Achmea Bank N.V.
Climate Impact Report
2021

achmea Bank

KvK 27154399

Foreword

This year 2021 has again shown us the urgency of climate change, and intensifying international cooperation to accelerate the economic transition towards a 'Net-Zero-economy'. With the publication of the sixth IPCC report on the scientific realities of climate change and impact, we as a society need to be more united than ever in our ambition to mitigate and adapt to new circumstances. In 2021 Achmea has reaffirmed its commitment to the Paris Agreement by amongst others stating the ambition to move towards carbon-neutral investments in 2040.

As a subsidiary, Achmea Bank plays an important role in Achmea's ambition, by striving towards an average energy label A in our mortgage portfolio by 2030. By doing so we support the commitment of the Dutch Financial sector to the Paris Agreement of being the financiers of the global transition to a more sustainable future. To us, this means rethinking our role in financing our clients' housing needs to also include renovating their properties so as to reduce energy usage and carbon emissions.

We're proud to work on this goal with our partners within Achmea, such as Syntrus Achmea Real Estate and Finance, who manage our mortgage administration, and Centraal Beheer, our customer facing brand and marketing organization. Amongst other endeavors, Centraal Beheer for instance, launched 'Duurzaam Woongemak', an integral service for existing and new customers of Centraal Beheer and Achmea Bank to offer advice and execution of sustainable renovation services for Dutch households.

Additionally, we will continue to work with third parties and expand on initiatives in our network to make a greater impact. As previously announced, we have joined the Partnership for Carbon Accounting Financials (PCAF), where Achmea Bank will be at the forefront of developments involving the measurement of carbon footprint of our mortgage portfolio, together with other Dutch financial institutions. Additionally, we have also joined the Energy Efficient Mortgage Hub (EEM-Hub) NL, which aims to define a market standard for sustainable mortgages to prevent green washing and to put more mortgage investments towards sustainable activities. Lastly, Achmea Bank also became a signatory of the Principles for Responsible Banking designed by UNEP-FI. These principles will guide us to further improve our positive impact on climate change and societal goals.

In 2021, we also took important steps to provide more transparency into the sustainability of our own balance sheet and to add more sustainable activities to it. For the first time we have calculated our eligible assets under the EU Taxonomy, to which we hope to add aligned activities by reporting year 2023. Additionally, we are proud to work with Achmea to be the first insurer in the Netherlands to launch a Green Finance Framework for the deployment of green investment vehicles on the wholesale markets. We're looking forward to offering green bond investment options with underlying sustainable assets from Achmea Bank's mortgage portfolio.

A more concrete overview of the current state of our financed carbon emissions, EU Taxonomy eligible assets and climate risk approach can be found in this Climate Impact Report, which has been renamed from our previous GHG Reports. This change was made to reflect the expanding scope of our ambitions and fulfillment of our ESG policies. We welcome any party to join us and our partners in our efforts to provide a positive impact on climate change and other social issues.

Tilburg, 30 May 2022

The Management Board,
Mr. P.J. (Pierre) Huurman
Mr. M.J.M. (Mark) Geubbels

Contents

Introduction

On average 19% of all carbon emissions in the Netherlands are caused by homes (source: Milieu Centraal). In order to achieve the ambitions of the Paris climate agreement, a large part of the Dutch housing stock must be made more sustainable. As a provider of mortgages, we have a social responsibility to contribute to the reduction of the greenhouse gas emissions of the buildings we finance. That is why we offer financial solutions to fund the transition to make homes more sustainable. We also actively encourage our customers to make their homes more sustainable, thus reducing energy usage and carbon emissions.

Due to the ever growing importance of climate change as well as new initiatives and regulations around sustainability, we have chosen to rename our former GHG Report to this year's Climate Impact Report. While this report will continue to disclose our carbon emissions, we wish to supplement our annual report with additional information on our efforts to fulfil our ESG policies. We aim to expand this report in future iterations.

Portfolio energy labels

As regulated by EU policy, energy labels have become mandatory for residential buildings in the Netherlands since 2015. These labels give an indication of the energy efficiency of the building, providing information on which the gas and electricity usage can be estimated. All buildings in the Netherlands have a provisional energy label based on general property information collected by The Netherlands Enterprise Agency (RVO), such as the type of building, floor area and the year of construction. Home owners can request a definitive energy label for their building, which is a more reliable measure of the energy performance of the building, determined by an independent energy advisor. As of 2015 every home owner who wants to sell or rent out their building must also provide a definitive energy label. Figure 1 shows the division of energy labels in our mortgage portfolio on 31 December 2021.

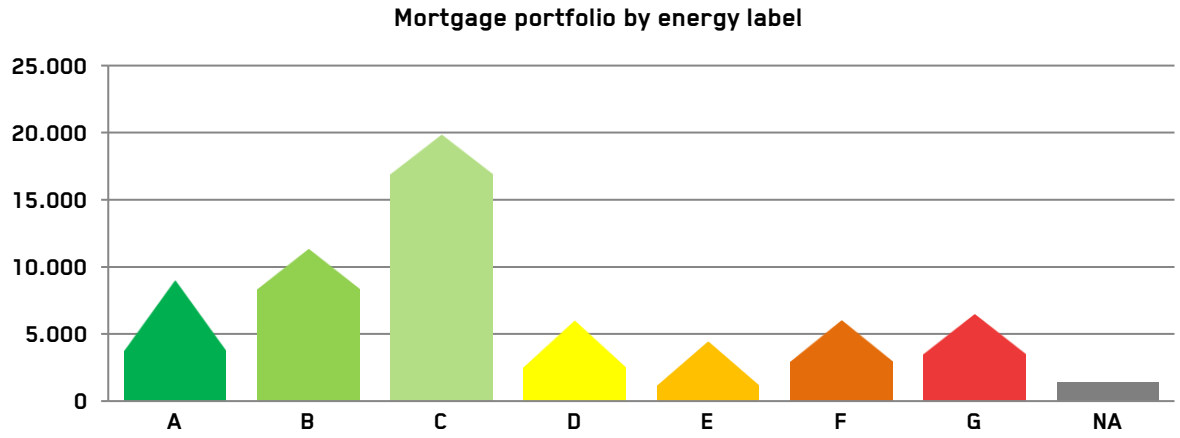

Figure 1. Composition of Achmea Bank mortgage portfolio by energy label (number of mortgages)

We retrieve energy labels from the RVO. About 38% (2020: 34%) of matched addresses have a definitive energy label. If there is no definitive energy label, the provisional label is used. For a small portion of the portfolio, energy labels do not exist - or no match could be made due to data quality issues like differences in suffix notation in addresses. For this small portion (about 2% of our portfolio), the same distribution of energy labels is assumed as for the rest of the mortgage portfolio. The resulting composition of energy labels in our portfolio is shown in figure 2.

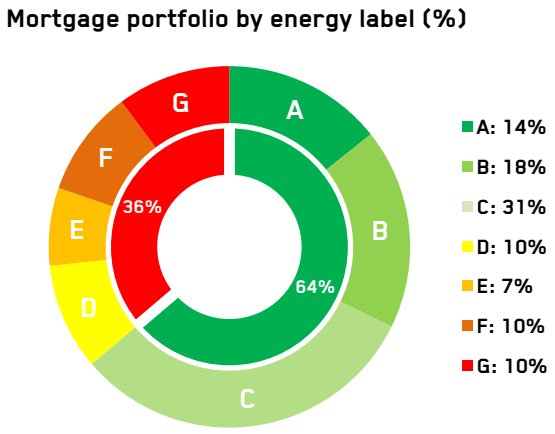

Figure 2. Composition of mortgage portfolio by energy label (%)

Green House Gas Emissions

The carbon emissions from our mortgage portfolio are calculated by using the methodology provided by the Platform for Carbon Accounting Financials (PCAF). PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments. This harmonized accounting approach provides financial institutions with a solid basis for setting science-based targets and aligning their portfolio with the Paris Climate Agreement. PCAF enables transparency and accountability and has developed an open-source, global carbon accounting standard for financial institutions. The PCAF methodology provides standardized guidelines for calculating the carbon footprint of financial assets such as mortgages.

Data collection

Data availability on energy consumption of buildings has improved considerably thanks to policy regulations that apply to construction and sale of residential buildings (like EPC norms and energy labels). In the Netherlands, energy grid operators publish average energy usage data per postal code. By matching this data with postal codes of buildings that serve as collateral in our mortgage portfolio, we are able to estimate the average gas and electricity consumption per building based on location.

Using this method we are able to match 99% of all available postal codes within our portfolio. In 2021 Achmea Bank has acquired data on floor area of collateral buildings in our portfolio, which allows us to improve our data quality from score 5 to score 3 (see figure 3). Due to challenges of data availability, score 3 is currently the highest achievable quality score. Together with fellow PCAF members, Achmea Bank will continue to explore possibilities to measure emissions at score 1 or 2 in the future.

PCAF data quality score table

Data Quality	Options to estimate the financed emissions		When to use each option
Score 1	Option 1: Actual building emissions	1a	Primary data on **actual building energy consumption** (i.e., metered data) is available. Emissions are calculated using actual building energy consumption and **supplier-specific emission factors** specific to the respective energy source.
Score 2		1b	Primary data on **actual building energy consumption** (i.e., metered data) is available. Emissions are calculated using actual building energy consumption and **average emission factors** specific to the respective energy source.
Score 3 *(current average data quality)*	Option 2: Estimated building emissions based on floor area	2a	**Estimated building energy consumption per floor area based on official building energy labels AND the floor area** are available. Emissions are calculated using estimated building energy consumption and **average emission factors** specific to the respective energy source.
Score 4		2b	**Estimated building energy consumption per floor area based on building type and location-specific statistical data AND the floor area** are available. Emissions are calculated using estimated building energy consumption and **average emission factors** specific to the respective energy source.
Score 5 *(last year's average data quality)*	Option 3: Estimated building emissions based on number of buildings	3	**Estimated building energy consumption per building based on building type and location specific statistical data AND the number of buildings** are available. Emissions are calculated using estimated building energy consumption and **average emission factors** specific to the respective energy source.

Figure 3. PCAF Global Standard data quality score table

Average energy consumption & grid emission factors

Using the average energy consumption per postal code allows us to calculate the energy usage of buildings in the case energy labels are not available. Categorizing the average energy usage by energy labels also allows us to apply the averages to buildings without matching postal codes based on their energy labels. Figure 4 shows a clear increase in natural gas usage per energy label, while electricity usage can fluctuate per category. This methodology does not take in account the number of inhabitants or non-building bound energy usage (such as electric vehicles) since this data is not available at this time.

Due to a small percentage of outliers (2%) with abnormally high electricity usage, we have chosen to apply a cap to the data provided by the grid operators. These outliers are presumably caused by postal codes with multiple non-residential buildings connected to the same grid, causing unrealistically high average usage for residential buildings. The cap has been decided by doubling the energy usage of an old, large, detached building with at least 2 or more inhabitants. Using data provided by Milieu Centraal the cap for electricity usage is 8900 kWh per year and for gas usage 4800 m3 per year.

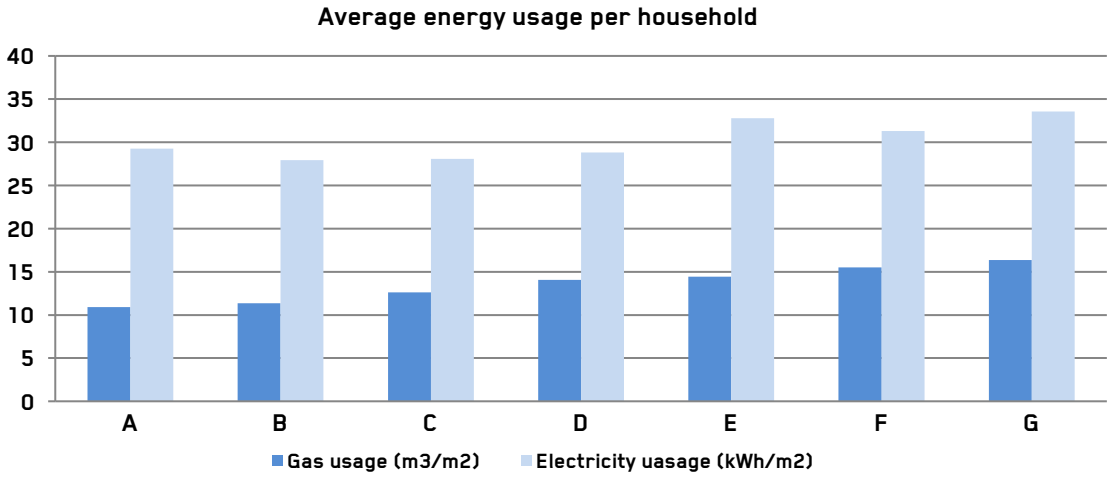

Figure 4. Average yearly energy usage per square meter floor area

The gas and electricity consumed at building level can be converted into CO2 emissions using grid emission factors. The Dutch website www.co2emissiefactoren.nl provides a list of widely accepted and uniform grid emission factors. PCAF has opted to use the grid emission factor relating to direct emissions as shown in the column Tank to Wheel (TTW) on www.co2emissiefactoren.nl. If the origin of the consumed electricity is unknown, the emission factor for electricity from undefined energy sources should be used. This factor for electricity is updated regularly to reflect changes in the Dutch electricity mix.

CO2 emission factors

	2021	2020	Change
Electricity (undefined energy source) in kg/kwh	0.369	0.405	-9%
Natural gas in kg/m3	1.788	1.785	0%

Figure 5. CO2 emission factors in the Netherlands (TTW values)

$$Total\ kg\ CO2e = (gas\ consumption * emission\ factor\ gas) + (electricity\ consumption * emission\ factor\ electricity)$$

Attribution

When calculating financed emissions, a building's annual emissions are attributed to the mortgage provider using a loan-to-value approach. Thus, the attribution is equal to the ratio of the sum of outstanding amount at the time of GHG accounting to the sum of property value at loan origination. When the value at origination is not available, the current (non-indexed) market value is used as denominator.

$$Attribution\ Factor = \frac{\sum Outstanding\ Amount\ Nominal\ Value}{\sum Property\ Value\ At\ Origination}$$

Achmea Bank's Attribution Factor as of 31 December 2021 was 0.60 (2020: 0.61).

Absolute emissions

The absolute portfolio emissions are calculated by multiplying the calculated CO2 emissions with the Attribution Factor. This information can be further specified and translated into relative emissions (or carbon intensity). Figure 6 shows the average emissions per energy label of buildings in our portfolio. This figure also shows how carbon emissions of natural gas usage are more dominant than electricity usage across energy label categories.

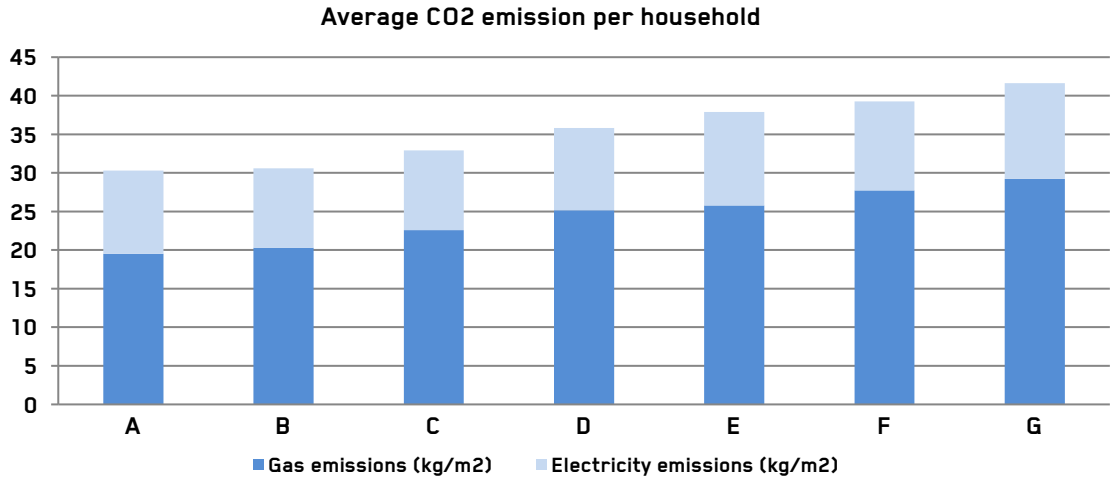

Figure 6. Average yearly emissions per building in kg CO2e per square meter floor area

All outstanding private residential mortgages in our portfolio fall within the scope of this report with the exception the Acier portfolio, due to unavailability of data of this portfolio. We account for the Scope 1 and Scope 2 emissions of each property (i.e. the natural gas used to heat the building and the electricity purchased by the owner/user of the building = the total energy consumption of the building). In line with PCAF accounting methods, the Scope 1 and 2 emissions associated with a residential mortgage are attributed for 60% to Achmea Bank, according to the Attribution Factor. In 2021 this amounted to a total of 163.9 ktonne CO2e (2020: 184.8).

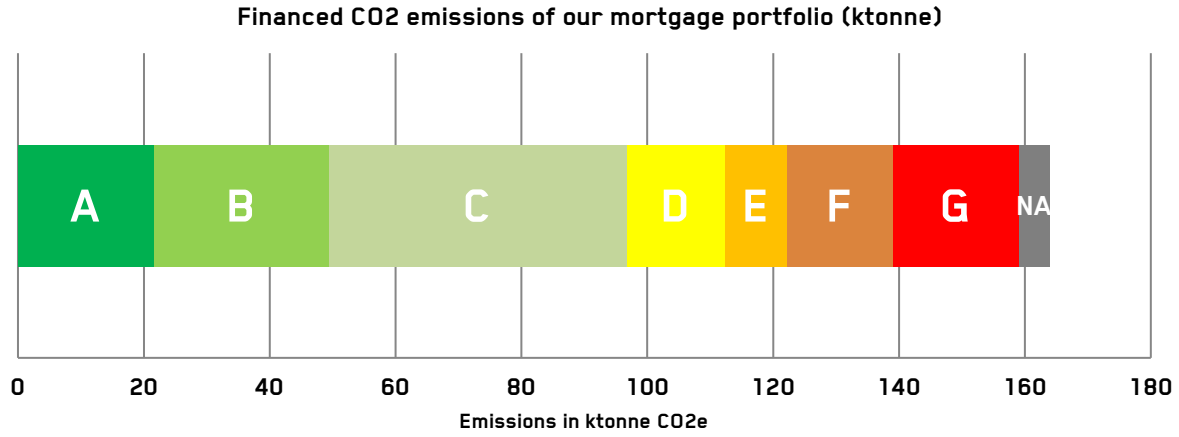

Figure 7. Total emissions of our mortgage portfolio in ktonne CO2e

Relative emissions

To reflect the emissions of our portfolio more comparatively, relative emissions (or carbon intensity) have been calculated. Unlike absolute emissions, the carbon intensity also reflects changes in the size and value of outstanding loans in our portfolio[1]. The following formula was used to calculate the carbon intensity:

$$Carbon\ intensity\ = \frac{\sum Financed\ emissions\ in\ ktonne\ CO2e}{\sum Total\ outstanding\ loans\ in\ billion\ EUR}$$

In 2021 this amounted to a carbon intensity of 15.8 ktonne CO2e/billion EUR (2020: 17.0).

As of 2021, we have also acquired data on the floor area of collateral buildings, which allows us to calculate average emissions in kg CO2e/m2. Using this form of intensity results in an average emission of 19.2 kg CO2e/m2.

[1] Amount of total outstanding loans is based on nominal value, excluding the Acier portfolio (EUR 0.7 bn.)

Comparative figures 2020-2021

Energy Labels

The amount of outstanding loans and the number of mortgages in our portfolio has decreased year-over-year in 2021. The outflow of older mortgages often means older, less energy efficient collateral buildings will decrease in our portfolio. Concurrently production and balance sheet transactions cause an inflow of new mortgages, often combined with collateral buildings with superior EPC labels. Overall we observe an increase of A-labels in 2021 (+6%) while the number of mortgages in other label-classes decrease (see figure 8).

As of 2021 the Dutch government has tightened regulations around improving energy labels, requiring an independent energy advisor to estimate the energy efficiency of buildings. While this improves the reliability of the label, the higher cost of acquiring this NTA 8800 label may deter clients from updating their labels. However, all newly sold buildings do require an updated energy label which has also increased the number of labels with an 'definitive' status to 38% (2020: 34%). Due to improvements in data quality, the amount of buildings with unavailable energy labels has decreased with 34% year-over-year.

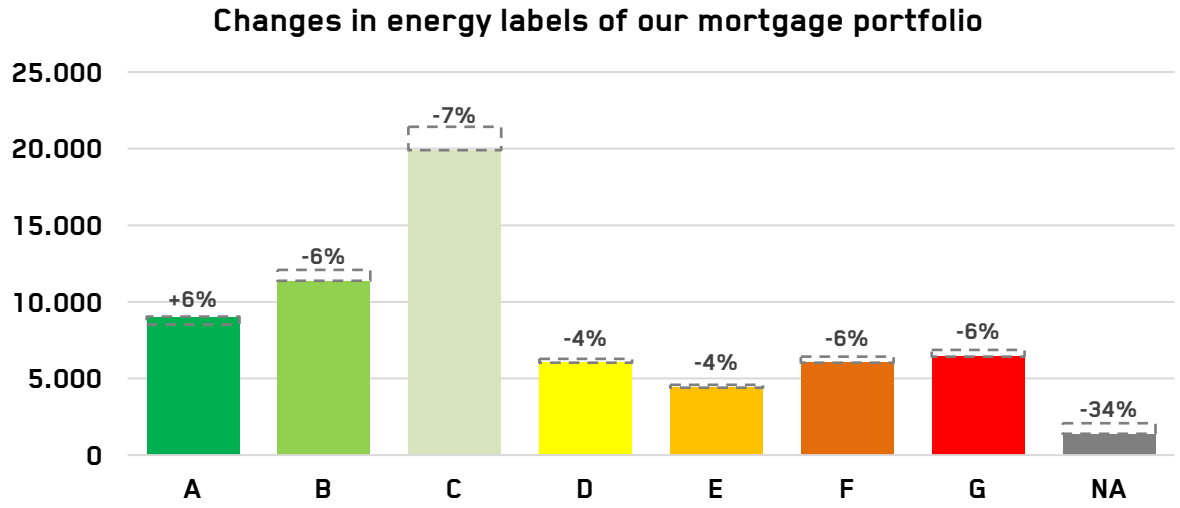

Figure 8. Changes in energy labels year-over-year 2020-2021

Carbon emissions

Both financed carbon emissions, as well as carbon intensity has decreased year-over-year in 2021. This is partly due to a lower Attribution Factor of 0.60 (2020: 0.61) and a lower denominator of outstanding loans. There was also a marked decrease in the carbon emission factor for electricity 0.369 kg CO2e/kWh (2020: 0.405). This emission factor takes in account an updated electricity mix, meaning there is relatively more green electricity on the Dutch grid in comparison to last year. The emission factor for gas decreased slightly to 1.785 kg CO2e/m3 (2020: 1.788). These factors have led to a lower carbon footprint in combination with the afore mentioned portfolio developments, as shown in the figure 9.

Year	Total outstanding loans (bn. EUR) [2]	Attribution Factor	Financed emissions (kt. CO2e)	Carbon intensity (kt. CO2e/bn. EUR)
2020	€ 10.8	0.61	184.8	17.0
2021	€ 10.3	0.60	163.9	15.8

Figure 9. Changes in CO2 KPI's year-over-year 2020-2021

[2] Amount of total outstanding loans is based on nominal value, excluding the Acier portfolio (EUR 0.7 bn.)

EU Taxonomy Eligibility

As of 2022 the EU Taxonomy is applicable to Achmea Bank, which provides a common classification system for environmental sustainable activities. To reach the objectives of the European Green Deal, the system helps companies to determine the sustainability of their economic activities. More specifically, credit institutions must calculate their green asset ratio (GAR) to determine the sustainability of the exposures on the balance sheet. The GAR consists of the alignment (numerator) and GAR covered assets (denominator) of balance sheet exposures.

For the reporting year 2021 we started to determine the eligibility of the balance sheet exposures. This indicates potential sustainable assets and gives insight how the EU Taxonomy impacts the balance sheet, especially in relation to climate change mitigation. This insight helps us to prepare to report on alignment which is obliged as of reporting year 2023. The template provided in Annex VI of article 8 of the EU Taxonomy is used as basis the calculate the eligible assets.

Summary of EU Taxonomy eligibility of activities

In millions EUR

	Total gross carrying amount	Total assets (%)	GAR assets (%)
Exposures to EU Taxonomy-eligible economic activities	**11,046**	**86%**	**91%**
Households	11,046	86%	91%
Exposures to EU Taxonomy-ineligible economic activities	**1,035**	**8%**	**9%**
Non-financial corporations not subject to NFRD disclosure obligations	27	0%	0%
Derivatives and CSA	364	3%	3%
On demand interbank loans	20	0%	0%
Financial corporations eligibility not disclosed	289	2%	2%
Other assets	336	3%	3%
Total GAR covered assets	**12,081**	**94%**	**100%**
Other assets not covered for GAR calculation	**781**	**6%**	
Sovereigns	1	0%	
Central banks exposure	780	6%	
Total assets	**12,862**	**100%**	

Figure 10. EU Taxonomy eligible assets as provided in Annex VI template

The table is based on the exposures within the regulatory scope of consolidation which is in line with the annual report. The gross carrying amount definition is used to determine the exposures. The gross carrying amount consists of the amortized cost of the financial assets, before adjusting for any loss allowance (EUR 14.1 million).

As of year-end 2021, EUR 11.046 million assets are classified as EU Taxonomy-eligible economic activities, which corresponds to 86% of the total assets. These assets have sustainability potential where Achmea Bank can provide mitigation efforts. As our business model is primarily based on mortgage products to households, the energy performance certificate (EPC) labels play an important role in determining and improving the alignment of residential real estate exposures. Details on the energy performance of our mortgage portfolio are disclosed this report.

As of year-end 2021 EUR 1.035 million assets are classified as ineligible economic activities, which corresponds to 8% of the total assets. This amount consists of non-financial corporate exposures not subject to NFRD disclosure obligations (EUR 27 million), derivatives and related CSA positions (EUR 364 million), on demand interbank loans (EUR 20 million) and other assets which consists mainly of the fair value changes of the hedged items related to macro hedge accounting (EUR 287 million). Due to the lack of information on the eligibility of the exposures to financial corporations, these exposures are included in the line item exposures to Taxonomy-ineligible economic activities based on public disclosures of their main economic activities (EUR 289 million).

As of year-end 2021, EUR 781 million assets relate to the central banks and general governments and are not in scope of the EU Taxonomy.

Going Forward

EU Taxonomy Alignment

To prepare for EU Taxonomy alignment, which is required for reporting year 2023, we need the fill in some remaining data gaps and make sure that the data definitions are in line with the EU Taxonomy. Residential mortgages with collateral buildings classify as EU Taxonomy aligned when either;

- Built **before** January 1st 2021 with at least label A (alternatively within the top 15% of the national building stock in terms of energy efficiency of buildings) or realized an improvement of at least 30% in primary energy demand after renovation, or;
- Built **after** January 1st 2021 with at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU.

In addition, we must collect actual, currently undisclosed information on the financial corporate exposures to determine the eligibility of their economic activities.

Target setting

Achmea Bank has translated its key goals and targets in four categories of stakeholders.

- Customers – target medium energy label A in our mortgage portfolio by 2030. We will continue to inform and incentivize our clients to improve the energy efficiency of their homes.
- Employees – target climate neutral operational activities by 2030. We aim to operate as a net-zero emission work environment in collaboration with Achmea Group. Achmea Group reports annually on Scope 1 & 2 carbon emissions from business operations based on the GHG Protocol. The annual reports can be found at www.achmea.nl.
- Partners – our ambitions on climate impact can only be realized with cooperation throughout our value chain. Therefore, we aim to implement a procurement policy where climate ambition and risks of our (potential) partners will be assessed, with criteria for selecting and engaging with our partners on sustainability practices.
- Investors – measuring and improving green assets in our portfolio. We have the intention to offer green funding options to our investors in the future. Therefore Achmea Bank has collaborated with Achmea B.V. in creating a Green Finance Framework, which will allow Achmea Bank to issue green bonds. In this framework mortgage loans can be identified as green assets based on several criteria.

In addition, Achmea Bank prepares to pursue Science Based Target setting of CO2 emissions of our mortgage portfolio. With the newly acquired data of building floor area, we will progress towards this goal in 2022.

Achmea Green Finance Framework

Attracting green financing is in line with our sustainability ambitions. With this we are offering our investors sustainable investment opportunities in high-quality Dutch mortgages and real estate. To this end, Achmea has set up a Green Finance Framework (GFF) based on the Green Bond Principles (ICMA, 2021) and the Green Loan Principles (LMA/APLMA, 2021). The GFF has been independently assessed by ISS ESG. A Second Party Opinion is available. The methodology is also assessed by CFP Green Buildings (see the Methodology Report). Achmea intends to allocate the proceeds from the issue of financial instruments in this framework to (in)directly finance new and existing energy-efficient housing in the Netherlands (Residential Real Estate) and to energy-efficient commercial buildings within and outside the Netherlands (Commercial Real Estate). More information about Achmea's Green Finance Framework can be found on our website at www.achmea.nl/en/investors/green-finance-framework.

Climate-related risk management

Since climate-related risk is linked with other risk types such as credit risk, market risk, operational risk, strategic risk and reputational risk, it is managed as part of the existing risk governance. Physical risks have been identified as long-term threats, while transition risks are expected to materialize in the short to medium-term. In 2021 Achmea Bank has partnered with Climate Adaptation Services (CAS), a Dutch research agency specialized in analysis of climate change impact. CAS has provided estimates concerning the likelihood of natural phenomena for individual collateral objects in our mortgage portfolio. This data allows us to assess risk levels of physical climate related risks, such as:

- Heat stress
- Water nuisance (rain & ground water levels)
- Wildfires
- Pole rot
- Land subsidence
- Flooding (likelihood & depth levels)

Furthermore, investigations have been initiated to understand the relevance of both physical risk and transition risk. These climate risk investigations will continue in 2022, including scenario analysis and stress testing. In line with the risk management cycle, further insights will be gathered that may lead to alterations of the risk appetite, credit risk policies and credit risk management practices.

Sources

The following sources were used for this report.

Source	Internet address
PCAF	www.carbonaccountingfinancials.com
Milieu Centraal	https://www.milieucentraal.nl/energie-besparen/inzicht-in-je-energierekening/gemiddeld-energieverbruik/
RVO	www.rvo.nl/onderwerpen/duurzaam-ondernemen/gebouwen/wetten-en-regels/bestaande-bouw/energielabel-woningen
Emissions factors	www.co2emissiefactoren.nl/
Annex VI to the EU Taxonomy article 8 Delegated Act	https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-article-8-annex-6_en.xlsx
Open data published by energy grid operators	https://www.enexis.nl/ https://www.stedin.net/ https://www.liander.nl/ https://www.enduris.nl/ https://coteqnetbeheer.nl/ https://www.westlandinfra.nl/ https://www.rendonetwerken.nl/

Colophon

This is the English version of our Climate Impact Report 2021 which can be downloaded from our website www.achmeabank.nl. There is no Dutch version of the report. We are happy to receive your reaction concerning this annual report via the address mentioned below.

About Achmea Bank

Achmea Bank is part of Achmea and provides mortgages and savings products to the retail market in the Netherlands via the Centraal Beheer and Woonfonds brands. Achmea Bank is licensed to provide financial services under the Financial Supervision Act (Wft). Achmea Bank has a mortgage portfolio of approximately €11 billion and manages savings of approximately €7 billion. Achmea Bank is located in Tilburg.

Visiting address

Achmea Bank N.V.
Spoorlaan 298
5017 JZ Tilburg

Postal address

Achmea Bank N.V.
Postbus 54
7300 AB Apeldoorn

Website

www.achmeabank.nl

Investor relations

Rudi Kramer
+31(0) 6 5326 4552
rudi.kramer@achmea.nl

Hans Duine
+31 (0) 6 821 05 097
hans.duine@achmea.nl

Media Relations

Marco Simmers
+31 (0) 6 534 387 18
marco.simmmers@achmea.nl

Viola Teepe
+31 (0)6 10 77 55 68
viola.teepe@achmea.nl