

Climate action plans of ten Dutch financial institutions

A case study for the Fair Finance Guide Netherlands

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About the Eerlijke Geldwijzer - Fair Finance Guide Netherlands

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Fair Finance Guide Netherlands is part of Fair Finance International (FFI), an international civil society network with over 100 CSO partners and allies in fifteen countries, that seeks to strengthen the commitment of banks and other financial institutions to social, environmental and human rights standards.

About this report

This report evaluates the climate action plans of ten major Dutch financial institutions against criteria derived from authoritative international publications and guidelines on what elements are essential to make climate action plans effective and credible.

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Contents

Summary	1
Abbreviations	6
Introduction	7
Chapter 1 Methodology	8
1.1 Selected financial institutions	8
1.2 Assessment framework	8
1.2.1 Authoritative publications and guidelines used	9
1.2.2 Distinction between financings and investments	10
1.2.3 Dimensions and criteria of assessment	10
1.2.4 Commitment	11
1.2.5 Measuring carbon footprint	12
1.2.6 Target setting	15
1.2.7 Target scope	18
1.2.8 Instruments	21
1.3 Research process and due hearing	22
Chapter 2 Assessment of the climate action plans of ten Dutch financial institutions	23
2.1 ABN Amro	23
2.2 ABP	25
2.3 Achmea	26
2.4 ASR	27
2.5 BpfBouw	29
2.6 ING	30
2.7 NN Group	32
2.8 Pensioenfonds Zorg en Welzijn	33
2.9 PMT	34
2.10 Rabobank	36
Chapter 3 Conclusions and recommendations	39
3.1 Conclusions	39
3.2 Recommendations	42
3.2.1 Recommendations to Dutch financial institutions	42
3.2.2 Recommendations to the Dutch government	43
References	44

List of tables

Table 1 Summary of the assessments of the climate action plans of all financial institutions	2
Table 2 Banks, insurers and pension funds selected for this project	8
Table 3 Calculation of weighting factors for the three banks	10

Table 4	Assessment dimensions and their contribution to the total score	11
Table 5	Criteria and scoring options for dimension “Commitment”	12
Table 6	Scoring options for the dimension “Measuring carbon footprint”	13
Table 7	Scoring options for the dimension “Target setting”	17
Table 8	Scoring options for the dimension “Target scope”	20
Table 9	Scoring options for the dimension “Instruments”	22
Table 10	Assessment of the climate action plan of ABN Amro	23
Table 11	Assessment of the climate action plan of ABP	25
Table 12	Assessment of the climate action plan of Achmea	26
Table 13	Assessment of the climate action plan of ASR	28
Table 14	Assessment of the climate action plan of BpfBouw	29
Table 15	Assessment of the climate action plan of ING	30
Table 16	Assessment of the climate action plan of NN Group	32
Table 17	Assessment of the climate action plan of PFZW	33
Table 18	Assessment of the climate action plan of PMT	35
Table 19	Assessment of the climate action plan of Rabobank	36
Table 20	Summary of the assessments of the climate action plans of all financial institutions	40

Summary

This report for the Eerlijke Geldwijzer (Fair Finance Guide Netherlands) presents the results of an assessment of the quality of the climate action plans published by ten Dutch financial institutions in fulfilment of the *Climate Commitment for the Financial Sector* signed in 2019. Dutch financial institutions then committed to publish climate action plans, including reduction targets for 2030, and explain what actions they are taking to contribute to the Paris Agreement, ultimately in 2022.

The climate action plans of ten financial institutions were assessed. These include the three largest banks in the Netherlands, all three active in financings and investments: ABN Amro, ING, and Rabobank. We also assessed the climate action plans of the three largest insurers in the Netherlands (Achmea, ASR, and NN Group) and the four largest Dutch pension funds (ABP, BpfBouw, PFZW and PMT), all of them only active in investments.

The assessment framework used for this case study builds upon an earlier case study for the Eerlijke Geldwijzer (Fair Finance Guide Netherlands), published in 2021. The objective of the 2021 assessment was to evaluate the financial institutions' climate commitments, policies and strategies, based on all publicly available documents and publications. The current assessment focuses exclusively on the documents published by the financial institutions in fulfilment of their commitment to publish climate action plans before the end of 2022.

Expectations of a credible climate action plan

The assessment framework developed for this study integrates recent insights from authoritative (international) publications and guidelines on what elements are essential to make climate action plans effective and credible. These include publications by the United Nations' High-Level Expert Group on the Net-zero Emissions Commitments of Non-State Entities, the Race to Zero Campaign, the Net Zero Banking Alliance and the Net Zero Asset Owners Alliance. Based on these, 18 expectations for a credible climate action plan of a financial institution are formulated, grouped in the following five dimensions:

- **Commitment:** A climate action plan can only be credible when it starts with an explicit commitment by the financial institution to align all its financing and investment portfolios with the Paris Agreement and a 1.5 °C scenario. If banks are active in investments, they should explicitly extend their commitments to their investment portfolios.
- **Measuring carbon footprint:** To understand which actions would be necessary and effective, the financial institution needs to measure and disclose its contribution to the greenhouse gas emissions of the companies included in its financing and investment portfolios. This carbon footprint of the financial institution needs to be measured and disclosed in absolute terms, in volumes of greenhouse gases.
- **Target setting:** The financial institution should set absolute emission reduction targets for all its financings and investments. Not just for the long term (2050), but also for the short-term (2025) to the medium term (2030), referencing a base year. Relative targets are not enough, as they can lead to an absolute growth of emissions when portfolios increase. Climate action plans should also include specific targets for the phasing out of fossil fuels, and they should not use carbon offsets to compensate for the emissions of the companies in their portfolios.
- **Target scope:** The financial institution should further specify its emission reduction targets by setting specific targets for each type of credit, asset class, and economic sector included in its portfolios. The targets of the financial institution should not only cover the scope 1 and 2 greenhouse gas emissions of the companies in its portfolios (their direct emissions and emissions linked to energy use). The targets also need to be explicit about scope 3 emissions: emissions linked to the supply chain and to the customers of these companies. For most companies, most emissions occur in these steps in the value chain.

- **Instruments:** The financial institution should clearly describe which concrete instruments (such as engagement and exclusion) will be used to achieve its climate targets, how they plan to report on the results of these instruments and what alternatives or escalation process follows each of them.

Overall, disclosure and transparency are critical to make any action plan effective, comprehensive and understandable. As Dutch financial institutions committed to the Dutch government in 2019 to publish climate action plans, we focussed this case study on what they now have disclosed in their climate action plans on these five dimensions. For each financial institution, the five dimensions of the climate action plan are scored on a scale of 0-10 and then combined into an overall score, using weighting factors.

Results of the assessment of the climate action plans

The results in Table 1 show that the climate action plans of the ten major Dutch financial institutions do not meet all criteria which would make their climate action plans credible and effective. On average, the ten financial institutions received a total score of 4.5 points out of 10 for their climate action plans. Pension fund ABP received the highest score with 5.3 points, while insurance company NN Group received the lowest score with 3.3 points.

Table 1 Summary of the assessments of the climate action plans of all financial institutions

Financial institution	Type	Score per dimension (0-10)					Final score (0-10)
		Commitment	Measuring carbon footprint	Target setting	Target scope	Instruments	
ABN Amro	Bank	10.0	5.0	3.2	2.8	2.2	3.6
ING	Bank	8.4	6.4	5.1	4.5	2.1	4.9
Rabobank	Bank	10.0	5.9	4.1	4.2	4.6	4.9
Achmea	Insurer	10.0	3.2	4.0	4.6	5.8	4.6
ASR	Insurer	10.0	7.1	5.5	3.2	4.2	5.1
NN Group	Insurer	7.5	5.9	2.0	1.8	4.2	3.3
ABP	Pension fund	10.0	6.5	6.5	2.9	5.8	5.3
BpfBouw	Pension fund	7.5	6.5	3.0	1.8	3.3	3.6
PFZW	Pension fund	10.0	4.7	4.5	2.5	5.0	4.2
PMT	Pension fund	10.0	3.8	4.5	4.6	7.5	5.1
Average		9.3	5.5	4.2	3.3	4.5	4.5

Per dimension the following conclusions can be drawn on the climate action plans of the ten financial institutions:

- **Commitment:** Average score 9.3 points out of 10. Six financial institutions restate their commitment to the Paris agreement and a 1.5 °C scenario for their financing and/or investment portfolios, while BpfBouw and NN Group do not reaffirm clearly their commitment to a 1.5 °C scenario in their climate action plans. ING does reaffirm its commitment for its financing portfolios, but not for its investment portfolios.
- **Measuring carbon footprint:** Average score 5.5 points out of 10. The disclosure of carbon footprint measurements is missing in the climate action plans of Achmea and PMT, while ING and Rabobank report nothing about the footprints of their investment portfolios. In contrast,

ASR discloses the carbon footprint of 98% of its total investments portfolio and BpfBouw covers 84%. Most insurers and pension funds disclose separate footprints for some asset classes, especially equity, corporate bonds and real estate. The carbon footprint of mortgages is reported by ASR and ING, but BpfBouw, PMT and PFZW do not disclose the footprint of their mortgages portfolio because of limited data availability.

The three banks focus their footprint reporting on the most important economic sectors they are financing. In the case of ING these cover 95% of the corporate credits portfolio, for Rabobank only half. But carbon footprints for other types of credit are not reported by any of the banks, while especially ING is very active in underwriting share and bond issuances to help fossil fuel companies and other carbon-intensive companies to attract financing.

The scope 3 emissions of portfolio companies are hardly measured or disclosed. While all financial institutions are using credible carbon footprint measurement methodologies, such as PCAF, most ignore the PCAF recommendation to start reporting - from 2021 onwards - the scope 3 emissions of portfolio companies in the fossil fuel and mining sectors. PMT has measured scope 3 for the oil and gas sector, but does not disclose the results in the climate action plan. ABP and BpfBouw have measured the scope 3 emissions for fossil fuels and mining, but they report them only as part of their overall portfolio footprint. NN Group is the only one working on scope 3 emissions for government bonds.

- **Target setting:** Average score 4.2 points out of 10. Most of the financial institutions do not disclose emission reduction targets for the short-term (at the latest for 2025), but only for the medium-term (2030) and beyond. Achmea does set a target for the short-term, but because it is linked to the “market benchmark” it is quite vague. ABN Amro and PMT set only relative reduction targets, which means that their total financed emissions can still go up when their portfolios grow.

The emission reduction targets of NN Group, PFZW and Rabobank only cover a part of their financing and/or investments portfolios. Positive examples of emission reduction targets for the entire investment portfolio in 2030 are set by ABP (50%) and ASR (65%), although they are hard to compare because the base years are different. Negative examples are ING and Rabobank, who do not formulate emission reduction targets at all for their investment portfolios.

The emission reduction targets are not always based on credible methodologies such as SBTi, PACTA and CRREM. ASR and ABP only refer to IPCC recommendations for the global economy, which does not have the same composition as an investment portfolio. Coal financing is excluded by most financial institutions, although PMT still allows coal-fired power companies below a 30% threshold.

Except for ABP, none of the financial institutions discloses a credible phase-out plan for the full oil and gas sector. Only ABP and ING clearly state that their emission reduction targets will be mainly achieved by pursuing real carbon emission reductions and not through the use of carbon offsetting.

- **Target scope:** Average score 3.3 points out of 10. Most financial institutions target the scope 1 and 2 emissions linked to their portfolios but do not yet include in their targets the scope 3 emissions of at least one sector. Most financial institutions provide specific targets for some types of credit or asset classes, but in most cases these specific targets do not cover all types of credit and asset classes which are relevant for them. The explanation why some relevant asset classes and credit types are missing (recommended by the Leidraad) is often not clear and often no timelines are mentioned by when targets will be set for all asset classes and types of credit are missing. Only BpfBouw states that additional targets will be set for government bonds and private equity in 2023.

As there are huge differences in both the urgency of, and the opportunities for, emission reductions between companies from different economic sectors, a credible climate action plan cannot do without specific targets for all economic sectors represented in the portfolios. The three banks have started to set targets for some of the important sectors they are financing, but these sectors only cover 37% of ABN Amro's carbon-intensive corporate loans. Most insurance companies and pension funds have not started yet with defining sector targets, although the Leidraad stresses that investors should also set sector targets. Only PMT is defining sector targets and has announced that it wants to include the scope 3 emissions of investee companies in these targets.

- **Instruments:** Average score 4.5 out of 10. Although most of the financial institutions mention engagement and exclusion as important instruments in their climate action plans, they do not disclose enough information on the process, timeline, evaluation, reporting, and escalation of such instruments. Only ABP excludes an entire sector, such as fossil fuels. Pension funds and insurers such as ABP and ASR, say they will divest companies if engagement on their climate targets yields no progress. None of the three banks links divestments to unsuccessful engagements in this way, weakening the impacts their engagements can have.

Other instruments - such as voting, impact investing, green bonds, interest incentives for customers and engagement with external managers - are mentioned by various financial institutions, but often without explanation on how these will actually contribute to realizing the emission reduction targets set by the financial institution.

Recommendations by the Eerlijke Geldwijzer to Dutch financial institutions

This study shows that the ten largest financial institutions active in the Netherlands are not yet taking this challenge sufficiently serious. More steps are needed to develop and implement ambitious climate action plans that are in line with the magnitude and urgency of the global threats and challenges linked to climate change. Therefore, Dutch financial institutions are recommended to:

- Commit clearly to a 1.5 °C scenario: a climate action plan can only be credible when it starts with an explicit commitment by the financial institution to align all its financing and investment portfolios with the Paris Agreement and a 1.5 °C scenario. If banks are active in investments as well, they should explicitly extend this commitment to their investment portfolio.
- Translate climate change commitments into an action plan with concrete reduction targets for the short to medium term, including targets for 2025, 2030, and 2040, to bring portfolios in line with climate objectives.
- Exclude any form of financing for new fossil fuel extraction plans and define a credible phase-out strategy for the fossil fuel sector as a whole.
- Make sure that action plans are concretized into specific targets and objectives for all asset classes, types of credit, and economic sectors which are relevant for the financial institution, without any exceptions for specific asset classes or sectors.
- Ensure that action plans include both an absolute emission reduction target for the whole portfolio as well as absolute and relative (intensity) targets for the various economic sectors represented in the portfolio, in line with a 1.5 °C scenario. A relative target for the entire portfolio is not enough, as it can lead to an absolute growth of emissions when the portfolio increases.
- Develop a balanced and effective strategy employing different instruments to achieve the goals of the climate action plan, which should include climate-related screening, engagement, exclusions and divestments, loan clauses, a targeted voting policy, and collective influencing

initiatives to advance climate objectives. Importantly, make sure that these actions are time-bound, goal-oriented, monitored through concrete milestones and transparently reported about.

- Do not use carbon offsets to compensate for the emissions of companies in financing and investment portfolios.
- Ensure sufficient disclosure and transparency to make the climate action plan effective, comprehensive and understandable.

Recommendations by the Eerlijke Geldwijzer to the Dutch government

Based on the findings in this study, the Eerlijke Geldwijzer (Fair Finance Guide Netherlands) concludes that the researched ten Dutch financial institutions do not sufficiently live up to the commitment they made in 2019 to publish climate action plans which would ensure that they would make a proportionate contribution to the goals of the Paris Agreement. The Eerlijke Geldwijzer concludes that we cannot rely on the voluntary steps of financial institutions in this respect. Therefore, the Dutch government is recommended to:

- Oblige all financial institutions to adopt and implement a plan to reduce their financed greenhouse gas emissions in line with the target of limiting global temperature rise to 1.5°C. To ensure that these climate action plans live up to international expectations, the government is recommended to issue binding guidance for the content of these plans and to supervise their effective and rapid implementation.
- In developing binding guidance for the climate action plans of financial institutions, the government is recommended to rely on criteria for a credible climate action plan as recommended by authoritative international documents such as the High-Level Expert Group (HLEG) on the Net-Zero Emissions Commitments of Non-State Entities published in November 2022, on how to bring activities in line with the goals of the Paris Agreement.

Abbreviations

BpfBouw	Bedrijfstakpensioenfonds voor de Bouwnijverheid
CCS	Carbon Capture and Storage
CFSK	Commissie Financiële Sector Klimaatcommitment
EPRG	Expert Peer Review Group
ESRS	European Sustainability Reporting Standards
FFI	Fair Finance International
IEA	International Energy Agency
IPCC	Intergovernmental Panel on Climate Change
ISO	International Organization for Standardization
NCI	New Climate Institute
NZAOA	Net Zero Asset Owner Alliance
NZBA	Net Zero Banking Alliance
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
PFZW	Pensioenfonds Zorg en Welzijn
SBTi	Science Based Targets initiative
TPI	Transition Pathway Initiative
UNEP	United Nations Environment Programme
UN-HLEG	United Nations' High-level Expert Group

Introduction

This report for the Eerlijke Geldwijzer (Fair Finance Guide Netherlands) presents the results of an assessment of the quality of the climate action plans published by ten Dutch financial institutions in fulfilment of the *Climate Commitment for the Financial Sector*. Around 50 banks, insurers, pension funds, asset managers and their umbrella organisations signed the Climate Commitment in 2019. By signing the commitment, Dutch financial institutions then committed to publish climate action plans, including reduction targets for 2030, and explain what actions they are taking to contribute to the Paris Agreement, ultimately in 2022. The financial institutions and their umbrella organizations have organized themselves and published their climate action plans on the web page of the *Commissie Financiële Sector Klimaatcommitment*.

The climate action plans of ten financial institutions were assessed. These include the three largest banks in the Netherlands, all three active in financings and investments: ABN Amro, ING, and Rabobank. We also assessed the climate action plans of the three largest insurers in the Netherlands (Achmea, ASR, and NN Group) and the four largest Dutch pension funds (ABP, BpfBouw, PFZW and PMT), all of them only active in investments.

The assessment framework used for this case study builds upon an earlier case study for the Eerlijke Geldwijzer (Fair Finance Guide Netherlands), published in 2021.¹ The objective of the 2021 assessment was to evaluate the financial institutions' climate commitments, policies and strategies, based on all publicly available documents and publications. The current assessment focuses exclusively on the documents published by the financial institutions in fulfilment of their commitment to publish climate action plans before the end of 2022.

The assessment framework developed for this study integrates recent insights from authoritative (international) publications and guidelines on what elements are essential to make climate action plans effective and credible. These include publications by the United Nations' High-Level Expert Group on the Net-zero Emissions Commitments of Non-State Entities, the Race to Zero Campaign, the Net Zero Banking Alliance and the Net Zero Asset Owners Alliance. At the very minimum, the financial institutions should comply with the recommendations of the guidance document developed by the Dutch financial sector itself (Leidraad Ondertekenaars Klimaatcommitment Financiële Sector).²

This report is structured into three chapters. Chapter 1 introduces the methodology of the assessment, including the list of authoritative international guidelines and publications used to develop the assessment framework for this study. Chapter 2 discusses the results of the assessments. Finally, chapter 3 presents conclusions and recommendations.

A summary of the findings of this report can be found on the first pages of this report.

1

Methodology

This chapter explains the methodology used to assess the climate action plans of ten selected financial institutions active in the Netherlands. These banks, insurance companies and pension funds all signed the *Klimaatcommitment Financiële Sector in 2019* and committed to publish a climate action plan by the end of 2022 at the latest.

1.1 Selected financial institutions

The ten most important banks, insurers and pension funds operating in the Netherlands - based on the total assets on their consolidated balance sheets - are selected for this research project, as listed in Table 2.

Table 2 Banks, insurers and pension funds selected for this project

Banks	Insurers	Pension funds
ABN Amro	Achmea	ABP
ING	ASR	BpfBouw
Rabobank	NN Group (NN)	PFZW
		PMT

1.2 Assessment framework

The assessment framework used for this case study builds upon the assessment framework used in the 2021 case study for the Eerlijke Geldwijzer (Fair Finance Guide Netherlands).³ At that time, the commitment of Dutch financial institutions to publish climate action plans was not yet effective. The objective of the assessment then was to evaluate the financial institution's climate commitments, policies and strategies using all publicly available documents and publications.

Some important changes were introduced in the assessment framework used for this case study:

1. The new assessment framework was developed under the premise that the Dutch financial institutions have committed to publishing a climate action plan by the end of 2022 at the latest. Therefore, in this case study, the analysis focused on the documents published by the financial institutions in fulfilment of that commitment.
2. The assessment framework used in 2021 was based on the Fair Finance Guide International Methodology 2020⁴ as the main methodological reference, given that not many international guidance documents were available at that time. For this case study, the assessment framework was enriched with recent insights from other authoritative publications and guidelines.
3. Disclosure and transparency are critical elements for a credible climate action plan. We therefore looked at what has been disclosed by the financial institutions in their action plan document and conducted the assessment based on the disclosed information.

1.2.1 Authoritative publications and guidelines used

The assessment framework is based on the following authoritative international publications and guidelines to identify critical dimensions and criteria for a good climate action plan:

- **UN-HLEG report:** “Integrity matters: net-zero commitments by businesses, financial institutions, cities and regions” published by the United Nations’ High-Level Expert Group on the Net-zero Emissions Commitments of Non-State Entities;⁵
- **NCI Guidance:** “Guidance and assessment criteria for good practice corporate emission reduction and net-zero targets: Version 2.0 Corporate climate responsibility” published by the New Climate Institute (NCI);⁶
- **EPRG Race to Zero:** “Interpretation Guide Race to Zero Version 2.0” published by the Expert Peer Review Group (EPRG);⁷
- **ESRS draft:** “Draft European Sustainability Reporting Standards: Climate Change” published by the European Financial Reporting Advisory Group (EFRAG);⁸
- **FFG Methodology 2021:** “Fair Finance Guide International Methodology 2021” developed by Profundo and the Fair Finance International network;⁹
- **Paris Climate Agreement:** The Paris Agreement is the international treaty on climate change adopted in 2015;¹⁰
- **PCAF:** “The Global GHG Accounting & Reporting Standard - Part A: Financed Emissions” developed by the Partnership for Carbon Accounting Financials (PCAF);¹¹
- **IPCC recommendations:** “Mitigation of Climate Change” published by the Intergovernmental Panel on Climate Change (IPCC);¹²
- **IEA Net Zero report:** “Net Zero by 2050 - A Roadmap for the Global Energy Sector” published by the International Energy Agency (IEA);¹³
- **NZBA Guidelines:** “Guidelines for Climate Target Setting for Banks” published by the Net-Zero Banking Alliance (NZBA);¹⁴ and
- **NZAOA Commitment Document:** “Commitment document for participating asset owners” published by the Net-Zero Asset Owner Alliance (NZAOA).¹⁵

Apart from these authoritative international publications and guidelines, this case study also compares the climate action plans of the ten financial institutions with the **Leidraad CFSK:** the Leidraad Ondertekenaars Klimaatcommitment Financiële Sector published by the Commissie Financiële Sector Klimaatcommitment in 2022 on behalf of the four umbrella organisations of the financial institutions in the Netherlands (Dutch Banking Association, Pension Federation, Dutch Association of Insurers and Dutch Fund and Asset Management Association).¹⁶

It is important to note, however, that the *Leidraad CFSK* is less rigorous, ambitious and innovative than the authoritative international guidelines mentioned above. Different from these international guidelines, the *Leidraad CFSK* does not recommend financial institutions to:

- Reaffirm the financial institution’s commitment to the Paris Agreement and a 1.5 °C scenario (or a net-zero pledge);
- Complement reporting on scope 1 and 2 emissions of portfolio companies with reporting on the scope 3 emissions of these companies;
- Complement relative (intensity) targets for specific sectors with absolute reduction targets for the full portfolio;
- Complement emission reduction targets for the medium-term (2030) and long-term (2050) with short-term (2025) targets;

- Set specific targets for the phasing out of financing for fossil fuels, in line with recommendations by IPCC and IEA;
- Avoid using carbon offsets to meet the financial institution’s emission reduction targets;
- Align lobbying and advocacy by the financial institution with its climate change commitments; and
- Integrate the emission reduction targets in a broader policy on (investing in) a just energy transition that is just for people and nature.

1.2.2 Distinction between financings and investments

The assessment framework is used for different types of financial institutions (banks, insurance companies, and pension funds) across two types of financing:

- Financings: all forms of credits, corporate finance, project finance, trade finance and underwritings.
- Investments: asset management for own account and asset management for the account of clients.

Most insurance companies and pension funds are only active in investments. One exception is Achmea, which has next to its investments - also a small banking department offering residential mortgages. This activity is not included in the assessment of Achmea’s climate action plan in this case study.

All banks are active in financings and the three banks included in this case study are also involved in investments, through their asset management and/or private banking departments. In this case study the climate action plans of the three banks are therefore assessed separately for their financing activities and for their investment activities. The two scores are combined by using weighting factors, based on the relative importance of the total assets on the balance sheet of the bank and its assets under management. These weighting factors are calculated in Table 3.

Table 3 Calculation of weighting factors for the three banks

Bank	Balance sheet assets		Assets under management	
	billion Euro	%	billion Euro	%
ABN Amro	399.1	56%	313.6	44%
ING	951.3	84%	176.7	16%
Rabobank	639.6	91%	62.5	9%

Sources: ABN Amro, *Integrated Annual Report 2021*, p. 69, 72; ING Group, *Annual Report 2021*, p. 49, 267; Rabobank, *Annual Report 2021*, p. 18, 136.

1.2.3 Dimensions and criteria of assessment

The assessment methodology investigates 18 criteria, of which two criteria apply exclusively to financial institutions active in investments and two only to financial institutions active in financings. The other 14 criteria apply to all financial institutions.

The 18 criteria were grouped in five dimensions of analysis, which are critical to a credible action plan. The criteria, and therefore the different dimensions as well, have been assigned with different weights in the total score to recognise that certain steps in elaborating an action plan require more complexity. In contrast, others should have already been accomplished. For example, all financial institutions are expected to have formulated a restatement of their commitment to meet the goals of the Paris Agreement and align their activities with a scenario limiting global warming to 1.5°C as the basis of the climate action plan. Therefore, the “Commitment” dimension was assigned with less weight than setting overall emission reduction targets for the short- and medium-term

(“Target setting”) and more detailed targets for sectors and asset classes based on credible decarbonisation pathways (“Target scope”).

Table 4 shows the five dimensions and the contribution of each dimension to the total score. The total number points for the 18 criteria together is 96. Two criteria (15 points) are not applicable for financings and two criteria (also 15 points) are not applicable for investments. The climate action plans of the three insurance companies and four pension funds listed in Table 2 are assessed against the 16 criteria with a maximum of 81 points relevant for investments. The climate action plans of the three banks are assessed separately for financings and for investments, both against 16 criteria with a maximum of 81 points. The two separate scores of each bank are then combined by using the weighting factors calculated in Table 3.

Table 4 Assessment dimensions and their contribution to the total score

Dimension	Maximum score	Contribution
Commitment	4	5%
Measuring carbon footprint	17	21%
Target setting	20	25%
Target scope	28	35%
Instruments	12	15%
Total	81	100%

To make the scores of the various financial institutions on the different dimensions more comparable, both the scores per dimension and the total scores of the financial institutions are normalized on a scale from 0 to 10. This is done by dividing the actual scores by the maximum score which could be achieved (see Table 4) and then multiplying by ten.

In the following sub-sections the criteria included in each of the five dimensions mentioned in Table 4 are discussed more in detail, clarifying also the scoring tables per criteria.

1.2.4 Commitment

The dimension “Commitment” analyses the commitment of the financial institutions as stated by themselves in their climate action plan. Each of the selected financial institutions has signed the *Climate Commitment Financial Sector* in 2019. However, it is critical to a good action plan that the financial institutions state how they envision their commitment in relation to their financings and investments. Therefore, a pledge or a re-statement of their commitment to the Paris Agreement is a critical element expected from a good climate action plan.

The 2015 Paris Agreement is the most widely recognised international agreement on climate change. It includes commitments to keep global average temperatures “*well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels*”.¹⁷ In addition, the Paris Agreement sets the goal of “*making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*”.¹⁸

Since the adoption of the Paris Agreement, the scientific consensus, highlighted by a 2018 special report of the Intergovernmental Panel on Climate Change (IPCC), has been that the negative social, environmental, and economic consequences in a 2°C scenario will be much more severe than in a 1.5°C scenario.¹⁹ A clear commitment to mitigating the worst impacts of climate change should therefore seek to reduce financed emissions in line with a 1.5°C scenario. Once again, the message from the IPCC report released in April 2022 on climate change mitigation is clear: urgent and drastic action is needed if the world is to limit global warming to 1.5°C.²⁰

The Leidraad CFSK 2022 has instructed the financial institutions in the Netherlands about the importance of presenting an action plan that is aligned with the Paris agreement and a 1.5 °C

scenario: “The action plans presented by institutions are in line with the Paris Agreement. In it, the financial institution explains what actions it is taking to contribute to the Paris agreement (net-zero-in-2050) and are in line with a maximum of 1.5°C warming”.²¹

The recommendation of the UN-HLEG to financial institutions is to make a net zero pledge representing a fair share of the needed mitigation effort, containing interim targets (2025, 2030, and 2035) in line with the IPCC or IEA pathways that limit warming to 1.5°C with no or limited overshoot, and with global emissions declining by at least 50% by 2030, reaching net-zero by 2050 or sooner.²²

All the above means that a credible climate action plan should clearly state what is the objective of the action plan. A (re)statement of commitment by a financial institution should at least:

- Refer to the 2015 Paris Agreement;
- Explicitly commit to a 1.5°C scenario with no or limited overshoot and based on the best available scientific knowledge; and
- Commit to aligning its full investment and financing portfolios with a scenario consistent with this objective.

Table 5 shows the criteria and scoring options for the dimension Commitment.

Table 5 Criteria and scoring options for dimension “Commitment”

Criteria	Scoring options
1 Commitment is made or reaffirmed to align the investment and financing portfolios with a 1.5°C scenario, in line with the Paris Climate Agreement	0 No reaffirmation of the commitment, or the statement is vague; it mentions the Paris Climate Agreement and the contributions of the financial institution but not an explicit commitment to align its financing and investment portfolios.
	2 Explicit reaffirmation of the commitment to align its financing and investment portfolios with the Paris Climate Agreement but no explicit mention of alignment to a 1.5 °C scenario with no or limited overshoot and based on the best available scientific knowledge.
	4 Explicit reaffirmation of the commitment to align its financing and investment portfolios with the Paris Climate Agreement with explicit mention of alignment to a 1.5 °C scenario with no or limited overshoot and based on the best available scientific knowledge.

1.2.5 Measuring carbon footprint

Aligning financing and investment portfolios to a 1.5°C scenario requires that financial institutions know the true climate impacts of their financing and investment activities. To understand which actions would be necessary and effective, the financial institution needs to measure and disclose its contribution to the greenhouse gas emissions of the companies included in its financing and investment portfolios. This carbon footprint of the financial institution needs to be measured and disclosed in absolute terms, in volumes of greenhouse gases.

In the Dutch Climate Agreement 2019, financial institutions have committed themselves to measure and report the carbon footprint of their financings and investments. Measuring and reporting on the carbon footprint is a foundational input of a credible climate action plan.

The Leidraad CFSK 2022 stresses the importance of measuring and reporting the climate impact of the financial portfolios as a critical component of a climate action plan. “Measuring the greenhouse gas emissions of the portfolio gives financial institutions (and their stakeholders) insight into the total impact of the portfolio on the climate. On that basis, financial institutions must determine the possibilities for reducing greenhouse gas emissions in their portfolios in line

with the targets set.”²³ The Leidraad CFSK provides some critical elements for CO₂ measuring and reporting, summarised here:

- Report CO₂ measures for priority sectors and asset classes at least in “category 1”. For instance asset classes in Category 1 are: listed shares, corporate bonds, real estate, mortgages, government bonds, private equity and private debt. Economic sectors in Category 1 are: agriculture, aluminium production, cement, coal, real estate, iron, oil and gas, electricity generation, and transportation.
- The Leidraad CFSK also encourages the financial institutions to identify (measure) and report their priority sectors and asset classes. If they don’t report on “Category 2”, they should clarify why. Asset classes in Category 2 could be: infrastructure, externally managed funds and other asset classes. Economic sectors in Category 2 are: Other sectors.
- Report at least scopes 1 and 2. When possible, report scope 3 in alignment with EU legislation and be transparent about using estimations and data.
- Use internationally recognised methods such as PCAF when calculating the financed CO₂ emissions. Improvements or additions are possible; it is crucial that it is a 'reliable' method.
- The report should have a historical and forward-looking perspective.

Not all economic sectors a financial institution finances or invests in are equal in their climate impacts. Therefore, financial institutions must identify the sectors with the largest contribution to climate change to defining priority sectors for action and engagement.²⁴ The Leidraad CFSK also clarifies that sectors play a critical role in properly measuring and identifying the impact of emissions in the portfolios, not only for loans but also for investments. “Insurers and asset managers often organise their investments by investment category or asset classes, and not by sector. Yet within the investment categories, the sector composition is indeed relevant to the climate policy to be pursued, and investors also prioritise CO₂-intensive sectors.”²⁵

All international guidelines emphasise the importance not only of measuring but reporting in a transparent way. Financial institutions should report on progress annually and explain changes and relevant information that might impact the emission reduction targets.²⁶ The NZBA²⁷ and the NZAOA²⁸ recommend that banks and asset owners report an emission profile and a baseline emission measurement that serve as a basis for the emission reduction targets.

Not yet covered in most publications is how (investment) banks should report on the carbon footprint of their underwritings of share and bond issuances of companies. For banks, these underwritings are short-term loans which disappear from their balance sheet rapidly. Annual carbon footprint measurement therefore hardly covers these underwritings, while they are often of huge importance for companies to finance expansion and investments plans. A credible methodology which acknowledges the importance of underwritings for companies, and clarifies the level of responsibility of the underwriting banks for the associated emissions is therefore urgently needed. PCAF has announced that it will develop such a methodology in the near future.²⁹

Table 6 shows the criteria and scoring options for the dimension “Measuring carbon footprint”

Table 6 Scoring options for the dimension “Measuring carbon footprint”

Criteria	Scoring options
2 Robust and credible methodologies are used to measure the carbon footprint of portfolios	0 The carbon footprint of the portfolios is not measured.
	1 The carbon footprint of the portfolios is measured, but the methodologies are not robust or credible.
	2 The carbon footprint of the portfolios is measured with robust and credible methodologies (e.g. PACTA, PCAF or other methodologies developed with an experienced third party) for about half or more of the financial institution’s financings and investments.

Criteria	Scoring options	
	4	The carbon footprint of the portfolios is measured with robust and credible methodologies (e.g. PACTA, PCAF or other methodologies developed with an experienced third party) for all financings and investments of the financial institution.
3 The carbon footprint is measured and disclosed for scope 1, 2 and 3 emissions of the sectors financed	0	The carbon footprint is not measured.
	1	The carbon footprint is measured but not disclosed, or only published for scope 1 emissions.
	2	The carbon footprint is measured and disclosed for scope 1 and 2 emissions.
	4	The carbon footprint is measured and disclosed for scope 1 and 2 emissions, and for scope 3 (of at least 1 sector).
4 The carbon footprint is measured and disclosed for all economic sectors relevant to climate change mitigation: <ul style="list-style-type: none"> • Agriculture • Aluminium production • Cement production • Coal • Real estate • Iron and steel production • Livestock • Oil and gas • Electricity generation • Transportation • Any other additional relevant sector identified by the financial institution under a solid methodology or because of great exposure in the portfolio. (e.g. Fossil fuel trading, etc). 	0	The carbon footprint is not measured/disclosed for any specific sector.
	2	The carbon footprint is measured and disclosed for half of the sectors or a list of the most relevant sectors for the financial institution identified under a solid methodology. Still, it does not explain why other relevant sectors are not included (e.g. No or minimal exposure in the portfolio).
	4	The carbon footprint is measured and disclosed for all sectors or a list of the most relevant sectors for the financial institution identified under a solid methodology and it explains why there is no disclosure for the other sectors (e.g. No or minimal exposure in the portfolio).
5 The carbon footprint is measured and disclosed for all types of credits the financial institution offers. This criterion applies only to banks.	0	The carbon footprint is not measured or disclosed for any type of credit (e.g., corporate credit, mortgages).
	2	The carbon footprint is measured and disclosed for one relevant type of credit (as identified by the FI).
	5	The carbon footprint is measured and disclosed for all types of credit (disaggregated by type).

Criteria	Scoring options
6 The carbon footprint is measured and disclosed for all asset classes in which the financial institution invests. This criterion applies to insurers and pension funds, and to the investment departments of banks.	One point for each asset class measured and disclosed
	1 Equity (listed shares)
	1 Corporate Bonds
	1 Real estate
	1 Mortgages
	1 Another relevant asset class identified by the financial institution (e.g., government bonds, private equity, private debt, futures, infrastructure, etc).

1.2.6 Target setting

Once a financial institution has committed to aligning its financing and investment portfolios with a 1.5°C scenario and has measured its portfolio emissions to identify the most high-impact sectors, it should set short- and medium-term emission reduction targets (for 2025 and 2030) in absolute terms. Financial institutions that have undersigned the financial sector commitment to the Dutch Climate Agreement in 2019 have committed to publishing their climate action plans, including emission reduction targets for 2030.³⁰

The Leidraad CFSK recommends: “Institutions formulate quantitative CO₂ reduction targets for 2030 for financing and investments in Category 1 or a science-based target based on internationally recognised standards that are in line with the Paris Agreement.” Asset classes in Category 1 are: listed shares, corporate bonds, real estate, mortgages, government bonds, private equity and private debt. Economic sectors in Category 1 are: agriculture, aluminium production, cement, coal, real estate, iron, oil and gas, electricity generation, and transportation.

The dimension “Target setting” assesses the quality of financial institutions’ action plans by focusing on four core features:

- **Emission reduction targets should be set in absolute terms and for the short-, medium- and long-term**

Authoritative international guidelines convey that a credible action plan should include short-term targets of five years or less, with the first target set for 2025.³¹ Financial institutions should “set interim targets that are aligned with the long-term vision in terms of depth and scope, with the first target on a timescale that requires immediate action and accountability (maximum 5 years).”³²

The latest scientific consensus released by the IPCC in 2022 indicates that GHG emissions need to be cut 43-50% by 2030 in comparison to 2019 levels.³³ The EPRG notes that a 50 per cent reduction by 2030 implies average annual reductions of approximately 7 per cent following the ‘Carbon Law’ as a rapid roadmap for global decarbonisation. However, the EPRG also recognises that change may not be linear, in particular for hard-to-abate sectors and that 7% per year may be more/less ambitious depending on baseline, sector and geography.³⁴

- **Emission reduction targets should be set in absolute and relative terms**

Emission reduction targets should be set in absolute terms at the portfolio level, expressed as a volume of financed greenhouse gas emissions (or as a percentage by which the emission volume needs to be reduced). If financial institutions only set relative targets, in terms of the average emissions per euro invested or financed, they can not guarantee that they will sufficiently contribute to reaching the goals of the Paris Agreement. Any growth of their portfolios will then result in lower absolute emission reductions.

The importance of absolute targets is stressed in several authoritative international guidelines. The UN HLEG recommends: "Company transition plans must: [...] disclose short-, medium- and long-term absolute emission reduction targets, and, if relevant, relative emission reduction targets."³⁵ And the EPRG Race to Zero writes: "In most cases, absolute emissions targets are necessary for ensuring real-world reductions (...) for finance institutions and others with "indirect" emissions, intensity targets may be helpful for tracking the process of decarbonization. Including both absolute and intensity targets and metrics provides the most clarity."³⁶

- **Emission reduction targets should be based on credible methodologies**

The Leidraad CFSK has recommended that emission reduction targets should be science-based targets based on internationally recognised standards that are in line with the Paris Agreement. "Use can be made of the developed international frameworks for a 'Paris aligned' climate policy for financial institutions, such as the Net Zero Investment Framework, the Net Zero Asset Owner Alliance Protocol, the Financial Sector Science-Based Targets Guidance and the UNEP-FI Guidelines for Climate Target Setting for Banks."

In the same direction, the UN-HLEG states that pledges, targets and pathways to net zero should be generated using a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot verified by a third party "(for example by the Science Based Targets Initiative (SBTi), the Partnership for Carbon Accounting Financials (PCAF), The Paris Agreement Capital Transition Assessment (PACTA), The Transition Pathway Initiative (TPI), the International Organization for Standardization (ISO), among others)".³⁷

The ESRS remarks on the importance of using and reporting a robust methodology, "If the undertaking has set GHG emission reduction targets [...] the following requirements shall apply: [...] the undertaking shall state whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C. The undertaking shall state which guidance or framework has been used to determine these targets including the underlying climate and policy scenarios."³⁸

Based on these guidance documents, this assessment framework expects financial institutions to clarify how they have developed their emission reduction targets based on credible and robust methodologies. This requires analysing the present emissions caused by the companies included in all parts of their investment and/or financing portfolios and the emission reduction targets which these companies should set to contribute sufficiently to a 1.5 °C scenario.

- **Target set to phase-out the funding of fossil fuel production and fossil fuel use**

There is overwhelming scientific consensus that limiting the global temperature increase to 1.5°C above pre-industrial levels necessitates, above all, a rapid move away from fossil fuels. IPCC mitigation pathways consistent with a 1.5°C scenario all assume rapid decarbonisation of the energy sector.³⁹ The 2021 Production Gap report by the UN Environment Programme (UNEP) similarly stresses that the production and use of fossil fuels, especially coal, should be quickly phased out. "Global fossil fuel production must start declining immediately and steeply to be consistent with limiting long-term warming to 1.5°C." and "The production gap is widest for coal in 2030: governments' production plans and projections would lead to around 240% more coal, 57% more oil, and 71% more gas than would be consistent with limiting global warming to 1.5°C."⁴⁰

According to the UN-HLEG report, all net zero pledges should include specific targets aimed at ending the use of and support for fossil fuels in line with IPCC and IEA net zero greenhouse gas emissions modelled pathways that limit warming to 1.5°C with no or limited overshoot. The IEA's report Net Zero by 2050 A Roadmap for the Global Energy Sector from 2021 reaffirms that there is no need for investment in new fossil fuel supply in its net zero pathway; "Beyond

projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway, and no new coal mines or mine extensions are required”⁴¹

- **Emission reduction targets should be independent from carbon offsetting claims**

Commitments by financial institutions to reduce emissions to net-zero by 2050 have become commonplace in recent years. Whether such commitments are credible depends in part on the extent to which they rely on so-called carbon offsetting claims or “negative emissions”, such as tree planting, Bioenergy with Carbon Capture and Storage (BECCS) or Direct Air Carbon Capture and Storage (DACCS). Overreliance on negative emissions is problematic firstly because negative emissions do not reduce but rather offset emissions. Negative emissions are not an alternative to emission reductions and can, at most, play a minor role in decarbonisation efforts.

Secondly, the viability and effectiveness of proposed solutions and technologies can be questioned. For instance, relying on carbon offsetting claims from massive tree planting is problematic as accounting for the carbon removed from the atmosphere is very complex, and it involves human rights and environmental risks such as land grabbing and biodiversity loss.⁴² In addition, it is not clear that there is enough land available to offset emissions at the scale required by net zero strategies heavily dependent on tree planting. At the same time, CCS technologies are still in their infancy, remain very expensive compared to emission reductions, and have not been proven to work at scale.⁴³

The emission reduction targets of financial institutions should therefore be independent from negative emissions or carbon offsetting claims.⁴⁴

Table 7 shows the criteria and scoring options for the dimension “Target setting”.

Table 7 Scoring options for the dimension “Target setting”

Criteria		Scoring options	
7	Emission reduction targets are set in absolute terms and for the short-, medium- and long-term	0	The action plan sets no targets or only targets for the long term (after 2030) and not for the medium term (2030).
		4	The action plan sets relative emission reduction targets referencing a base year for the short term (2025) or sets absolute emission reduction targets referencing a base year for the medium term (2030), for around half or more of the financial institution’s financings and investments.
		6	The action plan sets absolute emission reduction targets referencing a base year for the short term (2025) and for the medium term (2030), for around half or more of the financial institution’s financings and investments.
		8	The action plan sets absolute emission reduction targets referencing a base year for the short term (2025) and for the medium term (2030), for all financings and investments.
8	Emission reduction targets are based on credible methodologies	0	Emission reduction targets for different parts of the portfolio are not based on credible methodologies, or the financial institution does not disclose this information.
		2	Emission reduction targets are based on credible and robust methodologies for significant parts of the portfolio.
		4	Emission reduction targets are based on credible and robust methodologies for all parts of the portfolio.

Criteria		Scoring options	
9	Targets are set to phase-out the funding of fossil fuel production and fossil fuel use	0	There are no specific goals for the funding of new coal and oil and gas fields and the phase-out of existing funding, or the goals are only partial or include exceptions.
		2	Beyond funding already committed as of 2021, the financial institution commits not to give new funding for coal mines, oil and gas fields and their extensions, and not for new unabated coal power plants (in line with recommendations of the IEA).
		4	The financial institution has a phase-out plan for the funding of coal, oil and gas with significant reductions for the short and medium term (e.g., 2025, 2030, or periodically) with respect to a base year.
10	Emission reduction targets do not rely on carbon offsetting	0	The action plan relies strongly on carbon offsetting to reach the emission reduction targets of the financial institution or does not explain how carbon offsetting is included in the action plan.
		2	The action plan assigns a small role to carbon offsetting to reach the emission reduction targets of the financial institution or offers a valid justification for the inclusion of carbon offsetting.
		3	The action plan assigns a small role to carbon offsetting to reach the emission reduction targets of the financial institution and offers a valid justification for the inclusion of carbon offsetting, and the carbon offsetting claims are certified by a third party.
		4	The action plan commits not to use carbon offsetting claims to reach the emission reduction targets of the financial institution.

1.2.7 Target scope

The dimension “Target scope” analyses the scope of the financial institutions’ targets in five aspects:

- **The emission reduction targets cover the full value chain of financed clients and investees**

All greenhouse gas emissions (scope 1, 2 and 3) by companies in the financing and investment portfolios of financial institutions should be categorised by the financial institution as its “Scope 3 emissions” under the GHG Protocol categorization. To have meaningful targets and to avoid confusion, it should be clear that the scope 3 emissions of the portfolio companies – i.e. the emissions caused by their suppliers and clients – are also included in the emission reduction targets of the financial institution.

The EPRG Race to Zero explains: “Scope 3 for financial institutions should mean including portfolio/loanbook/insured/facilitated emissions, which are composed of the investee companies and/or clients’ emissions, including the Scope 3 emissions of the underlying investee companies and/or clients.”⁴⁵ This is also confirmed in the UN-HLEG report: “Targets must include emissions reductions from (...) full value chain and activities, including: scope 1, 2 and 3 emissions for businesses (...) all emissions facilitated by financial entities.”⁴⁶

Dat availability can be a problem to report on the scope 3 emissions of the portfolio companies. A stepwise approach is therefore recommended by PCAF: “financial institutions shall start reporting scope 3 emissions for the oil, gas, and mining sectors from 2021 onward and additional sectors will be added from 2023. In the years toward 2023, PCAF will monitor the data availability and impact for these additional sectors and will provide additional guidance on the reporting requirements.”⁴⁷

- **Specific emission reduction targets are formulated for all types of credits the financial institution offers**

This criterium is only relevant for financial institutions involved in the provision of credits. For financial institutions that do not offer credits, this criterium is considered “non-applicable” (n.a.) and is not counted towards the final score.

Financial institutions may provide different types of credits, such as corporate credits or mortgages. For each type of credit, aligning emissions with ambitious climate goals comes with different challenges and opportunities. For this reason, a “one size fits all” approach to decarbonizing the financing portfolio is unlikely to be effective.⁴⁸ An ambitious climate action plan should therefore not only define overall reduction targets for the portfolio as a whole, but also outline more detailed plans for each different type of credit.

The Leidraad CFSK is explicit about the expectation that financial institutions include specific targets and actions for the different types of loans in their portfolios, at least for “category 1” or the sectors that have been identified as a priority following a robust methodology. “Institutions formulate quantitative CO₂ reduction targets for 2030 for financing and investments in category 1 or a science-based target based on internationally recognized standards that are in line with the Paris Agreement”.⁴⁹

- **Specific emission reduction targets are formulated for all asset classes in which the financial institution invests**

This criterium is only relevant for financial institutions which are active in investments. In this study this is the case for all ten financial institutions.

Financial institutions invest in different asset classes, such as listed equity, corporate bonds, government bonds, real estate, and private equity. For each type of asset class, aligning emissions with ambitious climate goals comes with different challenges and opportunities. For this reason, a “one size fits all” approach to decarbonizing the investment portfolio is unlikely to be effective.⁵⁰ An ambitious climate action plan should therefore not only define overall reduction targets for the investment portfolio as a whole, but also outline more detailed plans for each different asset class.

The Leidraad CFSK is explicit about the expectation that financial institutions include specific targets and actions for the different types of asset classes in their portfolios, at least for “Category 1” or the sectors that have been identified as a priority following a robust methodology. “Institutions formulate quantitative CO₂ reduction targets for 2030 for financing and investments in Category 1 or a science-based target based on internationally recognized standards that are in line with the Paris Agreement”.⁵¹ Asset classes in Category 1 are: listed shares, corporate bonds, real estate, mortgages, government bonds, private equity and private debt.

- **Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation**

Financial institutions finance and/or invest in many different economic sectors, each of which has distinct climate impacts. Some economic sectors will need to decarbonise faster than others because of their outsized role in climate change, while other sectors may still face technological challenges that need to be overcome. A credible climate action plan should develop a sector-based approach that takes such differences into account.⁵²

This criterion is relevant for all financial institutions, both for their financings and investments. “Insurers and asset managers often organise their investments by investment category or asset classes, and not by sector. Yet within the investment categories, the sector composition is indeed relevant to the climate policy to be pursued, and investors also prioritise CO₂-intensive sectors.”⁵³

This criterion looks at whether the financial institution has set emission reduction targets specific for high-impact sectors. This should be done in any case for the sectors identified as priority by the Leidraad CFSK in Category 1,⁵⁴ but in our assessment there is room for the financial institution to present its own list of priority sectors when it is based on a solid methodology. Economic sectors in Category 1 are: agriculture, aluminium production, cement, coal, real estate, iron, oil and gas, electricity generation, and transportation.

- **Sectoral emission reduction targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot.**

These criteria assess the quality of the methodology used to set up targets per sector. All international guidelines and the Leidraad CFSK conclude that emission reduction targets should be based on a credible methodology, and financial institutions should disclose such information. “Institutions formulate quantitative CO₂ reduction targets for 2030 for financing and investments in Category 1 or a science-based target based on internationally recognized standards that are in line with the Paris Agreement”.⁵⁵ Economic sectors in Category 1 are: agriculture, aluminium production, cement, coal, real estate, iron, oil and gas, electricity generation, and transportation.

Table 8 shows the criteria and scoring options for the dimension “Target scope”.

Table 8 Scoring options for the dimension “Target scope”

Criteria		Scoring options	
11	Emission reduction targets cover the full value chain of financed clients and investee companies	0	Targets do not consider the scope of emissions of clients and investee companies (or the FI is not transparent about this).
		1	Targets apply to scopes 1 and 2 of clients and investee companies in all sectors.
		3	Targets apply to scopes 1, 2 and 3 of clients and investee companies in some sectors (Where data is missing for scope 3 emissions, the financial institution should explain how they are working on getting the data or what estimates they are using).
		4	Targets apply to scopes 1, 2 & 3 of clients and investee companies in all sectors.
12	Specific emission reduction targets are formulated for all types of credits the financial institution offers. This criterion applies only to banks.	0	Targets do not include a specific type of credit (e.g. corporate credits, mortgages)
		4	Targets include one relevant type of credit (e.g. corporate credits, mortgages or as identified by the FI).
		10	Targets include all types of credits (disaggregated by type).
13	Specific emission reduction targets are formulated for all asset classes in which the financial institution invests. This criterion applies to insurers and pension funds and to the investment departments of banks.	Two points max. for each class	
		2	Equity (listed shares)
		2	Corporate Bonds
		2	Real estate
		2	Mortgages
		2	Another relevant category identified by the financial institution (e.g., government bonds, private equity, private debt, futures, infrastructure, etc).

Criteria		Scoring options	
14	Specific emission reduction targets are formulated for all economic sectors relevant to climate change mitigation <ul style="list-style-type: none"> • Agriculture • Aluminium production • Cement production • Coal • Real estate • Iron and steel production • Oil and gas • Electricity generation • Transportation • Any other additional relevant sector identified by the financial institution under a solid methodology or because of great exposure in the portfolio. (e.g., fossil fuel trading, etc). 	0	The action plan does not include any specific sector.
		2	The action plan covers half of the sectors or a list of the most relevant sectors for the financial institution identified under a solid methodology but does not explain why other relevant sector are not included (E.g., None or minimal exposure in the portfolio).
		4	The action plan covers all sectors or a list of the most relevant sectors for the financial institution identified under a solid methodology and explains why there is no plan for the other sectors (E.g. None or minimal exposure in the portfolio).
15	For the relevant sectors in criteria 14, the targets are based on credible sector pathways consistent with limiting global warming to 1.5°C with no or limited overshoot	0	Targets are not yet based on credible sector pathways, or this is not disclosed.
		5	Targets are based on credible sector pathways for half of the sectors or a list of the most relevant sectors for the financial institution identified under a solid methodology but does not explain why other relevant sector are not included (E.g., None or minimal exposure in the portfolio).
		10	Targets are based on credible sector pathways for all sectors or a list of the most relevant sectors for the financial institution identified under a solid methodology and explains why there is no plan for the other sectors (E.g. None or minimal exposure in the portfolio).

1.2.8 Instruments

In the dimension “Instruments”, the financial institutions are assessed on the extent to which they have elaborated on the instruments engagement, exclusions or an additional set of instruments selected by the financial institutions.

The Leidraad CFSK has instructed the financial institutions to describe the instruments of the action plan or at least the instrument of engagement: “For both banks and institutions with investment activities, the following guideline will apply in 2022 for action plans and reduction targets... Institutions describe the instruments and measures that are used as part of the action plans to achieve the (reduction) objectives... In doing so, they provide insight into which specific measures they choose, how they contribute to achieving the set reduction targets and how they implement this in practice. This certainly applies to the instrument of engagement. Some other possibilities include internal governance, impact financing and voting at shareholder.”⁵⁶

Table 8 shows the criteria and scoring options for the dimension “Instruments”.

Table 9 Scoring options for the dimension “Instruments”

Criteria		Scoring options	
16	Engagement is used as instrument to meet emission reduction targets	0	There is no engagement policy, or it is vague and does not explain how this instrument serves to achieve the reduction targets.
		2	The engagement policy explains how the instrument is used and contributes to achieving the reduction targets, including a description of the process (e.g., selection process, setting clear objectives with clients, deadlines, and follow-ups). And it describes what measures are taken when the engagement falls (e.g. exclusion and divestment).
		4	The engagement policy explains how the instrument is used and contributes to achieving the reduction targets, including a description of the process (e.g., selection process, setting clear objectives with clients, deadlines, and follow-ups). And there is periodic reporting on the results of such engagements.
17	Exclusions and divestments are used as instrument to meet emission reduction targets	0	The financial institution has no policy of exclusions and divestment, or does not explain how this policy contributes to meeting the emission reduction targets.
		1	The financial institution has set a priori exclusions and divestments for some activities which contribute strongly to climate change (e.g. coal mining, tar sands, coal-fired power).
		2	The financial institution has set a priori exclusions and divestments for one urgent sector (e.g. fossil fuels, livestock, agriculture, etc.) to contribute to meeting its emission reduction targets.
		4	The financial institution has set a priori exclusions and divestments for the most urgent sectors (e.g. fossil fuels, livestock, agriculture, etc.) to contribute to meeting its emission reduction targets, and has aligned this instrument with other instruments (e.g. unsuccessful engagements).
18	Other instruments are used to meet emission reduction targets	0	The financial institution has proposed no other instruments than engagement and exclusions as instruments to achieve the emission reduction targets.
		4	The financial institution has proposed additional instruments to achieve the emission reduction targets, and it describes how the instruments are used (e.g., screening, financial incentives, etc.).

1.3 Research process and due hearing

The research and analysis for this project was conducted between January and March 2023. The analysis used as a main source the climate action plans published by the financial institutions and uploaded in the web page <https://klimaatcommitment.nl/actieplannen/>. When the action plan references another document as a source of information (e.g., reporting of footprint), we have also retrieved and analysed the additional source.

All financial institutions were invited to comment on the draft results of the assessment. In total, 9 of the 10 financial institutions provided feedback. Their feedback has been analysed and when substantiated and in alignment with the methodological approach it has been integrated into the final assessments.

2

Assessment of the climate action plans of ten Dutch financial institutions

In this chapter, the climate action plans of ten major Dutch financial institutions are being assessed, based on the methodology described in chapter 1. The assessments are presented in separate sections per financial institution, sorted alphabetically.

2.1 ABN Amro

As a bank, ABN Amro is active in financings (loans and other credits) and in investments (asset management and private banking). In our assessment of the climate action plan of ABN Amro,⁵⁷ separate scores are assigned for financings and investments related to all five dimensions of a good climate action plan. These scores are combined by using weighting factors: the total assets on the balance sheet of ABN Amro (56%) and its assets under management (44%). All scores are normalized on a scale from 0 to 10 and the scores for the different dimensions are combined by using relative weight factors (see Table 4). The resulting scores for ABN Amro are presented in Table 10.

Table 10 Assessment of the climate action plan of ABN Amro

Dimension of the climate action plan	Scores on a scale from 0 to 10			Relative weight in total score
	Financing score	Investment score	Combined score *	
Commitment	10.0	10.0	10.0	5%
Measuring carbon footprint	7.1	2.4	5.0	21%
Target setting	4.5	1.5	3.2	25%
Target scope	4.6	0.4	2.8	35%
Instruments	3.3	0.8	2.2	15%
Total score for the climate action plan	5.2	1.6	3.6	100%

* Combined by using the following weight factors: Financing score = 56% and Investment score = 44%.

As shown in Table 10, the climate action plan of ABN Amro scores 5.2 (on a scale from 0 to 10) for its financing portfolios and 1.6 for its investment portfolios. The overall score for the climate action plan of ABN Amro is 3.6.

The findings on the climate action plan of ABN Amro are summarized below per assessment dimension:

- **Commitment**

ABN Amro's score for "Commitment" is 10 as the bank states in its climate action plan: "At the beginning of 2022 we confirmed our commitment to achieve net zero emissions across our portfolios and operations by 2050, in line with the trajectory to limit global warming to a maximum temperature increase of 1.5°C compared with pre-industrial levels."⁵⁸

- **Measuring carbon footprint**

ABN Amro's financing score for "Measuring carbon footprint" is 7.1. The bank claims to measure the carbon footprint of its complete financing portfolio using credible methodologies, but does not disclose if these include the scope 3 emissions of the companies it is financing. Greenhouse gas emissions for carbon-intensive sectors are measured and published separately. Also, the emissions for two types of credits (corporate credits and residential mortgages) are published, but not for other types of credit.

The investment score for "Measuring carbon footprint" is 2.4. The bank claims to measure the emissions of a significant part of its investment portfolio, but does not disclose if these include the scope 3 emissions of the companies it is investing in. Carbon footprint measurements are not specified by asset class nor by economic sector.

- **Target setting**

ABN Amro's financing score for "Target setting" is 4.5. The targets for its financing portfolio are relative (carbon intensity) rather than absolute (total emissions), cover only 63% of the portfolio and do not include a short-term target for 2025. Targets are set using credible methodologies, but not for the full portfolio. The bank excludes certain high-carbon activities and wants to decrease fossil fuel funding in line with the IEA Net-Zero pathway, but does not exclude new fossil fuel developments. ABN Amro does not exclude carbon offsets completely, but claims to only accept carbon removal credits from projects that are verified in accordance with standard GHG protocols.

For investments, the score is 1.5. The bank sets emission reduction targets for the short-term and medium-term, but these targets are relative rather than absolute and it is unclear which part of the investments is covered by the targets. Targets are set using credible methodologies, but it is not clear for which part of the portfolio. There is no phase out plan for fossil fuels and no position on carbon offsets.

- **Target scope**

ABN Amro's financing score for "Target scope" is 4.6. Targets are set for different types of credit (corporate loans and residential mortgages) but these only cover 63% of the total loan book. These targets only seem to cover the scope 1 and 2 emissions of the financed companies, not scope 3. Specific sector targets are set for four economic sectors, but these represent only 37% of the bank's carbon-intensive corporate loans.

The investment score for "Target scope" is only 0.4. Targets cover only scope 1 and 2 emissions of a small part of the portfolio. Which methodologies are used for target-setting is unclear and there are no specific targets for asset classes nor sectors.

- **Instruments**

ABN Amro's financing score for "Instruments" is 3.3. The climate action plan describes engagement as instrument, but not what measures are taken when engagement fails. The bank excludes certain high-carbon activities, such as coal mining, arctic drilling, oil extraction from oil sands and coal-fired power, but does not exclude the whole fossil fuel sector and does not explain how these exclusions work in practice. As additional instruments, the action plan proposes to build upon existing sustainability-linked solutions and provide early-stage capital to finance new technologies or companies, but there is limited explanation how these will help to reach emission reduction targets.

The investment score for "Instruments" is 0.8. Engagement with, and exclusion of, companies is not discussed. Instead, the action plan proposes information dissemination to clients and engagement with external managers, but without clear milestones it is unclear how these will help to reach emission reduction targets.

2.2 ABP

As a pension fund, ABP is only active in investments. In our assessment of the climate action plan of ABP,⁵⁹ we assessed the five dimensions of a good climate action plan with regard to its investments. All scores are normalized on a scale from 0 to 10 and the scores for the different dimensions are combined by using relative weight factors (see Table 4). The resulting scores for ABP are presented in Table 11.

Table 11 Assessment of the climate action plan of ABP

Dimension of the climate action plan	Score on a scale from 0 to 10	Relative weight in total score
Commitment	10.0	5%
Measuring carbon footprint	6.5	21%
Target setting	6.5	25%
Target scope	2.9	35%
Instruments	5.8	15%
Total score for the climate action plan	5.3	100%

As shown in Table 11, the climate action plan of ABP scores 5.3 on a scale from 0 to 10. The findings on the climate action plan of ABP are summarized below per assessment dimension:

- **Commitment**

ABP scores 10 points on “Commitment” because it states in its climate action plan: “It is therefore our ambition to reduce the absolute CO₂ emissions related to all ABP investments by 50% in 2030, calculated from 2019. This is in line with what is needed according to the IPCC report to limit warming to 1.5 degrees Celsius.”⁶⁰

- **Measuring carbon footprint**

ABP scores 6.5 for measuring its carbon footprint. The action plan references a document that discloses the carbon footprint of 61.5% of its investments, based on credible methodologies. Separate carbon footprints are disclosed for equity, corporate bonds, real estate, mortgages and private equity. These carbon footprints cover scope 1 and 2 emissions, while scope 3 emissions of investee companies are only included for energy and mining companies. Carbon footprints per economic sector are not disclosed.⁶¹

- **Target setting**

For “Target setting” ABP scores 6.5. An absolute emission reduction target of 50% for the whole portfolio is formulated for the medium term (2030) against the base year 2019, but no target is formulated for the short-term (2025). The analysis behind this target and the methodologies used are not disclosed, apart from a reference to the IPCC. But the IPCC sets targets for the global economy. The portfolio of ABP is not necessarily a good reflection of the global economy, companies with high scope 1, 2 and 3 emissions can be either over- or under-represented.

ABP has a strong phase-out plan for fossil fuels: “We announced in October 2021 that we would stop investing in fossil fuel producers. This concerns invested assets totalling more than €15 billion (...) The majority (of the so-called liquid investments) is expected to be sold in the first quarter of 2023.”⁶² And ABP does not want to rely on carbon offsets to reach its targets: “When we say ‘reduction of CO₂ (and other greenhouse gases)’, we mean real reduction, not CO₂ compensation.”⁶³

- **Target scope**

For “Target scope” ABP scores 2.9. ABP does include the full value chain of its investee companies (scope 3) in its overall target of a 50% emission reduction in 2030. For two asset classes ABP has formulated more specific targets: for equity (“in 2025 this must be 40% lower than in the reference year 2015”)⁶⁴ and real estate. But ABP does not have targets for other economic sectors yet.

- **Instruments**

On “Instruments” ABP scores 5.8. ABP uses engagement to achieve targets, although there is no periodic reporting on results. Apart from excluding the fossil fuel sector, ABP also aligns divestments with engagements, if these are not successful. “If companies do not move sufficiently in the climate transition, we escalate the dialogues. Then we will use our vote at shareholder meetings, support or co-submit resolutions. If that does not bring about a change, we will eventually divest.”⁶⁵ ABP does not explain well how other instruments, such as voting and submitting resolutions, will contribute to its emission reduction targets.

2.3 Achmea

As an insurance company, Achmea is mostly active in investments. It has a small banking department, only active in residential mortgages, which we did not take into account. In our assessment of the climate action plan of Achmea,⁶⁶ we assessed the five dimensions of a good climate action plan with regard to its investments. All scores are normalized on a scale from 0 to 10 and the scores for the different dimensions are combined by using relative weight factors (see Table 4). The resulting scores for Achmea are presented in Table 12.

Table 12 Assessment of the climate action plan of Achmea

Dimension of the climate action plan	Score on a scale from 0 to 10	Relative weight in total score
Commitment	10.0	5%
Measuring carbon footprint	3.2	21%
Target setting	4.0	25%
Target scope	4.6	35%
Instruments	5.8	15%
Total score for the climate action plan	4.6	100%

As shown in Table 12, the climate action plan of Achmea scores 4.6 on a scale from 0 to 10. The findings on the climate action plan of Achmea are summarized below per assessment dimension:

- **Commitment**

Achmea scores full points in the dimension “Commitment”. Achmea reaffirms its commitment to the Paris Agreement its alignment with a 1.5 °C scenario with no or limited overshoot and based on the best available scientific knowledge.

- **Measuring carbon footprint**

Achmea scores 3.2 points out of 10 for “Measuring carbon footprint”. Achmea does not disclose the carbon footprint measurements of the entire portfolio in its climate action plan, nor measurements by asset classes or economic sectors. However, Achmea states that it has been measuring and reporting carbon footprint figures every six months. Achmea also declares

to use credible methodologies, such as the PCAF, and that it is measuring scopes 1 and 2 of its financed emissions.⁶⁷ A credible climate action plan needs to be based on a thorough understanding of the present emissions, but this document does not provide emission disclosures nor a clear reference to where such disclosures can be found.

- **Target setting**

Achmea scores 4.0 points for “Target setting”. Achmea has only set a relative reduction target based on the market benchmark for 2025 and 2030. “We aim for a 32% reduction in 2025 and a 68% reduction in 2030 compared to the market benchmark at the end of 2020. We will achieve this by an average reduction of 7% per year until 2025 and 12.9% per year thereafter.”⁶⁸ The action plan does not set absolute emission reduction targets for the short term (2025) to the medium term (2030) for all investments.

Achmea does use credible methodologies such as the CRREM for real estate and SBTi for mortgages to set the targets. Achmea expects carbon offsets to only play a small role in achieving its reduction targets, but does not fully exclude them. Achmea does exclude controversial types of fossil fuels, including coal, but does not have a policy on phasing out all fossil fuels.

- **Target scope**

Achmea scores 4.6 points for “Target scope”. Achmea’s reduction emission targets include scopes 1 and 2 of the financed emissions, but do not include scope 3 for at least some sectors. The climate action plan reports targets by asset classes such as equity, corporate bonds, real estate and mortgages, and plans to develop targets for government bonds and investment in infrastructure. Apart from real estate, there is no disclosure of targets for different economic sectors and of the corresponding sectoral decarbonisation pathways.

- **Instruments**

Achmea scores 5.8 points for “Instruments”. Achmea describes engagement, exclusions and other instruments such as increasing investment in the energy transition, green bonds, green funding, and offering financial products to clients that facilitate a transition and decarbonisation as instruments of the action plan. However, exclusions are limited to only the most controversial fossil fuels and the climate action plan does not explain how the instruments are used and contribute to achieving the reduction targets, including a description of the process, selection, setting clear objectives with clients, deadlines, follow-ups, periodic reporting, and evaluation of the instruments.

2.4 ASR

As an insurance company, ASR is only active in investments. In our assessment of the climate action plan of ASR,⁶⁹ we assessed the five dimensions of a good climate action plan with regard to its investments. All scores are normalized on a scale from 0 to 10 and the scores for the different dimensions are combined by using relative weight factors (see Table 4). The resulting scores for ASR are presented in Table 13.

Table 13 Assessment of the climate action plan of ASR

Dimension of the climate action plan	Score on a scale from 0 to 10	Relative weight in total score
Commitment	10.0	5%
Measuring carbon footprint	7.1	21%
Target setting	5.5	25%
Target scope	3.2	35%
Instruments	4.2	15%
Total score for the climate action plan	5.1	100%

As shown in Table 13 the climate action plan of ASR scores 5.1 on a scale from 0 to 10. The findings on the climate action plan of ASR are summarized below per assessment dimension:

- **Commitment**

ASR scores full points by stating: “As a signatory to the Paris Climate Agreement, ASR wants to help limit global temperature rise to well below 2 degrees Celsius and preferably below 1.5 degrees Celsius. ASR has also committed itself to the Dutch Climate Agreement to reduce CO₂ emissions by 49% by 2030. By signing up to the Net-Zero Asset Managers Initiative, we aim to reduce the CO₂ emissions of our investments.”⁷⁰

- **Measuring carbon footprint**

ASR scores 7.1 on “Measuring carbon footprint”. ASR uses credible methodologies (PCAF, CRREM) to measure the scope 1 and 2 emissions for about 98% of its total portfolio. Scope 3 emissions are still not disclosed. Data per asset class are available for equity, corporate bonds, government bonds, real estate and mortgages. The carbon footprints of two sectors, real estate and agriculture, are measured and disclosed - other sectors not yet.

- **Target setting**

On “Target setting”, ASR scores 5.5. The insurer has set an ambitious target for the medium term: “65% reduction in 2030 in comparison to 2015”, but the target for the short-term is not clearly formulated.⁷¹ Targets are set based on credible methodologies such as SBTi, PCAF and CRREM for most of its investment portfolio. While production of coal and unconventional oil and gas is excluded, ASR is not yet phasing out the entire fossil fuel sector. The climate action plan does not make clear what role ASR assigns to carbon offsetting in reaching its emission reduction targets.

- **Target scope**

ASR scores 3.2 on “Target scope”. The climate action plan does not make clear if the emissions in the value chains of its investee companies (scope 3) are included in its targets. ASR’s climate action plan shows specific targets for real estate, but not for other asset classes and also not for other economic sectors. Apart from real estate, ASR does not disclose sector emission pathways for the sectors it is investing in and which would add up to its overall portfolio reduction target. The only reference is to the IPCC 1.5 °C trajectory, but the IPCC sets targets for the global economy and the portfolio of ASR is not necessarily comparable to the global economy.

- **Instruments**

ASR scores 4.2 on “Instruments”. The climate action plan reaffirms that “a.s.r. believes in a constructive dialogue with companies to increase climate awareness. As an active

shareholder, a.s.r. also exercises its voting rights to influence decisions on climate issues.”⁷², but a clear strategy is not disclosed. Apart from excluding the most polluting forms of fossil fuels, ASR does exclude companies “if a dialogue does not lead to an adequate improvement of the climate impact.”⁷³ ASR mentions impact investments as additional instruments, but does not explain how this contributes to meeting emission reduction targets.

2.5 BpfBouw

As a pension fund, BpfBouw is only active in investments. In our assessment of the climate action plan of BpfBouw,⁷⁴ we assessed the five dimensions of a good climate action plan with regard to its investments. All scores are normalized on a scale from 0 to 10 and the scores for the different dimensions are combined by using relative weight factors (see Table 4). The resulting scores for BpfBouw are presented in Table 14.

Table 14 Assessment of the climate action plan of BpfBouw

Dimension of the climate action plan	Score on a scale from 0 to 10	Relative weight in total score
Commitment	7.5	5%
Measuring carbon footprint	6.5	21%
Target setting	3.0	25%
Target scope	1.8	35%
Instruments	3.3	15%
Total score for the climate action plan	3.6	100%

As shown in Table 14, the climate action plan of BpfBouw scores 3.5 on a scale from 0 to 10. The findings on the climate action plan of BpfBouw are summarized below per assessment dimension:

- **Commitment:**

BpfBouw scores 7.5 points out of 10 in the dimension “Commitment”. Its climate action plan references the Paris Agreement, but does not make a clear commitment towards a 1.5 °C scenario.

- **Measuring carbon footprint:**

BpfBouw scores 6.5 points out of 10 in the dimension “Measuring carbon footprint”. The carbon footprint is measured with a robust methodology for 84% of the investment portfolio. This carbon footprint includes scope 1 and 2 emissions, as well as scope 3 emissions for some sectors: oil and gas, mining, and real estate. Except for real estate, BpfBouw does not disclose its carbon footprint by sector in the climate action plan. On asset classes, BpfBouw discloses carbon footprint estimates for equity, corporate bonds, government bonds, real estate, private equity, and other investments. For mortgages, no carbon footprint was disclosed, because of limited data availability.⁷⁵

- **Target setting**

BpfBouw scores 3.0 points out of 10 in the dimension “Target setting”. BpfBouw has set an overarching objective aligned with the SDGs, but not an overall emission reduction target. For equity and corporate bonds, together around half of the portfolio, absolute short-term (2025) and medium-term reduction targets are formulated. But BpfBouw is not clear about the methodologies used and refers only to IPCC recommendations. But the IPCC sets targets for

the global economy. The portfolio of BpfBouw is not necessarily a good reflection of the global economy, companies with high greenhouse gas emissions can be either over- or under-represented.

BpfBouw also does not have a clear phase out policy for fossil fuels, although in 2021 they already sold companies that had not publicly committed to net-zero emissions by 2050. In addition, the climate action plan does not clarify the role of carbon offsetting in reaching the emission reduction targets.

- **Target scope**

BpfBouw scores 2.8 out of 10 in the dimension “Target scope”. The climate action plan does not clarify if emission reduction targets covers the full value chain of their investee companies. However, emissions reduction targets were formulated for some asset classes such as equity and corporate bonds, and partially for the real estate portfolio.⁷⁶ BpfBouw states that additional targets will be set for government bonds and private equity in 2023. BpfBouw does not disclose targets by economic sector, nor the emission pathways analysed per sector.

- **Instruments**

BpfBouw scores 3.3 points out of 10 in the dimension “Instruments”. BpfBouw describes its engagement approach as: “We are in active dialogue with the companies in which we invest. (...) Through CA100+ we can communicate our expectations with more power together with like-minded investors”.⁷⁷ BpfBouw does exclude the most controversial forms of fossil fuels such as tar sands and coal, but not other fossil fuels. Voting is mentioned as another instrument to realize the emission reduction targets, but without much elaboration.

2.6 ING

As a bank, ING is active in financings (loans and other credits) and in investments (asset management and private banking). In our assessment of the climate action plan of ING⁷⁸, separate scores are assigned for financings and investments related to all five dimensions of a good climate action plan. These scores are combined by using weighting factors: the total assets on the balance sheet of ING (84%) and its assets under management (16%). All scores are normalized on a scale from 0 to 10 and the scores for the different dimensions are combined by using relative weight factors (see Table 4). The resulting scores for ING are presented in Table 15.

Table 15 Assessment of the climate action plan of ING

Dimension of the climate action plan	Scores on a scale from 0 to 10			Relative weight in total score
	Financing score	Investment score	Combined score *	
Commitment	10.0	0.0	8.4	5%
Measuring carbon footprint	7.6	0.0	6.4	20%
Target setting	6.0	0.0	5.1	25%
Target scope	5.4	0.0	4.5	35%
Instruments	2.5	0.0	2.1	15%
Total score for the climate action plan	5.8	0.0	4.9	100%

* Combined by using the following weight factors: Financing score = 84% and Investment score = 16%.

As shown in Table 15, the climate action plan of ING scores 5.8 (on a scale from 0 to 10) for its financing portfolios and 0.0 for its investment portfolios. The overall score for the climate action plan of ING is 4.9.

The findings on the climate action plan of ING are summarized below per assessment dimension:

- **Commitment**

In its climate action plan, ING clearly reaffirms its commitment to align its financing portfolios with a 1.5°C scenario, in line with the Paris Climate Agreement. It therefore receives full points for financings, but for its investments this reaffirmation is absent from the climate action plan.

- **Measuring carbon footprint**

The financing score of ING for “Measuring carbon footprint” is 7.6. Emissions are measured for almost the entire portfolio, using credible methodologies and covering scope 1 and 2 of the financed companies. Only for the automobile sector scope 3 emissions are covered, but not for the oil & gas and mining sectors, as was recommended by PCAF.

“Our estimations were performed using PCAF compliant methodologies and cover 94.7% of lending activities covered by the PCAF methodology, including both wholesale and retail banking at year-end 2021. This resulted in an estimate of 56 million tons of CO_{2e}, including our clients’ scope 1 and 2 emissions. The remaining 5% of our lending activities is related to Commercial Real Estate, which we aim to disclose in 2023.”⁷⁹ Carbon footprint measurements are disclosed for all relevant sectors, except for real estate.

Also, ING does not disclose anything about the carbon footprint of its underwriting activities, although a large share of all the financed emissions of the bank is linked to its underwriting of share and bond issuances.⁸⁰

ING does not disclose anything about the carbon footprint of its investment portfolio.

- **Target setting**

The financing score of ING for “Target setting” is 6.0. With its Terra approach, ING sets absolute emission reduction targets with credible methodologies for sectors covering 63% of the emissions associated with its wholesale banking and 93% of the emissions coming from mortgages. ING has committed to exit coal-fired power plants by 2025 and has stopped the dedicated upstream financing of new oil and gas fields, but has no plan to phase out fossil fuels in the coming decades. Its target for the reduction of upstream oil and gas financing (minus 19% in 2030), does not seem to align with a 1.5 °C scenario. The IISD concludes that a reduction of 30% in 2030 is needed.⁸¹

ING does not use carbon offsetting to reach its emission reduction targets: “In our approach, we therefore prioritise real decarbonisation efforts and do not use any offsetting in measuring our portfolio.”⁸²

The climate action plan does not disclose emission reduction targets for ING’s investment portfolio.

- **Target scope**

The financing score of ING for “Target scope” is 4.6. The climate action plan sets targets for nine economic sectors, following credible sector pathways. There is no explanation why other sectors are not covered. ING includes only scope 1 and 2 emissions of financed companies in its sector targets, except for the automobile sector which includes scope 3. Emission reduction targets are not formulated by type of credit, but do cover (credits offered by) wholesale banking and mortgages.

The climate action plan does not disclose emission reduction targets for ING’s investment portfolio.

- **Instruments**

The financing score for ING for “Instruments” is 2.5. The climate action plan mentions engagement as an instrument, but does not describe the process (e.g., selection process, setting clear objectives with clients, deadlines, and follow-ups). Exclusion is only limited to coal mining and coal-fired power plants (as of 2025) and is not linked to unsuccessful engagements. The climate action plan also mentions additional instruments, such as sustainable finance and transition finance, but fails to describe clearly how these instruments will contribute to reaching the bank’s emission reduction targets.

The climate action plan does not disclose instruments that will be used in relation to ING’s investment portfolio.

2.7 NN Group

As an insurance company, NN Group is only active in investments. In our assessment of the climate action plan of NN Group, we assessed the five dimensions of a good climate action plan with regard to its investments. All scores are normalized on a scale from 0 to 10 and the scores for the different dimensions are combined by using relative weight factors (see Table 4). The resulting scores for NN Group are presented in Table 16.

Table 16 Assessment of the climate action plan of NN Group

Dimension of the climate action plan	Score on a scale from 0 to 10	Relative weight in total score
Commitment	7.5	5%
Measuring carbon footprint	5.9	21%
Target setting	2.0	25%
Target scope	1.8	35%
Instruments	4.2	15%
Total score for the climate action plan	3.3	100%

As shown in Table 16, the climate action plan of NN Group scores 3.3 on a scale from 0 to 10. The findings on the climate action plan of NN Group are summarized below per assessment dimension:

- **Commitment:**

The climate action plan affirms the commitment of NN Group towards alignment with the Paris Agreement but does not explicitly commit to align its portfolio with a 1.5°C scenario with no or limited overshoot and based on the best available scientific knowledge.⁸³

- **Measuring carbon footprint**

NN Group scores 5.9 for “Measuring carbon footprint”. NN Group measures and discloses the carbon footprint of around 80% of its portfolio, but only for scope 1 and 2. NN Group is working on scope 3 emissions for government bonds and acknowledges the methodological discussions around measuring scope 3 emissions. Carbon footprints are disclosed for all relevant asset classes, but equity and corporate bonds are combined. Carbon footprints are not disclosed per economic sector.

- **Target setting**

NN Group scores 2.0 for “Target setting”. NN Group does not set an overall target for its entire portfolio. There are targets set based on credible methodologies for some asset classes,

including corporate investments, but these are relative (emissions per euro) which means that emissions can still increase. NN Group’s fossil fuel phase-out strategy only applies to companies which derive more than 5% of revenues from coal or more than 30% from unconventional oil and gas. New fossil fuel developments are not excluded. NN Group is also not transparent on the role of carbon offsetting in reaching its emission reduction targets.

- **Target scope**

For “Target scope”, NN Group scores 1.8. The emissions of the customers and suppliers of its investee companies (scope 3) are mostly not included in NN Group’s targets. NN Group publishes no absolute emission targets per asset class, only relative emission targets for equity and corporate bonds, and net-zero by 2040 targets for the majority of its real estate funds. Analyses of sector emission pathways for the sectors NN Group is investing in and targets per sector are absent from the climate action plan.

- **Instruments**

For “Instruments”, NN Group scores 4.2. NN Group summarizes how it will use engagement: “Engagement is an important instrument in our approach, as we believe this is key to ensuring decarbonisation in the real economy. This means we develop clear climate change stewardship expectations with milestones and targets. For transitioning companies, we request to see improvement against transparent, measurable criteria.”⁸⁴ Clarification of the process and reporting on results is missing, however. NN Group’s exclusion policy only covers coal and unconventional oil and gas, with high thresholds. The climate action plan also mentions other instruments (green bonds, investing in climate solutions and incentives for mortgage customers), but does not specify how these would contribute to its emission reduction targets.

2.8 Pensioenfonds Zorg en Welzijn

As a pension fund, Pensioenfonds Zorg en Welzijn (PFZW) is only active in investments. In our assessment of the climate action plan of PFZW,⁸⁵ we assessed the five dimensions of a good climate action plan with regard to its investments. All scores are normalized on a scale from 0 to 10 and the scores for the different dimensions are combined by using relative weight factors (see Table 4). The resulting scores for PFZW are presented in Table 17.

Table 17 Assessment of the climate action plan of PFZW

Dimension of the climate action plan	Score on a scale from 0 to 10	Relative weight in total score
Commitment	10.0	5%
Measuring carbon footprint	4.7	21%
Target setting	4.5	25%
Target scope	2.5	35%
Instruments	5.0	15%
Total score for the climate action plan	4.2	100%

As shown in Table 17, the climate action plan of PFZW scores 4.2 on a scale from 0 to 10. The findings on the climate action plan of PFZW are summarized below per assessment dimension:

- **Commitment**

PFZW scores 10 points out of 10 in the dimension “Commitment”, as it formulates a clear reaffirmation of its commitment to align the investment portfolio with a 1.5 °C scenario. “The main goal of the climate strategy is a climate neutral (Net Zero) portfolio in 2050, in line with a scenario of a maximum global warming of 1.5 degrees.”⁸⁶

- **Measuring carbon footprint**

PFZW scores 4.7 points out of 10 in the dimension “Measuring carbon footprint”. The climate action plan references a document which details its carbon footprint, including scope 1 and 2, for 53% of its total portfolio. These footprints are measured with credible methodologies.⁸⁷

PFZW does not disclose the carbon footprints for the economic sectors it is investing in, but discloses footprints for different asset classes, specifically equity, corporate bonds, real estate, and infrastructure. The carbon footprint for mortgages is still missing.

- **Target setting**

PFZW scores 4.5 points out of 10 in the dimension “Target setting”. PFZW’s climate action plan sets an absolute reduction target of 50% for the medium-term (2030), but not for the short-term (2025). This target covers scope 1 and scope 2 emissions for the asset classes of listed equities, corporate bonds and real estate.

Targets are set using a credible methodology, the Net Zero Investment Framework. Although PFZW only wants to invest in energy companies committed to the Paris Agreement, it does not have a clear strategy for the phase out of fossil fuel funding. The climate action plan assigns a small role to carbon offsetting to reach the emission reduction targets.

- **Target scope**

PFZW scores 2.5 points out of 10 in the dimension Target scope. PFZW sets targets that apply to scope 1 and 2 only, not to the scope 3 emissions of its investee companies. Specific emissions reduction targets are formulated for the equity and corporate bonds portfolios, while for the real estate and infrastructure portfolios Paris-alignment targets are set - which is not the same as setting emission reduction targets. For mortgages, no emission reduction targets are set. PFZW’s action plan does not include targets for any economic sector, and credible sector emission pathways are also not disclosed.

- **Instruments**

PFZW scores 5.0 points out of 10 in the dimension “Instruments”. The climate action plan describes the objectives of its engagement policy and gives some information on the process, but information about selection, setting clear objectives with clients, deadlines, follow-ups, periodic reporting, and evaluation is missing. PFZW excludes coal and tar sands companies, but not the fossil fuel sector as a whole. “From 2024, we will no longer invest in companies in the energy sector that do not act in accordance with the Paris Agreement. (...) In extreme cases, PFZW sells companies that are not making sufficient progress with their energy transition and replaces them with companies that do meet the Paris Aligned requirements.”⁸⁸ PFZW mentions other instruments, such as Impact-driven Capital allocation, but does not offer further details on how this would help achieve reduction targets.

2.9 PMT

As a pension fund, PMT is only active in investments. In our assessment of the climate action plan of PMT,⁸⁹ we assessed the five dimensions of a good climate action plan with regard to its investments. All scores are normalized on a scale from 0 to 10 and the scores for the different

dimensions are combined by using relative weight factors (see Table 4). The resulting scores for PMT are presented in Table 18.

Table 18 Assessment of the climate action plan of PMT

Dimension of the climate action plan	Score on a scale from 0 to 10	Relative weight in total score
Commitment	10.0	5%
Measuring carbon footprint	3.8	21%
Target setting	4.5	25%
Target scope	4.6	35%
Instruments	7.5	15%
Total score for the climate action plan	5.1	100%

As shown in Table 18, the climate action plan of PMT scores 5.1 on a scale from 0 to 10. The findings on the climate action plan of PMT are summarized below per assessment dimension:

- **Commitment**

PMT scores 10 points out of 10 in the dimension “Commitment”. The climate action plan makes an explicit reaffirmation to align the investment portfolios with a 1.5°C scenario, in line with the Paris Climate Agreement.

- **Measuring carbon footprint**

PMT scores 3.8 points out of 10 in the dimension “Measuring carbon footprint”. The climate action plan does hardly disclose any information regarding the carbon footprints of the investments of PMT. In its annual report on responsible investment, PMT is disclosing the scope 1 and 2 emissions of its equity and corporate bond portfolios (but not for other portfolios) by using credible methodologies such as TPI and PCAF. PMT also discloses carbon footprints for some carbon-intensive sectors. For two sectors, automobiles and oil & gas, the scope 3 emissions of the companies are measured as well and PMT aims to expand these scope 3 measurements soon to other sectors.⁹⁰ Unfortunately, these carbon footprint measurements are not disclosed in the climate action plan. The absence of this information makes it difficult to properly analyse the targets in the climate action plan.

- **Target setting**

PMT scores 4.5 points out of 10 in the dimension “Target setting”. PMT sets relative reduction targets for the medium-term (2030) for around half or more of its investment portfolio. Relative targets for the equity, bond and real estate portfolio were set based on TPI and CRREM methodologies but are missing for other asset classes without clear explanation. PMT wants fossil fuel companies to align their strategy with the 1.5 degree path of the Paris Climate Agreement within 1 to 2 years, but it does not have a clear phase out plan for fossil fuels. The climate action plan does not clarify what the role of offsetting will be in reaching PMT’s emission reduction targets.

- **Target scope**

PMT scores 4.6 points out of 10 in the dimension “Target scope”. PMT plans to include scope 3 emissions of investee companies in its targets, but the climate action plan does not make clear in which sector targets these scopes are included or not. For equity and corporate bonds, PMT formulates as goals: “PMT wants no companies in its portfolio that do not comply with the Paris Agreement by 2030 at the latest. Until then, PMT aims to have an ongoing 10 to 20%

increase in equity portfolio companies on track for a 1.5-degree path relative to the broad equity universe.”⁹¹ These goals are not translated in emission reduction targets. For real estate emission reduction targets are formulated, but not for other asset classes.

Compared to other pension funds and insurers, PMT gives more attention to the economic sectors it invests in. PMT explains that it has analysed some emission-intensive sectors (such as airlines and producers of cement, cars, aluminium and steel) and has set relative targets for these sectors. But the emission pathways for these sectors are not disclosed in the climate action plan, nor the exposure of PMT to these sectors.

- **Instruments**

PMT scores 7.5 points out of 10 in the dimension “Instruments”. PMT describes its engagement strategy clearly in the climate action plan, as well as the process to be followed and the goals to expand the engagement program to other CO₂-intensive sectors. PMT does not exclude the entire fossil fuel sector, but does exclude coal mining, coal-fired power (threshold 30%) and unconventional oil and gas (threshold 10%). These thresholds are still very high, also in comparison with other financial actors.

PMT also has a policy to exclude companies if they fail to make sufficient progress on their climate commitments. PMT describes in the climate action plan how it aims to invest EUR 4 billion before 2030 in impact investments in wind farms and solar panels. Also, PMT aims to exercise pressure on external asset managers. The instruments are described clearly, but data are still missing on how much these actions will contribute to PMT’s emission reduction targets.

2.10 Rabobank

As a bank, Rabobank is active in financings (loans and other credits) and in investments (asset management and private banking). In our assessment of the climate action plan of Rabobank,⁹² separate scores are assigned for financings and investments related to all five dimensions of a good climate action plan. These scores are combined by using weighting factors: the total assets on the balance sheet of Rabobank (91%) and its assets under management (9%). All scores are normalized on a scale from 0 to 10 and the scores for the different dimensions are combined by using relative weight factors (see Table 4). The resulting scores for Rabobank are presented in Table 19.

Table 19 Assessment of the climate action plan of Rabobank

Dimension of the climate action plan	Scores on a scale from 0 to 10			Relative weight in total score
	Financing score	Investment score	Combined score *	
Commitment	10.0	10.0	10.0	5%
Measuring carbon footprint	6.5	0.0	5.9	21%
Target setting	4.5	0.0	4.1	25%
Target scope	4.6	0.0	4.2	35%
Instruments	5.0	0.0	4.6	15%
Total score for the climate action plan	5.3	0.5	4.9	100%

* Combined by using the following weight factors: Financing score = 91% and Investment score = 9%.

As shown in Table 19, the climate action plan of Rabobank scores 5.3 (on a scale from 0 to 10) for its financing portfolios and 0.5 for its investment portfolios. The overall score for the climate action plan of Rabobank is 4.9.

The findings on the climate action plan of Rabobank are summarized below per assessment dimension:

- **Commitment**

Rabobank's action plan scores full points for the dimension "Commitment". The bank writes: "At the beginning of 2022 we confirmed our commitment to achieve net zero emissions across our portfolios and operations by 2050, in line with the trajectory to limit global warming to a maximum temperature increase of 1.5°C compared with pre industrial levels."⁹³

- **Measuring carbon footprint**

Rabobank's financing score for "Measuring carbon footprint" is 6.5. The bank considers 70% of its assets to be climate-material and publishes emission estimates for an estimated 85% of its climate-material portfolio, using credible methodologies. This covers scopes 1 and 2 emissions of the financed companies, not scope 3. The carbon footprint is measured and disclosed for 12 high-emitting sector/region combinations, together accounting for more than half of the financed emissions of its climate-material portfolio. Emissions are also disclosed by type of credit for a significant part of the portfolio.

Rabobank does not disclose anything about the carbon footprint of its investment portfolio.

- **Target setting**

The financing score of Rabobank for "Target setting" is 4.5. Rabobank has set absolute emission reduction targets for 12 high-emitting sector/region combinations for the mid-term (2030), but not for the short-term (2025). These targets are based on robust methodologies such as SBTi. Rabobank does not finance coal and oil exploration, but has no credible phase out plan for all fossil fuels as the financing for gas trading is expanded. The climate action plan also does not clarify which role carbon offsetting will play to realize the bank's emission reduction targets.

The climate action plan does not disclose emission reduction targets for Rabobank's investment portfolio.

- **Target scope**

The financing score of Rabobank for "Target scope" is 4.6. The targets set by Rabobank do not include the emissions by clients and suppliers of the financed companies (scope 3). Also targets are set for different types of credit, except for residential mortgages. While targets are set for 12 high-emitting sector/region combinations and sector decarbonisation pathways are illustrated for these sectors, no clarification is given why no targets are set for other sectors which together account for 42% of financed emissions.

The climate action plan does not disclose emission reduction targets for Rabobank's investment portfolio.

- **Instruments**

The financing score of Rabobank for "Instruments" is 5.0. The climate action plan briefly describes an engagement strategy for the 12 focus sectors, but details about objectives, timeline, follow ups, outcomes and reporting are missing. Exclusion is used as an instrument only in relation to some activities which contribute strongly to climate change (e.g. coal-fired power, crude oil production). The entire fossil fuel sector is not excluded and exclusion after unsuccessful engagements is not mentioned. As additional instruments, Rabobank mentions lower interest rates for certain clients in certain sectors and increasing the financing of

renewables with EUR 10 billion by 2030, but does not elaborate on how these instruments will contribute to the emission reduction targets of the bank.

The climate action plan does not disclose instruments that will be used in relation to Rabobank's investment portfolio.

3

Conclusions and recommendations

This chapter presents the main conclusions of the assessment of the climate action plans published by the ten largest Dutch financial institutions. Section 3.1 outlines the main conclusions based on a comparison of the scores of all financial institutions across the five dimensions of analysis. Section 3.2 sets out the recommendations made by Fair Finance Guide Netherlands to the Dutch government and financial institutions on the basis of the results of this case study.

3.1 Conclusions

This study shows that overall the climate action plans of ten major Dutch financial institutions do not meet the critical elements of a credible climate action plan. All 10 financial institutions undersigned the *Climate Commitment Financial Sector* in 2019 and thereby committed to publish climate action plans including reduction targets for 2030 for all their relevant financing and investments before the end of 2022. The financial institutions were expected to explain the actions they are taking to contribute to the Paris Agreement.

The assessment framework developed for this study integrates recent insights from authoritative (international) publications and guidelines on what elements are essential to make climate action plans effective and credible. These include publications by the United Nations' High-Level Expert Group on the Net-zero Emissions Commitments of Non-State Entities, the Race to Zero Campaign, the Net Zero Banking Alliance and the Net Zero Asset Owners Alliance. We also took into account the *Leidraad Ondertekenaars Klimaatcommitment Financiële Sector* published by the Commissie Financiële Sector Klimaatcommitment in 2022.

Based on these publications, 18 expectations for a credible climate action plan of a financial institution are formulated, grouped in the following five dimensions (including their relative weights in the total score):

- Commitment (5%)
- Measuring carbon footprint (21%)
- Target setting (25%)
- Target scope (35%)
- Instruments (15%)

Table 20 shows the scores of the ten financial institutions on the different dimensions on a normalized scale of 0 to 10, as well as the total scores for their climate action plans. The scores per dimension were combined using the weighting factors mentioned above. The financing and investment activities of the three banks (ABN Amro, ING, and Rabobank) have been assessed separately and the final scores were calculated taking into account the relative sizes of the financing and investment portfolios of each bank.

On average, the ten financial institutions received a total score of 4.5 points out of 10 for their climate action plans. Pension fund ABP received the highest score with 5.3 points, while insurance company NN Group received the lowest score with 3.3 points.

Table 20 Summary of the assessments of the climate action plans of all financial institutions

Financial institution	Type	Score per dimension (0-10)					Final score (0-10)
		Commitment	Measuring carbon footprint	Target setting	Target scope	Instruments	
ABN Amro	Bank	10.0	5.0	3.2	2.8	2.2	3.6
ING	Bank	8.4	6.4	5.1	4.5	2.1	4.9
Rabobank	Bank	10.0	5.9	4.1	4.2	4.6	4.9
Achmea	Insurer	10.0	3.2	4.0	4.6	5.8	4.6
ASR	Insurer	10.0	7.1	5.5	3.2	4.2	5.1
NN	Insurer	7.5	5.9	2.0	1.8	4.2	3.3
ABP	Pension fund	10.0	6.5	6.5	2.9	5.8	5.3
BpfBouw	Pension fund	7.5	6.5	3.0	1.8	3.3	3.6
PFZW	Pension fund	10.0	4.7	4.5	2.5	5.0	4.2
PMT	Pension fund	10.0	3.8	4.5	4.6	7.5	5.1
Average		9.3	5.5	4.2	3.3	4.5	4.5

Per dimension the following conclusions can be drawn on the climate action plans of the ten financial institutions:

- **Commitment:** Average score 9.3 points out of 10. Six financial institutions restate their commitment to the Paris agreement and a 1.5 °C scenario for their financing and/or investment portfolios, while BpfBouw and NN Group do not reaffirm clearly their commitment to a 1.5 °C scenario in their climate action plans. ING does reaffirm its commitment for its financing portfolios, but not for its investment portfolios.
- **Measuring carbon footprint:** Average score 5.5 points out of 10. The disclosure of carbon footprint measurements is missing in the climate action plans of Achmea and PMT, while ING and Rabobank report nothing about the footprints of their investment portfolios. In contrast, ASR discloses the carbon footprint of 98% of its total investments portfolio and BpfBouw covers 84%. Most insurers and pension funds disclose separate footprints for some asset classes, especially equity, corporate bonds and real estate. The carbon footprint of mortgages is reported by ASR and ING, but BpfBouw, PMT and PFZW do not disclose the footprint of their mortgages portfolio because of limited data availability.

The three banks focus their footprint reporting on the most important economic sectors they are financing. In the case of ING these cover 95% of the corporate credits portfolio, for Rabobank only half. But carbon footprints for other types of credit are not reported by any of the banks, while especially ING is very active in underwriting share and bond issuances to help fossil fuel companies and other carbon-intensive companies to attract financing.

The scope 3 emissions of portfolio companies are hardly measured or disclosed. While all financial institutions are using credible carbon footprint measurement methodologies, such as PCAF, most ignore the PCAF recommendation to start reporting - from 2021 onwards - the scope 3 emissions of portfolio companies in the fossil fuel and mining sectors. PMT has measured scope 3 for the oil and gas sector, but does not disclose the results in the climate action plan. ABP and BpfBouw have measured the scope 3 emissions for fossil fuels and mining, but they report them only as part of their overall portfolio footprint. NN Group is the only one working on scope 3 emissions for government bonds.

- **Target setting:** Average score 4.2 points out of 10. Most of the financial institutions do not disclose emission reduction targets for the short-term (at the latest for 2025), but only for the medium-term (2030) and beyond. Achmea does set a target for the short-term, but because it is linked to the “market benchmark” it is quite vague. ABN Amro and PMT set only relative reduction targets, which means that their total financed emissions can still go up when their portfolios grow.

The emission reduction targets of NN Group, PFZW and Rabobank only cover a part of their financing and/or investments portfolios. Positive examples of emission reduction targets for the entire investment portfolio in 2030 are set by ABP (50%) and ASR (65%), although they are hard to compare because the base years are different. Negative examples are ING and Rabobank, who do not formulate emission reduction targets at all for their investment portfolios.

The emission reduction targets are not always based on credible methodologies such as SBTi, PACTA and CRREM. ASR and ABP only refer to IPCC recommendations for the global economy, which does not have the same composition as an investment portfolio. Coal financing is excluded by most financial institutions, although PMT still allows coal-fired power companies below a 30% threshold.

Except for ABP, none of the financial institutions discloses a credible phase-out plan for the full oil and gas sector. Only ABP and ING clearly state that their emission reduction targets will be mainly achieved by pursuing real carbon emission reductions and not through the use of carbon offsetting.

- **Target scope:** Average score 3.3 points out of 10. Most financial institutions target the scope 1 and 2 emissions linked to their portfolios but do not yet include in their targets the scope 3 emissions of at least one sector. Most financial institutions provide specific targets for some types of credit or asset classes, but in most cases these specific targets do not cover all types of credit and asset classes which are relevant for them. The explanation why some relevant asset classes and credit types are missing (recommended by the Leidraad) is often not clear and often no timelines are mentioned by when targets will be set for all asset classes and types of credit are missing. Only BpfBouw states that additional targets will be set for government bonds and private equity in 2023.

As there are huge differences in both the urgency of, and the opportunities for, emission reductions between companies from different economic sectors, a credible climate action plan cannot do without specific targets for all economic sectors represented in the portfolios. The three banks have started to set targets for some of the important sectors they are financing, but these sectors only cover 37% of ABN Amro’s carbon-intensive corporate loans. Most insurance companies and pension funds have not started yet with defining sector targets, although the Leidraad stresses that investors should also set sector targets. Only PMT is defining sector targets and has announced that it wants to include the scope 3 emissions of investee companies in these targets.

- **Instruments:** Average score 4.5 out of 10. Although most of the financial institutions mention engagement and exclusion as important instruments in their climate action plans, they do not disclose enough information on the process, timeline, evaluation, reporting, and escalation of such instruments. Only ABP excludes an entire sector, such as fossil fuels. Pension funds and insurers such as ABP and ASR, say they will divest companies if engagement on their climate targets yields no progress. None of the three banks links divestments to unsuccessful engagements in this way, weakening the impacts their engagements can have.

Other instruments - such as voting, impact investing, green bonds, interest incentives for customers and engagement with external managers - are mentioned by various financial

institutions, but often without explanation on how these will actually contribute to realizing the emission reduction targets set by the financial institution.

Finally, we conclude that the climate action plans of the ten financial institutions in many aspects do not meet the guidelines which the Dutch financial sector has set out itself in the Leidraad Ondertekenaars Klimaatcommitment Financiële Sector. This refers especially to the following recommendations in the Leidraad:

- Measure the financial institution's carbon footprint per economic sector (to which the clients or investees belong), whereby the Leidraad prioritizes: agriculture, aluminium production, cement, coal, real estate, iron, oil and gas, electricity generation, and transportation;
- Report at least scopes 1 and 2 of the emissions of the companies in the portfolios. When possible, report their scope 3 as well in alignment with EU legislation and be transparent about using estimations and data;
- Define specific targets and actions for the different types of loans or different asset classes in portfolios, and use science-based targets for priority economic sectors (see above);
- Describe the instruments and measures that are used as part of the action plans to achieve the reduction objectives. Provide insight into which specific measures are chosen, how they contribute to achieving the set reduction targets and how they are implemented in practice; and
- An important element of the Klimaatcommitment Financiële Sector, which is also stressed in the Leidraad, is the pursuit of harmonization and comparability of methods and results. Also in this respect the climate action plans of the sector do not meet the expectations given the fact that there are still unexplainable differences in percentages of portfolios measured, diverging and unexplained choices in asset classes and sectors, differences in targets set (absolute or relative), differences in base years, and further differences. These make it impossible to assess whether the sector as a whole is making progress and is really on the way to a Paris-proof trajectory.

The conclusion that the climate action plans do not live up to the recommendations in the Leidraad is striking, given the fact that the recommendations in the Leidraad are often weaker and less demanding compared to the criteria set for a credible climate action plan in authoritative international publications and guidelines.

3.2 Recommendations

3.2.1 Recommendations to Dutch financial institutions

To effectively address the enormous challenges connected to limiting global climate change, committed efforts of all stakeholders - including financial institutions - are required. Companies in all kinds of economic sectors have to make huge investments in developing new products and transforming their production processes. Financial institutions, therefore, play a crucial role in the necessary economic transition, as they make sure that sufficient financial flows (financings and investments) are available for companies with ambitious plans.

This study shows that the ten largest financial institutions active in the Netherlands are not yet taking this challenge sufficiently serious. More steps are needed to develop and implement ambitious climate action plans that are in line with the magnitude and urgency of the global threats and challenges linked to climate change. Therefore, Dutch financial institutions are recommended to:

- Commit clearly to a 1.5 °C scenario: a climate action plan can only be credible when it starts with an explicit commitment by the financial institution to align all its financing and investment portfolios with the Paris Agreement and a 1.5 °C scenario. If banks are active in investments as well, they should explicitly extend this commitment to their investment portfolio.

- Translate climate change commitments into an action plan with concrete reduction targets for the short to medium term, including targets for 2025, 2030, and 2040, to bring portfolios in line with climate objectives.
- Exclude any form of financing for new fossil fuel extraction plans and define a credible phase-out strategy for the fossil fuel sector as a whole.
- Make sure that action plans are concretized into specific targets and objectives for all asset classes, types of credit, and economic sectors which are relevant for the financial institution, without any exceptions for specific asset classes or sectors.
- Ensure that action plans include both an absolute emission reduction target for the whole portfolio as well as absolute or relative (intensity) targets for the various economic sectors represented in the portfolio, in line with a 1.5 °C scenario. A relative target for the entire portfolio is not enough, as it can lead to an absolute growth of emissions when the portfolio increases.
- Develop a balanced and effective strategy employing different instruments to achieve the goals of the climate action plan, which should include climate-related screening, engagement, exclusions and divestments, loan clauses, a targeted voting policy, and collective influencing initiatives to advance climate objectives. Importantly, make sure that these actions are time-bound, goal-oriented, monitored through concrete milestones and transparently reported about.
- Do not use carbon offsets to compensate for the emissions of companies in financing and investment portfolios.
- Ensure sufficient disclosure and transparency to make the climate action plan effective, comprehensive and understandable.

3.2.2 Recommendations to the Dutch government

Based on the findings in this study, the Eerlijke Geldwijzer (Fair Finance Guide Netherlands) concludes that the researched ten Dutch financial institutions do not sufficiently live up to the commitment they made in 2019 to publish climate action plans which would ensure that they would make a proportionate contribution to the goals of the Paris Agreement. The Eerlijke Geldwijzer concludes that we cannot rely on the voluntary steps of financial institutions in this respect. Therefore, the Dutch government is recommended to:

- Oblige all financial institutions to adopt and implement a plan to reduce their financed greenhouse gas emissions in line with the target of limiting global temperature rise to 1.5°C. To ensure that these climate action plans live up to international expectations, the government is recommended to issue binding guidance for the content of these plans and to supervise their effective and rapid implementation.
- In developing binding guidance for the climate action plans of financial institutions, the government is recommended to rely on criteria for a credible climate action plan as recommended by authoritative international documents such as the High-Level Expert Group (HLEG) on the Net-Zero Emissions Commitments of Non-State Entities published in November 2022, on how to bring activities in line with the goals of the Paris Agreement.

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