

Climate Transition Plan Achmea Bank

How we are working to realise
our climate ambitions

January 2023

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Foreword

Climate change is a key theme containing major social, economic and financial challenges. The effects of climate change are visible all around the world, including in the Netherlands. Weather is becoming increasingly extreme, from lengthy periods of drought to extreme precipitation and floods, such as those in Limburg. It is essential to restrict the increase in global temperatures in order to avoid facing uncontrollable risks. At Achmea Bank we believe it is important to make our contribution to restricting global warming. In this Climate Action Plan we explain how we do this for our business operations, products and services.

Our joint ambition as Achmea Group is to create sustainable value for our customers, employees, company and society at large through our ‘Sustainable Living. Together’ vision. Sustainable value creation also means that we take responsibility in order to contribute to achieving the global climate goals. To this end, Achmea Bank works together with the other parts of the Achmea Group but also has its own initiatives and responsibilities for its specific area of focus.

Achmea signed the Paris Pledge for Action¹ in 2015 and the Financial Sector’s Climate Commitment in 2019, in which we demonstrate how we implement the Dutch National Climate Agreement² in our role as an investor and lender.

Contributing to the national and international climate goals requires an enormous transition. Within this large and important topic, we work closely together as individual parts of Achmea to pool our efforts. We help our

customers and society in this transition and support them when they experience the (negative) impact of climate change.

In 2021, all the individual parts of Achmea collaborated to formulate a transition strategy for achieving climate neutrality. This strategy is aimed at making our customers and society more resilient to the consequences of climate change and stimulating the transition to a climate-neutral society. We distinguish two roles in which we can have an impact on the climate theme. Firstly, in our business operations and as an employer, for example via our buildings and operating assets, mobility and procurement policies. Secondly, as a lender and investor in mortgages.

Achmea aims to achieve climate neutrality in its business operations in 2030, in its investments in companies for our own account in 2040 and in the insurance portfolio in 2050. This document describes the Climate Action Plan for business operations, in which Achmea Bank aligns itself fully with Achmea’s strategy on this. In addition, we describe the mortgage portfolio and action plans for making this more sustainable as well as the corresponding risk management activities. Next, we describe the governance structure as set up within Achmea Bank for ESG.

Developments around us are moving fast. There is a constant stream of new climate insights, new legislation and technological advances. Methods for measuring CO₂ and setting reduction targets are under development.

Availability of data is often still a problem though. Emissions data are often still estimates and based on models. The amount and quality of available data are expected to improve in the coming years. These limitations mean that the targets and corresponding reduction plans described in this report are constantly evolving. They contain uncertainties. This will create new insights that could lead us to adjust our targets and plans in the interim. We nevertheless believe that setting targets and making them public gives direction to our current plans. This helps us to make progress on the climate transition.

Pierre Hurman
Chair of the Managing Board of Achmea Bank





1. Financial Sector's Climate Commitment

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Together with other financial institutions, Achmea, and in turn Achmea Bank, has committed itself via the Financial Sector's Climate Commitment to the climate goals contained in the Dutch National Climate Agreement.

In the 2015 Paris Agreement, a large number of countries agreed to reduce greenhouse gas emissions (hereafter referred to as CO₂ or carbon emissions). The goal here is to restrict the increase in the average global temperature to well below 2°C (and preferably to 1.5°C) compared to the average global temperature prior to the industrial revolutionⁱⁱⁱ.

The international goals contained in the Paris Agreement have been translated into national plans. In 2019, the Netherlands passed a Climate Act that states that greenhouse gas emissions in the Netherlands must be 49% lower in 2030 compared to 1990 and as much as 95% lower in 2050^{iv}. The targets from the Climate Act were subsequently translated into a Dutch National Climate Agreement for several sectors (the built environment, mobility, industry, electricity, agriculture and land use)^v.

As part of this Climate Agreement, the financial sector has drawn up a Climate Commitment^{vi}. In there, the financial sector has committed to contributing to the implementation of the Paris Agreement and the Dutch National Climate Agreement. By signing this commitment, the financial sector has agreed on the following:

- The parties will participate in funding the energy transition and to this end accept a best efforts obligation within the framework of laws and regulations and risk/return objectives;
- The parties will undertake action to measure the carbon content of relevant loans and investments. As of the financial year 2020, they will publicly report on this;
- No later than 2022, the parties will publish their action plans including reduction targets for 2030. The parties will explain the actions they will take to contribute to the Paris Agreement.

This commitment forms an integral part of the Dutch National Climate Agreement. All the parties attend an annual meeting to discuss progress on implementing the agreements.

In the summer of 2022, the Dutch government presented a new Climate policy programme containing climate ambitions that go even further. Carbon emissions need to be reduced by at least 55% in 2030 (the European Commission's 'Fit for 55' plan). This aims to realise a 60% reduction in carbon emissions in 2030 and outlines the policy for the coming years. In publishing this policy, the government is providing direction for the transitions needed to achieve climate neutrality in 2050^{vii}.



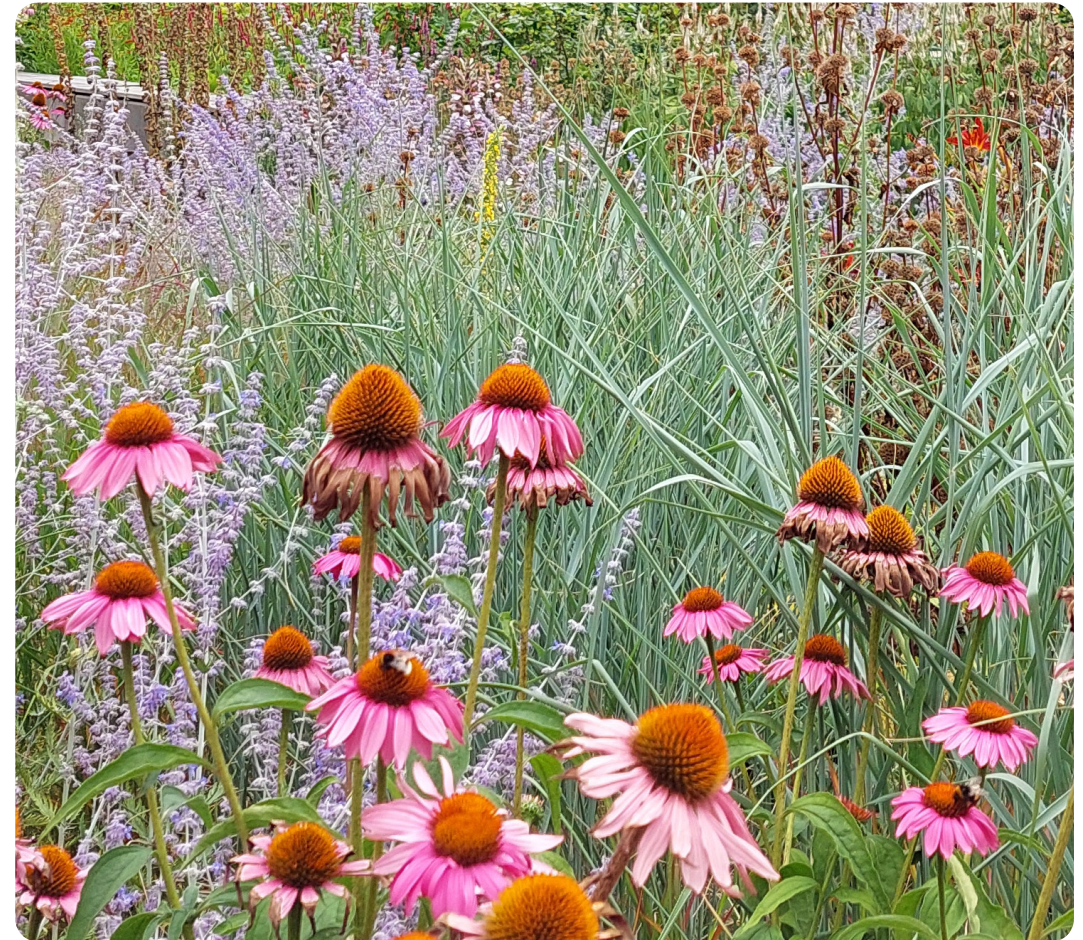
2. Climate ambitions of Achmea and Achmea Bank

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Ambitious climate plans are needed if we want to make a sincere effort to restrict global warming to 1.5 degrees. Achmea is well aware of the important role that financial institutions, such as Achmea Bank, occupy in the transition to a CO₂-neutral society. We set the bar high for ourselves and have defined ambitious targets. Our targets are:

- climate-neutral business operations in 2030;
- a climate-neutral mortgage portfolio in 2050.

Business operations constitute an important component when we examine the climate impact of Achmea and Achmea Bank. For our business operations, we look at e.g. our buildings, operating assets and mobility and procurement policies. Specifically for Achmea Bank, we can also make an impact via our lending (mortgages). For this reason, this document contains a description of our action plans in relation to business operations and mortgages. We devote attention to our risk management as well. These action plans are implemented in conjunction with the other Achmea segments. We also set out the governance we use to oversee and report on this.





2021

Definition of climate ambitions for business operations (together with Achmea)

Member of Net Zero Insurance Alliance

Member of the Energy Efficient Mortgages NL Hub (EEM NL Hub)

Achmea announces plans to plant one million trees via Land Life Company

2022

CO₂ roadmaps for mortgages

Signatory of the Principles for Responsible Banking (UNEP FI)

First Climate Transition Plan

Stress testing for climate risks in the short term

Climate budget for employees included in the collective labour agreement (together with Achmea)

Achmea reveals sustainability performance of suppliers via EcoVadis

Publication of Green Finance Framework

2025

A 51% reduction in CO₂ from business operations versus 2019 (together with Achmea)

2030

Climate-neutral business operations (together with Achmea)

100% circular and energy-efficient product and material procurement

Ambition for mortgage portfolio to average A energy label

2050

Fully climate-neutral in both business operations (together with Achmea) and mortgage portfolio

COMMITMENT AND COLLABORATION TO UNDERLINE CLIMATE TARGETS

In 2022, Achmea Bank signed the Principles for Responsible Banking and in doing so aligned itself with UNEP FI, the United Nations environmental programme for the financial sector.

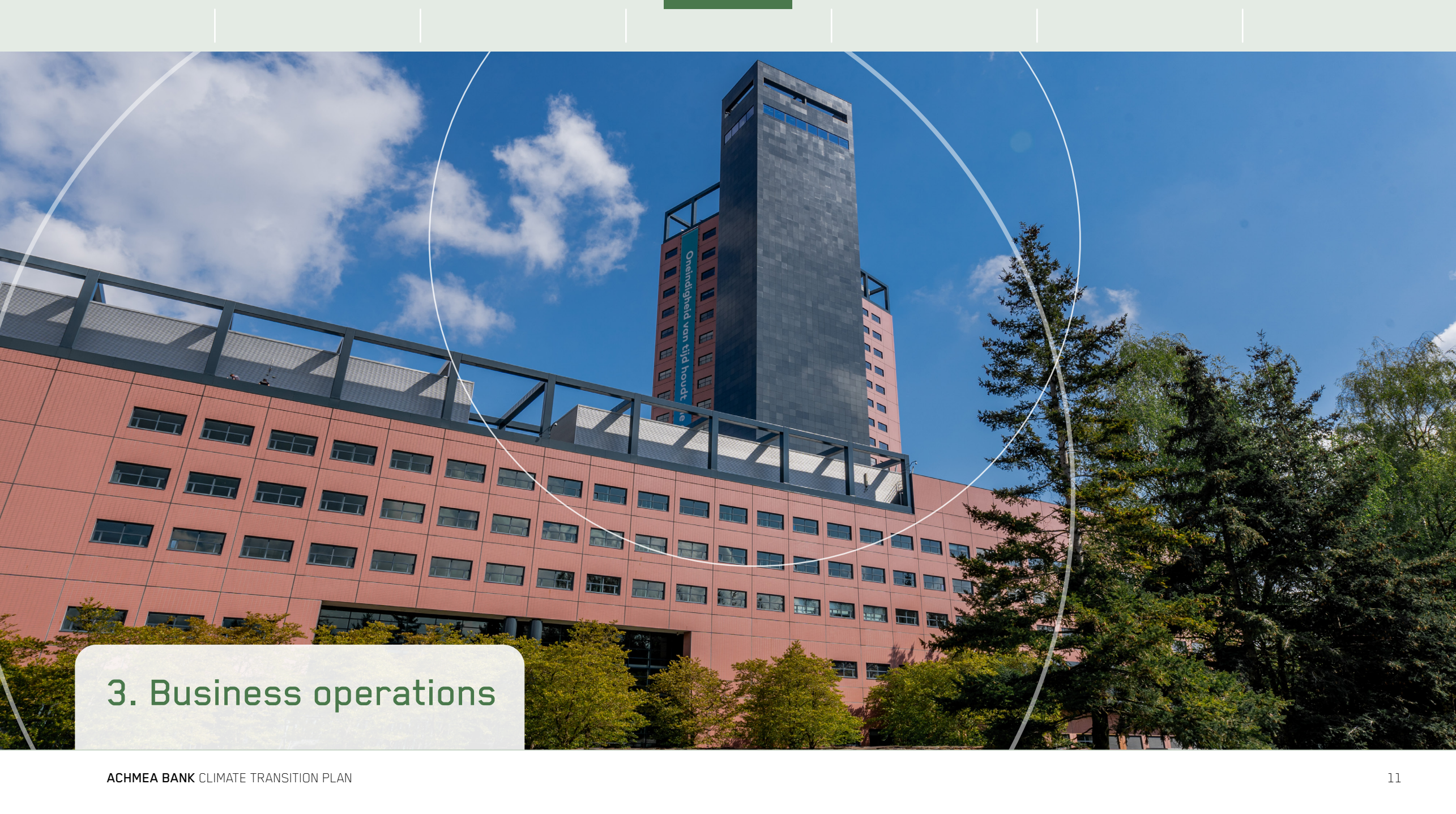
By signing the Principles for Responsible Banking, Achmea Bank demonstrates its commitment to the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement. In addition to sustainability being a central theme in our organisation, we make sure it is a central theme for our partners too.

Each year, Achmea Bank publishes a Climate Impact Report in which we report on the total carbon emissions and energy labels of our mortgage portfolio¹. We monitor progress on our targets for energy labels. This is done via science-based methods, such as the Science Based Target initiative (SBTi). Finally, we report on our ESG scores, which along with our Climate Impact Reports can be found on our website.

¹ Excluding the Acier portfolio

Achmea Bank is convinced that the goal of restricting global warming (1,5 °C scenario) demands intensive collaboration. For this reason we actively seek to work together within the financial sector in the following partnerships:





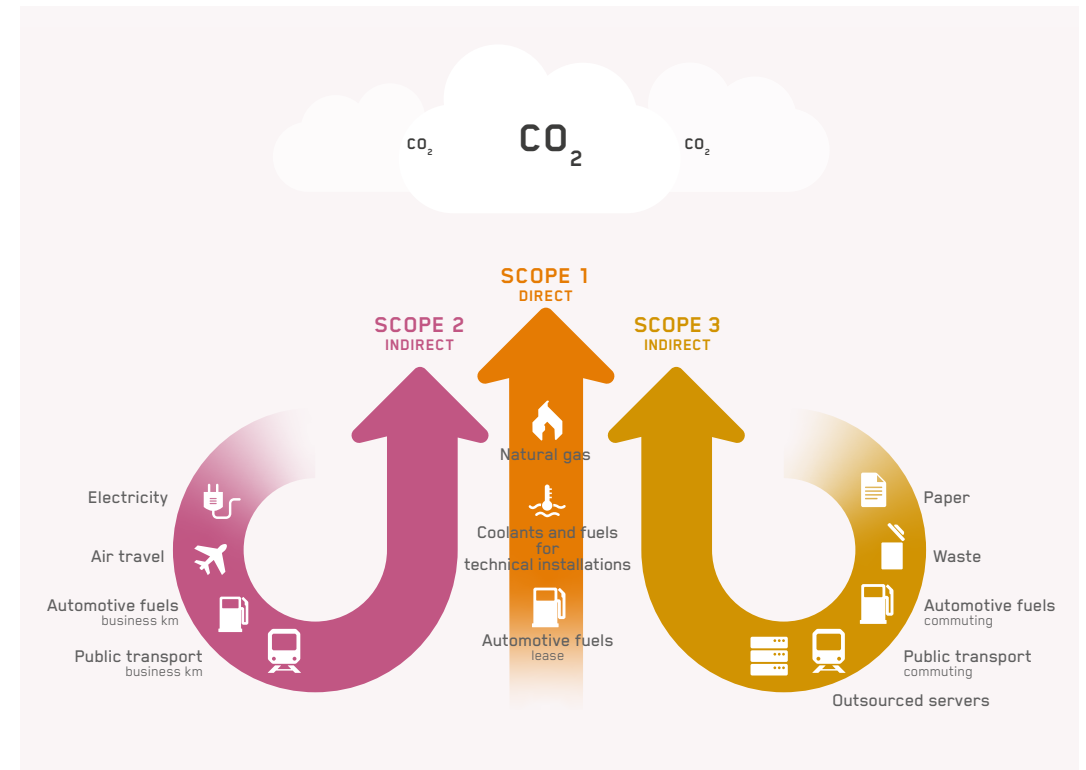
3. Business operations

3. Bedrijfsvoering

TARGETS

Achmea aims to achieve fully sustainable and climate-neutral business operations for all parts of its group by 2030. In tangible terms, this means that, as of 2030, the carbon footprint of our business operations will be net zero. We will accomplish this by reducing our emissions as much as possible and offsetting the remainder of our carbon emissions through large-scale reforestation. The target for our business operations is based on our scope 1, 2 and 3 emissions. To realise this, we are:

- cutting energy consumption in our buildings and data centres;
- reducing the number of journeys our employees make and making their travel more sustainable;
- cutting paper consumption;
- separating our waste wherever possible;
- conducting sustainable procurement (energy-efficient and circular).



Source: GHG Protocol^{VIII}

ACTION PLAN

Cutting energy consumption in our buildings and data centres

We are cutting electricity and gas consumption as much as possible and generating energy locally wherever feasible. One component of this is making our offices energy-neutral. To underline this ambition, we signed the Paris Proof Commitment from the Dutch Green Building Council's ([DGBC](#)) on 5 July 2021. Paris Proof Commitment. In doing so, Achmea is committing itself to making all existing and new buildings under its direct control (own real estate) 'Paris Proof' by no later than 2040. This means that the actual energy consumption of these locations may not exceed 70kWh/m² and this relates to our buildings in Apeldoorn, Leeuwarden and Tilburg. Examples of measures include using:

- LED lighting instead of TL lighting;
- Thermal Energy Storage (TCS);
- heat pumps for heating;
- solar boilers for hot water;
- solar panels for generating electricity.

The migration of Achmea data from separate servers to the cloud will reduce carbon emissions at data centres as well.

Reducing the number of journeys our employees make and making their travel more sustainable

We are making our employees' travel more sustainable by, for example, implementing a fully electric vehicle lease policy and reducing carbon emissions from commuter and business journeys. We have a range of mobility schemes that encourage the use of public transport and/or bicycles, such as the provision of a public transport chip card including use of rental bikes and an allowance for journeys conducted on the employee's own bicycle. At the same time, we have a clear vision of our new way of working that includes working from home. We participate in the [Anders Reizen](#) coalition together with over 70 other large organisations. The common ambition of 'Anders Reizen' is to halve carbon emissions from business travel as of 2030 (versus 2016). Business travel is taken to mean commuter journeys and travel undertaken on behalf of the employer, including flights, per employee (FTE).

Separating our waste whenever possible

Achmea has collected, disposed of and processed separated waste since 2015. We aim to reduce the percentage of residual waste even further in order to create a 'waste-free' office as of 2030.

Cutting paper consumption

The amount of paper consumed at Achmea has fallen dramatically in the past few years. A growing amount of communication with customers takes place via digital channels and, as employees increasingly work from home, the number of printed documents per employee is falling fast. This is aligned with our ambition to become a digital insurer.

Sustainable (energy-efficient and circular) procurement

The ecological emissions from our products and services are inextricably linked to the business operations of our (outsourcing) partners and suppliers. In 2030, we aim to buy 100% circular and energy-efficient products and materials.

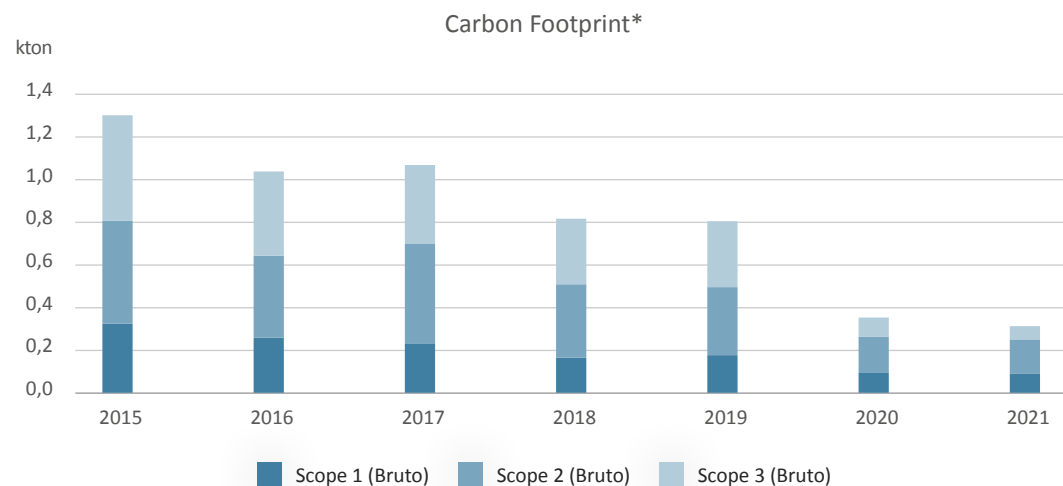
Together with our partners/suppliers, we are taking measures to combat climate change in the procurement chain. EcoVadis, an international sustainability rating platform for suppliers, gives us insight into the sustainability performance of our (potential) suppliers and enables us to monitor this performance and hold targeted discussions on this topic. The Achmea [Sustainability statement for suppliers](#) forms part of the procurement contracts. Achmea's model contracts contain a sustainability clause and generic and specific arrangements are laid down in the appendix to the contract.

Climate budget for employees

At the end of 2021, as part of the new collective labour agreement, Achmea agreed with unions that, from 1 January 2023 up to and including December 2025, each employee would receive a net amount of €2,500 for making their home more sustainable. Via an internal online shop, employees can conveniently buy sustainable solutions and products, such as solar panels, home insulation, a green roof or energy-efficient household appliances. If an employee is unable to spend the budget on making their home or travel more sustainable, they have the option of depositing it into a green investment fund at the end of this period.

CARBON FOOTPRINT OF BUSINESS OPERATIONS

We have generated projections for our plans up to 2030. The strategy for reducing the carbon footprint of business operations is implemented at Achmea group level. The impact from Achmea Bank therefore forms part of these figures and strategy. The figure below shows the forecast carbon footprint from Achmea Bank's business operations. This carbon footprint was temporarily lower in 2020 and 2021 because fewer journeys were made and employees stayed away from the office or only came in occasionally.



* The data in this graph is based on the actual use.

COMPENSATION

In line with our ambition of having climate-neutral business operations in 2030, we are mainly working on measures to further reduce our carbon emissions. These emissions will fall further thanks to measures that have already been implemented as well as actions scheduled for the coming years. It is technically impossible to bring carbon emissions completely down to zero; in other words, there will always be residual emissions. In order to be able to have fully climate-neutral business operations, we have offset these emissions by buying Gold Standard certificates^{IX} since 2011, whereby we select projects with clear, quantifiable emissions reductions. For the medium and long term, we have opted for compensation via tree planting projects. To do so, we have entered into a partnership with Land Life Company^X. Over a three-year period (2021-2024), approximately 1,000,000 trees will be planted on 920 hectares of degraded land in e.g. Australia and Iceland. This enables us to offset our residual carbon emissions for a period of 40 years from 2027 onwards. The first 270,000 trees were planted in 2021 and a further 254,000 in 2022. As these are young saplings, it will take a number of years before they can absorb enough CO₂ and be certified.

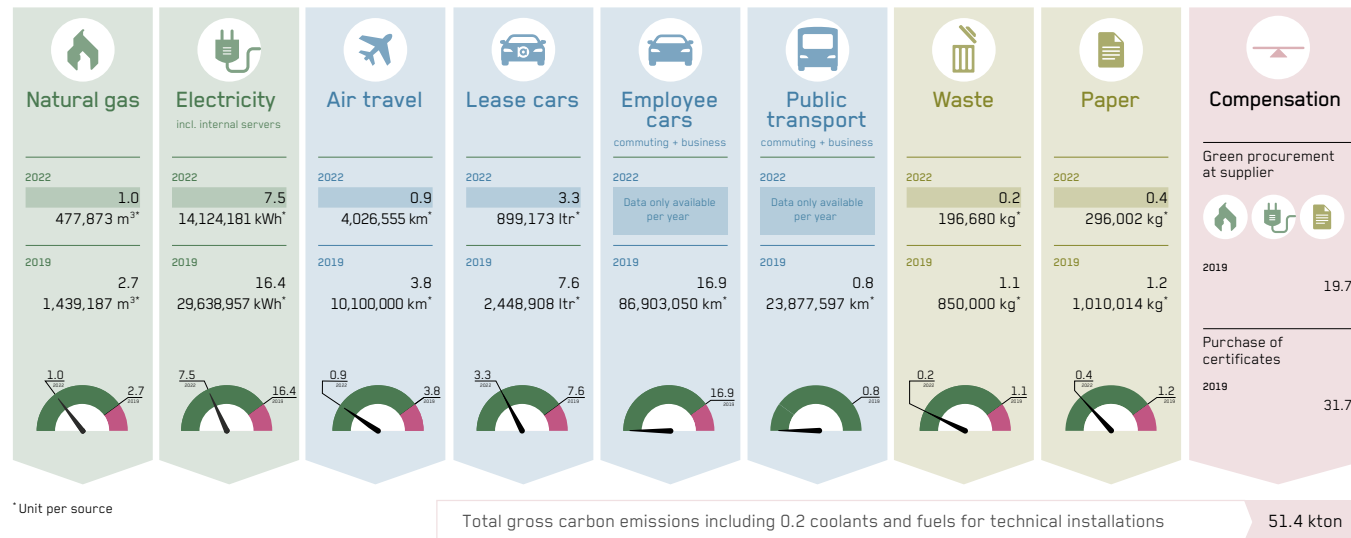
MONITORING & REPORTING

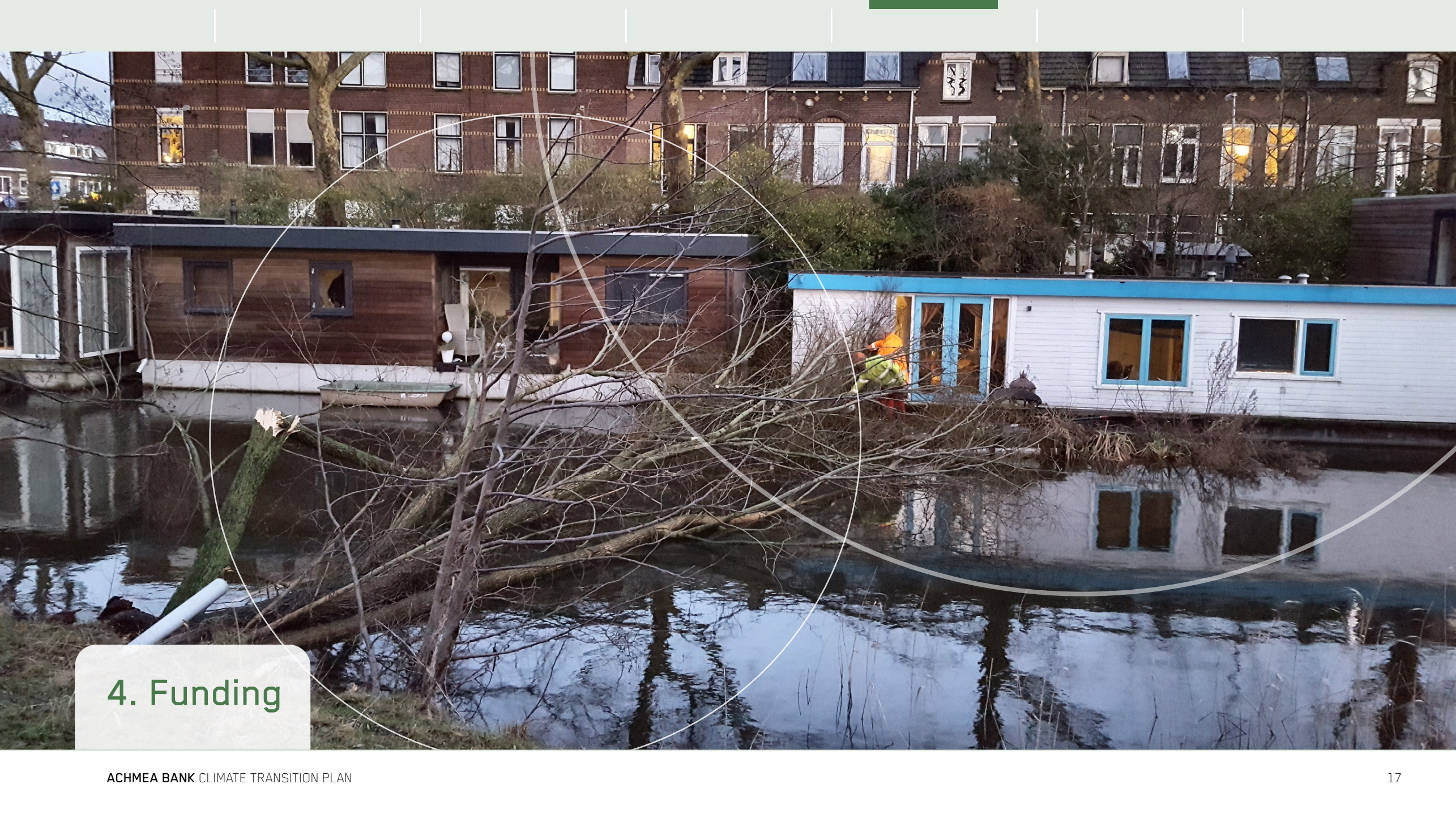
We monitor our carbon emissions at Achmea group level using a dashboard. Each quarter, the carbon emissions are inputted into a dashboard that we can then use as a basis for adjustments.

Below you will find an example of this dashboard. We publish our scope 1, 2 and 3 emissions in our annual report and on [Achmea's website](#).

Towards CO₂-neutral business operations

Gross carbon emissions in kton CO₂ Q3 2022





4. Funding

4. Funding

Among other types of funding, Achmea Bank is a mortgage lender. We want to use this role to contribute to the national and international climate goals by reducing the carbon emissions from our loans and facilitating the energy transition. We do this for instance by helping our customers to make their homes more sustainable, offering them loans and raising green funding.

We measure and monitor the carbon content of our mortgage portfolio and have set reduction targets and drawn up action plans.

In this transition plan, we specifically examine the mortgage loans from Achmea Bank's perspective and describe the climate-related risk management for our mortgage portfolio.

4.1 ACTION PLAN FOR MORTGAGES

Achmea Bank is both a mortgage lender and an investor in mortgages. The big difference here is that for the mortgage portfolios in which we invest, we have no direct customer relationship. For the portfolios in which we invest, we consciously choose the partners we collaborate with and as part of this selection process, we set criteria for sustainability; this is an explicit component of the due diligence process. We have set reduction targets and drawn up action plans for the mortgages on our own (consolidated) balance sheet².

TARGETS

As an investor in mortgages, Achmea Bank has no relationship with the homeowners. For this reason, it is essential to work closely with the partners that grant the mortgages and are in touch with the customers to manage the carbon emissions from the mortgage portfolios. We also see an important role for Achmea Bank in managing and enabling measurement of the carbon

emissions from our mortgage portfolio. Parties in the sector are working closely together to develop and improve measurement methods and scenarios. We are monitoring these carefully and we continually test our business operations against these.

Our ambition is for our mortgage portfolio to be climate-neutral, with net-zero carbon emissions, no later than 2050. Our target is based on our scope 1 and 2 emissions from the homes (energy consumption) that form the collateral for the mortgages. We aim to accomplish this by increasing the proportion of green energy labels in our mortgage portfolio, in part by helping homeowners to make their homes more sustainable. Our ambition is to bring the portfolio to an average A energy label as of 2030. We continue to monitor this ambition and, if necessary, will adjust it as more data becomes available. A higher energy label automatically means lower carbon emissions.

We have compared our mortgage portfolio to a science-based transition pathway that is in line with the Paris Agreement. Using the Science Based Target initiative (SBTi) method, we have calculated how much we need to reduce carbon emissions in order to have an almost climate-neutral mortgage portfolio in 2050. In the SBTi method, the actual carbon emissions from our portfolios are taken as a starting point for the reduction pathway. The graph depicts an example of Achmea Bank's mortgage portfolio with 2020 as the starting point.

² Portfolio excluding Acier and Deviant

The SBTi method, which was developed in consultation with the Partnership for Carbon Accounting Financials (PCAF), still contains a number of constraints. The method uses a below 2 degree scenario (B2DS) because a 1.5 degree scenario is not yet available. In addition, the method takes no account of differences between countries. SBTi is working with the Carbon Risk Real Estate Monitor (CRREM) on a new standard that is expected to be released in 2023. The PCAF measurement method will be further refined and harmonised in 2023 as well. As soon as these new standards are made available, we shall use them to calculate new scenarios and, if necessary, adjust our targets.

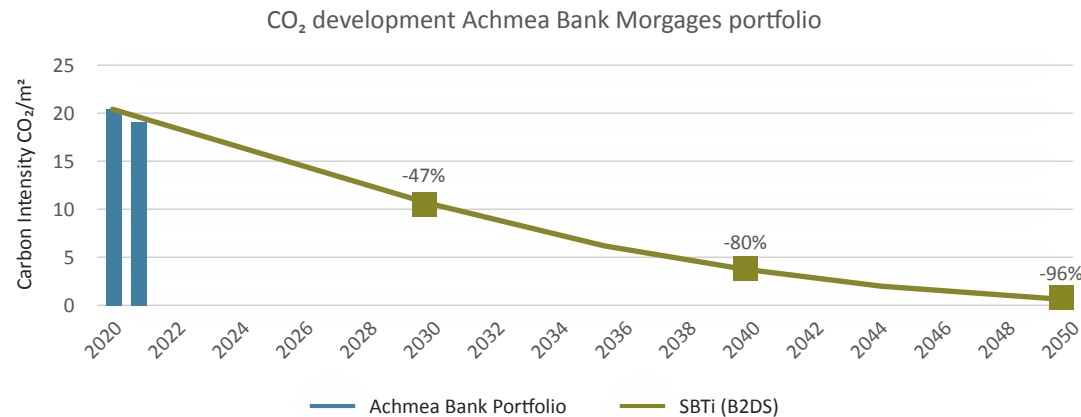
As Achmea Bank does not own the homes on which the mortgages are held, a CO₂ target can only be achieved if the homeowners make their homes more sustainable. It is perfectly possible that future regulations will make it mandatory for homeowners to implement such sustainability measures. The extent to which the target can be met depends in part on (external) factors over which Achmea Bank exerts no influence. We mention a few of these below (non-exhaustive list):

How fast the Dutch energy mix is becoming more sustainable

As Achmea Bank has no insight into the individual energy demand and energy mix of homeowners (due to the protection of privacy), our carbon emissions are defined based on the carbon emission factor of the average Dutch energy mix. The electricity mix is becoming increasingly green thanks to e.g. biomass co-combustion, the construction of heat networks, connection to solar and wind farms and the phasing-out of coal-fired power stations. Achmea Bank has no influence over this, but the Climate Act does stipulate that this energy mix needs to be nearly climate-neutral in 2050.

How fast Dutch homes are being made more sustainable

The biggest contribution to carbon emissions comes from heating homes. These can initially be reduced by improving home insulation to a level where it is also possible to switch to a different form of heating (making them net-zero ready), such as a (hybrid) heat pump. How fast homes are being made more



sustainable depends in part on external factors, such as energy prices, the cost and availability of alternatives (such as heat pumps), subsidies, regulations and financing options. In the Netherlands there are long waiting times at the moment for making homes more sustainable owing to a shortage of materials and technicians, as a result of which the pace is very slow.

The number of new homes

The government wants to build approximately 900,000 new homes in the years up to 2030^{xi}. These new homes will be as good as energy-neutral. This will improve the average energy label of the total housing stock, but will have no impact on existing housing stock. This ambitious construction goal is extremely challenging, in part because of the high price of materials, higher interest rates and slow procedure for obtaining building permits^{xii}. Any delay will affect the average energy label of the overall Dutch housing stock.

Progress on natural gas-free neighbourhoods

The government plans to make 1.5 million existing homes gas-free as of 2030^{xiii}. Municipalities are responsible for planning and implementing this transition. There have been delays in rolling out these plans, and as a result, it is possible that the emission reduction targets for 2030 for the built environment will not be achieved^{xiv}. This will also have repercussions for the extent to which Achmea Bank succeeds in accomplishing its targets for the mortgage portfolio.

Legislation and government regulations

There is a real possibility that in the future the government will make it mandatory to make homes more sustainable. Measures that have already been introduced by the government include a ban on gas-fired boilers from 2026^{xv} and interest-free loans for people on low incomes^{xvi}.

The focus of Achmea Bank is on helping our (new and existing) customers to reduce heat and energy consumption, for instance via insulation and solar panels, and to make their homes more sustainable step by step. We want to offer homeowners financial products that support them in this, as well as services such as Duurzaam Woongemak that help people in a practical sense (via Centraal Beheer's [Duurzaam Woongemak](#) service). This makes homes net-zero ready, or at the very least improves their energy labels. From 2026, these homes will naturally switch to using a (hybrid) heat pump once the gas-fired boiler ban comes into force. Given that the lifespan of a central heating boiler averages 12-15 years, carbon emission reductions will occur gradually.

ACTION PLAN

For the mortgage portfolio, the aim is to meet targets for energy labels and reductions in carbon emissions. Our ambition is to increase the proportion of green energy labels in our mortgage portfolio and help customers to make their homes more sustainable. The ambition is to bring the portfolio to an average A energy label as of 2030.

We do this, together with our partners that have direct contact with customers and grant them mortgages, by helping homeowners to make their homes more sustainable. We provide information on how to do this as well as options for doing so. Via Centraal Beheer, which is our distribution partner for Centraal Beheer and Woonfonds mortgages, we provide services for making homes more sustainable (insulation, solar panels and green roofs). There is also the option of financing energy-saving measures as part of the mortgage and offering assistance on subsidy applications. We are implementing these action plans in collaboration with our distribution partner Centraal Beheer. Our approach is based on five pillars, four of which are aimed at helping customers make their homes more sustainable and one that relates to green funding:

1. Informing and engaging customers;
2. Offering products/funding solutions;

3. Providing sustainability services;
4. Supporting and engaging brokers;
5. Green funding.

These pillars are explained in more detail below.

Informing and engaging customers

We inform customers both when they take out a mortgage and during the term of the mortgage of the options and potential savings involved in making their homes more sustainable. A customer arranging a new mortgage is the obvious moment to consider making the mortgage more sustainable. We therefore offer our customers the option of financing energy-saving products as part of their mortgage. Customers do not immediately need to present a plan for how the budget will be spent. The Energy-Saving Budget (EBB) can be kept in deposit for up to two years. If there is any money left after two years, we deduct this unused budget from the mortgage. This mortgage can exceed the property's market value up to a maximum of 106%. Under certain conditions, the amount borrowed along with the mortgage will also be excluded from means testing. In doing so, we adhere to the standards set by the government^{xvii}. As of 2023, our mortgage offers will include a green page in which we pro-actively offer this budget. The idea is that customers will immediately be aware that a sustainability budget can be included as part of the mortgage.

Agreeing a new fixed-rate period is an opportune moment for customers to review their mortgage. It is a good time to consider issues that are relevant now or in the future, such as making their home more sustainable. Our customers receive not only a new interest rate offer three months before the fixed-rate period expires, but also information on options for making their home more sustainable.

Offering products/funding solutions

In 2023, Achmea Bank plans to add a green loan component to the mortgage products for its existing customers, with the additional loan for making the property more sustainable being borrowed as part of the mortgage but at a lower rate. We also want to make it easier for existing customers to take out an additional loan for energy-saving products. Furthermore, we are investigating the option of offering an execution-only service for loans to make homes more sustainable.

Providing sustainability services

The Duurzaam Woongemak service of our partner Centraal Beheer arranges complete solutions: from personalised sustainability advice to realisation by skilled technicians. Customers receive personalised advice via an online scan or online appointment with a sustainability advisor. It offers roof, wall, façade and floor insulation and solar panels via a network of partners.

Centraal Beheer intends to expand this range of products. It also assists customers with applications for subsidies or loans.

The Centraal Beheer 'VvE Verduurzamen' service helps apartment owners to work together to make their building more sustainable. Owners associations are given assistance from advice to implementation. Via Centraal Beheer, they can insulate their building (roof, façade, floor, windows and frames), generate electricity using solar panels and make their building natural gas-free by switching to a different heating system. They are also given assistance on arranging funding, applying for subsidies and obtaining the necessary permits.

Supporting and engaging brokers

Mortgage advisors occupy an important role in the mortgage process for our customers. It is therefore important that advisors discuss options for making properties more sustainable during mortgage advice meetings with customers. Together with our partner Centraal Beheer, we encourage this by highlighting the option of including an Energy-Saving Budget (EBB) and Energy-Saving Products (EBV) in interest rate offers. Moreover, via the Advice Academy, Centraal Beheer offers training in Sustainable Living Skills. During this course, advisors learn how to introduce sustainability effectively into mortgage advice meetings.

Green funding

Achmea has a Green Finance Framework (GFF) for green funding. In November 2022, Achmea issued a €500 million green senior bond³. Achmea Bank's green mortgages are part of this. Achmea was the first Dutch insurer to create a Green Finance Framework (GFF). This framework is based on the Green Bond Principles^{XVIII} and Green Loan Principles^{XIX} and has been rated positively by ESG rating bureau ISS and CFP Green Buildings. Although the GFF is primarily used for (re)financing existing mortgages, it is an important driver in making the mortgage portfolio more sustainable. The Green Finance Framework can be found on [Achmea's website](#).

Together with Syntrus Achmea Real Estate & Finance, Achmea Bank signed up to the Energy Efficient Mortgages NL Hub (EEM NL Hub) on behalf of Achmea in 2021. This is an alliance that includes mortgage providers, investors and service institutions from the mortgage sector. The chair of the EEM NL Hub is the CFRO of Achmea Bank. The EEM NL Hub was set up to interpret regulations on sustainability, such as the EU Taxonomy and the goals of the Paris Climate Agreement, and to apply them to the Dutch mortgage and housing market. Its objective is to develop a clear standard for green mortgages. Achmea Bank has actively contributed to setting up this standard on behalf of Achmea.

³ <https://nieuws.achmea.nl/achmea-prijst-groene-senior-obligatielening-van-in-totaal-500-miljoen/>

The EEM NL Hub published the first version of the Dutch Energy Efficient Mortgage Framework in September 2022. For more information, visit the [EEM NL Hub website](#).

Mortgages in which we are an investor

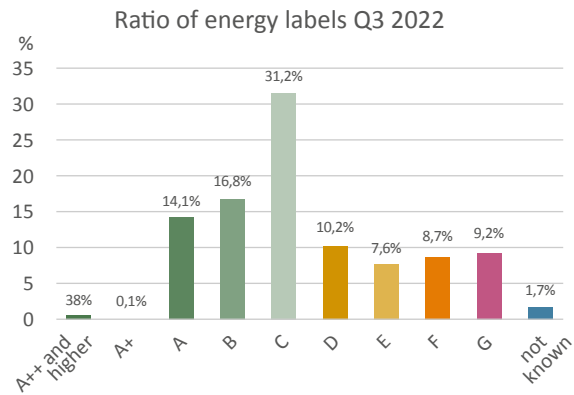
In 2023, we will actively enter into dialogue with our partners on their sustainability ambitions and policies for the mortgages in which we are an investor. We also monitor and report on the energy labels in these portfolios.

MONITORING & REPORTING

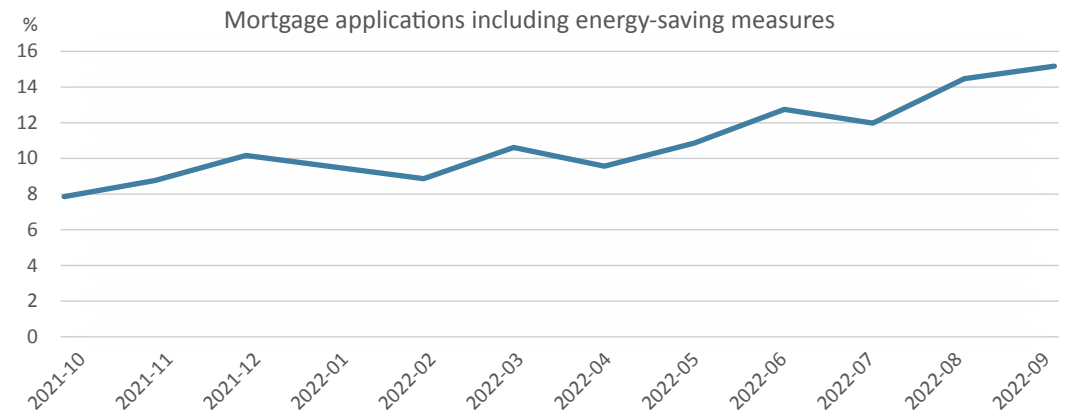
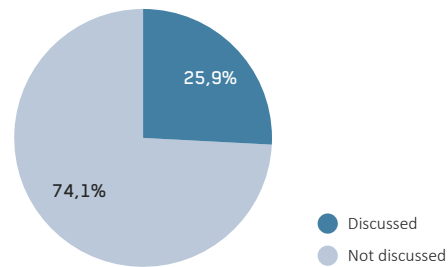
To assess how effective our actions are, we monitor the effect of our activities. We review the energy labels in our mortgage portfolio each quarter. One of the main challenges for banks in the coming years involves collecting more and better data on the carbon emissions from their mortgage portfolios. Cooperation within the sector is essential here.

In addition, we measure how often sustainability is discussed in mortgage advice meetings and the number of applications that include energy-saving measures. This information enables us, together with our customers, to work on making homes more sustainable in an even more practical manner.

In 2019, we started measuring scope 1 and scope 2 carbon emissions from the mortgage portfolio (energy consumption of homes). To do so, we use the standard developed by the Partnership for Carbon Accounting Financials (PCAF). We report annually on the carbon emissions from our mortgage portfolio in our annual report.



Sustainability is discussed in mortgage advice meetings



4.2 INSIGHTS INTO CLIMATE RISKS

Managing climate risks

We recognise that climate change and corresponding policies lead to both physical and transition risks. These risks have been incorporated into Achmea Bank's risk management framework. Where necessary, this is used for (strategic) decision-making and policy adjustments. We view climate risk as being of primary importance to credit risk. This is why, for the time being, our assessments focus on this risk.

Achmea Bank's mortgage portfolio consists almost entirely of residential mortgages with collateral in the Netherlands. This portfolio is subject to climate risks. These climate risks are viewed as a risk driver of existing risks, such as credit risk. In 2022, a plan was drawn up for this risk driver in order to inventory the climate risks. Under this plan, assessments have been carried out for both physical and transition risks, as described below. The provisional conclusion is that climate risks will not have a material impact in the short term.

Physical risks

The credit risk-related physical risks of the mortgage portfolio are collateral-specific. After all, the location and other specific features of buildings are of importance to the exposure to several types of physical risk, including foundation problems (pile rot, subsidence) and flooding. The physical risks were inventoried using the methodology developed by Climate Adaptation Services (CAS).

Exposure to the risks is demonstrated by means of a risk score. This shows that only a small portion of the customers included in the assessment has a high risk score⁴. Moreover, there is little overlap between the high risks for the individual types of physical risk.

The overlap with other risks was analysed in more detail in a concentration risk assessment. Here, the individual physical risks were linked to existing credit risk indicators, such as the Loan-To-Value (LTV) ratio. In general, there is no discernible heightened risk that corresponds to a heightened risk for other indicators. Furthermore, the collateral value as expressed in the LTV often contains enough of a buffer to be able to absorb a negative price shock,

⁴ The scope encompasses all the collateral relating to the Centraal Beheer and Woonfonds mortgage portfolios on the balance sheet of Achmea Bank as of 31 January 2022 and for which a physical risk score is available.

assessed on the basis of the expected loss. The expected loss is defined based on the risk of damage and the expected claim per m² of living space or the contents of the residential property measured in m³. In addition to the information provided by CAS, among other things use was made of information from the Kennis Centrum Aanpak Funderingsproblematiek (KCAF, knowledge centre for foundation problems), Klimaatschadeschatter (climate damage estimator) and Stichting Toegepast Onderzoek Waterbeheer (STOWA, Foundation for Applied Water Research).

Transition risks

Transition risks are harder to pinpoint than physical risks and derive from changes to policy, technology or market sentiment. Such alterations have an impact on a variety of trends, including macro-economic trends. Trends in house prices are relevant to a mortgage portfolio. These will evolve according to energy label, driven by transitions, such as regulations governing the marketability of residential properties with specific energy labels or the preference of households for living in energy-efficient housing. As a result, the prices of homes with better (green) labels will evolve more positively than the prices of those with poorer labels. It should be noted that energy labels are a proxy for energy efficiency and energy consumption. In the long term, better indicators may become available that reveal price effects more accurately. Scenario analyses and stress testing were used to assess the impact

of diversified price trends on the bank's balance sheet. This was done for the Centraal Beheer and Woonfonds mortgage portfolios on the balance sheet of Achmea Bank as of 31 December 2021. Here, the scenarios used were from the ECB 2022 climate risk stress test. The short-term transition risk scenario depicts energy label-specific house price trends, while the baseline scenario contains general price trends. A comparison of the results shows that the transition scenario has little impact on credit risk (measured in Expected Credit Loss (ECL, provisions)) and RWA (Risk-Weighted Assets). Sensitivity analyses also show a relatively limited impact, with this becoming more substantial the more account is taken of a sharp drop in house prices (down by 20%). In a general sense, the negative effect on the poorer energy labels is offset by a positive effect on the better (green) energy labels. The ratio of energy labels is therefore important to the resilience of the bank's balance sheet to transition risks. As can be seen from the previous sections, Achmea Bank continues to assess and monitor this and to undertake initiatives to help customers make their mortgaged homes more sustainable.

Plans for 2023

Monitoring of climate risks will be expanded further in 2023 in order to inventory how this will evolve in future. On top of this, the assessments will be extended and repeated periodically. The aim is to have incorporated climate risks, as far as is necessary, into Achmea Bank's (credit) risk management framework as of year-end 2023. Updates will subsequently be derived from existing periodic processes, such as supplementing the risk appetite and policy. This ensures that the plan will also be well aligned with the relevant expectations as published by the ECB in the *Guide on climate-related and environmental risks*.⁵

⁵ In addition to the listed activities, Achmea Bank is also a member of a research group within Achmea that focuses on climate change and its financial (risk-related) consequences. Achmea Bank is involved in the Platform for Sustainable Financing's Climate Adaptation working group as well.



5. Governance

5. Governance

Our joint ambition as Achmea Group is to create sustainable value for our customers, employees, company and society at large through our ‘Sustainable Living. Together’ vision. Sustainable value creation also means that we assume responsibility in order to contribute to achieving the global climate goals. To this end, Achmea Bank works together with the other parts of the Achmea Group but also has its own initiatives and responsibilities for its own specific area of focus. We collaborate within Achmea on themes wherever this offers added value, such as internal business operations, sustainability legislation, communication and creating internal mobility. This is done via the ‘Sustainable Living. Together’ programme that comes under the responsibility of the Executive Board.

In addition to Achmea’s ‘Sustainable Living. Together’ programme, Achmea Bank has its own governance structure for embedding and anchoring ESG into its policies, culture, products and activities.

Achmea Bank genuinely believes that we have a social responsibility to contribute to combating climate change. Responsibility for climate-related risks and opportunities lies with the Managing Board of Achmea Bank. It is our opinion that the most effective way to manage climate-related problems is to incorporate them into existing processes. For this reason, each department incorporates sustainability into its relevant functions and reports frequently and consistently on its efforts on climate-related issues to the Managing Board of Achmea Bank.

ESG is one of the criteria against which important decision-making documents for the Managing Board, Supervisory Board and committees are tested. This guarantees that ESG is a recurring item for discussion in decision-making.

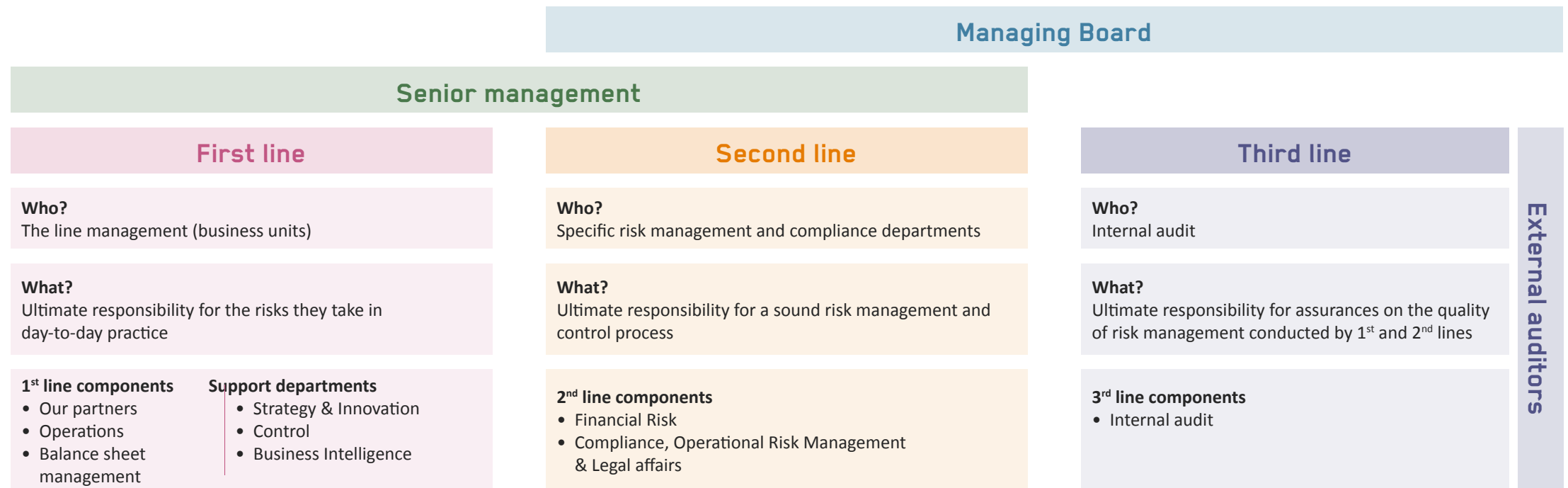
At the same time, the Managing Board and Supervisory Board are actively updated on the latest ESG developments in continuing education sessions.

Achmea Bank has appointed an ESG Officer who fulfils a (cross-team) coordinating, engaging and guiding role with respect to ESG. The ESG Officer also plays a pro-active role in collaboration with external stakeholders.

The governance for ESG risks is structured in accordance with the three lines of defence model

At Achmea Bank we manage our strategy on the basis of trends relating to ESG. As an institution, Achmea Bank can be influenced by (outside-in perspective) and exert influence on (inside-out perspective) ESG factors. Within our organisation, the emphasis lies firmly on themes and developments relating to the climate, as a result of the corresponding urgency as outlined by the government, researchers and monitoring institutions. Achmea Bank exerts a positive influence on the climate by managing according to its sustainability ambitions and targets (inside-out perspective), but is also influenced by climate change, which is primarily expressed in climate risks that have a negative impact on the organisation.

The process for identifying, assessing, monitoring, managing and reporting on risks, including climate risks, is embedded in the three lines of defence model at Achmea Bank.



Collaboration with sector peers

In 2021, Achmea Bank joined the newly-created Energy Efficient Mortgages NL Hub (EEM NL Hub), the objective of which is to standardise practices in the Dutch green mortgage market. The EEM NL Hub is chaired by the CFRO of Achmea Bank. This year, the EEM NL Hub published the first version of the Dutch Energy Efficient Mortgage Framework. We have actively contributed to the creation of this framework on behalf of Achmea. We are also a member of the Partnership for Carbon Accounting Financials (PCAF), which ensures that Achmea Bank is at the forefront of developments on measuring the carbon footprint of residential properties in our mortgage portfolio. Our cooperation with these renowned organisations will continue in the future in order to better understand climate-related problems and align our methods with those of other large Dutch financial institutions.

A cross-segment Sustainable Mortgage steering committee has also been installed to oversee the action plans for mortgages properly. This Sustainable Mortgage steering committee monitors the targets and supervises the realisation of the action plans for mortgages. All parts of the Achmea mortgage chain are represented in this steering committee at Managing Board/senior management level. These are Syntrus Achmea Real Estate & Finance, Achmea Bank, Centraal Beheer Financial Services and Achmea's Pension & Life division. This steering committee coordinates and decides on the action plans for making the mortgage portfolio more sustainable.

Incorporating sustainability into the remuneration policy

Achmea's general remuneration policy focuses on encouraging effective and sustainability-oriented risk management. The incorporation of sustainability into the remuneration policy underpins achieving the sustainability targets and does not incite Achmea to take irresponsible sustainability risks. It includes key performance indicators (KPIs) relating to reducing carbon emissions from the investment portfolio and business operations. More information on incorporating sustainability into the remuneration policy can be found in this [document](#).

Incorporating sustainability into the product development process

Sustainability is also incorporated into the product development policy and process. Here, an assessment is made as to whether a product contributes to Achmea Bank's environmental or social objectives, taking into account relevant laws and legislation such as the European Union's taxonomy and transparency directive.



Appendices

GLOSSARY

Carbon footprint

This is the amount of greenhouse gases relating to all the activities of a person or entity (e.g. a building, business, country). It includes direct and indirect emissions expressed in scope 1, 2 and 3 emissions. The carbon footprint often also comprises the emissions of other greenhouse gases, such as methane, nitrous oxide or chlorofluorocarbons (CFCs). To be able to add up the impact of the individual greenhouse gases, emissions data are converted into CO₂ equivalents.

- Scope 1: direct emissions from the organisation's own sources. These are emissions from the organisation's own buildings, transport and production-related activities;
- Scope 2: indirect emissions from the generation of purchased and consumed electricity or heat;
- Scope 3: indirect emissions from another organisation's business operations. These are emissions from sources that are not owned by the organisation itself and over which we are unable to exert direct influence. Scope 3 also includes the financed emissions from our investment, mortgage and property portfolios and the insured emissions from our insurance portfolio.

Climate Act

The Climate Act states that the Netherlands must reduce greenhouse gas emissions by 49% in 2030 and by 95% in 2050 versus 1990. This has been laid down in law. The Climate Act does not stipulate how these targets need to be met. The specific measures were agreed in the Dutch National Climate Agreement with those social partners that participated in consultations. Here, greenhouse gases other than CO₂ are converted into CO₂ equivalents.

Climate compensation and CO₂ compensation

Climate compensation and CO₂ compensation are terms that indicate that the greenhouse gas emissions, such as CO₂, from an organisation, activity, product or process are being offset.

Climate-neutral (net zero or CO₂-neutral)

By climate-neutral we mean that specific activities do not exacerbate the greenhouse gas effect. In other words, the activities do not contribute to the amount of CO₂ and other greenhouse gases in the atmosphere. This can be achieved by sharply reducing greenhouse gas emissions and by extracting these gases from the atmosphere, e.g. by planting trees. Climate-neutral, net zero or CO₂-neutral are terms that are often used as synonyms and indicate that an activity, product or process does not contribute to climate change.

CO₂

Carbon dioxide, or CO₂, is a gas that is naturally present in the atmosphere. However, human activity has resulted in the amount of CO₂ in the atmosphere increasing extremely sharply in the last 150 years. This is mainly from burning fossil fuels, such as coal, oil and gas. CO₂ is the principal greenhouse gas. The steep rise in the amount of greenhouse gases is causing the earth's climate to change.

CO₂ equivalents (CO₂e)

There are other greenhouse gases besides CO₂. To be able to add up the impact of the individual greenhouse gases, these gases are normally converted into carbon dioxide equivalents (CO₂e). The greenhouse gases included under international treaties are methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen fluoride (NF₃).

Dutch National Climate Agreement

The Dutch National Climate Agreement is a package of measures and agreements between companies, social organisations and authorities to work together to more or less halve greenhouse gas emissions in the Netherlands as of 2030 (versus 1990).

Energy label

A home's energy label tells us how energy-efficient it is and what you can do to make it even more so. Possession of an energy label is mandatory on selling, leasing or completing construction of a residential property. Energy labels are registered at EP online (Netherlands Enterprise Agency). This is the official nationwide database on which energy advisors can register energy performance indicators and energy labels. Homeowners need to register their labels themselves.

Financed emissions

Financed emissions are the greenhouse emissions that banks and investors finance via their loans and investments. An attribution factor is used to define the portion of the emissions that can be attributed to the bank or investor. The methods for this are described in the Partnership for Carbon Accounting Financials (PCAF) standard.

Net-zero ready

Net-zero ready means that homes are so well insulated that the primary heat source can switch to an alternative to gas and therefore be electrified.

Partnership for Carbon Accounting Financials (PCAF)

The Partnership for Carbon Accounting Financials has developed a standard for measuring and reporting on the carbon emissions from loans and investments. The PCAF standard is the most commonly used standard internationally for measuring and reporting on financed carbon emissions from loans and investments.

Science Based Targets initiative (SBTi)

The Science Based Target initiative was founded in 2015 to help businesses set science-based carbon emission reduction targets in line with the Paris Agreement. It is the most commonly used standard internationally for setting carbon emission reduction targets. The Science Based Targets initiative (SBTi) is a partnership between the Carbon Disclosure Project (CDP), United Nations Global Compact, World Resources Institute (WRI) and World Wide Fund for Nature (WWF).

SBTi is developing standards for defining science-based carbon reduction targets and reduction pathways. The SBTi also validates CO₂ targets and plans for businesses.

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COLOPHON AND DISCLAIMER

This is the Climate Transition Plan of Achmea Bank N.V. This plan will continue to evolve as new climate insights, methods and standards become available. The quantity and quality of data are also expected to improve over the coming years. This will create new insights that could lead us to adjust our targets and plans in the interim. We will therefore update this plan annually.

Colophon

Achmea Bank Climate Transition Plan
January 2023

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Disclaimer

This report contains climate-related declarations, such as emission reduction targets and statements on Achmea Bank's current intentions in relation to its climate targets. These are based on the information, knowledge and opinions at the time of publication of this report.

Although Achmea is of the opinion that the targets and plans enjoy a sound basis and have been stated in good faith and to the best of our ability, they depend on a variety of known and unknown risks. The targets, plans and actions may, for instance, be affected by the following (non-exhaustive list):

- Changes to government policy, regulations and legislation and their interpretation and application;
- The availability of reliable data, such as data on greenhouse gas emissions or energy labels;
- Uncertainties and changes to and in the use of (emission) calculation methods and models for measuring greenhouse gas emissions or setting reduction targets by e.g. the PCAF, SBTi or CRREM;
- New or altered scientific insights into climate change.

Despite the constant care and attention Achmea has devoted to compiling this plan, it is possible that the information is incomplete or inaccurate. The information in this plan is updated at least annually. Amendments may be made at all times with immediate effect and without any notice being given. If inaccuracies are nevertheless found in the data or if the information is no longer up-to-date, this is regrettable but Achmea Bank will not accept any liability for these. This report has not been audited by an external auditor.