

DUTCH CORPORATE CLIMATE RESPONSIBILITY MONITOR 2023

ASSESSING THE TRANSPARENCY AND INTEGRITY OF THE
CLIMATE ACTION PLANS OF SEVEN FINANCIAL INSTITUTIONS

FINAL REPORT

seo • amsterdam economics

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Summary (English)

In this study we assess the transparency and integrity of the climate action plans of seven financial institutions as of 2023. The results show that the transparency of most plans can be labelled as 'moderate', while the integrity is scored as 'low'.

About the assignment, method and results from the previous CCRM

On behalf of Milieudedefensie (Friends of the Earth Netherlands), SEO Amsterdam Economics (SEO) assesses the transparency and integrity of the current climate action plans of seven Dutch financial institutions as of 2023. This assessment is conducted using the guidance and assessment criteria as published by the New Climate Institute (NCI) in July 2022 (hereafter: 'methodology'). Milieudedefensie has selected the following financial institutions: ABN AMRO, ABP, Atradius, ING Group, NN Group, PFZW and Rabobank. In line with the methodology, we focus on four key areas, namely: *i*) the tracking and disclosure of emissions, *ii*) the setting of emission reduction targets, *iii*) the reduction of financed and own emissions, and *iv*) the use of climate contributions and (future) offsets. With *transparency* and *integrity*, NCI refers to the extent to which an institution publicly discloses information regarding its climate plans and the quality, credibility and comprehensiveness of its approaches towards the four key areas.

The findings documented and interpreted in this research are the result of an in-depth study of publicly available sources. All sources, including annual reports, sustainability reports, risk policies, and the websites of the institutions, are collected through a desk study. In addition, institutions have the option to submit their own sources. Only sources that are publicly available before the 1st of June 2023 are taken into account. After conducting our initial assessment, we shared our preliminary findings with the institutions for validation. All institutions responded that they have received our assessment and five of them also provide constructive and detailed feedback.

This study documents the results of the second edition of the Dutch Corporate Climate Responsibility Monitor (CCRM) for financial institutions. The first edition, called '*Evaluating Corporate Target Setting in the Netherlands*', was conducted by NCI and published in July 2022. This study concludes that the integrity of the climate action plans of most financial institutions is 'low', with one institution scoring 'very low' due to a lack of published goals (NCI, 2022b, p. 11). The results of the transparency assessment show more variation. The transparency of three financial institutions is labelled as 'reasonable', that of two as 'moderate', one as 'low' and one as 'very low'.

"Dutch financial institutions are key players in the climate transition and that is why their plans should be assessed"

"The financial sector plays a pivotal role in averting dangerous climate change. The 2015 Paris Climate Agreement noted that to strengthen the global response to the threat of climate change, financial flows should be made consistent with a pathway towards low GHG emissions and climate-resilient development (Article 2, para 1(c)). The actions and strategies of financial institutions are key to achieve this aim. Through their financing and financial services, Dutch financial institutions have significant leverage over the development of new and existing economic activities, both positively by financing and facilitating sustainable economic activities and negatively by financing and facilitating GHG emissions at levels not consistent with the 2015 Paris Climate Agreement. In 2022 research bureau Profundo set out to estimate the financed and facilitated emissions of 13 of the largest Dutch financial institutions using the PCAF methodology (Profundo, 2022). The research found that even when only including S1 and S2 of the clients' emissions, the financed and facilitated emissions of these institutions amounted to 228 MtCO_{2e} in 2021 (approximately 60 MtCO_{2e} more than attributed to the Netherlands as a country, and that is without including the S3 emissions of their clients)."

Source: Milieudedefensie (2023)

Overall results:

Four institutions have a 'low' integrity assessment, one is 'very low', and two are 'moderate'.

| | ABN AMRO | ABP | Atradius | ING Group | NN Group | PFZW | Rabobank |
|--------------|----------|----------|----------|------------|----------|------------|----------|
| Transparency | Moderate | Moderate | Very Low | Reasonable | Moderate | Reasonable | Moderate |
| Integrity | Low | Moderate | Very Low | Low | Low | Moderate | Low |

Source: SEO Amsterdam Economics (2023) using the methodology of NCI (2022a)

- The integrity of the climate action plans of most financial institutions is low. The two pension funds, ABP and PFZW, receive a 'moderate' integrity rating, while four institutions score 'low' and one scores 'very low'. When we look at the transparency of the plans, we note that most institutions score 'moderate'. We observe that, for all institutions, their transparency score equals or surpasses their integrity score. This intuitively aligns with the notion that plans must be transparent before an integrity assessment may be conducted.

Key area 1: about the tracking and disclosures of emissions

Regarding the tracking and disclosure of financed emissions there is little variation between the institutions

| Emissions Operations | 0.05 MtCO ₂ e | ? | ? | 0.03 MtCO ₂ e | 0.01 MtCO ₂ e | <0.01 MtCO ₂ e | 0.06 MtCO ₂ e |
|----------------------|--------------------------|--------------------------|----------|--------------------------|--------------------------|---------------------------|--------------------------|
| | High | Very Low | Very Low | High | High | Low | High |
| Financed emissions | ABN AMRO | ABP | Atradius | ING Group | NN Group | PFZW | Rabobank |
| | Moderate | Moderate | Very Low | Moderate | Moderate | Moderate | Moderate |
| | 22.6 MtCO ₂ e | 16.3 MtCO ₂ e | ? | 56.0 MtCO ₂ e | 5.7 MtCO ₂ e | 5.8 MtCO ₂ e | 51.5 MtCO ₂ e |

Note: SEO Amsterdam Economics (2023) using the methodology of NCI (2022a)

- Most institutions use the PCAF estimation methodology to track and disclose financed emissions (S3, category 15). This results in a range from 5.7 MtCO₂e (NN Group) to 56.0 MtCO₂e (ING Group). Variations in reporting transparency emerge, including variations in the asset classes and financial services taken into account for estimations and the clarity of explaining estimation uncertainties within published materials. Despite some variations in reporting, the overall transparency level of most institutions is more or less the same, i.e. 'moderate'. We observe that the reported financed emissions from the majority of the financial institutions encompass their clients' S1 and S2 emissions, but do not or only partially factor in their clients' S3 emissions. In cases where the institutions do account for their clients' S3 emissions, they usually only do so for specific sectors or financial services, leaving out other areas. The methodology mentions it is best practice to report S3 emissions separately, where relevant. We expect that for some sectors and services these emissions are significant.
- Most institutions disclose emissions from their own operations. However, the extent of transparency varies considerably. For example, we did not identify any information for ABP and Atradius, resulting in a 'very low' score. For the institutions that reported their emissions, we found that the absolute size of these emissions is relatively low, ranging from 0.00 MtCO₂e (PFZW) to 0.06 MtCO₂e (Rabobank). Furthermore, we found that not all institutions adhere to the requirements of the (guidance documents of the) GHG Protocol.

Key area 2: about the setting of emission reduction targets

There is a lot of variation in the transparency of the emission reduction targets

| | ABN AMRO | ABP | Atradius | ING Group | NN Group | PFZW | Rabobank |
|--------------|----------|----------|----------|-----------|----------|------------|----------|
| Transparency | Moderate | High | Very Low | High | Low | Reasonable | Moderate |
| Integrity | Low | Moderate | Very Low | Low | Low | Low | Low |

Source: SEO Amsterdam Economics (2023) using the methodology of NCI (2022a)

Reduction targets for financed emissions:

- ABN AMRO, ING Group and Rabobank are members of the Net-Zero Banking Alliance (NZBA). This means that these institutions are committed to financing ambitious climate action to transition the real economy to net-zero GHG emissions by 2050. According to the NZBA guidelines, the banks will have to focus on ‘priority sectors’ where they can have the most significant impact and publish 2030 targets. For ABN AMRO we identified targets for five sectors, covering € 164.3 billion. For ING Group and Rabobank we found targets for respectively nine and twelve sectors, covering € 335.1 and € 250.7 billion outstanding. When comparing the covered sectors with the total assets of the institutions, we note that the targets cover 43.3 percent for ABN AMRO, 34.6 percent for ING Group and 39.2 percent for Rabobank. Regarding this indicator, we want to note that it will never reach 100 percent. Lastly, we note that almost all targets of the three banks are intensity based.
- ABP and PFZW are aiming for a climate-neutral investment portfolio by 2050, in line with efforts to limit global warming to 1.5°C. To achieve this, both financial institutions have set a 50 percent absolute reduction target for 2030, using a 2019 baseline. The target of PFZW covers S1 and S2 for all GHG emissions for all its listed shares, liquid credit and real estate portfolio. The target of ABP covers all scopes (CO₂) for the investment portfolio.
- As a member of the Net-Zero Insurance Alliance (NZIA), Atradius was committed to transitioning all operational and attributable GHG emissions from its insurance and reinsurance underwriting portfolio to net-zero emissions by 2050. In May 2023, the institution left the NZIA, though, resulting in unclarity about its commitments. NN Group has established interim targets for 2030 for parts of its portfolio, but not for all financial services. The institution mentions that it wants to transition its proprietary investment and insurance underwriting to net-zero GHG emissions by 2050. For its emissions related to its insurance underwriting we did not identify any targets.
- We note that, given the current financed emission reduction targets, it is likely that the overall climate plans of most financial institutions will fall short from global efforts required to almost halve absolute emissions by 2030 to limit global warming in line with 1.5°C.

Reduction targets for emissions from own operations:

- Rabobank notes that the majority of its operational GHG emissions fall within three categories. The bank has set intensity targets for 2030 for these categories. ABN AMRO is committed to achieve carbon-neutrality for S1, S2 and S3 business travel emissions by 2030 (2015 baseline and offsetting 5 percent). ING Group mention that it has set a 2025 target to reduce CO₂e emissions by 75 percent (2014 baseline). It previously shared a S1 and S2 target of a 90 percent reduction by 2030 and mentions it plans to come up with a new 2030 target.
- Targets for own operations could not be found for ABP. PFZW is committed to achieving net-zero operational emissions (S1 and S2) by 2030. The organization is actively exploring various pathways to accomplish this goal.
- Atradius mentions that it aims to achieve carbon-neutrality in its own operations. Little further information was found. NN Group wants to become net-zero by 2040. It has set several accompanying reduction targets, namely: 35 percent reduction for its own business operations by 2025 and 70 percent reduction for its own business operations by 2030 (S2 market-based approach, compared to its 2019 levels).

Key area 3: about the reduction of financed and own emissions

Most institutions provide limited information regarding the reduction of financed and own emissions

| | ABN AMRO | ABP | Atradius | ING Group | NN Group | PFZW | Rabobank |
|--------------|----------|----------|----------|------------|------------|------------|----------|
| Transparency | Moderate | Low | Very Low | Reasonable | Reasonable | Reasonable | Moderate |
| Integrity | Low | Moderate | Very Low | Low | Low | Moderate | Low |

Source: SEO Amsterdam Economics (2023) using the methodology of NCI (2022a)

Procurement of renewable electricity

- The methodology contains guiding principles and assessment criteria for the procurement of renewable electricity by the financial institutions (2022a, pp. 31-35). In short, the financial institutions are asked to share detailed information on their procured energy supply contracts. The results of this study show that most financial institutions score 'low' on this indicator. Only one institution (ING Group) scores 'moderate'. For five institutions an integrity-assessment was not feasible due to unclear renewable energy supply constructs. ABN AMRO and ING Group provided more information. They mention that they use Guarantees of Origin (GOs), Retail Supply Contracts, Virtual PPAs and unbundled EACs. Based on the methodology and the used constructs, these institutions scored 'low' (NCI 2022a, p. 35).
- Some institutions indicate that they rent their office spaces, making them reliant on the building's landlord for their electricity supply contracts. Additionally, some institutions mention that they have a relatively low electricity consumption. These institutions argue that they perceive this indicator as being overemphasized.

Exclusion and engagement policy

- Similar to the previous edition of the CCRM, the transparency of the exclusion policy of most financial institutions is labelled 'high'. When it comes to the integrity of these policies, four policies are categorized as 'moderate' and three policies are labelled as 'low'. Regarding the transparency of the engagement policies, three policies received a 'high' label, three were labelled as 'moderate' and one scored 'low'. None of the institutions scored a 'high' integrity label.
- Most institutions publish an investment framework that includes a list of which activities, product categories and companies are excluded. In these documents the institutions describe minimum requirements and criteria. We note that a lot of the exclusion lists are not strictly binding or are restricted to certain financial services or products only. For example, some institutions allow activities in certain sectors or services (such as fossil fuels) under certain conditions (such as a having a credible transition plan or a maximum percentage of revenues derived from this activity). Furthermore, some institutions mention that they use different threshold acceptance levels for new and existing clients, making it difficult to assess the outcomes of the policies. Lastly, some financial institutions clearly link their climate strategy and targets to the used instruments (such as engagement, exclusion and deciding where to invest) and activities (such as divesting from 'misaligned' activities).
- The methodology mentions that the institutions should provide dedicated information on their exclusion, engagement and divestment policies. Some institutions argue that it is unclear what qualifies as 'dedicated information'.

Key area 4: about the use of (future) offsetting and climate contributions

The climate plans of the institutions score (very) low on the topic of 'climate contributions & offsetting'

| | ABN AMRO | ABP | Atradius | ING Group | NN Group | PFZW | Rabobank |
|--------------|----------|----------|----------|-----------|----------|----------|----------|
| Transparency | Very low | Low | Very Low | Low | Low | Low | Low |
| Integrity | Very low | Moderate | Very Low | Very low | Very low | Moderate | Very low |

Source: SEO Amsterdam Economics (2023) using the methodology of NCI (2022a)

Offsetting

- The methodology provides assessment criteria and guidelines for offsetting claims today and neutralisation plans for the future. In short, the financial institutions are asked to share information on the (future) use of offsetting and provide details on the volume, projects and scope of the neutralisation claims.
- Atradius does not disclose any information. NN Group currently offsets emissions from its own operations using voluntary carbon credits and is likely to continue this practice to achieve its net-zero ambition. Information about the offsetting of its financed emissions is unavailable. ABP mentions that it will not offset any emissions to achieve its targets and PFZW mentions that it will not offset to reach its intermediate target. However, there is uncertainty about PFZW's future policy as it is currently conducting research to determine whether offsetting might be necessary as part of its long-term approach. ABN AMRO currently procures credits to offset emissions from its own operations. The bank mentions that it will offset 5 percent of these emissions in the future. Concerning its financed emissions, ABN AMRO mentions that it has not envisioned a role for carbon credits in the short term, but recognizes that some sectors will require solutions for residual emissions in the long run. Rabobank mentions that it relies on offsetting emissions from its own operations to achieve its net-zero ambition. It is unclear to what extent the bank will rely on the use of offsets for its financed emissions. Lastly, ING Group mentions that it no longer uses offsetting measures, but there is uncertainty regarding its future policy. Overall, we have obtained little data regarding volumes and projects, resulting in low scores.
- Some institutions report that offsetting is not their first choice of action and that their climate plans primarily focus on the reduction of GHG emissions. Additionally, some institutions express uncertainty about the long-term role of offsetting, making it challenging to disclose information on the topic. They believe that the low scores do not accurately represent their awareness and efforts in this regard.

Climate contributions

- We identify only a few climate contributions. A climate contribution is defined as the financial support provided by a company to support climate change action *beyond* the institution's own value chain, without claiming to neutralise its own emissions. In reviewing the feedback from institutions, many institutions mention that they are investing in 'green' or 'sustainable' projects. However, this concerns investments in their own value chain, not beyond their value chain.

A comparison with the previous edition of the CCRM

When we compare the results of this study to the results of the previous edition, we conclude that the integrity of the climate action plans for most financial institutions remains unchanged. The two pension funds, ABP and PFZW, receive a 'moderate' integrity rating (previously: low) while four institutions score 'low' (unchanged) and one scores 'very low' (unchanged). Similar results are observed when we compare the overall transparency of the climate plans, with five out of seven institutions receiving a similar transparency score as in the previous edition of this monitor.

The integrity of the climate plans of ABP and PFZW improved

| | ABN AMRO | ABP | Atradius | ING Group | NN Group | PFZW | Rabobank |
|---------------------|----------|----------|----------|-----------|----------|----------|----------|
| Integrity CCRM 2022 | Low | Low | Very Low | Low | Low | Low | Low |
| Integrity CCRM 2023 | Low | Moderate | Very Low | Low | Low | Moderate | Low |

Source: SEO Amsterdam Economics (2023) using the methodology of NCI (2022a) and the CCRM 2022 (NCI 2022b, p.9)

In comparison to the previous edition of the CCRM, both ABP and PFZW achieved a higher overall integrity score. The main reason behind this improvement is their enhanced performance in their reduction of financed emissions. Both financial institutions have taken a semi-proactive approach, implementing established and effective emission reduction measures to tackle significant sources of emissions (such as actively divesting from fossil fuel companies and voting on climate-related shareholder meetings against the boards of companies that are currently lagging in terms of their climate ambitions).

Lastly, we note that many of the conclusions from this edition of the CCRM align with the findings from the previous edition. This includes the incomplete reporting of GHG emissions (Clients’ S3 of S3 category 15), the note that the current emission reduction targets are likely to fall short from global efforts required to almost halve absolute emissions by 2030 and the frequent use of intensity targets. Below, Milieudedefensie has summarized some key findings from the first edition of the CCRM.

“The first edition of the CCRM revealed a range of serious shortcomings in the climate plans of institutions”

“The previous CCRM (NCI, 2022b) revealed a range of serious shortcomings in the climate plans of the reviewed financial institutions. These included the failure to comprehensively report on clients’ S3 emissions (NCI, 2022b, p. 23), targets for 2030 falling well short of the ambition required to align with the internationally agreed goals of the 2015 Paris Climate Agreement (NCI, 2022b, p. 23), the use of qualitative or intensity based interim targets only, which could still lead to overall growth of emissions whilst targets must reflect global emission reduction pathways (NCI, 2022b, p. 26) and the insufficiency of exclusion and engagement policies (NCI, 2022b, p. 27). Given the fast-moving developments in the field of corporate climate responsibility, a re-assessment of the adequacy of Dutch financial institutions’ current climate plans is warranted to assess whether the weaknesses signalled last year have been addressed.”

Source: Milieudedefensie (2023)