

SUSTAINABILITY MANAGEMENT POLICY

SUSTAINABILITY FRAMEWORK DE VOLKSBANK N.V.

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Colophon

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1. INTRODUCTION

1.1 PURPOSE OF THIS DOCUMENT

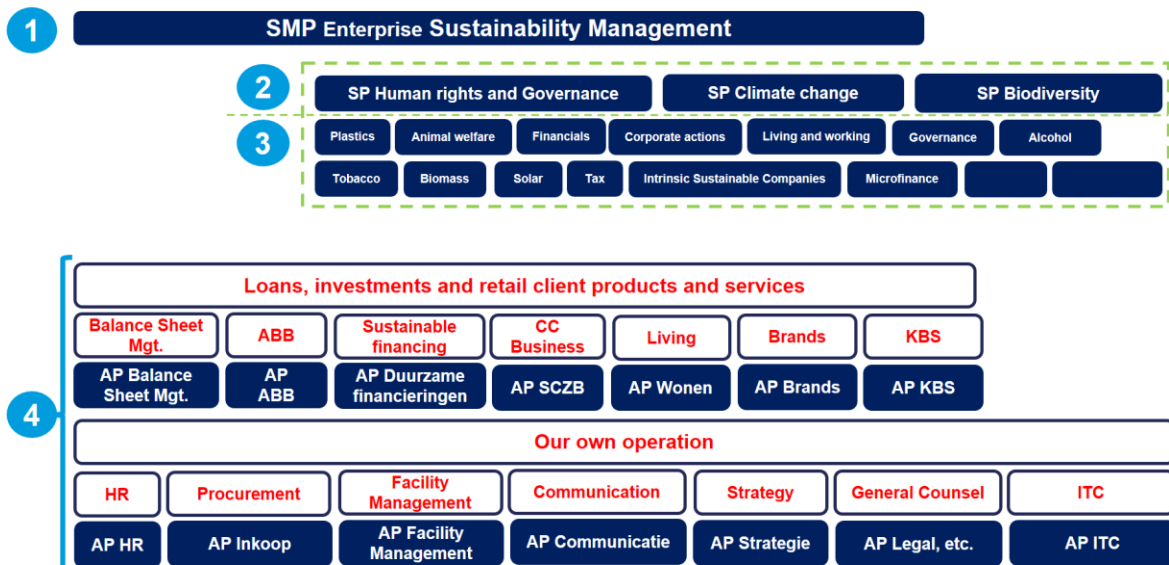
Sustainability is a key element in the strategy of 'de Volksbank' N.V., hereinafter also: 'de Volksbank', 'the Bank' or 'the Company'. A proper understanding of the meaning of sustainability is of great importance since de Volksbank is living up to its business principles as described in its Manifesto. The Bank has developed a 'shared value strategy' ("Gedeelde Waarde") in which an optimal balance between relevant stakeholders is sought: clients, employees, shareholders and other capital providers, and society. In other words, 'integrated thinking' is a leading principle in its decision making process. Furthermore, a fully integrated approach on sustainability contributes to consistently managing the Bank's business activities.

This document (Sustainability Management Policy – SMP) describes the sustainability management governance. This document forms the basis for further development of specific Sustainability Policies for different business activities (Sustainability Policies). Together they form the so-called 'House of Policies Sustainability'. The bank intends to use sustainability and sustainable development only, rather than (variations of) corporate social responsibility.

The purpose of this document is to have a well-understood and accepted governance and definition of sustainability within the Bank and for its stakeholders. The bank's approach on sustainability covers all activities of the bank. Several sustainability-related topics are or will be covered more in detail in other Policies (Privacy, Financial Resilience, Integrity, Tax). Relevant links with these topics will be highlighted, if applicable.

In addition, the document describes focus areas and relationships between these areas and provides guidance for the organization in the process of implementation of sustainability elements on a daily basis.

House of Policies Sustainability – governance and policy



1.2 SCOPE

This policy pertains to de Volksbank N.V., including all underlying legal entities, brands, business units and portfolios unless stated otherwise. ASN Bank, being one of the four brands (next to BLG Wonen, Regiobank and SNS Bank) of de Volksbank, has a distinct profile (client base and brand promise “we stimulate sustainable progress”) and a far-reaching ambition regarding sustainability.

Responsibilities and communication

The key responsibilities regarding the sustainability domain are stated in the colophon. The adopted SMP will be submitted to the relevant committees and internal stakeholders. All SMP documents will also be published on de Volksbank’s intranet site (ID Social) and are accessible to all de Volksbank employees at that time. De Volksbank management is responsible for employees to be familiar with the sustainability management organisation and comply with the procedures it includes.

1.3 REGULATORY FRAMEWORK

Starting point is that the Bank operates within national and international legislation. Sustainability Policy is based on globally recognised treaties, conventions and initiatives. Operating or financing in a sustainable manner transcends legally required minimal standards. The Bank applies the definition of ‘sustainability’ from the 1987 UN report “Our Common Future” (Brundtland): “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

On the basis of this definition, the Bank has have defined a series of policies covering all kinds of different industries and themes and, in addition, has developed three pillars to spearhead sustainability policy: human rights and good governance, biodiversity and climate change. The series of polices will be referred to as ‘Content’ documents in the SMP.

De Volksbank considers the following international treaties and conventions as the fundamental starting points for our policies and their implementation (this is subject to change and is not an exhaustive enumeration):

Human Rights and Good Governance

- United Nation’s Universal Declaration of Human Rights
- UN Guiding Principles on Business and Human Rights
- Conventions of the International Labour Organization (ILO)
- Guidelines of the Organisation for Economic Co-operation and Development (OECD) for MNE
- UN Global Compact
- Conventions in relation to weapons:
 - Treaty on the Non-Proliferation of Nuclear Weapons
 - Comprehensive Nuclear-Test-Ban Treaty
 - Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (Chemical Weapons Convention)
 - Biological Weapons Convention
 - Convention on Certain Conventional Weapons
 - Anti-Personnel Landmines Convention
 - Convention on Cluster Munitions
 - Arms Trade Treaty

Biodiversity

- Convention on Biological Diversity (CBD)
- Five freedoms of the Farm Animal Welfare Committee
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- Convention on the Conservation of Migratory Species of Wild Animals
- The International Treaty on Plant Genetic Resources for Food and Agriculture
- Convention on Wetlands (also known as the Ramsar Convention)
- Unesco World Heritage Convention (WHC)
- UN Convention on the Law of the Sea
- Cartagena Protocol

Climate Change

- Intergovernmental Panel on Climate Change (IPCC) of the World Meteorological Organization (WMO)
- United Nations Environment Programme (UNEP)
- Paris Agreement

Furthermore, the Bank supports and acts in the spirit of several voluntary international initiatives and guidelines, like (but not limited to) the Dutch Banking Sector Agreement on international responsible business conduct regarding human rights (IMVO Covenant Banken), the Sustainable Development Goals (SDGs), UN Global Compact, Principles for Responsible Investment, Equator Principles and Global Reporting Initiative.

In addition, the Bank closely monitors the views and developing opinions of supervisory bodies, like the Dutch and European Central Banks, on sustainability topics, notably regarding climate change.

In the Content documents the Bank explains the way these treaties, conventions and initiatives are used as starting points for the bank to define its Sustainability Policy.

2. SUSTAINABILITY CLASSIFICATION

2.1 INTRODUCTION

De Volksbank has described its mission in its Manifesto. An important element of the Manifesto is the ambition to contribute to sustainable development. ASN Bank is one of the four brands of de Volksbank.

ASN Bank was founded in 1960 with the objective to strive for a sustainable and fair society in which people can be free to make their own choices without harming others (no more poverty, education for all and good housing and health care). Based on this vision a mission and an integrated approach has been developed over the years. Basically the approach consists of a set of criteria to support decision-making on potential investment opportunities and a set of focus areas (climate change, biodiversity and human rights and good governance) in which ASN Bank acts a supercharger. See the overview below for more details.

De Volksbank has decided to adopt the ASN Bank's approach with regards to the sustainability criteria and climate change. Biodiveristy and human rights may be included at a later stage.

ASN Bank has the responsibility maintaining and strengthening its unique sustainability profile.

Tabel 1. ASN Bank Duurzaamheidsbeleid - overzicht

Doel		Hiërarchie duurzaamheidsbeleid	
Reden van bestaan	<p style="text-align: center;">Visie</p> <p style="text-align: center;">↓</p> <p style="text-align: center;"><i>Sinds haar oprichting in 1960 streeft de ASN Bank naar een duurzame, rechtvaardige samenleving. Een samenleving waarin mensen vrij zijn, hun eigen keuzes te maken, zonder dat dit ten koste gaat van anderen. Een samenleving zonder armoede, waarin iedereen onderwijs kan volgen en beschikt over goede huisvesting en gezondheidszorg.</i></p>		
Invulling van de visie	<p style="text-align: center;">Missie</p> <p style="text-align: center;">↓</p> <p style="text-align: center;"><i>Ons economische handelen is erop gericht de duurzaamheid van de samenleving te bevorderen. Daarom dragen we bij aan veranderingen die zijn bedoeld om een einde te maken aan processen waarvan de nadelige gevolgen:</i></p> <ul style="list-style-type: none"> • worden verschoven naar toekomstige generaties, of • worden afgewenteld op het milieu, de natuur en kwetsbare bevolkingsgroepen. <p style="text-align: center;"><i>Daarbij verliezen we niet de noodzaak uit het oog om voor onze klanten een goed rendement te realiseren. En om als bank een financieel resultaat te behalen dat op lange termijn ons gezonde voortbestaan waarborgt.</i></p>		
Content documents	<p>Duurzaamheidsbeleid (drie pijlers waar alle duurzaamheidsthema's ondergebracht zijn)</p> <p style="text-align: center;">↓</p>		
	<p>Klimaat (visie op klimaatverandering en CO₂-doelstellingen)</p>	<p>Mensenrechten (sociale en ethische criteria)</p>	<p>Biodiversiteit (criteria m.b.t. behoud en de versterking van de biodiversiteit en van ecosystemen)</p>
	<p>Overig beleid en notities (uitwerking van pijlers voor specifieke sectoren en thema's):</p>		
	<p>Sectoren</p>	<p>Thema's</p>	<p>Overige</p>
<p>Afvalverwerking</p> <p>Banken & verzekeraars</p> <p>Supranationale instellingen</p> <p>Transport en mobiliteit</p> <p>Waterschappen</p> <p>Wonen en Werken</p>	<p>Zorg</p> <p>Bestuur</p> <p>Dierenwelzijn</p> <p>Ketenbeleid</p> <p>Microfinanciering</p>	<p>Stembelief</p> <p>Riccolanden</p> <p>Staatsobligaties</p>	
<p>Onderzoekshandleiding (richtlijnen en procedures voor het onderzoek op basis van bovenstaand beleid)</p>			
Invulling bredere rol in de samenleving (ondersteuning maatschappelijke ontwikkeling en lobby, etc. om duurzame samenleving te realiseren)	<p>Duurzame thema's: (Worden vastgesteld op basis van klantenonderzoek en zijn een specificatie en keuze uit onderwerpen die vallen onder de duurzame pijlers.)</p>		
	<p>Vóór eerlijke handel</p>	<p>Tegen kinderarbeid</p> <p>Tegen wapen-industrie</p>	<p>Vóór duurzame energie</p> <p>Zorg en welzijn</p>

2.2 SUSTAINABILITY CRITERIA

In the SPs Climate, Biodiversity and Human Rights and Governance the sustainability policies on specific topics and themes are explained in detail.

The sustainability criteria are designed to make decisions for loans and investments, including transactions related to managing the bank's capital. They are not intended to assess clients and savings or payments transactions.

However, the criteria are being applied by managing the Bank's own operations and by developing and maintaining retail client products and services.

2.2.1 Loans and investments

The direct social and environmental footprints (impact) of the Bank are small. However, the aggregated footprints of our clients are significant. As capital provider the Bank enables clients and, consequently, contributes to their footprints indirectly. That is why the Bank's efforts in developing and implementing sustainability policies are focused on our clients to avoid adverse impacts on society and the environment and to support the search for and development of solutions.

The approach implies that the Bank ensures that its own activities are up to standard as well.

2.2.2 Our own organisation

ASN Bank Sustainability Policy, which has been adopted by de Volksbank, has a primary focus on loans and investments. However, the same principle starting points apply for the way the Bank is managing its own operations and by developing and maintaining retail client products and services. The Bank has developed policies in line with these principles for the different functions in the organization (procurement, facility management, human resources, legal, tax, strategy, communication, etc.).

2.3 ASN BANK ACTS A SUPERCHARGER

In its Manifesto de Volksbank highlights the importance of sustainability, as an integral part of its Shared Value strategy. As a consequence the Bank has the ambition to actually contribute to societal changes for the better. One of the brands of de Volksbank, ASN Bank, has a long-standing reputation and track record in developing new initiatives on sustainability. ASN Bank aims to be at the forefront of stimulating changes in society ("supercharger"). It is concentrating its efforts on three crucial topics for 'bringing society further': climate, biodiversity and human rights. Other parts of the Bank may follow ASN Bank in these efforts.

2.3.1 Climate change

Climate change is the most pressing problem the world is facing at the moment. De Volksbank has adopted an approach to mitigate and adapt to the impacts of climate change. Basically, the approach consists of two elements:

1. A set of sustainability criteria to avoid involvement in entities which have a negative impact on climate change and a set of criteria to support investments that contribute to combatting climate change.
2. An initiative to strive for a 'carbon neutral balance in 2030' and use this initiative to broaden the scope of climate neutrality to the rest of the sector (PCAF). The initiative holds both for de

Volksbank as ASN Bank. In 2018, ASN Bank formally decided to aim for a carbon positive balance in 2030.

In the SP Climate the approach is explained in detail.

2.3.2 Biodiversity

The loss of biodiversity and the destruction of ecosystems will have unprecedented impacts on many aspects of our lives, varying from potentially negative consequences on agricultural production to irreversible changes in natural habitats. Part of ASN Bank's supercharge initiatives is the development of defining a 'no net loss'-strategy.

Basically, the approach consist of two elements:

1. A set of sustainability criteria to avoid involvement in entities which have a negative impact on biodiversity and ecosystems and a set of criteria to support investments that contribute to protecting biodiversity and strengthening ecosystems.
2. An initiative to strive for 'no net loss' in loans and investments. Internally the initiative is being limited to ASN Bank for now. However, ASN Bank is to broaded the scope on protecting biodiversity and strengthening ecosystems to the rest of the sector (PBAF = Platform Biodiversity Accounting Financials).

In the SP Biodiversity the approach is explained in detail.

2.3.3 Human Rights and Good Governance

Human rights have many different aspects. Protecting and respecting these rights is often linked to the way an entity is governed. Therefor, the Bank has decided to combine both elements in one SP (Human Rights and Governance).

Human rights are violated frequently, and quite often with significant severity. ASN Bank has developed a wide range of policies to avoid violations of human rights in their loan and investment portfolios. De Volksbank has adopted these policies.

Part of ASN Bank's supercharge initiatives is the development of an approach to achieve 'living wages' in the global clothing industry by 2030.

Basically, the approach on human rights and governance consist of two elements:

1. A set of sustainability criteria to avoid involvement in entities which are not protecting (governments) or respecting (companies and other entities) human rights. In addition, there is a set of criteria linked directly or indirectly to human rights, which are aimed to avoid being involved with entities that are insufficiently governing their responsibilities.
In addition, a set of criteria is applied to select the frontrunners on proctecting and respecting human rights and good governance.
2. An initiative to strive for 'living wages' in the clothing industry (Platform Living Wage Financials – PLWF). ASN Bank has broadened the scope of the 'living wage' initiative by involving other financial institutions.

In the SP Human Rights and Governance the approach is explained in detail.

Human Rights are crucial to de Volksbank as whole as well. From 2018 the bank will report on the impact on human rights of all its activities in its Human Rights Reports.

2.4 SUSTAINABILITY OWNERSHIP

The development and implementation of sustainability within de Volksbank are assigned to *owners* within the Board of Directors and senior management. The basic principle for assignment

is that first-line responsibility for sustainability is allocated where it is (predominantly) manifest and can be influenced in the business. The Sustainability Department* has primarily the responsibility to support the first line departments in developing sustainability policies and support in monitoring their implementation, next to the Risk departments. In this respect the Sustainability Department has to a certain extent a second-line role.

Each from their own role and focus area, the owners and the second-line departments are responsible for defining and implementing sustainability. They do so by developing applied sustainability policies and related processes, setting sustainability criteria, performing control and monitoring exposures.

Sustainability Department	Responsibility
Sustainability Department	<p>Responsible for:</p> <ul style="list-style-type: none"> - Active contribution in formulating sustainability policy and frameworks regarding the bank’s activities (own processes) and the bank’s interaction with clients (primarily lending, investments), through supporting the development and maintenance of applied sustainability policies and including sustainability as a mandatory topic in the Operational Plan (OP)-process; - Assessing investment opportunities (directly and indirectly, depending on the type of investments); - Monitoring progress of the implementation of sustainability into processes of other departments (including an escalating role to the BoD through its chairing role in Sustainability Council); - Providing other first line departments with solicited and unsolicited advice regarding sustainability management (including HR, Facility Management and Procurement); - Reporting on non-financial performance (notably Climate Neutral Balance Sheet); - Drafting, preparing and updating sustainability policies; - Developing revelatory initiatives on climate change, biodiversity and human rights with the objective to stimulate widely-supported initiatives within de Volksbank and with external entities (a/o. financial institutions) - Developing and managing sustainability models (carbon neutrality, sustainability risk assessment, etc); - Developing and contributing to a unique profile for ASN Bank; - Performing secretarial work for several sustainability committees.

* The Sustainability Department is part of ASN Bank, but operates as the central point within de Volksbank for developing sustainability policies and monitoring the implementation.

3. HOUSE OF POLICIES SUSTAINABILITY

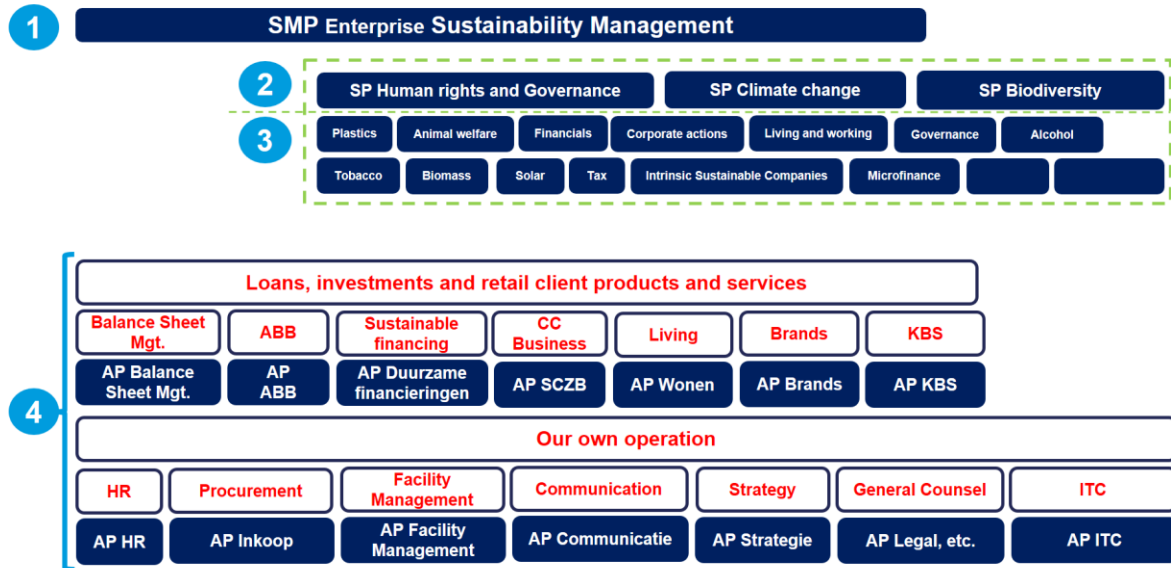
3.1 INTRODUCTION

The Sustainability Management Policy serves as a framework for company-wide awareness on sustainability and the resulting conduct at all levels of the organisation (including contributing to external reporting and supporting and monitoring other first-line departments). Sustainability policy is ultimately to be translated into the work processes of de Volksbank.

In the sustainability policy framework, this document (indicated as '1' in the overview below) covers primarily the governance, strategic ambition, responsibilities, procedures, etc. 'Content' documents (labelled '2' and '3' in the overview) contain all information on sustainability content: criteria and the three focus areas (climate change, biodiversity, human rights and governance), the Sustainability Policies (SP). If relevant, distinctive for different types of assets. Most of these documents apply for de Volksbank as a whole, since in 2016 the Board of de Volksbank decided to fully adopt the ASN Bank's sustainability criteria. In addition, policies have been developed for specific topics or sectors (Specific Sustainability Policies – SSP).

However, some documents contain specific additional components for ASN Bank describing activities related to its 'supercharger role' and specific activities (investments and sustainable financing). All '4'-labelled documents (Applied Sustainability Policies – ASP) are specifically directed towards the value streams and specific integrated processes (IP) in which the Sustainability Policy should be implemented and executed. Consequently, these documents tend to have a more practical approach ("what to do") compared to the SMP and 'content' (SP EN SSP) documents ("why" and "how"). The Sustainability Department will provide support (content).

House of Policies Sustainability – governance and policy



3.1.1 Sustainability Management Governance

Comprises the specific details of de Volksbank’s sustainability governance and sustainability exceeding themes.

The structure of the sustainability management organisation, sustainability classification and sustainability owners and the sustainability committee structure and mandates are laid down in the SMP (this document). The SMP acts as a top-level document by setting the overall policy for sustainability management and the sustainability management organisation. This document needs final approval of the Board of Directors of de Volksbank. In addition, several general policy domains and sustainability control frameworks applicable to all types of sustainability have been developed under the SMP. If necessary, these sustainability policies (SPs) may be further defined in underlying Specific Sustainability Policies (SSP).

In short, the defined this Sustainability Management Policy contains guidelines and frameworks that apply to the entire organisation and to all sustainability domains. The (sustainability) definitions used within Volksbank in a broad sense are also considered part of this Policy and the Content documents.

3.1.2 Sustainability Policies

As a principle, all main sustainability topics will be defined and elaborated in a dedicated sustainability policies (SPs). While this’ SMP is more describing the governance, the SPs are more describing the content of the sustainability policies (criteria and ‘supercharger’ initiatives). The final approval for the Content documents is with the ASN Bank Board.

As a result of this principle, the exact number and themes regarding ‘content’ sustainability polices may vary from time to time as the main sustainability focus may vary as a result of the strategic sustainability assessment (SSA). Content policies provide definitions and policy frameworks for the types of sustainability distinguished within de Volksbank. The SMP and SPs

extend to all sections of the organisation that are responsible for and/or have an active role in the relevant sustainability domain.

The Bank distinguishes three SPs:

- Climate
- Biodiversity
- Human Rights and Governance

In Specific Sustainability Policies additional guidance and criteria are provided for specific themes (like tobacco or plastics) or sectors (like financials).

3.1.3 Applied Sustainability Policies

Applied Sustainability policies (labelled '4' in the overview) primarily consist of practical implications for individual, specific lines of business. The policies typically aim to elaborate on the main sustainability type or subject defined and set out in the higher sustainability policy. The final approval for these policies is within the relevant lines of business.

3.2 HOUSES OF POLICIES

The policy component of the Integrated Control Framework (ICF, see Chapter 6) consists of a coherent system of SMPs and SPs. An SMP together with one or more underlying Sustainability Policies (or other related policies) is known as House of Policies or 'HoP' regarding the specific sustainability type or subject.

The policy house of de Volksbank contains several HoPs. The design of the Sustainability Management Policy Framework enables setting up HoPs where policy document can be bundled on sustainability type, subject, scope, portfolio, legal entity, etcetera as so desired by end users or other stakeholders.

3.3 POLICY DEVELOPMENT

The general objective of de Volksbank's Sustainability Policy Framework is to establish uniform execution of business processes in combination with internal control and reporting.

The development of policy with regard to sustainable development may be a top-down or bottom-up process, depending on the subject or scope, that may be triggered by internal and external factors.

- External factors (non-exhaustive): regulations, political, economic, social, legal, technology, customers, owners, environmental factors;
- Internal factors (non-exhaustive): staff, processes, systems, products, balance sheet, reputation.

Policy documents are to be prepared and updated by the sustainability responsible department and/or sustainability owner, depending on the type of policy. If a sustainability-related policy is drafted or proposed by a first-line department, this policy must be assessed and advised upon by the Sustainability Department before the next step in the regular approval process can take place. First and second line bear a shared responsibility to set up an effective and adequate House of Policies for all sustainability areas in their formal influence zone or mandate.

In the future, new or additional policies or policy statements may be added to the existing sustainability policy. Such additions take effect upon adoption and are subsequently communicated to the relevant stakeholders. The policy owner integrates those statements into the policy documentation during the periodic evaluation.

3.4 POLICY ADOPTION

As a principle, this SMP policies (levels 1- governance) is adopted by the Board of Directors as the primary body establishing frameworks. All 'Content' SPs need approval from the ASN Bank Board. If a sustainability committee is asked to issue a preliminary assessment or advice with regard to adopting a SP, this committee is usually also responsible for the further detailing of those frameworks and/or for adopting lower risk policy in (among other things) Sustainability Policies. The **appendices** include an overview of the sustainability committees responsible for adopting policy, based on the committees' mandates and the overall Policy House based on the sustainability classification.

3.5 POLICY CALENDER

The Sustainability Department monitors the progress of the annual evaluation, setting up new policy as agreed with the second line responsible department and laid down in a so-called annual policy calender. The Sustainability Department is responsible for adopting and monitoring the set up policy calender. In this role the department may grant a 'waiver' (for a maximum period of 12 months) with regard to the initial plan date and evaluation of a specific policy, as mentioned in the approved policy calender, based on a motivated request by the policy owner.

Sustainability committees are also responsible for monitoring proper implementation and the effectiveness of the sustainability policy within their scope. Sustainability Assessments or Reviews may be initiated where necessary, with the findings and measures for improvement being reported at the relevant sustainability committee and/or Board of Directors level.

3.6 DOCUMENTATION AND PUBLICATION

Following adoption by the responsible sustainability management committee, the sustainability policy is circulated among the policy owners and published on Volksbank's intranet site (ID social), on a special sustainability policy page that is accessible to all Volksbank employees. All employees are expected to use the published documentation as a frame of reference and to comply with the formulated sustainability policy, being the official recording of the sustainability policy and related procedures.

3.7 IMPLEMENTATION

An adopted sustainability policy must proactively be worked out in detail and implemented by the first line. Responsible for proper implementation is the first line sustainability owner as stated in the colophon of a respective policy document. The first line responsible Sustainability Department facilitates where possible and advises where necessary. Implementation may be executed via (for example) project proposals (for major changes), and may hold new, or specific adjustments to current, processes and procedures / work instructions and/or adjustments to department plans.

The design and effectiveness of de Volksbank's sustainability policy and/or individual policy documents and/or sustainability themes is evaluated periodically by the second and third line departments.

4. SUSTAINABILITY GOVERNANCE

4.1 DEFINITION AND SCOPE

The Enterprise Sustainability Management Policy determines the bank's approach on sustainability on all its activities. Key focus will be on the interaction with the bank's clients, since the main impact ('foot print') of the bank's activities is through our loans and investments.

The bank distinguishes the following focus areas:

- 1) Loans and investments:
 - a) Balance sheet management / Financial Markets ('the bank's own book')
 - b) Sustainable Financing
 - c) SCZB (SME loans)
 - d) Living (mortgages portfolio)
 - e) ABB (investment funds)
 - f) Brands and KBS
- 2) Our own organization:
 - a) Staff
 - b) Procurement
 - c) Facility Management
 - d) Communication & Marketing
 - e) Strategy
 - f) Legal, Tax and other staff departments

Sustainability policies are being developed by the relevant department in close cooperation with the Sustainability Department (part of ASN Bank). The policies will be developed after thorough consultation of relevant stakeholders within and outside of the bank. Policies need to have final consent from the ASN Bank Board for the sustainability elements of a policy prior to processing the policies for approval in the line and final sign-off by the Board of Directors of de Volksbank (through different approval channels).

4.2 THREE LINES OF DEFENCE

From a sustainability perspective, the Bank defines the first line as Balance Sheet Management, Sustainable Financing, SCZB, Housing, Human Resources, Procurement, Facility Management, Communication & Marketing (including the brands). The Sustainability Department is also part of the first line, but has some second line responsibilities. Due to the specific expertise the Sustainability Department has this role, since Compliance is not equipped to advise on and monitor sustainability topics.

The Sustainability Department has two specific tasks:

- 1) Developing new concepts and strategies for ASN Bank and to advise ABB in increasing their impacts in realizing a sustainable society, this includes involving other departments of de Volksbank and external entities in widening the scope and impact of these concepts ('supercharger role'). This is a first line responsibility. Note: ABB has an independent position and may decide to deviate from ASN Bank's policies consequently.
- 2) Supporting and (to a lesser extent) monitoring the implementation of the ASN Bank Sustainability Policy with the ASN Bank and de Volksbank. This is a second line responsibility.

For the sustainability management function this includes the following key activities:

- Identifying material emerging sustainability trends (risks and opportunities). Assessing these trends and the bank's exposure to them;
- Developing strategies and policies that ensure that ASN Bank and ABB are permanently in the forefront of sustainable finance in the Netherlands (and abroad);
- Supporting the BoD in its implementation and approval of the enterprise-wide sustainability governance framework which includes the bank's stance towards sustainability, sustainability ambition and boundaries (a/o. exclusions);
- Influencing and, when necessary, challenging material sustainability decisions;
- Reporting to senior management (notably the ASN Bank Board) and the Board on all these items, including but not limited to proposing appropriate accommodating actions.

In performing these activities, the sustainability management function is responsible for developing (policy) frameworks concerning matters such as sustainability governance, sustainability policy frameworks (House of Policies) and sustainability boundaries. In this first line role, the ASN Bank Board (mainly delegated to the Sustainability Department) supports and advises the other first line departments on the implementation and execution of the policy frameworks, and contributes to sustainability awareness by encouraging (senior) management in critically assessing sustainability matters rather than to rely on monitoring by the sustainability management function.

Ultimately, the Board of Directors is responsible for overseeing the bank's sustainability activities and assessing risks and opportunities independently from the other lines of business.

For more information on the Three lines of Defence model please refer to the Risk Management Policy (RMP) Enterprise Risk Management.

4.3 SUSTAINABILITY MANAGEMENT ORGANISATION

4.3.1 Board of Directors

The Board of Directors ensures – as the highest responsible policy-making body – that the desired culture and awareness on the importance of sustainability are expressed in visible aspects, such as appropriate behaviour, the execution of the Sustainability Policy or in assessment criteria. For more details on the responsibilities of the Board of Directors, see the corporate governance Sharepoint pages and the RMP Enterprise Risk Management (ERM).

The culture at de Volksbank is an important critical factor for successfully executing sustainability policies and objectives and, as a result, for the organisation to function optimally in accordance with its mission. The starting point for achieving the optimum culture is a shared and widely supported vision on sustainability management and a clear mission for the sustainability management departments. It is the responsibility of the Board of Directors to propagate this mission and vision in order to create the desired culture ('tone at the top').

4.3.2 Chief Customer Officer – Chief Sustainability Officer de Volksbank

The sustainability management function (Sustainability Department and ASN Bank Board reporting into CCO) is responsible for identifying major developments, setting the agenda, coordinating, measuring, monitoring and reporting on sustainability matters on a bank-wide basis, independently from the business.

The different functions in the bank have the primary responsibility to develop their own approach with relevance for their type of business within the sustainability policy framework which has been developed by the Sustainability Department. In line with all other policy making activities the framework may permanently being adjusted. The Sustainability Department has the

lead in developing sustainability policies, which –after consultation of relevant internal and external stakeholders- will be sent for approval to the ASN Bank Board for the sustainability elements of a policy prior to approval in the line.

The ASN Bank Board has the responsibility for overseeing the development and the monitoring of the implementation of the bank's sustainability approach (the latter has been delegated to the Sustainability Department). This includes the ongoing strengthening of staff skills and monitoring and implementing the sustainability strategy. But also the responsibility for supporting the Board of Directors in its development of the bank's sustainability approach and ambition and for supporting the translating of the approach and ambition in the business (first line). The ASN Bank Board reports into the Chief Customer Officer of the Volksbank.

The Chief Customer Officer has the responsibility to advise the BoD on integrating sustainability into the strategy and supporting the other business lines and staff departments in implementing sustainability into their core processes.

For the development of the bank's Sustainability Policy the Chief Customer Officer depends on the responsible ASN Bank Director for approved input from the Sustainability Department at ASN Bank (see below for the department's responsibilities).

Sustainability management may include second line activities.

4.4 MANDATES

Sustainability committees, councils and departments operate within mandates. The mandates describe the objectives, responsibilities, roles, and interactions, including reporting lines. The mandates of the sustainability committees, councils and departments are included in the appendix to this policy.

The Board of Directors is responsible for approving the mandates within the sustainability domain.

4.5 EVALUATION

The sustainability governance and mandates are reviewed on an annual basis (as part of the annual review of the sustainability management policy) by the Sustainability Department. Besides changes or updates as a result of the annual review, the sustainability management mandates may become subject to change because of:

- organizational changes;
- changes in processes, IT, etc.;
- changes in laws and/or regulations.

In case of a desired intermediate change in one or more mandates, a proposal for a new mandate must be drafted by a representative of the Sustainability Department as part of a new version of this ESM. The draft ESM containing the proposed mandate is submitted to the Board of Directors for approval.

5. SUSTAINABILITY BODIES AND COMMITTEES

Note. Sustainability bodies and committees operate fully in line with the guidelines and principles for committees and boards as described in the RMP Enterprise Risk Management.

5.1.1 Board of Directors (BoD)

The Board of Directors bears ultimately responsibility for achieving the sustainability objectives of the Volksbank. The Board of Directors defines the desired sustainability profile for financial and non-financial matters and determines the scope and the ambition on integrating sustainability into the core processes, sustainability policy frameworks and sustainability management framework for the Bank and all relevant legal entities.

To increase efficiency and allow deeper focus in specific areas, the Board of Directors can establish certain specialized committees, for instance risk or sustainability committees. These committees are instituted and mandated by the full Board.

Each sustainability body and/or committee acts pursuant to a mandate allocated specifically to that committee. The purpose and scope of the respective sustainability committees are to be well described. In this chapter the principles, governance, and working procedures with respect to committees within the sustainability domain are described. In addition, the committees within the sustainability domain are listed. The mandate and scope for the established sustainability committees are included in the **appendices**.

5.1.2 ASN Bank Board (AB)

The ASN Bank Board (AB) defines: (1) the sustainability agenda for the brand ASN Bank and (2) for de Volksbank.

(1) This implies that the AB is ultimately responsible for developing and defining the sustainability strategy of ASN Bank, managing the implementation of the strategy for the ASN Bank and monitoring the progress of the strategy development and its implementation. The strategy consists of two main elements: setting minimal criteria and supercharging on specific topics (climate change, human rights and biodiversity). In this respect supercharging means striving to enlarge ASN Bank's initiatives into more impactful developments, either within de Volksbank, within the sector or society at large.

(2) In addition, the AB has the responsibility to tailor-make frameworks and to support the implementation of the sustainability investment criteria into the processes of other departments of de Volksbank (if applicable). This also holds (partially) for the 'supercharger' topics.

5.1.3 Sustainability Council (SC)

The Sustainability Council (SC) develops the sustainability policy for ASN Bank, in the sense that the SC sets sustainability criteria for investments (widening of scope and adjustments of existing criteria) and proposes new (initiatives for) focus areas ('supercharger role'). In addition, the Sustainability Council sets the framework for the bank's own operations as well.

The SC covers the full range of sustainability initiatives, not all of them are relevant for the other parts of de Volksbank. This implies that the SC may convene with only ASN Bank participants. If policy developments lead to impacts beyond ASN Bank the SC will convene with representatives of de Volksbank as well. Proposals of the SC that affect non-ASN Bank departments are sent for approval to both the ASN Bank Board and de Volksbank's PARC, CNC or other relevant committee.

The Sustainability Council will develop its policies to a detailed level: a specific opportunity can be an individual transaction (like sustainable financing or an individual financial institution) or a

framework for a set of individual, but highly identical transactions (like loans to small & medium-sized companies). The SC policies will be sent to the relevant Risk Committee for information purposes (ALCO, CC, PARC, NFRC).

If needed, escalation is possible. The Head of the Sustainability Department, also in the role of chair of the Sustainability Council, has a quarterly meeting with de Volksbank BoD. Which allows the department to ask for decisions on conflicting matters, which may surface in discussions in the Sustainability Council.

Since the ASN Bank Sustainability Policy has been fully adopted by de Volksbank the Sustainability Council consists of members of both ASN Bank and departments of de Volksbank. The Sustainability Council sends proposals to the ASN Bank Board and has no mandate for decisions.

5.1.4 Investment Committees I and II (ABB Committees) (IC-I and IC-II)

The Investment Committees I and II (being elements in the ABB decision making progress) decide, if a specific investment opportunity meets the requirements of the ABB sustainability policies. Also, the ICs have the possibility to request the Sustainability Council to assess new investment opportunities, trends and risks. Note: ABB may request the Sustainability Department to provide advice on other investment opportunities as well.

5.1.5 Climate Neutral Committee (CNC)

The Bank's Climate Neutral Committee (CNC) specifically decides on the policy and the approach (i.e. setting and approving OP objectives), and monitors the implementation of achieving the Bank's objective to operate with a climate neutral balance sheet in 2030. This includes the determination of the 'Carbon Profit & Loss Methodology'. Other elements of the Climate Policy (like criteria) are not within the CNC's mandate.

5.1.6 Board ASN Duurzame Deelnemingen

The Board of ASN Duurzame Deelnemingen defines the desired sustainability profile for individual investment funds and other investment activities.

5.1.7 Sustainability Research Council

The Research Council can request for new policies, adjustments to existing policies and delivers assessments of specific investment opportunities as proposals to the Sustainability Council, the Investment Committee II (ABB), the Climate Neutral Committee and the Board ASN Duurzame Deelnemingen.

5.1.8 Advisory Board ASN Bank

The ASN Advisory Board supports the ASN Bank in developing its strategy by providing asked and unsolicited advice on trends in society, which may affect the mission of ASN Bank, and consequently de Volksbank.

6. SUSTAINABILITY CONTROL

6.1 INTEGRATED CONTROL FRAMEWORK

De Volksbank has adopted an Integrated Control Framework (ICF) to achieve controlled and responsible business operations and adequate control of sustainability risks and objectives.

Key ICF objective is to create clear frameworks, ensure streamlined control processes with the appropriate infrastructure and to steer the organisation towards the right culture. ICF is considered a living, growing and constantly improving structure with increasing maturity, that continuously requires adjustment in order to keep pace with the growth of the Bank's business.

The Integrated Control Framework is described and governed in the RMP Integrated Risk Control.

6.2 SUSTAINABILITY REPORTS

The periodic reports prepared within this framework are specifically geared to the different levels in the organisation, to the extent possible providing a coherent picture of risks and the progress on achieving KPIs.

Sustainability reports include quarterly updates on progress on achieving a carbon neutral balance, progress on integrating sustainability in de Volksbank processes, developing and implementing supercharge initiatives by ASN Bank and contributions to de Volksbank annual report and other reporting requirements and requests.

Principles

The following principles apply with regard to (sustainability) reports:

- Reports contain reliable and verified information based on complete, correct and timely data;
- Reports can be generated quickly, can be high frequency (depending on the topic) and are virtually real time for incident management;
- Reports meet the requirements and/or templates provided in regulations and/or by regulatory bodies.

7. EVALUATION

7.1 EVALUATION INTERVAL

This Enterprise Sustainability Management Policy and related 'House of Policies Sustainability' is evaluated annually. If as a result of this evaluation it is concluded that the policy is to remain unchanged, the SMP owner may apply for a motivated (once-off) waiver for twelve months from the sustainability committee responsible for this Sustainability Management Policy and relevant House of Policies.

7.2 INTERIM ADJUSTMENTS

Any interim changes or additions to this policy document approved and adopted by the relevant sustainability committee(s) will come into effect as from the date of final adoption. The SMP manager will include these changes, if possible previous to adopting or else immediately afterwards, in a new document version, and ensures that the published version is always up to date. The SMP owner will disclose the new policy to the relevant stakeholders and monitors proper implementation.

APPENDICES

8. Appendix: Sustainability Committees and Board Mandates

Board of Directors (BoD)	
Objective and scope	Within the sustainability committee structure of de Volksbank NV the Board of Directors is the highest sustainability management body and in this role primarily sets frameworks to establish an effective independent sustainability management function. The Board of Directors defines the desired sustainability profile and determines the sustainability profile, sustainability policy frameworks and sustainability management framework for the Bank and all legal entities that come under the Bank.
Authority	The Board of Directors decides on the Bank's sustainability profile and sustainability policy frameworks and establishes the mandates of the underlying sustainability committees. The sustainability profile and sustainability policy frameworks prepared and adopted by the Board of Directors must be confirmed by the Supervisory Board Sustainability Committee. The Board of Directors decides on proposals and escalated decisions of underlying committees.
Members	CEO (chairman) CRO CFO CCO COO
Non-members	Permanent representation of Audit (standing invitation)
Responsibilities	<ul style="list-style-type: none"> • Adopting frameworks for sustainability profile and sustainability policy within the strategic frameworks; • Adopting the sustainability management framework of all identified relevant topics; • Adopting sustainability policy to control strategic developments; • Approving policy calendars (sustainability policy year planning per sustainability type) and decide on waivers. Adopting the Sustainability Management Policies on the recommendation of the appointed sustainability policy owners, in so far as not delegated; • Adopting the Bank's sustainability governance, including the sustainability committees' mandates and responsibilities for each sustainability classification; • Establishing that the Operational Plan complies with the sustainability policy frameworks and sustainability profile set; • Approving the (long-term) capital and funding plan; • Monitoring the sustainability policy frameworks and sustainability profile as performed by other committees and line managers; • Monitoring relevant sustainability reports; • Monitoring Audit reports and discussing any resulting actions.
Decision-making	DECISION-MAKING: in accordance with statutory and internal board regulations. The Commercial Director may escalate a decision to the Supervisory Board. ESCALATION: Supervisory Board

Reporting	Minutes (including the list of decisions) are circulated among board members. Underlying committees are informed of relevant subjects as discussed in the Board of Directors and the underlying sustainability committees (if relevant).
Secretariat	Secretary to de Volksbank Board of Directors
Frequency and duration	Weekly. Sustainability subjects and agenda items (if any) are scheduled as such on the Board of Directors' meeting agenda. Duration: depending on number of scheduled agenda items.

ASN Board (AB)	
Objective and scope	<p>Within the sustainability committee structure of de Volksbank NV the ASN Bank Board is ultimately responsible for the determination of the ASN Bank Sustainability Policy. This means the ASN Bank Board defines the desired sustainability profile for ASN Bank and determines its sustainability profile, its sustainability policy frameworks and sustainability management framework for ASN Bank (including supercharging).</p> <p>Furthermore, the ASN Bank Board needs to approve on the proposals of the Sustainability Council, the Selection Committee Bank balance and the Investment Committee II ABB before the proposals are presented to de Volksbank Board and the ABB Board. If required, the relevant Risk departments will be consulted.</p>
Authority	<p>The ASN Bank Board of Directors decides on the Bank's sustainability profile and sustainability policy frameworks and establishes the mandates of the underlying sustainability committees. The sustainability profile and sustainability policy frameworks prepared and adopted by the ASN Bank Board must be confirmed by the Board of Directors.</p> <p>Since de Volksbank has adopted the ASN Bank Sustainability criteria the ASN Bank Board also holds the responsibility to monitor the quality of the implementation of these criteria within de Volksbank organisation. If the ASN Bank Board reaches the conclusion that the implementation is inadequate, the Board may decide to terminate the option for de Volksbank to adopt the ASN Bank Sustainability Policy.</p>
Members	Both Board members
Non-members	Permanent representation of Audit (standing invitation)

Responsibilities	<ul style="list-style-type: none"> • Adopting frameworks for sustainability profile and sustainability policy within the strategic frameworks; • Adopting sustainability policy to control strategic developments; • Adopting the Sustainability Management Policies on the recommendation of the appointed sustainability policy owners, in so far as not delegated; • Adopting the Bank's sustainability governance, including the sustainability committees' mandates and responsibilities for each sustainability classification; • Establishing that the Operational Plan complies with the sustainability policy frameworks and sustainability profile set; • Monitoring the sustainability policy frameworks and sustainability profile as performed by other committees and line managers; • Monitoring relevant sustainability reports (on progress in implementation at other departments of de Volksbank); • Monitoring Audit reports and discussing any resulting actions.
Decision-making	<p>DECISION-MAKING: Approving sustainability policies and individual investment opportunities (lending-related transactions).</p> <p>ESCALATION: Board of Directors de Volksbank</p>
Reporting	<p>Minutes (including the list of decisions) are circulated among board members. Underlying committees are informed of relevant subjects as discussed in the ASN Bank Board and the underlying sustainability committees (if relevant).</p>
Secretariat	<p>Secretary to ASN Bank Board</p>
Frequency and duration	<p>Weekly. Sustainability subjects and agenda items (if any) are scheduled as such on the ASN Bank Board's meeting agenda.</p> <p>Duration: depending on number of scheduled agenda items.</p>

Climate Neutral Committee (CNC)

Objective and scope	The Bank's Climate Neutral Committee (CNC) is responsible for determining the policy and methodology on achieving a climate neutral balance sheet in 2030 within the House of Policies Sustainability. Objectives (OP) will be assessed and approved by the CNC prior to decision-making in the Board of Directors meeting. In addition, reports need to be assessed and realisations approved formally.
Authority	The CNC determines the Climate Neutral Policy and the carbon P&L methodology within the House of Policies Sustainability framework. Formally determining realisations.
Members	CFO (chairman) CCO Director Balance Sheet Management (vice-chairman) Director ASN Bank Director CCW de Volksbank Head of Sustainability Department (ASN Bank) Head of Controlling ASN Bank (representing Business Control) Head of Reporting
Non-members	None
Responsibilities	<ul style="list-style-type: none"> • Determining Climate Neutral 2030 Policy • Determining 'Carbon Profit & Loss Methodology' (including benchmarking against market standards, manageability and contributing to a higher cause) • Determining annual reporting cycle • Assessing and approving OP objectives for the purpose of BoD decision making
Decision-making	<p>VOTING RIGHT: Members. Non-members do not have voting rights.</p> <p>QUORUM: Four members present, including the CFO <u>or</u> the Director Balance Sheet Management and the Director ASN Bank <u>or</u> Head of Sustainability Department.</p> <p>DECISION-MAKING: By a majority of votes. In the event of a tie of votes the chairman decides.</p> <p>ESCALATION: Head of SD has veto right. A call for escalation leads to the BoD.</p>
Reporting	<p>AGENDA: Audit will receive the full agenda plus attachments in advance of a committee meeting</p> <p>MINUTES: minutes (including the list of decisions) are circulated among the committee members, BoD, ALCO and Audit</p> <p>DECISIONS: The list of decisions is sent to the Board of Directors and ALCO</p>
Secretariat	ASN Bank – SP&R
Frequency and duration	Every quarter, 1,5 hours to determine the numbers and, in addition, quarterly an 1,5 hours meeting on a relevant topic

Sustainability Council (SC)	
Objective and scope	The Sustainability Council advises the BoD de Volksbank. Primarily, the Council is the bank's platform for discussion and opinion development of the adopted ASN Bank Sustainability Policy. The Sustainability Department prepares the documents and discussion. In addition, the practical implementation of the Sustainability Policy within de Volksbank is being discussed as well.
Authority	<p>Members of the Sustainability Council can present, both asked and unsolicited, proposals for adjustments to the ASN Bank Sustainability Policy to the Council's chairman.</p> <p>The Sustainability Council does not have a mandate to decide on adjustments to the ASN Bank Sustainability Policy. The ASN Bank Board will only modify the ASN Sustainability Policy after consultation of the Sustainability Council (but is free to deviate from the advice).</p>
Members	<p>Director of ASN Bank</p> <p>Head of Sustainability Department (chair)</p> <p>Representative of Sustainability Department</p> <p>Representative of Sustainable Financing ASN Bank</p> <p>Representative of ABB</p> <p>Representative of Marketing Strategy & Research de Volksbank</p> <p>Representative of Strategy de Volksbank</p> <p>Representative of Balance Sheet Management de Volksbank</p> <p>Representative of Financial Markets de Volksbank</p> <p>Representative of Corporate Reporting de Volksbank</p> <p>Representative of Corporate Loans de Volksbank</p>
Non-members	Notulist (member of Sustainability Department), invited specialists or observers
Responsibilities	<ul style="list-style-type: none"> • Discussing the by the Sustainability Department developed concepts of sustainability policies in a way that the concepts are fit for formal sign-off by the ASN Bank Board (also on behalf of the BoD of de Volksbank)... • ... after thorough consultation of internal (ASN Bank and de Volksbank) and, if needed, external stakeholders • Discussing potentially new sustainability initiatives • Reviewing the Sustainability Department's concept for the quarterly progress report to the BoD de Volksbank, and, if needed, supplemented with dilemmas and topics to be escalated in proposed new sustainability policies • If participants can not be present at a Sustainability Council's meeting, they have the opportunity to react in writing
Decision-making	<p>VOTING RIGHTS: n.a. QUORUM: n.a.</p> <p>DECISION-MAKING: n.a. ESCALATION: n.a.</p> <p>Head of Sustainability Department sets the agenda and is chair of the meeting. The participants discuss proposed policies. Outcomes of the discussions will be incorporated in the draft policy documents. The chair assesses the quality of the discussion and the level of consensus before sending the draft policy for approval to the ASN Bank Board, also on behalf of the BoD de Volksbank. SC members have the possibility to escalate matters to the BoD de Volksbank through the quarterly progress reports</p>

Reporting	All Sustainability Council members will receive the agenda, minutes, action list and draft policy documents.
Secretariat	Team member of Sustainability Department
Frequency and duration	Frequency: around ten times a year Duration: two hours