



Guiding a Bank's portfolio to Paris

Our journey of Paris alignment 2021

Summary

Which bank-wide goal does this publication align with?

ABN AMRO's climate publication Guiding a bank's portfolio to Paris aligns with the bank-wide goal expressed in the [ABN AMRO Climate Statement](#): "The ABN AMRO bank-wide goal is to bring our lending and client investment portfolio in line with at least a well-below 2-degree scenario and to support the transition to a net zero economy in 2050."

What is this publication about?

ABN AMRO has piloted various methods to prepare science based target setting for various portfolios. At the level of the used methods, the publication aligns with ABN AMRO's membership of the Science Based Target initiative for Financial institutions (SBTi-FI) of 2018. SBTi-FI is backed and funded by United Nations Global Compact (UNGC), Carbon Disclosure Project (CDP), World Resource Institute (WRI) and World Wildlife Fund (WWF). This climate publication offers an overview of how ABN AMRO's business lines and business operations are conducting pilots with methods that connect specific activities and bank portfolios to the overarching climate goals of the Paris Agreement and Dutch National Climate Agreement, and what challenges remain.

How does it link with existing ABN AMRO climate initiatives?

The publication builds upon earlier and ongoing climate-related work by ABN AMRO like Mission 2030 for the real-estate portfolio, company-wide carbon accounting based on the PCAF standard (Partnership Carbon Accounting Financials). This publication adds another piece of the puzzle by talking about the pilots with science based methods conducted to determine the alignment with the Paris climate agreement.

What are the common characteristics of the used science based methods in this publication?

All used methods align with the net zero emissions target by 2050, which is also reflected in ABN AMRO's climate statement. The methods use technology roadmaps or scenarios for each sector as benchmark, published by a.o. the International Energy Agency (IEA). They rely on global, sectoral data from third-party data providers instead of sourcing data directly from individual clients. The piloting of these methods has led us to actively contribute to platforms and partnerships for the whole financial sector. We strongly believe that standardisation, combined with increased data availability improves transparency and comparability of outcomes.

What are science based targets?

GHG emissions reduction targets that are consistent with the level of decarbonization that, according to climate science, is required to keep global temperature increase within 1.5 to 2°C compared to pre-industrial temperature levels.

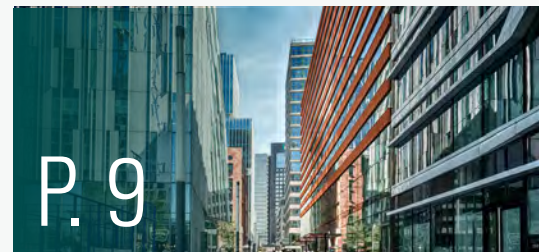
Which sectors are covered in this climate publication?

Business Operations, Energy, Commercial Real Estate, Residential Real Estate (Mortgages) & Investment Services.

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The glossary contains a list of explanatory notes on the used terminology and links to useful resources.

Our engagement with climate change issues

► A message from our CEO

A warming climate and human activity are contributing to rising sea levels, migration and extinction of species, and a dangerous increase in extreme weather events. These big challenges create an unprecedented situation for the financial industry. Given their key role in our economic system, financial institutions and their clients are repositioning themselves to be able to contribute to a more sustainable world. Climate change is a key development for the financial industry's sustainability agenda.

That is why ABN AMRO focuses on sustainable financing and investing to accelerate society's shift to sustainability, and to support the transition to a new low-carbon economy. We are actively aligning our portfolio with the Paris Agreement of 2015 and the corresponding Dutch Climate Agreement of 2019. With a focus on climate change, circular economy and social impact, we are making sustainability an integral part of our business by supporting our clients in making their own transition to sustainability.

In 2015, we were the first European bank to issue Green Bonds under the Green Bond Principles issued by the International Capital Market Association (ICMA) for our commercial clients. We were also the Green Bond structuring advisor for the first Green Bond of the Dutch state in 2019.

ABN AMRO promotes investment in sustainable enterprises, yet is equally committed to attaining good returns on its investment portfolios. We select companies and funds based not only on how they rate with regard to the environment, social impact and governance, but also on their financial results. Fortunately, these two are not mutually exclusive. Investing clients can give ABN AMRO a sustainable investment mandate or opt for sustainable investment advisory services if they want to take decisions themselves. In 2020, we introduced for our Advisory clients our Sustainability Scan which gives immediate insights in the sustainability of an investment portfolio. As part of portfolio performance reporting, we also provide clients in Portfolio Management and in Advisory with data on carbon emissions, alignment with the Paris Agreement and UN Sustainable Development Goals.

We further help home owners in making their home more energy efficient by giving insight on indication of costs, savings potential and subsidies in a clear online personal roadmap. In addition we offer advice and solutions to finance these energy measures and have several permanent sustainability education programmes for our staff.

We actively participate in climate finance research and development through the Partnership for Carbon Accounting Financials (PCAF), Science Based Target initiative (SBTi) and the Paris Agreement Capital Transition Assessment (PACTA) tool. All of these partnerships and pilots work on open-source climate analysis toolkits for the financial sector.

With our feet planted firmly in the present and our sights set on a sustainable future, we invite you to join our journey to a more sustainable world. Banking for better, for generations to come.



Robert Swaak
CEO ABN AMRO

Climate challenge

► The challenge of climate change

Before we dive into the specifics for ABN AMRO's business operations, energy, commercial real estate, residential real estate (mortgages) & investing, we explain why climate is a truly global cross-cutting issue that affects all economic sectors.

Carbon in earth's atmosphere traps solar radiation, contributing to global warming. Global warming is the process of a gradual increase in global temperatures, leading to rising sea levels and less predictable weather patterns, in turn aggravating economically damage events, for example flooding and drought. Global efforts to curtail global warming such as public climate policy, cleaner technological developments and more conscious consumer preferences affect ABN AMRO and its clients both directly and indirectly.

On an annual basis, human activity emits around **50 billion tonnes of CO₂** into the atmosphere. Carbon emissions from human activity linger on in the Earth's atmosphere for more than a hundred years. To prevent the effects of uncontrolled climate change, 195 countries worldwide signed the Paris Agreement in 2015, agreeing to curb global warming and to transition towards a low-carbon economy. Global efforts to curtail global warming such as public climate policy, cleaner technological developments and more conscious consumer preferences affect ABN AMRO and its clients both directly and indirectly.

This publication offers an overview of how ABN AMRO's business lines and business operations are aligning their portfolios and activities with the climate goals in the Paris Agreement, and what challenges remain.

“Global effort to curtail global warming affect ABN AMRO and its clients both directly and indirectly.”

Economic impact

According to the [National Oceanic and Atmospheric Administration \(NOAA\)](#) tracker 2020 showed 22 weather/climate disaster events with losses exceeding \$1 billion each to affect the United States. These events included 1 drought event, 13 severe storm events, 7 tropical cyclone events, and 1 wildfire. The World Bank reports that natural disasters cost about **\$18 billion a year** in low- and middle-income countries through damage to power generation and transport infrastructure alone. They also trigger wider disruptions for households and firms costing at least \$390 billion a year.

Global warming and the transition to a low-carbon economy present financial institutions with physical and transitional climate risks. The direct physical risks of more extreme weather vary from damage to property and houses financed by ABN AMRO Mortgages to the loss of productivity for farmers financed by ABN AMRO Commercial Banking. Transitional risks arise from the transition to a low-carbon economy, like the introduction of a carbon tax, impacting the cost base of carbon-intensive and climate-critical industries financed by ABN AMRO.

Despite the expected upheaval, businesses can tap into economic opportunities through investments in low-carbon technologies, energy efficiency and climate-change-resilient infrastructure. According to the World Bank's estimates, investing €1 in climate resilience on average results in a €4 yield. Society then benefits from increased economic activity and avoided costs. The International Labour Organisation (ILO) also estimates that by 2030 the shift towards a low-carbon, resilient global economy could create more than 50 million new jobs worldwide.

Scope of this publication

In accordance with ABN AMRO's purpose – *'Banking for better, for generations to come'* – we are committed to accelerating our clients' sustainability shift, and the alignment of our lending and investment portfolios with the Paris Agreement. The scope of this publication focuses on Paris-alignment exercises for various bank portfolios based on the current state of science based methods. The study of alignment shows how far a client portfolio is above or below the benchmark of achieving the Paris Agreement's goals. The steering of portfolios in line with climate goals will require more data, scenario and risk modeling to close the gap between this global macro-economic challenge and the micro-economic activities of ABN AMRO and its clients.

Increase in regulations

Climate action is at the heart of economic policy reform programmes such as the European Green Deal. These policy changes are focused on the reduction of greenhouse gas emissions and Europe’s innovation agenda in a global context. The issue of climate will continue to draw the attention of policy makers and the financial sector for the foreseeable future.

In addition to being Paris aligned, ABN AMRO tracks and implements the recommendations of the Financial Stability Board in the TCFD programme. Though not in scope of this publication, TCFD in short: the Financial Stability Board has set up a Task Force on Climate-related Financial Disclosures (TCFD). In 2017, this task force presented a set of recommendations outlining how banks can measure, manage and disclose climate risks. Civil society and regulators both consider climate risk to pose a key material risk for the decades ahead, and expect banks to manage these risks, much in line with the TCFD recommendations.

Consistent with regulatory expectations and our own corporate strategy, ABN AMRO is committed to implementing the TCFD recommendations. In previously published research we have measured climate risk for specific sectors. We have used scenario analyses to study the physical risks in residential and commercial real estate and the transitional risks in energy and shipping.

Sectoral production data combined with external data sources, scenarios, science based target methods, carbon accounting and financial accounting are the first step towards the development of climate risk management within financial institutions.

“Investing USD 1 in climate resilience on average results in a USD 4 yield.” - World Bank

► **ABN AMRO’s portfolio alignment**

The context of the bank’s climate actions is situated at an international level, at bank level and at the level of financial industry initiatives that develop guidance and methods for steering financial institutions’s portfolios in relation to climate related risks.

ABN AMRO has commitments at a bank level to the Dutch carbon pledge, TCFD portfolio level disclosures and the Principles for Responsible Banking. On a method level we use different methods to reach the same end of aligning with the Paris Agreement’s goals for different portfolios. All these science based methods are part of broader financial sector research and development feeding into the development of bank and portfolio specific climate risk management.

ABN AMRO’s climate actions focus on those portfolios and activities that have the greatest impact on achieving the Paris Agreement’s main goal of ‘holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.’

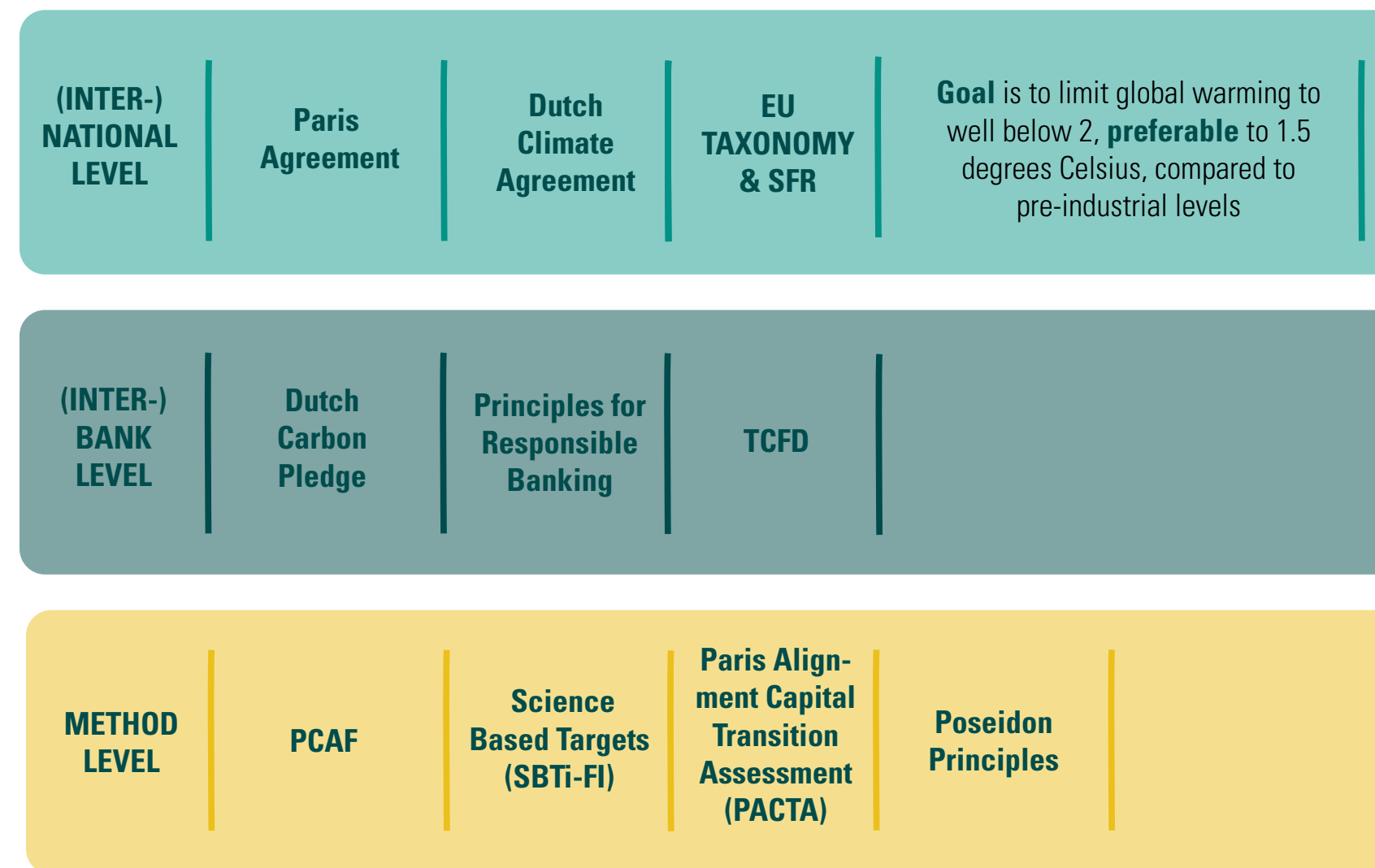


Figure 1: This diagram shows various levels of commitments and regulations that influence ABN AMRO’s climate actions.

► Timeline of ABN AMRO pilots

ABN AMRO efforts that lead up to this publication have included:

- Identifying climate critical assets in 2017;
- Committing to setting science based targets in 2018;
- Assessing the alignment of part of our climate-critical portfolios with the Paris Agreement in 2019;
- Preparing and test-driving the science based methods to feed into the development of climate risk management for specific sectors looking ahead beyond 2020 and 2021.

In 2019 ABN AMRO first tested Paris Alignment Capital Transition Assessment tools (PACTA) for Energy and Investment Services. We did this effort together with the 2 Degrees Investing Initiative (2DII), a global [think tank](#) developing climate metrics in financial markets. PACTA works with detailed sectoral data from the International Energy Agency (IEA) and data provider Global Data. The PACTA IT tool compares sectoral data and scenario data to the evolution of the technology mix of our clients.

The methodology that we used in 2020 for mortgages and commercial real estate is the [Sectoral Decarbonisation Approach \(SDA\)](#) in combination with [Science Based Targets initiative for Financial Institutions \(SBTi-FI\)](#). In the SDA, emissions reduction targets are based on sectoral emissions reduction pathways of the B2DS scenario of the [International Energy Agency's \(IEA\)](#).

Characteristics of the used science based methods:

- They align with net zero emissions target by 2050;
- They use technology roadmaps or scenarios for each sector as benchmark, published by a.o. the International Energy Agency (IEA);
- They rely on global data from various data providers instead of from individual clients directly;
- The piloting of these methods has led us to actively contribute to platforms and partnerships for the whole financial sector. We strongly believe that standardisation, combined with increased data availability improves transparency and comparability of outcomes.

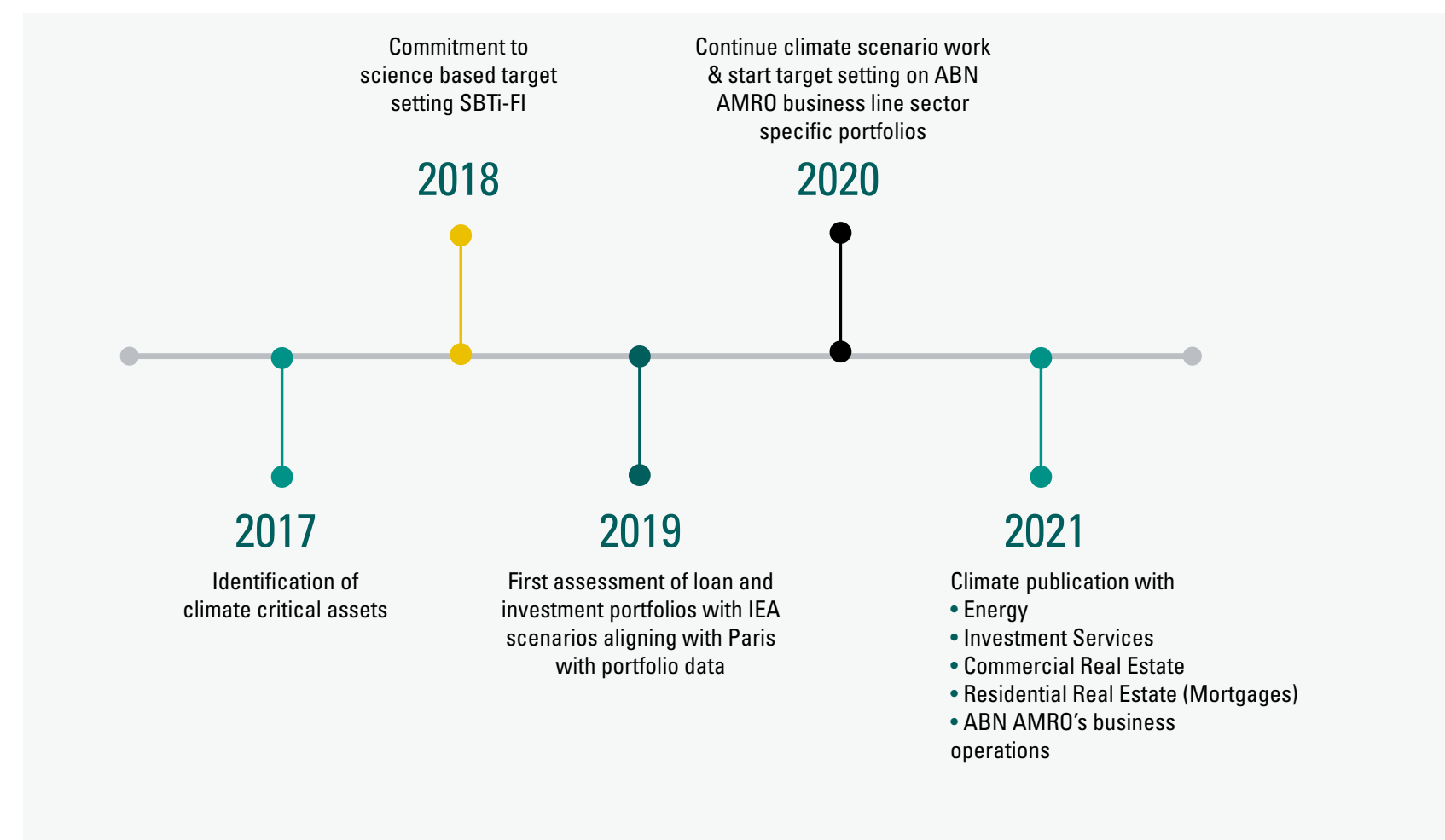


Figure 2: Timeline of ABN AMRO pilots with science based methods

► Multiple methods

The table shows that for various sectors, ABN AMRO has piloted and tested different science based methods. The reason that ABN AMRO uses and tests multiple science based methods is because there is no single global standard or method available.

All used methods have in common that they assess the alignment of ABN AMRO's sectoral portfolios with the goals and ambitions of the Paris Agreement.

The table also shows that the data providers, the guidance, the used scenarios and the metrics to measure alignment with the Paris Agreement are different across various methods.

Some methods like PACTA use the technology mix as a metric. For Power generation for instance this technology mix metric consists of the installed capacity in GigaWatts for renewables, hydro, nuclear, coal, oil and gas. Other methods like the Sectoral Decarbonisation Approach (SDA) use intensity metrics like kwh/m² or kg CO₂/m² for buildings.

The table comes across as quite technical, but it is illustrative of the pilot phase and the lack of a single standard and metric to determine the alignment of financial portfolios with the Paris Agreement.

Sector in scope	Science-based method tested	Data Providers and Scenario	Technology Mix / GHG metric
Business Operations	Absolute Contraction	Non-financial data from ABN AMRO and IEA B2DS scenario	CO ₂ emissions of ABN AMRO's building, mobility and air travel in kg CO ₂ /m ²
Energy - Fossil fuels	PACTA	IEA SDS	Production/Capacity (Metric tons of coal, barrels of oil, cubic meters of gas) for the technology mix of coal, oil and gas.
Energy - Power generation	PACTA	IEA SDS	Capacity (GigaWatts) across the technology mix of renewables, hydropower, nuclear, coal, oil and gas.
Commercial Real Estate	SDA	PCAF, IEA B2DS	Kwh/m ² or kg CO ₂ /m ²
Residential Real Estate - Mortgages	SDA	PCAF, IEA B2Ds	kgCO ₂ /m ²
Investment Services	PCAF/PACTA	ESG ISS, IEA SDS	Sectoral GHG metrics

Figure 3: Per sector this table show the variety of used methods, data providers, scenarios, technology mixes and GHG metrics. There is no single global industry standard for all sectors.

Business Operations



Business Operations

ABN AMRO wants to lead by example with sustainable office buildings and greener business travel. By significantly reducing our own carbon emissions we are doing our part to achieve the [Paris climate goals](#).



“Over the last years, ABN AMRO has made great strides in lowering the emissions of all three components. We look to further reducing our footprint going forward.”

Christa Beaufort
INITIATIVE LEAD (LEAD BY EXAMPLE)

► Why it matters

With more than 200 offices in over a dozen countries, 19,000 employees and frequent commutes and business travel, ABN AMRO has ample opportunities to reduce its carbon footprint and, in doing so, to contribute to a more sustainable society.

As is common for financial services providers, carbon emissions related to our business operations arise from three main components: energy use at our branches and offices, lease-car and other mobility, and air travel. In recent years, ABN AMRO has made great strides in lowering the emissions of all three components. We plan to further reduce our footprint going forward.

► What we aim to achieve

Due to Covid-19, the year 2020 does not provide a valid starting point for measuring future reductions in carbon emissions. As a result, 2020 will not be included in our analysis. Instead, we will use the period 2015-2019, and plan ahead by setting targets for 2021-2025.

ABN AMRO is committed to reducing the absolute Scope 1, 2 and 3 greenhouse gas emissions of its business operations by 80 percent in 2025 compared with 2015, based on the Absolute Contraction method for a [B2DS target trajectory](#). We are doing this by prioritising the reduction of actual carbon-emitting activities, generating energy ourselves and procuring energy from renewable sources.

In our base year 2015, the year of the Paris Agreement, our yearly emissions amounted to 52.8 kilotonnes (kTon) of CO₂. This can be broken down as follows:

- 🏢 **24,4 kTon:** energy use at our branches and offices
- 🚗 **16,6 kTon:** lease-car and other mobility
- ✈️ **11,9 kTon:** air travel

This figure includes CO₂ emission as a result of energy use at our international offices, which was not included in our 2015 'Facts & figures' reporting scope.

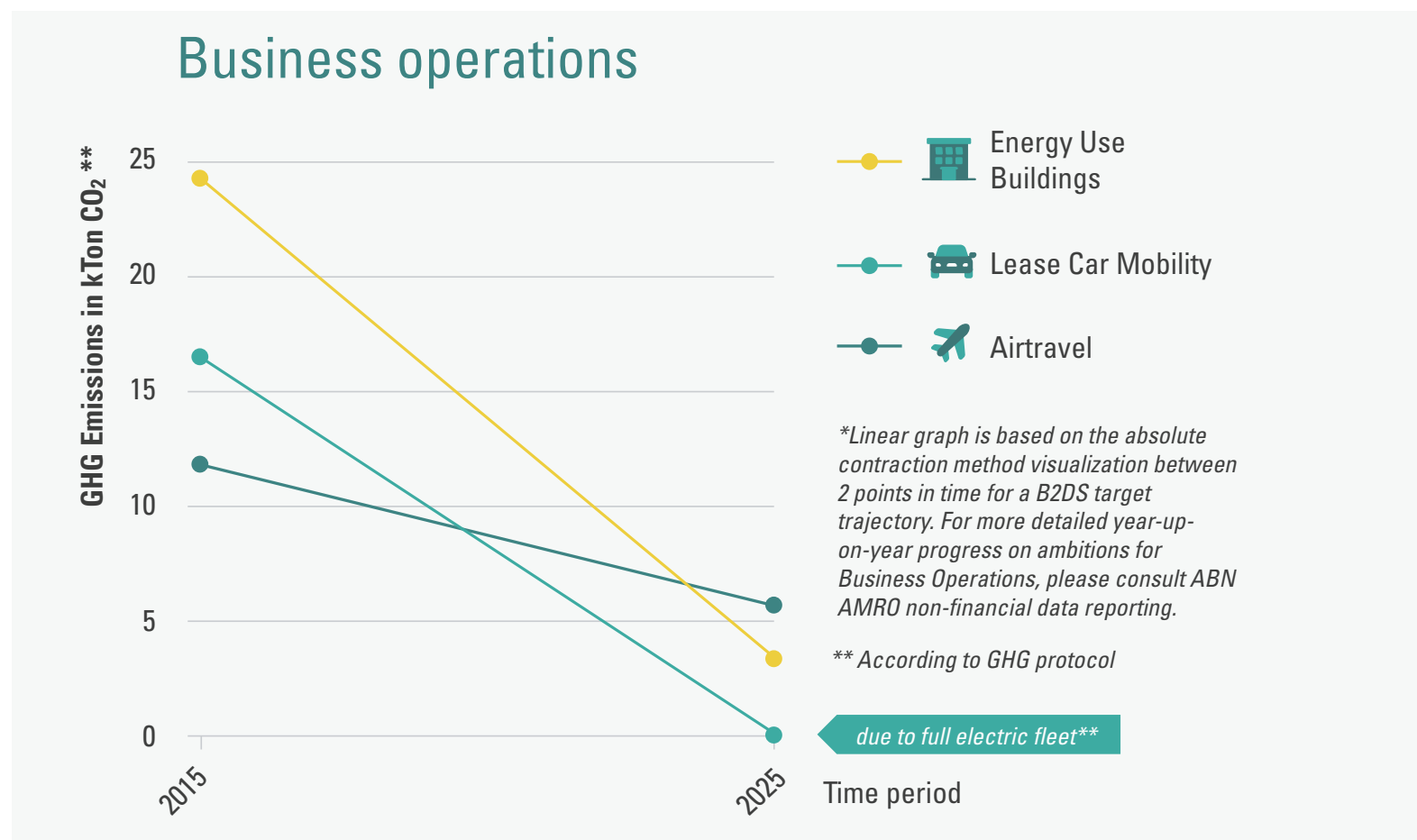


Figure 4: Ambition for GHG reduction across all scopes of ABN AMRO business operations by 2025

Buildings-related emissions

We calculate our buildings-related emissions by multiplying the volume of gas, electricity and heating and cooling by their corresponding emission factors. In 2015, our buildings-related carbon emissions totalled 24.4 kTon. Our target for 2025 is 3.3 kTon of CO₂. To achieve that target, we are pushing for energy-efficient buildings for both national and international offices. Over the next five years, we will further reduce our energy demand by renovating our offices in the Netherlands to be Paris-proof. Once renovated, those locations will require only 50 kWh/m² per year. By 2030, all our office locations will be Paris-proof.

Lease-car mobility

In 2015, our carbon emissions from lease-car mobility produced 16.6 kTon of CO₂. Our target for 2025 is to achieve emission-free mobility. This target, however, is contingent on electric mobility (tank-to-wheel) being considered emission-free. By adding alternative means

of transport to our mobility policy, scaling up our fleet of electric cars and making public transport the default option, we already reduced our mobility-related carbon emissions by 37 percent between 2015 and 2019. Vehicles available for lease are becoming more and more energy-efficient every year. In 2019, we implemented a new lease policy which calls for electrifying our entire fleet by 2024.

Air travel

Lastly, in 2015 we emitted 11.9 kTon of CO₂ as a result of air travel. Our target for 2025 is 5.6 kTon of CO₂. In 2019 we implemented a new Clean Air Travel Policy, to limit travel for internal purposes, introduce 'Rail Only' for four primary international destinations and start a biofuel investment programme. These initiatives helped us to cut back on our air travel-related carbon emissions by 13 percent between 2015 and 2019.

What we have learned from the pandemic is that remote working can be an effective alternative to travel, including international travel. Covid-19 restrictions caused our air travel to drop by 80 percent in 2020 compared with 2019. We are currently working on a policy to better support and stimulate remote working in the future. This will doubtlessly also positively impact our air travel related carbon emissions in the future.

► What we're doing next

The availability of sustainability data has improved significantly in recent years. As a result, we now have a more complete overview of our climate footprint from purely business operations. This data availability enables us, for example, to calculate the footprint of our off-premises IT infrastructure and the environmental impact of remote working.

Detailed information about the various sources of greenhouse gas (GHG) emissions (Scope 1, 2 and 3) from business operations is a crucial first step towards reducing them. We need to broaden the scope of our carbon emission reporting, as this will give us the ability to accurately measure our total emissions and implement our GHG reduction plans. In the long run, we can only lead by example if we can measure our performances based on accurate and increasingly complete GHG emission numbers.

Still, the GHG Protocol's requirements for reporting on carbon emissions also hide some important underlying improvements in our business operations. For example, the more energy-efficient our own buildings become, the less renewable energy they use. As ABN AMRO is already procuring 100% climate-neutral renewable energy for its buildings, improving their energy efficiency does not impact our carbon emission figures, which are already reported as zero under the GHG Protocol. What our energy-efficiency efforts do mean, though, is that more renewable energy is available to other parties outside the bank. This has a positive impact in the real world. As this concrete example illustrates, it is important to increase the granularity of GHG reporting to also show underlying sustainability drivers. We will give this further attention in future sustainability reporting and disclosures on the GHG performances of our own business operations.

“ABN AMRO is committed to reducing the absolute Scope 1, 2 and 3 greenhouse gas emissions of its own business operations (buildings, lease cars and air travel) by 80 percent in 2025 compared with 2015, based on the Absolute Contraction method for a B2DS target trajectory.”

Energy



Energy

The Energy sector holds the key for societies to transition towards clean energy sources. ABN AMRO has defined its clean energy ambitions for 2030 and beyond.

► Why it matters

Fighting climate change requires close collaboration between stakeholders in the energy sector and beyond. Companies in the energy sector - and ABN AMRO as well - have a unique opportunity to actively support the transition towards sustainable energy. Since accelerating the sustainability shift is one of [ABN AMRO's overarching goals](#), we believe that our loans and expertise can add to the momentum that is already underway in this sector, to move away from fossil fuels and towards climate-neutral sources of energy.

ABN AMRO's client base that was analysed in the energy sector includes Upstream Oil & Gas (predominantly mid-sized oil & gas companies) and Power Generation (utilities with power assets and other companies that develop renewable power assets).

In a snapshot of the loan book at year-end 2018, when we made our first Paris Agreement Capital Transition Assessment, these sector-specific amounts make up a small part of the total financial assets on ABN AMRO's balance sheet, which represent more than 400 billion euros.



"Fighting climate change requires close collaboration of all stakeholders in the energy sector and beyond."

Karianne Tieleman

HEAD SUSTAINABILITY ADVISORY CIB



"We support our clients that focus on energy transition and decarbonisation and assist in accelerating their move to a lower carbon economy."

Peter Boogers

HEAD OF COVERAGE NATURAL RESOURCES



"The actions we take make a difference. It is encouraging that we, together with our clients, are seeking solutions and providing the opportunity to navigate to a low carbon and more sustainable future."

Nicolas Stathoulis

PROJECT OFFICER, SUSTAINABILITY ADVISORY CIB

► What we aim to achieve

Going forward, our energy transition strategy will focus on Europe, to support the transition of our energy system and move towards cleaner energy sources. For our Energy portfolio as a whole (including all subsectors), we are committed to increasing the proportion of renewable energy in the portfolio to 45 percent by 2024, against 13 percent in 2018. This KPI is based on the nominal amount committed to renewable energy and non-fossil power generation clients, divided by the total commitment to Energy (fossil and non-fossil) clients. In 2020 we surpassed our target, increasing the share of renewable energy to 21 percent (20 percent year-end target).

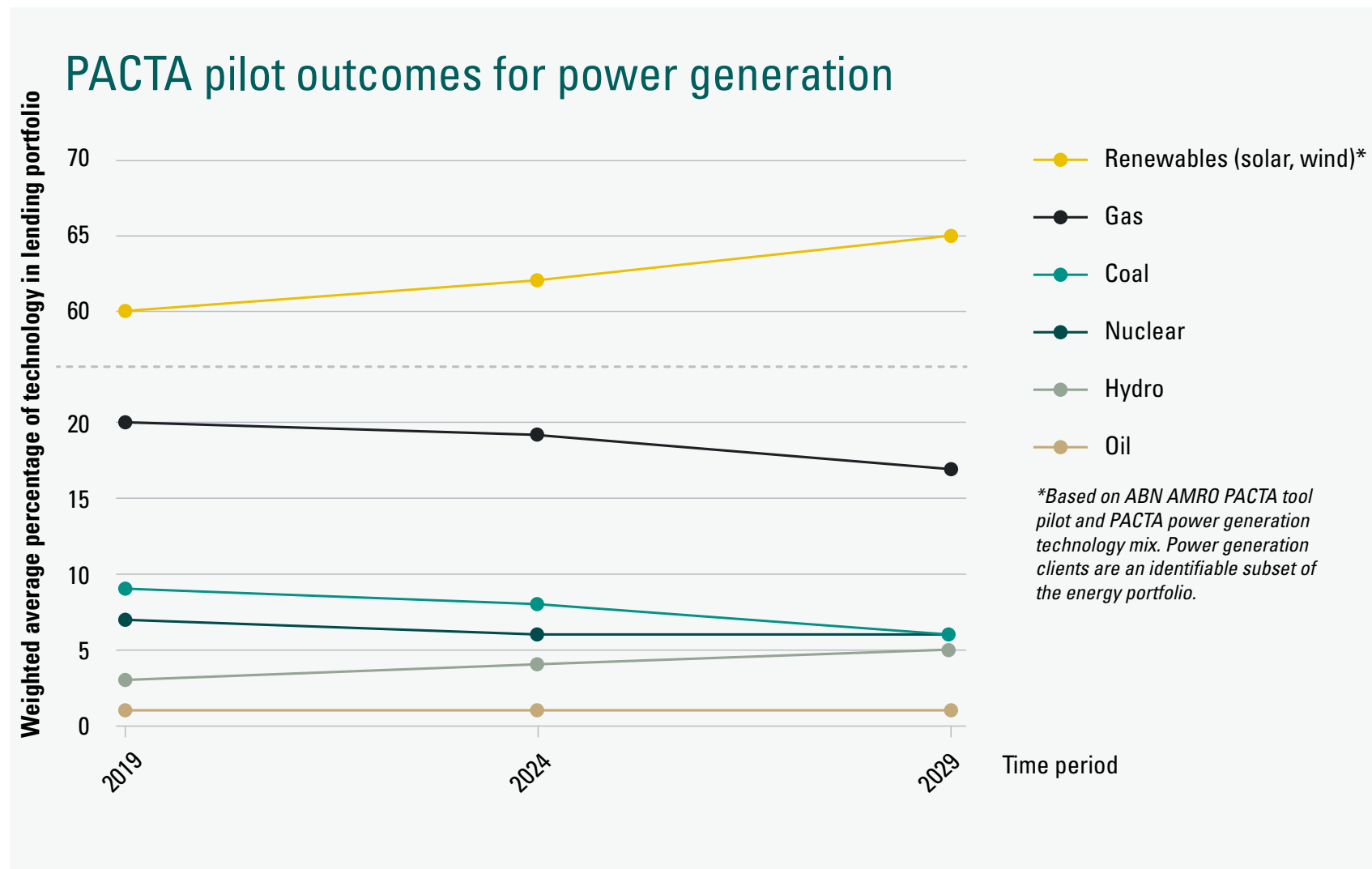


Figure 5: PACTA trajectory per power generation technology based on IEA's World SDS power generation scenario

In accordance with the [Paris Agreement](#), ABN AMRO, with 16 other international banks, participated in a banking pilot organised by the [2 Degrees Investing Initiative \(2DII\)](#). The objective was to compare the exposure to clients in the Power Generation and Upstream Fossil Fuels sectors to the pace of decarbonisation in the International Energy Agency's (IEA) climate scenarios. This provided insights for the required science based targets to align financial flows with the aim of limiting global warming to less than 2 degrees Celsius.

Our part of the banking pilot was based on the International Energy Agency's Sustainable Development Scenario (SDS). We performed a science based targets analysis of the upstream fossil fuel and the power generation portfolio in 2020 to assess the alignment with Paris. We have developed insights for 2 specific parts of the energy portfolios: power generation and upstream fossil fuels. These outcomes are based on ABN AMRO's participation in the [Paris Agreement Capital Transition Assessment \(PACTA\)](#) pilot for financial institutions.

Decarbonisation in the portfolio is likely to be positively impacted by our recent strategic decisions to focus on Europe. Geographical changes in the credit exposures due to the reviewed strategy for ABN AMRO's international banking [activities](#) are expected to lower the carbon intensity of the loan portfolio. Based on the production profiles of energy clients that fit our sustainability strategy, we believe that the changes will help to achieve alignment with the IEA scenarios that correspond with the Beyond 2 Degrees global warming scenarios (B2DS).

► What we're doing next

One of our core strategic pillars is to support our clients in the transition towards sustainability, and to create a more sustainable world. For our energy clients, we will support them by mobilising capital, providing sustainability advice and engaging with our clients to steer them towards a cleaner production profile with less impact on the climate. Our strategy to focus on the transition does not stand on its own. New regulations under the EU's Green Deal and Sustainable Finance Action Plan will affect how financial institutions allocate capital and requires further integration of climate risk factors into existing models and scenario analysis.

ABN AMRO is already implementing the recommendations of the Financial Stability Board [Taskforce on Climate-related Financial Disclosures \(TCFD\)](#), in accordance with the European Commission's guidelines.

The first step is the bank's participation in the [United Nations Environment Programme Finance Initiative \(UNEP-FI\) TCFD Pilot Phase 2](#). In this pilot, 39 banks are working together to develop methodologies for and gain experience with implementing the TCFD's recommendations. By participating in the project, we hope to gain further understanding of climate risks and opportunities at the borrower and portfolio levels, and build the capacity needed to assess those risks and opportunities. Initial recommendations include using heatmapping and scenario analysis to determine climate risks and opportunities in key sectors and subsector portfolios.

"We will broaden our analysis to focus on a longer time horizon and include more sectors affected by the transition to a low-carbon economy."

Drawing on the methodologies developed in the UNEP-FI TCFD pilot, ABN AMRO will continue to assess the sensitivity of its Upstream Oil & Gas portfolio with the aim of quantifying the potential climate risk impact and aligning the portfolio with the Paris Agreement. These assessments analyse direct and indirect emissions costs, capital expenditure (e.g. percentage of money going towards low-carbon technology) and revenues.

We will also broaden our analysis to focus on a longer time horizon and include additional sectors that are affected by the transition towards a low-carbon economy. Where possible, this will be linked to an assessment of the lending portfolio's alignment with the Paris climate goals, using the 2DII banking tool ([PACTA for Banks](#)). In addition, we are working with third-party experts and partners, such as UNEP-FI and 2DII, to build additional knowledge and capacity.

Data availability and the readiness of IT systems for integrating and storing the available data is an attention point for us to be able to monitor and report on climate risk and the progress of our Energy Transition strategy. As a next step, we also need to develop methods for integrating climate risks into existing credit scoring models that drive our clients' credit scores.





Commercial Real Estate

Commercial Real Estate

Solutions for making commercial real estate more sustainable are readily available. Since some energy efficiency measures have a payback period of less than five years, it is time for investors to act.



“To truly accelerate the sustainability shift, we need to fully unburden the client’s transition. To do so, we are in the process of building a strong ecosystem with external partners.”

Erik Steinmaier
MANAGING DIRECTOR SECTOR REAL ESTATE



“Investors and occupants want sustainable urban environments. The increasing investments in technology and digitization will give this a great tailwind.”

Olaf Rutten
PROGRAMME LEAD

► Why it matters

Commercial real estate includes residential properties, large office spaces, shopping malls, and industrial buildings, often with thousands of daily users and around-the-clock activity. Because of their constant occupancy, heavy use, and thus high energy intensity, sustainable investments in commercial real estate can make an immediate and outsized impact.

ABN AMRO Commercial Banking Real Estate serves about 1,000 professional real estate investors and developers. The vast majority of our outstanding loans are for investment (85 percent) and development (10 percent). The main asset types are residential (33 percent), office (12 percent), industrial/logistics (12 percent) and retail (19 percent). If our loans can speed up sustainable development of commercial properties, it will be another big step towards reaching the Paris climate goals and the [Dutch Climate Agreement](#).

► What we aim to achieve

ABN AMRO wants its commercial real estate portfolio to have a [weighted average energy label A](#) by 2030. Reaching this goal will require a step-by-step approach that starts with assigning energy labels to every single property in our portfolio. Using the method set out by the [Partnership for Carbon Accounting Financials \(PCAF\)](#), we can determine the carbon intensity for each building and the necessary measures going forward.

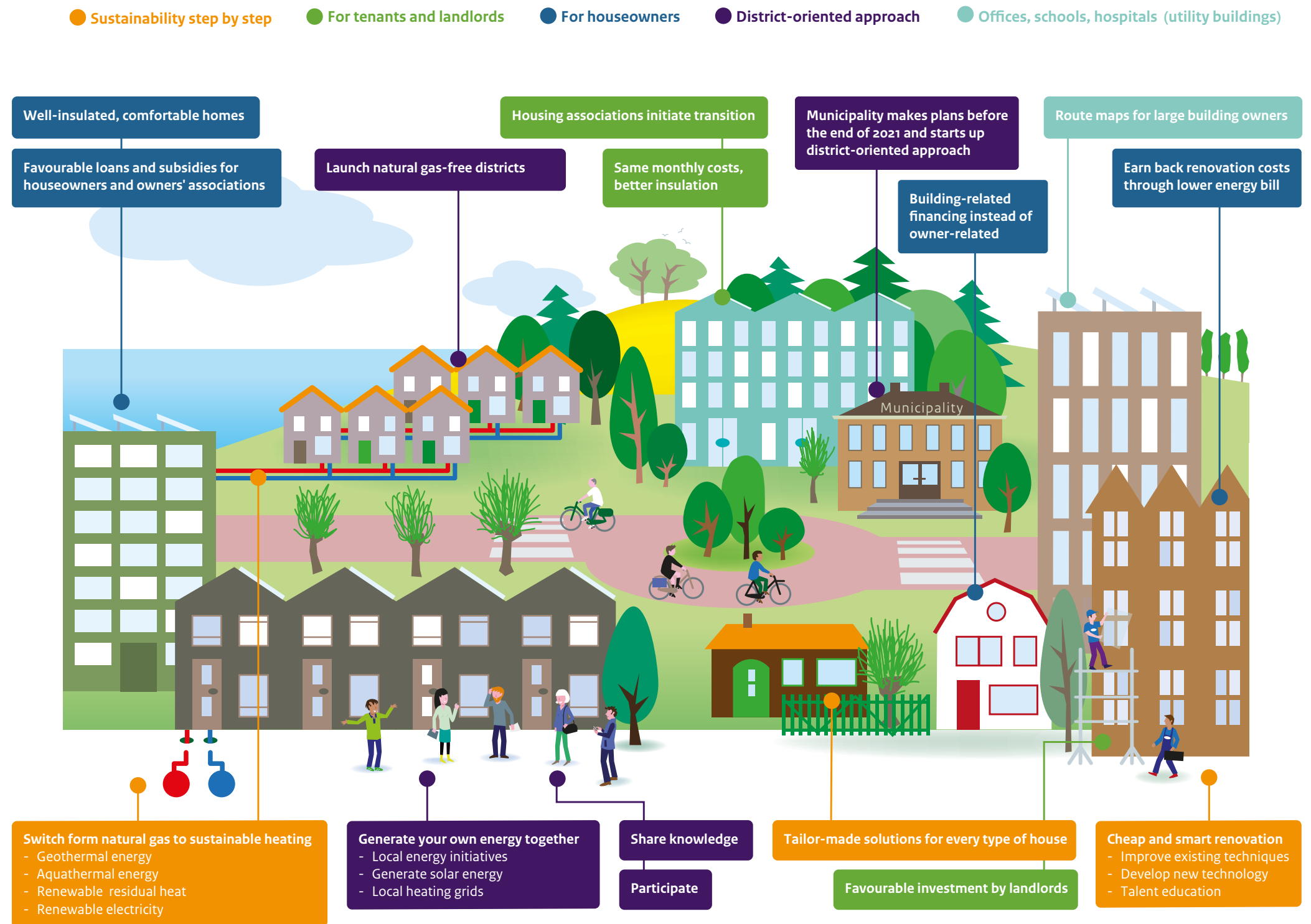
The first intermediate goal is to have a weighted average energy label C for our commercial real estate portfolio in 2025. In the following five years, the energy performance should gradually increase and in the end we aim for a weighted average energy label A. The transition in the portfolio will be partly based on sustainable renovations, outflows of older buildings and inflows of newer buildings. For new builds the revised energy label allows for up to four pluses behind the A, with net-zero energy buildings as the highest level.

Looking at the entire portfolio, this may feel like a journey of a thousand miles. And indeed, we have our work cut out for us. However, the first step is a relatively easy one, as weighted average energy label C ('reasonably low energy consumption') can be achieved with existing and proven solutions like improved glazing, solar power and LED lighting, with payback periods of five years or less.

With a weighted average label C on our portfolio, ABN AMRO and its clients will already have achieved a significant short-term reduction in carbon emission intensity, in addition to complying with legislation. To put it in perspective: the journey from label G to label C represents a two-thirds reduction, with the next leg, to label A, being the final one-third.

While energy label C can be achieved with existing solutions and technologies, we expect new technologies will provide our clients with the necessary tools for the challenging stages after C towards label A and beyond. ABN AMRO is examining the quality of these new technologies and how we can support with financial services to make them available and more affordable to our clients.

“ABN AMRO targets a weighted average energy label A in 2030 for its commercial real estate portfolio.”



BUILT ENVIRONMENT



Figure 6: Infographic issued by National Climate Agreement for Dutch built environment.

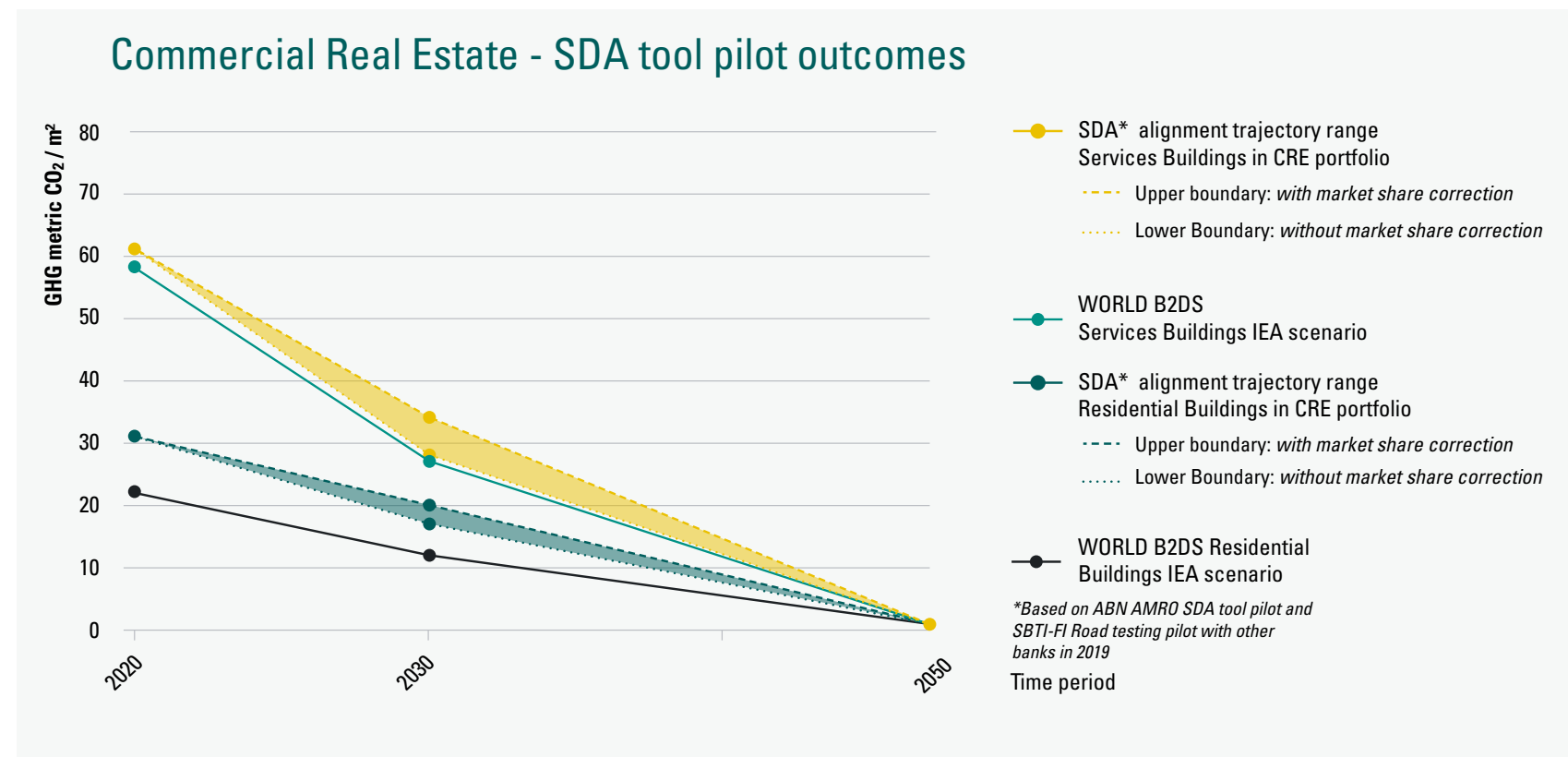


Figure 7: Paris alignment trajectory range for Commercial Real Estate (CRE) portfolio based on SDA pilot for Residential and Services Buildings

► What we're doing next

We have introduced the Sustainable Investment Tool for our clients in cooperation with CFP Green Buildings. The Sustainable Investment Tool gives insight into the energy label of real estate and describes the measures owners and investors can take to improve it, including a calculation of the investment involved, the payback period, and potential CO₂ reduction. As part of our commitment to educate our client-facing staff, we have developed an e-learning module that provides them with the in-depth sustainability knowledge they need to advise clients on their sustainability approach. In addition, we have drafted a plan to better support our clients' transition, and adopted a new commercial real estate credit policy on sustainability requirements. This new policy stipulates that all new assets/buildings added to our real estate portfolio should have an officially registered energy label, and the portfolio should meet a weighted average of at label C or higher for each asset class.

We have also started to compare our commercial real estate portfolio's trajectory towards 2030 with the [Beyond 2 Degrees Scenario \(B2DS\)](#). This decarbonisation pathway, developed by the [International Energy Agency \(IEA\)](#), relies on the practical application of energy efficiency and the use of clean energy to achieve the Paris Agreement goals (see infographic). We are currently in the process of having these B2DS alignment outcomes validated by members of the [SBTi \(Science Based Target initiative\)](#).

For real estate investments that have a positive impact on the environment, ABN AMRO can grant green loans or green leases. A green loan or lease has a lower interest rate thanks to government support to stimulate [sustainable investments](#).

To truly accelerate the sustainability shift, we need to fully unburden the client's transition. This means more expertise, more unburdening services and more engagement. We want to be recognised as a bank that creates value for our clients based on expertise and services. That is why we are in the process of building a strong ecosystem with external partners. Together, we analyse the issues at hand, focus on removing obstacles, and develop new products and services such as online energy efficiency checks and a legislator checker.

“For real estate investments with a positive impact, ABN AMRO can grant green loans.”



Residential Real Estate - Mortgages

Residential Real Estate - Mortgages

Our loans to home owners have a direct impact on sustainability in the housing market. By improving their homes' energy efficiency, home owners play a key role in lowering carbon emissions.



"Promoting and improving sustainability in the housing market is an interplay between value chain parties e.g. valuers, financial (mortgage) advisers, real estate agents, customers and government. For ABN AMRO, climate action is a vital part of our strategy and purpose."

Claire Dumas
MANAGING DIRECTOR MORTGAGES

► Why it matters

Through a residential mortgage portfolio totalling 145.4 billion euros, ABN AMRO finances 761,615 homes in the Netherlands (year-end 2020). Energy-saving solutions such as insulation, sustainable heating and climate-neutral energy sources can significantly help to achieve an overall reduction in carbon emissions.

In addition to providing extra living comfort, sustainable homes have a positive influence upon the marketability and value of buildings. Sustainable homes are gaining popularity with the public. There have been studies in recent years showing that homes with a better energy label would [sell faster and yield a higher price](#). Recent developments in our portfolio show that homes with an A label are increasingly popular. This is an encouraging development, since a sustainable housing market is key for reaching the world's climate goals.

► What we aim to achieve

Promoting and improving sustainability in the housing market is an interplay between value chain parties e.g. valuers, financial (mortgage) advisers, real estate agents, customers and government. For ABN AMRO, climate action is a vital part of our strategy and [purpose](#). Along with other financial institutions in the Netherlands, we have embraced the Dutch Climate Agreement, the Dutch implementation of the Paris Agreement.

In 2018, ABN AMRO committed to the [Science Based Targets initiative \(SBTi\)](#), to determine the path forward for our mortgage portfolio. To set our targets, we use the Sectoral Decarbonisation Approach (SDA) developed specifically for financial institutions.

The target setting began by calculating our carbon emissions in the base year of 2016. That starting point aligns with the data generated by the [Partnership for Carbon Accounting Financials \(PCAF\)](#) and the Dutch Central Bureau of Statistics (CBS).

We also compared the trajectory towards 2030 using the [Beyond 2 Degrees Scenario \(B2DS\)](#). This rapid decarbonisation pathway, developed by the [International Energy Agency \(IEA\)](#), leans heavily on practical application of home improvements and the use of clean energy to reach the goals defined in the [Paris Agreement](#). We are currently in the process of validating these B2DS alignment outcomes together with other members of the SBTi.

Energy labels – mandated by law in the Netherlands – are another good indication of the energy performance of homes. At year-end 2020, 17 percent of the homes in ABN AMRO's mortgage portfolio had been granted energy label A.

[ABN AMRO's Mission 2030](#), which we adopted in 2017, calls for sustainable and futureproof homes with lower energy bills, reflected by a weighted average energy label A for the bank's entire residential mortgage portfolio. This objective can be aligned with the targets for emissions per square metre. We closely track the latest developments in our portfolio, using dashboards and other tools to monitor energy labels and map carbon emissions. We will continue to refine these tools during the period ahead, drawing on SBTi data.

► What we're doing next

Operational excellence and good customer relationships remain key components for encouraging our clients to make their homes more sustainable. We will continue to offer mortgage advice and to provide financing and expertise to help homeowners and buyers with those measures. Clients can use the online Energy Savings Check and talk to our advisers to obtain a personal sustainability roadmap and find out more about the costs and potential savings of particular measures and what subsidies are available. At year-end 2020, 94 percent of our mortgage advisers were trained as sustainable living advisers. We are also continually experimenting with third parties (e.g. The Sustainables, HomeQgo, Milieu Centraal and De Energiebespaarders) to find new ways to support clients in this transition.

ABN AMRO's Sustainable Living Mortgage is intended specifically to make homes more sustainable. It offers clients attractive mortgage terms and lower interest rates. For our regular mortgage prices also, houses with an A label can benefit from reduced mortgage rates at the interest reset date, turning the client's sustainability efforts into both environmental and financial benefits.

Still, in order to reach the climate goals for residential mortgages, we are also reliant on the efforts of others. While energy labels are tied directly to the energy performance of individual homes, carbon intensity of homes will also drop if the overall energy production in the Netherlands and Europe becomes more sustainable. Another challenge that we face is client engagement, which is largely driven by the potential for savings. Loss of the sense of urgency could become an issue if and when government authorities (whether at the local level or above) cut back or entirely eliminate their subsidies.

For professionalising carbon accounting in real estate, ABN AMRO presides over the Dutch [Partnership for Carbon Accounting Financials \(PCAF\)](#). In this role, we aim to remain a thought leader and stay involved in both European and global PCAF developments for carbon accounting. PCAF members have agreed to work together to develop open-source methodologies based on actual energy usage, working in cooperation with the Dutch Bureau of Statistics Netherlands (CBS) and/or other data providers to better measure the carbon footprint of their loans.

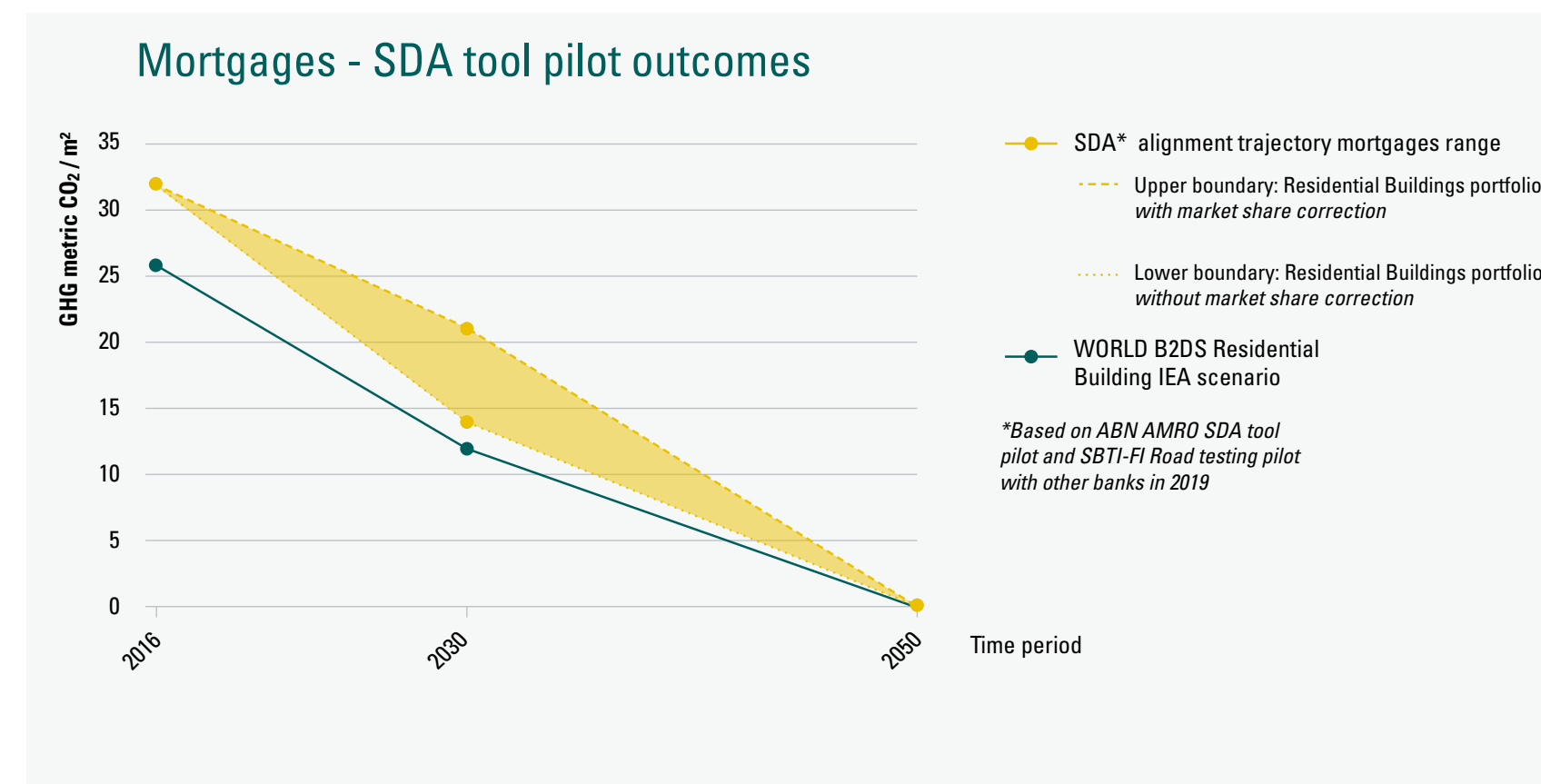


Figure 8: Paris alignment trajectory range for Mortgages portfolio based on SDA pilot for Residential Buildings

Our ambition is to support the transition to a net zero economy in 2050 with our mortgage portfolio

“At year-end 2020, 17 percent of the homes in our portfolio had been granted energy label A.”

Investment Services



Investment Services

Through our investment services, ABN AMRO is involved both directly and indirectly in equities and bonds. Non-financial reporting provides details of these assets' sustainability performance.



"Climate change ranks amongst the most significant risks that we envision in our client's investment portfolios, both from a physical and a transition risk perspective. It is essential that we work with available data to monitor portfolios and inform our clients accordingly."

Vincent Triesschijn

RESPONSIBLE FOR ESG INVESTMENT PRODUCTS & SERVICES



"It is generally acknowledged that climate change has negative impact on the environment. But awareness is growing that climate change can also have a negative impact on the value and return of assets. This makes it even more important to monitor climate change risk in the portfolio."

Karin Bouwmeester

RESPONSIBLE FOR ESG STEWARDSHIP & REPORTING

► Why it matters

ABN AMRO's Private Banking clients represent an investment portfolio worth approximately 127.9 (see [ABN AMRO Bank Quarterly Report Q4 2020](#)) billion euro. Our clients' assets consist of three asset classes: listed equities, bonds and cash or money markets instruments. We offer our clients three service concepts for managing their money: [Portfolio Management](#), [Advisory and Self-Directed Investing](#). Each of these service concepts gives a different level of control over the final investment decisions.

► What we aim to achieve

Besides following up on our efforts to monitor existing or potential issues during the engagement process, our investment managers also analyse the contribution towards achieving climate goals. By integrating these investment criteria, we can guide the selection of companies in our clients' portfolios towards [net-zero carbon emissions](#), in accordance with the [Paris Agreement](#).

Since the Paris Agreement was first signed, more and more companies have been publishing their environmental data. Improved data availability allows for more complete analyses and comparisons of carbon emissions.

To monitor the progress of the various investments' climate performance, we first consider the starting point of the companies in the client's investment portfolio. We do this using a thorough carbon emissions measurement. Primarily, we focus on documenting Scope 1 and Scope 2 emissions: the emissions produced by the company and its suppliers (particularly energy suppliers). Due to the poor data availability and reliability, we do not at present include Scope 3 in our analyses.

For our carbon assessments of asset classes, we rely on the standards and methodology of the [Platform for Carbon Accounting Financials \(PCAF\)](#). We also tested the [Paris Agreement Capital Transition Assessment \(PACTA\)](#) tool, which is part of the 2 Degrees Investing Initiative. Energy-intensive companies in our portfolio, for example energy companies and utilities, are subject to increased scrutiny. For a better grasp of the risks associated with their ability (or inability) to change, it is important to properly understand what their energy mix is and how they plan to align with the Paris Agreement.

In 2020, we introduced [non-financial reporting](#) that provides clients in Portfolio Management and in Advisory with details of their portfolio performance on environmental, social and governance (ESG) issues, carbon emissions and alignment with the Paris Agreement and [UN Sustainable Development Goals](#).

"The availability of data allows for better and completer analysis and comparisons on carbon emissions."

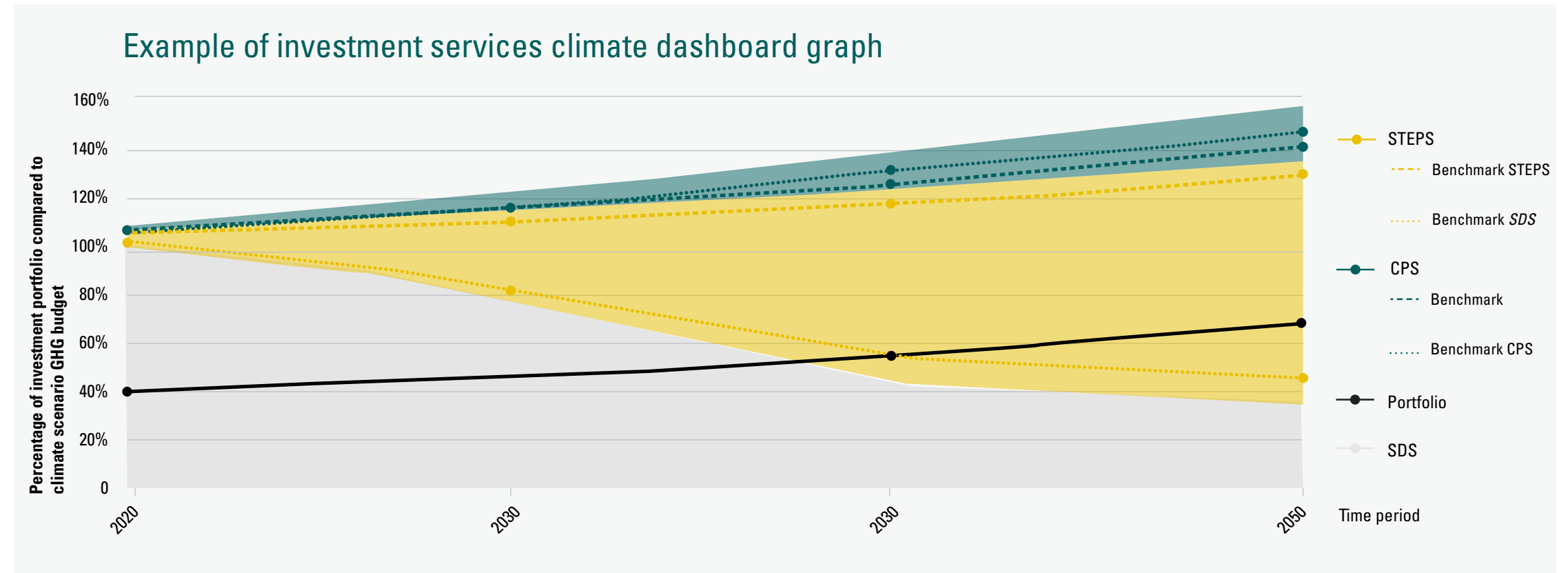


Figure 9: Example of GHG emissions pathway based on ISS ESG Climate Report

► What we're doing next

Our [Sustainable Investment Mandate](#) is an actively managed portfolio that invests exclusively in public authorities, institutions and companies that pursue socially responsible business practices. They combine a balance between people, planet and profit with strong growth prospects, robust fundamentals and attractive valuations.

Although the Mandate does not have a climate objective, it does apply negative and positive screening on climate issues. Negative screening means that companies with exposure to certain harmful activities are excluded if that exposure exceeds a specific revenue threshold (e.g. more than 10 percent of turnover). This includes activities that are harmful to the climate, for example coal mining, Arctic drilling, shale gas, oil extraction from tar sands and power generation from coal. Positive screening means selecting companies with ESG (environmental, social and governance) performances that are better than their peers.

Climate risks are an integral part of our bottom-up company analyses. The Mandate's portfolio is regularly subjected to climate impact assessments, using PCAF-based data. These dashboards are provided by data provider ISS ESG. These assessments include carbon metrics, climate scenario analysis, transition climate risk and physical climate risk.

More than half the Mandate's portfolio's value is related to companies that have committed to aligning with international climate goals.

Although data availability has improved, many companies still do not report on their GHG emissions and accordingly are modelled using sector averages and assumptions. With the [Non-Financial Reporting](#) Directive expected to be updated shortly, GHG emissions reporting will become mandatory for large companies within the EU. However, data availability for climate assessments will remain an issue for smaller companies or companies located outside the EU.

While the PCAF-developed standardised methodologies are a positive development for calculating emissions, moreover, they have only recently begun to cover some asset classes such as government bonds. As such, in terms of gaining experience with new and more sophisticated ways of climate assessment and scenario analysis, the availability and accuracy of data is expected to present a challenge for the foreseeable future.

The next step for ABN AMRO is to add further climate performance measurements in our investment decision-making process for the entire portfolio, from either a risk and/or a target perspective. We are developing and updating risk management tools and investment policies to further integrate climate risks into our asset allocation process.



Stakeholder quotes

'It is our goal to ensure the EU legislation and regulation provide a framework that enables banks to support their clients transition and offer products on a level playing field basis. We are advocating for a right set of incentives to economic actors to encourage and reward sustainability. We also believe engagement is key and therefore are entering into partnerships and supporting cooperation between a wide range of stakeholders. We support education and actively facilitate in knowledge sharing given the rapidly evolving field. I am grateful to ABN AMRO for the continuous engagement in different initiatives, congratulations on the issuance of this report. Appreciation also, for their involvement and contribution to a recent EBF report'

Wim Mijs

CEO at European Banking Federation

'ABN AMRO is following through on its climate commitments with salient sector research and portfolio assessment activities. In 2021, we look forward to working with ABN AMRO to develop SBTs for their lending portfolio.'

Nate Aden

Senior Associate at World Resources Institute

'While it takes time and effort to fine-tune science based methods for each sector, we need to act on those things that we already know: the reduction of thermal coal use is critical for our effort to succeed in tackling climate change.'

Jan Raes

Global Sustainability Advisor ABN AMRO Bank SBT work group lead PCAF

'In line with the 2015 Paris Agreement, BAM set ambitious science based CO₂ reduction targets (SBT) to bring down its own emissions and helping others in the value chain to reduce their emissions. BAM is creating sustainable environments by successfully realizing new solutions for commercial and residential real estate as well as for infrastructural projects.

BAM and ABN AMRO have already pursued sustainability together, with the design and construction of the innovative circular pavilion Circl as a leading example. In order to achieve the climate goals, it is important for BAM to join forces and seek cooperation within the entire construction sector. Banks like ABN AMRO play a crucial role as major providers of financial capital in our mission to create sustainable environments.'

Bob van Rooijen

Sustainability Manager at BAM

The Paris Agreement paved the way for the European and Dutch economy to develop towards net zero emissions in 2050.

In our view the year 2025 is an essential milestone; By that time we need to reach a tipping point in realizing the new economy for at least 20%. Only then we are able to meet the important global and local goals for 2030 like Paris, the SDG's and the Dutch Climate Agreement. The coming 5-10 years will be crucial.

With almost 2,000 partners MVO Nederland is one of the biggest sustainable business networks in the world. In order to close the gap between ambition and execution, MVO Netherlands urges our partners to measure, steer and implement concrete emission reduction plans. We support our members via various programmes, sharing best practices and matchmaking.

Climate change is not a stand alone issue. We strongly recommend our partners to take a holistic view and connect the dots between emissions reduction, working towards a circular business models and restore nature and biodiversity in their operations and supply chains.

Erwin van Overbeek

Manager Corporate Network at MVO Nederland

'Climate change is essentially a very complex and all-encompassing externality problem, which will influence economics and geopolitics tremendously the coming 10 years.'

Loudina Erasmus

Climate Economist Group Economics at ABN AMRO

'As a climate change specialist working for Rabobank, I contribute to the Science Based Target working group for the Platform on Carbon Accounting Financials (PCAF). In my experience as Wholesale banker and climate change specialist it is important for financial institutions to give regular updates on the status of their work on aligning with the Paris Agreement. The science based targets and scenario related work remains a work in progress with more data and more sophisticated modelling and methods on the horizon.'

Michel van den Berg

Climate Change Consultant

'ABN AMRO Bank teamed up with 2DII to road test the PACTA for Banks methodology. The methodology was applied to various parts of their financial portfolio. 2DII's PACTA methodology helps banks like ABN AMRO to formulate and steer their contribution to achieving the Paris Agreement's objectives.'

Jakob Thomä

Managing Director at 2DII

The climate journey ahead

If ABN AMRO and its clients can succeed in reducing their greenhouse gas emissions in accordance with science based targets, this will help towards limiting the rise of global temperatures well below 2 degrees.

ABN AMRO has begun to study the alignment of its financial portfolios with the decarbonisation path set forth in the Paris Agreement of 2015 and the Dutch Climate Agreement of 2019.

We will constantly seek to improve our efforts based on scientific data, the offerings of external data providers and the availability of new methodological understanding of how to measure and assess climate performances.

Another challenge that remains for financial institutions is **engagement and improvement**: communication intensive processes that cost time, effort and resources. Exchanging ideas and implementing concrete plans that result in climate mitigation and adaptation is often slow, considering that this is a global process where countries need to agree on targets.

► Inclusive approach

The bank's energy policy already excludes or strictly limits exposures to coal mining, arctic drilling, shale gas, oil extraction from tar sands and power generation from coal. The transition from high-carbon to low-carbon technologies is an ongoing process based on an inclusive approach. By adopting such an inclusive approach, we support clients as they transition towards low-carbon technologies.

Our focus is on moving climate-critical sectors from high-carbon to low-carbon production and consumption profiles. Although exclusion and boycotts might seem to offer a quick fix, in reality the world's climate challenges need everybody to be on board.

► Holistic approach

With the ongoing development of climate-related insights, we need to do more than simply reduce our greenhouse gas emissions. Increasingly, banks and regulators are recognising circularity, biodiversity and respect for human rights as concerns that also relate to climate. This calls for a more holistic view of climate for the financial sector. What can we do to obtain equitable outcomes for all humans and species? More and more of the Earth's population are being affected by changes in the frequency and intensity of rainfall, wildfires, flooding and drought. Temperature changes in habitats are causing migration. Changes in plant and tree pollination are disrupting food supplies, while higher air and water temperatures are causing plants and animals to perish.

It is vital, therefore, to maintain our forests and oceans in an optimal state, to capture and store carbon as part of the global carbon cycle. Greening our cities will open up space for water absorption to prevent flooding and overheating, while coastal vegetation will strengthen our shorelines and offer protection from floods and storms.



► Working towards sectoral standards

Standards such as the [GHG Protocol](#) and carbon accounting methods such as [PCAF](#) can be supplemented with methods for setting science based targets ([PACTA](#), [SBTi](#) and [SDA](#)), and can be used to support larger initiatives such as the [Task Force on Climate Related Financial Disclosures \(TCFD\)](#). The accumulated understanding will play an important role in efforts to assess and steer the climate impact of financial portfolios. Together with other banks and stakeholders, the national government and Europe we will continue to work on developing methods and improving data to make this possible.

► Next steps and addressing current limitations

A limitation of the science based methods used in this publication is that they do not cover physical risks associated with climate change. Hence physical risks are entirely not covered in this publication. The bank started modeling these risks via other data providers and tools as part of the TCFD effort.

Both the Paris Agreement Capital Transition Assessment (PACTA) pilot with 2DII and the use of the Sectoral Decarbonisation Approach (SDA) method of the Science Based Targets initiative for Financial Institutions (SBTi-FI) need extra work in the future.

- With PACTA and the affiliated Asset Resolution we are setting up an additional run for the analysed portfolio of fossil fuels and power generation.
- For SBTi-FIs SDA, a target validation pilot will give us a better perspective on the benefits and limitations of target setting and alignment to the Paris Agreement with these calculation methods.

Aspects that require further study are:

- Comparison of outcomes of Global IEA scenarios with European and national scenarios;
- The Paris goal in itself is a mitigation goal, linked to transition risk. Transition risks will be further studied and enhanced with data and risk modelling as a next step;
- Engagement with our clients on the transition to a Paris-proof economy and understand what they require from us;
- Develop a holistic approach that links climate to other sustainability aspects such as circular economy, biodiversity and social impact.

With all these challenges confronting us, one thing is becoming increasingly clear: it is only with cooperation that we can step up our game and solve urgent problems. More than ever before, ABN AMRO is aware of the need for urgent action. Together with our clients, we help to create a better world for all its inhabitants.

Glossary and useful resources

ABN AMRO Annual Reporting

For broader financial and non-financial disclosures please consult [abnamro.com](https://www.abnamro.com) for the latest reporting and archive.

<https://www.abnamro.com/#/en/about-abn-amro/product/download-centre>

ABN AMRO Mission 2030

Our mission to make real estate more sustainable by 2030.

<https://www.abnamro.com/app#/en/themes/mission-2030-making-real-estate-more-sustainable>

ABN AMRO publication Guiding a Bank's Energy portfolio to Paris

contains the results of the PACTA pilot on ABN AMRO's energy portfolio.

<https://www.abnamro.com/app#/en/about-abn-amro/product/publications>

Asia Investor Group on Climate Change (AIGCC)

Is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing.

<https://www.aigcc.net/>

Asset resolution

Is a provider of data solutions for climate-related financial analysis, since the financial sector has an instrumental role to play in empowering climate action. Our data-driven solutions are designed to mitigate risk, seize opportunity and maximize impact.

<https://asset-resolution.com/>

Absolute Contraction

Absolute Emissions Contraction is a method for setting absolute targets that uses contraction of absolute GHG emissions.

Beyond 2° Degree Scenario (B2DS)

In the B2DS, the energy sector reaches carbon neutrality by 2060 to limit future temperature increases to 1.75°C by 2100, the midpoint of the Paris Agreement's ambition range.

<https://www.iea.org/reports/energy-technology-perspectives-2017>

Carbon budget

Also called emissions budget is a finite amount of carbon emissions that can be exhausted in light of limiting global warming;

Carbon Disclosure Project (CDP)

Is a not-for-profit charity running the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

<https://www.cdp.net/en>

CDP-WWF temperature rating methodology

Is a WWF and CDP collaboration around temperature rating. The CDP-WWF temperature rating methodology is an open source methodology which translates these targets into a single, intuitive metric. This allows the global temperature rise associated with corporate ambition to be compared.

<https://www.cdp.net/en/investor/temperature-ratings/cdp-wwf-temperature-ratings-methodology>

Ceres Investor Network

Includes over 175 institutional investors, managing more than \$29 trillion in assets, advancing leading investment practices, corporate engagement strategies, and key policy and regulatory solutions.

<https://www.ceres.org/our-work/climate-change>

Climate Action 100+

Is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

<https://www.climateaction100.org/>

Climate League 2030

A group of Australian investors supporting a further reduction in annual emissions of at least 230mt by 2030 on the path to net zero emissions by 2050.

<https://climateleague.org.au/>

Climate plan of the Dutch government

ABN AMRO co-signed the Climate plan of the Dutch government in June/July 2019 in cooperation with NVB: Dutch Banking Federation.

<https://www.nvb.nl/nieuws/vijftig-financi%C3%ABle-instellingen-tekenen-voor-klimaatdoelen/>

Climate scenario

Represents the possible pathway of decreased carbon intensity that leads toward a climate target based on a technology mix;

Climate think tank

A climate think tank is a research institute that performs research and advocacy around climate change.

https://en.wikipedia.org/wiki/Think_tank

Climate target

A climate target is a GHG intensity aligned with a carbon budget of a climate scenario;

Collective Commitment to Climate Action

Under the Principles of Responsible Banking Umbrella takes climate action (UN PRB CCCA).

<https://www.unepfi.org/banking/bankingprinciples/collective-commitment/>

CO2 equivalent (CO2-eq) emission

The effect of a Green House Gas expressed in the equivalent amount of carbon dioxide (CO2) emissions that would cause the same radiative forcing of the atmosphere or temperature change of the Earth's surface;

Decarbonisation pathway

Trajectory to guide the financial portfolio to the eventual target (e.g. 2050 target);

Dutch Climate Agreement

The Dutch implementation of the Paris Agreement.

<https://www.government.nl/topics/climate-change/climate-policy>

Emissions/GHG/carbon intensity

Level of GHG emissions per unit of production or consumption.

Engagement process

Based on international standard and pacts – such as the United Nations Global Compact – we attempt to agree improvement plans and concrete actions with the company or fund manager. In many cases, we liaise with other banks, fund managers and stakeholders, and we consult experts on relevant topics.

EU Green Deal

With the EU Green Deal the European Commission has set the goal of achieving a climate neutral economy by 2050.

https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_nl

GHG Protocol

Greenhouse Gas Protocol provides standards and tools that help countries, cities and private companies track progress toward climate goals.

<https://ghgprotocol.org/>

Institutional Investor

Group on Climate Change (IIGCC) and Paris Aligned Investment Initiative's shared mission is to mobilise capital for the low carbon transition and to ensure resilience to the impacts of a changing climate by collaborating with business, policy makers and fellow investors.

<https://www.iigcc.org/>

International Capital Market Association (ICMA)

The mission of ICMA is to promote resilient well-functioning international and globally coherent cross-border debt securities markets, which are essential to fund sustainable economic growth and development. International Capital Market Association.

<https://www.icmagroup.org/>

International Labour Organization (ILO)

The International Labour Organization (ILO) is a United Nations agency with the aim to advance social and economic justice and the harmonisation of international labour standards.

<https://www.ilo.org/>

The Investor Agenda

Has been developed for the global investor community to accelerate and scale up the actions that are critical to tackling climate change and achieving the goals of the Paris Agreement with the aim of keeping average global temperature rise to no more than 1.5 degrees Celsius.

<https://theinvestoragenda.org/>

Net Zero Asset Managers initiative

A group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. 30 Signatories with \$9 trillion in assets under management.

<https://www.netzeroassetmanagers.org/>

Non-financial Reporting Directive

Lays down the disclosure rules of the EU for large companies to publish regular reports on the social and environmental impacts of their activities.

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en

Paris Agreement

International agreement of 195 countries in 2015 to keep global warming below 2 Degrees Celsius.

<https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

Paris Agreement Capital Transition Assessment (PACTA)

Paris Agreement Capital Transition Assessment launched in 2018 by 2DII: a free software that calculates the extent to which corporate capital expenditures and industrial assets behind a given equity, bond, or lending portfolio are aligned with various climate scenarios. aims to help financial institutions, supervisors, and government contribute to this objective by providing them with insights into the extent to which their portfolios are aligned – or misaligned – with the Paris Agreement goals.

<https://2degrees-investing.org/resource/pacta/>

PACTA for Banks Methodology

Offers climate scenario analysis for corporate lending portfolios. The PACTA for Banks Methodology can be downloaded here.

<https://www.transitionmonitor.com/wp-content/uploads/2020/09/PACTA-for-Banks-Methodology-Document.pdf>

Partnership Carbon Accounting Financials

PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the GHG emissions attributable to financial portfolios.

<https://carbonaccountingfinancials.com/>

Principles for Responsible Banking

<https://www.unepfi.org/banking/bankingprinciples/>

Poseidon Principles

<https://www.poseidonprinciples.org/>

Science based target

Math based methodology aligning with IPCC evidence and with the aim to limit global temperature rise before 2100 between 2°C above pre-industrial levels and 1.5 degrees Celsius.

<https://sustainalize.com/nl/2017/01/science-based-targets/>

Science Based Targets initiative (SBTi)

Is a partnership between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Is co-signed by over 1,000 institutes, banks and companies worldwide. The Science Based Targets initiative for Financial Institutions is sector specific community within the SBTi.

<https://sciencebasedtargets.org/>

Sectoral Decarbonization Approach (SDA)

Is a scientifically-informed method for companies to set GHG reduction targets necessary to stay within a 2°C temperature rise above pre-industrial levels.

<https://www.unglobalcompact.org/library/5650>

Sustainable Development Scenario (SDS)

The SDS holds the temperature rise to below 1.8 °C with a 66% probability without reliance on global net-negative CO2 emissions; this is equivalent to limiting the temperature rise to 1.65 °C with a 50% probability. Global CO2 emissions from the energy sector and industrial processes fall from 35.8 billion tonnes in 2019 to less than 10 billion tonnes by 2050 and are on track to net zero emissions by 2070

<https://www.iea.org/reports/world-energy-model/sustainable-development-scenario>

Sustainable Finance Action Plan

The EU action plan on sustainable finance (Sustainable Finance Action Plan) was adopted by the Commission in March 2018, stems from the EU's commitment to channel private financial flows towards investments that support the Paris Agreement target of a neutral-carbon economy by 2050.

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_nl

Task Force on Climate related Financial Disclosures (TCFD)

Developed by the Financial Stability Board to improve and increase reporting of climate-related financial information.

<https://www.fsb-tcfd.org/>

2° Investing Initiative (2DII)

The Two Degrees Investing Initiative (2DII) is an international, non-profit think tank working to align financial markets and regulations with the Paris Agreement goals.

<https://2degrees-investing.org/>

UNEP-FI TCFD Pilot phase 2

Focused on the four pillars of TCFD disclosures: Governance, Strategy, Risk Management, and Metrics & Targets.

<https://www.unepfi.org/climate-change/tcfd/tcfd-for-banks/>

United Nations Environment Programme Finance Initiative (UNEP-FI)

Is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. UNEP-FI works with more than 350 members – banks, insurers, and investors – and over 100 supporting institutions – to help create a financial sector that serves people and planet while delivering positive impacts.

<https://www.unepfi.org/>

United Nations Programme on Responsible Investing (UNPRI)

Is the world’s leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors; to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

<https://www.unpri.org/>

UN Sustainable Development Goals (SDGs)

The SDGs form a handbook to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice.

<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

UN-convened Net-Zero Asset Owner Alliance

Represents \$5.1 trillion assets under management with the common goal to align portfolios with a 1.5°C scenario, addressing Article 2.1c of the Paris Agreement.

<https://www.unepfi.org/net-zero-alliance/>

THE GLOBAL GOALS

For Sustainable Development



Colophon

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