



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

de Volksbank N.V.
29 September 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green Bonds
Relevant standards	<ul style="list-style-type: none">Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)EU Taxonomy Climate Delegated Act (as of June 2021)
Scope of verification	<ul style="list-style-type: none">De Volksbank N.V. Green Bond Framework (as of September 7, 2023)De Volksbank N.V. Eligibility Criteria (as of September 7, 2023)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

De Volksbank N.V. (“the Issuer” or “the Bank” or “de Volksbank”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Bonds by assessing four core elements to determine the sustainability quality of the instruments (see Annex 3):

1. De Volksbank’s Green Bond Framework (as of September 7, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how the Renewable Energy project category performs against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment of the Green Building project category with the EU Taxonomy on a best-efforts basis¹ – whether the nominated Green Building project category is aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria)² as included in the EU Taxonomy Climate Delegated Act (June 2021).³
4. Linking the transaction(s) to de Volksbank’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories (see Annex 2).

DE VOLKSBANK BUSINESS OVERVIEW

De Volksbank is classified in the Mortgage and Public Sector Finance industry, as per ISS ESG’s sector classification.


De Volksbank engages in the provision of commercial banking services to the Dutch retail market, including small- and medium-sized enterprises. Its products relate to payments, mortgages and savings. The Company was founded in 1817 and is headquartered in Utrecht, the Netherlands.

¹ Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy have been evaluated on a “best efforts basis”.

² Enquires on minimum safeguards when providing mortgages are not required according to the Final Report on Minimum Safeguards, October 2022, URL https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf

³ European Commission, 2021, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, <https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=CELEX:32021R2139>

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ⁴
Part 1: Alignment with GBP	The Issuer has defined a formal concept for its Green Bonds regarding Use of Proceeds, Processes for Project Evaluation and Selection, Management of Proceeds and Reporting. This concept is in line with the GBP.	Aligned
Part 2: Sustainability quality of the Eligibility Criteria	<p>The Green Bonds will (re)finance eligible project categories which include:</p> <p>Green categories: Renewable Energy and Green Buildings</p> <p>Financing product and/or service-related UoP categories individually contribute to one or more of the following UN SDGs:</p>  <p>The environmental and social risks associated with the Renewable Energy project category are managed.</p>	Positive
Part 3: Alignment with EU Taxonomy	<p>De Volksbank's project characteristics, due diligence processes and policies for the Green Building project category have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis⁵. The nominated project categories are considered to be:</p> <ul style="list-style-type: none"> Aligned with the Climate Change Mitigation Criteria Aligned with the Do No Significant Harm Criteria (DNSH) for Circular Economy⁶, but not with DNSH for Climate Change Adaptation and Pollution Prevention and Control⁷ 	
Part 4: Linking the transaction(s) to de	The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. The project categories considered are in line with the sustainability objectives of the Issuer.	Consistent with Issuer's sustainability strategy

⁴The evaluation is based on the de Volksbank's Green Bond Framework (September 7 2023 version) and on the ISS ESG Corporate Rating updated on the 28 March 2023 and applicable at the SPO delivery date (for more information on ISS ESG Corporate Rating methodology, please consult Annex 2).

⁵Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

⁶Please note that this criteria is only applicable to 7.2 Renovation of existing buildings, European Commission, 2021, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, <https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=CELEX:32021R2139>

⁷Please note that this criteria is only applicable to 7.2 Renovation of existing buildings, European Commission, 2021, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, <https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=CELEX:32021R2139>

Volksbank's ESG profile	At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.	
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SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section evaluates the alignment of de Volksbank's Green Bond Framework (as of September 7, 2023) with the GBP.

GREEN BOND PRINCIPLES	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by de Volksbank's Green Bond Framework is aligned with the GBP.</p> <p>The Issuer's green categories align with the project categories as proposed by the Green Bond Principles, criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category will be provided in the annual allocation report and de Volksbank expects the full allocation of the proceeds at issuance. The Issuer describes environmental benefits of the project categories and defines exclusion criteria for harmful projects categories.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by de Volksbank's Green Bond Framework is aligned with the GBP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders in this process and clearly defines responsibilities in the process for project evaluation and selection and is transparent about it. Additionally, it identifies the alignment of their Green Bond Framework and their green projects with official or market-wide taxonomies used, in line with the best market practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds description provided by de Volksbank's Green Bond Framework is aligned with the GBP.</p> <p>The net proceeds collected will be equal to or lower than the amount allocated to eligible projects, with no</p>

		<p>exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The Allocation and Impact reporting description provided by de Volksbank’s Green Bond Framework is aligned with the GBP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. De Volksbank explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer is transparent about the information reported in the impact report, the level of impact reporting, and also defines the impact reporting frequency, in line with the best market practice. Furthermore, the Issuer discloses the location and the link of the reports and is committed to having an external party audit the allocation report, in line with the best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

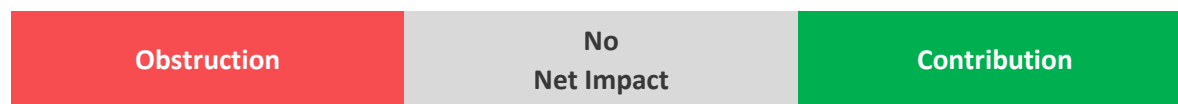
A. CONTRIBUTION OF THE GREEN BONDS TO THE UN SDGs⁸

Financial Institutions can contribute to the achievement of the SDGs by financing specific services/products which help address global sustainability challenges, and by being responsible financial institutions, working to minimize negative externalities in their financing along the entire value chain.

Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of products or services financed by an Issuer on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Buildings</p> <p><i>Financing new or existing residential buildings in the Netherlands:</i></p> <ul style="list-style-type: none"> ▪ <i>Buildings built before 31 December 2020 with at least an Energy Performance Certificate (EPC) class A</i> ▪ <i>Buildings built before 31 December 2020 belonging to the top 15% of the Dutch building stock based on Primary Energy Demand (PED)⁹</i> ▪ <i>Buildings built after 31 December 2020 with a Primary Energy Demand at least 10% lower than the threshold for Nearly Zero-Energy Buildings ("NZEB") in the Dutch market¹⁰</i> 	Contribution	

⁸ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in de Volksbank's Green Bond Framework.

⁹ The Issuer has a methodology that assures that the financed buildings would be within the top 15% in terms of primary energy demand. The top 15% low-carbon residential buildings in the Dutch context have been measured via Energy Performance Certificates for residential buildings. To define the top 15% most energy-efficient buildings in the Netherlands, a cut-off year of construction can be selected as criterion. For more information on their Green Buildings Methodology Assessment, please consult this document available on their [website](#).

¹⁰ The Dutch version of NZEB is called Bijna Energieneutrale Gebouwen ("BENG")

- *Buildings that have been renovated meeting the criteria for major renovation under applicable building regulations^{11 12}*

Green Buildings

Financing existing residential buildings in the Netherlands:

- *Buildings that have been renovated, resulting in a reduction of Primary Energy Demand¹³ of at least 30% and validated through an Energy Performance Certificate.*

Renewable Energy

Financing the production, development, construction, operation, acquisition, and products of below renewable energy sources. Financing the connection of below renewable energy sources product units to the electricity grid, transportation through the network and manufacturing of the technology:

- *On and offshore wind energy*
- *Solar energy*
- *Tidal energy*

Contribution



Contribution



¹¹ As set in the applicable national and regional building regulations for ‘major renovation’ implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.

¹² The Netherlands has transposed Directive 2010/31/EU into its national legislation. Minimum Energy Performance Standards (MEPS) are in place for buildings or renovated buildings and the values reflect a cost-effective level.

¹³ The initial primary energy demand and the estimated improvement is based on a detailed building survey, an energy audit conducted by an accredited independent expert or any other transparent and proportionate method and validated through an Energy Performance Certificate. The 30 % improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through renewable energy sources are not taken into account) and can be achieved through a succession of measures within a maximum of three years.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the renewable energy projects' eligibility criteria against issuance-specific KPIs. The vast majority of the assets are and will be located¹⁴ in the Netherlands, Belgium, Luxemburg, France, Germany, Spain, Portugal, Italy, Ireland, Austria, Finland, and Iceland.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

De Volksbank has a Sustainable Project Financing Portfolio, with eligible activities listed in an internal sustainability guide. De Volksbank's project finance department will only accept green loans at the moment and does not focus on transition loans. De Volksbank also has an exclusion criterion on projects to be avoided¹⁵. There is also a selection process by de Volksbank's Sustainability Expertise Centre (SEC) to assess whether the project complies with the sustainability policy and sustainability criteria.

Prior to financing a new project, there is a sustainability assessment to be made, and de Volksbank also incorporates ESG analysis during the credit application to consider whether ESG factors can be a driver for credit risk of the client. For existing clients, there are annual revision process and if ESG risks are identified, then de Volksbank will take actions including the possibility of selling the loan to a third-party financier or phasing out the client relationship when it is concluded that ESG risks are severe. While assessing whether projects meet sustainability criteria, solutions to mitigate the identified risks will also be considered collaboratively by the Bank and the borrower.

The above process applies to the specific borrowers applying for a sustainability transaction.

Labour, Health and Safety

- ✓ De Volksbank operates in countries where high Labour, Health and Safety standards are ensured by the relevant national legislation and the European Union mandatory social standards and would not conduct business in any high-income non-OECD nations that are not covered by the current credit risk policy. De Volksbank's Sustainability Criteria Guide¹⁶, has developed a guideline in assessing the company's sufficiency in offering a healthy and safe working environment. In addition, de Volksbank's Human Rights policy requires borrowers and their suppliers to offer a working environment without any violations to employees' health and safety. Finally, de Volksbank states that it has a list of approved suppliers to mitigate human rights risks.

Biodiversity

- ✓ De Volksbank requires projects outside of High-Income OECD countries to comply with Equator Principles and IFC performance standards. For projects that will be located in high

¹⁴ More than 75% of assets will be located in the Netherlands, Belgium, Luxemburg, France, Germany, Spain, Portugal, Italy, Ireland, Austria, Finland, and Iceland. The countries are included in the current credit policy and de Volksbank does not plan to include any non – OECD high income countries in its future strategy.

¹⁵ Guide ASN Sustainability Criteria, <https://www.devolsbank.nl/assets/files/Guide-ASN-Sustainability-Criteria-2022.pdf>

¹⁶ De Volksbank's Sustainability Criteria Guide, <https://www.devolsbank.nl/assets/files/Guide-ASN-Sustainability-Criteria-2022.pdf>

income OECD countries, local and national laws are similar to or more stringent than the Equator Principles. The Bank's compliance with the Equator Principles has not been audited / externally verified regarding project finance activities. However, de Volksbank only finances renewable energy projects in high-income OECD countries (The Netherlands, Belgium, Luxembourg, France, Germany, Spain, Portugal, Italy, Ireland, Austria, Finland, and Iceland) which are all 'Designated Countries' under the Equator Principles. As such, these countries are considered as having robust environmental and social governance, legislation systems and institutional capacity ensuring biodiversity is protected to a satisfactory degree for relevant infrastructural projects. In addition, de Volksbank states that projects will take appropriate measure for biodiversity and integration into the landscape in the construction phase and management of project, local legislation will also be required to be adhered by borrowers in protecting endangered species/plants.

Community Dialogue

- ✓ De Volksbank requires projects to be compliant to IFC performance standards in all countries. For projects that will be located in high income OECD countries, local and national laws are similar to or more stringent than the Equator Principles. As such, these countries are considered as having robust environmental and social governance, legislation systems and institutional capacity ensuring community dialogue is carried out to a satisfactory degree for relevant infrastructural projects.

Responsible treatment of customers with debt repayment problems

- ✓ De Volksbank has measures in place to deal responsibly with clients having debt repayment problems. De Volksbank has policies in place to assess clients' debt service capability and solvability, and also perform stress tests before granting transactions. De Volksbank works with Debt Service Reserve Accounts (DSRA) to reduce likelihood of default in cases of temporary cash shortage. If the client does default on the loan, de Volksbank engages in special management with the client including debt counselling. Additionally, in case of debt restructuring, the Bank follows internal guidelines for loan origination in which elements of ESG and the restructured business case are covered, almost always subject to credit committee approval.

Responsible Sales Practice

- ✓ De Volksbank has policy in place to refrain commission payments in as part of reward system. In addition, the Bank trains staff on responsible sales practices and has measures such as conducting customer surveys focusing on post-sale understanding of products and services.

Responsible Marketing

- ✓ De Volksbank has policies and measures in place ensuring that assets financed under this framework provide for responsible marketing. The bank is committed to being transparent in its marketing activities. The Bank has guidelines in place on clear and correct pricing. De Volksbank's Pricing policy requires that all products and services must be subject to a risk assessment. Additionally, de Volksbank has a general commitment in transparently disclose product risks and is committed to responsible marketing by

providing easily understandable, accurate and balanced information. However, there is limited evidence that De Volksbank commits to non-use of small print products, and no evidence that De Volksbank commits to informing customers about reasons leading to rejection. De Volksbank states that it applies an internal standard to assess the customer's ability to comply with mortgage obligation and describes the preventive management and arrears management for customers in its Annual Report¹⁷.

Exclusion criteria

There is a clear list of projects excluded by de Volksbank, such as companies that manufacture or provide products or services included in the EU Common Military List¹⁸ companies that produce nuclear energy, tobacco, alcoholic beverages, cannabis products, operate gambling and pornography.

¹⁷ De Volksbank, de Volksbank Integrated Annual Report 2022, <https://www.devolsbank.nl/assets/files/jaarcijfers/De-Volksbank-Integrated-Annual-Report-2022.pdf>

¹⁸ Common Military List of the European Union, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2020.085.01.0001.01.ENG&toc=OJ:C:2020:085:TOC

PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA FOR GREEN BUILDINGS PROJECT CATEGORY AGAINST THE EU TAXONOMY CLIMATE DELEGATED ACT

De Volksbank's project characteristics, due diligence processes and policies for the nominated Green Building Use of Proceeds project category have been assessed against the relevant Climate Change Mitigation and Do No Significant Harm Criteria (DNSH) Technical Screening Criteria requirements of the EU Taxonomy Climate Delegated Act¹⁹ (June 2021), based on information provided by de Volksbank. Where de Volksbank's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

De Volksbank's project eligibility criteria overlap with the following economic activities in the EU Taxonomy:

- 7.2. Renovation of existing buildings
- 7.7. Acquisition and ownership of buildings

All Green Building projects financed under the Green Bond Framework are and will be located in the Netherlands.

Note: In order to avoid repetition, the evaluation of the alignment of de Volksbank's Green Building project category to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Part III. c).

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

¹⁹ European Commission, 2021, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32021R2139>

a) 7.2 - Renovation of existing buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁰	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
<p>De Volksbank confirms that building renovations financed under the Green Bond Framework will comply with the applicable requirements for major renovations²¹.</p> <p>Alternatively, they will lead to a reduction of primary energy demand (PED) of at least 30%²². De Volksbank confirms that the 30% improvement results from an actual reduction in Primary Energy Demand (PED) (where the reductions in net PED through renewable energy sources are not taken into account) and can be achieved through a succession of measures within a maximum of three years.</p>	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See Part III. c)	○
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: De Volksbank confirms that Green Buildings financed under the Green Bond Framework are residential buildings, where the Do No Significant Harm Criteria on Water and Marine Resources objective are not applicable as per EU Taxonomy Technical Screening Criteria for activity 7.2.	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>De Volksbank confirms that the Netherlands – the country in which Green Buildings projects will be financed – has national laws on waste management and circular economy which are sufficient to ensure that the Do No Significant Harm criteria for circular economy are respected.</p> <p>EU’s Waste Framework Directive (2008/98/EC) was adopted at national level in the Netherlands under the Afvalpreventie programma Nederland (Waste Prevention Program Netherlands).²³ The Waste Framework Directive 2008/98/EC establishes a target of at least 70% of Construction and Demolition (C&D) Waste to be recycled by 2020. The EU Construction and Demolition Waste (CDW) Management Protocol (guidelines on CDW management) and guidelines on pre-demolition audits are provided in the Directive.²⁴ This ensures that operators limit waste generation in processes related to construction and demolition.</p>	✓

²⁰ This column is based on input provided by the Issuer.

²¹ The Netherlands has transposed Directive 2010/31/EU into its national legislations. Minimum Energy Performance Standards (MEPS) are in place for buildings or renovated buildings and the values reflect a cost-effective level.

²² The initial primary energy demand and the estimated improvement is based on a detailed building survey, an energy audit conducted by an accredited independent expert or any other transparent and proportionate method, and validated through an Energy Performance Certificate.

²³ Waste prevention program in the Netherlands: Waste prevention measures “Afvalpreventieprogramma Nederland: Maatregelen voor afvalpreventie”, <https://open.overheid.nl/documenten/ronl-a5b3b35c-d786-4f10-8ca6-b04bc8a913ce/pdf>

²⁴ Interreg Europe, Collection and recycling of construction and demolition waste: Key learnings, <https://www.interregeurope.eu/find-policy-solutions/webinar/collection-and-recycling-of-construction-and-demolition-waste-key-learnings>

According to waste management and recycling data of the Netherlands, 77% of Dutch waste is currently recycled and the residual waste is mainly used for energy production.²⁵ In addition, under the Dutch Building Decree it is required to have proper separation of construction waste for buildings in the Netherlands.²⁶

Finally, within Dutch regulation, significant renovations must meet the environmental performance of buildings (in Dutch, 'Milieu Prestatienorm Gebouwen' or MPG) that include requirements regarding the circularity of applied components and materials based on shadow pricing. As of July 1, 2021, an amendment to the 2012 Building Decree came into effect to tighten the 'Milieu Prestatienorm Gebouwen', expecting buildings to have better environmental performance, which includes circular economy.

The Dutch Building Decree applies the Dutch Determination Method which is in accordance with EN 15804+A2, as drawn up within the CEN TC 350 committee of the European Standardization Institute. This provides a retroactive interpretation of consideration 55 of the Construction Products Regulation: The basic requirement for construction works in respect of the sustainable use of natural resources must, in particular, take into account the recyclability of construction works and of the materials and parts thereof after demolition, the sustainability of construction works, and the use of environmentally friendly raw materials and secondary materials in the works.²⁷

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

De Volksbank does not have sufficient measures in place to address the following aspects of the criteria:

- Building components and materials used in the building renovation that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006. Since the bank relies on the Dutch Building Decree²⁸ in addressing the limit to the concentration of formaldehyde in the building, where the unit (maximum concentration for space structure, 120 µg/m³) is different from the standard (concentration for material, 0.06 mg/m³) suggested by DNSH criteria, therefore De Volksbank is unable to meet the DNSH criteria.
- Building renovation that may come into contact with occupiers emit less than 0.001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of test chamber air, upon testing in accordance with CEN/EN 16516 or ISO



²⁵ Ministry of Infrastructure and Water Management, Elements of Dutch waste management, <https://rwsenvironment.eu/subjects/from-waste-resources/elements-dutch-waste/>

²⁶ Building Degree 2012 "Bouwbesluit 2012", Chapter 4 Separating construction and demolition waste "Hoofdstuk 4 Scheiden bouw- en sloopafval", <https://rijksoverheid.bouwbesluit.com/inhoud/docs/wet/mrtoe2012/artikelsgewijs/hfd4>

²⁷ National Environmental Database Foundation, 2020, Guide to environmental performance calculations: Practical aid to calculating the environmental performance of construction works, https://milieudatabase.nl/wp-content/uploads/2020/09/Guide_to_environmental_performance_calculations_July_2020.pdf

²⁸ Article 7.19. Asbestos fibers and formaldehyde, Dutch Building Decree 2012, <https://rijksoverheid.bouwbesluit.com/inhoud/docs/wet/bb2012/hfd7/afd7-3/art7-19>

16000-3:2011. Since the bank cannot monitor if the borrower will meet the volatile organic compounds limit, De Volksbank is unable to meet the DNSH criteria. However, the Bank mentioned that the European directives concerning Volatile Organic Compounds (VOC) are strictly implemented in the binding rules of the Dutch Activities Decree²⁹, and the Working Conditions Decree³⁰ Article 4.62b. under Section 7. Volatile Organic Compounds also outlined the prevention of exposure; to replace requirement to minimize the risk of exposure of employees to volatile organic substances.

However, De Volksbank meets some of the DNSH criteria through existing national regulations in Netherlands:

In the Netherlands, under the Spatial Planning Act (Wet ruimtelijke ordening, Wro), it is also prohibited to manufacture, import, or trade products containing mercury, such as thermometers and manometers, light sources, or electronic products (e.g., switches).

In addition, buildings have to meet standard legislative requirements at European and national levels:

- EU Regulation 2019/1021 on persistent organic pollutants (June 2019)
- EU Directive on Environmental Impact Assessment in accordance with Directive 2011/92/EU can be assumed to be transposed into national regulation.
- EU Regulation 2017/852 on mercury, and repealing Regulation (EC) No 1102/2008
- EU Regulation 1005/2009 (Sept 2009) on substances that deplete the ozone layer
- EU Directive 2017/2102 (Nov 2017) amending Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment
- EU Regulation 1907/2006 (Dec 2006) concerning the Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation 793/93 and Commission Regulation 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC, and 2000/21/EC
- CEN/TS 16516:2013 Construction products - Assessment of release of dangerous substances - Determination of emissions into indoor air
- Council Directive 98/24/EC of 7th April 1998 on the protection of the health and safety of workers from the risks related to chemical agents at work

²⁹ Volatile Organic Compounds (VOC), Rijkswaterstaat Environment, <https://rwsenvironment.eu/subjects/air/volatile-organic/>

³⁰ Article 4.62b. Section 7. Volatile Organic Compounds. Working Conditions Decree, https://wetten.overheid.nl/BWBR0008498/2023-07-01/#Hoofdstuk4_Afdeling7_Artikel4.62b

(fourteenth individual Directive within the meaning of Article 16(1) of Directive 89/391/EEC)	
Testing for contaminants and procedures for handling any contaminants are also required in the Netherlands.	
Under the Dutch Building Degree, measures are in place to reduce noise levels, dust and pollutant emissions during construction or maintenance works.	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no DNSH TSC on this objective for this activity	

b) 7.7. Acquisition and ownership of buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³¹	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA	
De Volksbank confirms that under this Green Bond Framework, the acquisition of new buildings will meet these requirements:	
1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A.	
As an alternative, buildings belong to the top 15% of the Dutch building stock based on Primary Energy Demand (PED). ³²	✓
2. For buildings built after 31 December 2020, the building has a Primary Energy Demand ³³ at least 10% lower than the threshold for Nearly Zero-Energy Buildings (“NZEB”) in the Dutch market. The Issuer confirms that they will not finance large non-residential buildings.	
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See Part III. c)	○
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no DNSH TSC on this objective for this activity	

³¹ This column is based on input provided by the Issuer.

³² The Issuer has a robust methodology that assures that the financed buildings would be within the top 15% in terms of primary energy demand. The top 15% low-carbon residential buildings in the Dutch context have been measured via Energy Performance Certificates for residential buildings. To define the top 15% most energy-efficient buildings in the Netherlands, a cut-off year of construction can be selected as criterion. For more information on their Green Buildings Methodology Assessment, please consult this document available on their [website](#).

³³ The Issuer confirms that the Primary Energy Demand is the calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no DNSH TSC on this objective for this activity

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no DNSH TSC on this objective for this activity

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no DNSH TSC on this objective for this activity

c) Generic Criteria for DNSH to Climate Change Adaptation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁴	ASSESSMENT AGAINST THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
<p>De Volksbank monitors exposure to material climate-related, physical risks when financing buildings which fall under the eligible Green Building project category. The assessment is done on a portfolio level rather than on individual client level but de Volksbank is currently developing a more comprehensive credit risk assessment to identify climate-related, physical risks on an individual client level (although it is still unclear when it will be systematically utilized across all Eligible Green Loans). De Volksbank identified the following physical risks as relevant for residential real estate: Storm (including blizzards, dust, and sandstorms) (wind-related), drought (water-related), flood (coastal, fluvial, pluvial, ground water) and sea level rise (water-related). The impact of these risks was assessed on the short (≤ 1 year), medium (1-5 years) and long term (≥ 5 years).</p> <p>When identified, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity is conducted as part of de Volksbank's ESG Risk Assessment. This assessment includes impacted risk types, time horizon of the risk, an analysis of the impact and transmission channels for the risk impact.</p> <p>With regards to adaptation solutions for mitigation of identified climate-related physical risks, de Volksbank is building a strategy which considers how to inform individual clients about their exposure to climate-related risks. It will also further explore how the Bank can support clients in implementing adaptation solutions.</p> <p>De Volksbank also points out that for some physical climate risks, there are governmental initiatives and national regulations in the Netherlands ensuring that appropriate measures are in place to mitigate these risks. For example, for rising sea level and corresponding flood risk, the Dutch National Delta Programme is in place to</p>	○

³⁴ This column is based on input provided by the Issuer.

ensure that buildings have appropriate adaptation solutions to mitigate the risk of floods, as well as ensure that buildings have sufficient supply of fresh water (mitigating the risk of drought). Generally speaking, the Delta Programme's objective is to make the country "climate-proof" by identifying climate risks and implementing appropriate mitigation measures. For example, the Delta Programme will contain a Delta Plan on Spatial Adaptation, where the Dutch government will have a clearer understanding of where the country is vulnerable to extreme weather conditions, so that it can act as effectively as possible. Spatial adaptation should automatically be a component of all civil works in the Netherlands, i.e., including buildings.

The Issuer confirms that adaptation solutions implemented will not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional, or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.

De Volksbank estimates according to market experts that the expected lifespan of newly constructed buildings will be around 70-100 years. De Volksbank's climate projections and assessments include scenarios up to 2050. It uses data from the Climate Adaptation Services (CAS), which is a climate impact atlas for the Netherlands assessing the future impact of floods, extreme rainfall, drought, and heat. The CAS has chosen the most extreme KNMI'14 scenarios as the basis for the atlas. These scenarios are in line with the most recent Intergovernmental Panel on Climate Change (IPCC) reports; IPCC representative concentration pathways RCP4.5, RCP6.0 and RCP8.5. The scenario used for the CAS is the so-called GH scenario, which assumes a 2°C global warming in 2050.

Minimum Safeguards

Enquires on minimum safeguards when providing mortgages are not required according to the Final Report on Minimum Safeguards, October 2022.

PART IV: LINKING THE TRANSACTIONS TO DE VOLKSBANK'S ESG PROFILE

A. CONSISTENCY OF GREEN BONDS WITH DE VOLKSBANK'S SUSTAINABILITY STRATEGY

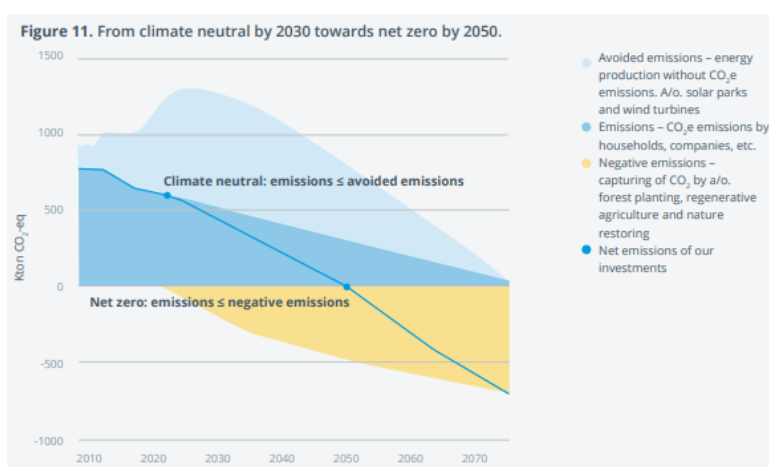
Key sustainability objectives and priorities defined by the Issuer

De Volksbank's goal is to utilize its main operations like mortgages, savings, payments, and customer financial resilience to transition to an energy-efficient economy. Additionally, it has the Sustainability Expertise Center (SEC) in place to be responsible for the de Volksbank's sustainability policy and its application to all activities and procedures. De Volksbank's Climate Action Plan (2022)³⁵ includes a target to be Net Zero by 2050 and has committed to the Science Based Targets initiative (SBTi) to guide target setting and progress reporting.

According to de Volksbank's Climate Action Plan report, in order to reduce Greenhouse Gas (GHG) emissions in line with the Paris Agreement 1.5°C trajectory, the Issuer has set the following targets:

- De Volksbank targets to have a climate-neutral balance sheet by 2030 at the latest for its financed and avoided emissions, with an interim target to be at least 75% climate neutral by 2025. Avoided emissions are calculated based on the PCAF methodology and cover Scope 1, 2 and 3 GHG emissions.
- Reduce Scope 1 and 2 operational GHG emissions and reduce Scope 1 fleet-related GHG emissions; reduce mortgage portfolio and SME portfolio GHG emissions by 59% per square meter by 2030, with 2020 as a base year.
- De Volksbank targets to be Net Zero by 2050, it aims to transition to an energy-efficient economy by financing solar panels and supporting customers with the installation of the panels through certified companies. Additionally, de Volksbank will also reassess all product and service proposals with the aim of supporting retail mortgage customers in reducing their energy consumption and GHG emissions from their homes by providing them with loans and advice. By 2024, de Volksbank aims to have a strategy in place for implementing its Net Zero 2050 ambition.

Source: de Volksbank N.V. Climate Action Plan 2022



³⁵ De Volksbank, de Volksbank N.V. Climate Action Plan 2022, <https://newsroom.devolksbank.nl/download/a8e988fe-b428-4d27-8342-e9f7e4f1276c/devolksbankclimateactionplan2022.pdf>

De Volksbank is a signatory to the Ten Principles of the UN Global Compact and complies with the International Labour Organization (ILO) and OECD Guidelines for Multinational Enterprises. Additionally, de Volksbank is a member of the Equator Principles (2009), UN Environment Programme Finance Initiative (1994), Principles of Responsible Investment (2010), VBDO (1996), NpM Platform and Global Impact Investing Network (GIIN, 2017).

The Issuer discloses the Capital Expenditure budget for EU Taxonomy eligibility criteria under the Non-Financial Reporting Directive (NFRD)'s disclosure obligation, to analyze the economic activities in which de Volksbank can finance or invest. To guide the development and implementation of the Issuer's sustainability targets, de Volksbank has a Social Impact Committee, chaired by the Chief Risk Officer, representing the Executive Committee and the Vice-chair the Hub Lead ASN Bank, representing de Volksbank's brands. The other members include representatives from Strategy, Finance, Corporate Communication, de Volksbank Financial Markets, Risk and Compliance.

De Volksbank's Non-Financial Report is prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the Non-Financial Reporting Directive (NFRD) with consideration of the Taskforce on Climate-Related Financial Disclosures (TCFD). In 2019, de Volksbank issued its first Green Senior Preferred Bond worth € 500 million.

Rationale for issuance

De Volksbank has set up its green bond strategy, via the publication of its first Green Bond Framework, in April 2019, aimed at issuing green bonds to (re)finance green assets, namely green residential buildings in the Netherlands and renewable energy projects. Since the first publication of the Green Bond Framework in 2019, de Volksbank has further developed its green bond strategy support the growth of the green portfolio.

De Volksbank sees the issuance of green bonds as a tool to contribute to the climate and achieving the Sustainable Development Goals of the United Nations. De Volksbank aims to further diversify the investor base through their green financing strategy by focusing on socially responsible and sustainable investors and strengthening the relationship with existing investors.

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.*

B. DE VOLKSBANK'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Mortgage & Public Sector Finance, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Statutory ESG-standards linked to the geographical allocation of the lending portfolio
Employee relations and work environment
Sustainability impacts of lending and other financial services/ products
Customer and product responsibility
Sustainable investment criteria

ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part IV. A of the report.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of de Volksbank's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final initiatives characteristics and does not include practices along the issuer's activities process, as well as does not account for the core business or participations of the issuer.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Mortgage & Public Sector Finance industry are as follows: Financial market irregularities, Failure to prevent money laundering and Layoffs.

Please note, that this is not a company specific assessment but an assessment of areas that can be of particular relevance for companies within that industry.

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ANNEX 1: Methodology

The ISS ESG SPO provides an assessment of labelled transactions against international standards using ISS ESG proprietary methodology. For more information, please visit:

<https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Bond Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021).

The evaluation shows if de Volksbank's Green Building project category is indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by de Volksbank (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 3: Quality management processes

SCOPE

De Volksbank commissioned ICS to compile a Green Bonds SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the ICMA GBP and to assess the sustainability credentials of its Green Bonds, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- EU Taxonomy Climate Delegated Act
- Key Performance Indicators relevant for Use of Proceeds categories selected by de Volksbank

ISSUER'S RESPONSIBILITY

De Volksbank's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at bank level

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Bonds to be issued by de Volksbank has been conducted based on a proprietary methodology and in line with the ICMA GBP.

The engagement with de Volksbank took place from May to September 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

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