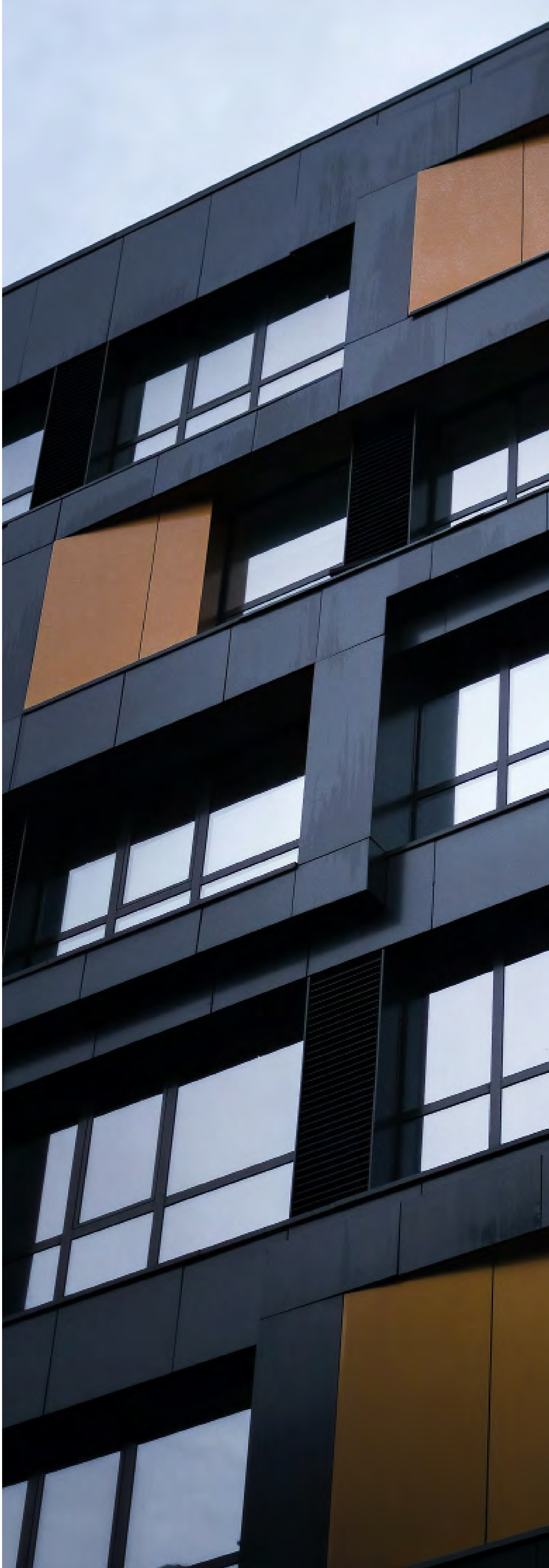
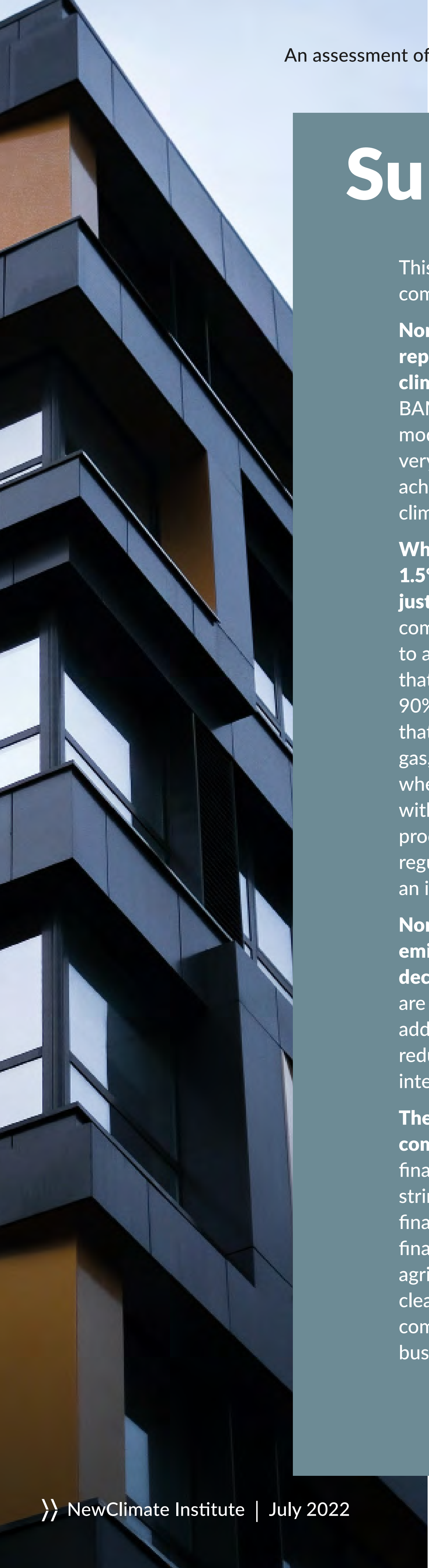
Summary

An assessment of the climate action plans of 29 Dutch companies and financial institutions

July 2022





Summary

This report analyses the transparency and integrity of 29 Dutch companies' and financial institutions' climate pledges.

None of the 21 companies and eight financial institutions in this report achieved a high or even reasonable integrity rating for their climate responsibility approaches. Just five companies, AkzoNobel, BAM Group, DSM, Stellantis and Tata Steel Netherlands, achieved a moderate integrity rating. The majority of companies fall in the low or very low integrity categories. Seven of the financial institutions achieved a low integrity rating, while Atradius, which provides no climate targets and plans at all, achieved a very low rating.

Whereas global emissions must be halved by 2030 to stay below 1.5°C of global warming, the 21 companies commit to reductions of just 19% on average (median 10%). There is also a lack of clarity on companies' long-term targets. While most of the companies pledge to achieve net-zero emissions beyond 2030, only two explicitly state that they will reduce emissions across their value chain by at least 90%. Several companies with a net-zero pledge are active in sectors that are highly emission-intensive by nature, for instance, oil, fossil gas, meat and synthetic nitrogen-based fertilisers. It is contentious whether producing and consuming those products can be aligned with the Paris Agreement objectives. Pledges to decarbonise only the production of products may give consumers, shareholders, and regulators an inaccurate impression on the prospects for decarbonising an inherently emissions intensive industry.

None of the companies present concrete and publicly accessible emissions reduction plans that place them on a Paris-compatible decarbonisation pathway. The existing plans and reduction measures are insufficient to realise deep emission reductions, or they do not address key emission sources. Some companies undermine their own reduction efforts by continuing to lobby for the expansion of carbon-intensive infrastructure.

The eight financial institutions in this report have not yet adopted comprehensive exclusion or engagement policies. While the financial institutions' exclusion policies differ in their coverage and stringency, all evaluated institutions continue to directly or indirectly finance fossil fuel value chains. Most of them also continue to provide financial services for other harmful activities such as unsustainable agriculture. Further, the institutions have mostly not yet developed clear, comprehensive, and targeted approaches to engage with companies in all relevant sectors on their shift towards Paris aligned business models.

Table 1: Overview of companies assessed as of June 2022

Including 13 companies headquartered in the Netherlands and 8 Dutch subsidiaries. Companies shown in alphabetical order within each rating category.

	Headline pledge	Transparency	Integrity	Page
High integrity	**No companies achieved a high integrity rating.**			
Reasonable integrity	**No companies achieved a reasonable integrity rating.**			
Moderate integrity			*Ranking determined by integrity scores only*	
AkzoNobel	50% reduction across scope 1, 2 & selected scope 3 emissions by 2030	Moderate	Moderate	p. 48
BAM Group	80% scope 1 & 2 emission intensity reduction by 2026; 50% scope 3 emission reduction by 2030	Moderate	Moderate	p. 54
DSM	Net-zero GHG by 2050	Reasonable	Moderate	p. 66
Stellantis	Carbon net zero by 2038	Moderate	Moderate	p. 100
Tata Steel Netherlands *(Dutch subsidiary)*	CO_2-neutral steelmaking by 2050	Moderate	Moderate	p. 152
Low integrity			*Ranking determined by integrity scores only*	
Ahold Delhaize	Net-zero emissions by 2050	Moderate	Low	p. 42
Dow Benelux *(Dutch subsidiary)*	Carbon neutrality by 2050	Moderate	Low	p. 134
FrieslandCampina	Net climate neutrality by 2050	Moderate	Low	p. 72
KLM	Net-zero CO_2 emissions by 2050	Moderate	Low	p. 78
RWE Generation NL & RWE Renewables Benelux *(Dutch subsidiary)*	Carbon neutrality by 2040	Low	Low	p. 145
Schiphol Group	Energy-positive airports and net-zero-carbon aviation by 2050	Moderate	Low	p. 92
Unilever Nederland *(Dutch subsidiary)*	Net-zero by 2039	Moderate	Low	p. 158
Uniper Benelux *(Dutch subsidiary)*	Carbon-neutral operations in Europe by 2035	Moderate	Low	p. 164
Yara Sluiskil *(Dutch subsidiary)*	Climate neutrality by 2050	Low	Low	p. 170
Very low integrity			*Ranking determined by integrity scores only*	
Boskalis	Climate neutral operations by 2050	Low	Very low	p. 60
bp Nederland *(Dutch subsidiary)*	Net zero across operations, production and sales by 2050 or sooner	Low	Very low	p. 126
ExxonMobil Benelux *(Dutch subsidiary)*	Net-zero scope 1 and 2 emissions from operated assets by 2050	Low	Very low	p. 140
LyondellBasell Industries	Net-zero GHG emissions by 2050	Low	Very low	p. 86
Vion Food Group	Net-zero emissions by 2050	Very low	Very low	p. 106
Vitol	No pledge identified	Very low	Very low	p. 112
Vopak	Carbon neutral by 2050	Low	Very low	p. 118

Table 2: Overview of eight financial institutions assessed as of June 2022

Financial institutions shown in alphabetical order within each rating category.

Rating category	Institution	Headline pledge	Transparency	Integrity	Page
High integrity		No financial institutions achieved a high integrity rating.			
Reasonable integrity		No financial institutions achieved a reasonable integrity rating.			
Moderate integrity		No financial institutions achieved a moderate integrity rating.			
Low integrity				*Ranking determined by integrity scores only*	
	ABN Amro	1.5°C alignment and net zero by 2050	Moderate	Low	p. 178
	ABP	Climate neutral investment portfolio by 2050	Low	Low	p. 184
	Aegon	Net zero investment portfolio by 2050	Low	Low	p. 188
	ING	1.5°C compatible loan book	Reasonable	Low	p. 198
	NN Group	Supporting global transition towards net zero by 2050	Reasonable	Low	p. 204
	PFZW	Climate neutral portfolio by 2050	Reasonable	Low	p. 210
	Rabobank	Aligning lending and investment portfolios with pathways to net zero by 2050	Moderate	Low	p. 216
Very low integrity				*Ranking determined by integrity scores only*	
	Atradius	No pledge identified	Very low	Very low	p. 194

Ratings

Overall: 5-point scale. High | Reasonable | Moderate | Low | Very low

Assessments were made based on public information identified by the authors. A poor rating may not necessarily be an indication that a company's climate strategy is weak, but could also indicate that the information was insufficient to confirm good practice. Ambitious companies can improve their ratings by ensuring that all aspects of their climate responsibility strategies are transparently and accurately disclosed, and in the public domain.

1

About this report

1.1 Need for scrutiny of corporate climate pledges

There is broad consensus that companies and financial institutions should contribute to both short-term emissions reductions towards 2030 and the global goal of net-zero emissions by mid-century. In 2021, the Hague district court ordered Royal Dutch Shell to reduce its CO_2 emissions by net 45% by 2030 across the value chain and stressed that all companies are to work towards net-zero emissions by 2050 (The Hague District Court, 2021). The Dutch coalition agreement of December 2021 underlined that industry and businesses need to reduce their emissions to contribute to the national target of reducing emissions by at least 55% by 2030 (VVD et al., 2021) . Pressure from consumers and shareholders is increasing too, for instance through the initiative Follow This, which files resolutions at shareholder meetings of oil firms. The Dutch advertisement watchdog has received various complaints from consumers who are concerned about advertisements that suggest one can buy carbon-intensive products such as gasoline or airplane flights without harming the climate. The watchdog has recently called on Shell and KLM to refrain from their ‘CO_2 neutral’ and ‘CO_2 zero’ claims (RCC, 2021, 2022).

Many Dutch companies put themselves at the forefront of climate action and make bold climate pledges, but it is difficult for consumers, shareholders, and regulators to distinguish climate leadership from greenwashing.

This report analyses the climate pledges of 29 Dutch companies and financial institutions . We assess the transparency and integrity of corporate climate pledges and underpinning climate strategies against good practice in four key areas:

1. **Tracking and disclosure of emissions**
2. **Setting specific and substantiated targets**
3. **Reducing own emissions**
4. **Responsibility for unabated emissions**

The 29 corporates in this report include eight financial institutions and 21 businesses with their main activities in the ‘real economy’. For simplicity, we refer to these two groups as ‘financial institutions’ and ‘companies’ in this summary (see Table 3). All 29 organisations are climate-relevant players in the Netherlands considering emission profiles across their value chains. Of the 21 companies assessed, eight are Dutch subsidiaries of companies headquartered outside of the Netherlands. There are large differences in the subsidiaries’ degree of influence over their climate strategies: whereas the majority follow their holding companies’ strategy, others set their own targets and reduction plans. Our analysis takes the subsidiaries’ own climate targets and strategies as the starting point, but we consider their holding companies’ targets if the subsidiary is included in those.

Table 3: Companies and financial institutions in this report

Companies headquartered in the Netherlands	Ahold Delhaize, AkzoNobel, BAM Group, Boskalis, DSM, FrieslandCampina, KLM, LyondellBasell Industries, Schiphol Group, Stellantis, Vion Food Group, Vitol, Vopak
Dutch subsidiaries	bp Europe SE – bp Nederland, Dow Benelux, ExxonMobil Benelux, RWE Generation NL and RWE Renewables Benelux, Tata Steel Netherlands, Unilever Nederland, Uniper Benelux, Yara Sluiskuil
Financial institutions	ABN Amro, ABP, Aegon, Atradius, ING Group, NN Group, PFZW, Rabobank

We assess the transparency and integrity of corporate climate pledges and strategies. Transparency relates to the availability and clarity of the information that is needed to understand the integrity of a company's approaches to the various elements of corporate climate responsibility. Integrity, in this context, refers to the quality, credibility and comprehensiveness. Companies and financial institutions may be very transparent about their climate responsibility approaches, but score very low on integrity. We evaluated the 29 companies and financial institutions on the basis of information they shared with Milieudefensie (Friends of the Earth the Netherlands) and complemented this with publicly available documents, such as annual sustainability reports. A low integrity evaluation does not necessarily imply that the company has a poor climate strategy in place, but may be the result of limited available information.

While we assess all 29 organisations against criteria across the four areas outlined above, there are several differences between our assessment methodology for companies and the methodology for financial institutions. We outline our full methodology and differences between the assessments of companies and financial institutions in an accompanying document *Guidance and assessment criteria for good practice corporate emission reduction and net zero targets* (Version 2.0; July 2022), referred to in Annex I. Two key differences relate to:

1 Key emission sources that companies and financial institutions should report and focus their reduction efforts on.

Whereas we expect companies to address all relevant emissions across their value chain (i.e., scope 1, scope 2 and upstream and downstream scope 3), we expect financial institutions to focus their climate strategies on financed emissions (i.e. scope 3, category 15). Those emissions are on average 700 times larger than emissions from business operations (CDP, 2020). Whereas companies may invest in alternative production methods, switch to lower-carbon resources, or implement energy efficiency measures to reduce their emissions, financial institutions have less direct influence over the main share of their greenhouse gas (GHG) footprint. Our evaluation of their emission reduction measures focuses on their engagement and exclusion and divestment policies. Through robust engagement and exclusion policies, financial institutions can influence their investees', borrowers' and clients' business activities and emission profiles.

2 The evaluation of headline pledges and interim reduction targets.

We evaluated the headline pledges and interim emission reduction targets of the 21 Dutch companies against the need to halve global emissions by 2030 and bring them to net zero around mid-century. Where available, we also compared the targets with sector-specific decarbonisation milestones that show the required emissions reductions for particular industries to limit global warming to 1.5°C. We acknowledge the limited availability and applicability of specific benchmarks for some (sub-)sectors. We do not evaluate the integrity of financial institutions' interim targets in the absence of clear scientific benchmarks that reflect the financial sector's heterogeneity and take the role of financial institutions as financiers and insurers of change into account. The development of a comprehensive framework to assess the alignment of corporate targets with 1.5°C compatible emission pathways remains beyond the scope of this methodology, and an important avenue for future work.

2

Key messages

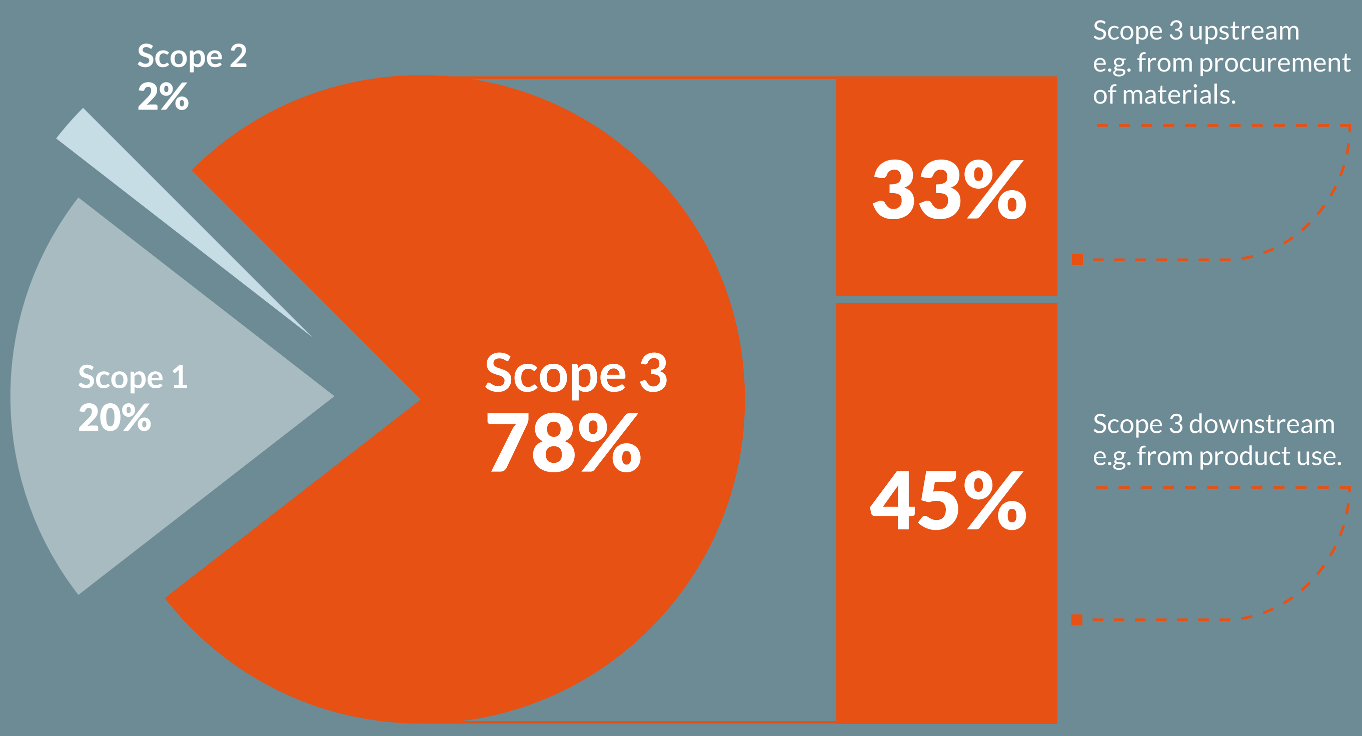
2.1 Tracking and disclosure of emissions

Companies

There is a lack of transparency and comprehensiveness in most companies' emission disclosures. Just nine of 21 companies in this report fully and transparently disclose emissions of their operations (scope 1) emissions, only three companies provide full transparency on their emissions from purchased energy (scope 2) emissions, three on emission in the upstream supply chain and two on downstream supply chain (scope 3). The lack of disclosure of the supply chains is particularly worrying, as those emissions typically account for the lion's share of a company's emissions. Companies' reported upstream and downstream value chain emissions account on average for 78% of all disclosed emissions (median 95%).[1]

Companies in the aviation and shipping sector focus on reporting CO_2 emissions but miss reporting on their other climate impacts,

Figure 1: Importance of scope 3 emissions: Proportion of the average company's reported GHG emissions from each emission scope



This figure corresponds to the mean proportions of the GHG emissions from each emission scope for the 19 companies for which sufficient data could be obtained. The mean values are slightly distorted by high scope 1 emissions for 3 specific companies; the median proportion of scope 3 emissions across the 19 companies is approximately 95%.

1 *13 of the 21 companies are headquartered in the Netherlands, while the other eight are subsidiaries of holding companies headquartered in other countries. As subsidiaries' emissions disclosure was incomplete, we calculated the relative importance of scope 3 emissions using the emissions disclosure of their holding companies.*

which for aviation are larger than the CO_2 impact. Emissions from aviation and shipping have direct and indirect climate impacts. For instance, when aircraft fly at high altitudes this typically leads to the formation of contrail cirrus clouds. For aviation these effects are up to a factor two larger than the effect of CO_2 alone in terms of global warming potential. For full transparency, it is key that companies disclose their non-GHG climate impact – or estimates thereof. Although KLM and Schiphol acknowledge that non-CO_2 effects account for most of aviation's climate impact, they do not provide estimates of non-CO_2 effects in their disclosures. Companies like Boskalis and Vitol, which have their own maritime shipping fleet, do not report on black carbon emissions from the use of maritime fuel.

It is important that companies report on indirect emissions from product use if those emissions are inherently linked to their business model. Several companies in this report are part of fossil fuel supply chains, but do not disclose all related emissions of use of their products (scope 3). Boskalis develops infrastructure for fossil fuel exploration and transport, Vitol buys and sells fossil fuels on the wholesale market, and Vopak handles and stores fossil fuels, among other substances. None of these three companies report on the full breadth of associated use-phase emissions, which diverts the attention away from their role in providing fossil fuels and chemicals to other supply chain actors and eventually end users as part of their value chain.

Financial institutions

Seven of the eight financial institutions in our assessment report on all or a share of their investees', borrowers' and clients' scope 1 and 2 emissions, but none of them comprehensively report on their scope 3 emissions. Financial institutions commonly mention data unavailability as the reason for the lack of data on their investees', borrowers' and clients' scope 3 emissions. However, financial institutions have a responsibility to encourage and improve tracking of those emissions. Various guidelines for emissions disclosure in the financial sector require financial institutions to track or estimate and report on those scope 3 emissions.

2.2 Setting emission reduction targets

Companies

Targets for 2030 fall well short of the ambition required to align with the internationally agreed goals of the Paris Agreement that avoid the most damaging effects of climate change. In its recently published Sixth Assessment Report, the IPCC reemphasised that global CO_2 emissions must decrease by 48% between 2019 and 2030 to stand a reasonable chance of limiting global warming to 1.5°C. Yet, the interim targets of most of the 21 Dutch companies assessed do not reflect this sense of urgency, with only three companies committing to halve emissions across their value chain (AkzoNobel, BAM Group, and Stellantis). This becomes particularly relevant in the context of The Hague District Court's unprecedented ruling of 2021 ordering Royal Dutch Shell to reduce CO_2 emissions across all emission scopes by net 45% by 2030 below 2019 baseline.

While 19 out of the 21 companies set some type of interim target for 2030, our analysis finds that the average emission reduction commitment of full value chain emissions by 2030 is just 19% (median 10%), excluding the six companies whose emission reduction commitments we could not quantify. We identify four companies whose interim targets have 'moderate integrity' (AkzoNobel, BAM Group, Stellantis, and Tata Steel Netherlands). These companies do a moderate job to align their targets with 1.5°C compatible

Table 4: Integrity assessments for 2030 interim targets

Targets set by 21 companies in the Netherlands assessed as of June 2022 including 13 companies headquartered in the Netherlands and 8 companies being Dutch subsidiaries (latter labelled as 'Dutch subsidiaries'). Companies shown in alphabetical order within each assessment box.

Company	Emission reductions by 2030 below 2019 emissions across the entire value chain	Global benchmarks for 2030	Sectoral benchmarks for 2030	Other targets within 5-year timeframe	Alignment with long-term vision
High integrity					
	No companies achieved a high integrity rating				
Moderate integrity					
AkzoNobel	**<46%** reduction	Meets	*No sector-benchmarks available*	Meets	Misses
BAM Group	**<49%** reduction *(estimate)*	Meets	?	Meets	Misses
Stellantis	**50%** reduction *(compared to a 2021 baseline)*	Meets	Partially meets	Meets	Meets
Tata Steel Netherlands *(Dutch subsidiary)*	**Not quantifiable**	Misses	Partially meets	Misses	Meets
Low integrity					
Boskalis	**No targets identified**	*Company neglects the urgent need for immediate and accountable climate action by all actors to limit global warming below 1.5°C*			
bp Netherlands *(Dutch subsidiary)*	**Not quantifiable**	Misses	Misses	Meets	Misses
Dow Benelux *(Dutch subsidiary)*	**Not quantifiable for Dutch subsidiary, <4%** reduction for parent-company	Misses	*No sector-benchmarks available*	Meets	Misses
DSM	**4%** reduction	Misses	*No sector-benchmarks available*	Misses	Misses
ExxonMobil Benelux *(Dutch subsidiary)*	**Not quantifiable**	Misses	Misses	Misses	Misses
KLM	**~10%** reduction *(estimate)*	Misses	Misses	Misses	Misses
LyondellBasell Industries	**8%** reduction *(compared to a 2020 baseline)*	Misses	*No sector-benchmarks available*	Misses	Misses
RWE Generation NL & RWE Renewables Benelux *(Dutch subsidiary)*	**Not quantifiable**	Misses	Misses	Misses	Misses
Schiphol Group	**5-10%** reduction *(estimate)*	Misses	Misses	Misses	Meets
Unilever Nederland *(Dutch subsidiary)*	**Not quantifiable for Dutch subsidiary, ~4%** reduction for parent-company	Misses	*No sector-benchmarks available*	Meets	Misses
Uniper Benelux *(Dutch subsidiary)*	**Not quantifiable**	Misses	Misses	Misses	Misses
Vion Food Group	**Not quantifiable**	Misses	?	Misses	Misses
Vitol	**No targets identified**	*Company neglects the urgent need for immediate and accountable climate action by all actors to limit global warming below 1.5°C*			
Vopak	**<1%** reduction *(estimate)*	Misses	*No sector-benchmarks available*	Misses	Misses
Yara Netherlands *(Dutch subsidiary)*	**~2-9%** reduction *(estimate, compared to a 2020 baseline)*	Misses	*No sector-benchmarks available*	Misses	Misses
Unclear integrity					
Ahold Delhaize	**~22%** reduction *(estimate)*	Misses	*No sector-benchmarks available*	Meets	Misses
FrieslandCampina	**~25%** reduction *(estimate)*	Misses	?	Meets	Misses

Meets the criteria | Partially meets the criteria | Misses the criteria | ? Inconclusive on whether or not the company meets the criteria

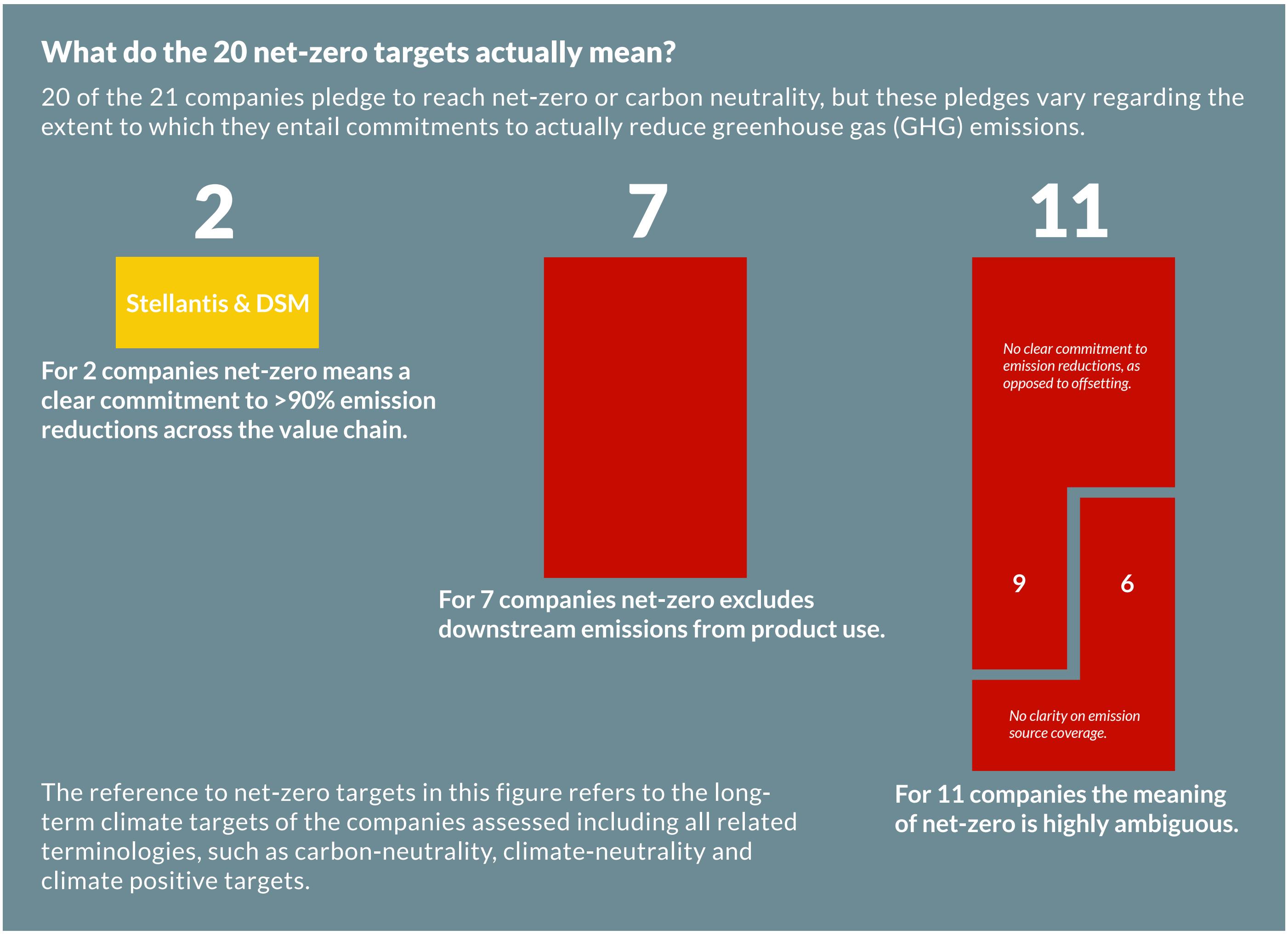
See section 2.3 of the methodology referred to in Annex I for the full assessment criteria.

decarbonisation milestones at the global and sector-level. We assess all other companies' interim targets to have 'low integrity' (15 out of 21) or we cannot come to a conclusive evaluation (2 out of 21).

Most of the 21 companies pledge some form of a net-zero emissions or climate neutrality target, but the majority of these pledges remain highly ambiguous and potentially misleading. Twenty of the 21 real-economy companies communicate net-zero or similar pledges as their long-term targets, but only 2 of those companies specify that this entails a commitment to deep decarbonisation across the full value chain: Stellantis and DSM confirm that their net-zero targets should be interpreted as a commitment to reduce their full value chain emissions by at least 90%. Schiphol commits to reduce its emissions by at least 90%, but it is unclear whether this commitment covers emissions from both outgoing and incoming flights. For a further 8 companies, their net-zero pledges encompass a commitment to the decarbonisation of only some specific emission sources, counting for a minor portion of their full value chain emissions. Nine companies do not clearly communicate to what extent they intend to achieve their net-zero targets through emission reductions within their own value chain as opposed to offsetting. Since almost all companies prominently mention their net-zero targets in their external communications, it is possible that consumers, shareholders and regulators are misled about the extent to which those companies have committed to deep decarbonisation trajectories.

Net-zero pledges that exclude relevant emission scopes present the risk of greenwashing carbon-intensive industries. Of the 20 companies with a net-zero pledge, at least 7 explicitly exclude downstream emissions associated with product end use from those pledges, while for 6 other companies the coverage of these emissions remains unclear. At least 6 of those companies produce or supply products that are highly carbon-intensive by nature, such as oil, fossil gas, meat and synthetic nitrogen- based fertilisers. It is contentious whether producing and consuming those products can be aligned with the Paris Agreement objectives. Pledges to decarbonise only the production of products may give consumers, shareholders and regulators an inaccurate impression on the prospects for decarbonising an industry. This is especially critical for industries for which the major issue lies in the carbon-intensive nature of the product *use* rather than its *production*. In the worst-case scenario, if shareholders and consumers misunderstand the degree to which a given company is on a decarbonisation trajectory, they may increase their investments into and consumption of products that are fundamentally not aligned with international decarbonisation objectives. The integration of scope 3 emissions into companies' targets is important, especially in the case where the prospects for the decarbonisation of scope 3 emissions are limited. This can provide a clear signal for the sector to transition to business models and product offerings that are aligned with the Paris Agreement objectives and can reduce the risk that observers are misled about the sustainability prospects of specific carbon intensive products and industries.

Figure 2: The integrity of corporate net zero targets: what do companies' net zero targets mean in terms of emissions coverage and emission reduction commitments



Financial institutions

The financial institutions in this report set diverse and often ill-defined targets, which makes it difficult to evaluate and compare them. Seven of the analysed institutions have pledged to either align their portfolios with a 1.5°C temperature target or to steer portfolios to net-zero or carbon or climate neutrality by 2050. Atradius has not committed to any climate target for its portfolio emissions. The financial institutions do not specify what 'net-zero' or 'climate neutral' portfolio emissions imply in terms of their business strategies, what residual emissions are expected to remain, and how any residual emissions will be netted. Only PFZW states that it plans to offset residual portfolio emissions with additional investments in negative emissions but provides no further information. Offsetting residual portfolio emissions is a questionable approach; financial institutions should rather acknowledge their role as financiers and insurers of transformations and proactively engage with and promote positive change in hard-to-abate sectors. They must divest where engagement is unsuccessful or in sectors where their counterparties refuse to take the necessary climate measures.

Large diversified financial institutions should have clear reduction targets and strategies that reflect global emission reduction pathways, despite the indirect nature of the link between financial markets and real-world economic decisions. Five financial institutions present only qualitative or intensity based interim targets, which could still lead to overall growth of emissions. Two institutions (ABP and NN Group) set absolute reduction targets for parts of their portfolio for the period until 2030. Atradius is the only financial institution in this report that does not commit to any short- or long-term reduction targets.

2.3 Emission reduction measures

Companies

None of the 21 companies' publicly communicated reduction plans are sufficient to place them on a Paris-compatible trajectory. We evaluated the reduction plans of just 3 companies to have 'moderate integrity' (DSM, Stellantis, and Tata Steel Netherlands), with 13 companies presenting 'low integrity' plans. Due to a lack of information, we are unable to assess the integrity of the final 5 companies. Generally, companies' reduction plans are shallow and focus on just few emissions sources. Some companies undermine their own reduction efforts by continuing to lobby for the expansion of carbon-intensive infrastructure. Companies could show their climate leadership by adopting existing good practice reduction measures; investing in and scaling up new zero-carbon technologies; and phasing out all carbon-intensive infrastructure and products.

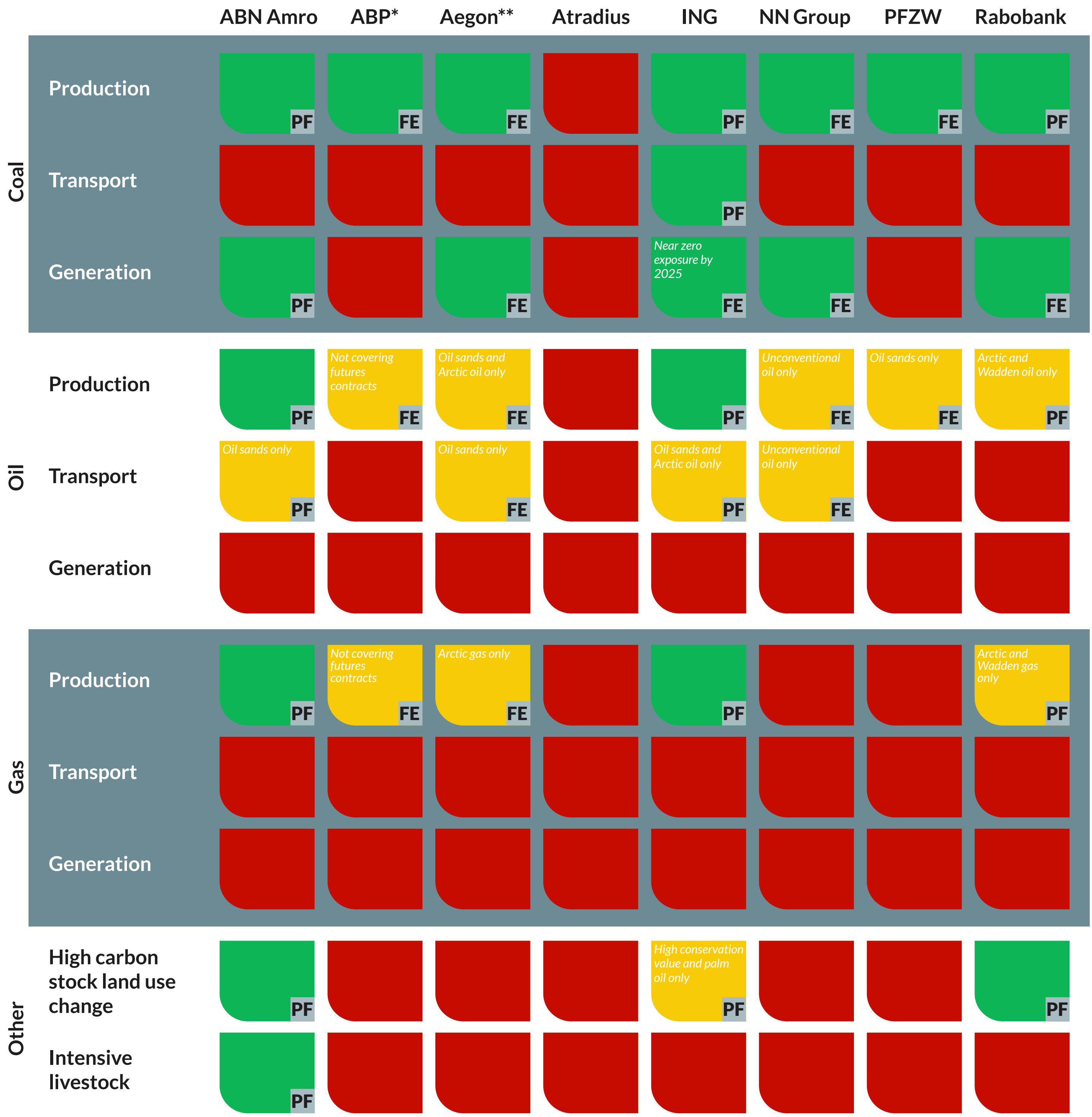
Many companies rely on the availability of sufficient renewable energy and green hydrogen to meet their climate targets. Current available renewable energy capacity in the Netherlands is insufficient to generate the energy that the 21 companies in our assessment need to meet their climate targets. Yet only a few companies in this report show leadership with pursuing higher quality approaches for securing renewable energy. Most companies that buy renewable energy do so through the questionable practice of buying RECs instead of generating local energy capacity on their premises. The Schiphol Group is an exception in that it generates significant renewable energy on its premises to power its own operations and supply other actors and procures the rest through Power Purchase Agreements (PPAs) from Dutch wind parks. Companies should take a proactive approach to minimise their own energy consumption and build additional renewable energy capacity to ensure that their demand can be met, specifically through installing on-site installations with storage capacity.

Financial institutions

All the eight financial institutions' policies to exclude finance for certain high emission activities are insufficient. Most financial institutions exclude coal mining, and several exclude varying forms of unconventional oil and fossil gas production. ING and ABN Amro are the only financial institutions that exclude all direct finance for upstream fossil fuel exploration and extraction. However, they do not commit to refrain from providing working capital to companies engaged in these sectors, which remains a large loophole. Financial institutions need to carefully review who they finance to understand what the climate plans of companies are and to make sure that they are shifting away from excluded activities. None of the financial institutions assessed fully exclude fossil fuel value chains and most of them continue to provide financial services for harmful activities in the land use or agriculture sector including industrial livestock production. Some financial institutions apply their exclusion criteria or policies inconsistently across different financial services, and most only apply criteria for project finance or with unambitious revenue thresholds.

None of the eight financial institutions in this report have engagement policies with comprehensive thematic coverage. While all financial institutions, with the exception of Atradius, report on direct and indirect engagement efforts, none of the institutions provide sufficient detail. Specifically, on how they engage with their counterparties, how demands are escalated, and whether relations are terminated in the event of non-compliance. With the exception of NN Group, none of the financial institutions have an engagement policy

Figure 3: Sectoral coverage and type of exclusion policies set by eight Dutch financial institutions



Sector coverage Full | Partial | Sector not covered

Exclusion type

PF Project finance (*Project finance means that the financial institution does not directly finance a harmful activity, but that it not generally excludes financial service provision to companies exposed to harmful activities).*)

FE Full exclusion (*Full exclusion means that the financial institutions does not provide any financial services to companies exposed to a harmful activity (subject to exposure thresholds, which can vary between companies and sectors).*)

**Divestment decision, no general exclusion policy*
*** Exclusion criteria superseded by third-party exclusion list and therefore not necessarily implemented*

with clear thematic focus covering most harmful sectors. ING has a relatively detailed Environmental and Social Risk Framework that outlines their engagement approach for a number of issue areas including some climate considerations, but it includes potential loopholes and is not thematically comprehensive.

2.4 Offsetting and climate contributions

Eight companies and four financial institutions use highly contentious carbon offset credits to claim neutralisation of all, or some of, their emissions today. ING buys such credits but has recently revised the claim associated with its purchase of offsets from 'neutrality' to 'compensation'. All of these companies rely on nature-based solutions, like forests, or projects that are unlikely to result in truly additional permanent emission reductions. The support of biogas production at Dutch farms claimed by Schiphol Group and Rabobank, for example, cannot be considered additional mitigation measure in the context of the Paris Agreement, which requires all countries to set and regularly enhance ambitious emission reduction targets. The reduction of methane emissions from farming and the increase of renewable electricity production are part of the ongoing Dutch government abatement efforts and can therefore not be considered 'additional'.

Although carbon dioxide removals from forestry and other nature-based solutions need financial support, they are generally not suitable for making neutrality claims due to their scarce availability and very likely limited permanence. The potential for biological CO_2 sequestration is limited and needed to bring global emissions to net zero on the way to net-negative in the second half of the century. This limited potential should be considered a public good and should not be claimed by individual companies to allegedly neutralise their footprint and substitute actual emission reductions. Further, it is very likely that carbon sequestered in soils or trees will be released within decades to centuries, which would negate the impact of sequestering it in the first place (see Methodology, Annex I).

Just one of the 21 companies – Tata Steel Netherlands – states that they will not use offsetting to achieve their long-term headline pledge, although the company's pledge only covers scope 1 and 2 emissions. Nine companies indicate they will rely on offset credits and another 11 provide either unclear or no information on the degree to which their targets rely on offsets.

While most companies' plans are undermined by contentious offsetting practices, the more constructive approach of making climate contributions without neutralisation claims appears to be gaining traction. We identified four companies and financial institutions that plan to make climate contributions beyond their value chain without claiming these contributions reduce their own emission footprint. DSM considers making climate contributions for beyond value chain mitigation, without claiming neutralisation of emissions, but full details regarding volume of finance and projects supported remain undisclosed at present. BAM Group planted 150,000 trees in 2019 without claiming neutralisation of own emissions in its value chain, but it is not clear if the company made similar contributions in 2020 and 2021. Stellantis also planted trees, but further details are not available. NN Group contributes to various environmental initiatives and plans to contribute 1% of its operating results to communities by 2023. Not all of its contributions are climate relevant.

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