

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Asset Pool

De Volksbank
04 June 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bond
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles, Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex (March 2020) and Delegated Act (April 2021)
Scope of verification	<ul style="list-style-type: none">• De Volksbank Green Bond Framework (as of February 2021)• De Volksbank Green Bond portfolio (as of February 2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• This SPO is valid as long as no new project categories are added to the Green Bond Framework and there are no material changes to the asset pool (e.g. addition of assets that does not follow the Eligibility Criteria as set out in the Green Bond Framework February 2021).

CONTENTS

SCOPE OF WORK	3
ISS ESG ASSESSMENT SUMMARY	4
ISS ESG SPO ASSESSMENT	5
PART I: GREEN BOND'S LINK TO DE VOLKSBANK'S ESG SUSTAINABILITY STRATEGY	5
A. ASSESSMENT OF DE VOLKSBANK'S ESG PERFORMANCE.....	5
B. CONSISTENCY OF THE GREEN BOND WITH DE VOLKSBANK'S SUSTAINABILITY STRATEGY.....	8
PART II: ALIGNMENT WITH THE GREEN BOND PRINCIPLES.....	11
PART III: SUSTAINABILITY QUALITY OF THE PROJECT CATEGORY.....	16
1. CONTRIBUTION OF THE GREEN BOND PROJECT CATEGORY TO THE UN SDGs	16
2. ALIGNMENT OF THE FINANCED ASSETS WITH THE EU TAXONOMY.....	17
2.1. Acquisition and Ownership (8.4.).....	17
Minimum Social Safeguards.....	19
ANNEX 1: Methodology	22
ANNEX 2: ISS ESG Corporate Rating Methodology	22
ANNEX 3: Quality management processes	25
About ISS ESG SPO	26

SCOPE OF WORK

De Volksbank (“de Volksbank” or “the issuer”) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the instrument:

1. The Green Bond’s link to de Volksbank’s sustainability strategy – drawing on de Volksbank’s overall sustainability profile and issuance-specific Use of Proceeds category.
2. De Volksbank Green Bond Framework – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs).
3. The asset pool – whether the project financed aligns with the Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex¹ (EU Taxonomy Delegated Act) on a best effort basis.

¹ Taxonomy Report: Technical Annex (March 2020)

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

Taxonomy Report: Delegated Act

https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf

ISS ESG reviewed the alignment of the due diligence processes of De Volksbank for the project category to be (re-)financed under this Green Bond against both the March 2020 version of the Taxonomy Report - Technical Annex and Delegated Act.

It is worth noting that the EU Commission released the Delegated Act on the EU Taxonomy in April 2021, and the adoption by the Commission is as of now, pending. The first company report and investor disclosures using the EU Taxonomy are due at the start of 2022, covering the financial year 2021. Thus, as of the date of publication of this SPO report, it is not possible to conclude to any definite alignment with the EU Taxonomy, which is not yet finalized and implemented.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part 1:</p> <p>Green Bond's link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 08.01.2021, the issuer shows a good sustainability performance against industry peer group on key ESG issues faced by the Financials/Mortgages & Public Sector Finance sector. As of 04.06.2021, the company obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer is rated 1st out of 129 companies within its sector.</p>	<p>Consistent with the issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Performance against the GBPs</p>	<p>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 ICMA GBPs.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Alignment of the asset pool with the EU Taxonomy</p>	<p>The Green Bonds will (re-)finance residential green buildings in the Netherlands. This use of proceed category has a positive contribution to SDG 7 'Affordable and Clean Energy', SDG 11 'Sustainable cities and communities' and SDG 13 'Climate Action'. The Eligible Categories Energy Efficiency and Renewable Energy are included within the Framework but no loans were yet selected under such categories.</p> <p>For this green project category, ISS ESG assessed the alignment of de Volksbank's due diligence processes against the requirements of the EU Taxonomy (both March 2020 and Delegated Act version of April 2021). The issuer's eligible category corresponds to the following EU Taxonomy category: "Acquisition and Ownership" (activity 8.4. of the EU Taxonomy).</p> <p>Based on robust processes for selection of Green Loans, the Green Bond asset pool is considered to be aligned with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, Do No Significant Harm Criteria and Minimum Social Safeguards.</p>	<p>Positive</p>

² ISS ESG's evaluation is based on de Volksbank's Green Bond Framework (February 2021 version), on the eligible green bond pool as received on the 28.01.2021, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 08.01.2021).

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND'S LINK TO DE VOLKSBANK'S ESG SUSTAINABILITY STRATEGY

A. ASSESSMENT OF DE VOLKSBANK'S ESG PERFORMANCE

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

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
DE VOLKSBANK	FINANCIALS/MORTGAGES & PUBLIC SECTOR FINANCE	1	VERY HIGH

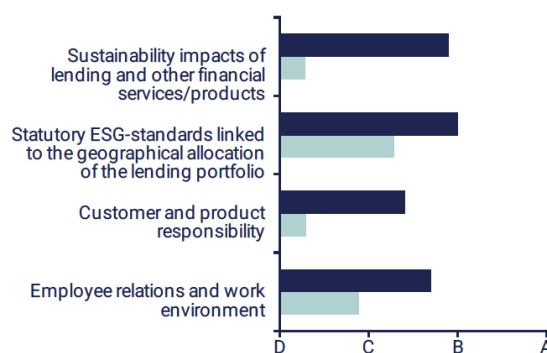
This means that the company currently shows a good sustainability performance against peers on key ESG issues faced by the 'Financials/Mortgages & Public Sector Finance' sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 04.06.2021, this Rating places de Volksbank 1st out of 129 companies rated by ISS ESG in the Financial/Mortgages & Public Sector Finance sector.

Key Challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Legend: Industry (light blue), Company (dark blue)

Sustainability Opportunities

Through special product offerings in the areas of social and/or green financial services as well as socially responsible investment (SRI) products, financial institutions can contribute to the solution of global sustainability challenges. De Volksbank mainly operates in the Dutch retail-banking segment, with a strong focus on mortgage financing. De Volksbank offers special green loan solutions for retail clients, such as loans for eco-efficient houses or energy saving measures. However, these product offers still constitute a small share of the overall loan portfolio. In addition, although it is not its major business, in the corporate segment, products with social or environmental benefit include investments in green energy projects as well as financial services to social housing corporations and the healthcare sector. Regarding asset management, all investment products and own investments are based on a broad range of exclusion criteria and best-in-class selections. Besides, de Volksbank

offers several thematic sustainability funds. In addition, the company does not finance or invest in companies substantially active in the fossil fuel sector and related industries.

Sustainability Risks

Due to its strong focus in the retail mortgage segment, key sustainability challenges for de Volksbank lie in the integration of environmental criteria in the credit rating process for private customers, as well as in the area of customer and product responsibility. The company has taken some steps to include assessment criteria such as resource efficiency and environmentally friendly construction processes and materials in the approval process for retail mortgage loans. Additionally, the company measures the carbon footprint of its mortgage portfolio and has set itself the target of having a climate-neutral balance sheet by the year 2030. Underpinned by a commitment to set itself a science based climate target, the company is taking adequate action to reach that goal. The company's management of issues related to customer and product responsibility is solid, too.

Efforts made in this field include the implementation of measures to treat customers facing debt repayment problems responsibly, e.g. by proactively approaching customers potentially at risk, providing internal debt counselling, and considering foreclosures only as a last resort. Policies and measures such as training regarding responsible marketing and sales practices are also in place.

Although not its major business, de Volksbank has taken significant steps to integrate the assessment of ESG risks into corporate lending and investment decisions. The company applies a detailed credit guideline encompassing exhaustive exclusions and social and environmental requirements. In terms of scope and strictness, these guidelines are well above industry average, also in relation to institutes with much greater capacities. Suitable procedures to ensure implementation of these policies are in place. Above all, de Volksbank's retail as well as corporate lending is almost exclusively allocated to the Netherlands, a country with fairly good environmental and social standards.

Employee-related risks are well-managed through several mental health measures and work life balance options. The company is in the process of carrying out redundancy plans, however, the planned job cuts will take place exclusively in the Netherlands, a country with a fairly high legal safety net for employees. Relevant aspects of business ethics are addressed in a group-wide code of conduct in varying degrees of detail. Compliance measures are comprehensive and amongst others include training, audits, awareness raising, and anonymous and confidential reporting channels for employees.




Governance opinion

With respect to corporate governance, the company's board of directors is composed exclusively of independent members, including its chairman Jan van Rutte (as at June 30, 2020). Committees on audit, remuneration, and nomination affairs are likewise fully independent. The company discloses compensation for members of the executive management team on an individual basis. Executives are currently not entitled to receive any kind of variable compensation.

Sustainability factors determine the performance reviews of executives. De Volksbank's group-wide code of conduct covers almost all relevant aspects of business ethics including corruption in varying degrees of detail. The company conducts comprehensive compliance measures such as training, audits and risk assessments, and has implemented anonymous and confidential reporting channels.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of the de Volksbank current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to evaluation of final product characteristics and does not include practices along the de Volksbank’s production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Financing of renewable energy, impact fund with focus on renewable energy, loans for sustainable mortgages (no internationally acknowledged strict standards)	23.7%	CONTRIBUTION	 
Loans for sustainable mortgages (no internationally acknowledged strict standards)	20%	CONTRIBUTION	
Others	N/A	NO NET IMPACT	N/A

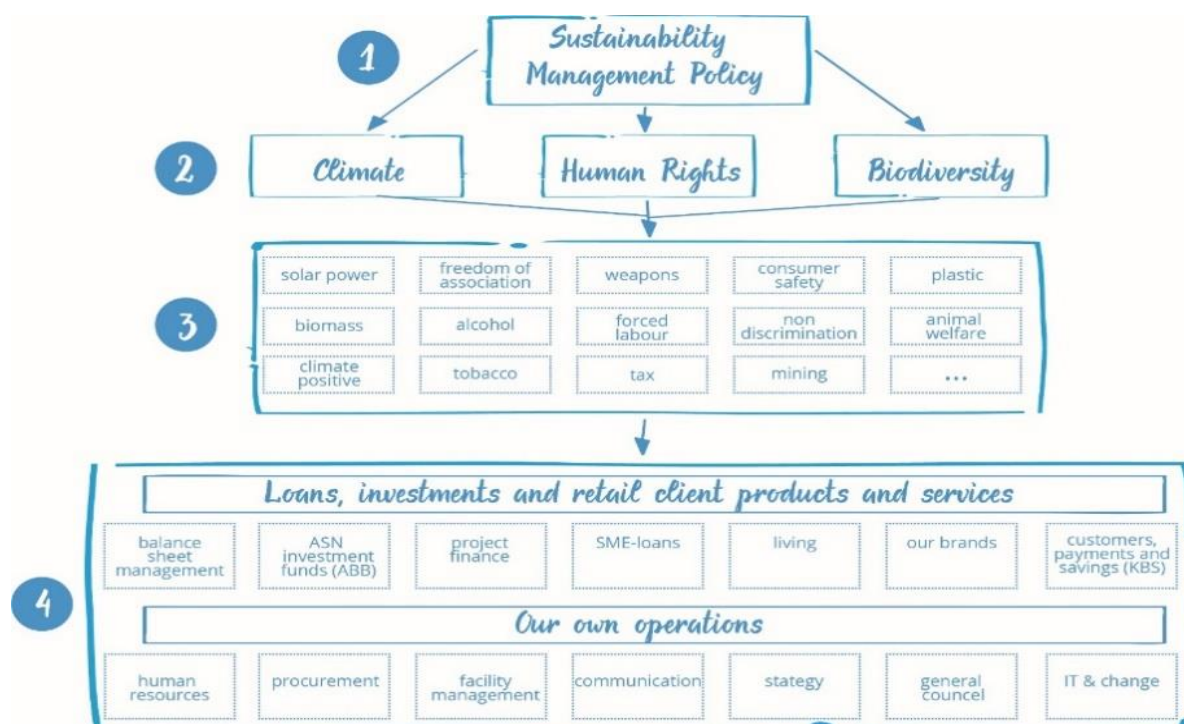
Breaches of international norms and ESG controversies

The company is not facing any controversy.

B. CONSISTENCY OF THE GREEN BOND WITH DE VOLKSBANK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

De Volksbank has a longstanding commitment to sustainability. 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.



Throughout its operations, de Volksbank has implemented various initiatives, products and objectives. Some of these are listed below.

Climate

- *Climate neutral balance sheet:* de Volksbank has the ambition to become climate neutral through its entire balance sheet by 2030. With this unique approach, de Volksbank not only takes into account its own direct emissions but also considers emissions related to its lending and investment books.
- *Sustainable housing vision:* 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.
- *Sustainable Housing products and services:* de Volksbank offers various sustainable housing products including ASN Green Mortgages, Energy Savings Budget, Energy Savings Loan, Solar as a service, SNS Personal Sustainability Loan.
- *Energy label distribution of de Volksbank:* About 10% of the mortgage portfolio consists of 'A' energy labels.

- *Platform 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 harmonize, develop and implement carbon accounting methodologies for eight asset classes through the PCAF.

Human Rights

- *Human Rights:* de Volksbank has a human right policy in place in its Human Rights Report.
- *Sustainable employability of employees*
- *Diversity and inclusion:* de Volksbank has a diversity and inclusion policy available on its website.
- *Gender Equality:* de Volksbank commissioned an independent agency, 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.

Biodiversity

- *Biodiversity Footprint:* de Volksbank has a Biodiversity Policy available on its website. The company has a long-term goal to achieve an overall net positive effect on biodiversity as a result of all of its loans and investments by 2030.

Rationale for issuance

In order to enhance its power to address environmental and sustainability issues where de Volksbank has the ability to affect positive change, de Volksbank has established a Green Bond Framework, under which it can issue Green Bonds. De Volksbank has set up its Green Bond Strategy, via the publication of its first Green Bond Framework, back in April 2019, aimed at issuing Green Bonds to (re)finance green assets, namely green residential buildings in the Netherlands.

With efficient housing being the focal point of de Volksbank's strategy, the company has been advocating for sustainability and encouraging its customers to make their houses energy efficient for a considerable amount of time already: this has allowed it to accumulate a large portfolio of green assets.

It is in this context that de Volksbank aims to issue new Green Bonds.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Bond with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Financials/Mortgages & Public Sector Finance sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Buildings	<ul style="list-style-type: none"> • Focus on efficient housing • Climate neutral balance sheet • Promotion of projects in the Netherlands that have a special environment and climate benefit 	<ul style="list-style-type: none"> • Sustainability impacts of lending and other financial services/products • Statutory ESG-standards linked to the geographical allocation of the lending portfolio 	Contribution to a material objective

Opinion: *ISS ESG finds that Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and to material ESG topics for the issuer’s industry. The bond’s Use of Proceeds category is appropriately linked to the issuer’s strategy and with material ESG topics for its sector. The rationale for issuing Green Bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH THE GREEN BOND PRINCIPLES

1. Use of Proceeds

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

GBP CATEGORIES	ELIGIBILITY CRITERIA
Green Buildings	<ul style="list-style-type: none"> • For Dutch residential properties built prior to 31 December 2020: <ul style="list-style-type: none"> ○ Existing residential buildings with an Energy Performance Certificate (EPC) label “A” <u>AND</u> belonging to the top 15% low-carbon residential buildings in The Netherlands³ • For Dutch residential properties built as of 1 January 2021: <ul style="list-style-type: none"> ○ New or existing residential buildings that meet the categorization of “Nearly Zero Emissions Building” (NZEB) – 10%⁴ • Refurbished Residential buildings with an improved energy efficiency of at least 30%. In terms of EPC labels, this is equivalent to two EPC label steps improvement. In this regard, de Volksbank may provide dedicated residential refurbishment loans
Energy Efficiency	<ul style="list-style-type: none"> • Geothermal or Hybrid heat pumps contributing to the targets for renewable energy in heating and cooling in accordance with Directive 2018/2001/EU • Alternative heating • Floor, wall and roof isolation • Energy efficient windows, doors and frames, meeting Eco-design requirements pursuant to Directive 2009/125/EC • Energy efficiency advisory <ul style="list-style-type: none"> ○ Energy storage ○ Energy efficient lighting such as LED
Renewable Energy	<ul style="list-style-type: none"> • Production, development, construction, operation, acquisition and products of renewable energy; as well as the connection of renewable energy production units to the electricity grid, the transportation through the network and the manufacturing of the technology. Renewable energy sources can include: <ul style="list-style-type: none"> ○ On and offshore wind energy ○ Solar energy ○ Tidal energy

Opinion: ISS ESG finds that the Use of Proceeds description provided by de Volksbank aligns with the Green Bond Principles. Environmental benefits are described and quantified. A detailed analysis of the assets to be included in the Green Bond asset pool is available in Part III of this SPO.

³ Refer to our Green Buildings Methodology Assessment document available on our website. The top 15% evolves over time once new buildings are added to the building stock, therefore de Volksbank will refer to the top 15% low-carbon residential buildings in The Netherlands based on most recent year-end data.

⁴ The Dutch version of NZEB is called BENG. In accordance with the EU Taxonomy recommendation, the net primary energy demand of new constructions (built as of the 1st of January 2021) must be at least 10% lower than the primary energy demand resulting from the relevant BENG requirements.

2. Process for Project Evaluation and Selection

De Volksbank requires that loans comply with official national and international environmental and social standards, laws and regulations. It is also part of de Volksbank's transaction approval process to ensure that loans comply with de Volksbank's sustainability policy⁵, including those financed with the proceeds of the Green Bonds. Projects as proposed by various business areas of de Volksbank are evaluated and selected by de Volksbank's Committee Social Impact (CSI), composed of a member of the Board of Directors, Director ASN Bank, Director Strategy, Director Communications, Director Financial Markets, Director Accounting, Reporting & Control, Director Risk & Compliance and the Director Audit.

ASN Bank's Sustainability Expertise Center takes the lead in maintaining and implementing the investment policy and policies relevant to the climate impact to arrive at a climate neutral balance sheet by 2030 and in developing other human rights and biodiversity initiatives. Once every quarter, the results of the climate neutral balance sheet are discussed and approved by the CSI. Sustainable Housing and Financial Resilience have been assigned to the Marketing department.

De Volksbank is aware of the fact the EU Taxonomy and the EU Green Bond Standard (EU GBS) require that Green Eligible Loans should not only contribute to at least one of the EU Environmental Objectives, but should also do no significant harm ('DNSH') to any other EU Environmental Objective. Next to complying with national and international legislation, de Volksbank ensures that the environmental and social risks potentially associated with the Green Eligible Loans are properly mitigated via the due-diligence processes conducted by the bank.

As an example, within credit assessment due diligence, assets likely to have significant effects on the environment by virtue of their size, nature or location must undergo an environmental impact assessment (EIA) which will have to be submitted to competent authorities when applying for project development. When identifying eligible assets (such as green buildings and renewable energy assets) and their non-financial impacts, de Volksbank may rely on external consultants and their data sources as well. For instance, de Volksbank is a member of the Equator Principles⁶, a risk management framework, used for determining, assessing and managing environmental and social risk in project finance. It is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

In addition, Green Eligible Loans, as well as all the other assets, have to comply with de Volksbank internal sustainability criteria, in respect to the Biodiversity, Climate Change and Human Rights policies discussed in detail above, which are the pillars of our Sustainability Policy.

These eligibility criteria, minimum requirements and ESG related matters are continuously developed and reviewed in de Volksbank's external and internal policy frameworks.

Opinion: *ISS ESG finds that the description of the Process for Evaluation and Project Selection provided by de Volksbank aligns with the Green Bond Principles. De Volksbank's Committee Social Impact (CSI) is responsible for the project evaluation and selection process, whose functions are well described. The evaluation and selection criteria are compliant with Biodiversity, Climate Change and Human Rights policies of the bank and relevant market standards.*

⁵ The extensive guide on sustainability criteria of de Volksbank can be found on ASN Bank's website.

⁶ <https://equator-principles.com/>

3. Management of Proceeds

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

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

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

Opinion: ISS ESG finds that the Management of Proceeds description provided by de Volksbank aligns with the GBPs. Earmarking of proceeds is ensured through a portfolio approach, while allocation mechanism and timeframe are also described. The procedure for eventual unallocated proceeds is aligned with best market practices.

4. Reporting

De Volksbank will make and keep readily available reporting on the allocation of net proceeds to the Eligible Green Loan Portfolio after a year from the issuance of the applicable Green Bond, to be renewed annually. De Volksbank will report the allocation of the Use of Proceeds to the Eligible Green Loan Portfolio at least at the category level and on an aggregated basis for all of de Volksbank's Green Bonds. De Volksbank will also report on the progress of the climate neutral balance sheet, and the extent to which the Green Bond has contributed to the climate neutral balance sheet. De Volksbank intends to align the reporting with the most up to date methodology proposed by PCAF at the time of reporting.

Allocation Reporting

The allocation report will provide, for each Eligible Green Category:

- the total amount of proceeds allocated to Eligible Green Loans per category
- the number of Eligible Green Loans
- the balance of unallocated proceeds
- the amount or the percentage of new financing and refinancing⁷

The allocation report will include details on:

⁷ New financing refers to the loans that have been offered in the year of issuance.

- the year of investment,
- the amounts of investments allocated to Eligible Projects,
- the geographic distribution of the portfolio of Eligible Projects,
- the balance of unallocated proceeds (if any), and
- the proportion of new financing and refinancing.

Impact Reporting

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

- For Green Buildings Eligible Loans on:
 - Estimated ex-ante annual energy consumption and energy saving in KWh/m²
 - Estimated annual financed emissions and avoided emissions in tons of CO₂ equivalents
- For Energy Efficiency Loans on:
 - Examples and/or case studies of selected projects
 - If available, estimated avoided emissions in tons of CO₂ equivalent
- For Renewable Energy Loans on:
 - Examples and/or case studies of selected projects
 - Installed capacity in MW
 - Estimated avoided emissions in tons of CO₂ equivalent
- The contribution to de Volksbank's goal towards a climate neutral balance sheet:
 - Estimated annual financed emissions and avoided emissions in tons of CO₂ equivalent
 - Contribution to the total annual financed emissions and avoided emissions in percentages

Impact reporting information will be presented in accordance with the ICMA Handbook template for impact reporting in accordance with the portfolio approach "Harmonized Framework for Impact Reporting (December 2020)"⁸.

Both the allocation report as well as the impact report will be made available via the de Volksbank website⁹.

Opinion: ISS ESG finds that de Volksbank's Reporting as described in the framework aligns with the GBPs. Processes for reporting is provided for both allocation and impact, and the frequency is in line with best market practices. The issuer also provides a list of impact indicators that are qualitative information about the projects, going beyond the usual reporting standard of the market. An example can be seen in the intended disclosure on the achievement of internal goals through the bond emission.

External review

De Volksbank Green Bond Framework has been reviewed by ISS-ESG who has issued a Second Party Opinion. ISS ESG has evaluated the framework's alignment with the ICMA Green Bond Principles and

⁸ [Handbook - Harmonized Framework for Impact Reporting December 2020 \(icmagroup.org\)](#)

⁹ <https://www.devolsbank.nl/investor-relations-1/green-bonds.html>

the market best practices as well as its compliance with the recommendation of the EU Taxonomy and EU Green Bond Standard. The Second Party Opinion as well as the Green Bond Framework will be made available to investors through de Volksbank website¹⁰.

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

¹⁰ <https://www.dev Volksbank.nl/investor-relations-1/green-bonds.html>

PART III: SUSTAINABILITY QUALITY OF THE PROJECT CATEGORY




1. CONTRIBUTION OF THE GREEN BOND PROJECT CATEGORY TO THE UN SDGs

Using a proprietary methodology, ISS ESG assessed the contribution of De Volksbank’s Green Bond Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs). This assessment is an ISS ESG proprietary methodology while taking into account the sustainability quality of the Sustainable Bond Framework and the issuer’s specific sectorial context.

This assessment is displayed on 5-point scale (see Annex 2 for methodology):



The Green Bond project category has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Residential green buildings	Significant contribution¹¹	
	Limited contribution	 

¹¹ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDGs.

The insight on the project level in the scope of the current SPO allows to take into account more granular information on the project level, in particular with regard to EU Taxonomy Technical Annex (March 2020 version and Delegated Act) for the activity 8.4. Acquisition and ownership. As the projects to be financed under the Use of Proceeds category “Residential Green Buildings” have been found to comply with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation by the projects is attested.

2. ALIGNMENT OF THE FINANCED ASSETS WITH THE EU TAXONOMY

ISS ESG assessed the alignment of the Green Bond pool and the due diligence and selection processes in place, with the EU Taxonomy, both March 2020 version and Delegated Act published in April 2021.

ISS ESG assessed the category “Green Residential Buildings” which was the only project category to be included in Green Bond Asset pool by de Volksbank. This activity corresponds to the EU Taxonomy 8.4 Acquisition and Ownership.

2.1. Acquisition and Ownership (8.4.)

Projects under this category include acquisition and ownership of green residential buildings. All Green Projects are located in the Netherlands. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>Case A –</p> <p>TEG March 2020 version requirement: Acquisition of buildings built before 31 December 2020. The calculated performance of the building must be within the top 15% of the local existing stock in terms of operational Primary Energy Demand, expressed as kWh/m²y.</p> <p>Delegated Act requirement: For buildings built before 31 December 2020, the building has at least the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national</p>	<p>Case A: De Volksbank’s criteria described in its framework align with both the TEG March 2020 version and Delegated Act requirements.</p> <ul style="list-style-type: none"> • De Volksbank’s Eligibility Criteria for Dutch residential properties built before 31 December 2020 are cumulative: residential buildings must have an EPC label “A” AND must belong to the top 15% low-carbon residential buildings in The Netherlands, otherwise they do not qualify. • De Volksbank has also relied on the support of external green real estate consultant CFP to identify up-to-date top data of top 15% energy efficient buildings in The Netherlands. <p>Case B: Dutch residential properties built as of 1 January 2021 have to meet the categorization of “Nearly Zero Emissions Building” (NZEB) – 10%. At the time of this SPO, the Green Eligible Portfolio does not contain any properties under CASE B.</p>	<p style="text-align: center;">✓</p>

<p>or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</p> <p>Case B (for both TEG Report and Delegated Act)– Acquisition of buildings built after 31 December 2020. The building must meet the criteria established for the ‘Construction of new buildings’ that are relevant at the time of the acquisition.</p>		
<p>2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Reducing material physical climate risks</p>	<p>The processes for selection of Green Projects are aligned with de Volksbank’s own Sustainability Management Policy and Dutch environmental legislations. Thus, environmental risk assessment is conducted at the planning stage and relevant measures are applied to reduce identified risks.</p>	<p>✓</p>
<p>Supporting system adaptation</p>	<p>The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with national and international adaptation efforts.</p>	<p>✓</p>
<p>Monitoring adaptation results</p>	<p>Adaptation results can be monitored and measured against defined indicators and are reviewed by the issuer.</p>	<p>✓</p>
<p>3. WATER – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Not applicable</p>		<p>-</p>
<p>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Not applicable</p>		<p>-</p>
<p>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>TEG March 2020 version requirement: No presence of substances of concern</p>	<p>Testing for contaminants and procedures for handling any contaminants are strictly regulated by national building legislations and prevent use of substances in concerns.</p>	<p>✓</p>

6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

Both TEG March 2020 version requirement and Delegated Act requirements:

Location of buildings in protected and natural areas and compliance with Environmental Impact Assessment regulations

The construction of buildings is strictly regulated by Dutch legislation and are therefore excluded from protected and natural areas.

Both legislation and internal policies by the issuer ensure compliance with Environmental Impact Assessment regulations.



CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN

De Volksbank has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Bond pool.

Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards. The results are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
OECD Guidelines on Multinational Enterprises	The OECD Guidelines are included as part of de Volksbank Human Rights Policy and Suppliers Sustainability Declaration. Risks analysis processes are in place to identify any potential breach of this guideline at the Green Project level. Mitigation plans in case of breach are in place and Green Projects can be removed from the Green Bond pool in case of non-compliance.	✓
UN Guiding Principles on Business and Human Rights	De Volksbank' due diligence processes ensure the alignment and compliance with the UN Guiding Principles on Business and Humans Rights. Risks analysis processes are in place to identify any potential breach of this guideline at the Green Project level. Mitigation plans in case of breach are in place and Green Projects can be removed from the Green Bond pool in case of non-compliance.	✓
ILO Core Labour Conventions	De Volksbank due diligence processes ensure the alignment and compliance with the ILO	✓

	<p>Core Labour Conventions. Risks analysis processes are in place to identify any potential breach of this guideline at the Green Project level. Mitigation plans in case of breach are in place and Green Projects can be removed from the Green Bond pool in case of non-compliance.</p>	
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DISCLAIMER

1. Validity of the SPO: This This SPO is valid as long as no new project categories are added to the Green Bond Framework and there are no material changes to the asset pool (e.g. addition of assets that does not follow the Eligibility Criteria as set out in the Green Bond Framework February 2021).
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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ANNEX 1: Methodology

ASSESSMENT OF THE CONTRIBUTION AND ASSOCIATION TO THE SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which the De Volksbank Green Bond project category contribute to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

De Volksbank NV

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

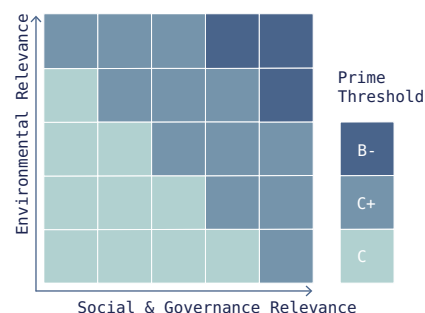
Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

De Volksbank NV

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

De Volksbank commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the ICMA Green Bond Principles, and to the extent possible with the Draft Model of EU Green Bond Standard (EU GBS). Moreover, the assessment included whether the Green Bond project category aligns with the EU Taxonomy and associated technical annex, on a best effort basis.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles, and EU Taxonomy and associated technical annex.

ISSUER'S RESPONSIBILITY

De Volksbank responsibility was to provide information and documentation on:

- Framework
- Asset pool
- Documentation of ESG risks management at the asset level for EU taxonomy

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.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond Financing Framework issued by De Volksbank based on ISS ESG methodology and in line with the ICMA Green Bond Principles and Draft Model of EU Green Bond Standard (EU GBS).

The engagement with De Volksbank took place in January/February 2021.

ISS ESG'S 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 behaviour 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 ISS ESG 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.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

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/>

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