

Updates from implementing GHG accounting for the financial sector in the Netherlands

Partnership for Carbon Accounting Financials (PCAF)
the Netherlands, Update Report 2022



The Partnership for Carbon Accounting Financials, or PCAF, is an industry-led partnership to standardise greenhouse gas (GHG) accounting for the financial sector. It was founded by a group of Dutch financial institutions that joined forces to improve GHG accounting in the financial sector and to create a harmonised GHG accounting approach. It has evolved into a global collaboration with 322 financial institutions worldwide representing over 80 trillion US dollars in assets at the time of writing. More information on the global partnership, including how to join, can be found on carbonaccountingfinancials.com.

Through this report, the Dutch participants share their insights on implementing the accounting methods with other interested parties to encourage others to adopt GHG accounting as a positive step towards a low-carbon economy. Today, PCAF Netherlands (PCAF NL) consists of the following participants:



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1. About this report

Addressing the emergency of climate change is more pressing than ever. The heat waves in Europe of the past summer resulted in a continental-wide drought that appears to be the worst in 500 years.¹ This is part of a trend as the past nine years from 2013 to 2021 rank among the 10 warmest years on record globally without any expectations to discontinue.² To limit global warming to 1.5°C above pre-industrial levels, all sectors of society need to decarbonise and collectively reach net zero emissions by 2050. The financial sector can facilitate and drive the transition in line with the Paris Agreement.

Harmonised and transparent GHG emissions accounting is an imperative first step in this direction. Measuring and disclosing GHG emissions associated with lending and investment activities of financial institutions (so-called financed emissions) is the foundation for creating transparency and accountability. It also enables financial institutions to align their portfolio with the Paris Agreement.

Regulators are asking financial institutions to provide transparency on climate-related risks and consumers are asking their banks, pension funds and insurers to contribute to sustainable development. For instance, the Financial Stability Board's Task Force on Climate-related Disclosures (TCFD) provides recommendations for more effective climate-related disclosures including measuring financed emissions with the PCAF Standard.³ Following the TCFD recommendations, TCFD became mandatory in the United Kingdom for the largest companies from April 2022 onwards⁴ and New Zealand's world-first legislation mandating climate-related disclosures in line with TCFD recommendations takes effect in 2023.⁵

During the first few years, the Dutch PCAF participants launched multiple reports, which provided a set of common principles and proposed harmonised guidelines for loans and investments along several different asset classes, and they solicited feedback from the global financial community. These guidelines evolved into PCAF's Global GHG Accounting and Reporting Standard (the Standard).⁶ This Standard was officially reviewed and approved by the GHG Protocol to be in conformance with the requirements outlined in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard, for Category 15 investment activities. The second and updated version of the PCAF Standard, following the same review and approval procedure, is expected to be released later this year.

1 European Commission, 2022: Droughts in Europe in August 2022: severe rainfall deficit is affecting crops and increasing fire risks, https://ec.europa.eu/commission/presscorner/detail/en/mex_22_5123

2 Climate.gov, 2022: Climate Change: Global Temperature, <https://www.climate.gov/news-features/understanding-climate/climate-change-global-temperature>

3 More information on TCFD can be accessed here: <https://www.fsb-tcfid.org>

4 More information on the new regulation can be accessed here: <https://www.gov.uk/government/news/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law>

5 More information on the new legislation can be accessed here: <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/mandatory-climate-related-financial-disclosures>

6 The Global Standard can be accessed here: <https://carbonaccountingfinancials.com/standard>

This originally Dutch partnership has evolved into a global initiative with 322 financial institutions worldwide representing over US\$80 trillion in assets at the time of writing as PCAF NL continues under the wings of PCAF Global. Currently, PCAF NL consists of 27 participants representing \$3.8 trillion in total financial assets and continues to lead the implementation of GHG accounting methodologies and data improvements serving as thought leadership for the global financial industry. This sixth report serves as an update to Dutch implementation activities such as:

- Key activities PCAF NL participants participated in
- Benefits of measuring and disclosing financed emissions
- Challenges in measuring and disclosing financed emissions
- Expected activities in the upcoming years

PCAF NL working groups cover the following topics:

1. Data
2. Mortgages
3. Science-based targets
4. Stakeholder engagement
5. Acquisition

2. Foreword by Tjeerd Krumpelman



Recognising the industry demand for a standardised approach and the pivotal economic role of financial institutions, 14 Dutch financial institutions came together in 2015 as a working group for the Dutch Central Bank's Sustainable Finance Platform. Shortly after, this gathering resulted in the desire to shape the creation of a harmonised Standard and to achieve the goal of 250 financial institutions using the PCAF Standard by 2022.

Seven years have passed since its inception and the growth of PCAF has been nothing but astonishing. After the launch in the Netherlands in 2015, the launch in North America followed in 2018, the global launch followed shortly after in 2019, and the launch of the PCAF Standard followed suit in 2020. A growth that is reflected in the sheer number of financial institutions that have joined PCAF since. This past year, PCAF Netherlands (NL) grew from 23 financial institutions to 27 financial institutions and PCAF Global nearly doubled from 161 participants to 322 financial institutions. This also means that the initial goal of attaining 250 participants by the end of 2022 is proudly realised ahead of this year's end.

In 2019, 53 financial institutions signed the Netherlands financial sector 'Climate Commitment Financial Sector'. This commitment reflects the key role that financial institutions can play by financing the energy transition and by reporting the climate impact of their loans and investments from 2020 onwards. Moreover, sector-wide action plans including reduction goals for 2030 must be in place by the end of 2022. PCAF NL plays an integral part in the role of financial institutions in the Dutch Climate Commitment. PCAF NL's collective work allows insight into the financial institution's GHG footprint that is needed to take proactive action towards lowering it and reaching the goals of the Paris Agreement. As the FIs are maturing in their disclosures, in the upcoming years PCAF participants in NL could increasingly focus on further implementation of the Standard and engaging with their portfolio to achieve emission reductions.

Every year, PCAF NL presents this update report to inspire other financial institutions in their GHG accounting journey. Considering that PCAF was founded in the Netherlands, a high level of maturity in the GHG accounting journey of the participants exists. Notwithstanding that the PCAF NL participants are continuously improving their GHG accounting and faced with new challenges. A journey that leads to the continuous improvement of PCAF NL's collective approach and increased accuracy in calculating financed emissions.

You are invited to read the report and address any questions and/or comments on the report to info@carbonaccountingfinancials.com.

Tjeerd Krumpelman is Global Head of Advisory, Reporting & Engagement at ABN AMRO, chairman of PCAF Netherlands and PCAF Europe, and a participant in the PCAF Global SteerCo.

What is the Dutch Climate Commitment of the Financial Sector?

The Dutch financial sector signed a commitment in support of the Dutch Klimaatakkoord: the national Climate Commitment that stipulates a 49% reduction of GHG emissions in the country by 2030 compared to 1990. The participants commit to:

1. Financing the required energy transition within the bounds of their risk-reward profiles;
2. Measuring and disclosing their financed emissions starting from 2020 onwards, sharing results and best practices and making steps towards methodological improvements;
3. Publishing GHG emission reduction plans from 2022 onwards for all their relevant financing and investment activities;
4. Organising an annual meeting with all stakeholders on the progress towards these commitments, as an integral part of the wider Dutch Climate Proposal (Klimaatakkoord).

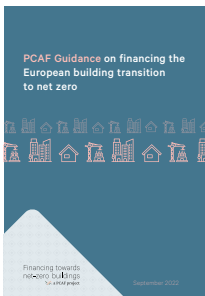
3. PCAF global developments

This chapter provides an overview of key PCAF developments of the past year. The developments are relevant for the financial institutions in the Netherlands that are part of PCAF.

The publicly available European building emission factor database was released in February of this year.⁷

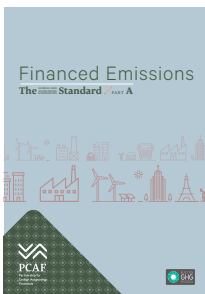
At the start of 2022, the PCAF Secretariat released a publicly available European building emission factor database for all financial institutions and further interested stakeholders. It provides a specified set of emissions factors for commercial real estate and mortgages for all countries in the European Union, as well as Norway, Switzerland, and the United Kingdom. Depending on the data availability per country, it also allows for distinguishing based on energy performance certificate ratings (EPC's).

Guidance on financing the European building transition to net zero was released in September this year.⁸



In September 2022, the PCAF Secretariat released a guidance document on financing the European building transition to net zero. This report provides clear guidance for financial institutions on how to join the net zero journey and how to decarbonise their building portfolio in a step-by-step approach. The guidance is developed with diverse representation from the financial industry and the building sector.

The second edition of the PCAF Standard is being developed and has undergone public consultation.

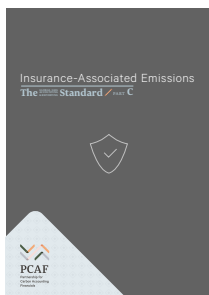


Around two years after the launch of the first edition in November 2020, the PCAF Secretariat expects to publish the second edition of the Global GHG Accounting and Reporting Standard for the Financial Industry by the end of 2022. The past year has been dedicated to working on new GHG accounting methodologies for calculating financed emissions from sovereign debt and calculating and reporting GHG emissions removals. The six current asset classes are expected to stay largely the same. The second edition of the Standard is currently undergoing external review.

7 More information on the European building emission factor database can be accessed at: <https://carbonaccountingfinancials.com/newsitem/towards-net-zero-buildings-the-partnership-for-carbon-accounting-financials-pcaf-launches-european-building-emission-factor-database#newsitemtext>

8 More information on Financing towards net zero building can be accessed at: <https://carbonaccountingfinancials.com/financing-towards-net-zero-buildings>

A new GHG accounting methodology for insurance-associated emissions is being developed and has undergone public consultation.



Together with a working group of 16 global insurance and reinsurance companies, PCAF has developed the first set of methodologies that will enable (re)insurance companies to measure and disclose GHG emissions associated with the (re) insurance underwriting portfolios. Having finalised the public consultation this summer, the first version of the Insurance-Associated Emissions Standard is expected to be published later this year.

A GHG accounting methodology for capital markets facilitated emissions is currently under development.



Together with a global working group of investment banks, PCAF has been developing a standard that set forth the measurement and disclosure of GHG emissions that are related to off-balance activities that facilitate a transaction to raise debt or equity on the Capital Markets (so-called “facilitated emissions”). The methodology also underwent a successful public consultation earlier this year. It is expected that the Capital Markets method will be published by the end of 2022.

A Technical Guidance for Real Estate Operations is currently being developed.

In collaboration with two of PCAF’s partners, CRREM⁹ and GRESB¹⁰, PCAF has been creating a technical guidance document that provides financial institutions and related stakeholders with transparent, consistent, and harmonised guidance on the accounting and reporting of real estate-related operational emissions. This provides additional specifications to the Standard on a range of real estate-related topics without superseding the Standard and should be considered as optional best practice. The work is expected to be concluded and released by the end of 2022.

9 More information on CRREM can be accessed here: <https://www.crrem.org>

10 More information on GRESB can be accessed here: <https://www.gresb.com/nl-en/>

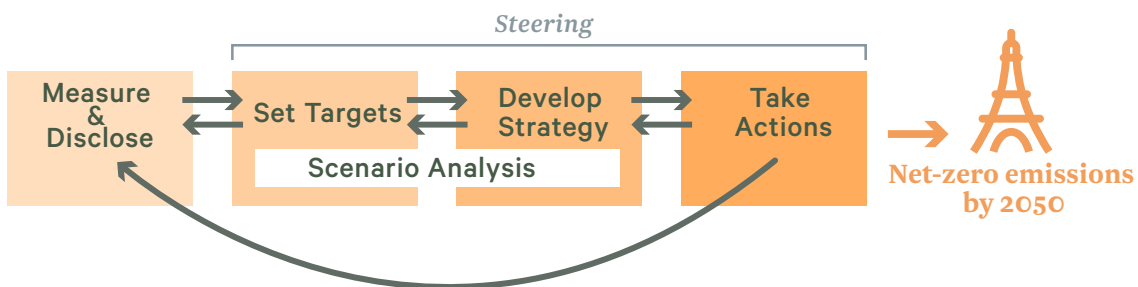
4. Best practices, key challenges, and next steps

This chapter provides an overview of some best practices and key challenges that participating PCAF NL participants have experienced in this year.¹¹

Measuring and disclosing financed emissions using the PCAF Standard by the PCAF NL participants holds significant benefits and is used as the start of the Paris alignment value chain for financial institutions.

The Dutch Climate Commitment states that Dutch financial institutions are committed to reporting on their climate impact. Like in previous years, portfolio emissions have been measured and disclosed by many PCAF NL participants. They indicate that the harmonisation of measurement and disclosure practices leads to comparability amongst similar asset classes of financial institutions. Increased regulation steers the participants to use the PCAF Standard to fulfil requirements such as Pillar 3 requirements set forth by the European Banking Authority (EBA).¹² The measurements and disclosures support financial institutions in the first step in their journey to net zero emissions by 2050 as shown in Figure 1. The first step should be taken under the banner of “what gets measured gets managed”. The calculated results from the financial institution act as a starting point for engagement and dialogue between the financial institution and the loanee or investee to decarbonise. It allows the financial institutions to let their financed emissions results feed into setting targets and developing actions (such as the launch of sustainability-linked loans, green mortgages, and rewarding energy-efficient homes with lower mortgage interest rates) to reach those targets.

Figure 1 - The Paris Alignment Value Chain for Financial Institutions¹³



The active collaboration of the participants in the PCAF Global and PCAF NL working groups leads to tangible results that improve the measurement and disclosure of financed emissions.

¹¹ The contents of this chapter are based on 13 participating financial institutions. The contents of their submission can be found in Chapter 5

¹² More information on Pillar 3 requirements can be accessed here:
<https://www.eba.europa.eu/regulation-and-policy/transparency-and-pillar-3>

¹³ More information on the Paris Alignment Value Chain for Financial Institutions can be accessed here:
<https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>

PCAF NL currently consists of five working groups (see Chapter 1). Participants experience that active collaboration can result in improving the accuracy of financed emissions calculations. More specifically, organised alignment with external national stakeholders allows participants to retrieve more accurate data. For instance, the PCAF NL working group on mortgages is currently collaborating with external parties to acquire actual energy consumption data of real estate and is also finalising an approach on how to better estimate and harmonise the carbon footprint of residential mortgages in accordance with the PCAF score 3. This leads to an increased PCAF data quality score which equals more accurate estimations of the total financed emissions for which the financial institution is responsible. In addition, the working group on science-based targets allows the participants to collectively approach initiatives like the Science Based Targets initiative (SBTi). This resulted in in-depth sessions where SBTi answered the questions from the financial institutions while the financial institutions also could learn from each other's difficulties in target setting. This helps to improve the ability to achieve the second step in the Paris Alignment Value Chain for Financial Institutions as described in the previous best practice.

Further advancing measuring and disclosing financed emissions requires more consistent and available data to realise real-world emission reductions.

Measuring and disclosing financed emissions comes with various challenges for the PCAF NL participants that hinder accuracy improvements of financed emissions measurements. It is often mentioned that the data from external data providers lack sufficient insight into how it is precisely modelled, that it is challenging to compare data between different data providers, and that it is not always clear whether the received data is aligned to the data requirements as set forth by the PCAF Standard. Also, for some asset classes, such as the real estate asset classes in the PCAF Standard, specific data is required for a more accurate financed emissions calculation that is not readily available. This is currently being addressed by the PCAF NL working group on mortgages as described earlier in this chapter. PCAF NL participants have experienced difficulties in retrieving or estimating accurate and consistent Scope 3 emissions from investees or loanees as methodologies can vary widely. Upcoming European regulatory initiatives such as the Sustainable Finance Disclosure Regulation (SFDR), EU Taxonomy, and the Corporate Sustainability Reporting Directive (CSRD), are expected to improve this. Further, the aim of the participants is to achieve real-world emission reduction. That often means that a financial institution must engage with high-emitting investees or loanees rather than resort to divestment. More accurate emissions data is needed to accurately assist with the decarbonisation journey of the investees and loanees.

The focus for the upcoming years lies in internal improvements for the financial institutions, collectively strengthening and improving PCAF, and further establishing PCAF's position in the wider context of climate finance.

The expected activities of the PCAF NL participants touch upon three interrelated topics. First, the participants expect to broaden the usage of PCAF internally in their operations. This means that the participants aim to increase the financed emissions measurement scope of their portfolio, for instance on parts of the portfolio that are currently not included in financed emissions calculations. This can include the new methodologies for other asset classes that will be released in the second version of the PCAF Standard, and increasingly include Scope 3 emissions of their loans and investments as well. Second, the participants aim to increasingly work together as a unified front to gather more accurate

data such as in the working group on mortgages and potentially on more fronts to further increase the accuracy of the financed emissions. Lastly, the participants aim to collectively strengthen PCAF's position and its usefulness in the wider context of climate finance. In the upcoming years, the PCAF NL participants aim to determine what their role can be in realising real-world emissions reduction through their measurements and disclosures. With these actions, PCAF NL expects to contribute to improving the quality of the first step from the Paris Alignment Value Chain for Financial Institutions (Figure 1) and as a result improve the quality of the following steps in the Value Chain.

5. Detailed overview of PCAF NL participants

This chapter provides an overview of the PCAF activities some of the PCAF NL participants conducted, the benefits and challenges they experienced in measuring and disclosing their financed emissions, and their expected activities in the coming years.

The following PCAF NL participants contributed to this chapter:

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PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

Since 2019, ABN AMRO's Global head of Advisory, Reporting & Engagement, Tjeerd Krumpelman has chaired PCAF Netherlands and PCAF Europe. Subsequently, on behalf of ABN AMRO, he is a member of the PCAF Global Steering Committee. In 2021, ABN AMRO continued to participate in the working group on mortgages and lead the working group on science-based targets in the Netherlands. Since 2019, the PCAF NL working group on science-based target, chaired by Jan Raes, on behalf of ABN AMRO, continues to set up conversations between parties issuing science-based target guidance and Dutch financial institutions participating in the PCAF science-based targets working group. The participating working group financial institutions share the common goal of promoting best practices of science-based target setting for their respective financial institutions.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

The short-term advantage of disclosing financed emissions is the learning curve that all participants go through together. From this learning curve arises the common need to report consistently so that the PCAF participants, but also shareholders, can make a good comparison. In the slightly longer term, the disclosers provide much more insight to be able to set the right target for ABN AMRO considering the Paris Agreement. By doing this together, sustainability becomes a business-as-usual process in all parts of the bank. To increase the energy efficiency of the homes in the mortgage portfolio, ABN AMRO offers a sustainability discount for homes with energy labels A or B and attractive sustainable financing measures. ABN AMRO has set sustainability financing targets for 2024 and is currently working on a climate strategy to steer towards a low-carbon economy.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

The first challenge was and is in the level of knowledge and ambition of all PCAF NL participants when it comes to the real estate PCAF asset classes. How does ABN AMRO want to measure? Does one do that based on the floor surface, or the entire collateral? How does one divide the allocation of CO₂ emissions between the customer and the financing institution? Next, the challenge was to find the right energy consumption sources for all participants to use. The PCAF data quality score 3 document from the sub-working group provides standards and guidelines. And ultimately, ABN AMRO must await government and EU regulations that are in progress, such as the EU taxonomy. It is possible that our ideas and standards could change significantly in the coming years because of finalised legislation.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

In the coming years, ABN AMRO expects the following developments. First, the step from PCAF data quality score 3 to 1, by using actual energy consumption of the houses in ABN AMRO's mortgage portfolio to perform the calculation. Second, the mapping of fossil and non-fossil energy sources to prevent penalisation of customers that use 100% green energy through their energy provider. Third, the discussion and standard for building-versus-behavioural energy consumption: e.g., should charging an electric vehicle be included in the energy usage? Fourth is the integration of physical risks. A premise with energy label A, for example, in a flood area or heat map may not be qualified as sustainable. Fifth, the start of reporting the Green Asset Ratio (%) that shows to which extent the portfolio is aligned with the EU Taxonomy.

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

As a supporter of active ownership, Achmea regards measuring its financed emissions to be an essential part of its strategy against climate change. Achmea applied the PCAF Standard in its listed equity, credits, mortgages, and commercial real estate portfolios. With newly obtained floor-area data of collateral objects, Achmea has also increased the data quality of its mortgage measurements. This allows Achmea to set science-based targets based on CO₂e/m² ratios. In addition, Achmea contributed to the mortgage, data and science-based targets working groups of PCAF NL to further develop and promote the use of the footprinting methodology.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

Achmea aims for a GHG footprint reduction of 32% (2025) and 68% (2030) compared to 2020, and net zero by 2040 for listed equities and credits for its own risk portfolio, which can only be achieved if the financed emissions are measured in a structured manner. Measuring the GHG footprint not only provides useful insights on emissions and intensity at the portfolio level but also helps in determining individual holdings that are leaders and laggards in this respect. Given the increasing availability of data and analysis, results can be quickly translated into objectives i.e., active ownership strategies, such as voting and engagement. Similarly, institutional clients looking for customised investment products and related analytical services can be supported, for example in accomplishing their own climate objectives. The internal debate about the pros and cons of GHG emissions reduction has been much helped by the insights gained from footprint data, which has already improved the quality of products and services that are offered to clients and, ultimately, of investment decisions that were taken.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

Achmea works with professional ESG research parties, who are also providing GHG emissions data for footprinting purposes. Whilst the largest and most generally used equity and bond indices are well covered by reported data, Achmea does see a more problematic lack of reported emissions data available from issuers of credits and high-yield bonds. Where missing data is being modelled by the research provider, important differences in outcomes occur, which troubles the picture for investors. Achmea is seeing a lack of consistency in reported Scope 3 data (largely caused by issuers making different choices regarding the underlying Scope 3 categories being reported). Also, for the measurement of Achmea's mortgage assets, the data-quality score has reached its limits based on currently available data. To further improve its measurement methodology, it would be required to calculate financed emissions based on the actual energy usage data of the household. Due to privacy restraints, this data is not publicly available for individual households, as Achmea is reliant on external parties (such as grid network operators and government agencies). Furthermore, the PCAF Standard recommends applying the Loan-to-Value (LTV) in attribution, whereby the denominator is the property value at origination. The property value at origination is often unavailable, especially for older mortgages. Achmea, therefore, must use the non-indexed taxation value as the denominator as alternative. In general, Achmea would benefit from more uniformity (if possible) of the measurement methods across asset classes so that the outcomes are better comparable.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

For the near future, Achmea is aiming to increase the number of funds that will be reported and the share of assets under management that will be covered. In addition, Achmea will be adding Scope 3 data in GHG measurement and ultimately in reduction targets and portfolio management.

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

ACTIAM has been publishing its financed emissions using the PCAF Standard since 2016. Since then, ACTIAM measures the GHG emissions of its investment funds and monitors the progress of its long-term GHG targets (renewed the target in 2020 to net zero by 2050, a 50% reduction in 2030, and a 75% reduction in 2040 compared to 2020).

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

ACTIAM uses the GHG emissions of its investments mostly for monitoring purposes. ACTIAM has tools in place to reduce the GHG emissions within its portfolios, such as capital allocation, active ownership, ESG integration and exclusions. ACTIAM tries to use those tools not only to reach its own GHG target but also to create real-world impact – which is very important to ACTIAM and to their clients. Optimising GHG emissions only could lead to the sale of all GHG intensive stocks without changing anything in the real-world economy. However, ACTIAM wants to track whether its tools have the correct effect and impact and therefore measuring and disclosing the financed emissions is very important to ACTIAM.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

ACTIAM sees two challenges in disclosing financed emissions. The first is the potential effect on the market. When reporting absolute financed emissions, the GHG emissions increase when your total assets under management increase from inorganic growth. Attracting more capital will negatively affect the progress of longer-term GHG targets. Also, especially when working with Enterprise Value Including Cash (EVIC) of companies, the of reporting emissions per million euros invested results in the measured and reported GHG emissions to decrease when the value of companies increases. Even without companies changing behaviour. The Dutch central bank suggested correcting for inflation. However, inflation is not very well correlated with the market. Another challenge is the lack of standardised GHG data in private markets or in regions where reporting standards are lower. The lack of data causes ACTIAM to make more estimates and although sector estimations are relatively good for some sectors (homogenous sectors), these estimates can have more variance for sectors with companies who have very different production processes. Global adaptation of reporting standards would help.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

ACTIAM's expected activities will be mostly around its own climate action plan. For instance, to answer the question of how ACTIAM is going to reach its targets while achieving real-world impact. For that, ACTIAM needs to analyse the direct impact of using its tools and also needs to make sure the pathway to climate neutrality by 2050 is verified, science-based, and implemented into the tools accordingly. In addition, as part of the SFDR and TCFD, additional emissions-related information is requested, such as the green-to-brown ratio, the share of investments in high-impact sectors and scenario data for its portfolios. ACTIAM is also adding such indicators to its dashboards to obtain a broader view on how portfolios decarbonise.

a.s.r.**Q.S.I.**

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

Last year a.s.r. was actively involved in different meetings and working groups, chairing the PCAF NL working groups on mortgages, and data. This helped a.s.r. to further develop the a.s.r. climate strategy and set a GHG emission reduction target for 2030 of 65% compared to the 2015 baseline, supported by active participation in the PCAF NL science-based targets working group. a.s.r. also became a member of the Net Zero Insurance Alliance and participated in the first PCAF Insurance-Associated Emissions consultation.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

Next to a.s.r.'s long-term target to have net zero CO₂e emissions in 2050, a.s.r. has set ambitious targets in the shorter term. One of them is to achieve a GHG reduction of its investment portfolio of 65% by 2030 compared to 2015. a.s.r. monitors and reports the GHG emissions of its investment portfolio for more than 95%. By the end of 2021, a.s.r. was on track for that GHG reduction pathway, having achieved a 56% CO₂e reduction of its portfolio since 2015. Additionally, a.s.r. introduced a 'fossil exit strategy', excluding all unconventional oil and gas companies and actively engaging with the most GHG-intensive companies to reduce their GHG footprint in line with the goals of the Paris Agreement. PCAF provides a clear methodology to effectively measure carbon emissions of different asset classes and to report on a.s.r.'s ambitions to align with the Paris Agreement.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

One of the challenges of measuring a.s.r.'s financed emissions relates to obtaining the most accurate information on its investments' GHG performance. a.s.r. acknowledges that the GHG data may differ among data suppliers and that the GHG data is an estimation. For some asset classes, a.s.r. needs to use estimated emissions as more accurate data is not (yet) available. Therefore, a.s.r. engages with data suppliers for more/better GHG data of listed companies, with asset managers to streamline the PCAF Standard and report the GHG emissions of their investment products and collaborate with PCAF participants to get access to (better) data for private assets. a.s.r. frequently discusses with other PCAF participants how to improve the availability and quality of GHG data and how financial institutions can join forces to make it happen, which is necessary to report and disclose financed emissions, audited with reasonable assurance.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

Currently, a.s.r. is measuring the GHG emissions for more than 95% of the internally managed assets for own account (fixed income, listed equity, real estate, and mortgages). In the coming years, it will be important to focus on the assets which are most difficult to assess due to a lack of accurate and timely GHG data. a.s.r. keeps striving to achieve insight into the GHG performance of 100% of its assets and it is expected that there will be important improvements regarding the data availability, measurement, and disclosures, with the continued guidance from PCAF, collaboration initiatives with other PCAF participants, and cooperation with stakeholders. This will be supportive in measuring a.s.r.'s GHG reduction pathway, considering the analysis of science-based targets at a firmwide level, as well as for insurance underwriting as investments.

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

BNG Bank measured their CO₂e footprint for the third consecutive year. Much attention was given to further improving data quality and improving the methodology. The methodology for the calculation of the Scope 3 emissions of municipalities and provinces, the emissions of the health care sector, and drinking water utilities have been refined. Further, avoided emissions were calculated for financed wind farms. The methodology used for the calculation of the emissions from the drinking water utilities gives a better insight into the real CO₂e footprint of these utilities. The results, published in the most recent report, are a consequence of this not being comparable with previous years.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

As a signatory to the Dutch Climate Commitment of the financial sector to contribute to the execution of the Paris Agreement and the Dutch Climate Commitment, BNG Bank aims to give insight into the emissions and emission intensity of its credit portfolio. PCAF offers a harmonised and transparent methodology for this purpose. PCAF can be considered as the Standard, and the data quality scores give a good insight into possible methods for improvement. BNG Bank publishes the results in their Annual Report and on their website. The data is helpful for defining reduction targets for their customer groups and will provide input for engagement with their customers to achieve these targets, in line with the Dutch Climate Commitment.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

The available data is not always as recent or detailed as desirable. Better access to available individual recent microdata would improve the data quality. Without client-specific information, the composition of action plans (as part of the Dutch Climate Commitment) is sometimes complicated. PCAF is very useful for reporting, but not all the calculations are helpful for target setting. A methodology to calculate Scope 3 emissions of housing corporations remains one of the challenges, as BNG Bank has the expectation that including this will have a substantial impact on the reported emissions and might give additional insight into the ways that CO₂e emissions as a whole could be reduced by using more sustainable ways of building and renovating their real estate.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

Improving data quality is an undiminished point of attention. For 2022, the ambition is to use microdata for Scope 1 and 2 of housing corporations, to use individual data for municipalities for gas and electricity, and to calculate Scope 1 and 2 for health care institutions based on the actual energy consumption of buildings. Furthermore, the emissions of a large individual client will be included, resulting in an increase in the coverage ratio. The calculation of avoided energy because of electricity generation from wind and solar farms will be extended. Longer-term ambitions are the alignment of PCAF Standards with future regulations and revising the underlying data for integration in risk analyses.

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

NIBC is proud to be a participant of PCAF and to work together with its financial peers on GHG accounting standards for its investment portfolios. NIBC is proud of its progress and equally proud of the work that PCAF NL continues to achieve as a group. In 2021, NIBC participated in the PCAF NL working group on data and mortgages. In both workstreams, NIBC shared learnings and worked with peers to improve the comparability and quality of GHG accounting.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

NIBC measures and discloses its financed emissions to meet regulatory requirements and supervisory expectations. NIBC's measurements help to inform its strategic choices and Climate Action Plan. For example, NIBC's decision in 2021 to end its financings of fossil fuels and its 2022 divestment of the remaining portfolio was informed by such measurements. Most importantly, NIBC's clients, investors, and other stakeholders also benefit from this transparency and can more easily view NIBC's strategic choices through a sustainability lens.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

The challenges of measuring and disclosing are immense. Much of the data NIBC uses is currently based on proxies. Data quality and comparability are not yet at the level where any institution desires to be. NIBC needs the help and support of authorities and grid operators to enable access to actual energy use and sources to improve the quality and accuracy of its disclosures. Authorities and governments also play a key role in setting clear, practical definitions, and standards. It's important that over time the current relatively high cost and complexity of compliance is reduced for all. NIBC's clients and the planet would be the main beneficiary of such developments since it would allow NIBC to design products which help them to save money, save energy, and reduce emissions.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

NIBC made big steps over the past few years and expects to continue this progression. NIBC will focus its GHG accounting efforts on those activities which are most material across its core asset classes. Within PCAF, NIBC aims to continue to work to improve data accessibility, quality, and comparability. This is key to ensuring that progress as a bank and as part of the financial sector is tangible and visible to all stakeholders. With NIBC's clients, the aim is to help them to make their commitment to the Paris Agreement visible, reduce any harmful emissions, and to transition and adapt to a changing climate.

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

NN Group has measured and published the GHG footprint associated with their proprietary assets since 2017. In its latest annual report, NN Group covered approximately 80% of their total asset portfolio on the balance sheet with a GHG footprint. As a supporter of more harmonised practices, NN participates in various Dutch and international working groups of PCAF. In the financial year 2021, NN contributed to the PCAF NL working groups on mortgages and science-based targets. In addition, NN contributed to the global working groups on green bonds and sovereign bonds. NN also provided feedback to the consultation on the updated PCAF Standard, which contains proposals for new methods for sovereign bonds and green bonds. Lastly, in the last quarter of 2021, NN joined the newly established PCAF working group on Insurance to collaborate with international (re)insurers to develop a standard for measuring insured emissions.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

GHG accounting helps NN to understand GHG and climate change-related risks, identifying the high-GHG securities in their investment portfolio and it informs engagement with investee companies. While GHG footprint metrics are backwards-looking and not solely sufficient to steer investment decisions regarding Paris Agreement Alignment objectives, it does provide a basis for science-based target setting and monitoring over time. NN has committed to transitioning its investment portfolio to net zero by 2050 and has been working on asset class-specific approaches. A variety of metrics will be used for target-setting and/or monitoring such as 'GHG footprint per EUR million invested' for corporate investments and GHG intensity (per square metre) for real estate.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

The main challenges of measuring financed emissions are related to data. For instance, for corporate investments, measuring Scope 3 emissions provides data availability challenges (next to problems with double counting). NN has also recently started measuring its GHG footprint for insurance, and granularity and quality of sector-specific GHG emissions data are amongst the largest challenges. NN expects that upcoming regulatory initiatives such as those from the EU will help improve the availability of climate data of corporates, which will consequently help to improve the quality of their measurements of both investment and insurance portfolios over time.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

As an active participant of PCAF, NN plans to continue to support and contribute to various working groups to help advance industry standards and harmonisation of both measuring and reporting financed emissions and insured emissions. For instance, for mortgages, which represent an important share of NN's total balance sheet assets, NN sees great value in working together with other financial institutions to translate the PCAF recommendations to a consistent approach for the Netherlands and join forces to get access to more accurate data. Tangible results will help the sector in its journey to contribute to the Dutch Climate Commitment.

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

In 2021, NWB set up and disclosed its Climate Action Plan. The action plan consists of four steps. Step one is to have insight into the climate impact. NWB's climate impact calculation is based on the PCAF Standard. For the reporting years 2019, 2020, and 2021, NWB calculated the carbon dioxide equivalent (CO₂e) emissions of its loan portfolio using the PCAF Standard. Refinements to the methodology were introduced in recent years for some sectors. Finding ways to improve the accuracy of the results, for example, by improving the calculation method or using other data (for example drinking water companies), is an ongoing process. Due to the special character of NWB and the homogeneous composition of its loan portfolio, NWB has now been able to calculate the CO₂e emissions for 93.6% of its loan portfolio.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

NWB sees reporting on their own and their clients' carbon emissions as a prerequisite for transparency and accountability. NWB will continue to publish the climate footprint of its loan portfolio and own organisation annually. That will help NWB to understand how much progress has been made in terms of reducing emissions and where it stands in relation to the targets set for NWB and its clients in their Climate Action Plan. Based on the achieved reduction, NWB may decide to adjust targets, in which case NWB will also be transparent. Moreover, NWB is explicit about any changes that have been or should be made in how they calculate GHG emissions.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

NWB aims to have the best possible idea of each client's climate footprint. In many cases, NWB already has this information, but it is still often an approximation. Where necessary and possible, NWB will ask individual clients for primary data as part of their Climate Action Plan. NWB already has this data from drinking water companies and water authorities. In the case of the water authorities, NWB makes grateful use of the Water Authorities' Climate Monitor, which NWB commissions together with the Association of Dutch Water Authorities.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

NWB's Climate Action Plan will not only guide the organisation but will encourage a broad group of stakeholders to join NWB on the road to the Paris Agreement goals. Involving stakeholders in the implementation of this plan is essential because only together the emissions can be reduced. NWB is looking for sector-wide solutions, standards and ambitions that can accelerate the reduction of emissions. At the heart of its Climate Action Plan is an active dialogue with NWB's clients about how they can help to reduce CO₂e emissions. NWB will ask the clients to provide them with their reduction targets and evaluate whether these correspond to science-based targets. In doing so, NWB will not fail to engage in a critical dialogue where necessary. At the same time, NWB encourages its clients to become more sustainable by offering them appropriate financing. In many cases, this can be done with traditional financial products but, where necessary and possible, NWB will provide an extra incentive with special sustainability-linked loans and chip in by facilitating climate solutions. NWB also directly finances renewable energy projects.

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

Rabobank has used the PCAF Standard to estimate financed emissions of most of its portfolio. The results of this effort have been published in the Our Impact in 2021 report, which contains financed emissions estimates for 85% of Rabobank's climate-material portfolio, covering a substantially larger part than the first climate report published in 2020 by expanding the coverage of the Dutch business portfolio. Meanwhile, Rabobank is working towards client-level emissions data. One example is a collaboration with the PCAF NL working group on mortgages to obtain data on the actual energy usage of households to accurately assess the emissions of Rabobank's mortgage portfolio. Rabobank also participates in the PCAF NL working group on data and in the working group on stakeholder engagement. Rabobank also continued contributing to the Banking for Impact on Climate in Agriculture (B4ICA), a coalition of banks convened by the WBCSD, PCAF, and UNEP FI. Its purpose is to develop data and tools to support the assessment of the Paris Alignment of banking loan portfolios in agriculture.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

Rabobank sees GHG footprinting as the first out of four steps to becoming aligned with the Paris Agreement. By providing the market standard, PCAF contributes to alignment and comparability between financial institutions. Because verified self-reported emissions are unavailable for most clients, the majority of GHG footprint measurements rely on estimates calculated using different types of estimations and proxy indicators. Rabobank sees financed emissions as an essential component of climate risk management, as it provides important input for identifying transition risks.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

Overarching challenges for measurement methods include the limited availability of data and the lack of unambiguous recognised and applied definitions and standards. This concerns, for example, granular data in the field of emissions and established food & agriculture methodologies on climate impact estimation and Paris Alignment. In terms of methodology, standardised methods for GHG accounting are missing for parts of Rabobank's portfolio, including sovereign bonds and derivatives. The lack of disclosed data is a challenge for the Dutch SME portfolio, the international wholesale, rural portfolios, the Dutch wholesale, and real estate portfolios. As described in the PCAF activities conducted above, Rabobank is working towards client-level emissions data, for example through a very active collaboration with the PCAF NL working group on mortgages.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

In the Our Impact in 2021 report, Rabobank provides insight into its overall approach to aligning with the Dutch Climate Commitment and more detailed insight is given into the steps of this process for mortgages, dairy in the Netherlands, and renewable energy project finance. Further reduction goals and related actions are to be published in the second half of 2022 in Rabobank's 'Road to Paris' report. The first reduction targets for 2030 that Rabobank will focus on are in the sectors where Rabobank can have the most impact, being the most carbon-intensive sectors in its portfolio. To reach the targets, multiple climates and sustainability-related products and services are in use or being developed. Going forward, Rabobank will publish its emissions and emissions intensity, along with the progress with respect to Rabobank's transition strategy, which includes actions and policies per sector.

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

RNHB is proud to have joined PCAF in 2021. Joining PCAF highlights RNHB's commitment to the sustainability shift, allowing RNHB to measure its GHG emissions and as a result improving accountability in the sector while laying the basis for emission reduction initiatives. In 2021, RNHB set up an ESG & GHG Offset Strategy, focusing on avoiding additional emissions, reducing existing emissions, and aligning the offset project portfolio with its ESG Strategy. Moreover, RNHB fully offset the financed GHG emissions of the Dutch Property Finance bonds transaction and embedded the GHG offset process in multiple reports. RNHB was also able to calculate financed GHG emissions for the full RNHB and commercial mortgage-backed security books, including the future funding planning and purchased certificates to offset all corporate emissions and portfolio GHG emissions of the securitisations scheduled for 2022-2023 in advance.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

RNHB aims to use its market-leading position to set the tone for sustainable and responsible business conduct and employ business opportunities to create a more sustainable and socially focused future. Identifying and measuring GHG emissions can help RNHB gather new metrics and new business insights, and offset GHG emissions more efficiently. Measuring and disclosing financed emissions can also help with strengthening investor relations (i.e., a larger investor base, and better communication with investors) and enhancing pricing power for new transactions. RNHB's current corporate emissions are well below the office benchmark and will be further reduced on a best-effort approach. RNHB would like to incentivise its clients to lower the emissions of their real estate assets by improving energy labels, using more renewable energy, and changing customer behaviour. RNHB would also voluntarily offset its remaining direct emissions and indirect emissions for all securitised portfolios.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

For GHG emission calculations, the largest challenge for RNHB is to get access to a reliable database, especially for energy consumption and energy labels of properties. RNHB is currently using energy consumption data from the Centraal Bureau voor de Statistiek (CBS) to calculate the GHG emissions, which is rated at a score 5. Getting access to actual data on the energy consumption of properties or a more complete and timelier database would help with data quality. It's also a challenge to find out the most prevalent science-based methodology and align the methodology with other financial institutions.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

Treasury and Funding Solutions at RNHB will submit the first PCAF report in October 2022 and will participate in PCAF NL working groups together with other financial institutions for knowledge sharing. RNHB will follow its GHG Offset Strategy to decrease both direct emissions (company facilities) and indirect emissions (financed emissions from the loan portfolio). To move to implementation and mitigate pricing risk, RNHB will select credit portfolio mix and select partners, and embed portfolio management and reporting. RNHB aims to have a larger loan portfolio with more reliable data and higher energy labels and may issue green notes in the future.

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

Robeco publicly disclosed its financed emissions over its financial year 2021 using the PCAF Standard. In addition, Robeco contributed to the international activities and working groups of PCAF. Robeco contributed to the PCAF Global working groups on sovereign bonds, green bonds, and the correction for EVIC inflation in the calculation of portfolio decarbonisation over time. These elements will be included in the updated PCAF Standard that is expected to be released in the course of 2022.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

The measurement and disclosure of Robeco's financed emissions is a cornerstone of Robeco's overall climate policy. The goal of Robeco's climate policy is to contribute to the goals of the Paris Agreement and to manage the risks and opportunities of climate change. Key components in this are the decarbonisation of our assets under management, the integration of climate in investment decisions, climate risk management, and engagement with companies. Robeco's GHG data infrastructure is a key enabler for these activities.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

Two key challenges are predominant for Robeco. First, GHG data quality is challenging, particularly on Scope 3 emissions from companies. Company reporting is patchy and inconsistent, hence much of the GHG data is modelled by data providers, with huge differences between those providers. To improve this, companies need to be encouraged (or obliged by law) to report more consistently. Secondly, when aggregating company emissions in investment portfolios, there is much double-counting. This is particularly true for Scope 3 emissions of companies, which creates a blurred picture of the total financed emissions. To resolve this, a harmonised approach is needed in the industry.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

The key activity in the next years is to further integrate Scope 3 emissions of the companies in Robeco's portfolio decarbonisation. Robeco seeks to collaborate with peers to develop an industry-wide approach to this. Another key area of activity is to develop an industry-wide approach to account for the GHG footprint and decarbonisation contribution of green bonds and other investments in climate solutions. Robeco will also seek to improve data coverage for government-related securities.

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

In 2021, Triodos Bank has set the target to be net zero as soon as possible, at the latest in 2035. The ambition is that the GHG emissions of all Triodos Bank's loans and funds' investments will be greatly reduced, using a science-based targets approach. The remaining emissions will be balanced or 'inset' by investing considerably in nature projects that remove GHG from the air. In formulating its target, Triodos Bank has adopted a holistic approach in support of its mission to create a positive impact on people and nature. Triodos Bank believes we can only get to zero as one.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

To understand if their contribution to the low or no carbon transition is on track, financial institutions first need to understand the impact of the decisions they make about where they choose to lend and invest. As a pan-European values-based bank, Triodos Bank also wants to understand, monitor, and in the future, help to steer based on applying this approach internationally. By following PCAFs' mapping of emissions per asset class, Triodos Bank identifies current hotspots within its portfolio. This provided useful guidance when setting emissions targets following the Science Based Targets initiative (SBTi) and helped Triodos Bank navigate a long-term strategy that is in line with the Paris Agreement. Widespread adoption of the global PCAF Standard will allow stakeholders to compare the GHG emissions of banks and other financial institutions.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

Triodos Bank is in a stage of improving the data quality in measuring its financed emissions. For higher emitting clients, Triodos Bank will need to request additional data or use tooling to improve the data quality. Many clients in its SME portfolio do not yet measure their own emissions or have set targets. Triodos Bank is currently also working on the improvement of its reporting processes, making it less Excel-based and creating a feedback loop to the business units so that they can steer on impact better. Moreover, just like ESG, there are many different standards on what net zero or science-based means or on how emissions should be measured. Increasing regulatory pressure in the coming years may lead to the harmonisation of reporting standards on emissions disclosures.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

Triodos Bank will continue to work on the roadmap for reaching its target of net zero in 2035. Triodos Bank will work on getting its plans externally reviewed; it will submit its targets for validation by the Science Based Targets initiative in 2022. Triodos Bank wants to reduce its own emissions and of its customers and investees and help finance the transition, whilst also considering biodiversity and social inclusion of all people. It wants to intensify its collaboration with clients, and other stakeholders to reach this challenging but realistic target. Triodos Bank will continue to report the climate impact of its own operations and of its loans and funds' investments in the future. Triodos Bank aims to improve the overall quality of this data to improve the insights and better steer on targets.

PCAF ACTIVITIES CONDUCTED IN THE LAST YEAR

Van Lanschot Kempen was one of the first asset managers to commit to the Net-Zero Asset Managers initiative in 2020. Also, Van Lanschot Kempen set carbon footprint reduction targets for 2025, 2030, and 2050. Across the organisation, the balance sheet, and the assets under management, Van Lanschot Kempen reduced its GHG footprint during 2021. Van Lanschot Kempen also decided to set annual GHG footprint reduction targets, starting in 2022. For its internally managed listed funds and discretionary solutions for private clients, Van Lanschot Kempen aims to reduce its GHG footprint by 7% a year in line with the Paris Agreement. Although the easiest way to reach this target is to sell all shares in the most emitting companies, Van Lanschot Kempen prefers to take the more impactful route by actively engaging as a shareholder with investee companies. In doing so, Van Lanschot Kempen expects to facilitate the broader energy transition and create more real-world impact. The overall progress can be tracked in the annual sustainability supplement and on the Van Lanschot Kempen website.

BENEFITS OF MEASURING AND DISCLOSING FINANCED EMISSIONS

Measuring and disclosing GHG emissions provides a starting point and is an enabler to include emissions in Van Lanschot Kempen's investment and financing activities. Furthermore, based on the measures and disclosures, Van Lanschot Kempen uses it to steer on GHG emissions. In this way, Van Lanschot Kempen can take its role as a financial institution in the climate change and energy transition. The measuring and disclosing also allows Van Lanschot Kempen a starting point to engage with its investee companies, together with forward-looking elements such as climate scenarios, which can help to transition towards a low carbon economy.

CHALLENGES OF MEASURING AND DISCLOSING FINANCED EMISSIONS

As GHG emissions is an area in development, there exist several challenges. One of the main challenges is to obtain GHG emission data which is timely and of good quality. This will be an ongoing process, in which Van Lanschot Kempen can distinguish different speeds to obtain data for its listed and non-listed investments. Sustainability regulation is therefore needed to obtain data from all different investee companies and other stakeholders (such as governments). Standardisation, increase of scope, and improving the data quality will be necessary and key to embedding GHG emissions across all investments and financing. Regulation or standards for ESG data providers to align them to obtain the same GHG emissions would be also very helpful.

EXPECTED ACTIVITIES IN THE NEXT FEW YEARS

Van Lanschot Kempen expects to continue its activities of steering and target setting for the areas where it has sufficient GHG emission data. Furthermore, Van Lanschot Kempen will continue with its aim to increase the scope of GHG emission data for its activities, so that over time it is possible to steer on that part of its activities.

6. Glossary

The following terms are used in this publication:

Asset class	A group of financial instruments that have similar financial characteristics. ¹⁴
Carbon intensity	The number of emissions of carbon dioxide (CO ₂) released per unit of another variable such as gross domestic product (GDP), output energy use or transport. ¹⁵
Centraal Bureau voor de Statistiek (CBS)	Dutch governmental institution that gathers statistical information about the Netherlands.
Climate-related risk – Physical Risk	Climate-related risks associated with the potential negative physical impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). ¹⁶
Climate-related risk – Transition Risk	Climate-related risks associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations. ¹⁶
Decarbonisation	The process by which countries, individuals, financial institutions or other entities achieve zero fossil carbon emissions. Typically refers to a reduction of the carbon emissions associated with electricity, industry and transport. ¹⁵
CO₂-equivalent (CO₂e)	The amount of carbon dioxide (CO ₂) that would cause the same integrated radiative forcing (a measure for the strength of climate change drivers) over a given time horizon as an emitted amount of another greenhouse gas or mixture of greenhouse gases.
Dutch Climate Commitment	The national Climate Commitment that stipulates a 49% reduction of GHG emissions in the country by 2030 compared to 1990.
European Banking Authority (EBA)	The regulatory banking agency of the European Union to increase transparency in the European financial system.
Enterprise Value Including Cash (EVIC)	Measures a company's total value including any cash or cash equivalents of the company's balance sheet.

¹⁴ Science-Based Targets initiative, [Financial Sector Science-Based Targets Guidance, Pilot Version, 2020](#)

¹⁵ IPCC, 2018: [Annex I: Glossary](#) [Matthews, J.B.R. (ed.)]. In: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. In Press.

¹⁶ Financial Stability Board Task Force on Climate-related Financial Disclosures, Recommendations of the Task Force on Climate-related Financial Disclosures, Appendix 5: Glossary and Abbreviations, 2017.

Financed emissions	Absolute greenhouse gas (GHG) emissions attributed to a financial institution's lending and investing activity, expressed in metric tonnes of CO ₂ equivalent (tCO ₂ e).
Greenhouse gas (GHG) emissions	The seven gases covered by the United Nations Framework Convention on Climate Change (UNFCCC)—carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF ₆), and nitrogen trifluoride (NF ₃). ¹⁷
Investment	The term investment is broadly defined as “putting money into activities or organisations with the expectation of making a profit.” Most forms of investment involve some form of risk taking, such as investment in equities, debt, property, projects, and even fixed interest securities, which are subject to inflation risk, among other risks. ¹⁷
Method	A set of pre-defined systematic approaches.
Project	A specific, finite activity that produces an observable and measurable result under pre-set requirements, usually involving a limited number of participants; an individual or collaborative effort between established partners planned to contribute to an overall aim.
Risk management	Refers to a set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks. ¹⁸
Science-based reduction targets	Targets adopted by financial institutions or companies to reduce GHG emissions are considered “science-based” if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement—to limit global warming to well-below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C. ¹⁸
Science Based Targets initiative	An initiative to help companies set emission reduction targets in line with climate science and the Paris Agreement goals.
Standard	A set of formalised guiding principles accepted by an authority and by general consent as a basis of comparison; an approved model; initiatives which have their own technical frameworks to define, identify, disclose, and report sustainable finance.
Tool	An IT product that provides data and analytical support.
Transition	The process of changing from one state or condition to another in a given period of time. Transition can be in individuals, firms, cities, regions and nations, and can be based on incremental or transformative change. ¹⁹

17 Science-Based Targets initiative, [Financial Sector Science-Based Targets Guidance, Pilot Version, 2020](#)

18 Financial Stability Board Task Force on Climate-related Financial Disclosures, Recommendations of the Task Force on Climate-related Financial Disclosures, Appendix 5: Glossary and Abbreviations, 2017.

19 IPCC, 2018: [Annex I: Glossary](#) [Matthews, J.B.R. (ed.)]. In: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. In Press.

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