portfolio. Like our dialogues on climate change we have engaged with many organisations and scientists to develop an approach on measuring the impact of our activities on [biodiversity and ecosystems](#)⁵ (PBAF – [see page 30](#)).

Our main positive impacts on society are:

- **Inclusive, healthy economies**

We have taken into consideration that a substantial number of our retail clients in the Netherlands may feel insecure in dealing with financial matters. We believe that an inclusive, healthy economy will benefit all of

⁵ For more information about our pathway to have a net positive effect on biodiversity see our ESG 2020 Report.

us (in the long run), that is why we put efforts in supporting (future) clients in managing their financial business on a daily basis.

We support our clients in becoming more financially resilient. We have consulted customers and several organisations to discuss our approach in this respect.

Furthermore, we manage a microfinance investment fund. In this way we contribute to more inclusive and healthy economies as well. The fund invests (loans and equity stakes) in MFIs around the world. Specific focus is on female entrepreneurs and on rural areas.

Beside, human rights is one of the pillars our sustainability strategy is built upon. In 2018, we conducted a salience analysis with the help of consultancy firm Sustainalize. The analysis was based on extensive desk research, interviews and validation sessions with both internal and external stakeholders. In this analysis, we identified five salient issues: living wage in the garment industry and in the agri-food industry, consumer protection and clinical trials in the pharmaceutical industry and workplace health and safety in the garment industry. We are linked to these issues through our shareholding positions in companies operating in the aforementioned sectors. We focused our efforts on mitigating negative impacts on these issues⁶.

- **Housing**

The Dutch housing market is out of balance. As a major mortgage provider in the Netherlands we feel the responsibility to support our clients in acquiring and maintaining a house.

⁶ For more information on how we deal with these issues please read our Human Rights Report 2019 and our ESG Report 2020.

2.1.2 Strategic business opportunities

Social awareness is in our DNA and is an opportunity: consumers increasingly make choices from a broader social perspective. This is also visible in the financial sector, as sustainable investing becomes ever more popular. De Volksbank sees major opportunities in the contribution that banks can make towards solving complex social issues. In this respect, de Volksbank focuses on the themes of sustainability, good housing, financial resilience and quality of life.

We have identified strategic business opportunities in delivering on our mission 'Banking with a human touch'. Some of our business opportunities link to more than one impact. Supporting clients in insulating their houses helps to reduce carbon emissions (climate) and at the same time their energy bills will be less of a burden (obviously, after the investment amount has been repaid). In February 2021 we have presented our new Strategy (2021-2025) 'Better for each other - from promise to impact', which builds on the 'banking with a human touch'-principle towards a more focussed approach on handling with the above-mentioned impacts.

We have partially fulfilled the requirements regarding Impact Analysis. This first reporting on our progress towards implementing the UN PRBs has not obtained any third-party assurance.

Reference: 2020 Integrated Annual Review, p. 9, 28, 32, 33, 34, 35, 37, 42; ASN Beleggingsfondsen UCITS N.V. Annual Report 2020; ASN Beleggingsfondsen AIF N.V. Jaarverslag 2020.

2.2 Target setting

We are in the process of executing our new strategy: some elements in our business approach will not change, others will be modified and new objectives will be set. This implies that we are (re) defining specific targets. We expect to complete this process mid-2021.

Regarding our impacts on society we determined our approach on mitigating climate change in 2015. We aim for a climate neutral balance sheet in 2030. This objective is fully in line with the Paris Agreement and the SDGs.

2.2.1 Climate: Climate-neutral balance sheet 2030

No challenge poses a greater threat to future generations than climate change. de Volksbank

considers it its responsibility to contribute in a relevant and significant way to keep global temperature increase below 1.5 degrees Celsius. To support this goal, de Volksbank has the ambition to become 100% climate neutral through its entire balance sheet by 2030. With this unique approach, de Volksbank not only takes into account its own direct emissions but also considers emissions related to its lending and investment books.

In 2015, we had already set ourselves the goal of having a climate-neutral bank balance sheet by 2030 at the latest, with an interim target of 45% climate neutrality in 2020.

This objective is in line with the Paris Agreement and SDG 13.

$$\text{CO}_2\text{-profit} \div \text{CO}_2\text{-loss} = \% \text{ climate-neutral}$$

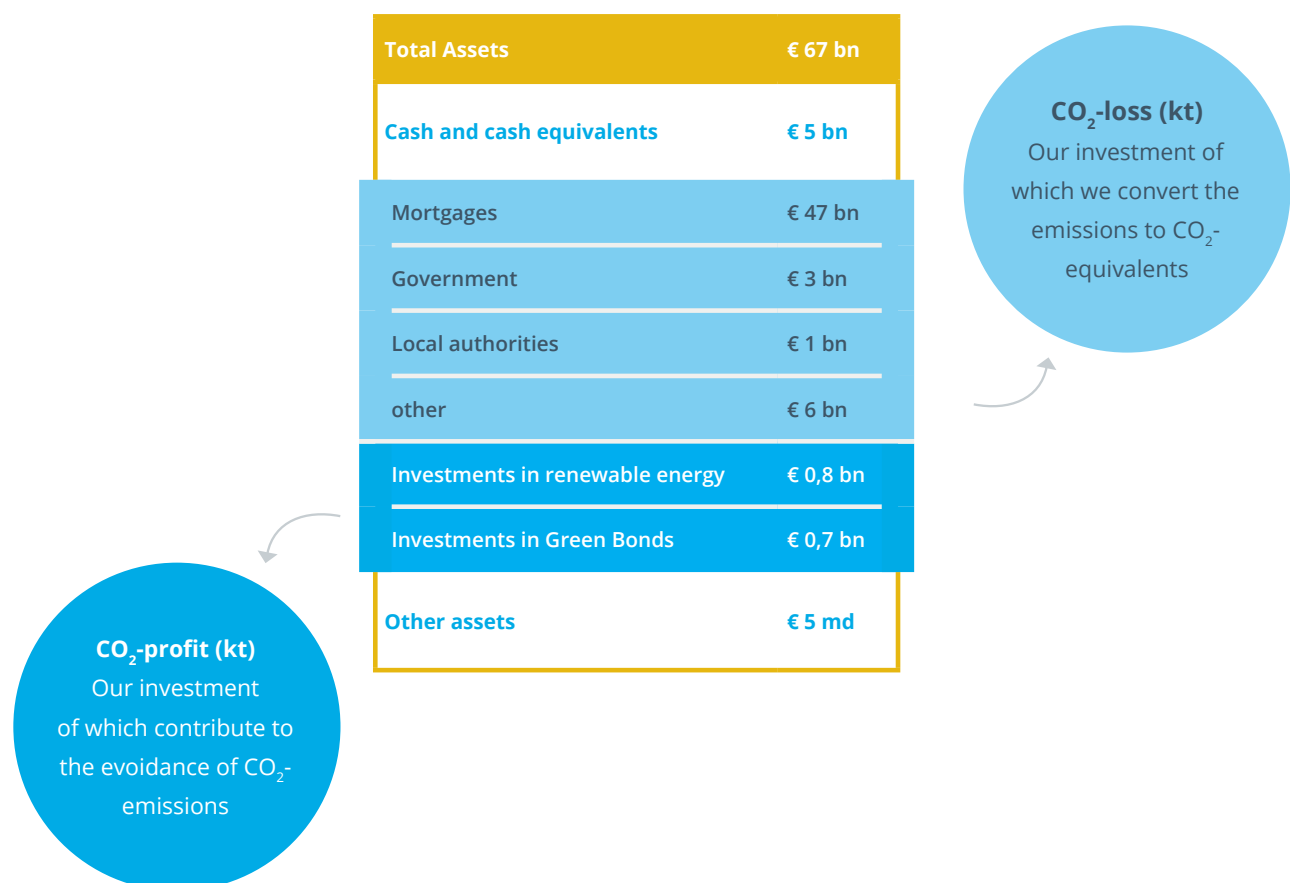


Figure 6. Climate-neutral balance and our investments

2.2.2 Resource efficiency & security: net positive impact on biodiversity by 2030

In addition to a change of land use, overexploitation and pollution, climate change is one of the main threats to nature and biodiversity preservation. Biodiversity is also indispensable to mankind; it provides us with food, water and ingredients for the development of medicines. 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”.

Three years after our brand ASN Bank introduced its long-term goal to have a net positive effect on biodiversity, de Volksbank adopted this goal in 2020 for the bank as a whole. We want to prevent any further loss of biodiversity and contribute to an overall net gain for biodiversity. To ensure that by 2030, we will actively contribute to the enhancement of biodiversity in and outside the Netherlands. We express this in our long-term goal: An overall net positive effect on biodiversity as a result of all of our loans and investments by 2030.

Our efforts in this respect are aligned with SDG 15.

2.2.3 Inclusive and healthy economies: financial resilience

We contribute to a healthy economy, including by facilitating payment transactions, transforming financial risks and maturities for market parties and private individuals, and providing financial

services. We do so in a socially responsible way by offering responsible financial products and services, developing social initiatives and entering into partnerships. We endeavor to make customers financially resilient and to offer financial education to people of all ages. Simple and transparent products for our customers are of paramount importance for us and our stakeholders: it is considered to be our most material topic ([see figure 9 on page 29](#)). Seeking to help customers become and remain financially resilient, de Volksbank needs to offer simple and transparent products which meet customers’ needs. The information provided about products and our services also needs to be accessible and clear to everyone. To measure the financial resilience de Volksbank uses the Financial Confidence Barometer.

RegioBank has deliberately opted for a regional approach, which is remarkable in the Netherlands. Local communities are of great value to the Netherlands and local basic services such as a school, a supermarket and a bank must remain there. That is why RegioBank has ensured for no less than 100 years that everyone is given the opportunity to manage financial affairs with an advisor nearby. RegioBank is committed to improving the quality of life in villages and small towns. RegioBank launched several initiatives for this purpose.

The introduction of new business propositions such as an overdraft facility, a commercial mortgage, a business credit card and point-of-sale terminals for business owners. RegioBank helps local entrepreneurs as they are key to the region’s economic vitality.

Workshops and lessons about money matters for people of all ages. RegioBank Independent Advisers organised ‘secure online banking’ workshops and gave guest lessons in schools in their neighbourhood.

Every single day, we are fully committed to the task of making the Dutch financially resilient. Our goal is to build a country where everyone enjoys financial well-being and, as a result, is able to live comfortably and enjoy life. Financial resilience is rooted in de Volksbank's DNA; 200 years ago, we were incorporated partly for this purpose. Our Financial Resilience Centre of Expertise, which is part of SNS, guides and directs the way for all our brands to implement and promote financial health, education and skills, and financial confidence.

De Volksbank has used the Financial Confidence Barometer since March 2018 to measure financial concerns among approximately 1,300 Dutch people, 530 of whom are customers of our brands.

Our efforts in this respect are aligned with SDG 12. De Volksbank wants to make a positive contribution to society on four themes: sustainability, financial resilience, quality of life in the neighbourhood and good housing for everyone. Currently, we are developing specific targets with regards to this impact.

2.2.4 Housing: access to good housing

One of our brands, BLG Wonen, believes that having your own home is a basic condition for happiness and well-being. Since a society in which everyone has access to good housing is important, BLG Wonen aims to promote housing market access and housing satisfaction in the Netherlands. This is a good example of our approach to our material topic "social innovation".

In the years to come BLG Wonen will develop this in more detail by enhancing its knowledge about the changing housing and financing needs through research as well as by actively engaging in dialogue about housing issues. It will also use its

expertise to team up with other parties and come up with concrete mortgage solutions for people who cannot afford to buy a home at this time. In terms of mortgages, we have a clear goal in mind: together, we satisfy our customers' housing preferences. Our products and services always contribute to this goal. For instance, BLG Wonen helped to satisfy the housing preferences of high-rent tenants by means of a pilot project involving the issue of rent statements.

Increasing our impact on 'access to sustainable and comfortable housing' is in line with SDG 11 and the Paris Agreement.

In our new strategy we have more focus on 'sustainable and comfortable housing'. We are in the process of defining a wider range of objectives and targets to meet our ambition in this respect.

We have partially fulfilled the requirements regarding Progress on Target Setting. This first reporting on our progress towards implementing the UN PRBs has not obtained any third-party assurance. Notably, the climate neutral balance sheet and the Financial Confidence Barometer are two of our KPIs. As such, the information provided in our Integrated Annual Review 2020 on these specific KPIs has received limited assurance by an independent assurance provider. Please refer to the Integrated Annual Review for more information.

Reference: Integrated Annual Review 2020, p. 5, 23, 30, 33, 34, 36, 40, 44, 45, 46, 47.

2.3 Plans for target implementation and monitoring

It is of paramount importance to us that we act on our responsibility for the joint interest of society, customers, employees and our shareholder.

We again took a number of nice steps in the past year to live up to our mission and our promise of being 'better for each other'.

2.3.1 Climate: climate-neutral balance sheet 2030

Every quarter, we report to the Social Impact Committee on the indicator for the climate-neutral balance sheet. To devote additional attention to increased sustainability in our mortgage portfolio, we also report on the development of the average energy label every quarter. Furthermore, we annually report on the CO₂ emissions of our own business operations. The climate neutrality of our balance sheet improved to 59% compared with 44% at the end of 2019.

De Volksbank applies the carbon profit and loss methodology to calculate the climate neutrality of its balance sheet. The methodology was developed by ASN Bank⁷ and Navigant in 2013 and expands on the Greenhouse Gas Protocol (GHG protocol) by providing guidance on the calculation of financed emissions, known as Scope 3, category 15. Financed emissions is by far the most important category to consider when looking at the value chain of a financial institution as it relates directly to their core business, because financed emissions of a financial institution are reported to be about a thousand times larger than their Scope 1 and 2 emissions combined⁸.

The methodology works as a scale, measuring the climate impact of loans and investments in

both CO₂ emissions and avoided CO₂ emissions⁹. At one side of the scale are positive climate impacts, i.e. investments that lead to avoidance of CO₂ emissions, such as wind turbines and solar parks. On the other side are the negative climate impacts, i.e. investments that still lead to CO₂ emissions, which can include sovereign bonds and small, medium enterprise (SME) loans and mortgages. The avoided emissions must equal the emissions in order to achieve a climate-neutral balance sheet.

The CO₂ emissions of our mortgage portfolio are calculated by linking the preliminary and definitive energy labels in a portfolio to national averages on gas and electricity consumption per energy label. About 13% of the mortgage portfolio consists of 'A' energy labels. Even though this methodology is widely accepted and currently uses the best publicly available data, de Volksbank realises it has its limitations. A better grade energy label does not necessarily mean that the actual energy consumption, and thus the CO₂ emissions of a home, is reduced. For this reason, we are exploring options to calculate the CO₂ emissions of the residential portfolio on the basis of actual energy consumption data. For instance, in May 2020 we cooperated with Statistics Netherlands (CBS) in publishing the actual energy consumption of the residential portfolios of de Volksbank and six other financial institutions for 2015 and 2016. We are presently exploring within the Partnership for Carbon Accounting Financials (PCAF) whether the currency and accuracy of this CBS survey can be improved, allowing us to use it in our calculations.

Every quarter, we report to the Social Impact Committee on the indicator for the climate-neutral balance sheet. And the progress on climate neutrality is published bi-annually in our

.....
⁷ ASN Bank was the first bank in the world to engage in carbon foot-printing in 2007 for one of their sustainable investment funds. ASN Bank was also the first in the world to announce a climate goal in 2013 on its financed emissions involving their whole balance sheet.

⁸ Rainforest Action Network, Bankrolling Climate Disruption: The Impacts of the Banking Sector's Financed Emissions.

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⁹ The term 'CO₂ emissions' refers to all relevant GHG emissions expressed in CO₂-equivalents.

CLIMATE-NEUTRAL BALANCE SHEET 2020

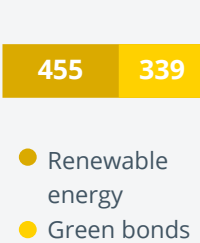
CO₂ loss

1,354 kilotons

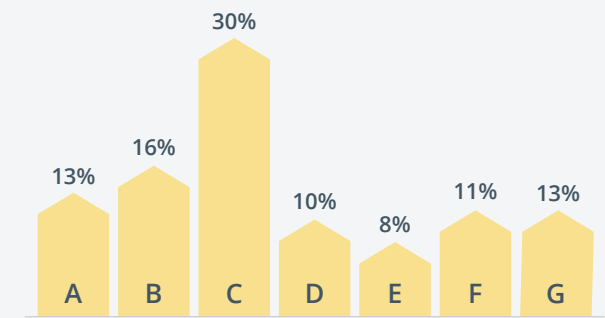


CO₂ profit

-794 kilotons



ENERGY LABELS OF FINANCED HOMES



* Rounded percentages based on the RVO database at year-end 2020. 34% of the homes have a final energy label.

Figure 7. Climate-neutral balance sheet and energy labels of financed homes

annual reports. To devote additional attention to increased sustainability in our mortgage portfolio, we also report on the development of the average energy label every quarter. Furthermore, we annually report on the CO₂ emissions of our own business operations.

Over the next few years, we will work on reducing carbon losses and further increasing carbon profits until we achieve a net-zero carbon footprint. We will do so by helping our customers make their homes more sustainable and by making additional investments in renewable energy projects. Part of our Sustainable Housing Vision is the offering of sustainable housing products and services. See paragraph 3.2. Product Offering.

The role of sustainability becomes increasingly important in terms of opportunities and threats. Although contributing to a sustainable society has long been part of our mission and ambition, we are aware that sustainability may also entail risks for us as a bank. We will follow the TCFD recommendations when describing how de Volksbank capitalises on opportunities and controls these risks.

2.3.2 Resource efficiency & security: net positive impact on biodiversity by 2030

Most human activities impact biodiversity, either positively or negatively. These impacts can be measured and expressed in a biodiversity footprint. A biodiversity footprint can be based on the monitoring of actual changes in biodiversity through time (assessment of actual impacts), or by assessing the 'potential' or expected impact, based on the contribution of an economic activity to drivers of biodiversity loss or biodiversity gain (assessment of potential impacts). A driver is any natural or human factor that directly or indirectly causes change. Examples of drivers of biodiversity loss are pollution, land use change, overexploitation and climate change. For a financial institution a biodiversity footprint consists of two parts.

The first part of the footprint focuses on the impact of the financial institution itself; for instance the impact resulting from land use and energy use by a bank's buildings. De Volksbank itself has a relatively small biodiversity footprint

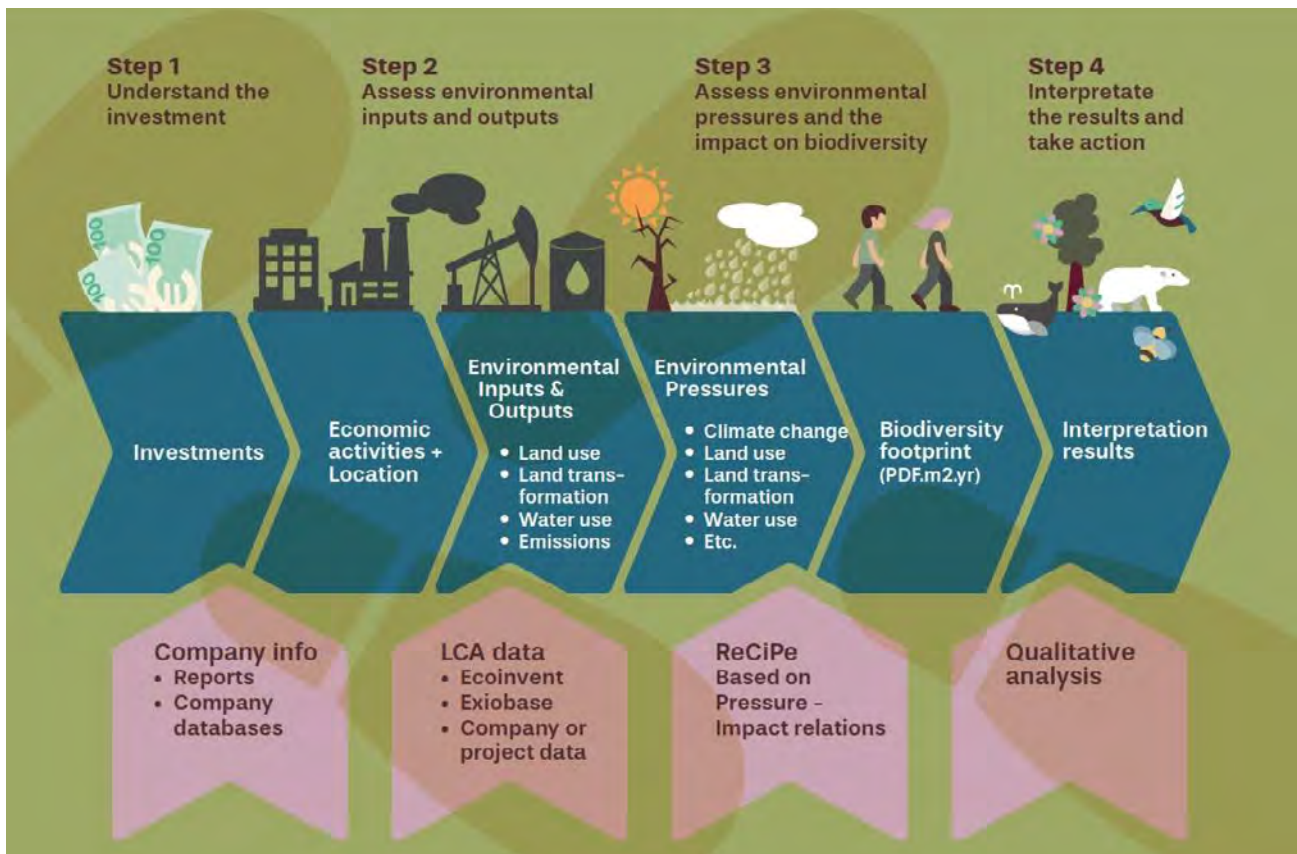


Figure 8. The impact assessment steps in the BFFI.

due to our small number of buildings and low energy consumption. The second part consists of the investments of financial institutions in economic activities which have an impact on biodiversity. The savings and investments of our customers are invested in mortgages, enterprises, countries and projects that place a burden on biodiversity. Although we also invest in projects which have a positive effect on biodiversity, at the moment the overall effect is negative and hence results in a loss of biodiversity.

We assess our biodiversity footprint using the Biodiversity Footprint Financial Institutions (BFFI) methodology. The development of this methodology started in 2015 at our brand ASN Bank, following multiple stakeholder meetings, including expert organisations like the PBL Netherlands Environmental Assessment Agency. See Figure 8 for a schematic overview of the BFFI approach.

The first step of the BFFI involves investigating

which economic activities our loans and investments are involved in and how these activities put pressure on biodiversity. This is determined by using the Exiobase database, which provides environmental input-output data for roughly 90% of the global economic activity. In order to make the BFFI suitable for application on a portfolio level (which can contain thousands of loans or investments), a biodiversity measurement on site is not realistic. Instead, the environmental impact of a specific sector, in a country, is determined using the Exiobase database. This expresses environmental impact not only in the form of carbon emissions, but also in other biodiversity pressures such as land and water use and pollution. The environmental pressures are attributed to the investor based on attribution rules, like the share of the investment in the total value of the investee. The environmental effects are then translated into an impact on biodiversity using the 'ReCiPe' model, an instrument to assess impact (Life Cycle Impact Assessment).

The methodology has continuously been improved since the pilot study in 2015 and the footprint step of identifying the economic activities of investees (a relatively time-consuming step) was automated in 2019. This was an important step, as it means that the BFFI methodology could then be broadly employed by larger financial institutions. In addition, we are constantly seeking to contribute to the improvement of biodiversity measurement methodologies throughout the financial sector. These efforts were showcased in the groundbreaking 'Common Ground' report published in 2018 by our brand ASN Bank together with Actiam and CDC Biodiversité. We are reducing the ecological impact from our loans and investments in two ways. First, we analyse whether potential loans and investments meet our strict sustainability criteria. These criteria have to be met before a loan or investment is eligible for financing. At the same time we are enhancing biodiversity by investing in, among others, biodiversity conservation, renewable energy and the circular economy. When the positive effect we achieve on biodiversity with our loans and investments is greater than our negative impact, we have reached our long-term goal.

Additionally, we work together with other organisations to reach our goal. Experts share their thoughts on a scientific basis. The government shares its thoughts from the perspective of policy frameworks. And civil society organisations share their thoughts on putting the ideas into practice. We also encourage other financial institutions to get involved. After all, the change will be far greater if they, too, start measuring and addressing their impact on biodiversity. That is why our work focuses on collaboration, discussion and inspiration.

2.3.3 Inclusive and healthy economies: financial resilience

With a score of 51, we reached our target of a minimum score of 50 on the Financial Confidence Barometer and continued the upward trend from the baseline measurement in 2018.

De Volksbank has used the Financial Confidence Barometer since March 2018 to measure financial concerns among approximately 1,300 Dutch people, 530 of whom are customers of our brands. The Barometer reveals why people have concerns and what they are concerned about.

The following factors play a role in financial concerns:

- A sense of control;
- Self-confidence in case of financial difficulties;
- The degree of financial planning;
- A tendency to display avoidance behaviour.

Every month, we ask respondents to what extent they feel that their bank is there for them in case of financial stress. The respondents answer this question on a scale of 1 (totally disagree) to 100 (totally agree). Our target for 2020 was 50. Scoring 51, we reached the target and continued the upward trend from the baseline measurement in 2018. We are glad that people do actually contact the bank especially in this day and age, and experience that we are ready to help them whenever they have financial concerns.

Every single day, we are fully committed to the task of making the Dutch financially resilient. Our goal is to build a country where everyone enjoys financial well-being and, as a result, is able to live comfortably and enjoy life. Financial resilience is rooted in de Volksbank's DNA; 200 years ago, we were incorporated partly for this purpose.

Our Financial Resilience Centre of Expertise, which is part of SNS, guides and directs the way for all our brands to implement and promote financial health, education and skills, and financial confidence.

In 2020, SNS also initiated a training programme called Making Financial Resilience Happen (Financiële Weerbaarheid Waarmaken) to help customer teams in the SNS Shops ensure financial resilience in their work. The advisers learn, for instance, how they may approach customers whose accounts have been overdrawn for a few weeks and invite them to an income-expenditure meeting at the SNS Shop. This proactive approach is intended to prevent payment problems in the long term. Furthermore, SNS takes part in the Dutch Debt Support Programme (Nederlandse Schuldhulproute; NSR). NSR cooperates with municipal authorities, companies and partners to bring about a country without debt worries. The 'route' refers to the appropriate help that is given, ranging from prevention to assistance. SNS contributes to the aim of the Dutch Debt Support Programme with its personal approach through customer teams and other initiatives.

The introduction of new business propositions at Regiobank such as an overdraft facility, a commercial mortgage, a business credit card and point-of-sale terminals for business owners. RegioBank helps local entrepreneurs as they are key to the region's economic vitality. Workshops and lessons about money matters for people of all ages. RegioBank Independent Advisers organised 'secure online banking' workshops and gave guest lessons in schools in their neighbourhood.

Eurowijs

Eurowijs has been in existence since 2013 and provides free teaching materials for all groups of primary education, special education and lower secondary education. Teachers can set to work with the materials themselves or they can invite a guest teacher. In 2020, Eurowijs worked with a total of 724 guest teachers, 601 of whom were from de Volksbank. The other guest teachers were either former employees or employed elsewhere.

Following the Covid-19 outbreak, Eurowijs developed short online lessons for distance learning in 2020, supplemented with calculation and theme sheets and additional free downloads for teachers and homeschooling parents.

During the lockdown, Eurowijs also offered all employees with children in primary education one week's free login for thuisnaarschool.nl, allowing children to attend free online lessons from 9 to 12 o'clock in the morning. The Eurowijs Day that was to be organised on 5 October was cancelled as a result of the Covid-19 measures, and hardly any guest lessons could be given after March 2020, if at all.

In 2020 we reached 152,624 children (compared to 216,628 children in 2019).

2.3.4 Housing: Access to good housing

De Volksbank implements the Sustainable Housing Vision in various ways through its four brands. Firstly, through our financial advisors, who actively point out various measures and financing options to customers. We train our advisors in various ways to provide this advice. We do this through e-learning, webinars and expert sessions in sustainable living. With the knowledge sessions and learn-from-each other sessions, advisers share knowledge and best practices. To provide as much support as possible, we have developed a discussion tool and integrated sustainable living solutions into existing software and advisory reports as much as possible. All this with the aim of being able to help our customers with issues surrounding making the home more sustainable. At the beginning of 2020, de Volksbank joined the sector collective to make the housing market more sustainable. In this we promised, among other things, to train 80% of our consultants to become a Certified Sustainable Living Consultant.

Additionally, we worked on The Labour Market Scan (Arbeidsmarktskan), a sector-wide initiative, giving flexible workers an understanding of the chances of success of a mortgage application. In addition to a person's current type of labor contract and the remuneration of the flexworker, this scan also includes a person's labour market perspective in the assessment of whether a mortgage is responsible and affordable.

We have partially fulfilled the requirements regarding Plans for Target Implementation and Monitoring. This first reporting on our progress towards implementing the UN PRBs has not obtained any third-party assurance. Notably, the climate-neutral balance sheet and the Financial Confidence Barometer are two of our KPIs. As such, the information provided in our Integrated Annual Review 2020 on these specific KPIs has received limited assurance by an independent assurance provider. Please refer to the Integrated Annual Review for more information.

References: Integrated Annual Review 2020, p. 5, 13, 27, 38, 42, 43, 47; [ASN Sustainability Criteria Guide 2020](#).

2.4 Progress on implementing targets

The inputs, outputs and outcomes presented are not exhaustive. Every year, we attempt to obtain a better picture of these aspects.

2.4.1 Climate: Climate-neutral balance sheet 2030

At the end of 2020, our balance sheet was 59% climate-neutral and we therefore reached our interim target of 45%. This result is an

improvement of 15 percentage points compared with the end of 2019 (44%) and is driven by additional project financing and the purchase of climate bonds.

The climate-neutral balance sheet target is a mature, but dynamic process which is incorporated into the governance of the organisation. We will continuously seek for new opportunities to refine the process to carbon neutrality.

2.4.2 Resource efficiency & security: net positive impact on biodiversity by 2030

Since this target is formulated in 2020 we are in the midst of implementing it into the governance of the organisation. The methodology is known, and now we are in the process of implementing the methodology into the governance of the organisation..

2.4.3 Inclusive and healthy economies: Financial Resilience

Calculating, defining and the pathway to the Financial Resilience target is already a mature process. We are now in the process of expanding and redefining our approach in this respect as part of the execution of our new strategy.

2.4.4 Housing: Access to good housing

As part of our new strategy a target will be formulated for the subject Access to good housing. An expertise centre has been set up to work on Access to good housing and therefore the implementation is in the beginning phase of target setting. We expect to publish more information about this target midst 2021.

Reference: Integrated Annual Review 2020, p. 21, 42-43.

We have partially fulfilled the requirements regarding Progress on Implementing Targets. This first reporting on our progress towards implementing the UN PRBs has not obtained any third-party assurance. Notably, the climate neutral balance sheet and the Financial Confidence Barometer are two of our KPIs. As such, the information provided in our Integrated Annual Review 2020 on these specific KPIs has received limited assurance by an independent assurance provider. Please refer to the Integrated Annual Review for more information.



3. Principle 3 – Clients and customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Overview of policies and practices

Over the years we have developed extensive policies on sustainable banking (investments and loans) and policies on protecting customers' interest and supporting customers in changing their life styles in a more sustainable manner. We are convinced that cooperating with stakeholders will stimulate progress in this respect and strengthen the approach. Below we have highlighted some examples.

The Product Approval and Review Committee (PARC) bears the responsibility to formally approve the introduction of and changes to products and services for all brands of de Volksbank. To ensure that products continue to meet current standards, they are periodically reviewed. This is done on the basis of legislation and regulations, customers' interests and our shared value ambition.

In 2020, we made considerable improvements with regard to the simplicity and transparency of our products. One example is the improvement made with regard to our online and mobile applications.

We also try to be transparent and clear about the privacy regulations. Our vision on data is 'your data, you decide'. Our privacy regulations, which are accessible via our website, detail what can and will be done with the data of a customer.

- We received the highest possible 'Privacy Guarantee Seal' from DDMA, a sector organisation for data and privacy. [You will find more information here.](#)
- We have privacy policies for both our customers and our employees.

The General Banking Conditions ('Algemene Bankvoorwaarden') contain the general agreements and rules that apply between banks and customers. All banks in the Netherlands use the same General Banking Conditions.

Also, the Code of Conduct dictates the strict framework of mortgage underwriting and is endorsed by all major mortgage lenders and intermediaries in the Netherlands. The Code of Conduct stipulates, among others:

- Strict requirements regarding information a lender is required to provide to its borrowers: as a result, borrowers should have a profound understanding of how their mortgage will work, what they can expect to change in the future and what their options are. This prevents unfavourable borrower behaviour;
- Loan-to-income (Lti) limits are set according to a fixed table including references to gross income of the borrower and mortgage interest rates. This table is updated annually by the consumer budget advisory organisation "NIBUD" and ensures that income after (gross) mortgage servicing costs is still sufficient to cover normal cost of living.

We also try to avoid complicated language and terms that require expertise in order for everyone to understand the product and its conditions.

Over the course of 2020, we have seen a significant rise in cases of online fraud and scams. 'Phishing' is one of the most common ways by which criminals try to steal personal information and/or money. We work hard with dedicated

teams to prevent any cases from happening and we do our best to help customers when it does happen. In that regard, we think it is important to share knowledge and to set up campaigns, webinars and other ways informing customers how to be skilled in recognising potential attempts at criminal activity. One example of such an initiative is our 'Recognise the Fraud' campaign. The campaign 'Secure Online Banking' is a collaboration between banks to inform the general public about the various ways in which criminals operate.

Access to finance for all is closely related to one of our most material topics that is part of our shared value strategy, namely improving the financial resilience of our customers. The first aspect of this ambition is to help people achieve and maintain a healthy financial position. The second is to promote education on financial matters and financial skills – from a young age to an older age.

The last aspect relates to financial confidence. On the specific topic of access to finance, we have among other things, focused on helping senior citizens with 'digital banking' with the workshop 'Webwijs' (wise on the web) about the transition from dealing with financial affairs on paper to dealing with them by digital means. We try to do the same thing with our personal interactions at our shops. We offer our employees an e-learning course on recognising signs of dementia to be able to help when possible.

Reference: ESG Report 2020, p. 21, 22.

3.2 Interaction with clients and customers

We put customers' interests first and our customers play a major part in the development and testing of our products and services. We always actively involve customers and consumers in the development of new concepts. Some

questions we might ask are: which products or services do customers miss or which ones should we change? Do people really understand what we tell them on our website or in our letters? Are we using the right language? And how user-friendly are our online applications? We use their comments as input for introducing improvements.

Partly on the basis of the insights from surveys, we believe that the following characteristics are some of the reasons why customers appreciate us:

- We offer simple and transparent products.
- We protect and respect the privacy and safety of our customers and their data.
- Our services are easily accessible and have high availability.

To improve the financial resilience of our bank brands' customers and the people around them, we actively focus on three areas: skills, confidence and financial position. We use education programmes such as Eurowijs to encourage the teaching of financial skills to young children. SNS organises secure online banking workshops in several shops to educate people in dealing with matters such as email phishing, harmful software and social engineering. A study by the Financial Resilience Centre of Expertise has revealed that people in debt wait to find help for five years on average. Their debts accumulate and become more than ten times as high in those five years. That is why we focus on prevention. For instance, with SNS we take part in the Dutch Debt Support Programme (Nederlandse Schuldhulprouwe) with the aim of preventing payment problems from growing into financial worries. SNS also organises information sessions for customers with interest-only mortgages.

And since we are ready to help customers even in times of hardship, we stopped using debt collection agencies in 2017. That is because we do not want customers to be unnecessarily saddled with debt collection costs. We also visit customers at home

and in some cases offer budget coaching and, if necessary, also job coaching free of charge if people are in arrears of their mortgage payments.

If we feel a problem in society needs to be addressed, we highlight the problem. By involving clients and other stakeholders we aim to get the issue on social and political agendas. An example of a social housing issue is the problem of high rents. A survey has shown that 570,000 high-rent tenants live in the Netherlands. In many instances, these people spend up to almost half of their income on housing. Their income is often just a little too low to buy their own home. They wonder why they are permitted to pay high rents but are unable to buy a home at lower monthly expenses.

Covid-19 led us to modify our mortgage acceptance framework to ensure that we can continue to satisfy customers' housing preferences even in this day and age. The modifications include additional questions for customers and advisers that allow a better assessment of the future affordability of mortgages. This guarantees that our acceptance framework still aligns with our mission of banking with a human touch as we look beyond the standard rules. This principle has also led us to start assessing high bridging loans this year, in which respect we ask customers and advisers to provide additional supporting documents for bridging loans exceeding 90% of the market value of a home.

In addition, in 2020 we offered payment holidays to help mortgage customers who were financially affected by the Covid-19 crisis. Similar schemes were set up for our customers with SME loans.

In 2020, de Volksbank again focused extensively on informing customers with interest-only mortgages. All customers with an interest-only mortgage have been approached in different ways. The approach depends on, among other things, the amount of the interest-only part and

how much time there is left for the customer pay it off. For new customers, the interest-only part is capped at 50% of the home value. We have embedded this approach in our structural services.

Product offering

Consequently, BLG Wonen aims to make the housing market more accessible to high-rent tenants and placed the issue on the social and political agendas in 2020 by frequently discussing the topic with various stakeholders, including during a housing debate it had organised. Energy efficient housing is the focal point in de Volksbank's long term climate goal. As the balance sheet consists mainly of mortgages de Volksbank sees it as its social responsibility to make a difference in this respect and to encourage their customers to make their houses energy efficient.

An important part of sustainable living is green living. Living with awareness of sustainable use of materials and the energy performance of the house. We believe that we can contribute to this by focusing on making the housing- and construction sector more sustainable and by focusing specifically on sustainable housing solutions for private home owners. This vision is the common starting point for mortgage financing and services for our private customers.

Our customers are also proactively approached with a diverse range of products and services. We refer our customers to the [Housing Improvers platform](#). Via this platform, customers can obtain information, financial and technical advice. We make this offer possible in collaboration with various partners. We do this by offering products and services that best suit the personal situation of our customers.

Energy-saving measures can help to reduce housing costs. These measures are often met with savings. We offer attractive financing products when customers do not have sufficient resources

or do not want to use their own resources. In addition, we help to make the payback period as attractive as possible by offering assistance and insight into subsidies and tax schemes in addition to our own products. To mention a few examples:

- **ASN Green Mortgage:** The client receives a discount on the interest rate of the sustainable loan part. When sustainability measures are taken, the whole mortgage is eligible for a discounted interest rate.
- **Energy Savings Budget:** With all brands of de Volksbank, customers can finance up to 106% of the value of the home after renovation. The 6% extra financing can be used for energy-saving measures. You can also reserve this budget if you do not yet know exactly which measures you want to take.
- **Energy Savings Loan:** The Energy Saving Loan can be taken out through the National Energy Fund especially for energy-saving measures. This loan is made possible in part by financing via ASN Bank.
- **Solar as a service:** As of May 2020 we have partnered up to offer solar panels. Customers receive an offer in which the lease amount is at least equal to the energy bill (usually slightly lower), so that the customer has the same costs or immediately benefits. The lease amount also includes maintenance, insurance, monitoring, etc.
- **SNS Personal Sustainability Loan:** Dedicated to customers with an energy label of C to G and focused on insulation and solar panels. A maximum of €25k and a maximum maturity of 10y is offered.

In addition to the above products, we continuously develop new products and propositions with the aim of helping and unburdening customers in making their home energy-efficient. These new products are assessed by the Product Approval Review Committee before introduction. As a result, our products always comply with laws and regulations and with our mission of banking with a human touch.

Reference: ESG Report 2020, p. 21, 22.



4. Principle 4 – Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Our relationship and collaboration with our stakeholders runs via various routes. We obviously are in touch with our stakeholders on many occasions throughout the year and in all sorts of ways. Every single one of these contact moments is a learning opportunity for us.

We study the perceptions and attitudes towards de Volksbank as a company or as an employer, for example through market research throughout the year and through our employee surveys. We also dive deeper into the most 'material' topics by means of specific materiality assessments. In this assessment, we explore what our stakeholders consider to be the right long-term goals for de Volksbank. These conversations focus on de Volksbank's contribution to the SDGs, for instance. Since we do not expect the material topics to be

entirely different over the course of a year, we perform these assessments every other year. In the year after a regular assessment, we perform a validation study to check whether the material topics are still relevant and meaningful. We intend to only change the material topic in case of significantly differing results.

In 2019, we studied our 'field of stakeholders' for a materiality assessment for our organisation. The intention of this study in particular was to identify relevant stakeholder groups, bearing in mind that stakeholders differ in perception, knowledge, power and resources. This resulted in the identification of over 300 stakeholders, ranging from stakeholders in the media and the scientific field, to NGOs and political stakeholders. In this context, our stakeholders break down into four groups: the customer, society, the employee and the shareholder.

We believe that these four groups allow us to carry out our activities, taking into account

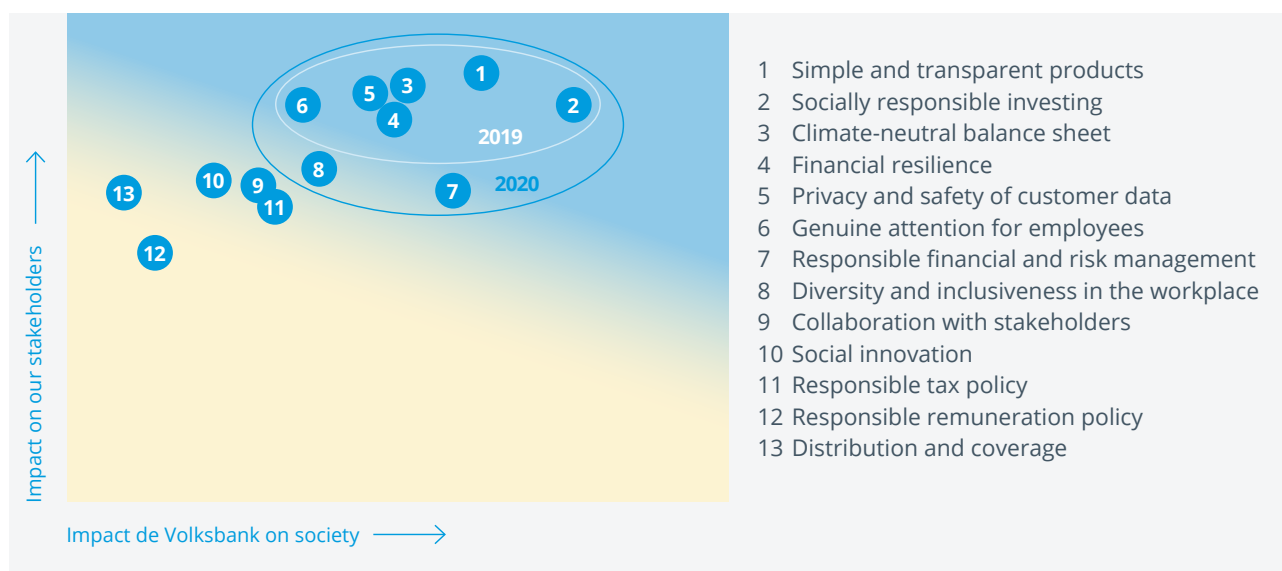


Figure 9. Materiality matrix

as many interests as possible. Apart from the extensive analysis we conducted, around 25 qualitative stakeholder interviews were held with key stakeholders from different categories. The interviews produced interesting reputational and business insights which were used for strategy purposes. In total, 13 material topics have been identified (Figure 9). Since the material topics are specific issues that greatly impact our stakeholders and/or de Volksbank, they are key to achieving our shared value ambition and are directly linked to our strategic objectives.

In 2020, we validated the outcomes of the materiality assessment we conducted in 2019. We conducted online surveys among customers, employees and a number of non-customers, and we held interviews with representatives from the four stakeholder groups that we assume to cover all of the stakeholders impacted by our operations. In summary, the materiality topics that were identified in 2019 still deemed valid. The only adjustment is that we put more emphasis on material topic numbers 7 'responsible financial and risk management' and 8 'diversity and inclusiveness' due to the events in 2020. The implication is that we have reported more about these topics in our Integrated Annual Review 2020, and we have added these two topics to our

GRI Content Index. The 2020 validation analysis also revealed a few topics that were not points of focus in previous years, such as the increased attention for biodiversity loss and the transition to a circular economy. The importance of identifying the risks of climate change also emerged as an important topic.

The materiality assessments up until this date were largely focused on the materiality of certain topics for our stakeholders. We will increasingly move away from this 'one-sided' reporting on materiality by including the materiality to our business in the same manner. Hence, in coming years we will report more on the 'double materiality' of topics, such as the impact of climate change.

In this section, we summarise how we engaged with our stakeholders in 2020 in relation to achieving improvements on our impacts on society.

We realise that the positive change we envision requires partnerships and collaboration between societal actors within and outside of the financial sector. As de Volksbank, we aim to initiate, accelerate and facilitate partnerships to reach the Sustainable Development Goals on various fronts. This is part of our commitment to contribute to SDG 17.

Partnership for Carbon Accounting Financials (PCAF)

Since 2015, fourteen financial institutions from the Netherlands, initiated by and under the leadership of ASN Bank, have worked together to harmonise, develop and implement carbon accounting methodologies for eight asset classes through the Partnership Carbon Accounting Financials (PCAF). Both for risk indicators (effect of the world on you) or impact indicators (effect of you on the world), it is important to deduct the financed climate impact (CO₂ e) in a uniform and transparent manner. 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, PCAF expanded to North America. Led by Amalgamated Bank, 12 financial institutions have adapted the PCAF carbon accounting methodologies in the North American context. 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. Building on the carbon accounting methodologies developed in the Netherlands and North America, a global carbon accounting standard for financial institutions was developed in 2020. The global carbon accounting standard builds upon the GHG Protocol's technical guidance for calculating GHG emissions financed by loans and investments. The goal of PCAF is to have an international uniform, transparent and widely accepted methodology. "Follow the money" is a key principle of the global standard, i.e. the money should be followed as far as possible to understand and account for the carbon impact in the real economy. It includes Scope 1, 2 and relevant categories of Scope 3 of the investee.

Science-Based Targets (SBTs)

The Science-Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets. It is a collaboration of international NGOs and the World Resources Institute (WRI) to develop climate goals per sector and per company, and to provide certifications for alignment with the Paris Climate Agreement. Targets to reduce GHG emissions are considered "science-based" when they are in line with the latest climate science on requirements to meet the Paris Climate Agreement. In this context, de Volksbank has participated in a banking pilot project in 2019 established and led by the SBTi to explore the opportunities for setting science-based targets that align financial flows with the aim of limiting global warming to below 2 degrees Celsius. In October 2020, the SBTi published the 'Financial Sector Science-Based Targets Guidance' report. In 2020 we made further progress as we prepared ourselves for our commitment to the SBTi in 2021. We aim to get our science-based targets approved in 2021.

Partnership for Biodiversity Accounting Financials (PBAF)

The PBAF is a partnership of financial institutions working together to explore the opportunities and challenges surrounding the assessment and disclosure of the impact on biodiversity, associated with their loans and investments. PBAF was initiated by ASN Bank at the end of 2019 and established together with ACTIAM, Triple Jump, Triodos, Robeco and FMO.

Platform Living Wage Financials (PLWF)

Under the umbrella of the Platform Living Wage Financials (PLWF), financial institutions come together to encourage, support, assess, and monitor investee companies with regard to their commitment to pay a living wage to the workers in their supply chains. As recognised by, among

others, the International Labour Organisation (ILO) and the OECD, living wage is a fundamental human right. Within the PLWF, we are strongly convinced that living wage is a salient human right that requires urgent attention by companies worldwide. PLWF was founded by ASN Bank, Triodos Bank IM and insurer MN.

Platform Woningverbeteraars (Housing improvers)

Woningverbeteraars (housing improvers in English) is initiated by de Volksbank. De Volksbank invests in a better Netherlands. We do this with, among other things, our joint Woningverbeteraars platform. [On this webpage](#) (only available in Dutch), you will find specific information for people who want to renovate, improve or make something more sustainable in their own home.

Reference: ESG Report 2020, p. 9, 37.



5. Principle 5 – Governance and culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Governance

Sustainability Governance

In 2017 the Board of Directors of de Volksbank decided to fully adopt ASN Bank's sustainability criteria. Since then, we have been working on a more formal organisational integration of sustainability. In 2020, we almost fully embedded sustainability in our governance – specifying all duties and responsibilities to our stakeholders in all parts of our company – from the directors to financial departments, and from the canteens to our local shops. The development and implementation of sustainability within our organisation is assigned to owners within the

Board of Directors and senior management. In 2020 we set up the Social Impact Committee (SIC) to replace the Climate Committee. Enjoying a broad mandate, the SIC develops, implements and monitors our policies on themes such as financial resilience and quality of life in the neighbourhood in addition to our sustainability policy. The SIC also assesses and advises on Sustainability Risk and on internal and external reporting on social issues. The SIC is chaired by the Chief Risk Officer to represent the Board of Directors. The estimated impact on our four stakeholder groups, that is customers, society, employees and the shareholder, is recorded in all meetings of the Board of Directors and the SIC to ensure that the impact on natural, human and social capital is included in the decision-making. Furthermore, our policies and activities are evaluated every month based on our shared value KPIs and changed where necessary.

House of Policies Sustainability

The Sustainability Management Policy (SMP) describes the sustainability management governance. This document forms the basis for further development of specific Sustainability Policies (SP) on the three pillars (climate, biodiversity, and human rights), Specific Sustainability Policies (SSP) on specific topics, sectors or assets and Applied Sustainability Policies (ASP) for the application in the business lines. Together they form the so-called 'House of Policies Sustainability'. The SMP serves as a framework for company-wide awareness on sustainability and the resulting conduct at all levels of the organisation (including contributing to external reporting and supporting and monitoring other first line departments). Sustainability policy is ultimately to be translated into the work processes of de Volksbank. In the sustainability policy framework, this document (indicated as '1' in the overview below or the SMP) covers primarily the governance, strategic ambition, responsibilities, procedures, etc. As a principle, the SMP is adopted by the SIC. 'Content' documents (labelled '2' and '3' in the overview on page 4 or the SP and SSP respectively) contain all information on sustainability content. As sustainability is not static, the exact number and themes regarding content sustainability policies may vary from time to time. We distinguish three SPs on which we will elaborate a bit more in the next paragraph. In Specific Sustainability Policies additional guidance and criteria are provided for specific themes (like tobacco or plastics) or sectors (like financials) or asset classes (like ESG bonds). Just like the SMP and SPs, the SSPs are applicable for our whole organisation as well. However, some documents contain specific additional components for ASN Bank describing activities related to its 'supercharger role' and specific activities (sustainable project financing). The SP and SSP documents are prepared and developed by the Expertise Centre

Sustainability (ECS). The ECS keeps in touch with external parties including NGOs, other financial institutions, academics, politicians and the media. Furthermore, the ECS prepares the sustainability policy of ASN Beleggingsfondsen, which otherwise autonomously determines its policy.

(Applied Sustainability Policies – ASP) are specifically directed towards the value streams and specific integrated processes (IP) in which the Sustainability Policy should be implemented and executed. Consequently, these documents tend to have a more practical approach ("what to do") compared to the SMP and 'content' (SP and SSP) documents ("why" and "how"). The Expertise Centre Sustainability will cooperate closely with the relevant departments in the development of the ASP and the ECS provides support to the departments in determining objectives (KPIs) and actually putting those objectives into practice. The ASPs need to have final consent from the ASN Bank Board for the sustainability elements of a policy prior to processing the policies for approval in the line and final sign-off by the Social Impact Committee.

We have distinguished three central pillars in our sustainability policies: Climate, Biodiversity and Human Rights. Each pillar has its own specific Sustainability Policy (SP). Here, we will further elaborate on these central policies. Although the same principle starting points apply for the way we are managing our own operations and for developing and maintaining retail client products and services; our Sustainability Policy has a primary focus on loans and investments. This is because our direct social and environmental impact of our organisation is small but as a capital provider we enable clients and, consequently, contribute to their impact indirectly.

Climate

Climate change is one of the most pressing problems the world is facing at the moment. De

Volksbank has adopted an approach to mitigate and adapt to the impacts of climate change. Basically, the approach consists of two elements: 1. A set of sustainability criteria to avoid involvement in entities which have a negative impact on climate change and, 2. A set of criteria to support investments that contribute to combatting climate change. Activities we for instance refuse to invest in are the exploration, extraction and production of fossil fuels and electricity productions by means of fossil fuels. For further detail of these policies we would like to refer you to our Climate Change policy. Our objective of a 'carbon neutral balance in 2030' and use this initiative to broaden the scope of climate neutrality to the rest of the sector (PCAF). The initiative holds both for de Volksbank and ASN Bank. In 2018, ASN Bank formally decided to aim for a carbon positive balance in 2030.

Biodiversity

The loss of biodiversity and the destruction of ecosystems will have unprecedented impacts on many aspects of our lives, varying from potentially negative consequences on agricultural production to irreversible changes in natural habitats. De Volksbank adopted ASN Bank's goal to have an overall net positive effect on biodiversity by 2030. For further detail of these policies we would like to refer you to the Biodiversity policy on our website. Closely linked to this policy is our policy on Circular Economy, which includes our vision on the circular economy and in which less and more efficiently using both renewable as non-renewable raw materials are central. In addition, there is in our view no waste because raw materials over and over again be deployed. In this way raw materials are not depleted, it decreases our negative impact on biodiversity as we use raw materials more consciously and efficiently. This leads to less CO₂ emissions and change of land use, but also to less pollution stemming from the use of harmful substances.

Human rights

Human rights are violated frequently, and quite often with significant severity. ASN Bank has developed a wide range of policies to avoid violations of human rights in their loan and investment portfolios. De Volksbank has adopted these policies in the SP Human Rights. Part of ASN Bank's supercharge initiatives is the development of an approach to achieve 'living wages' in the global clothing industry by 2030. The ultimate goal is: By 2030 the garment sector will have implemented all necessary processes to enable a living wage for workers in its supply chain. Basically, the approach on human rights consists of two elements:

- A set of sustainability criteria to avoid involvement in entities which are not protecting (governments) or respecting (companies and other entities) human rights. Similar to Climate and Biodiversity, our Human Rights Policy contains criteria in relation to activities to be excluded and avoided and criteria to support investments that uphold collective, human and labour rights. For instance, we do not invest in companies that engage in or profit from wars or armed conflicts. We cannot and will not reconcile ourselves to the idea that these types of companies benefit from the existence of an increase in armed conflicts. This means that we also refrain from every form of financing of or investment in companies that are involved in the development, maintenance, testing, storage and distribution of weapons. Examples of criteria in order to uphold human rights and labour rights are: equal treatment and non-discrimination; no child labour in accordance with the ILO definition; no forced labour; freedom of association and collective bargaining; safe and healthy working conditions; respecting the rights of local communities and indigenous people (includes

acquisition of land by companies). For further detail of these policies we would like to refer you to our Human Rights Policy on our website. In addition, a set of criteria is applied to select the frontrunners on protecting and respecting human rights.

- An initiative to strive for 'living wages' in the clothing industry (Platform Living Wage Financials – PLWF). ASN Bank has broadened the scope of the 'living wage' initiative by involving other financial institutions.

Reference: Integrated Annual Review 2020, p. 27, 62-63.

5.2 Culture

Our employees believe in our mission, which is illustrated by the outcome of our yearly employee engagement survey. Increasingly, our employees feel engaged to work despite difficult conditions for our industry. They are committed to contributed to our 'shared value' strategy.

All new employees of de Volksbank participate in a course which is intended to inform and engage them by explaining the history, culture and 'shared value'-strategy. The course is a blend of meetings with colleagues from all different parts of our organisation, tours and e-learning.

Since we believe in the benefits of an inclusive and healthy economy, we have concluded that our work force needs to be inclusive and healthy as well. Consequently, diversity and inclusivity play an important role in realising our mission. De Volksbank attaches great importance to a socially responsible package of employment conditions. Our mission of "banking with a human touch" is not only the starting point for how we bank, but also for how we treat our employees. We give them more responsibility

and facilitate our employees to take control of their careers themselves. The ability to work independently of time and place ensures a good work-life balance. In addition, we offer an individual choice budget. This gives employees more flexibility in some of their employment conditions, so that they can tailor this to their own personal needs.

Diversity and inclusion

Our starting point is to create an inclusive culture where customers and employees feel at home, where all differences are valued and used to make better decisions and to realise our mission and ambitions. This starting point is a conscious choice: only when the environment is inclusive, it is possible to utilise the added value of diversity. At de Volksbank, diversity refers to all aspects in which people can differ from each other, such as personality, gender, age, sexual orientation, multicultural background, education and (professional) experience, nationality, vitality. Diversity in all its facets is our aim and is part of de Volksbank's strategy and HR policy. Our [diversity and inclusion policy](#) contributes to this and ensures that we create a good foundation. The diversity policy pays attention to our culture, to how we behave and interact with each other, and also to making our organisation more diverse. Being close to society and making that commitment visible in the service to customers, that is what we contribute to together.

Our goal is to achieve a diversely composed workforce in a broad sense. In the inflow and progression of employees, we seek to strike a balance when it comes to factors such as gender, age, cultural background, personality and motives. We regularly consider the importance of recognising and appreciating the differences between people, for example during the Pride and on Diversity Day.

Through our employee survey we also monitor to what extent employees experience an open, people-oriented and inclusive working environment.

In further developing an inclusive and people-oriented leadership style, we pay attention to unconscious bias, equal opportunities and inclusive management of a diverse team. We take action against unequal treatment, discrimination, sexual harassment, aggression, violence and bullying. We do so using internal committees and confidants and by actively communicating about our rules of conduct on a regular basis.

In 2020 we signed the United Nations Standards of Conduct for Tackling Discrimination against LGBTI people. With this set of five standards of conduct, the business community aims to make an active contribution to combating discrimination against lesbian women, gay men and bisexual, transgender and intersex people (LGBTI). By signing these standards we want to send a clear message that everyone who works at de Volksbank can feel at home here.

Gender Equality

De Volksbank believes it is important that women and men who perform the same work are equally rewarded in the same situation. That is why we commissioned an independent agency, Korn Ferry, to conduct an investigation into the wage differences within de Volksbank. This shows that the pay difference is only 0.2% to the disadvantage of the women.

De Volksbank's aim is to bring the gender balance in managerial positions even further into balance. We have the ambition to have 40% of all managerial positions filled by women by 2025. In addition, we strive for a 50% male / female distribution at total employee level.

Remuneration policy

The remuneration policy of de Volksbank is based on our manifesto, our shared value principle, our profile of a social bank and our moderate risk profile. This means, for example, that:

- we aim to create shared value for all stakeholders: customers, society, employees and the shareholder;
- the highest earner does not earn more than ten times the average salary within the bank; in practice, this is seven times the average salary;
- the remuneration of the Board of Directors and the compensation of the Supervisory Board are lower than the median of comparable positions in the general market (comparable financial and non-financial organisations in the Netherlands);
- the collective agreement is applicable to 99% of the employees; top management does not come under the collective agreement (available on our website (Dutch only));
- de Volksbank does not grant any variable remuneration.

For a comprehensive explanation on our view on health, safety and human capital development please see the [ESG report 2020](#).

Approach towards achieving our shared value ambition and objectives

Our ambition to create shared value is largely underpinned by international guidelines.

De Volksbank's Board of Directors is responsible for achieving our shared value ambition and for creating value in the long term. The degree in which the Board of Directors succeeds in doing so forms the basis for its performance review. As de Volksbank does not apply variable remuneration, the performance review does not affect the remuneration. The Supervisory Board advises the Board of Directors and assesses whether our social strategic objectives have been achieved in practice.

In 2020 we set up the Social Impact Committee ([see page 32](#)) (SIC) to replace the Climate Committee.

The estimated impact on our four stakeholder groups is recorded in all meetings of the Board of Directors and the SIC to ensure that the impact on natural, human and social capital is included in the decision-making. Furthermore, our policies and activities are evaluated every month based on the shared value KPIs and changed where necessary.

Reference: Integrated Annual Review 2020, p. 48-52, 62-63.

5.3 Governance structure for implementation of the Principles

As indicated, we presented our new strategic and we are in the midst of the process to implement the new strategy. This means that we are reassessing existing targets and milestones regarding financial resilience and inclusion, and comfortable and sustainable housing.

The Committee Social Impact is and will be responsible for monitoring the process and progress on all targets relating to our impacts and will be the driving force for remediation in the organisation, if needed.

In our next update, we will explicitly explain our additional targets, monitoring methodologies and results on these additional new targets.

We have partially fulfilled the requirements regarding Governance Structure for Implementation of the Principles. This first reporting on our progress towards implementing the UN PRBs has not obtained any third-party assurance.

Reference: Integrated Annual Review 2020, p. 48-52, 62-63.



6. Principle 6 – Transparency and accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Progress on implementation of the Principles

We have made notable and meaningful advancements over the last 18 months with regard to the implementation of the six principles. One of which is the formulation of our new strategy wherein societal impact and the customer are central to our activities. Nonetheless, we have ample room for improvement in order to fully implement the six principles. Some examples of past improvements and action plans are provided in this report.

We have improved the governance surrounding the implementation of the principles and sustainability in general. Most notably was the establishment of the Social Impact Committee. We will however need to make additional improvements to fully anchor sustainability and the six principles in our organisation.

We have further improved our reporting and disclosures to be more transparent and accountable. This has partly been achieved by the core & more approach we adopted since 2020. We have also started to disclose information on climate-related risks by using the Task Force Climate-related Financial Disclosures. We have made further improvements due to new or upcoming regulation on the disclosure of non-financial information from the European Commission.

We are continuously improving the methodology of our climate-neutral balance sheet, and the process that lies behind it. We will implement further refinements of the methodology in 2021 by fully adopting the Partnership for Carbon Accounting Financials method. We have also substantially improved the climate neutrality of our balance sheet, in line with our targets.

Resource efficiency is another pivotal impact area, in which we have made progress. By signing the Finance for Biodiversity Pledge and through joining the Partnership Biodiversity Accounting Financials, we have increased our commitment to combat biodiversity loss and increased our ability to measure our biodiversity impact.

Analysing our impact is the starting point

Analysing our impact on society is an integral part of the way we conduct our business. First of all, if we want to make a societal difference, we need to understand what our impact is and how we can maximise the optimum shared value that we aim to create for our stakeholders. Not coincidentally, our new strategy (2021-2025) is called 'Better for each other - from promise to impact'. Secondly, understanding our impact on society is also a precondition for implementing the six principles.

As previously described, we have partially fulfilled the requirements regarding Progress on Implementing Targets. This first reporting on our progress towards implementing the UN PRBs has not obtained third-party assurance.

Conclusion

To conclude, de Volksbank is a bank which has put clients and society first since 1817. We believe that now that the pressure on society and the environment is increasing, we need to be even more committed to contribute to solutions. In our first report on the Principles for Responsible Banking we have established our main impacts on society. For two of them we have specified targets already and are implementing the objectives. It is also clear that we have meaningful work to do on all six principles. Our new strategy for the period 2021-2025 called 'Better for each other - from promise to impact' will help us with the implementation.

In sum, we have laid the ground work to live up to our PRB commitments for the coming four years and we have made some meaningful progress since we committed to the principles. We are looking forward to 2022, when we will be able to report the progress made over 2021.

Our approach to reporting

Our general reporting approach is based on the principle of being as open, balanced and transparent as possible – in line with our mission of ‘banking with a human touch’. In all our disclosures, we hope to give a balanced picture by specifying and recognising our dilemmas, our points of improvement, and our negative impact. Seeking to be transparent towards the largest possible group of stakeholders, we have made our disclosure more accessible by adopting the ‘core & more’ approach, introduced in 2015 by Accountancy Europe. More information about the basis for non-financial reporting can be found in the ESG Report.

This PRB Progress and Self-assessment Report is part of our ‘core & more’ approach to reporting. The ‘core’ report, namely de Volksbank Integrated Annual Review 2020, describes the strategy, ambitions and results over the year 2020. In order to add accountability, ensure comparability and increase transparency, the Integrated Annual Review 2020 was prepared in accordance with the GRI Standards: Core option’. The GRI Content Index 2020 can also be found on our website. The report was also inspired by the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). In addition, large parts of that report, including our main KPIs, received limited assurance by an independent assurance provider.

In various ‘more’ reports, we provide more detail and insight on specific topics. For instance, all financial data can be found in the 2020 Annual Report 2020 on our website. In this ‘more’ report, we have highlighted our progress on combatting climate change in detail and we have explained that we are re-examining our targets on the other three main impacts of our bank on society. This is due to a shift in our strategic priorities: ‘Better for each other - from promise to impact’.

In detailing the implementation of our new strategy we will continue to involve stakeholders and will align our efforts with (inter)national good practices, the Principles for Responsible Banking and, as a consequence, with the SDGs, Paris Agreement and other international treaties and conventions (like reporting in line with the UN Guiding Principles on Business and Human Rights).

DISCLAIMER

Forward-looking statements reflect our convictions, plans and expectations at the time of publication. Words such as ‘ambition’, ‘plans’, ‘intention’ and ‘expectation’ are intended to clearly indicate such statements in our report. The information about the future is based on goals and informed estimates. Nevertheless, new insights and external factors may negate this information or lead to materially different outcomes. We do not intend to publicly update this information during the year. However, we may change and/or delete this forward-looking information in future publications, such as the interim results.

We highly value your opinion on this report and our business operations. That is why we invite you to ask questions, express complaints and share tips. This invitation applies not only to this Principles for Responsible Banking Report; our strategy is based on creating shared value for all our stakeholders. We need everyone’s feedback for this. If you have any feedback, please let us know through verantwoord.ondernemen@devolksbank.nl. If it turns out that we need to change or rectify anything, we will examine how we can properly adjust our business operations.

Fotografie: Dreamstime & Femke van den Heuvel **Ontwerp:** subsoda

de volksbank

beter voor elkaar

