



ABN AMRO Bank N.V.

# 2022 Climate Strategy & Targets



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# CEO Foreword

**Our climate strategy is a plan of action and presents our principles, priorities and key levers**



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## In line with our purpose, we strive to achieve a responsible and just transition that is socially inclusive and with respect for human rights

Climate change is one of the biggest challenges of our time and ABN AMRO is committed to making a difference. Not only by doing what we are good at – providing lending and investment services – but also by leading by example. In this report, we present our climate strategy as we take the next step in our climate journey. Our climate strategy is a plan of action and presents our principles, priorities and key levers, giving insight into how we will steer the climate journey ahead.

In line with our purpose, 'Banking for better, for generations to come', we aim to make a positive impact, working together with our clients to tackle the challenges of our times. Sustainability has been core to our strategy since 2018 and is part of the regular dialogue we have with our clients. We already encourage our mortgage clients to improve the energy efficiency of their homes by financing energy-saving solutions, we offer discounts and support to commercial clients who want to make their business premises more sustainable, and we support our corporate clients by financing their sustainable business models. Our commitment is also demonstrated by how our clients' ESG and impact assets have grown from around EUR 5 billion in 2014 to more than EUR 40 billion at the end of 2021, supported by investments in new products, reporting tools and staff education.

To facilitate and accelerate climate action, we have an inclusive and expertise-based approach. For us, engaging with clients to support their transition is fundamental to truly making a difference. Our sustainability efforts aim to support our clients in decarbonising their business models or assets and footprint in order to structurally reduce carbon emission in the real economy, accelerate circular business practices and create positive social impact. In line with our purpose, we strive to achieve a responsible and just transition that is socially inclusive and with respect for human rights. The transition to net zero is a long-term and collaborative process, during which we expect to encounter several dependencies and dilemmas. The impact for certain areas of society could be profound and we face dilemmas that could impact our ability to prioritise climate in our decision making. By balancing all stakeholder interests, taking into account climate, societal and client considerations, we seek to maximise both our positive societal and climate impact. To ensure we deliver on our ambitions, a strong governance structure has been established and will be further strengthened, including clear accountabilities, roles and responsibilities.

Our climate strategy, as detailed in this report, is a plan of action designed to achieve our goal of bringing our portfolios into line with limiting global warming to a 1.5°C scenario and supporting the transition to a net zero economy by 2050. We have joined the Net Zero Banking Alliance (NZBA), providing us with a framework for our climate action. We are committed to aligning our portfolios and operations with a net zero trajectory and will seek to improve and scale our offering in terms of expertise, capital and partnerships, our key tools as a bank.

We have set intermediate targets for 2030 for five sectors: oil and gas, power generation, shipping, commercial real estate and residential mortgages, which constitutes the largest asset class in our books. Our strategic choice to focus on the Netherlands and Northwest Europe has already significantly reduced our loan portfolio in the carbon-intensive energy, shipping and commodities portfolios, and the remaining portfolios are much smaller. We have developed a roadmap for how we will expand target setting for other sectors. In addition, we have set ambitions for the investments we make on behalf of clients. In line with our aim of leading by example, we have set a net zero target for our own operations, taking responsibility for our own footprint. We are looking to meet our targets by applying a decarbonisation lens across all our core processes, including how we allocate capital

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## ” We are committed to supporting the transition to a net zero economy by 2050 and our climate strategy is an important step in accelerating our journey”

and develop new products and services. Assessing and monitoring our clients, while supporting them in the journey towards more sustainable business models or assets, will also contribute to mitigating climate transition risk. We will update our targets and fine-tune our plans on a regular basis as regulations, technologies and methodologies progress in the coming years.

Global decarbonisation will require enormous investments in innovative climate technologies and infrastructure, such as hydrogen, renewable electricity, carbon capture technology and energy efficiency. Across our portfolio, there will be a need for high levels of financing and we remain an active player in financing decarbonisation on the strength of our leading product capabilities. The energy transition also requires significant early-stage capital. A total of up to EUR 1 billion in early-stage capital will be committed to accelerate the transition to a decarbonised energy economy.

We know we cannot do this alone and will continue to team up with other stakeholders and other banks, sharing expertise and fostering cross-sector collaboration between our clients and other partners. Our commitment to sustainability in these past years has significantly enhanced our expertise, but to deliver on our climate strategy we need to step up our knowledge and capabilities. We will further broaden our wide range of in-house learning solutions, supported by partners.

We are committed to supporting the transition to a net zero economy by 2050 and our climate strategy is an important step in accelerating our journey. We look forward to working with you on this major challenge for us all.

### **Robert Swaak**

CEO of ABN AMRO Bank N.V.

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The most recent Intergovernmental Panel on Climate Change report warned that the world is set to reach a 1.5°C temperature increase within the next two decades<sup>1</sup>. Current decarbonisation efforts have not been sufficient and there is a need to accelerate. ABN AMRO is committed to making a difference. In line with our purpose, 'Banking for better, for generations to come', we aim to make a positive impact, working together with our clients. 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.

In our climate strategy, we have developed a bank-wide approach to achieve our net zero ambitions and mitigate the transition risks associated with climate change. We aim to support our clients in decarbonising their business models and footprint through continuous engagement in order to structurally reduce carbon emissions in the real economy. To achieve our climate goal, we will align our portfolio and operations with a net zero trajectory, engage with our clients to support them in their low-carbon

transition while improving and scaling our offering across capital, expertise and partnerships. This report includes a detailed plan on how we will execute our strategy and addresses how we can best support our clients in making the transitions necessary to achieve net zero. We will continue to integrate our climate strategy across the bank and build on this in line with regulatory, technological, macroeconomic, methodological and other relevant developments to ensure we play our part in contributing to the net zero transition in line with a 1.5-degree pathway.

## Align our portfolios and operations with a net zero trajectory

We have formalised our climate commitment by joining the NZBA, becoming part of a global group of banks committed to aligning their lending and investment portfolios with net zero emissions by 2050. The NZBA framework for climate target setting and actions provides us with an internationally recognised and science-based guidance to steer our decarbonisation efforts. A key component of our climate strategy is to align our activities with a net zero trajectory. We have begun to set intermediate carbon reduction targets for several portfolios and for our own operations and have a roadmap for further target setting. As regulation, technological developments

and methodology progress in the coming years, we will update our targets and further develop our plans on a regular basis. An increase in the carbon intensity of our loan book does not always imply that actual carbon emissions in the real economy have increased. In some cases, the carbon intensity may temporarily increase to support projects that in the long term are pivotal for decarbonisation.

The choice of sectors for the first wave of target setting was based on a climate risk heatmap exercise performed in 2021, which took into consideration the size of the portfolios and their carbon intensity, and availability of methodologies and data. The sectors covered – energy (oil and gas and power generation), shipping, our Dutch commercial real estate portfolio and Dutch residential mortgages – amounted to 62.9% of the bank's loan book on 31 December 2021.

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<sup>1</sup> Source: IPCC's sixth assessment report (AR6), Feb-April 2022



# Overview sectors and targets

|   | Gross carrying amount in EUR billion | % of total loan book                        | Metrics  | Baseline year value 2021     | 2030 interim target                       | 2030 reduction required vs. baseline  |
|---|--------------------------------------|---|--|------------------------------|---|---|
|  <b>Residential Mortgages</b>  | 145.5                                | ~56% of loan book                           | Physical intensity: kgCO <sub>2</sub> /m <sup>2</sup>                        | 27.6                         | 18.3                                      | -34%  |
|  <b>Commercial Real Estate</b> | 12.9                                 | ~5% of loan book<br>~13% of corporate loans | Physical intensity: kgCO <sub>2</sub> /m <sup>2</sup>                        | 66.7                         | 35.7                                      | -46%  |
|  <b>Power Generation</b>       | 0.8                                  | <1% of loan book<br>~1% of corporate loans  | Convergence target (kgCO <sub>2</sub> /MWh)                                  | 17.6                         | <188 kg CO <sub>2</sub> /MWh <sup>1</sup> | –   |
|  <b>Oil and Gas</b>           | 0.5                                  | <1% of loan book<br>~1% of corporate loans  | Absolute committed financing (EUR (€))                                       | EUR 1.3 billion <sup>2</sup> | EUR 1.0 billion                           | -22%  |
|  <b>Shipping</b>             | 4.6                                  | ~2% of loan book<br>~5% of corporate loans  | Alignment delta (%) (based on AER in (gCO <sub>2</sub> / DWT nautical miles) | 2.6%                         | 0%  | Target is to be fully aligned with IMO 4 trajectory – Implied intensity target: -5.2 gCO <sub>2</sub> /DWTnm (-24%) |

<sup>1</sup> Our current power generation lending portfolio is predominantly renewables. We intend to grow our European portfolio also with utilities and independent power producers as we assist our clients in the decarbonisation of their business models. See page 56 for more information.

<sup>2</sup> This amount includes both the outstanding and undrawn loan amounts.

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With a total of EUR 110 billion of our client assets in securities, our clients' investments also make a significant contribution to emissions. We aim to help and encourage our clients to make these investments with sustainability in mind. Compared with our other investment service concepts, Discretionary Portfolio Management (DPM) gives us the highest level of influence over our clients' assets. We will therefore start implementing our climate-related ambitions in DPM. In our first wave of achieving our ambitions as set out in this report, we cover 29% of the client assets in these mandates.

Our contribution to climate starts with leading by example. We take full responsibility for our own environmental footprint and are committed to ambitious carbon emissions reduction to achieve carbon neutrality across our own operations by 2030. Our aim is to prevent all Scope 1 and 2 emissions by continuing to focus on energy reduction and on sourcing renewable energy for our buildings, data centres and mobility, and to further reduce business travel emissions.

### Engaging with clients to support them in their low-carbon transition

To engage with our clients in a meaningful way, we need to know where our clients are on their journey and how they are progressing towards reaching net zero. For the sectors in scope, we will carry out a review process assessing where our clients in our priority sectors are in their transition journey. For our corporate and commercial clients, our client engagement process will be further enhanced with sector-specific client questionnaires to assess the risks and opportunities. The resulting carbon profiles will enable a better understanding of our clients' transition journey. To support the processes and procedures introduced with our climate strategy, we are

developing a dashboard to assess emission performance against sectoral pathways at portfolio and client or asset level. Our aim is to ensure our client engagement process is grounded in the best available data quality and granularity. For each sector, we will invest in climate-related data, analytics and in training our people.

### Improving and scaling our offering across capital, expertise and partnerships

As we gain deeper insight into our client's needs, we will look to capitalise on the opportunities by providing access to capital, expertise and partnerships, our key tools for change as a bank. Together with our clients, we will work to operate the three levers that support the net zero transition: reducing energy consumption, transitioning to cleaner energy, and, where fossil fuels continue to be used during the transition process, investing in new technologies to mitigate harmful impact.

We will prioritise the development of further net zero solutions to facilitate our clients' transition journey, optimising and expanding our sustainable product offering. A continued focus on knowledge and insights will enable us to better advise our clients on their decarbonisation investment decisions and create opportunities in new client segments and markets, including innovative transition accelerators and technologies.

Global decarbonisation will require enormous investments in innovative climate technologies and infrastructure, such as hydrogen, renewable electricity, carbon capture technology and energy efficiency. Across our portfolio, there will be a need for high levels of financing in, for example, the decarbonisation of buildings and infrastructure and new sources of energy. We remain an active player in the financing of decarbonisation on

the strength of our leading product capabilities such as project finance, green bonds, transition loans and advisory services. Specifically, we aim to increase our lending commitment to renewables and other decarbonisation technologies to at least EUR 4 billion by 2025. The energy transition also requires significant early-stage capital. By 2030 a total of up to EUR 1 billion in early-stage capital will be allocated to accelerate the transition to a decarbonised energy economy. To create even more impact, we will seek to leverage our relationships with Wealth Management clients as well as with institutional investors.

We know we cannot do this alone. To make this transition effectively and at the speed required, collaboration is needed. We are teaming up with the government and other stakeholders. We will share the expertise we have gained, and we will look to foster cross-sector collaboration between our clients. We already operate through several international initiatives, including the Equator Principles on project finance and the Poseidon Principles, which seek to integrate climate into shipping finance. Our aim is also to support the development and sharing of science-based insights to help inform public policy and promote collaboration and new partnerships across the whole of society.

Our commitment to sustainability in these past years has led to significant expertise in this area, but to deliver on our climate strategy we need to step up and further improve our knowledge and capabilities. We have already developed a wide range of in-house learning solutions on the topic of sustainability. We will also look to build bridges between the world of science and business as we continue to focus on educating our staff.

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## Dilemmas and dependencies

While we have set intermediate emissions reduction targets and associated action plans, we cannot achieve these objectives alone. The transition to net zero is a long-term and collaborative process, during which we expect to encounter several dependencies and dilemmas. Active support of many actors within the public and private sectors is required to be successful in achieving our climate ambitions. Governments and other financial regulators play a crucial role in creating a supportive environment that codifies climate ambitions, standardises data and processes and establishes common standards and frameworks. Clients are at the core of achieving our climate ambitions. While we encourage a partnership approach, we are dependent on clients continuing to engage in this collective endeavour, although over time our capital allocation and credit risk policies will favour clients further advanced on a net zero trajectory.

The impact of moving to net zero for certain areas of society could be profound and we face dilemmas that could impact our ability to prioritise climate in our decision making. In line with our purpose, we strive to achieve a responsible and just transition that is socially inclusive and with respect for human rights. This may at times impact the speed at which we reach our target of net zero. Another example is investing for our clients; the goal of net zero may impact a client's goal of high investment returns. Our approach to these dilemmas is to ensure we analyse and balance stakeholder interests, taking into account climate, societal and client considerations, before executing and further developing parts of our strategy.

Careful considerations are required to maximise both our positive societal and climate impact. In this way, we can ensure we take a holistic approach in decarbonising our portfolio and can continue to support a just transition.

## Governance and Risk

To ensure we achieve our ambitions, a strong governance structure has been established, including clear accountabilities, roles and responsibilities for individuals and organisational domains in the first and second lines, to monitor and manage the successful execution of these processes. To accelerate the integration of sustainability across the bank, we have established a Sustainability Centre of Excellence, focusing on climate, circularity and social impact. The Group Sustainability Committee assists and supports the Supervisory Board and Executive Board in the performance of their duties in matters relating to ESG.

We will seek to mitigate climate transition risk by assessing and monitoring our clients against our decarbonisation targets while supporting them towards more sustainable business models. Climate transition risks will be even more explicitly integrated into the credit decision making process and in other relevant risk procedures. Net zero factors will be integrated into capital allocation processes to ensure climate is a core decision-making factor in the client onboarding process. And net zero targets will be integrated into performance monitoring of credit portfolio management to provide management information on climate performance. This will enable us to actively balance financial, risk and climate considerations.

## Next steps

This first wave of carbon reduction targets published in this report is only the start of our decarbonisation journey. In 2023, we intend to communicate targets for other sectors selected based on materiality from both a greenhouse gas and financing perspective, data availability, decarbonisation potential and market developments. We expect such exposures will be mostly concentrated in agriculture, transportation and storage, mining and quarrying, electricity, gas, power and steam. Membership of the NZBA requires us to set targets for our entire loan book within 36 months.

Setting interim 2030 targets for the sectors with the highest carbon emissions puts us firmly on our path to achieve net zero by 2050. We remain focused on adapting and responding to advances in climate methodology to ensure our targets remain robust and achievable. We will continue to track the road towards our targets and provide annual updates on our progress in line with the NZBA standards.

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**ABN AMRO is committed to playing its part by contributing to a 1.5-degree net zero pathway**

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# Our climate commitment

The most recent Intergovernmental Panel on Climate Change report warned that the world is set to reach a 1.5°C temperature increase within the next two decades. Current decarbonisation efforts have not been sufficient and there is a need to accelerate. A global policy framework based on climate science, originally from the 2015 Paris Agreement, is shaping the business environment of both ABN AMRO and its clients. Science shows that there is a need to accelerate the transition that will drive down carbon emissions per USD GDP from 768g in 2007 to around 30g by 2050. In response, governments and regulators are seeking to play their part by providing frameworks that guide decision making. This guidance has supported the increase, from 21% in 2020 to 35% in 2022, in the percentage of 2,000 of the world's largest publicly traded companies committing to net zero targets<sup>1</sup>.

Banks can support the world's climate ambitions by directing flows of capital towards initiatives, ideas and businesses that contribute to reducing carbon emissions. Worldwide, an estimated USD 4-6 trillion a year of capital will be needed to develop renewables, improve energy efficiency and modernise our electricity grids<sup>2</sup>.

ABN AMRO is committed to playing its part, and we have a solid foundation on which to build. In line with our purpose, 'Banking for better, for generations to come', we aim to make a positive impact, working together with our clients. Sustainability has been core to our strategy since 2018 and is part of the regular dialogue we have with our clients. In 2017 we launched Mission 2030 aiming to take the buildings we finance to an average energy label A by 2030 by improving energy efficiency in homes and commercial properties across the Netherlands. We encourage our mortgage clients to improve the energy rating of their homes by financing energy-saving solutions and we offer discounts and support to commercial clients who want to make their business premises more sustainable. We were also founding members of the Partnership for Carbon Accounting Financials (PCAF).

We support our corporate clients by financing their sustainable business models. In 2015, we became the first European bank to issue euro-denominated green bonds under the International Capital Markets Association (ICMA) principles. Our commitment is also demonstrated by ensuring that we offer ESG products in all our service concepts. We are also signatories to the UN Global Compact and the Principles for Responsible Banking and for Responsible Investment (PRB, PRI).

<sup>1</sup> Source: Prosperity without Growth – The transition to a sustainable economy. ([sd-commission.org.uk](https://sd-commission.org.uk)) Sustainable Development Commission, Prosperity Without Growth, The Transition to a Sustainable Economy, 2009 Professor Tim Jackson.

<sup>2</sup> Source: UNEP Emissions Gap Report 2022

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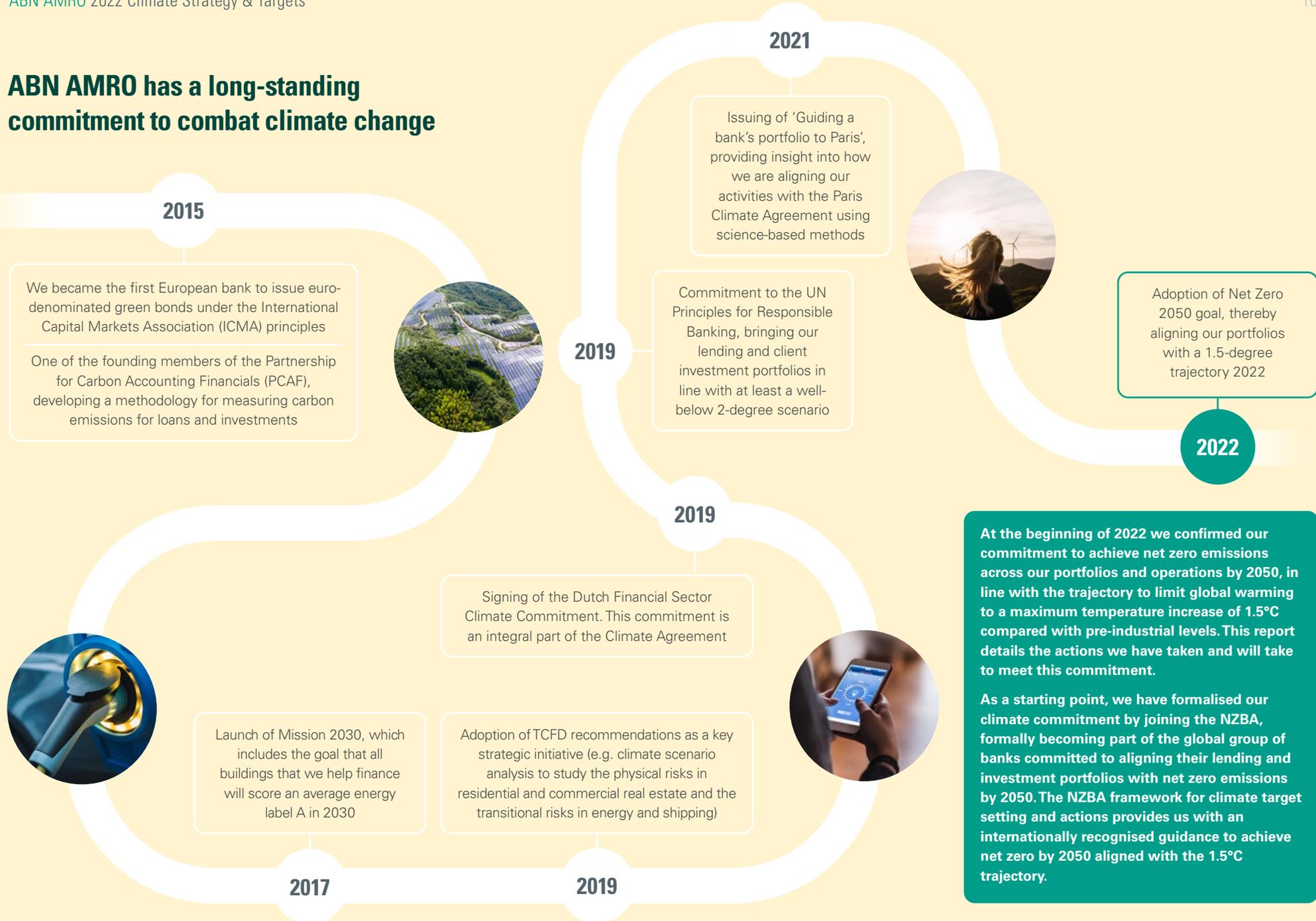
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## ABN AMRO has a long-standing commitment to combat climate change



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# Decarbonising our loan book and client assets portfolio

A key component of our climate strategy is to align our activities with a net zero trajectory. To do so, we have begun to set intermediate carbon reduction targets for several portfolios in our loan book and for our own operations.

Setting targets begins with an assessment of where we make the most impact. Our core markets are in the Netherlands and Northwest Europe, where we serve consumer, private banking and business clients through three client units: Personal & Business Banking, Wealth Management and Corporate Banking. As of 31 December 2021, our total balance sheet amounted to EUR 399.1 billion, of which a loan book totalling EUR 261.4 billion. Given its materiality and strategic importance, our loan book is our first area of focus in our journey to decarbonise our balance sheet<sup>1</sup>.

In addition, as a private bank with a significant wealth management business, we have started formulating ambitions with regard to our client assets' carbon intensity. Finally, we have set targets for decarbonisation in our own operations as we seek to lead by example.

We aim to continue to reduce our own environmental footprint to meet our commitment to achieve carbon neutrality across our own operations by 2030.

## Target setting in our loan book

Our loan book mainly comprises residential mortgages, which at EUR 146.3 billion accounted for 56% of our total loan book on 31 December 2021. Our remaining lending activities are mainly focused on corporates and SMEs, with our exposures to these clients totalling EUR 86.5 billion on 31 December 2021 (33.1% of the total loan book), of which EUR 12.9 billion in commercial real estate.

Consequently, our first wave of carbon reduction target setting will focus on residential mortgages and on corporate loans in certain carbon-intensive sectors of the economy. Our strategic choice to focus on the Netherlands and Northwest Europe in 2020 has meant that we have already significantly reduced our exposure to the carbon-intensive portfolios of energy and shipping, with remaining corporate loans to carbon-intensive sectors amounting to EUR 51.4 billion on 31 December 2021.

| Total loan book<br>(in EUR million)            | Gross carrying amount <sup>1</sup> | % of loan book |
|--|------------------------------------|----------------|
| <b>Residential mortgages</b>                   | 146,351                            | 56%            |
| <b>Corporate loans</b>                         | 86,458                             | 33%            |
| <i>of which - carbon-intensive<sup>2</sup></i> | <i>51,401</i>                      | <i>20%</i>     |
| <b>Consumer loans</b>                          | 10,794                             | 4%             |
| <b>Loans and advances to banks</b>             | 2,811                              | 1%             |
| <b>Other loans</b>                             | 15,007                             | 6%             |
| <b>Total loan book</b>                         | <b>261,421</b>                     | <b>100%</b>    |

<sup>1</sup> Gross carrying amount excluding fair value adjustments from hedge accounting.

<sup>2</sup> These sectors are identified by NACE codes A to H and L ), as specified in Recital 6 of the Commission Delegates Regulation (EU) 2020/1818, and include: Agriculture (2.1% of total loan book), Mining (1.1% of total loan book), Manufacturing (2.9% of total loan book), Energy (0.8% of total loan book), Water Supply (0.2% of total loan book), Construction (1.5% of total loan book), Wholesale and Retail Trade (3.4% of total loan book), Transport (3.6% of total loan book) and Real Estate/Built Environment (3.9% of total loan book).

<sup>1</sup> The total on-balance sheet investments amounted to EUR 43.7 billion on 31 December 2021 and consisted of financial investments (mainly government bonds held for liquidity purposes) and equity accounted investments. We aim to cover our own on-balance sheet investment activities in future phases of the journey to decarbonise our balance sheet, in line with industry practice and methodology developments

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### Risk identification: climate risk heatmap

The choice of sectors for the first wave of target-setting was based on a climate risk heatmap exercise performed by the bank in 2021. This exercise, based on the methodology provided by the UN Environment Programme Finance Initiative (UNEP FI), was designed to identify material sectors in terms of sensitivity to transition and physical risks associated with climate change.

The heatmap is primarily a risk identification tool, based on which we select priority sectors for further climate risk measurement (e.g. scenario analysis and materiality assessment) and ultimately the development of strategic and risk response actions.

In line with this process, the Group Risk Committee supported the development of this climate strategy in response to the transition risks identified. Energy (upstream oil and gas and power generation), shipping (loans to vessels above 5,000 GT, which are in scope of the Poseidon Principles framework), the Dutch commercial real estate portfolio and the residential mortgage portfolio were selected as Wave 1 priority sectors in the lending portfolio. The Wave 1 sectors covered so far accounted for 62.9% of the bank's loan book (EUR 164.4 billion) on 31 December 2021. More information on the climate risk heatmap can be found in the appendix.



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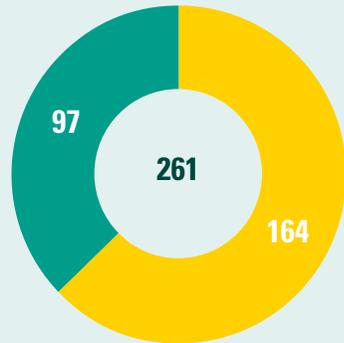
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## Wave 1 of carbon reduction targets

**Coverage of loan book**  
(in EUR million)



- Loan book covered in Wave 1 – 62.9%
- Remaining loan book – 37.1%

| Coverage of residential mortgages<br>(in EUR million) | Gross carrying amount <sup>1</sup> | % of residential mortgages |
|---|------------------------------------|----------------------------|
| <b>Residential mortgages covered in Wave 1</b>        | 145,501                            | 99.4%                      |
| <b>Other residential mortgages</b>                    | 849                                | 0.6%                       |
| <b>Total</b>  | <b>146,350</b>                     | <b>100%</b>                |

| Coverage of corporate loans<br>(in EUR million) | Gross carrying amount <sup>1</sup> | % of corporate loans |
|---|------------------------------------|----------------------|
| <b>Corporate loans covered in Wave 1</b>        | 18,862                             | 21.8%                |
| <i>of which – commercial real estate</i>        | 12,924                             | 14.9%                |
| <i>of which – shipping</i>                      | 4,631                              | 5.4%                 |
| <i>of which – oil and gas<sup>2</sup></i>       | 539                                | 0.6%                 |
| <i>of which – power generation</i>              | 768                                | 0.9%                 |
| <b>Other corporate loans</b>                    | 67,596                             | 78.2%                |
| <b>Total</b>                                    | <b>86,458</b>                      | <b>100.0%</b>        |

<sup>1</sup> Gross carrying amount excluding fair value adjustments from hedge accounting.

<sup>2</sup> Oil and Gas target also covers the undrawn part of the facilities, amounting to EUR 0.7 billion.

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### Ambitions for our client assets

With a total of EUR 314 billion in client assets, of which EUR 110 billion in client securities, our clients' investments make a significant contribution to financed emissions and provide an opportunity for us to engage with the carbon emission reduction agenda. While these assets are owned by our clients, we aim to show leadership in helping and encouraging them to make these investments with sustainability in mind. In this area of our business, best practices are still evolving but we are taking the first steps to reduce the carbon intensity of our client portfolios.

Compared with our other investment service concepts, Discretionary Portfolio Management (DPM) gives us the highest level of influence over our clients' assets. We will therefore start implementing our climate-related ambitions here. In DPM, the bank has a mandate to invest on our clients' behalf, based on a specific set of agreed client preferences. In our first wave of achieving our ambitions as set out in this report, we cover 29% of the assets falling within our DPM mandate using a Weighted Average Carbon Intensity (WACI) methodology. Our ambition is to expand our target coverage to our full DPM portfolio by 2030, although we are dependent on the development of methodologies to help us do so. In the coming years, we will also explore avenues to include the other investment service concepts we offer.

### Target setting for our own operations

Our contribution to climate starts with leading by example. We take full responsibility for our own environmental footprint and are committed to ambitious carbon emissions reduction to achieve carbon neutrality across our own operations by 2030. Taking 2015 as our base year, we aim to reduce 95% of our Scope 1, Scope 2, and business travel emissions and compensate for the remaining 5% using carbon removal credits. We will therefore reduce the emissions resulting from our own use of heating and cooling (Scope 1) and emissions resulting from all power consumed by our own operations (Scope 2). To complement our efforts to reduce other significant sources of Scope 3 emissions – namely our financed emissions, we will further reduce our operational Scope 3 emissions from business travel.

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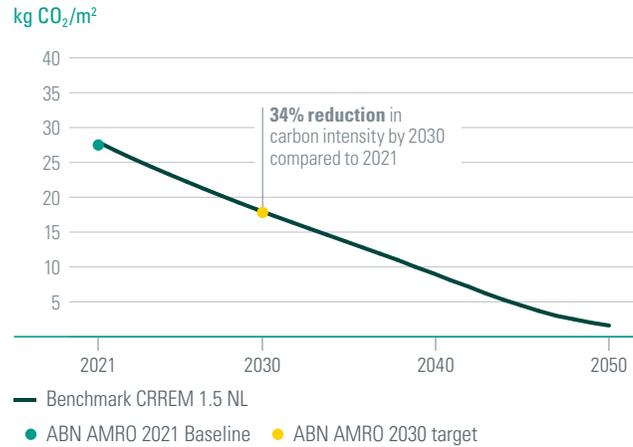
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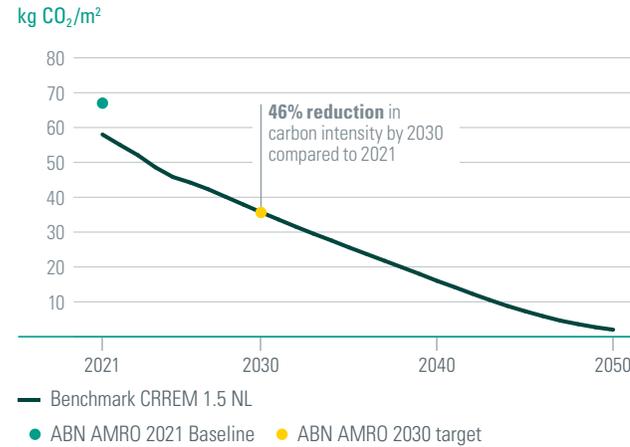


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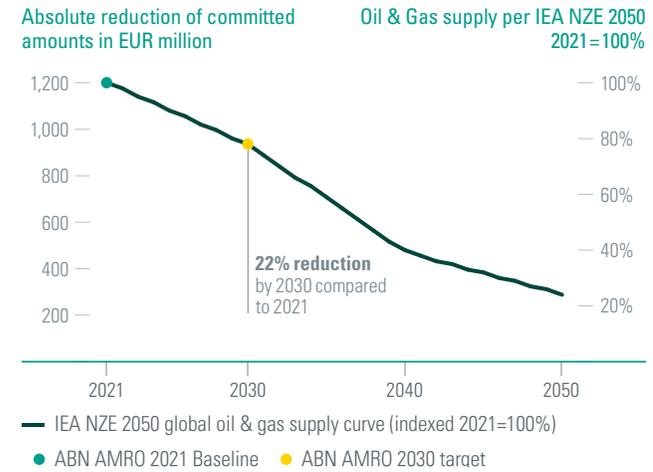
## Residential mortgages Benchmark is CRREM 1.5 NL scenario



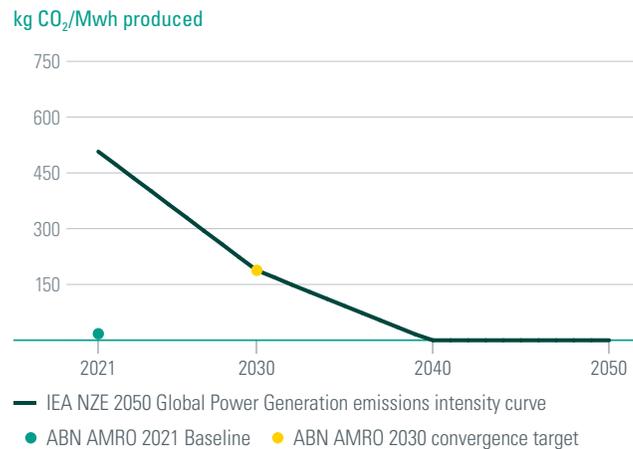
## Commercial real estate Benchmark is CRREM 1.5 NL scenario



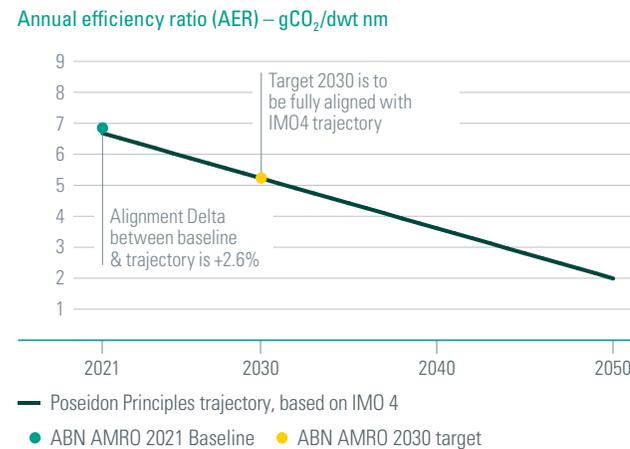
## Oil and gas Benchmark is IEA NZE 2050 scenario



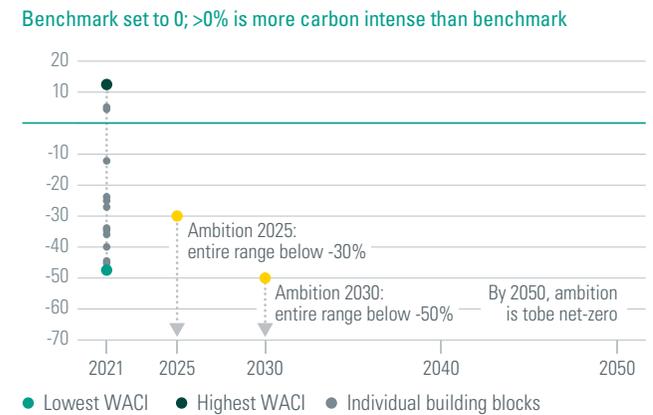
## Power generation Benchmark is IEA NZE 2050 scenario



## Shipping Benchmark is IMO 4 scenario



## Client Assets<sup>1</sup> Range of percentual deviations of equity building block WACI<sup>2</sup> scores against benchmark



<sup>1</sup> For Client Assets, our ambition is to ensure that we improve our performance relative to the WACI score of the benchmark. We aim for our client assets to be less carbon-intensive than the benchmark (under the zero line). As we progress on our ambitions, the WACI performance of our individual equity building blocks will increase, resulting in a tighter range below the 0 line.

<sup>2</sup> WACI = Weighted Average Carbon Intensity (tCO<sub>2</sub>e/EURmln Revenue), reflecting relative building block GHG emissions intensity.

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# Dilemmas and dependencies

While we have set intermediate emissions reduction targets and associated action plans, we cannot achieve these objectives alone. The transition to net zero is a long-term and collaborative process, during which we expect to encounter several dependencies and dilemmas. Active support of many actors within the public and private sectors is required to be successful in achieving our climate ambitions.

”  
**Governments, IGOs and supervisory authorities play a crucial role in creating a supportive environment**  
 ”

Governments, IGOs and supervisory authorities play a crucial role in creating a supportive environment that codifies climate ambitions and standardises data and processes. Governments can set public policies that create financial incentives to encourage investments

by our clients that support their net zero journey. Governments can also support the initiation of the public-private partnerships required to support the development of new technologies through scientific developments. IGOs and supervisory authorities have an important role to play in establishing common standards and frameworks for banks and clients to work with and in ensuring that these keep pace with developments in climate-related science and methodologies. In addition, governments are needed to create awareness of climate change and bring together partnerships to tackle climate-related challenges such as issues around the availability of data.

Clients are key to achieving our climate ambitions. We will continue to build comprehensive systems and processes to guide and support our client engagement and to ensure that climate factors are part of our decision making. While we seek to take a partnership approach, we are dependent on our clients continuing to engage in this common undertaking. Over time, though, our capital allocation and credit risk policies will favour clients further advanced on their net zero trajectory.

The external environment, particularly around current geopolitical tensions and a turbulent economic backdrop, makes steering to a net zero target challenging. We have seen supply chain disruption and energy insecurity feed

into inflationary pressures which might impact consumers' and corporates' ability to invest in net zero measures. We will closely monitor these developments for the impact they have on meeting our climate ambitions.

As the world moves towards a net zero future, the impact on certain areas of society could be profound. We face certain dilemmas that could impact our ability to make choices that might benefit the climate. In line with our purpose, we strive to achieve a responsible and just transition that is socially inclusive and with respect for human rights. This may at times impact the speed at which we work towards our target of net zero. And when investing for our clients, net zero choices may impact their goal of high investment returns. Our approach to these dilemmas is to ensure we analyse and balance all stakeholder interests, taking into account climate, societal and client considerations before executing and further developing parts of our strategy. Careful considerations are required to maximise our positive impact on society and climate. Our aim is to ensure we take a holistic approach to decarbonising our portfolio while continuing to support a just transition.

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# Next steps

## Expanding our sector coverage

This first wave of carbon reduction targets published in this report is only the start of our decarbonisation journey. In 2023, we intend to communicate targets for other sectors, and we will continue to do so until we have covered all, or a substantial majority of, the carbon-intensive sectors, where data and methodologies allow – in line with NZBA guidance to do so within 36 months from joining the Alliance. Our loan book includes loans to the following carbon intensive sectors:

- ▶ agriculture (including for example dairy farming);
- ▶ mining and quarrying (Wave 1 includes upstream oil and gas);
- ▶ electricity, gas, power and steam (Wave 1 includes power generation);
- ▶ transportation and storage (Wave 1 includes a significant component of shipping loans).

Other sectors of note include manufacturing (including manufacturing of cement, aluminium, iron and steel) and remaining real estate and construction activities.

As was the case for the first wave of sectors, the sectors included in the second wave of target setting will be selected based on materiality from both a greenhouse gas and financing perspective, data availability, decarbonisation potential and market developments. We will also take into account our climate risk heatmap exercise in determining which sectors are important to include.

## Reporting on progress and developing our methodologies

We are committed to reviewing our targets on a yearly basis and updating our 2050 roadmap to reflect any changes in methodology related to our chosen sectors. As work in this area develops, data will become more granular, and scenarios will improve. We will monitor these changes and any further regulatory requirements to ensure we apply them in our future methodologies.

Setting interim 2030 targets for the sectors with the highest carbon emissions puts us firmly on our path to achieve net zero by 2050. We remain focused on adapting and responding to advances in climate methodology to ensure our targets remain robust and achievable. We will continue to track the road towards our targets and provide annual updates on our progress in line with the NZBA standards.

”  
**This first wave of carbon reduction targets published in this report is only the start of our decarbonisation journey**  
”

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A person wearing a bright yellow jacket and a red hat stands on a rocky, uneven path inside a glacier cave. The cave's walls are made of translucent, blue-tinted ice with intricate patterns and textures. Sunlight filters through the opening of the cave, creating a warm, golden glow on the ice and the person. The overall scene is dramatic and emphasizes the scale and beauty of the natural environment.

# Our bank-wide climate strategy

**We aim to support our clients' net zero transition by providing access to capital, expertise and partnerships**

In our climate strategy we have developed a bank-wide approach to achieve our net zero ambitions and mitigate the transition risks associated with climate change. We aim to support our clients in decarbonising their business models and footprint through continuous engagement in order to structurally reduce carbon emissions in the real economy. We will work with them to understand their needs and identify how we can best support them by providing access to our capital, expertise and partnerships. Our climate strategy includes a detailed plan to execute our strategy and addresses how we can best support our clients in making the transitions necessary to achieve net zero. We will continue to integrate our climate strategy across the bank and build on this in line with regulatory, technological, macroeconomic, methodology and other relevant developments to ensure we play our part in contributing to the net zero transition in line with a 1.5-degree pathway.



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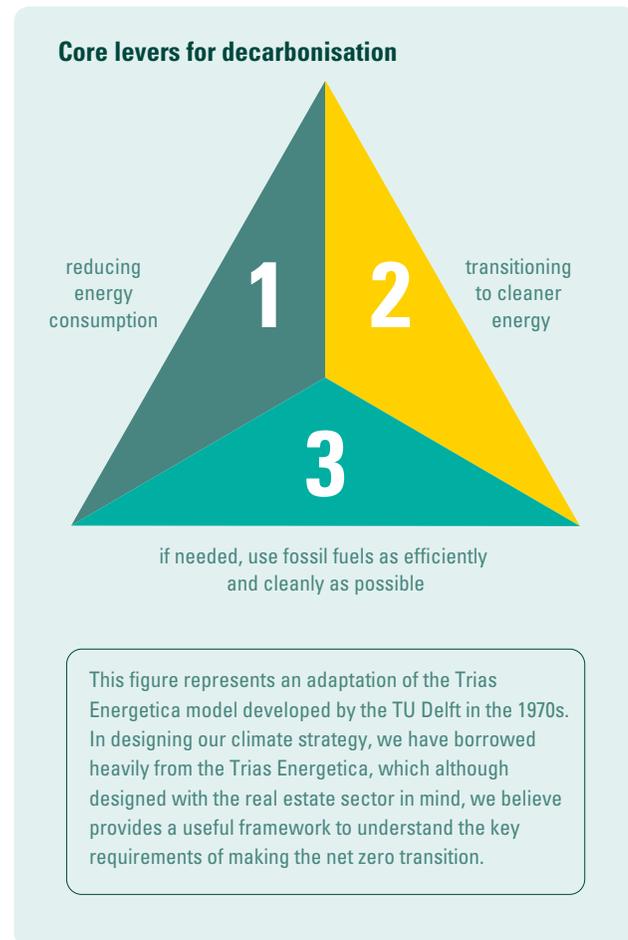
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# Our approach



To achieve net zero, three transitions will need to take place, at the level of the individual clients we work with as well as of the societies in which we operate.

The three global transitions are:

1. Reduction of energy consumption, e.g. by making existing production processes more energy-efficient
2. A rapid move away from fossil fuels towards clean energy such as wind, solar and hydroelectric power
3. Where fossil fuels continue to be used during the transition process, ensuring that their use is as clean and efficient as possible, e.g. by investing in new technologies to mitigate their harmful impact.

In addition to these 3 key transitions, carbon removal solutions are needed to balance residual emissions, especially where technological and financial limitations exist. As these technologies are in their early stages of development, resources are needed to scale them to tackle the short and long-term challenges.

<sup>1</sup> Source: IEA – Net Zero by 2050, A Roadmap for the Global Energy Sector (May 2021).

## Investing in technologies will support the shift to more sustainable business models

To support the transition, our clients and society at large will require new investments in innovative climate technologies, such as hydrogen fuel cells, renewable electricity, and carbon capture technology which is able to remove and utilise CO<sub>2</sub> emitted from industrial operations. Achieving net zero emissions by 2050 will require significant investment in decarbonisation technologies, estimated at USD 4.2 trillion<sup>1</sup>, with the highest investment required in renewables, electricity grids, efficiency and electrification. Private and public partnerships need to be forged to achieve the required investments.

Across our portfolios, there will be a need for high levels of financing in specific areas, such as in the decarbonisation of buildings and infrastructure, as well as in renewable sources of energy, as we further phase out coal-fired production and invest in alternatives such as green hydrogen. Capital, combined with the right expertise, can fund the shift the energy transition requires.

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## We will only be able to achieve our goals by working closely with our clients; this is why engagement with our clients is at the core of our climate strategy

### Capital, expertise, and partnerships to support the transition

We will only be able to achieve our goals by working closely with our clients – this is why engagement with our clients is at the core of our climate strategy. We will further deepen the structured dialogue on how we can support our clients in decarbonising their business models.

As a bank, our key tools to catalyse the requirements for a meaningful transition towards net zero, are capital, expertise and partnerships. We undertake to provide our clients with the necessary capital to fund the shift towards deep decarbonisation and sustainable business models at different stages in their development. This also includes early-stage capital to finance new, less mature technologies that can make breakthrough innovation happen. At the same time, we work to ensure that capital deployment is accompanied with the right insights for our clients to help them develop and implement their net zero plans, assess their climate performance, and identify investment opportunities that will come from leveraging our sector and climate-related expertise.

Our third tool is providing partnerships. We will support our clients through new and existing partnerships, which will serve to connect them with others in their sector, others in the wider ecosystem, and with those working to bring about innovative solutions to the climate challenge.

At ABN AMRO, we will continue to build expertise to offer our clients solutions to support them in this journey. We know we cannot do this alone. To make this transition effective and at the speed required, collaboration between many stakeholders is needed.

### Engaging with our clients

Client engagement is at the core of this process.

In engaging with our clients, we:

- ▶ ensure we have an **inclusive** approach: for us, engaging with clients to support their transition is fundamental to truly making a difference;
- ▶ strive to achieve a **responsible and just transition** that is socially inclusive and respects human rights in line with our purpose, but also with our commitment to principles such as UNGP. We want to ensure we achieve our net zero ambitions in a socially responsible way across all our sectors;

- ▶ are **risk and opportunity-driven**. For ABN AMRO, our engagement with clients is a core instrument to help us manage and mitigate climate risks. Engaging with clients using the three core levers of decarbonisation – to help both sides understand what needs to be done – will highlight the opportunities for us in terms of the provision of capital, expertise and partnerships, but also the risks that remain in the exposures we have.

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# Our climate strategy at a glance

Our climate strategy is a plan of action and presents our principles, priorities and key levers, providing insight into how we will steer the climate journey ahead. In addition to guiding our actions, the strategy helps us to better manage climate transition risks in our portfolios and better facilitate our clients in their transition to net zero. The climate strategy is built on the following building blocks, each of them covering key priorities for the execution of our climate strategy:

## Aligning our portfolio and operations with a net zero trajectory

- 1 Embed a decarbonisation lens in our engagements with all client segments, starting with Corporate Banking clients
- 2 Set intermediate portfolio alignment targets for all carbon-intensive sectors in our loan book to achieve net zero by 2050
- 3 Responsibly bring down the carbon intensity of our client asset portfolios, in line with agreed WACI methodologies, starting with our DPM mandates
- 4 Achieve net zero operations: we aim to become net zero across our own operations by 2030, against base year 2015

## Engaging with clients to support them in their low-carbon transition

- 5 Embed decarbonisation lens in our engagements with all client segments, starting with Corporate Banking clients
- 6 Integrate decarbonisation lens into capital allocation process
- 7 Apply strategic steering tools to embed decarbonisation in client engagement and the capital allocation process
- 8 Enhance our climate-related data & analytics capabilities to better assess and manage our climate-related risks and opportunities
- 9 Engage proactively in climate policy dialogues at industry and government level to support the acceleration of the net zero transition

## Improving and scaling our offering of solutions across capital, expertise and partnerships

### Improving and scaling access to capital:

- 10 Build upon and scale existing sustainability-linked solutions
- 11 Invest up to EUR 1 billion by 2030 in climate-focused early-stage companies and technologies
- 12 Develop sector-specific net zero solutions

### Improving and scaling access to expertise:

- 13 Strengthen climate and environmental expertise and capabilities of our employees

### Improving and scaling access to partnerships:

- 14 Establish partnerships to develop solutions for clients to support their net zero transition

## Enhancing our climate governance and risk management practices

- 15 Strengthen our climate governance structure and establish operational KPIs, clear ownership, execution timelines

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# Aligning our portfolio and operations with a net zero trajectory

To meet our climate commitments, we aim to align our business portfolios and our own operations with a net zero trajectory. In this report, we present our climate strategy as we take the next step in our climate journey. Our climate strategy is a plan of action and presents our principles, priorities and key levers, providing insight into how we will steer the climate journey ahead. This includes a comprehensive approach to embed carbon reduction targets in our portfolios as well as in our own operations. We have been focusing on material areas of our portfolios and over time we will further expand coverage and align with developments in industry and in our client base.

**1 Embed a decarbonisation lens in our engagements with all client segments, starting with Corporate Banking clients**

To formalise our climate commitment, we joined the Net Zero Banking Alliance (NZBA). We formally became part of a global group of banks, currently representing about 40% of global banking assets, that are committed to aligning their lending and investment portfolios with net zero emissions by 2050. Our decision to join the NZBA has provided us with an internationally recognised framework and guidelines to work with and to structure our net zero commitments, including the definition of our 2030 intermediate targets, using robust, science-based guidelines.

**2 Set intermediate portfolio alignment targets for all carbon-intensive sectors in our loan book to achieve net zero by 2050**

As a core component of our climate strategy, we will progressively set 2030 intermediate emission reduction targets across our loan book, benchmarked against science-based decarbonisation pathways to net zero by 2050. We will prioritise our efforts where we can have the most significant impact, i.e. the most carbon-intensive sectors within our portfolio, in line with NZBA guidance for sector prioritisation and methodological decisions.

For our first wave of target setting, we have begun setting intermediate carbon reduction targets for five sectors, starting with those in our portfolio recognised to be among the most carbon-intensive – oil and gas, power and shipping – and where we believe we have the most influence – commercial real estate and residential mortgages. With this scope, we are covering 62.9% of our total loan book. For each of the five sectors, detailed information on the target setting methodology and strategic way forward is provided in the Deep Dives section in this report (see pages 43-66).

In addition to setting carbon reduction targets, we have set an ambition to significantly increase our lending activities to renewables projects, building on our experience in financing renewable infrastructure.

Based on methodological work and organisational process we have established for this first wave of targets, we have set a planned approach to determine the next waves for the remaining carbon-intensive sectors. Considerations for the selection of next sectors will include GHG and financing materiality, data availability, climate risk – including outcomes of our environmental risk heatmap and scenario analysis –, as well as decarbonisation and sector-specific market developments. In parallel to setting decarbonisation targets, we will extend the suite of processes and tools we have developed to steer portfolios to net zero.

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**3** **Responsibly bring down the carbon intensity of our client asset portfolios, in line with agreed WACI methodologies, starting with our DPM mandates**

We aim to align our Client Assets portfolio to net zero by 2050. We have started defining ambitions in the areas where we have the highest level of control, initially covering 29% of our Discretionary Portfolio Management (DPM) assets in our first wave.

Our ambition is to fully cover our DPM portfolio by 2030, depending on the development of methodologies. We will also look to expand our ambitions to include the other service concepts we offer, once methodologies become available.

**☞☞**  
**We take full responsibility for our own environmental footprint and are committed to ambitious carbon emissions reduction to achieve carbon neutrality across our own operations by 2030 ☞☞**

**4** **Achieve net zero operations: we aim to become net zero across our own operations by 2030, against base year 2015**

Our contribution to the climate transition starts with leading by example. We take full responsibility for our own environmental footprint and are committed to ambitious carbon emissions reduction to achieve carbon neutrality across our own operations by 2030. Taking 2015 as our base year, we aim to reduce 95% of our Scope 1, Scope 2, and business travel emissions and compensate for the remaining 5% using carbon removal credits. We will therefore reduce the emissions resulting from our own use of fossil fuels (Scope 1) and emissions resulting from all power consumed by our own operations (Scope 2). To complement our efforts to reduce other significant sources of Scope 3 emissions – namely our financed emissions -, we will further reduce our operational Scope 3 emissions from business travel.

Our aim is to reduce all Scope 1 and 2 emissions by focusing on energy reduction and the sourcing of renewable energy for our buildings, data centres and mobility, and to further reduce business travel emissions. The combination of all ambitions and comprehensive measures will form our pathway towards carbon neutrality for our own operations by 2030. Throughout the process, we will continuously monitor our performance to identify if and when additional measures should be undertaken to reach our target.

**Mobility**

We will continue to electrify our lease fleet. In 2018 we joined the Anders Reizen (Alternative Travel) coalition, which includes an agreement among 40 Dutch corporates to reduce their carbon emissions from commuting by 50% in 2030 compared with 2016. We are well on track and are now enhancing this commitment as we are set to reach a 100% electric fleet in the Netherlands by year end of 2024. In 2030 we expect our full international lease fleet to be electric. In addition to this, we encourage sustainable commute alternatives in a number of ways, including offering our employees an annual public transport season ticket by default, an electric bicycle purchase and lease scheme and a shared electric mobility provider to travel to clients in the Netherlands.

**Buildings**

When it comes to the energy usage in our buildings, we have upgraded 95% of our office space to energy label A and continue to push for increasing the energy efficiency of all our offices to make them 'Paris Proof' by 2030. This means our offices will emit under 50 kilowatt hours (kWh) per square metre per annum.

In recent years, we have brought down our energy consumption from 150 kWh per square metre per annum in 2018 to 103 kWh per square metre per annum in 2022.

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## ☞ We use sustainability as part of our criteria in selecting new suppliers and in reviewing our existing suppliers ☞

Alongside our continuing efforts to increase energy efficiency in the offices in the Netherlands, we are working on completing our transition towards 100% renewable energy procured in our offices outside of our home country too.

### Business travel

We are taking measures to reduce emissions by 80% by 2030 by offering viable alternatives to travel, substituting air travel with rail travel, procuring sustainable aviation fuel, and assuring a maximum spend on business travel per year for each department. Quarterly internal updates give us the ability to track if we remain within set emissions budgets. We expect that our Scope 3 emissions from business travel will account for 2.6 kTon of CO<sub>2</sub> after the full implementation of all the initiatives we have planned, reaching our target of a reduction of 80% in business travel carbon emissions by 2030.

### IT

Reducing our IT carbon footprint means we focus on energy efficiency, resource efficiency and renewable energy procurement of our on-premises, off-premises, and software-as-a-service (SaaS) suppliers.

We have improved the energy efficiency of our datacentres from 1.83 PUE in 2012 to 1.34 PUE in 2021, by implementing an air-cooling facility and by a continuous focus on resource efficiency. Our datacentres run on 100% renewable energy. We are working on further energy reduction by implementing our Sustainable IT toolbox, including green coding and dynamic resource allocation.

### Procurement

We use sustainability as part of our criteria in selecting new suppliers and in reviewing our existing suppliers. We use a sector-based approach to identify suppliers that have the most significant climate impact and therefore the most significant potential to reduce emissions. We currently focus on energy procurement, IT services and construction. We will continue to cascade our approach down to the categories with a smaller climate impact.

We procure renewable electricity, biogas and CO<sub>2</sub>-neutral district cooling in the Netherlands and aim to procure 100% CO<sub>2</sub>-neutral energy for our operations inside and outside of the Netherlands in 2030. We are engaging with our IT Services suppliers (e.g. off-premises and strategic SaaS suppliers) to push for energy efficiency and renewable energy procurement. And we use circular

buildings (MPG) regulation to select building elements with a minimal global warming potential for the use within our renovation efforts.

### Compensation

We currently use VCS certified carbon avoidance credits from biogas fermentation and energy generation projects in the Netherlands to compensate for a comparatively extensive range of Scope 1, 2 and 3 emissions, including external IT, our employees' public transport commute and home workplace. In line with our carbon reduction strategy, we are moving towards allowing for offsetting residual emissions only when there are limited viable alternatives to eliminate emissions, only using carbon removal credits.

Procuring credits of a higher quality for a possibly more limited scope (Scope 1, 2 and business travel) enables us to commit to a convincing net zero target and lead by example by implementing an extra incentive to speed up carbon emissions reduction. As we continue to focus on reducing our actual emissions and expect to reduce Scope 1 and 2 emissions to zero before 2030, we will only rely on carbon credits to compensate for the mere 5% of emissions (business travel) we expect to remain in 2030 in reaching our net zero targets.

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# Engaging with clients to support them in their low-carbon transition

Client engagement is at the core of our Climate strategy: our main climate transition risks are in our lending and investment portfolio as are the majority of our emissions. The bank can only achieve its climate ambitions if clients are able to decarbonise their businesses and assets. To facilitate and accelerate climate action, we have taken an inclusive approach. For us, engaging with clients to support their transition is fundamental to truly making a difference. By engaging with our clients and other stakeholders in a structured way, we aim to mobilise them in their net zero journey.

## 5 Embed decarbonisation lens in our engagements with all client segments, starting with Corporate Banking clients

We have designed a robust and data-driven client engagement process to support our clients in their net zero transition. We will apply a decarbonisation lens across our engagements with all client segments, starting with Corporate Banking clients, as this is the part of our portfolio where we can most directly influence the high emission sectors we are exposed to. We will assess and monitor the transition readiness of our clients and its impact on the climate transition risk profile of our portfolio. Over the next two to three years a robust and data-driven engagement process for Corporate Banking clients will commence with more structured decarbonisation dialogues. We will assess clients' climate performance against our own sector-specific carbon reduction targets, enabling us to evaluate their emissions performance, net zero targets and commitments, business strategies and capital planning.

Based on this data and analysis, we will deepen our dialogue with these clients, seeking opportunities to leverage our capital, expertise and partnerships to help them improve and deliver on their climate transition plans. For Corporate Banking clients we will periodically review, at individual client level when required, progress made on improving transition plans and determine next steps as part of the monitoring and approval process within the dedicated Engagement Committee. Priorities will vary both by sector and by client. Where we believe clients are transition-ready, we will establish more formal, strategic partnerships. Where clients' decarbonisation potential remains high, we will further engage to identify opportunities to accelerate their emissions reductions.

In addition to introducing structured dialogue with our corporate banking clients, we will also enhance our engagement with the other prioritised parts of our business i.e., residential mortgages and client assets. With respect to our residential mortgages clients, we will enhance our offering of financing and further simplified processes combined with expertise to help homeowners and buyers upgrade their homes' energy performance, building on existing tools such as our Energy Savings Check that clients can use to build a personal sustainability roadmap outlining costs, subsidies and potential savings associated with energy efficiency measures. We will also expand our role as a financial adviser and supporting partner. This includes highlighting to mortgage clients the potential sustainability investments.

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In addition we will upskill our advisers and intermediary channels on climate risks. Though intermediaries act independently from ABN AMRO, our goal is to ensure they can become more proactive, especially for homes with a lower energy label, highlighting ways to improve home energy efficiency.

Finally we will improve the attractiveness of decarbonisation measures for our clients and wider society through our marketing and communication efforts and our role as a financial adviser.

Within Wealth Products, we will work on our ambition to decrease our client investments' carbon intensity. In early 2023, DPM clients will be informed of our ambitions. In addition, ABN AMRO Investment Solutions will engage on climate issues with its delegated external investment managers of sustainable funds with an environmental objective, to encourage these parties to steer investments towards a net zero objective by 2050. Based on the SFDR, from 1 January 2023 clients will also receive reports with sustainability information, enabling them to understand the ESG risks linked to their investments and track progress based on these criteria. It is expected that in many cases these insights will encourage clients to switch to more sustainable investment products.

## 6 Integrate decarbonisation lens into capital allocation process

Strategic engagement with corporate and commercial clients on their decarbonisation journey will be embedded into ABN AMRO's core capital allocation processes. This will consist of three stages. In our client acceptance review, we will consider decarbonisation performance, targets and plans. This will be followed by the engagement process described under priority 5. The outcome of these client assessments will be shared during client engagements to guide our dialogue on their transition. There will also be 'portfolio steering', where we will integrate net zero targets into our existing credit portfolio management process, including performance monitoring. This will provide up-to-date management information on a portfolio's climate performance, including actively balancing the financial, risk and climate profiles contained within them.

## 7 Apply strategic steering tools to embed decarbonisation in client engagement and the capital allocation process

We will integrate forward-looking steering tools throughout our internal processes to ensure we achieve the targets of our climate strategy. We are currently developing tools to support the processes and procedures introduced as part of our climate strategy.

These tools include a net zero alignment tool, which consists of dashboards to assess our clients' emissions performance against sectoral net zero pathways. We have set up these dashboards for the priority sectors covered in our target setting and will develop additional dashboards as we expand our scope to cover other parts of our portfolio. We are also developing sector-specific client assessments and guidelines to determine our clients' transition readiness and identify how to best support them in their transition.

These tools will be integrated into the existing suite of sustainability-related tools we already have in place. We will continue to remain agile to change and open to updating the tools and processes we deploy to measure, understand, mitigate and steer as new and more effective ones emerge. We see these tools as key enablers of our climate strategy and will continue to expand them as we further implement our strategy.

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**8 Enhance our climate-related data & analytics capabilities to better assess and manage our climate-related risks and opportunities**

We will continuously work to get access to better and deeper climate-related data, to be able to accurately analyse our clients' climate performance and plans, and successfully support them through their net zero journey.

Over the last year, we have worked to obtain better and more granular data for our priority sectors with the aim of creating a holistic view of our clients and the sectors they operate within. As we progress in the implementation of our climate strategy, we will continue working with external data providers and our clients themselves to further improve the quality of climate-related data. A key enabler of our strategy will be the development of climate profiles for each client, to gain a deeper understanding of their transition.

**” We are engaging with our IT services suppliers to push for energy efficiency and renewable energy procurement ”**

**9 Engage proactively in climate policy dialogues at industry and government level to support the acceleration of the net zero transition**

External dependencies have a significant impact on our ability to execute our climate strategy and achieve our net zero ambitions. These external dependencies include the pace and content of government policy and regulation, technological developments and macroeconomic circumstances. In order to best manage these dependencies, we will go beyond client engagement and proactively engage in climate policy dialogues at an industry and government level. This is not new for us; ABN AMRO is already an active member of the Dutch Energy Efficient Mortgages Hub, which supports the acceleration and adaptation of energy-efficient housing in the Netherlands and the financing thereof. The aim of this stakeholder engagement exercise is to encourage other actors, where possible, to take the action needed to accelerate the net zero journey of our clients in carbon-intensive sectors. As part of this engagement, we will share our own research insights to inform public policy and support the development of additional policies.

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# Improving and scaling our offering of solutions across capital, expertise and partnerships

Banks can allocate capital to more sustainable business models and innovative technologies, which will reduce our reliance on fossil fuels and play a key role in mitigating climate change. We aim to make a difference by doing what we do best – offering financial services to our clients. By improving and scaling access to capital, expertise and partnerships, we aim to develop financial solutions in support of our clients' transition objectives as well as of our own carbon footprint.

## Improving and scaling access to capital

Banks are at the forefront of combating climate change through their ability to allocate capital to sustainable business models that leverage new technologies. In doing so, they help reduce our reliance on fossil fuels while mitigating the damage any unavoidable legacy or transition use exposes us all to. ABN AMRO recognises its role here and intends to increase its effort to provide more financing to that effect.

## 10 Build upon and scale existing sustainability-linked solutions

To bring about the acceleration needed to achieve net zero across society, we will need to build on and scale existing sustainability-linked solutions. Our biggest impact in supporting the fight against climate change is through our lending and investment services. We have a track record in providing financial products to our clients – corporates, SMEs, consumer and wealth management clients – that help them mitigate their climate impact and at the same time reduce climate transition risk in our own portfolios. Examples include offering interest rate discounts to mortgage clients to encourage them to invest in more energy-efficient homes or to carry out energy efficiency works on their existing properties. We are using a similar mechanism to engage with and encourage our shipping clients to make their vessels more sustainable so they can align with the IMO emission reduction trajectory through the Poseidon Principles.

In 2021, a total of over EUR 20 billion worth in green, social and sustainability bonds were structured, issued and/or distributed by ABN AMRO. This total includes EUR 1.9 billion in green bonds issued by ABN AMRO itself in 2021, bringing our total outstanding green bonds to EUR 3.8 billion. Proceeds from these bonds have been allocated to financing of sustainable mortgages and renewable energy, saving more than 180,000 tonnes of carbon emissions. We will continue to leverage our position in the capital markets to move towards more sustainability-linked products and services, providing financial solutions to support our clients as they transform their operating models.

Our progress to date has taken our current sustainability (acceleration) asset volume<sup>1</sup> KPI to 27% in 2021, with our target for 2024 being 36%.

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<sup>1</sup> The definition of sustainability (acceleration) asset volume is based on ABN AMRO's Sustainability Acceleration Standards. These standards contain clear definitions with regard to clients' sustainability policies, practice and governance. The overall target for sustainability (acceleration) asset volume is calculated as the sum of sustainability (acceleration) asset volume (mortgages and corporate loans) and sustainability (acceleration) client asset volume, divided by the sum of the outstanding mortgage loan book, corporate loan book and relevant client asset volume.



### Examples of recent transactions



Offshore wind farm

#### Project finance

The bank provided project finance for 15 solar plants for **Solaria Energía Y Medio Ambiente, S.A.** in Spain, which will play a significant role in supporting the country's target to become carbon neutral by 2050. We also recently financed the world's first subsidy-free project financing of the **Borkum Riffgrund 3** offshore wind farm in the German North Sea, now jointly owned by Orsted and Glenmont Partners.

### Examples of recent transactions



TenneT offshore high voltage station

#### Debt capital markets

In November 2022, ABN AMRO Debt Capital Markets acted as Active Joint Bookrunner on **TenneT's** Senior Unsecured EUR 3.85 billion Green Bonds split into four tranches. As the Transmission System Operator (TSO) for the Netherlands, and a significant part of Germany, TenneT owns and operates over 24,500 kilometres of high-voltage lines and cables. Proceeds will be used to invest in eligible green power transmission projects in the Netherlands and Germany focused on connecting large-scale offshore wind farms to the onshore electricity grid and the onshore transmission grid with the main objective of increasing the transmission of renewable energy.

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**11 Invest up to EUR 1 billion by 2030 in climate-focused early-stage companies and technologies**

In addition to scaling investments in conventional technologies, early-stage capital to finance new, less mature, technologies and companies at the forefront of low-carbon transition challenges will be required to advance climate science and achieve the net zero transition. We will look for opportunities to mobilise early-stage capital to finance these technologies and companies. We will increase our early-stage capital commitment to up to EUR 1 billion by 2030. Investments will include direct equity participations through our Sustainable Impact Fund, hybrid debt and fund investments that fit the energy transition theme. To create even more impact, we will seek to leverage our relationships with Wealth Management clients as well as with institutional investors.

**Examples of recent transactions**



Foodlogica, last-mile delivery logistics

**Early-stage capital**

Recent early-stage capital investments include **Foodlogica**, a last-mile delivery logistics scale-up offering a green, reliable and affordable solution to the delivery challenge in urban areas, **Exasun** a Netherlands-based manufacturer that helps clients build the most efficient energy-producing homes, and **ETPA**, which operates as a pan-European intraday energy exchange.

We have also invested in **Doconomy**, a Sweden-based company offering automated CO<sub>2</sub> footprint calculation solutions, which includes offering financial institutions insight into their carbon footprint using their spend data via mobile banking apps.

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Examples of recent transactions



Fastned charging station

**Equity capital markets**

ABN AMRO Corporate Finance acted as exclusive financial adviser to Schrodgers Capital on its equity investment in electric vehicle charging company **Fastned**. The EUR 75 million equity investment will be used to accelerate the expansion of its European network towards 1,000 stations in 2030.

ABN AMRO Equity Capital Markets acted as Joint Bookrunner on the successful EUR 20 million Accelerated Bookbuild for fast-growing and eco-friendly company **Accsys Technologies**. The company combines chemistry and technology to create high- performance, sustainable wood building materials. The proceeds will be used to improve balance sheet strength and liquidity headroom for investments in its growth projects, such as the expansion of sustainable wood production capacity.

**12 Develop sector-specific net zero solutions**

As a core part of our climate strategy, we are committed to stimulate innovation in financial solutions and technical developments to support our clients in their net zero transition. We have prioritised the development of sector-specific net zero solutions to further facilitate our clients’ transition journey, starting in the initial five priority sectors.

These net zero solutions are aimed at:

- ▶ supporting existing and new clients with their decarbonisation investments;
- ▶ developing opportunities in new client segments and markets, including innovative transition accelerators and technologies;
- ▶ optimising and expanding our sustainable product offering.

Concrete examples of how we plan to facilitate our clients’ transition journey in each of the five sectors comprising our first wave of target setting can be found in the Deep dives section towards the end of this report.

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## Improving and scaling access to expertise

### 13 Strengthen climate and environmental expertise and capabilities of our employees

Our commitment to sustainability has led us to develop expertise. We are determined to share and leverage this on behalf of our clients and continuously improve our climate-related knowledge and capabilities. We will continue to enhance and build our sustainability culture, experience and expertise across the bank, so that we are able to provide insights, data and thought leadership capabilities which our clients can draw upon. In this way, we can support our clients in making the right investment decisions to decarbonise their businesses and understand their climate performance compared with their peers. Assisting our clients in their transition with our climate knowledge and skills will form an integral part of our client engagement.

We have already developed a wide range of in-house learning solutions on the topic of sustainability, alongside partnering with external learning providers to secure training courses as part of our portfolio. We will develop a curriculum to build specific skills and knowledge on how to implement our climate strategy within defined sectors and supporting functions. For experts, we will establish tailored programmes to further develop in-depth skills and knowledge, such as PCAF insight, data requirements for the dashboarding and identification of client status.

We will also continue to partner with a broad range of renowned universities in the world of academia to strengthen and scale our climate and environmental capabilities.

## Improving and scaling access to partnerships

### 14 Establish partnerships to develop solutions for clients to support their net zero transition

We will also support our clients' transition to net zero through partnership initiatives. Building on the partnerships we currently have with Utrecht University, Rotterdam School of Management and Cambridge Institute for Sustainable Leadership, we look to build bridges between the world of science and business, to foster collaboration with our clients both within and beyond the sectors they operate in. We will be bringing together experts in the field to create new partnerships and leverage those initiatives we are already part of.

Our existing partnerships include providing online tooling that makes it easier for consumers to improve the energy efficiency of their homes. Another successful example of a partnership is with Impact Nation, a three-way venture with The New Web and Impact Hub Amsterdam, offering corporate clients 100-day programmes to solve their most urgent sustainability issues. More examples of clients that have already benefited from the programme can be found on the next page.

By collaborating with expert data companies, such as Sustainalytics and ISS Oekom, we will work to further the development of reliable climate data – an important factor in our ability to execute our strategy.

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**Case 1 VDMI**



VDM Industries specialises in the development and packaging of detergents. They participated in the Impact Nation programme in 2021 and want to become a frontrunner in cleaning solutions that combine convenience and sustainability for the mass market. Impact Nation connected them to detergent concentrate producer “Zo Schoon.” Together they will scale the use of the forever bottle: a reusable bottle to which the user adds a bit of concentrate and fills it with tap water, reducing 95% in transportation and significantly reducing plastic waste.

**Case 2 Impact Nation in clean fuels**



PVG sells fuel to people who do not have central heating but are using a fuel stove. With Impact Nation, they took on the challenge of developing an alternative fuel. The same holds for AVIA Marees, a family-owned business with 65 gas stations in the northwest of the Netherlands that developed a low carbon fuel. Both companies will present their impact to the public in the spring of next year.

**Case 3 Total Packaging**



Total Packaging offers client-focused packaging for luxury products from concept to final product. Previously, most of their packaging was plastic-based and so their challenge focused on finding a more sustainable option that was not linked to food production, or further exhausting natural resources. They will partner with a company that uses a revolutionary way of producing cellulose-based packaging without the downsides of the conventional process. The result is a packaging product that is both compostable and recyclable, thereby reducing plastic use (and waste).

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# Enhance our climate governance and risk management practices

## 15 Strengthen our climate governance structure and establish operational KPIs, clear ownership, execution timelines

We have enhanced our climate governance and risk management practices to ensure robust oversight is in place, with processes, roles and responsibilities, and KPIs to effectively manage our climate strategy.

### Processes, roles and responsibilities, and KPIs

We are introducing new processes with associated policies, guidance, and clear roles and responsibilities to monitor, manage and steer our portfolio towards a 1.5-degree trajectory. Specifically, we are implementing two new processes:

**Net zero alignment:** a process to develop new net zero targets and methodologies for the remaining exposures to carbon-intensive activities not yet covered by current carbon reduction targets. We will monitor progress against the targets we have set (and will set), and incorporate relevant methodological and data-related updates.

**Client transition readiness assessment:** a process to enable clients' climate profile assessments against the sectoral pathways we defined to achieve our 2030 and 2050 targets. As covered earlier in this report, the outcomes of this process will inform engagement with these clients and identify opportunities to facilitate clients' transition journeys. This will also contribute to managing climate transition risks.

Additionally, acknowledging the extent of business change required to implement our climate strategy, we will endeavour to upscale a number of core banking processes including client engagement, capital allocation, credit portfolio management, risk management, finance and controlling.

### Enhancements in our governance structure

A strong governance structure has been set to monitor and steer the successful execution of our climate strategy, including clear accountabilities, roles and responsibilities for organisational domains and individual key employees, with checks and balances ensured by the full involvement of all three Lines of Defence. Decision-making within

the bank takes into account our climate objectives. The governance is based on the bank's existing governance. We have established a clear oversight role on the climate strategy within the Supervisory Board and a line of sight through the organisation beginning with our Executive Board, which is ultimately accountable for our climate strategy. To support the Executive Board in delivering on our new climate ambitions, the current governance for managing the bank's climate-related risks and opportunities has been enhanced. In addition, climate performance metrics (operational KPIs) will be integrated into the performance reporting processes across the bank.

The following organisational changes have been recently introduced:

- ▶ A Group Sustainability Committee has been installed to monitor and steer the climate strategy as part of its steering role on sustainability as a component of the bank's corporate strategy. The GSC assists, advises and supports the Executive Board in the performance of its duties as they apply to ESG, including climate.

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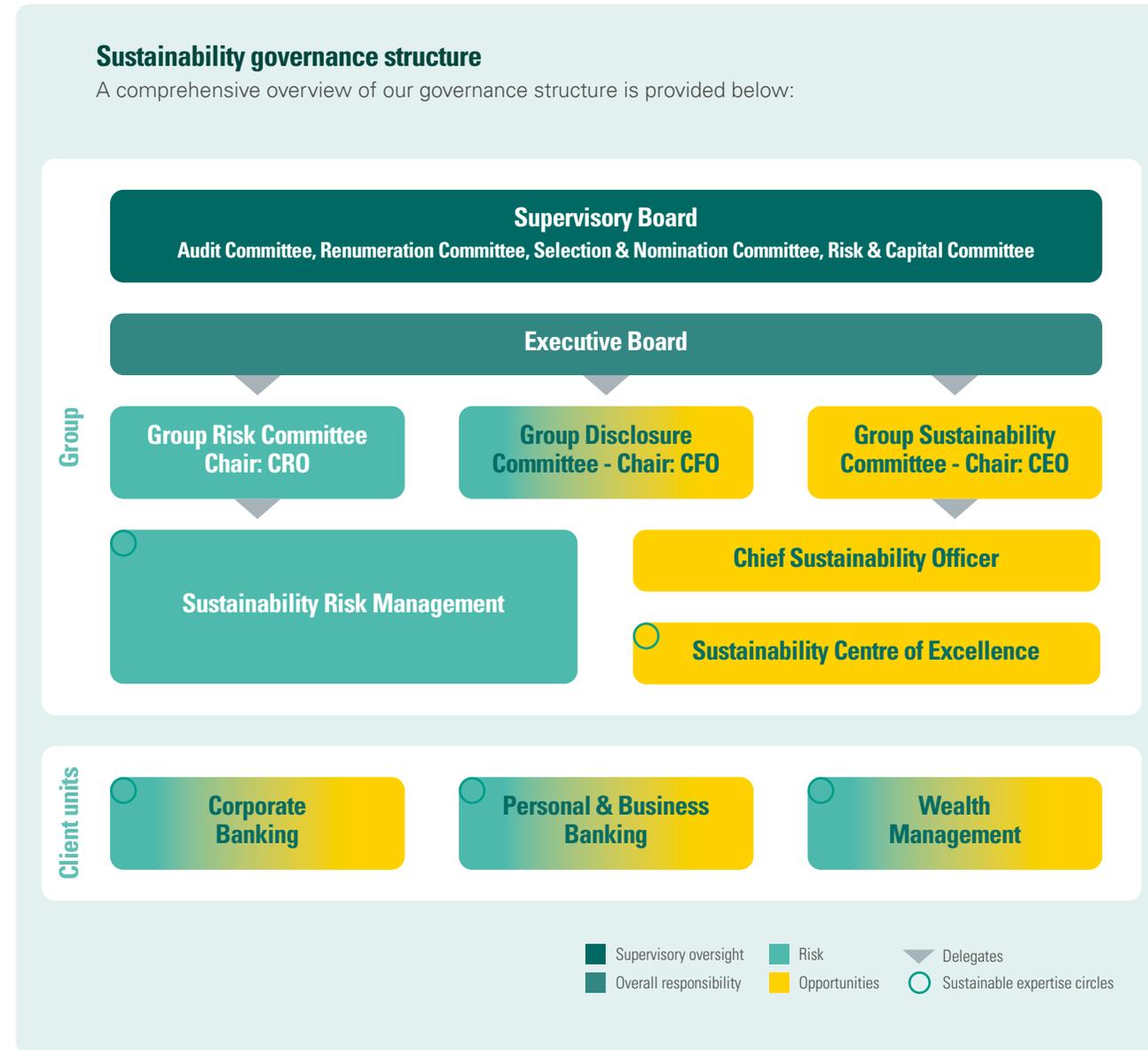
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- ▶ The Sustainability Centre of Excellence (SCE) will support the execution of the climate strategy. SCE is established within the CEO-domain and the Chief Sustainability Officer (CSO) reports to the CEO of ABN AMRO. Among other areas of focus, the SCE supports the client units in developing innovative solutions to drive clients' net zero transitions, and transfers climate-related knowledge to support the client engagement process on climate-related topics.
- ▶ In addition to the above, we are setting up Climate Expertise Circles within each of the client units, bringing together professionals that work on relevant climate-related topics, based on projects or approved initiatives to support the initiation of commercial and operational plans on climate to achieve net zero, under the coordination of the Sustainability Centre of Excellence.



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## Supervisory Board

The Supervisory Board supervises the policy of the Executive Board, the general affairs of ABN AMRO and the business connected with it, and assists the Executive Board by providing advice, which includes supervision and whenever necessary advice on the climate strategy.

## Executive Board

Responsible for the overall strategy of ABN AMRO, which includes setting out the climate strategy and oversight of the implementation and execution of matters relating to environmental, social and governance matters within ABN AMRO Group, including climate-related topics.

## Group Risk Committee

The Group Risk Committee (GRC) is mandated by the Executive Board to monitor, assess and manage the bank's risk profile within the approved risk appetite. The GRC monitors and approves all material risks, including climate risks, as defined in the bank's risk taxonomy. The GRC has delegated specific approval powers to sub-committees, including Business Risk Committees for the bank's main business lines, the Financial Crime Risk Committee, the Methodology Acceptance Group, the Scenario and Stress Testing Committee, and the Impairment and Provisioning Committee.

## Group Disclosure Committee

The Group Disclosure Committee (GDC) is responsible for, among other things, advising and supporting the Executive Board in relation to supervision of the accuracy and timelines of public disclosures, including climate-related disclosures, and integrity with regard to the financial statements and other public disclosures.

## Group Sustainability Committee

The Group Sustainability Committee (GSC) assists, advises and supports the Executive Board in the performance of its duties as they apply to ESG, including on the Climate strategy. It comprises a Group-level Committee of senior representatives of the client units (CUs) and corporate functions. The Committee monitors and steers the implementation of the bank's climate and sustainable finance strategy.

The GSC is chaired by ABN AMRO's Chief Executive and comprises the Chief Sustainability Officer (CSO) and representatives of the Sustainability Centre of Excellence, Investor Relations, Corporate Banking, Wealth Management, Personal & Business Banking, BM&C, I&T, Legal, Finance, Risk and Compliance.

The Group Risk Committee remains responsible for risk management in relation to ESG and can request advice from the Group Sustainability Committee on sustainability risk policies as appropriate.

## Sustainability Centre of Excellence

The Sustainability Centre of Excellence (SCE) is led by the Chief Sustainability Officer who reports to the CEO. In relation to the Climate strategy, it directs policy definition on Climate related matters and provides central steering on implementation of the climate strategy and subject matter expertise to the Group and the business. The SCE acts as Vice Chair and secretary of the GSC, coordinating its agenda.

## Climate Expertise Circles

We are developing Climate Expertise Circles aimed at bringing together professionals that work on relevant climate-related topics, based on projects or approved

initiatives. The Climate Expertise Circles operate across client units and central functions to support the initiation of commercial and operational plans on climate to achieve net zero. This work is coordinated by the Sustainability Centre of Excellence. We are in the process of defining roles and responsibilities for the Climate Expertise Circles.

## Client units

The client units (CU) are responsible for executing the Climate strategy, including owning the responsibility of developing carbon reduction targets as well as developing and executing commercial and client engagement plans to achieve the climate targets. Their work is subject to checks and balances as per the bank's three lines of defence model, and the specific Climate related governance described in this report.

## Sustainability Risk Management

In 2019 a dedicated Sustainability Risk team was formed within the Central Risk Management department and is responsible for setting up and maintaining the sustainability risk management framework. The team also coordinates setting, approving and monitoring the bank's sustainability risk appetite.

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Climate risks are an integrated part of sustainability risk, which is managed in line with the bank's defined Enterprise Risk Management cycle. ABN AMRO is using regulatory and supervisory guidance, such as the Taskforce on Climate-related Financial Disclosures (TCFD) framework of the Financial Stability Board and the ECB Guide on climate-related and environmental risks.

Regulatory and supervisory guidance supports the acceleration of the internal review and implementation of climate-related and environmental risk management in the bank's strategy, governance, policies and processes. Continuous improvement is being made, based on new knowledge, tools and data that become available in the market. Improvements in relation to climate-related and environmental risks are built on a structured, multi-year implementation plan. The following section describes in more detail how climate risk is integrated into sustainability risk management, particularly in relation to business strategy, risk appetite, risk identification and risk measurement, and how this relates to the Climate strategy.

### Business strategy

In defining its strategy and the structured approach for effectively including climate risks, ABN AMRO uses a combination of qualitative and increasingly quantitative assessments of climate-related risks and opportunities. Climate risks are included for example in risk opinions for strategic decisions. Also the outcomes of the climate scenario analysis performed for the priority portfolios on the impact of climate risks on the business environment in which the bank operates, aim to inform strategic decision making at bank and business line levels.

Based on insights in climate risk the Group Risk Committee initiated the development of the climate strategy and its targets. The Climate strategy also supports the further embedding of climate risks into the strategic decision-making processes of ABN AMRO. ABN AMRO is committed to aligning its business with net zero 2050. As part of the climate plan we aim to integrate a decarbonisation-lens into the bank's capital allocation process to align commercial decisions with the net zero portfolio alignment targets set. Climate considerations will also be incorporated into the portfolio steering process within ABN AMRO allowing the bank to holistically steer across climate, financial, risk and strategic performance of the portfolio.

### Risk appetite

As part of the structured multi-year implementation plan, climate risks are included in the Risk Appetite Framework of ABN AMRO. On climate risk, the risk appetite includes both quantitative and qualitative key risk indicators. Quantitative elements include a carbon footprint metric that measures the change in carbon intensity of the lending and investment portfolios. Qualitative elements include progress on climate-related KPIs of the client units. ABN AMRO is currently updating its key risk indicators to align with the 2030 portfolio alignment targets and transition pathways set for the five sectors, as part of the Climate Plan.

### Risk identification and assessment

To identify climate risk, we follow the enterprise risk management framework. Last year, the bank's existing risk identification processes and policies have been updated to expand the scope with climate risks. For climate risk identification at portfolio-level, a climate risk heatmap is used to scan ABN AMRO's lending portfolio on sector

sensitivity and vulnerability to physical and transition risks in order, among other things, to determine priority sectors for performing portfolio scenario analyses.

ABN AMRO uses climate risk scenario analysis as one of the tools for understanding the climate risk impact on traditional risk types (e.g. credit risk and business risk) in specific sectors, using various climate scenarios.

As part of the operationalization of the climate strategy, the bank will also strengthen the climate-related client-level risk assessments. To better identify, assess and monitor the climate risks of clients in carbon-intensive sectors ABN AMRO will collect the client and asset-specific data needed to assess the level of maturity of a client's decarbonisation plans and its willingness and ability to improve these plans. Both quantitative and qualitative data-points will inform us on the client's transition readiness. The client-level assessment also enables ABN AMRO to get a deeper understanding of the climate transition risk profile of individual clients and client segments, including insight into how aligned individual clients are with the portfolio alignment targets and transition pathways set by ABN AMRO.

The assessment at client level will be part of the credit acceptance process within ABN AMRO and its outcomes will be incorporated in the credit proposal decision-making process for both new and existing clients.

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# Key elements of our approach

As the most significant climate impact of our activities results from the financing we provide and our wealth management activities, we have started setting emission reduction targets for our financed emissions and emission reduction ambitions for our client assets portfolios. The carbon reduction target setting approach we have used for our financed emissions is the framework provided by the NZBA.

Our approach to set targets consists of the following three key elements:

- ▶ **Industry guidelines:** We have applied industry guidelines to ensure our targets are set in line with industry best practice. We have followed the NZBA requirements as outlined in the NZBA commitment statement and used the United Nations Environment Programme’s (UNEP) Guidelines for Climate Target Setting to steer the development of our methodology. We have applied the Partnership for Carbon Accounting Financials (PCAF) guidance to calculate the financed emissions baseline for our portfolios. We have also used the guidance provided by methodological standards such as the Science-Based Target Initiative (SBTi) where possible.

- ▶ **Science-based:** We have set science-based targets based on the methodologies, decarbonisation scenarios and data available at this time. Where possible, we have chosen to set targets aligning our sector-specific portfolios to science-based decarbonisation scenarios in line with a 1.5-degree pathway, such as the International Energy Agency’s Net Zero Emissions by 2050 used for our power and oil and gas targets.
- ▶ **Sector-based:** We have taken a sector-based approach towards target setting as we believe this approach is most effective for achieving the decarbonisation of our portfolio, as each sector of the economy faces specific challenges in transitioning to net zero. Per sector, we have conducted a detailed analysis to determine, among other things, the material emissions associated with each part of the portfolio and the relevant decarbonisation scenarios. We have taken these elements into consideration to determine the right metrics and targets for each sector. By approaching our decarbonisation journey on a sector-by-sector basis, we can also tailor the products and services we offer our clients to their specific sector needs. This approach is in line with the NZBA sector-based approach to target setting.

As client assets differ from our loan book sectors, a different approach was needed and used. Details on this approach can be found in the deep dive section below.

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# Our methodology to set carbon reduction targets

Leveraging the key elements of our target setting approach, we have outlined a generic framework consisting of **eight criteria**, which we used to develop sector-specific methodologies and targets.

| Criteria                              | Explanation & examples  |
|---------------------------------------|---|
| <b>1 Financing scope</b>              | ▶ Which financial products to include in the target setting scope for each sector, and which financing amount to be covered (e.g., drawn/committed)                   |
| <b>2 Activity and emissions scope</b> | ▶ Which part of the value chain to include in the target setting scope (e.g., upstream) and which GHG emissions to include in scope (e.g., Scope 1, Scope 2, Scope 3) |
| <b>3 Metrics</b>                      | ▶ Which metrics to use to set targets on (e.g., absolute financing, physical emission intensity)  |
| <b>4 Baseline year</b>                | ▶ Which year to use as baseline for the calculation of each target (e.g., 2021, 2022)   |
| <b>5 Interim target year</b>          | ▶ Which year to set a target for (e.g., 2025, 2030)   |
| <b>6 Decarbonisation scenario</b>     | ▶ Which sector-specific decarbonisation scenario to choose each sector to be benchmarked for target setting (e.g., IEA NZE, CRREM, IMO)                               |
| <b>7 Data</b>                         | ▶ Which data to use to track and steer the portfolio and where to source the data needed (e.g., third-party data provider, public disclosures)                        |
| <b>8 Calculation methodology</b>      | ▶ What calculation method to use to calculate baseline emissions and our targets (e.g., PCAF, Institutional Shareholder Services' framework)                          |

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# Key decisions made to set carbon reduction targets for our financed emissions

Across the eight criteria described above, several overarching key decisions were made that apply across all of Wave 1, including residential mortgages, commercial real estate, oil and gas, power generation, shipping and client assets. Sector-specific decisions we have made will be described in more detail in the deep dive section of this report.

Within the parts of our portfolio in scope for target setting, we have aimed to include those financial products that are material from a climate and financial point of view. We have accounted for the drawn amount of our financing provided, in line with PCAF's guidance. We have chosen a different approach for Oil and Gas, as we use a different target metric. For oil and gas, we account for the total amount of financing committed.

For each sector, we have included the parts of the value chain that are most material from an emissions and exposure perspective. For example, for our power portfolio we are targeting power generation, the value chain segment that is responsible for the vast majority of scope 1 emissions in the sector. Where possible, we have taken into account all three scopes of **greenhouse gas emissions**, but this varies across sectors because of constraints in data availability. We aim to continue to extend our target reach as the availability of data improves over time.

Our selection of an appropriate **target metric** for each sector was guided by which metric can best guide us as we seek to engage with our clients and steer our portfolio to net zero. We decided to target carbon emissions intensity for our sector targets, except for our oil and gas portfolio. Emissions intensity metrics measure carbon emissions relative to a unit of output. For example, for our real estate exposure this means we are measuring kilograms of carbon emissions per square metre financed. We have chosen to use this emissions intensity metric as this metric is most effective to measure both performance at client and portfolio level, allowing for meaningful comparison and engagement, it is less susceptible to volatility and allows for direct alignment with decarbonisation scenarios that use the same metric. In our oil and gas portfolio, we are targeting an absolute reduction in financing commitment.

We have chosen 2021 as the **baseline year** for all sectors, because it is the most recent year for which we have a complete financial data set and best reflects the current state of our portfolio. This is also in line with the NZBA guidelines, which state that the base year chosen for targets should be no more than two full years prior to the year when the target was set.

Again, in line with NZBA guidelines we have chosen 2030 as our first emissions reduction **interim target year**. We are committed to setting a new target for each sector every five years after our first interim target year. For client assets, our first ambition year is set to 2025.

Inevitably, decarbonisation progress will vary from sector to sector, reflecting the unique transition that each will undergo.

## Use of carbon removal credits

In order to stay aligned with our goal of 1.5 degrees, we need to accelerate meaningful emissions reductions. Considering our role as an intermediary that can, should and will help finance our clients' transition, our focus first and foremost is on enabling meaningful emissions reduction. As a result, we have initially not envisioned a role for carbon credits in the short term. We see our success in enabling the transition by helping our clients. For the long term we recognise that this will be hard to achieve in some sectors and will require solutions for residual emissions.

In any and all credits we consider – be these for our own emissions or to tackle residual emissions- ABN AMRO's approach will focus on permanent removals, such as through CCUS, and certain high-quality nature-based solutions like regenerative agriculture and reforestation. Based on guidance and precedents set by internationally recognised organisations, such as the Science Based Targets initiative (SBTi), and in alignment with the NZBA and PCAF, ABN AMRO will only accept carbon dioxide removal credits from projects that have been verified in accordance with standard GHG accounting protocols and registered on a recognised platform.

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# Complexities to target setting

There are several complexities associated with setting targets across our portfolio to reduce our financed emissions. Associated data, methodologies and tooling are in various stages of development and undergo continuous improvements. This complicates our ability to set robust targets and steer progress against these targets.

Data availability and accuracy of climate-related client and asset data, both crucial to setting targets, remain constrained across sectors. As a result, in our target-setting process we have had to rely on proxies and sector averages for some of our calculations. For example, our current mortgage and commercial real estate (CRE) targets have been set based on energy performance certificate (EPC) labels and emission factors, rather than using actual energy performance, which is not currently available due to privacy regulations. We will continue to improve the availability and accuracy of the climate data we use to ensure we can confidently set targets for additional sectors in our portfolio and update the existing targets we have set when new and improved data is gathered.

In setting our targets, we rely strongly on guidance from industry bodies, such as PCAF, and scientific developments. While we aim to set our targets using the best climate science currently available and are transparent about our target setting approach, our targets and pathways are likely to change as new and updated methodologies and scientific insights emerge. Bodies such as PCAF are expected to regularly update and expand their guidance to ensure market standardisation. Similarly, the decarbonisation scenarios that our targets are based on are continuously updated in line with macroeconomic outputs. We expect future decarbonisation trajectories to become more ambitious if they are to stay in line with the same net zero ambition by 2050. This rebalancing of accepted scenarios will require us in turn to adapt our targets.

For our first round of target setting, we have worked hard to find solutions for these challenges and we are committed to monitoring developments and working with external parties to continue to improve data quality, metrics and methodologies. We are committed to regularly reviewing our targets to take into account all these factors to ensure they reflect the real economy, the latest science and our climate ambitions. In our annual disclosures, we will report on our progress towards these targets and update them whenever needed to provide clear insight into our climate performance.

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## Note on Mission 2030

In August 2017, we launched our bank-wide Mission 2030 ambition: achieving an average A label for our residential and commercial real estate exposures. At the time, this was aligned with the Dutch Energy Agreement dating from 2013.

### Residential Mortgages: Achievements to date under Mission 2030

The programme to deliver our Mission 2030 target led to several initiatives for our mortgage clients:

- ▶ At year-end 2022, most of our mortgage advisers were trained as sustainable living advisers.
- ▶ Clients can borrow up to 106% of the loan-to-value of their mortgage if they invest in energy-saving measures
- ▶ Financing and expertise to help homeowners and buyers upgrade the energy performance of their house
- ▶ Online Energy Savings Check to obtain a personal sustainability roadmap, including costs and potential savings of energy efficiency measures, subsidies and the option to request a quotation with one of our partners.
- ▶ ABN AMRO's Sustainable Living Mortgage offering attractive terms and interest rates if clients invest in energy efficiency measures.
- ▶ Interest rate discounts if clients finance a home with a registered label A or B or if they invest in improving their existing home to label A or B within 24 months.
- ▶ EUR 2 billion issued by ABN AMRO in green bonds to (re)finance mortgages for energy efficient homes and renewable energy projects.

The proportion of residential mortgages in our portfolio with energy labels A and above increased from 22% in 2020 to 25% in 2021. We also take an active role in initiatives focused on climate change. For example, ABN AMRO is a co-founder of the new Energy Efficient Mortgages NL Hub (EEM NL Hub), initiated by mortgage providers, investors, service providers and others in the Dutch housing market, whose aim is to establish a clear definition of 'green mortgages' in line with European rules and regulations.

### Commercial Real Estate: Achievements to date under Mission 2030

Together with our clients, we have made considerable progress on our initial 2015 plan in which we used the International Energy Agency's 'Beyond 2 Degrees Scenario'<sup>1</sup>. We have managed to bring up the percentage of A (and above) label buildings in our portfolio, reaching 37% by year end 2021. At the end of the same year, 89% of all the offices we financed had a registered energy label C or higher. We implemented concrete services and financing requirements to support our clients' transition, including:

- ▶ Existing portfolios should have a weighted average energy label of at least C for each asset class or a committed and funded CAPEX plan to reach label C before expiry of the loan.
- ▶ Properties with a market value greater than EUR 25 million without an obligation for a registered energy label are required to have at least a BREEAM in use Certificate (minimum Very Good) to qualify for refinancing.

<sup>1</sup> International Energy Agency – "Energy Technology Perspectives 2015". The 2015 2DS scenario as established by the IEA laid out the pathway to deploy an energy system and emissions trajectory consistent with what recent climate science research indicates would give at least a 50% chance of limiting average global temperature increase to 2°C. The 2DS sets the target of cutting energy- and process-related CO2 emissions by almost 60% by 2050 (compared with 2012) and ensuring they continue to decline thereafter.

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- ▶ The Sustainable Investment Tool, introduced in cooperation with CFP Green Buildings, provides insight into the energy label of a property and provides measures to improve energy performance, including investment calculations, payback period, and potential CO<sub>2</sub> reduction. We offer up to 100% financing of sustainability improvements of properties with a discount on the interest rate, subject to certain preconditions.

Our Green Subsidy Expertise Team support the submission of subsidy requests related to among other things, BREEAM-NL, GPR Buildings, circular residential and non-residential buildings. The team also provides advice to clients on making energy label improvements to bring them in line with our credit policy requirements. Together with ABN AMRO Groenbank, we have received more than EUR 190 million in RVO green certificates for green loans of renovations and newly built sustainable real estate projects. A green loan has a discount on its interest rate made possible by government support to stimulate sustainable investments.

### **Mission 2030: Way forward**

We now aim to align with a 1.5-degree trajectory based on CO<sub>2</sub>, in line with our commitments towards the Dutch Climate Accord and NZBA. We have developed a new and improved methodology that is based on the underlying CO<sub>2</sub> content of buildings enabling us to set emission reduction targets in line with emission reduction pathways. We will replace our Mission 2030 target with these new climate targets, both for CRE and mortgages. We aim to continuously improve our methodology, for example by investigating the possibility of using actual emissions data from the houses we finance, instead of the EPC-label proxies.



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# Residential Mortgages

## Key decisions

### Financing scope

We are including our Dutch residential mortgage exposures, except customised credits, which at a gross carrying amount of EUR 145.5 billion, comprises 99.4% of our residential mortgages. Other Northwest European exposures and customised credits are currently out of scope (~EUR 0.8 billion), but we will include them in a next iteration of our emission reduction targets.

### Emissions scope

We have included Scope 1 and 2 emissions in setting our target. Our ambition is to include Scope 3, comprising emissions relating to the original construction of the building or any subsequent adaptation once data is available to do so.

### Decarbonisation scenario

We have benchmarked our residential mortgage portfolio against the pathways laid out by the Carbon Risk Real Estate Monitor (CRREM) for the Netherlands, which is in alignment with a 1.5-degree scenario and has been specifically tailored to support the carbon budget of the Dutch residential real estate sector.

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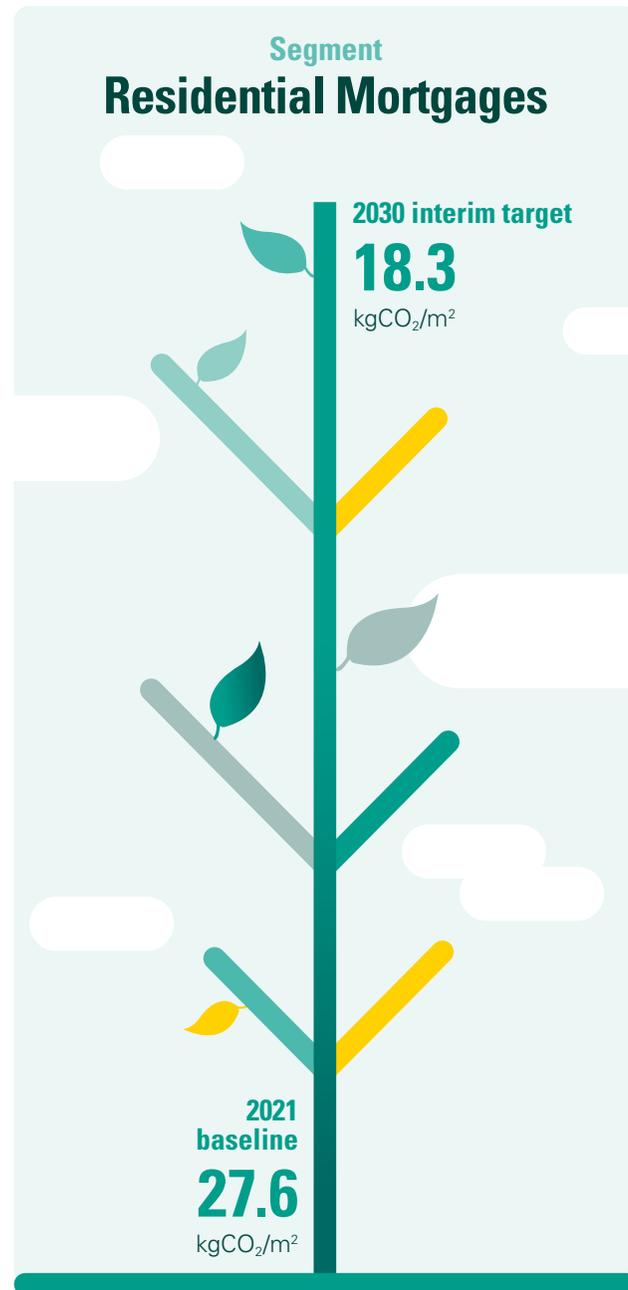
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**Metrics**

We measure our emissions by using a portfolio-weighted emissions intensity metric. This represents the kg of CO<sub>2</sub> associated with each square metre we finance and is directly aligned with accepted decarbonisation scenarios such as the Carbon Risk Real Estate Monitor (CRREM) increasingly used across the industry.

**Data**

We have used the published Energy Performance Certificate (EPC) of each home we finance, sourced from the Rijksdienst voor Ondernemend Nederland (RVO) and have sourced details on the surface area of these properties from the Basisregistratie Adressen en Gebouwen (BAG). Where RVO data was unavailable, we used preliminary labels and when these were not available we modelled an internal proxy based on the building year to estimate energy performance. Data from CBS is used to estimate energy and gas consumption per energy label for single-family and multi-family properties, with additional data from the Economic Institute for Building (EIB) for electric-only properties.

Accurately determining the carbon intensity of a property portfolio requires actual building energy consumption which due to privacy regulations is currently not available. In conjunction with PCAF NL and the Energy Efficient Mortgages (EEM) NL Hub, we and other Dutch financial institutions are currently in dialogue with several stakeholders to see how best to access such data while respecting the privacy rights of property owners.

**Calculation**

With this data, we have calculated our emission intensity using the following formula:

$$\text{Weighted Average GHG intensity (kgCO}_2\text{/sqm)} = \frac{\sum_{c=1}^n \% \text{ share in the portfolio}_c \times \text{GHG Intensity}_c \text{ (kgCO}_2\text{)}}{\text{Floor area}_c \text{ (sqm)}}$$

Where, 'c' represents an individual loan and 'n' represents the number of such loans in the portfolio. Also, '% share of the portfolio' represents the percentage of financing provided to the buildings divided by the total value of the portfolio (by gross carrying amount).

**Target**

We then benchmarked our baseline emission intensity to the CRREM decarbonisation trajectory for residential real estate leading us to our target of reducing the carbon emission intensity associated with our residential mortgage portfolio to 18.3 kgCO<sub>2</sub>/m<sup>2</sup> by 2030.

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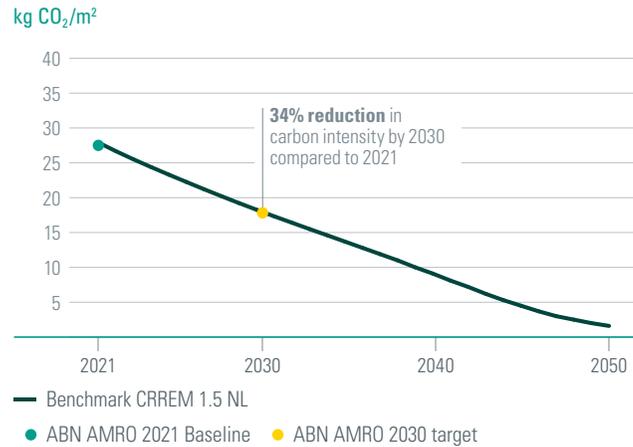
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**Residential mortgages**  
Benchmark is CRREM 1.5 NL scenario



**Outlook for the sector and challenges**

Decarbonising the mortgage market depends on several factors. Some of these factors are beyond the bank’s direct control, including, but not limited to, government regulation and action, especially in the form of incentives for homeowners to invest in decarbonisation measures, technological advancements, supply chain developments, pricing effects and the availability of labour. The bank’s ability to control clients’ decarbonisation is also limited by the significant role of intermediary mortgage brokers in the market, which limits our ability to engage directly with our clients.

Looking at the regulatory landscape, we see that the main transition challenges relate to the current building stock. As new construction is trending towards more sustainable building practices, and we anticipate that more circular forms of construction will become present in the future,

we anticipate positive developments in that industry. Looking at the current building stock, we see that homes with a good energy performance are expected to increase in financial value. In addition, higher energy prices are increasing clients’ desire to invest in sustainability but at the same time they are depressing the purchasing power required to do so.

Coupled with this, the mortgage sector is facing regulatory uncertainty presented by developments such as the draft revision of the Energy Performance of Buildings Directive IV, in which European ambitions concerning the so-called ‘renovation wave’ are translated into national norms, e.g., in building decrees. For the first time, this directive is expected to have an impact on our clients and the financial sector. As client engagement is largely driven by the potential for energy savings, in addition to clients’ willingness and financial capacity, clients will be less inclined to adopt more sustainable solutions if government plans remain uncertain or if subsidies are reduced.

Beyond reducing the energy performance of individual homes, the carbon intensity of the residential real estate sector will also decrease if overall energy generation in the Netherlands becomes more sustainable, e.g., through the implementation of natural gas-free neighbourhoods.

**Steering towards our target**

As one of the biggest mortgage providers in the Netherlands, our aim is to continue to encourage our current and future clients to invest in energy efficiency by offering products and services that help support them, building on our experience and expertise. This will improve our clients’ properties and reduce the carbon impact of our mortgage portfolio. We will gradually roll

out an integrated approach to working with our partners to make a difference for our clients, engage with the public sector to encourage decarbonisation, and help advance emissions accounting. Considering the challenges to be resolved, there is no alternative to working together.

For individual homeowners, our approach is centred around further simplifying the process of upgrading their homes towards higher EPC labels within applicable laws and regulations. This means ensuring that the right knowledge, capital and partnerships reach our clients at moments that matter to them.

**” Decarbonisation is a major challenge facing the housing market ”**

To help build client awareness, we intend to use our expertise to expand our role as a financial adviser and supporting partner. We already include future sustainability investments in our advice to our mortgage clients along with an offer for the necessary financing, and our mortgage advisers are trained as sustainable living advisers. Going forward, the engagement process will be enhanced by further upskilling our advisers and intermediary channels on climate risks. Additionally, we will adopt a more proactive approach, especially for lower EPCs, through various channels to engage with clients on what can be done to improve energy efficiency in their homes.

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On capital, we aim to ensure targeted financing that better supports meaningful energy efficiency improvements, within the constraints of our moderate risk profile. We already provide a Sustainable Living Mortgage to make homes more sustainable by offering clients attractive mortgage terms and interest rates. Additionally, we provide discounts to those clients buying a home with a definitive, registered label A or B, or to those clients who, within two years of starting a new interest rate contract with us, invest to bring their homes up to a definitive label A or B. Going forward, we intend to re-evaluate the effectiveness of our products, pricing and policy mix to ensure energy efficiency increases.

”  
**Considering the challenges to be resolved, there is no alternative to working together** ”

We will work with partners to offer effective solutions to spur the transition of our building stock to its full potential. We already work with partners (e.g. Essent) to simplify the process of fulfilling energy efficiency improvements, with intermediaries to extend financing to homeowners, and are also proactively involved to define the infrastructure necessary to account for emissions (e.g. PCAF).

Going forward, we will work with our business partners to expand the product suite available to clients, as well as embedding solutions within our existing channels more structurally, such as the Energy Savings Check. For intermediaries – an important business partner and distribution channel – the focus is on providing a clear and unified message on how clients can best be informed and advised about the energy transition. As intermediaries have the freedom to conduct business on their own terms, we see good engagement as our main added value for the transition.

We also aim to play a role in improving the attractiveness of decarbonisation measures not just for our clients but for society at large through our marketing and communication efforts and as a financial adviser. By collaborating with other stakeholders in the housing market, such as the government and financial institutions, we will look to improve data accuracy, market standardisation and help solve dilemmas surrounding the transition of our clients’ residential real estate. We will continue to engage with the government and regulators to find ways to protect our clients and future homeowners against a situation where their homes risk becoming stranded assets due to increasing energy performance standards.

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# Commercial Real Estate

## Key decisions

### Financing scope

We have set a target covering our loan book for our commercial real estate (CRE) clients in the Netherlands, excluding general corporate loans. This approach is in line with guidance from methodologies such as PCAF that define commercial real estate loans as on-balance sheet loans provided for the purchase and refinancing of commercial real estate. With this approach, we are covering all of our Dutch CRE portfolio.

### Emissions scope

We have included Scope 1 and 2 emissions in setting our commercial real estate target. We have excluded Scope 3, which comprises emissions relating to the original construction of the building or any subsequent adaptation and any non-energy related emissions from the building's operation. Our ambition is to include Scope 3 emissions once data is available to do so.

### Decarbonisation scenario

We have benchmarked our commercial real estate portfolio against the Carbon Risk Real Estate Monitor (CRREM NL) 1.5-degree pathways for the Netherlands, which have been tailored to a 1.5-degree carbon budget for the Dutch commercial real estate sector.

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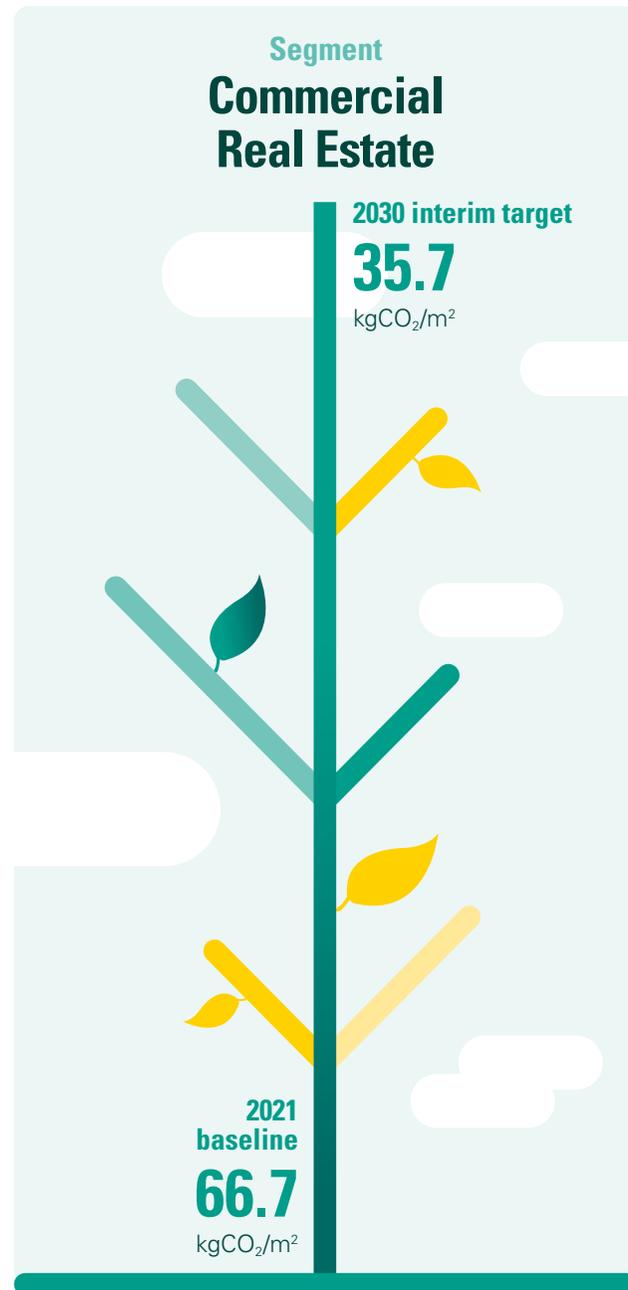
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**Metrics**

We use a portfolio-weighted emissions intensity metric to measure our financed emissions in this portfolio. This metric represents the kg of CO<sub>2</sub> associated with each square metre we finance, enabling direct alignment with CRREM.

**Data**

We have used the Energy Performance Certificate (EPC) of each building we finance, sourced from the Rijksdienst voor Ondernemend Nederland (RVO), as a proxy for energy performance and have sourced details on the surface area of these properties from the Basisregistratie Adressen en Gebouwen (BAG). When definitive EPC label data was not available, we used preliminary labels. We have further factored in fuel type-specific emission factors provided in PCAF’s European building emission factor database.

As in our mortgage portfolio, the most accurate approach to calculate the emissions intensity of our portfolio would be to use actual consumption data from each building, but this is not possible because of privacy regulations. In line with our peers in the financial sector, this is common practice, and we are currently using energy performance labels and the floor area of buildings to estimate consumption of each building we finance. This approach has enabled us to calculate our emissions on a PCAF score 3 and PCAF score 4. We will continue to engage with relevant stakeholders to see how up-to-date energy data could be accessed in the future without compromising the privacy rights of property owners. We will continue to revisit our approach to further improve accuracy as better-quality data becomes available.

**Calculation**

Using this data, we have calculated our baseline emissions intensity using the following formula:

$$\text{Portfolio weighted GHG intensity (kgCO}_2\text{/sqm)} = \sum_{c=1}^n \text{GHG Intensity}_c \text{ (kgCO}_2\text{/sqm)} \times \% \text{ share in the portfolio}_c$$

Where, ‘c’ represents the individual unit in the building and ‘n’ represents the number of such units in the portfolio. Also, ‘% share of the portfolio’ represents the percentage of financing provided to the buildings divided by the total value of the portfolio.

**Target**

We benchmarked our baseline emission intensity against the CRREM decarbonisation trajectories for commercial real estate. The CRREM NL pathways have been specifically tailored to support the carbon budget of the Dutch commercial real estate sector and enable us to set precise and ambitious targets across a range of property types. Under CRREM, each sub-type of commercial real estate – offices, hospitals, stores, etc.- has its individual 1.5-aligned trajectories, which we have combined using a weighted average (by outstandings) in order to arrive at a single curve that is representative of our whole portfolio. This process has led us to the target of reducing the carbon emission intensity associated with our commercial real estate portfolio from 66.7 to 35.7kg CO<sub>2</sub>/m<sup>2</sup> by 2030, a 46% reduction.

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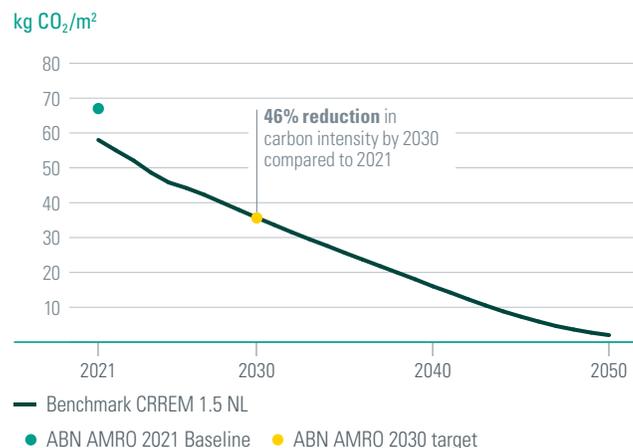
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**Commercial real estate**  
Benchmark is CRREM 1.5 NL scenario



**Outlook for the sector and challenges**

To fully decarbonise the building stock, a combination of actions is required: increasing the energy efficiency of individual buildings through EPC improvements and decarbonising the underlying energy sources used to power homes and businesses. Within our CRE portfolio, most of the improvements we can facilitate are related to increasing energy efficiency, but we are also dependent on other parties, such as the government. In light of current market conditions, targeting only >A labels would help us achieve our 2030 target, but it would also mean excluding most of the current building stock in our CRE financing. As a result, while we may then have a smaller and cleaner book, we would not be using our position as a large market player to make a difference by financing the decarbonisation of buildings with lower EPC labels.

This would not help broader society to decarbonise, and could result in a negative social impact.

Transitioning the portfolio to only >A labels through retrofitting too, does not seem feasible for our clients right now without strong regulatory and government support in the form of market incentives, as this markedly accelerates the sustainability shift. A good example is how our office portfolio has transitioned, following the government’s legislation requiring rented offices to have at least a C label. Following this mandate, we saw a marked uptick in clients looking for solutions to improve their properties’ energy efficiency to even beyond the minimum C requirement. Considering the positive impact of a supportive legislative environment, we believe it is a valuable tool to apply across asset classes, not just to offices.

**Steering towards our target**

Our credit policy already determines that the existing commercial real estate buildings we finance must have a weighted average energy label of at least C for each asset class or a committed and funded CAPEX plan to reach label C before expiry of the loan. Currently, 90% of all the offices we finance have a registered energy label C or higher. We will now strengthen our efforts to meet our new net zero target by steering our portfolio financing towards 75% A label or higher and with a credit policy minimum label of C<sup>1</sup>.

Our decarbonisation target for the commercial real estate sector is driven by sustainable renovations, inflow of new buildings, transformation of outdated buildings and the outflow of older buildings. For new buildings, revised

energy labelling allows for up to A++++ properties, with net zero energy buildings as the highest level. For development loans, the asset should have a registered energy label upon completion of between A and A++++ and office buildings should have an MPG (environmental rating for building materials) of at least 0.8. To facilitate this, we aim to make a difference for clients by ensuring that they have the right expertise, the capital to finance their transition requirements and partnerships to embed more effective solutions in their practices.

**“ We aim to provide client solutions that surpass transition financing ”**

As strategic advisers, we will continue to build on our expertise to even better advise clients on sustainability improvements.. Our clients want to engage actively with us on their sustainability plans in line with the requirements of their own stakeholders and to ensure their property portfolios can maintain their long-term value. To facilitate this further, we will develop educational programmes that will also address best practices and knowledge on subsidy and regulation. Our Green Subsidy Expertise Team will continue to support clients on the submission of subsidy requests related to, among other things, BREEAM-NL, GPR Buildings and circular buildings.

<sup>1</sup> This target is based on floor area, not by number of collaterals.

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We also provide advice to clients on making energy label improvements to bring them in line with our credit policy requirements.

On capital, we aim to fulfil our role as a transition partner while safeguarding our financial targets. We will more proactively target client transitions by evaluating our current product offering and by exploring tailored financing solutions to enable the transition, either through ABN AMRO Groenbank or through other entities. Our ambition to serve our clients as they journey along their own transition pathways provides us with opportunities in the form of new products and services such as green loans and bonds, energy label improvement financings, circular buildings, and carbon-neutral developments, which we are exploring in order to more effectively deploy capital.

On partnerships, we aim to provide our client solutions that surpass transition financing. Building on our market knowledge and our network, we aim to play a prominent role in social engagement, particularly in accelerating collective approaches through such means as homeowner and neighbourhood associations, legislation, and cleaner energy. We believe that by leveraging our involvement in industry associations such as the Dutch Banking Association (NVB) we can contribute to actionable solutions. Additionally, we aim to leverage our relationships with energy providers, raw material suppliers and other market players in the CRE sector to develop new solutions that can be implemented.



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### Key decisions – Oil & Gas

#### Financing scope

Included in our target is our corporate lending to the sector as represented by the fully committed loan amount, drawn and undrawn.

#### Activity scope

We cover exploration and production in our portfolio as this segment accounts for a significant part of our oil and gas portfolio's total carbon emissions. In the future, we aim to expand our coverage to include all segments of the oil and gas value chain.

#### Metrics

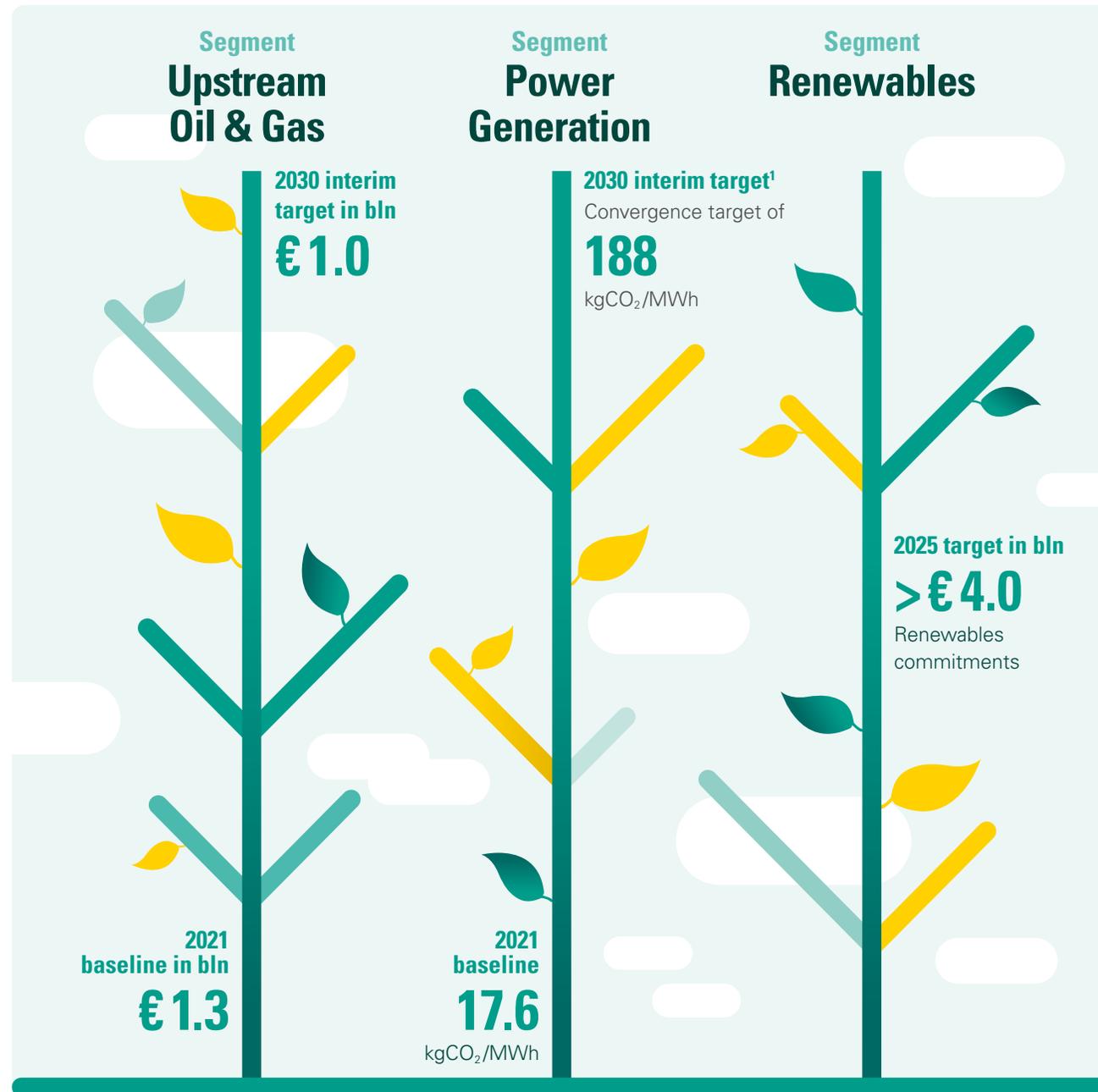
We use absolute committed financing to the upstream oil and gas sector as our metric (see also target).

#### Emissions scope

With our absolute committed financing target, we are ensuring that all three GHG emission scopes will decline as our exposure to oil and gas companies declines.

#### Decarbonisation scenario

We have benchmarked our upstream oil and gas portfolio against the International Energy Agency's (IEA) Net Zero Emissions (NZE) oil and gas global supply curve as set out in the 2022 World Energy Outlook (WEO). The IEA NZE



scenario includes modelled data on historic and future oil and gas supply, in line with a 1.5-degree scenario. We have indexed this pathway where the baseline year 2021 is set at 100.

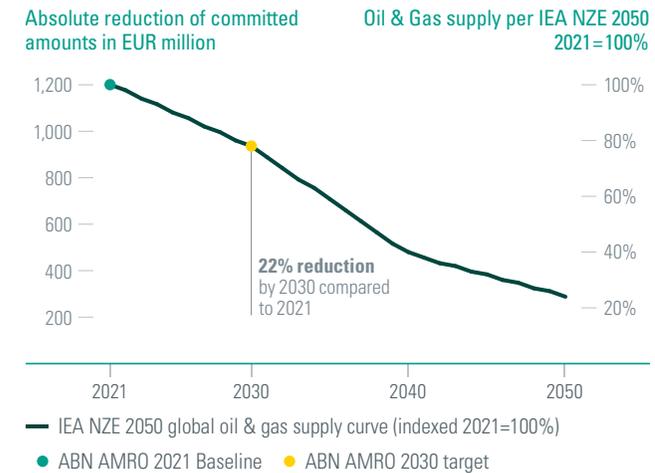
**Data**

We have used data from our internal databases to derive our absolute financing baseline.

**Target**

The IEA NZE scenario shows a 22% decline in supply between 2021 and 2030. Our target is to reduce our absolute financing to the upstream oil and gas sector in line with the required decline in global oil and gas supply as per the IEA NZE scenario.

**Oil and gas**  
Benchmark is IEA NZE 2050 scenario



<sup>1</sup> For more information see page 56 and further.

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### Key decisions – Power

#### Financing scope

Included in our target is our corporate lending to the sector as represented by the drawn loan amount.

#### Activity scope

In line with industry practice, we are focusing on electricity generation. Our portfolio includes wind, solar and some gas-fired power, but excludes exposure to utilities that have no or only limited power generation activities in relation to total revenues, as well as energy from waste. Smaller clients that are producing (often renewable) energy for their own use are also excluded due to data constraints.

#### Emissions scope

We target Scope 1 carbon emissions because this comprises most emissions in this sector.

#### Metrics

We calculate the carbon emission intensity (kg CO<sub>2</sub>/MWh) of our power generation loan book, which is in line with industry practice.

#### Decarbonisation scenario

We benchmark our power portfolio against the International Energy Agency’s (IEA) Net Zero Emissions (NZE) 2050 global power CO<sub>2</sub> emission intensity curve as set out in the 2022 World Energy Outlook (WEO).

#### Data

The emissions-related power generation data we have used in our calculations was mainly derived from disclosures by our clients. Due to data availability constraints for smaller companies which often generate renewable power for their own use, in this wave of target setting we have excluded all exposures with an outstanding of less than EUR 5 million as at 31 December 2021.

We have reviewed clients that are excluded based on this approach and believe it does not significantly impact the outcome of the analysis.

#### Calculation

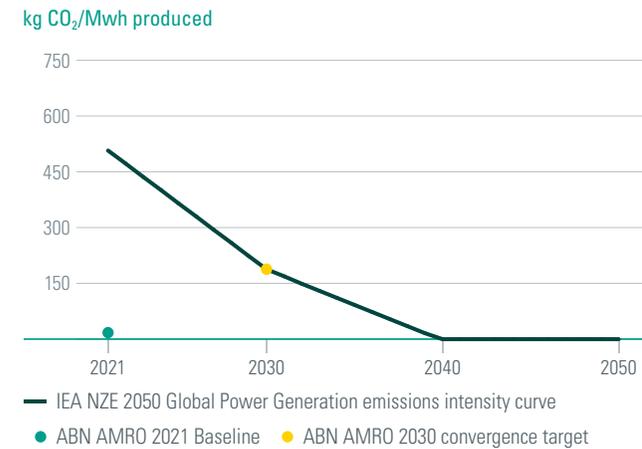
$$\text{Power generation portfolio weighted GHG intensity (kgCO}_2\text{/MWh)} = \sum_{c=1}^n \text{GHG intensity}_c \text{ (kgCO}_2\text{/MWh)} \times \text{\% share in the power generation portfolio}_c$$

Where, ‘c’ represents the individual company and ‘n’ represents the number of companies in the power generation portfolio. Also, ‘% share of the power generation portfolio’ represents the percentage of outstanding debt provided to the company divided by the total value of the power generation portfolio.

#### Target

We are committing to remaining below the IEA NZE 2050 global power emission intensity curve at all times.

#### Power generation Benchmark is IEA NZE 2050 scenario



#### Outlook for the energy sector and challenges

The continued consumption of large amounts of hydrocarbons to fulfil the world’s energy needs represents the biggest challenge to achieving the goal of keeping the global temperature rise to below 1.5 degrees. We have set ambitious targets that will drive the decarbonisation of our energy portfolio while supporting clients in their own transition pathways. In addition to our emission reduction targets, as part of our commitment to support our clients’ transition to green energy, we will significantly increase our lending activities to renewables projects.

Global efforts to transition away from oil and gas are leading to the rapid electrification of large parts of the economy from transportation to housing and industry. This trend is projected to more than double the demand for power globally. Therefore, all countries are facing the difficult challenge of ensuring a reliable, affordable and secure electricity supply to meet growing demand,

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while rapidly decarbonising by transitioning away from the use of fossil fuels.

We anticipate that the increase in electricity demand in the near to medium term, despite best efforts, may outstrip the growth in renewable energy. In addition, there will be an increasing number of hydrogen plants and electrolyzers coming online, further increasing electricity demand. We therefore believe that demand for natural gas, which has the lowest carbon intensity of fossil fuels during combustion, will continue during a prolonged period of the energy transition.

The EU has recognised the need for natural gas to support the energy transition and as a result has qualified natural gas as environmentally sustainable under strict circumstances in its EU taxonomy. Most carbon reduction scenarios, including the benchmark IEA NZE 2050 scenario, also identify a role for oil and gas well into the transition period.

Progress towards more sustainable sources of power is accelerating. Capital expenditure per MW installed for renewables has dropped substantially over the past decade, making both wind and solar economically competitive compared with conventional fuels such as coal and natural gas. However, this progress is not evenly paced across different regions of the world. Intermittence and resource availability in the renewables sector remain ongoing challenges. Newer technologies such as biofuels and carbon capture and storage (CCS) are needed to accelerate the decarbonisation process in addition to the increased use of renewables.

Finally, to support the high level of continued investment required to bring about the low-carbon transition, strong and consistent policy and regulation from national governments and supranational institutions as well as many other stakeholders in society and the economy will be key. As the world moves away from oil and gas, the replacement energy supply will need to become more sustainable while remaining both secure and affordable.

”  
**The move away from high-carbon to low-carbon technologies is an ongoing process, based on active engagement with our clients as they invest to support their businesses in their own transition pathways**”

**Steering towards our target**

Our New Energies team serves clients active in the full energy value chain, including power generation, utilities, oil and gas, energy services and basic materials. The move from high-carbon to low-carbon technologies is an ongoing process, based on active engagement with our clients as they invest to support their businesses in their own transition pathways.

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Certain high-carbon activities, such as coal mining, arctic drilling, oil extraction from oil sands and power generation from coal, are excluded or strictly limited by our energy policy.

Over the 2020 to 2021 period, primarily as a result of the wind-down of Corporate Banking's non-core loan book, we significantly reduced our exposure to carbon-related sectors and the associated scope 3 emissions, mainly driven by sales of oil and gas assets in the USA.

Our limited remaining commitments to upstream oil and gas of EUR 1.3 billion are associated with a client base that almost exclusively focuses on the North Sea region. This region is crucial for Europe's energy security, as demonstrated by the market turbulence in the wake of Russia's invasion of Ukraine. It is also a region characterised by well-established and credible regulation.

While we have an absolute exposure reduction target for our oil and gas portfolio, we will continue to focus on further reducing the Scope 1 and 2 emissions of our clients. Most of these clients have already set carbon reduction targets, often in relation to their Scope 1 and 2 emissions. We will keep working with clients without such targets using our expertise to help them develop their approach.

Additionally, we will look to accelerate the further alignment of our portfolio with the IEA NZE 2050 scenario, by advising, arranging and directing capital towards low-carbon fuels and technologies, in particular hydrogen, biogas and syngas, energy storage, fuel cells and CCS. To facilitate this, we have established a team specialised in the hydrogen value chain. We are also active in partnerships in this area, for example as a member of the European Clean Hydrogen Alliance.

We have a longstanding commitment to renewable energy which, together with recent strategy realignments, has resulted in a power generation lending portfolio where most of our exposures are to renewables. This means the carbon intensity of our power portfolio, at 17.6 kgCO<sub>2</sub>/MWh in 2021, is low compared with those of our peers and is already below the 2030 IEA NZE target.

As electrification is an important transition lever, substantial investments will be needed in power generation, transmission networks and other related energy infrastructure. To support this, we foresee that our advisory, lending and capital raising activities to the power sector will significantly increase. We intend to not only focus on pure play renewable companies but to expand our client focus to also include utilities and independent power producers with the aim of assisting these companies with the investments required to reduce the industry's overall carbon intensity.

We have put in place robust protocols to monitor and engage with our power clients to ensure that despite this strategy we continue to remain in line with a 1.5-degree scenario. This will ensure that we deliver on our commitment to maintain the carbon intensity of our power portfolio below the IEA NZE 2050 curve, even as we continue to grow our European client base.

To support the transition to more sustainable sources of energy, we are setting an additional financing target for renewable power generation. As part of our ambition to support our clients' transition to green energy, we aim to increase our lending commitment to renewables and other decarbonisation technologies to at least EUR 4 billion by 2025. This financing target will help us maintain our low GHG intensity, while ensuring growth of our renewable portfolio and at the same time providing support for the energy sources required to achieve alignment with a 1.5-degree trajectory. We will also increase our early-stage capital to up to EUR 1 billion to support the new technologies required to achieve net zero emissions by 2050. Investments will include direct equity participations through our Sustainable Impact Fund, hybrid debt and fund investments that fit the energy transition theme.

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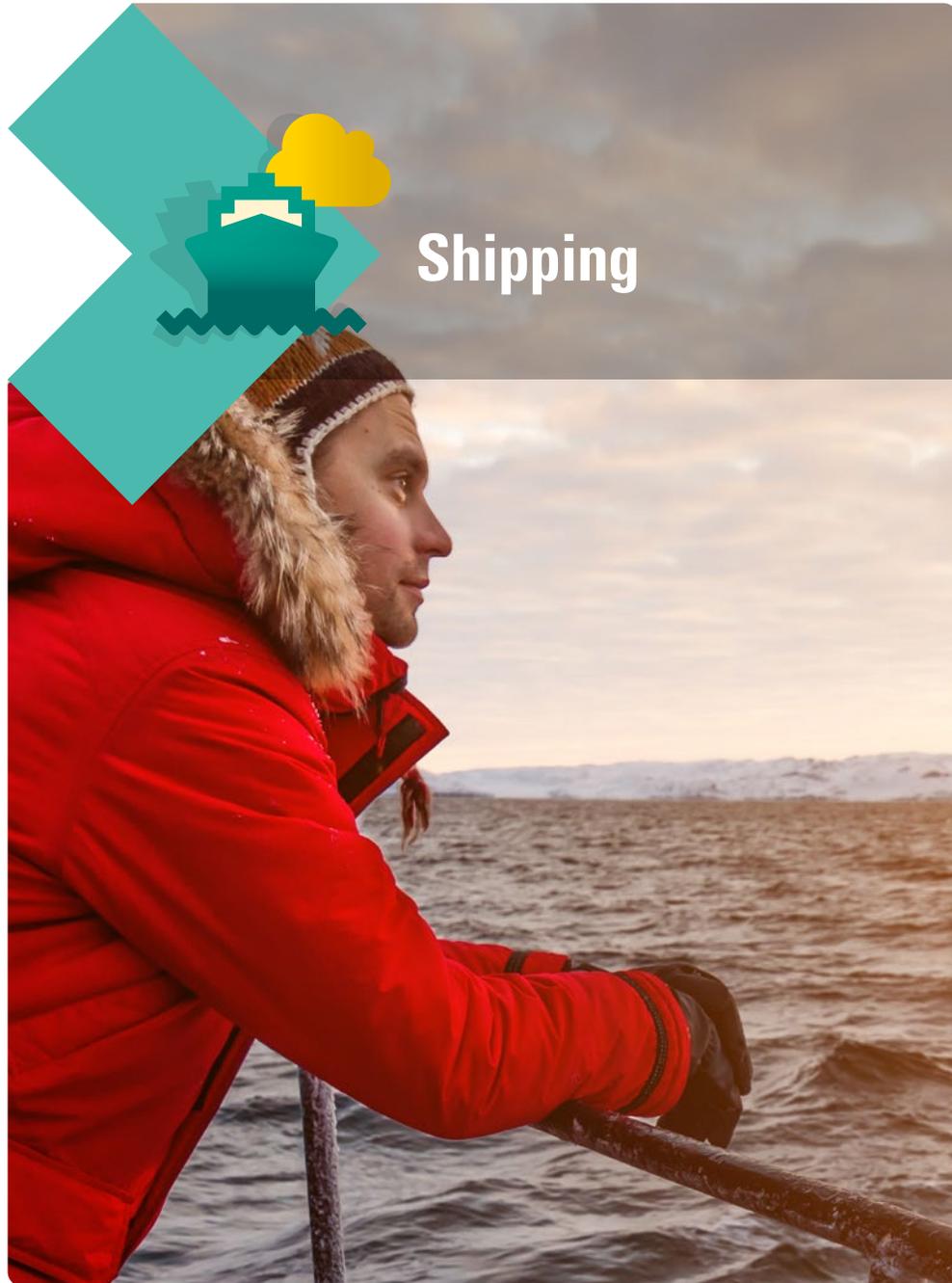
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# Shipping

## Key decisions

### Financing scope

We include all loans used to finance vessels above 5,000 GT, which are in scope of the Poseidon Principles ('PP') framework, and therefore have detailed vessel-level emissions data available.

### Emissions scope

We calculate carbon emissions related to the fuel consumed by the vessels in line with the PP methodology. We will adjust this approach once data availability and existing methodologies progress.

### Metrics

We measure our financed emissions in the shipping sector using the Alignment Delta (AD), which is based on the Annual Efficiency Ratio (AER). The AD represents how the portfolio has performed in relation to the target AER carbon intensity, measuring the % above, on or below the target. The lower the AD, the closer the carbon intensity is to that of the decarbonisation trajectory, with a negative number meaning that carbon intensity was below the target level for the year. The AER is a measure of the carbon intensity of each vessel calculated by dividing the amount of CO<sub>2</sub> a ship emits by its cargo carrying capacity and the distance sailed. The choice to use AER in our

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target setting for the shipping sector is in line with the Poseidon Principles and with the data that is now available.

**Decarbonisation scenario**

In the shipping sector we have taken the trajectory set by the Poseidon Principles as our benchmark scenario. This is aligned with the International Maritime Organisation (IMO) ambition of reducing total annual GHG emissions by at least 50% by 2050 compared with 2008 levels. It is our aim to move to a 1.5-degree pathway, which is aligned with our bank-wide ambition, as well as with the Poseidon Principles commitment for signatories to adopt an emissions reduction trajectory in line with net zero commitments. We are in dialogue with our industry partners to formulate more ambitious targets.

**Data**

We use carbon emissions data collected at an individual ship level provided by our clients. In 2021, we collaborated with a third-party provider (classification society DNV) to collect the data and calculate the AER and Alignment Delta (AD) of each vessel in our portfolio<sup>1</sup>.

**Calculation**

We aggregate the AD of the vessels we finance within our portfolio and apply a weighting based on our lending exposure to each one, to give us the overall portfolio alignment. We calculate our emission intensity based on the following formula:

$$\text{Vessel type weighted GHG intensity (AER in gCO}_2\text{/dwt nmi)} = \sum_{(c=1)}^n \text{AER}_c \text{ (gCO}_2\text{/dwt nmi)} \times \% \text{ share in the portfolio}_c$$

Where AER for each vessel is calculated by:

$$\text{Annual Efficiency Ratio (gCO}_2\text{/dwt nmi)} = \frac{\sum_i \text{Carbon}_i}{\sum_i \text{dwt} D_i}$$

For alignment delta per vessel, we compare each ship's AER with expected AER as per the IMO aligned trajectory:

$$\text{Alignment delta by ship (\%)} = \left( \frac{\text{AER}_c}{\text{AER}_{\text{IMO4}}} - 1 \right) \times 100$$

For obtaining alignment delta at portfolio level, we used:

$$\text{Portfolio weighted alignment delta (\%)} = \sum_{(c=1)}^n \text{Alignment Delta}_c \text{ (\%)} \times \% \text{ share in the portfolio}_c$$

Where, 'c' represents individual vessels, 'i' represents individual voyage, 'n' represents the number of vessels in the portfolio, 'm' represents the number of voyages per year of a vessel, 'Carbon' represents carbon emissions for a voyage 'i' computed using the fuel consumption and carbon factor for each type of fuel, 'dwt' is the design deadweight of the vessel, and 'Di' is the distance travelled on a voyage 'i'. Also, '% share of the portfolio' represents the percentage of outstanding debt provided to the vessels divided by the total value of the portfolio. The financed emissions are used for GHG reporting in Integrated Annual Reports, and emission intensity is used for target setting.

<sup>1</sup> In some cases, the shipowners do not allow us access to the data on the ships, in that case we have excluded the ships from the target-setting.

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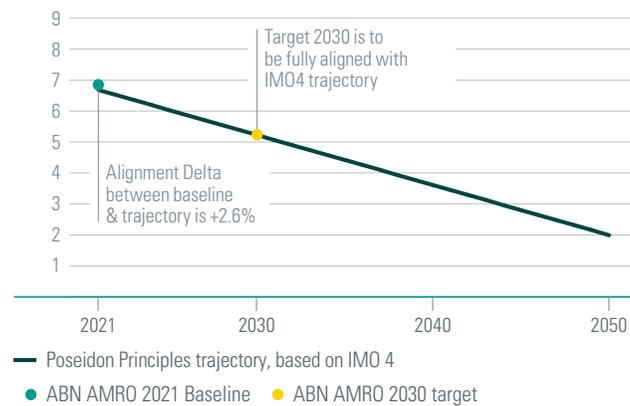
# Our commitment to clients is to offer financing solutions to support decarbonisation and advisory on how best to execute the required investments

## Target

Based on the data and the current IMO trajectory, our portfolio AD (Alignment Delta) for the year 2021 was +2.6%. By 2030, our goal is to have an AD of not more than 0%.

## Shipping Benchmark is IMO 4 scenario

Annual efficiency ratio (AER) – gCO<sub>2</sub>/dwt nm



## Outlook for the sector and challenges

One of the key challenges in the shipping sector is the lack of an agreed global framework required to reach net zero by 2050. However, we believe the sector will be driven by

the market, including regulators, banks, investors and charterers, to agree and then adhere to a pathway more in line with a 1.5-degree trajectory.

We have taken as our benchmark scenario the trajectory set by the Poseidon Principles, which is aligned with the International Maritime Organisation (IMO) strategy and the Fourth IMO GHG Study. The Poseidon Principles (PP) is an industry initiative that supports the reduction of emissions from the shipping industry and provides a framework for financial institutions to integrate climate considerations into lending decisions and to measure and assess alignment. The ambitions of the IMO strategy are threefold: improved energy efficiency measures to ensure a decline in carbon intensity of ships, an overall reduction in carbon intensity of international shipping by at least 40% by 2030, pursuing efforts towards 70% by 2050 compared with 2008, and GHG emissions to peak as soon as possible and to reduce the total annual GHG emissions by at least 50% by 2050 compared with 2008.

Although a trajectory aligned with the International Maritime Organisation ambition would lead to significant decarbonisation of the sector, it is not in line with a 1.5-degree trajectory, which is our bank-wide ambition. As a global business all parties need to move at the same pace, whatever their ambition. The pace at which our

clients can decarbonise is determined by the retrofit investments they are able to make on their existing fleet, as well as shipbuilding capacity, availability of green fuels, and maturity of new technologies regarding new vessels.

Our commitment to clients is to offer financing solutions to support decarbonisation, and advisory on how best to execute the required investments. For clients who do not have a clear transition pathway in place, we see our role as supporting them in devising such a plan, complete with the required financing strategy.

## Steering towards our target

We believe we have a robust portfolio and offer good opportunities to support clients in the shipping sector on their transition pathway. Our focus is on shipowners with transparent governance and professional management structures based in Europe, but with control fleets that operate globally. We support shipowners that have adopted a clear sustainability strategy with a commitment to carbon emission reduction as evidenced by a willingness to make investments in, for example, alternative fuels, dual-fuel engines, and retrofit programmes.

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We now include the requirement to disclose the yearly emissions of all vessels in all new loan agreements with clients that fall under the governance of the Poseidon Principles. We also track the GHG efficiency of the vessels in our portfolio based on GHG ratings by Rightship, a maritime risk management and environmental assessment organisation. In 1H 2022, 30% of the shipping portfolio had a GHG label A or B.

The current IMO benchmark scenario would reduce absolute emissions by 50% by 2050 compared with 2008 but significant investments would be required to decarbonise the sector entirely by 2050, not only in vessels, but also onshore to scale up production, fuel distribution and bunkering infrastructure to supply the required 100% carbon-neutral fuels. This onshore investment has been estimated to total about USD EUR 28 billion to EUR 90 billion a year<sup>1</sup>.

To support our clients and reach our target, we will use independent consultants to identify on a vessel-by-vessel basis the technical investments that will be required to reduce emissions. For example, in 2021, we financed a project by a maritime engineering company who provided a solution to a client that reduced carbon emissions by 5-10%. This facility had a direct impact on the emission profile of the vessels involved and therefore also on the total emissions of our shipping portfolio.

We will continue to offer our shipping clients sustainable finance products, most notably Sustainability-Linked Loans. These loans align sustainability-related ambitions between clients and financial providers. We are also proactively engaging with relevant industry partners to support the maritime transition. For example, we are a signatory of the Getting to Zero Coalition of the Global Maritime Forum, as well as a founding member and signatory to the Responsible Ship Recycling Standards, which was founded to promote responsible ship recycling and to minimise the dangers associated with hazardous materials on board ships. We will continue to identify potential partners with whom we can cooperate in supporting the sustainability transition of the maritime industry.

<sup>1</sup> Source: DNV – Maritime Forecast to 2050 (October 2022).

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## Client Assets

We serve the Dutch market through ABN AMRO and ABN AMRO MeesPierson, the Belgian market through ABN AMRO Private Banking, Germany through Bethmann Bank, and France through Neuflyze OBC, Neuflyze Vie and ABN AMRO Investment Solutions, our in-house asset management company.

ABN AMRO offers three service concepts to its wealth management clients; Discretionary Portfolio Management (DPM), Advisory, and Self-Directed. In DPM, the bank has a mandate to invest on our clients' behalf, based on a specific set of agreed client preferences. Our Advisory service concept allows clients to construct their own portfolios based on suggested model portfolios and advice on individual securities. In the Self-Directed service concept, the client invests in securities on our platform, but without further guidance from the bank. As we have the highest level of influence over our clients' assets in DPM, this is where we will start implementing our climate-related ambitions. We will start with line-by-line equities in our DPM model portfolios. Other asset classes and service concepts will follow, but our approach is based on starting implementation where we can, rather than waiting for the entire asset class to be ready.

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## Segment Client Assets<sup>1</sup>

2030 ambition  
50%<sup>2</sup>

2025 ambition  
30%<sup>2</sup>

For measuring relative GHG emissions for Client Assets we use the Weighed Average Carbon Intensity (WACI).

<sup>1</sup> Client assets in Discretionary Portfolio Management (DPM).

<sup>2</sup> WACI score below benchmark for asset classes in scope at that time in DPM model portfolios.

# Our approach is based on starting implementation where we can, and then build it up from there

## Key decisions Scope

As a first step, we have included line-by-line equities in our ambitions for the DPM model portfolios. We will use a phased approach to continuously expand our coverage across the years, in line with data and methodology developments.

## Emissions scope

Currently Scope 1 and Scope 2 emissions are included in our ambitions. We aim to include Scope 3 emissions in the future once data becomes available and reliable.

## Benchmark

The benchmarks used are the same benchmarks that are now used in model portfolios to compare risk and return performance.

## Metrics

Our aim is to reduce the weighted average carbon intensity ("WACI") of our clients' investment portfolios in our DPM mandates. The model portfolios that the bank manages as a basis for our clients' investments will have specific ambitions based on the WACI. To determine this intensity, we use Institutional Shareholder Services' (ISS) emission intensity on issuer (e.g. company) level, in CO<sub>2</sub>e/million EUR revenues. Carbon emissions per million of revenues shows the carbon efficiency of a company.

This corrects emissions for company size and allows for comparisons between companies.

## Data

We have used the ISS framework to support our approach to measuring the climate impact contained within our investment portfolios. The ISS methodology was developed with the Swiss Federal Institute of Technology and uses around 800 sector and sub-sector specific models. This enables specific calculations of GHG emissions that we use internally.

## Calculation

Based on emission data from ISS, we can calculate the WACI for specific asset classes or mandates, in ton CO<sub>2</sub>e/million EUR of revenues. These are then compared with portfolio-specific benchmarks.

$$\frac{\sum_i^n \text{Investment into Company}_i}{\sum_i \text{Total Investment (portfolio)}} \times \frac{\text{Total Emissions of Company}_i}{\text{Total Revenues of Company}_i}$$

## Ambition

Our current ambition for 2030 includes a phased approach of aligning asset classes to our WACI ambitions against the benchmarks of our model portfolios. We are aiming for the WACI for all DPM model portfolios for asset classes in scope to be 30% below the benchmark in 2025 and 50%

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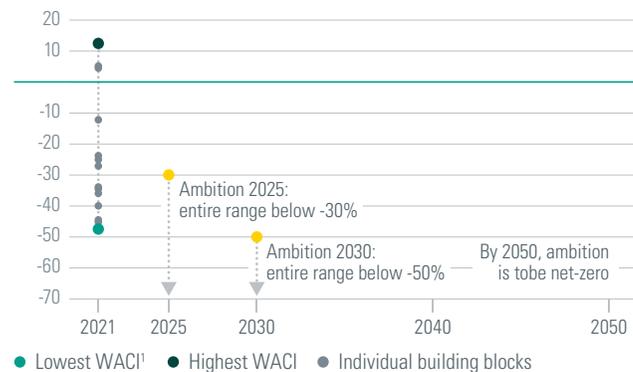
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lower in 2030. In other words: we want to ensure that our clients' assets in scope are 30% less emissions intense than the market (represented by the appropriate benchmarks) by 2025, and 50% by 2030. After 2030, we aim for a 7% year-on-year reduction in emissions working towards net zero by 2050 for all service concepts.

**Client Assets**  
**Range of percentual deviations of equity building block WACI scores against benchmark**

Benchmark set to 0; >0% is more carbon intense than benchmark



<sup>1</sup> WACI = Weighted Average Carbon Intensity (tCO<sub>2</sub>e/EURmln Revenue), reflecting relative building block GHG emissions intensity.

For Client Assets, our ambition is to ensure that we improve our performance relative to the WACI score of the benchmark. We aim for our client assets to be less carbon-intensive than the benchmark (under the zero line). As we progress on our ambitions, the WACI performance of our individual equity building blocks will increase, resulting in a tighter range below the 0 line.

The bank manages different model portfolios in DPM. For the line-by-line equity building blocks in these model portfolios, the WACI scores have been calculated and compared with the benchmark, as per the end of 2021. The deviations versus the benchmark are indicated in the chart. For 2025, our ambition is for all these building blocks to be at least 30% below the benchmark, while for 2030 the corresponding ambition is to be 50% below the benchmark.

**Outlook and challenges**

Our client offering and the way we work are influenced by the changing regulatory environment. In March 2018, the European Commission (EC) announced its Action Plan on Sustainable Finance to help implement the UN's Sustainable Development Goals (SDGs) and the Paris Agreement, which was reached in 2015. The Action Plan contains provisions such as the Sustainable Finance Disclosure Regulation (SFDR), which requires additional disclosure for financial market participants with the aim of making the sustainability profile of financial products better understood by investors.

In addition, MiFID II has been amended and has entered into force. The amendments are related to the integration of sustainability factors and risks in institutions' internal organisations, as well as the assessment of client's sustainability preferences.

**Steering towards our ambition**

Ambitions have been set to reduce the carbon intensity of our client assets, setting a course to net zero by 2050 for all service concepts. We see that the financed emissions per million euros invested have been steadily falling, due to better methodology and data coverage, but also due to our intensified efforts.

The WACI ambition will be implemented gradually over time. In the coming period, the ambitions will be integrated in the equity selection process in our DPM model portfolios. The path towards the WACI ambition will be influenced by the economic cycle and by the chosen sector weighting. We therefore do not expect a straight line to the WACI ambition score in 2025. The scope of asset classes and service concepts will be expanded as soon as sufficient data and agreed methodologies are available. Early 2023, our DPM clients will be informed of our ambitions in this area.

In addition, ABN AMRO Investment Solutions (AAIS) exercises its shareholder rights, voting against the management board of the companies we invest in, on non-ambitious climate resolutions at companies' annual general meetings. Also AAIS will engage on climate issues with the delegated external investment managers of sustainable funds to encourage these parties to steer investments towards a net zero objective by 2050.

We believe it is important to inform our clients of the ESG risks in their investment portfolios. Our clients now receive non-financial reports that include ESG risk data, carbon emissions, and information on alignment with the Sustainable Development Goals. As required by SFDR, from 1 January 2023 clients will also receive pre-contractual and periodic reports with sustainability information. These reports enable our clients to not only understand the ESG risks linked to their investments, but also to track progress made on their positive social and environmental impact.

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Experience shows that this information often triggers questions from clients regarding the ESG performance of their portfolios, and in many cases encourages them to switch to more sustainable investment products.

To support our climate ambitions, we are building our Global ESG team, involving investment colleagues in Amsterdam, Antwerp, Frankfurt and Paris to further align our policies, guidelines, and product offering. Whereas ABN AMRO offered ESG and sustainable investing as a niche product in 2015, the bank is now fully embedding ESG and sustainability in all its investment service concepts.



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Appendix B Climate risk heat map exercise



# Appendix A

## Data overview

For the first wave of carbon reduction targets, we have relied on both internal as well as external sources of data. We summarise our data sources across the different sectors and segments below. We are continuously looking to improve our data quality and are working on our data sources to help us achieve that. Hence, this list of data sources will evolve over time as we improve our emissions-related data in line with industry best practices.



| Residential Mortgages         |   |
|-------------------------------|---|
| Data type                     | Data source   |
| Portfolio scoping             | Product Residential Mortgages                         |
| Type of property              | Internal data   |
| Type of financing             | Internal data   |
| Outstanding/Committed debt    | Internal data   |
| Property value at origination | Calcasa   |
| Area of the property          | Basisregistratie Adressen en Gebouwen (BAG)           |
| EPC data                      | Rijksdienst voor Ondernemend Nederland (RVO), proxies |
| Emissions factor by EPC data  | CBS data  |
| Energy Consumption data       | CBS, Economic Institute for Building (EIB)            |
| Future trajectory             | CRREM 1.5 C NL  |



| Commercial Real Estate       |   |
|------------------------------|---|
| Data type                    | Data source   |
| Company categorisation       | In line with Internal Credit Risk Policy              |
| Type of property             | Internal data   |
| Type of financing            | Internal data   |
| Outstanding/Committed debt   | Internal data   |
| Property value               | External broker valuation reports                     |
| Area of the property         | Basisregistratie Adressen en Gebouwen (BAG)           |
| EPC data                     | Rijksdienst voor Ondernemend Nederland (RVO), proxies |
| Emissions factor by EPC data | PCAF database   |
| Future trajectory            | CRREM 1.5 C NL  |

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| Energy  |   |
|---|---|
| Data type   | Data source   |
| Company categorisation  | As per NACE codes:<br>Oil and Gas – B06.10 and B06.20<br>Power Generation – D35.11  |
| Type of financing   | Internal data   |
| Outstanding/Committed debt  | Internal data   |
| EVIC  | Public companies: Capital IQ, Bloomberg, Private companies/ Project Finance: Internal data  |
| Fossil fuel production data   | Rystad Energy (Third party subscription)  |
| Power generation data   | Company Disclosures, BP Energy Statistics 2022, Internal database   |
| Emissions data  | Oil and Gas:<br>Scope 1 data: Rystad Energy (Third party subscription)<br>Scope 3 data: IPCC for emissions factors related to combustion of fossil fuels<br><br>Power Generation:<br>Scope 1 data: Company Disclosures, Open Database of the Dutch government, Internal estimates |
| Future trajectory   | IEA WEO 2022  |

| Shipping  |  |
|--|--|
| Data type  | Data source                                      |
| Company categorisation   | Loans to vessels in scope of Poseidon Principles |
| Distance travelled   | Via DNV or directly from client                  |
| Type of financing  | Internal data                                    |
| Outstanding/Committed debt   | Internal data                                    |
| EVIC   | Internal data                                    |
| Deadweight tonnage   | Via DNV or directly from client                  |
| Fuel used  | Via DNV or directly from client                  |
| AER  | Via DNV or directly from client                  |
| Future trajectory  | IMO4   |



# Appendix B

## Climate risk heat map exercise

For climate risk identification, a climate risk heat map is used to scan ABN AMRO's lending portfolio on sector sensitivity and vulnerability to physical and transition risks in order, among other things, to determine priority sectors for performing portfolio scenario analyses which in turn assess the magnitude of the impact on selected risk types.

Since the first iteration in 2020, we have further developed our heat map methodology: in 2021 we carried out an internal update of the indicators in the UNEP FI methodology, targeting ABN AMRO's portfolio instead of generic sectors and so better measuring the characteristics of the sub-sectors and their value chains. Approximately 50% of the total score is now measured using externally available quantitative data, covering GHG emission intensity and data from the ENCORE database on ecosystem services and natural capital.

In 2022, we began to develop an environmental risk heat map, allowing ABN AMRO to identify potential (non-climate-related) environmental risks, such as biodiversity loss or dependency on ecosystem services that portfolios may be exposed to. This will complement and deepen our understanding of environmental risks in our portfolio.

In addition to methodological improvements, we have also further incorporated the climate risk heat map in our processes and policies. For instance in a process and governance approach that was developed in line with a bank-wide stress testing and scenario framework to select priority sectors for scenario analysis. This approach was applied to perform a climate scenario analysis in the five priority portfolios in scope of the first wave. The climate risk heat map has also been approved as a formal risk identification tool for climate risks, and contributes to other risk management processes such as materiality assessment, scenario analysis and risk appetite setting and strategic decision-making by enhancing the understanding of sensitivities to climate risk in our portfolios.

Based on the climate risk heat map of 2021, shipping (which forms the greater part of the sea and coastal freight transport sector), oil and gas (extraction of crude petroleum and natural gas) and power generation (fossil and non-fossil electricity production) were selected as initial priority sectors.

Residential mortgages were also included in the analysis as part of the real estate portfolio but are not included in the figures. This sub-sector has a low sensitivity score to transition risk but was included based on its share in our total loan book. In 2023, we intend to communicate targets for other sectors selected by materiality from both a greenhouse gas and financing perspective, data availability, decarbonisation potential and market developments. We expect these exposures will be mostly concentrated in sectors A-Agriculture, H-Transportation and storage, B-Mining and quarrying, and E-Electricity, Gas, Power and Steam.

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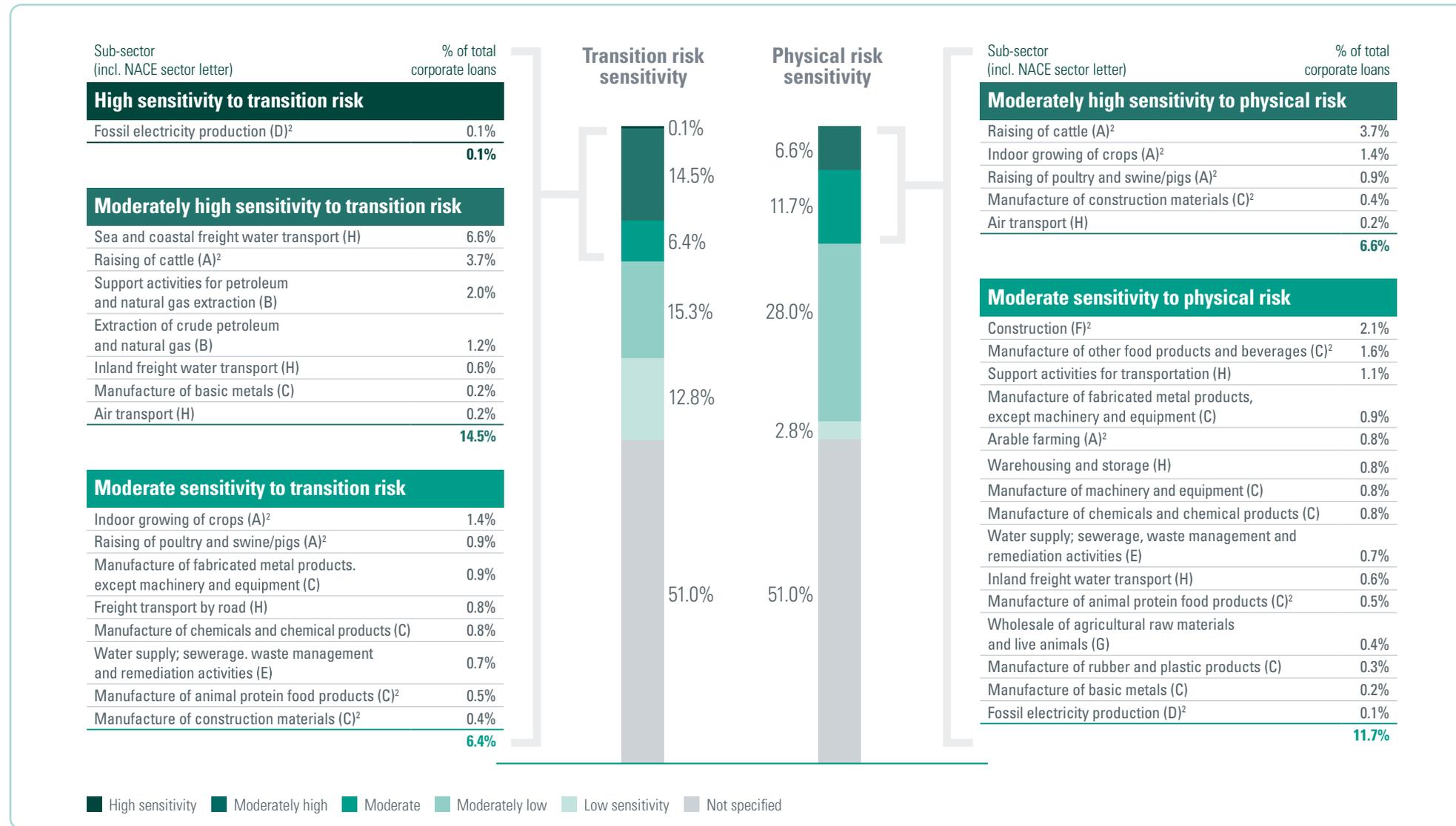
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### Climate risk heatmap 2021<sup>1</sup>

Specification of sub-sectors in the corporate loan portfolio sensitive to transition risk and physical risk.



<sup>1</sup> Reference date Climate risk heatmap year end 2021.

<sup>2</sup> Some sub-sectors deviate from NACE. This is due to the fact that for some sub-sectors NACE classification was not useful for sector experts to provide relevant input about the sub-sector characteristics.

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## Colophon

### Enquiries

ABN AMRO Investor Relations  
[investorrelations@nl.abnamro.com](mailto:investorrelations@nl.abnamro.com)  
+31 20 6282 282

ABN AMRO Press Office  
[pressrelations@nl.abnamro.com](mailto:pressrelations@nl.abnamro.com)  
+31 20 6288 900

ABN AMRO Bank N.V.  
Gustav Mahlerlaan 10  
1082 PP Amsterdam  
The Netherlands

### Mailing address

P.O. Box 283, 1000 EA Amsterdam  
The Netherlands

### Internet

[abnamro.com](http://abnamro.com) (corporate website in English)  
[abnamro.nl](http://abnamro.nl) (client website in Dutch)  
[abnamro.nl/en](http://abnamro.nl/en) (client website in English)

Please note that information on our  
websites is not part of this Climate Report,  
unless expressly stated otherwise.

### Acknowledgements

General coordination ABN AMRO Sustainability  
Centre of Excellence

### Concepting and lay-out

DartGroup, Amsterdam

December 2022

abnamro.com

ABN AMRO welcomes feedback on all its publications. Please send any comments or suggestions to:

[brand.marketing.communications@nl.](mailto:brand.marketing.communications@nl.abnamro.com)

[abnamro.com](http://abnamro.com)