

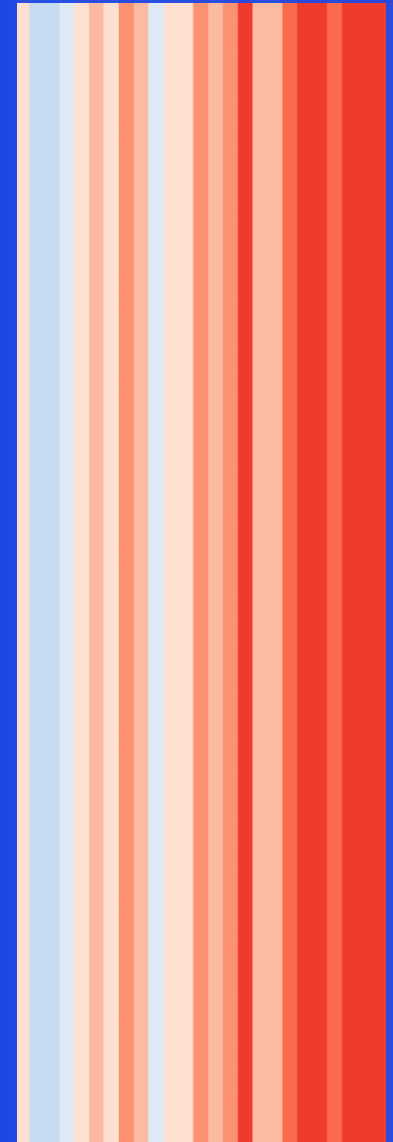


The Climate Commitment of the Dutch Financial Sector

Summary of the 2023 Progress Report

Financial Sector Climate Commitment Committee

24 November 2023



Executive summary (1/2)



Institutions are reporting their financed emissions, but are not yet doing this for all relevant investments and loans

The aim is to measure climate impact across all *relevant* financing. According to the Guideline*, all financing is relevant, except when CO₂e emissions are negligible. In 2022, 91% of the portfolio was classified as relevant and 1% as negligible. The remaining 8% was labelled not-relevant for other reasons, partly due to interim changes to the definition of *relevance*. In 2022, CO₂e emissions were measured for 68% of the total portfolio. In 2021, this was 70%. However, as the dataset for 2021 is only about 80% complete, it is not possible to determine whether this figure represents a decline



Institutions prioritise sectors and asset classes with high climate impact and measurability

The Guideline allows for the prioritisation of certain sectors (for lenders) or asset classes (for investors). Emissions for priority sectors and asset classes are measured across a very large proportion of the portfolios: lenders measure emissions for 83% of assets in priority sectors, while investors do so across 89% of assets in priority asset classes. Where priority sectors or asset classes are not yet measured, institutions usually point to issues with regard to data quality or data availability. It is notable that only 26% of government bond emissions were measured by investors, despite this asset class comprising a relatively large share of their portfolios. Although there are various reasons for these omissions, the percentage of measured emissions is expected to increase due to a newly available PCAF measurement methodology for government bonds.



Institutions are taking measures in line with their action plans, but insight into their effectiveness remains limited

All institutions now have an action plan, and 49 of the 52 institutions indicate that they have already taken measures as described in their action plans. 69% of institutions say they are 'on track' to meet their reduction targets. The remaining 31% state that they do not know whether they are on track (yet). Many of the institutions' measures focus on encouraging a green transition. Through, for example, engagement, sustainability-linked loans and voting at shareholder meetings, institutions are trying to motivate their clients to reduce their CO₂e emissions. Institutions also indicate that they are tightening their requirements for polluting sectors and companies – or excluding them altogether – while expanding their portfolios in green sectors. However, the impact of individual measures on emissions is hardly being measured yet. A few institutions do make estimates or conduct (mostly qualitative) evaluations, but the overall sentiment is that measuring the effectiveness of individual measures is still too complex. This is especially true for measures whose impact is indirect, such as engagement.

91%

of the total portfolio (in euros) was labelled relevant in 2022

Emissions for

68%

of the total portfolio (in euros) were measured in 2022

49

of the 52 institutions have already taken measures in line with their climate action plans

69%

of institutions say they are 'on track' to meet their reduction targets

*The Guideline refers to the Guideline on relevant financing, investments and action plans, or in Dutch, the "Leidraad"

Executive summary (2/2)



Some institutions with large and emissions-intensive portfolios have a major role in reducing emissions

In 2022, the total reported CO₂e emissions for scope 1 and 2 (excluding government bonds) were 219.6 megatonnes (Mt). The economic emissions intensity (EEI) was 69.8 tCO₂e per measured million euros borrowed or invested. Since EEI is not dependent on portfolio size, this relative indicator is best suited for making comparisons across institutions or years. There are large differences between the institutions in terms of portfolio size and EEI. It is also notable that a small number of institutions with large portfolios are also relatively emissions-intensive. This means that their progress will be key to achieving the Climate Commitment target.

219.6 Mt

is the total reported amount for scope 1 and 2 CO₂e emissions (excluding government bonds)



Financed scope 3 emissions are still only measured to a limited extent

In 2022, the total reported CO₂e emissions for scope 3 (excluding government bonds) were 402.4 Mt. Institutions indicate that the data required for scope 3 is not yet fully available, and that this is a major obstacle to measuring these emissions. Nevertheless, asset managers and pension funds measured and reported a significantly higher share of scope 3 emissions than banks and insurers. Based on the data available in the current report, it is not possible to determine what percentage still goes unreported. However, it is expected that the data coverage will increase in the coming years, leading to a substantial increase in reported scope 3 emissions. The Guideline requires institutions to report their clients' scope 3 emissions from fiscal year 2023.

402.4 Mt

is the total reported amount for scope 3 CO₂e emissions (excluding government bonds)



No reliable conclusions can be drawn yet with regard to any emissions trends

To gain insight into the sector's progress, it is helpful to compare data from different reporting years. However, no accurate comparison can be made between the 2021 and 2022 data, mostly due to the fact that the dataset for 2021 is only about 80% complete. Moreover, data quality, measurement methods and the parts of portfolios for which emissions are measured are still subject to major changes. As a result, it is not yet possible to draw reliable conclusions about any decline or increase in financed emissions and economic emission intensity.

69.8 tCO₂e

per measured million euros financed or invested in 2022 (scope 1 and 2 emissions)

Appendices

Accountability and methodology

Appendix 1

Assignment

KPMG conducted this study on behalf of the Financial Sector Climate Commitment Committee, consisting of the Dutch Banking Association (NVB), the Association of Insurers, the Pension Federation and the Dutch Fund and Asset Management Association (DUFAS).

This study is predominantly based on publicly available information provided by the individual participating institutions, which has not been verified. The participating institutions provided input through a survey prepared by KPMG, including references to the publicly available information.

Limitations

In any comprehensive analysis, it is important to recognise the inherent limitations and constraints that shape the interpretation of data. The dataset on which this report is based contains the following limitations:

- Seven institutions were unable to submit their (full) portfolio for 2021. These missing portfolios represent approximately 20% of the total portfolio of all signatories in 2022.
- Some institutions were not able to provide a clear breakdown (for some asset classes) between scopes 1, 2 and 3.
- Four institutions were unable to provide the data broken down by asset class and sector, as outlined in the Guideline. Three of these institutions are known not to measure emissions for their government bonds.
- The Guideline does not provide unambiguous definitions of the sectors used for prioritisation, so it is not clear how accurate the breakdown by asset class and sector is. Each lender has used its own definitions.
- There are some financial institutions that report certain data for assets and/or sectors with a one-year delay due to lags in data availability.
- One institution did not provide emissions data for both reporting year 2021 and 2022.

Calculation of data completeness

A number of institutions were excluded from some of the analyses. For these analyses, a percentage indicates the completeness of the dataset used. This is called 'data completeness'. The method used to calculate these percentages is set out below.

Completeness percentage of figures on page 10

Four institutions could not be included in the figures presented on page 10, as they did not provide a breakdown by asset class. The portfolios of these four missing institutions represent approximately 26% of the total portfolio of all signatories in 2022. This means that the completeness percentage is 74%.

Completeness percentage of the 2022 emissions dataset

We excluded two institutions from our emissions calculations for 2022, the results of which are presented on pages 12, 16 and 17. One institution did not provide emissions data; for the other, it is unclear whether it measures its government bond emissions. As the figures on pages 12 and 16 do not include government bonds, we had to exclude the latter institution. The portfolios of these two missing institutions represent approximately 1% of the total portfolio of all signatories in 2022 (calculated including government bonds). This means that the completeness percentage of the 2022 emissions figures presented on pages 12 and 16 is 99%. It is not possible to calculate how much data is missing from the figures on page 17, as this information is not known.

Completeness percentage of the 2021 emissions dataset

We excluded two institutions from our emissions calculations for 2021, the results of which are presented on pages 12, 16 and 17. We did so for the same reason we had to exclude them for 2022 (see above). In addition, seven institutions were unable to submit their (full) portfolio for 2021. The portfolios of these nine missing institutions represent approximately 20% of the total portfolio of all signatories in 2022 (calculated including government bonds). This means that the completeness percentage of the 2021 emissions figures is around 80%.

Milestones and key industry developments

Appendix 2

The Dutch financial sector has been actively involved in climate-related initiatives since 2015. This aligns with its effort to significantly contribute to the goals of the Paris Climate Agreement, the EU's climate targets and the Dutch Climate Agreement.

2015

PCAF

Establishment of the Partnership for Carbon Accounting Financials (PCAF) by Dutch financial institutions to measure, assess and publish greenhouse gas emissions from investments and loans.

Dutch Carbon Pledge

Eleven Dutch financial institutions called on world leaders to consider the role of the financial sector in achieving climate goals.

2017

Climate Action 100+

As part of this initiative, 700 investors, accounting for more than 68 trillion dollars in assets under management, strategically engage on climate with companies in their portfolios. After its initial five-year run, the initiative has now entered its second phase, which started in 2023 and will end in 2030.

2019

Climate Commitment

In the Netherlands, 52 financial institutions have signed the Climate Commitment.

Net-Zero Asset Owner Alliance

Asset managers around the world are committing to a *net zero by 2050* target for their investment portfolios.

2022

Second Climate Commitment Progress Report – Part I

The second progress report on the Dutch financial sector's Climate Commitment efforts.

SBTi Finance Framework

Offers financial institutions a framework to set science-based *net zero by 2050* targets.

Publication of Guideline on relevant financing, investments and action plans

Document that supports the interpretation and consistent implementation of the Dutch financial sector's Climate Commitment.

2016

DNB Platform for Sustainable Financing

The Dutch central bank established this multi-stakeholder platform to promote sustainability in the Netherlands. Working groups focus on topics such as climate adaptation, biodiversity and financing the circular economy.

2018

PACTA

The Paris Agreement Capital Transition Assessment (PACTA) is a tool launched by the 2nd Investing Initiative.

The Spitsbergen Ambition 2018-2020

By signing the Spitsbergen Ambition, 15 Dutch financial institutions committed to accelerating the transition to a green, low-carbon economy through their financing and investments.

2021

First Climate Commitment Progress Report

IIGCC Net Zero Framework

This framework provides investors with methodologies and guidelines for aligning their portfolios with the Paris targets.

Net Zero Banking Alliance (NZBA)

Global banking alliance committed to meeting the Paris *net zero by 2050* targets.

2023

Second Climate Commitment Progress Report – Part II

Report on climate action plans, published in the first quarter of 2023.

Publication of updated Guideline

Third Climate Commitment Progress Report

The third progress report on the Dutch financial sector's Climate Commitment efforts.

List of participating institutions

Appendix 3

Participating institutions

- ABN AMRO
- ABP
- Achmea B.V.
- Actiam
- Aegon Investment Management BV
- Aegon Nederland N.V.
- Allianz Nederland Groep N.V.
- Anthos Fund and Asset Management
- APG
- ASN Bank
- ASN Impact Investors
- ASR Nederland N.V.
- Athora Netherlands N.V.
- BlackRock (Netherlands) B.V.
- BNG Bank
- BNP Paribas Asset Management Nederland
- BPL Pension
- CBRE Global Investors
- Coöperatie Klaverblad Verzekeringen U.A.
- Coöperatie Univé U.A.
- Coöperatie VGZ U.A.
- De Goudse N.V.
- De Vereende N.V.
- FMO
- ING
- InsingerGilissen
- MN
- MS Amlin Insurance SE Dutch Branch
- NIBC Bank
- NN Group N.V.
- NWB Bank
- O.W.M. MediRisk B.A.
- Pensioenfonds Horeca en Catering
- Pensioenfonds Metaal en Techniek
- Pensioenfonds PGB
- Pensioenfonds voor de Bouwnijverheid
- Pensioenfonds voor de Woningcorporaties
- Pensioenfonds voor de Zoetwarenindustrie
- Pensioenfonds voor het Bakkersbedrijf
- Pensioenfonds voor het Schilders-, Afwerkings- en Glaszetbedrijf
- Pensioenfonds Werk en (re)Integratie
- Pensioenfonds Zorg en Welzijn
- PME Pensioenfonds
- Rabobank
- Robeco
- Scildon N.V.
- Triodos Bank
- UBP Asset Management
- Unilever APF
- Van Lanschot Kempen
- Volksbank N.V.
- VvAA Schadeverzekeringen N.V.
- **Sector associations**
- Dutch Fund and Asset Management Association (DUFAS)
- Nederlandse Vereniging van Banken (NVB)
- Pension Federation
- Association of Insurers



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