



PCAF REPORT 2020 BNG BANK

Insight in the greenhouse gas emissions of
BNG Bank loan portfolio (reporting year 2020)

HET **pon** | **telos**

1. Introduction



Since the 2015 Paris Climate Conference, the Dutch financial sector has been involved in contributing to the realization of the ambitions of the Paris Agreement. Banks play a crucial role in the realization of these ambitions. Given the scale of the climate challenge and the crucial role of the financial sector in facilitating the net zero carbon transition, the Partnership for Carbon Accounting Financials (PCAF) was created.¹

This report shows the greenhouse gas emissions of BNG Bank loan portfolio. At the beginning of 2019, BNG Bank formally committed themselves to the PCAF initiative.

¹ <https://carbonaccountingfinancials.com/about>



2. A Partnership for Carbon Accounting Financials: PCAF

Given the scale of the climate challenge and the crucial role of the financial sector in facilitating the net zero carbon transition, the Partnership for Carbon Accounting Financials (PCAF) was created. In 2015, the Dutch Carbon Pledge (PCAF) was started with eleven institutions under the leadership of ASN bank. The financial institutions wanted to take responsibility and come with new and meaningful steps to keep global warming under safe levels. The financial institutions that committed to PCAF started with measuring and disclosing the Greenhouse Gas Emissions (GHG) emissions of their loans and investments.

“We ask global leaders during the 21st session of the Conference of the Parties to the UNFCCC to take effective measures to keep global warming under safe levels. As financial institutions we want to take responsibility as well and come with new and meaningful steps. The annual measuring and disclosure of the carbon footprint of investments, with the aim of using this information to identify and set carbon footprint reduction targets, is still at an early stage. Our initiative, consisting of leaders of different segments of the Dutch financial sector, intends to experiment with annual carbon foot printing, disclosure and target setting for investments. These elements are key in planning and developing investment strategies towards a low carbon society. We want to share and learn from practice and find solutions for dilemma’s. We hope this will stimulate the development and adaptation of carbon foot printing and target setting in the financial sector on a larger scale for all their investments. Our goal is to form a group of leading financial institutions that cooperate in a bottom up initiative on achieving transparency and uniformity in carbon foot printing and target setting.”

The November 28th 2015 original Dutch Carbon pledge of ABN-AMRO, MN, APG, ASN Bank, ACTIAM, FMO, PME, PMT, PGGM, SNS and Triodos Bank

Since then, more financial institutions from the Netherlands have joined forces under PCAF to develop and implement open-source methodologies to measure the GHG emissions of all asset classes within their loan and investment portfolios. At the beginning of 2019, BNG Bank formally committed themselves to the PCAF initiative.



As mentioned above the first step on the PCAF path was set in 2015 when the Dutch PCAF was launched to develop a methodology for the different types of asset classes within financial institutions. A first method for carbon accounting for financials was launched in November 2017. Updates were published in 2018 and in 2019. ²

In 2018, PCAF expanded to North America. Led by Amalgamated Bank, 12 financial institutions have adapted the PCAF carbon accounting methodologies to the North American context. And on 4th of March 2019, leaders of 28 banks of the Global Alliance for Banking on Values (GABV) decided to assess and disclose the GHG emissions of their loans and investments by using the PCAF approach. ³

Due to the increasing interest of financial institutions worldwide in transparent and harmonised assessment of the GHG emissions of their loans and investments, ABN AMRO, Amalgamated Bank, ASN Bank, Global Alliance for Banking on Values (GABV) and Triodos Bank decided to launch the global initiative. The globalization of PCAF addresses banks and investors across the world.

² Accounting GHG emissions and taking action: harmonised approach for the financial sector in the Netherlands PCAF The Netherlands, report 2019

³ Based on <https://carbonaccountingfinancials.com/about>

At the end of 2020, 95 institutions are partners within PCAF with over 19 trillion dollars in assets. More than half of it concentrated in Europe and 40% in North-America.⁴



PCAFA

Financial institutions

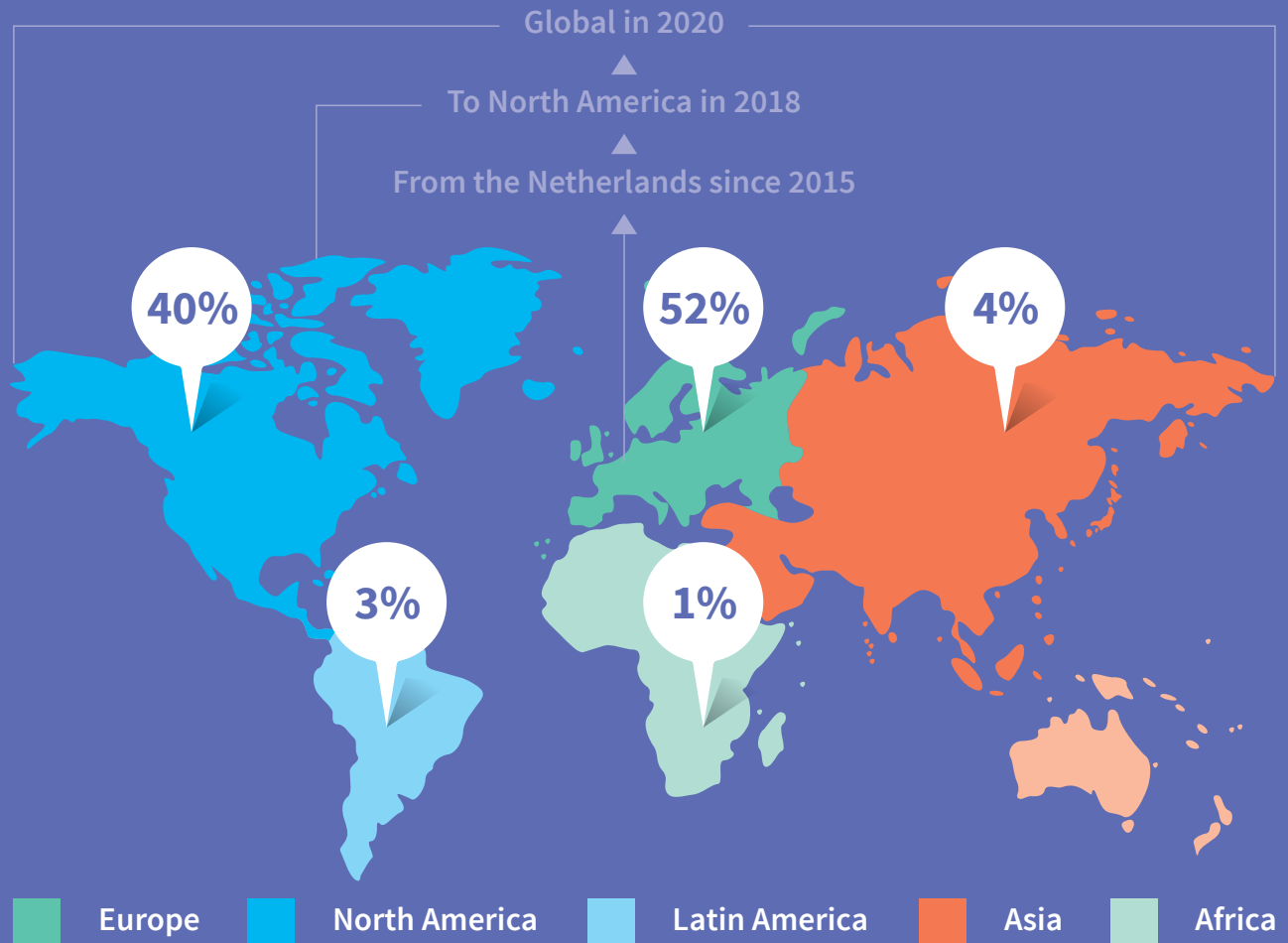


95

Trillion dollars in assets



19.7



⁴ 24-1-2021 / See <https://carbonaccountingfinancials.com/financial-institutions-taking-action#overview-of-institutions> for an overview of all the following financial institutions that have committed and disclosed the greenhouse gas emissions associated with their portfolio of loans and investments.

3. From CO₂ equivalent footprint to action



Measuring and disclosing the GHG emissions associated with the lending and investment activities of financial institutions is the foundation to create transparency **and** accountability. But PCAF is not only about measuring the greenhouse gas emissions of a financial institutions portfolio. The aim is also to identify and set carbon footprint reduction targets, and take actions.

BNG Bank measures and reports her social impact, so that she can work on continuously improving this impact. For this, she uses the Sustainable Development Goals (SDGs). BNG Bank mainly targets four SDGs on which she can maximise the impact by helping her clients with sustainable cities and communities (SDG 11), good health and well-being (SDG 3), quality education (SDG 4), and affordable and clean energy (SDG 7).



4. How does it work?

The GHG Protocol is the basis for carbon accounting. In line with PCAF and the GHG Protocol, the methodology used in this report is respecting basic accounting principles of Completeness, Consistency, Transparency, Prudence, Balance and Accuracy. The GHG protocol defines three different scopes all entities may report about separately (see page 8). In the present report these scopes are defined from the perspective of the reporting financial institution i.c. BNG Bank and focusses on all the direct and indirect greenhouse gas emissions BNG Bank is responsible for outside of its own walls by financing different type of organizations. In the PCAF methodology scope 1, 2, and 3 refer to the scopes from the viewpoint of the investee, project, company, or government.

According to the GHG Protocol Corporate Value Chain Accounting and Reporting Standard, the carbon footprint of any financial institution should include:

- **Scope 1:** All direct GHG emissions, such as natural gas use, and fuel for company vehicles of the investee, project, company, or government.
- **Scope 2:** Indirect emissions from the consumption of purchased electricity, heat or steam of the investee, project, company, or government
- **Scope 3:** Covers other indirect emissions such as the extraction and production of purchased materials and fuels, outsourced activities, business travel, waste disposal, etc. of the investee, project, company, or government.

Disclosure of total generated emissions data is mandatory for scope 1 and 2. Disclosure of emissions expressed as ton CO₂ equivalent per million Euro for scope 1 and 2 is voluntary. For scope 3 disclosure of total generated emissions data is mandatory when relevant and data is available (i.e., recommended by the methodology). Disclosure of scope 3 emissions expressed as ton CO₂ equivalent per million Euro is voluntary. Institutions should explain why they are not able to provide this information.

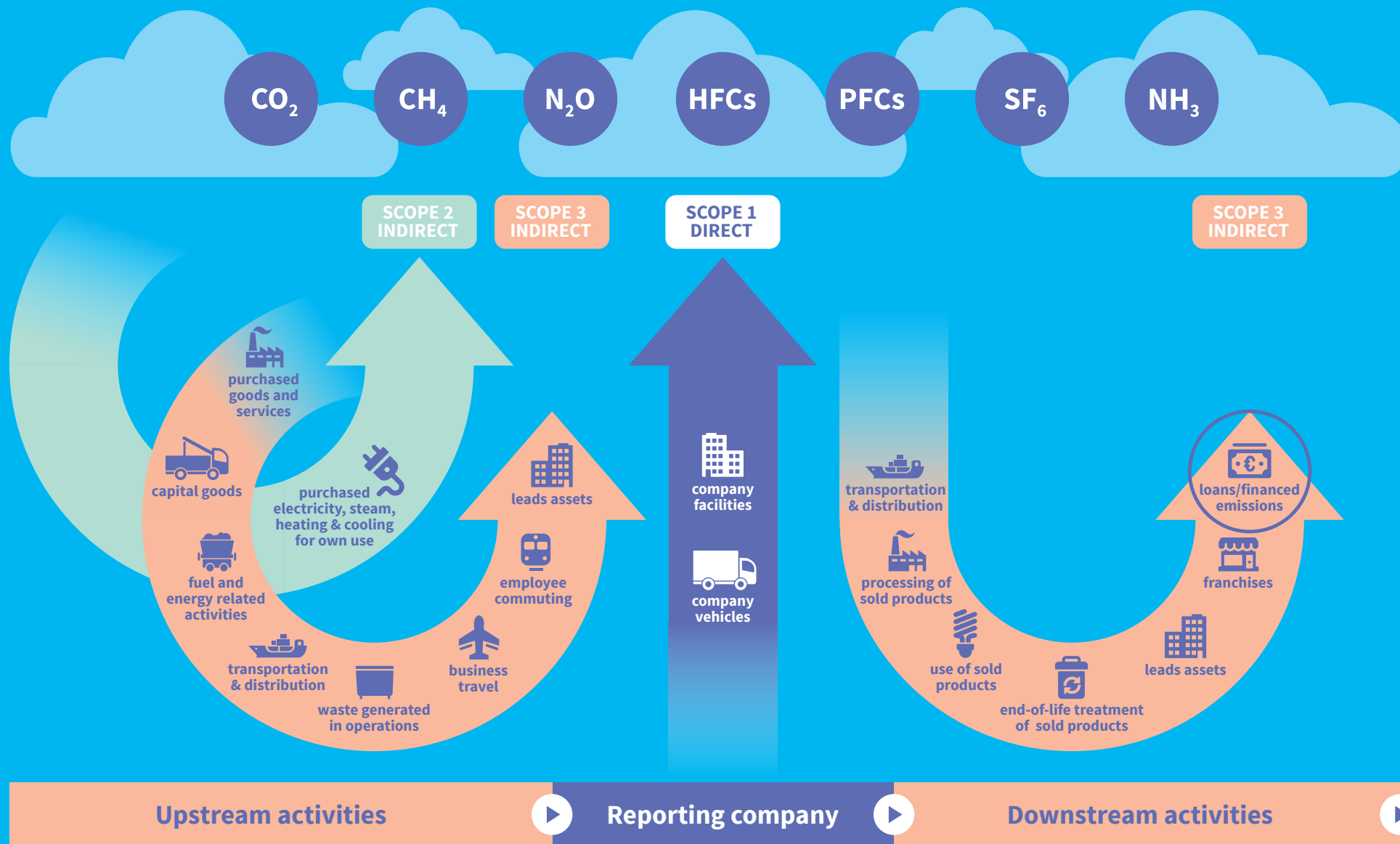


Image based on GHG protocol

5. BNG Bank and PCAF

BNG Bank committed itself to PCAF in May 2019. In 2018, preparing itself for joining the PCAF initiative, BNG Bank asked Het PON & Telos, official partner of Tilburg University, to measure the GHG emissions associated with the bank's public loan portfolio, using the PCAF methodology. In 2019 the necessary activities have been executed in two steps. First a study was carried out to test how well the portfolio of BNG Bank was covered by the PCAF Asset Classes.⁵ The results of this study showed that particularly the municipal loan portfolio of BNG Bank (the public sector loans) was not covered by the PCAF approach. Therefore a new methodology for this specific sector had to be developed.

In the first half of 2019 this methodology was developed and the methodology has been discussed with the chairman of the Dutch PCAF group. In line with the open source nature of PCAF, this new methodology has been made publicly available by adding it to the 2019 PCAF Harmonised approach for the financial sectors in the Netherlands.⁶

A second element of the scoping study was exploring whether the other loan categories of BNG Bank could be provided with a GHG-emission estimation as well. During the second half of 2019 the necessary data were collected and the calculations were made using the PCAF methodology.⁷ At the beginning of 2020 the results were presented and were included in the annual report of 2019 of BNG Bank.⁸

After having incorporated the results of applying the PCAF methodology in the annual reports of 2019 both BNG Bank and NWB Bank have expressed the wish to continue their participation in PCAF. So the 2020 version of the annual reports of both banks contain more accurate calculations of the

GHG emissions based on the PCAF methodology. The more accurate calculation is the result of the wish of both banks to investigate if quality improvements of the applied PCAF methodology are possible. Het PON & Telos has been asked to explore these possibilities. The results of this exploration leading to a more accurate calculation, have been presented in a separate methodology approach report, released in October 2020.⁹ The investment in further quality improvements of the methodology can be seen as a next, extended contribution from BNG Bank and NWB Bank to the development of the PCAF methodology.

In this report the Loan Portfolio climate impact of BNG Bank has been (re)calculated based on the adapted PCAF methodology. The approach is in line with the harmonised PCAF approach for the financial sector in the Netherlands 2019.

⁵ Zoeteman, B., & Wentink, C. (2019). Rapport Scoping Studie CO₂ footprint BNG Bank portefeuille volgens PCAF methode. Tilburg, Telos

⁶ PCAF, The Netherlands., (2019). Accounting GHG emissions and taking action: Harmonised approach for the financial sector in the Netherlands. Navigant, 2019. p90-91

⁷ Zoeteman, B. Mulder, R. Daemen, M. Wentink, C. (2020), GHG Emissions (PCAF Method) of BNG Bank, Reporting year 2019

⁸ file:///C:/Users/iro/AppData/Local/Temp/BNG%20Bank%20Annual%20Report%202019.pdf

⁹ Mulder, R., Rovert, I. van, Dagevos, J., Verhoeven, L., Wentink C. (2020), Loan Portfolio Climate Impact of BNG Bank & NWB Bank, Methodological approach report 2020



BNG Bank

BNG Bank is driven by social impact. The bank exclusively focuses on the public sector in the Netherlands. BNG Bank aims to be a natural partner for its clients by helping them addressing the social challenges they have to cope with.





6. Results for BNG Bank

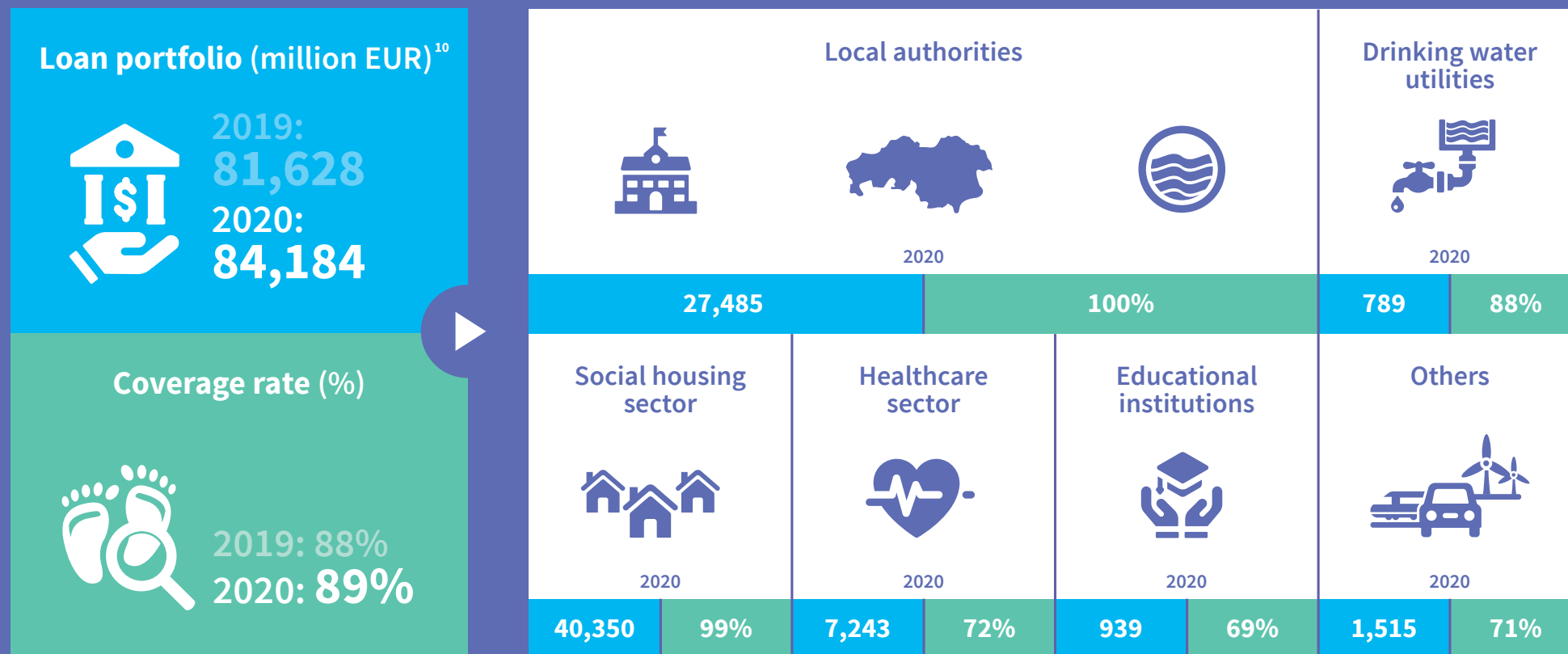
Available data on GHG emissions, or estimated emissions by using impact data and appropriate emission factors, were used to calculate the impact of different sectors of BNG Bank loan portfolio. The impact data includes direct (scope 1) as well as indirect emissions (scope 2 and 3 if available). Besides the calculation of the GHG emissions, a ratio between outstanding loan portfolio per client and the total balance sheet of the respective client was used for the attribution of BNG Bank loans to the total assets of GHG emitting clients. This results in the attributed GHG emissions for BNG Bank's loans.

Current report contains the GHG emissions of two time periods: the reporting year 2019 and 2020. For reporting year 2019 the loan portfolio of 31-12-2018 was used and for reporting year 2020 the loan portfolio of 31-12-2019 was used. That makes it possible for the bank to monitor the progress of the carbon footprint over time.

Currently, it is practically impossible for banks to cover the whole loan portfolio with GHG emissions for all activities, due to a lack of sufficient data. For BNG Bank it has been possible, because of its unique position in the market, to cover 89% of its loan portfolio in this GHG emission reporting. The coverage rate increased with 1% in comparison to last year. An overview of total GHG emissions for the loan portfolio of BNG Bank of reporting year 2019 and 2020 is given in the infographic.

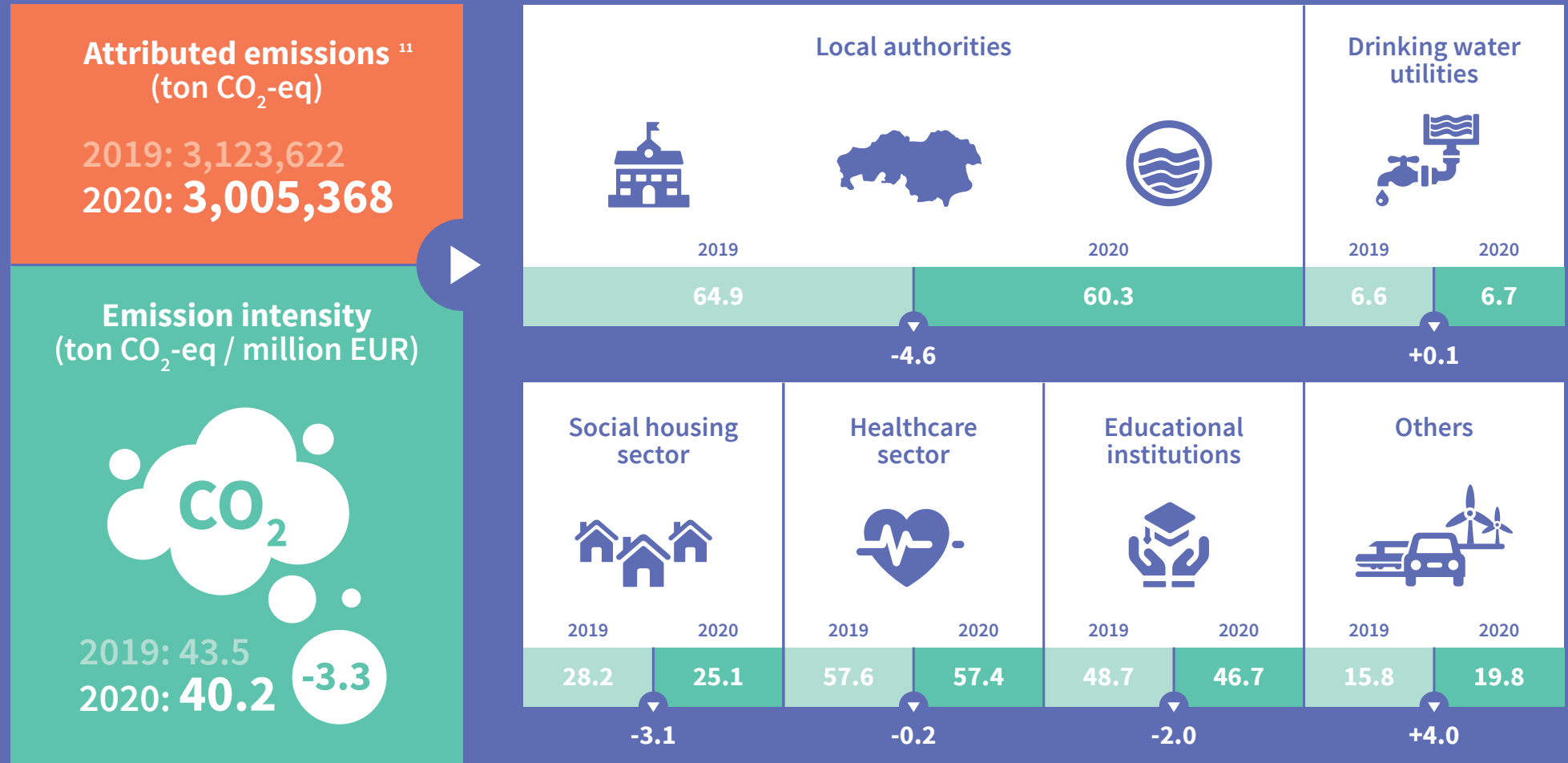
BNG Bank loan portfolio of the reporting year 2020 has a total emission of 3,005 kiloton CO₂-equivalent. This is 118 kiloton less than the total emissions of last year. This is a great accomplishment, because the total loan portfolio has grown from 82 to 84 billion Euro. The emission intensity (ton CO₂-eq/ million EUR) has decreased from 43.5 to 40.2 ton per million euro.

Total outstanding loans of BNG Bank and coverage rate in the GHG assessment of reporting year 2019 and 2020



¹⁰ Loan portfolio of 31-12-2018 for reporting year 2019 and loan portfolio of 31-12-2019 for reporting year 2020.

Emission intensity as CO₂ equivalent per million EUR of the reporting years 2019 and 2020



¹¹ For reporting year 2020 the loan portfolio of 31-12-2019 was used and the most recent available data was used for the GHG emission calculations. For reporting year 2019 the loan portfolio of 31-12-2018 was used and for the GHG emission calculations data is used from a year earlier than for reporting year 2020.

Conclusions for BNG Bank



- ✓ The percentage of outstanding loans for which the total GHG emissions could be calculated increased with 1%
- ✓ Although the loan portfolio increased with 2 billion euro, the absolute CO₂ equivalent emissions reduced with 118 kiloton CO₂ equivalent in 1 year
- ✓ The emission intensity decreased with 3,3 ton CO₂ equivalent per million euro
- ✓ The largest decrease in emission intensity was seen for the local authorities and the social housing sector
- ✓ The social housing sector improved the energy labels of the rental homes

Improving social decision-making

Het PON & Telos is a social knowledge organisation at the heart of society. We consider it our mission to improve social decision-making. We do this by linking scientific knowledge to practical knowledge. In this process every voice counts. We collect, investigate, analyse, and interpret opinions and facts using stimulating approaches and innovative methods. In doing so, we are always focused on sustainable development: the harmonious connection between social, environmental and economic objectives. In this way we contribute to the quality of society at large, now and in the future.

With a multidisciplinary and creative team of nearly 30 research consultants, we work mainly for local and regional authorities in the Netherlands, but also for corporate bodies, banks, care and welfare institutions, funds, and social organisations. We work closely with civic organisations and other knowledge institutions and are an official partner of Tilburg University. We use our knowledge and insights to advise initiators, policy-makers and managers. This enables them to make informed choices and give a positive impulse to the society of tomorrow.

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Authors

Rens Mulder, MSc.

Inge van Roovert, PhD

John Dagevos, MSc.

Loet Verhoeven, MSc.

Corné Wentink, MSc.

Susanne Agterbosch, PhD

Fotography

Gemeente Westland, iStock,

Hans Engbers Nationale

Beeldbank, BNG Bank

Design

Madebytops

More information

www.hetpon-telos.nl

www.bngbank.com