

PCAF REPORT BNG BANK

Greenhouse gas emissions of BNG Bank loan portfolio

reporting year 2021, calendar year 2020

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BNG
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Driven by social impact



Banks play a crucial role in the realization of the Paris Agreement

Introduction

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

This report shows the greenhouse gas emissions of BNG Bank loan portfolio.



A partnership to take responsibility and come with new and meaningful steps to keep global warming under safe levels



A Partnership for Carbon Accounting Financials: PCAF

Since the 2015 Paris Climate Conference, the Dutch financial sector has been involved in contributing to the realization of the ambitions of the Paris Agreement. Banks play a crucial role in the realization of these ambitions.

The Partnership for Carbon Accounting Financials: PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.¹

In 2015, the Dutch Carbon Pledge (PCAF) started with eleven institutions under the leadership of ASN bank. These financial institutions wanted to take responsibility and come with new and meaningful steps to keep global warming under safe levels. Since then, more financial institutions from the Netherlands have joined forces under PCAF to develop and implement open-source

methodologies to measure the GHG emissions of all asset classes within their loan and investment portfolios.² At the beginning of 2019, BNG Bank formally committed themselves to the PCAF initiative.

Building on the GHG accounting activities in the Netherlands and North America, ABN AMRO, Amalgamated Bank, ASN Bank, Global Alliance for Banking on Values (GABV), and Triodos Bank decided to launch a global initiative to develop a global GHG accounting standard and increase the number of financial institutions applying this standard to over 250 globally, and ultimately to make GHG accounting common practice within the financial industry.³

In January 2022, 200 financial institutions have committed to measure and disclose the greenhouse gas emissions associated with their portfolio of loans and investments with total financial assets of \$ 60 trillion.⁴

All financial institutions have experienced great value in assessing and disclosing their GHG emissions of their loans and investments, as this triggers an institution-wide discussion on climate change and the role of the financial institution to facilitate the transition towards a low-carbon society.

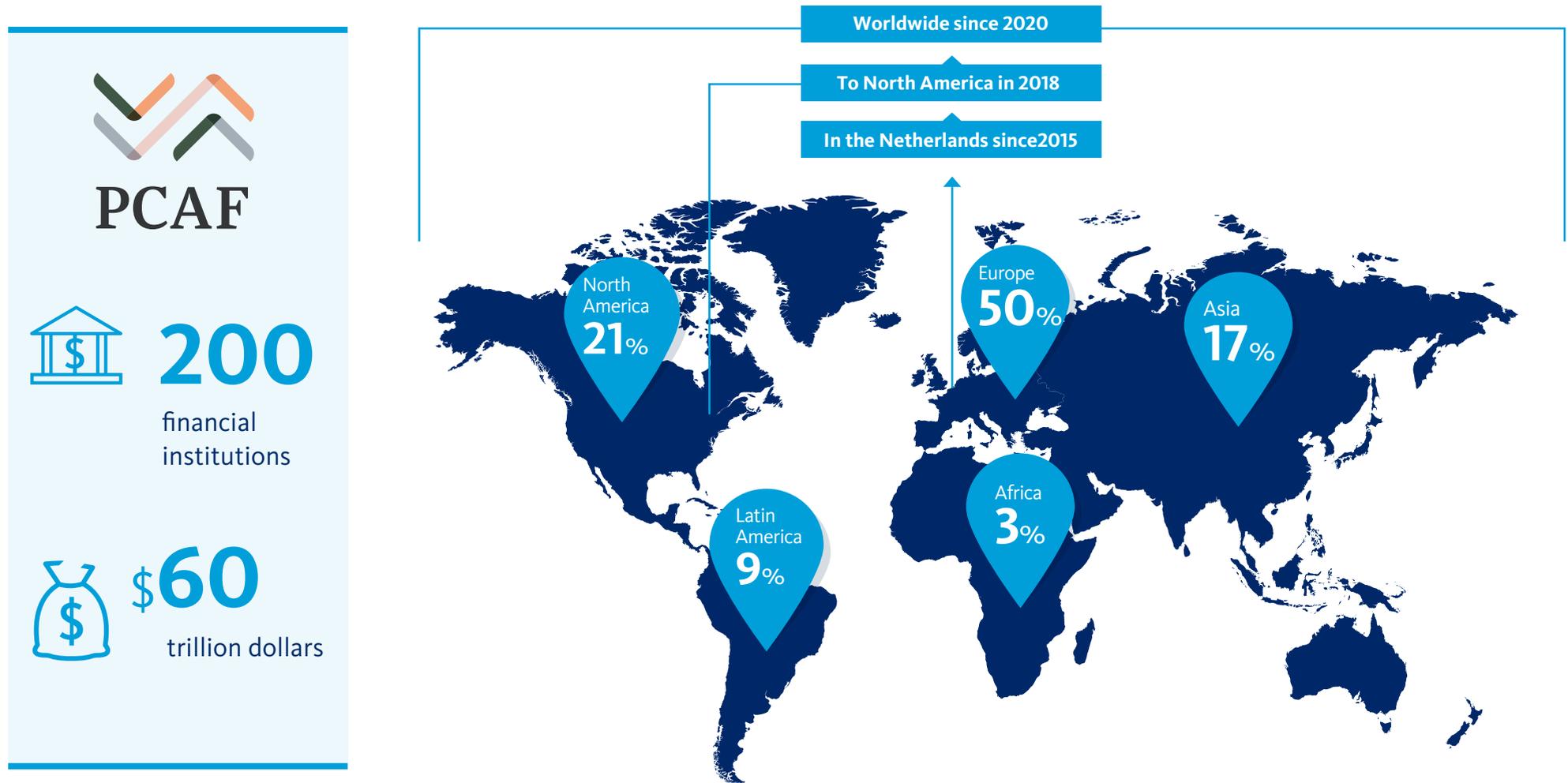
¹ <https://carbonaccountingfinancials.com/about>

² <https://carbonaccountingfinancials.com/about>

³ <https://carbonaccountingfinancials.com/about#our-mission>

⁴ <https://carbonaccountingfinancials.com/financial-institutions-taking-action#overview-of-financial-institutions>

By the end of January 2022, 200 institutions worldwide were affiliated with PCAF, with more than \$60 trillion in assets. Half of these are in Europe and 21% in North America.⁵



⁵ 24-1-2021 See <https://carbonaccountingfinancials.com/financial-institutions-taking-action#overview-of-institutions> for an overview of all financial institutions committed to the initiative and have disclosed the greenhouse gas emissions related to their portfolio of loans and investments.

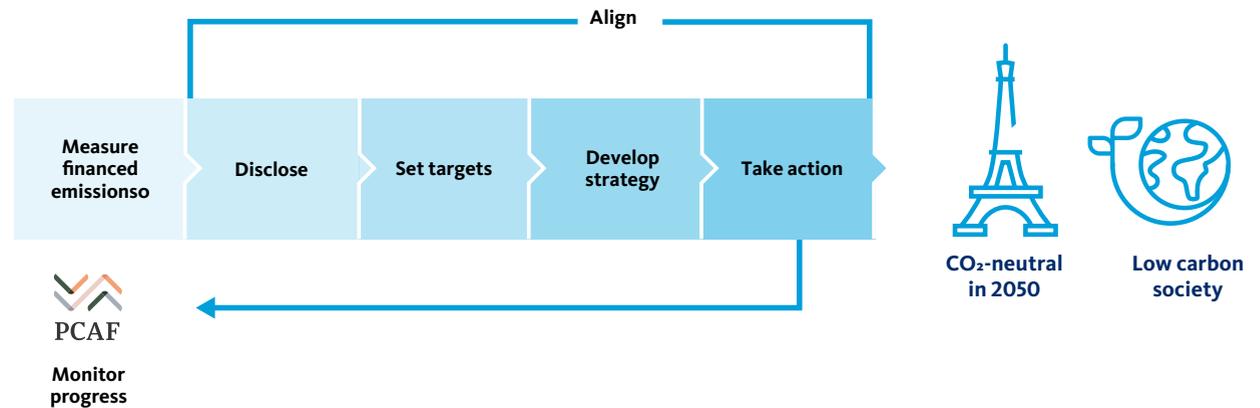
BNG Bank mainly targets five SDGs on which she can maximize the impact by helping her clients



From CO₂ equivalent footprint to action

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

As part of her new strategy 'Road to impact' BNG Bank measures and reports not only her carbon footprint but also on her social impact, so that she can work on continuously improving this impact. For this, she uses the Sustainable Development Goals (SDGs) as her guiding principles. BNG Bank mainly targets five SDGs on which she can maximize the impact by helping her clients with sustainable cities and communities (SDG 11), good health and well-being (SDG 3), quality education (SDG 4), affordable and clean energy (SDG 7), and climate action (SDG 13).



The GHG protocol defines three different scopes all entities may report about separately



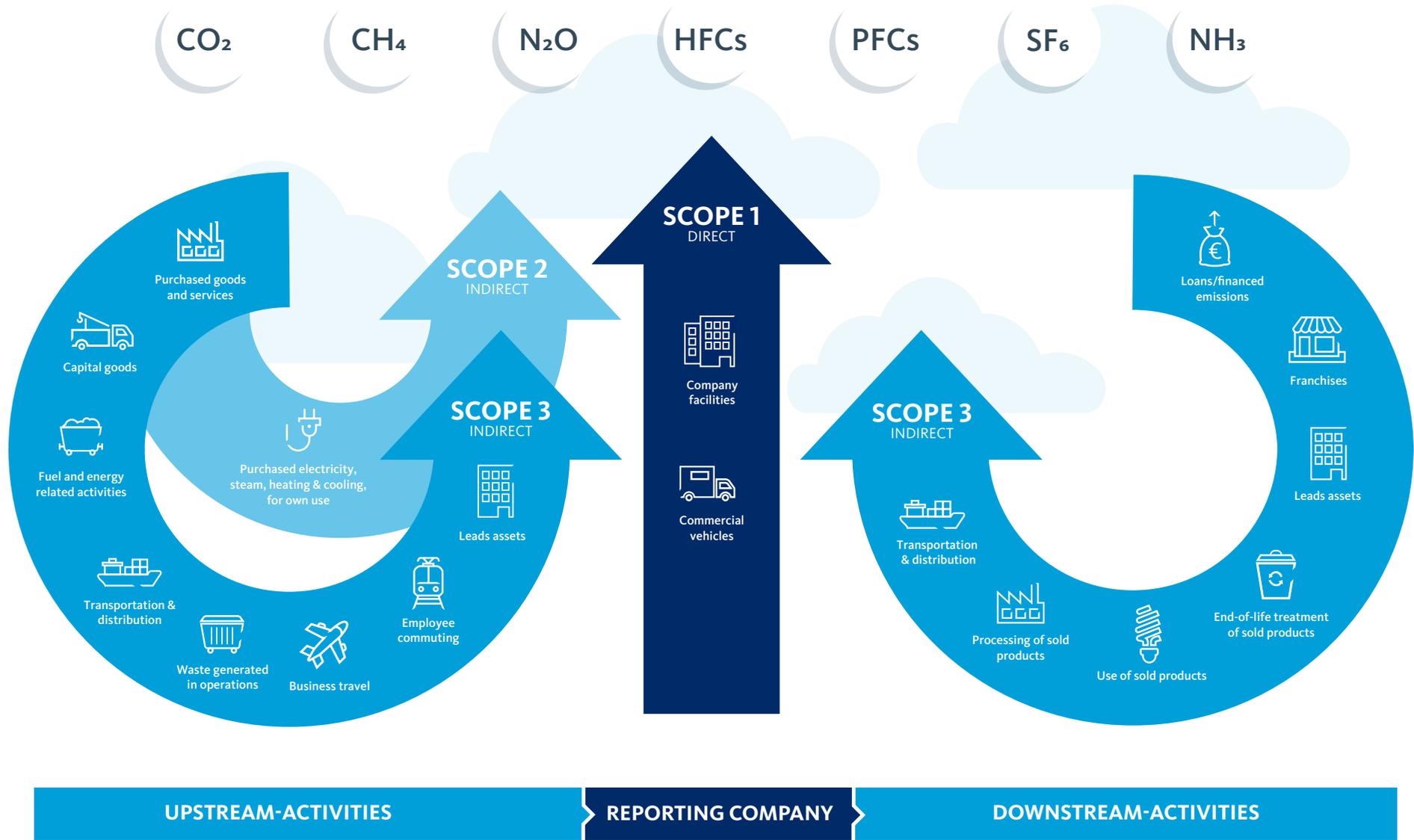
How does it work?

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

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

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

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





BNG Bank

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



BNG Bank loan portfolio of the reporting year 2021 has a total emission of 2,920 kiloton CO₂ -equivalent. This is 118 kiloton less than the total emissions of last year



Results for BNG Bank

Available data on GHG emissions, or estimated emissions by using impact data and appropriate emission factors, were used to calculate the impact of different sectors of BNG Bank loan portfolio. The impact data includes direct (scope 1) as well as indirect emissions (scope 2 and 3 if available).

Besides the calculation of the GHG emissions, a ratio between outstanding loan portfolio per client and the total balance sheet of the respective client was used for the attribution of BNG Bank loans to the total assets of GHG emitting clients.

The CO₂ equivalent footprint of BNG Bank is calculated based on the GHG emissions of her clients. The GHG emissions of the clients are multiplied by the proportional share of the outstanding loan amount with BNG Bank in the total balance sheet of the client, using the following formula:

$$\sum CO_2eq \times \frac{\text{Outstanding loan}}{\text{Total balance sheet}}$$

In the end, the separate scopes and the sum of the scopes of all individual clients are aggregated.

This results in the attributed GHG emissions for BNG Bank's loans. Current report contains the GHG emissions of two periods: the reporting years 2020 and 2021. For both reporting years the loan portfolio of 31-12 of the previous year was used. That makes it possible for the bank to monitor the progress of the carbon footprint over time.

Currently, it is practically impossible for banks to cover the whole loan portfolio with GHG emissions for all activities, due to a lack of sufficient data. For BNG Bank it has been possible, because of its unique position in the market, to cover 89.4% of its loan portfolio in this GHG emission reporting. The coverage rate increased with 0.4% in comparison to last year.

BNG Bank loan portfolio of the reporting year 2021 has a total emission of 2,920 kiloton CO₂ -equivalent. This is 118 kiloton less than the total emissions of last year. This is a great accomplishment, because the loan portfolio covered by the GHG footprint has grown from 75 to 77 billion Euro. The emission intensity (ton CO₂ -eq/ million EUR) has decreased 6.2% from 40.5 to 38.0 ton CO₂ per million euro.

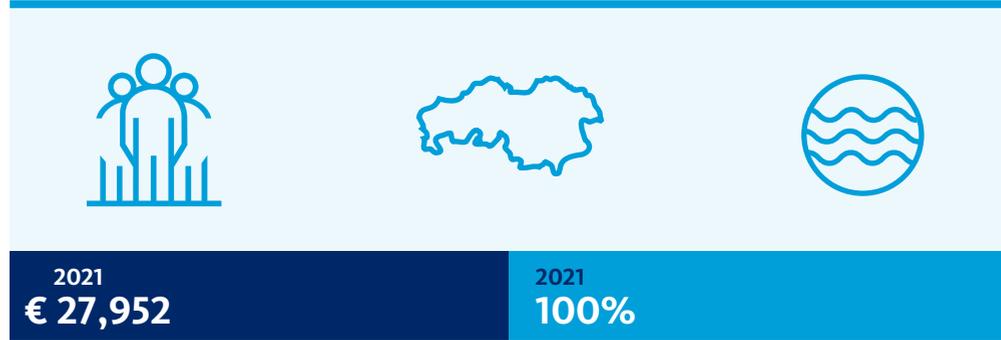
Total outstanding loans of BNG Bank and part covered in the CHG assessment

Reporting year 2020 en 2021

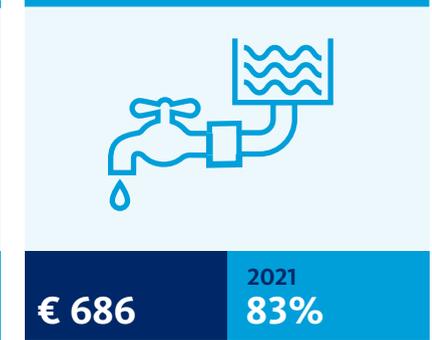
Loan portfolio (million euro)



Local authorities



Drinking water utilities



Coverage rate (%)



Social housing sector



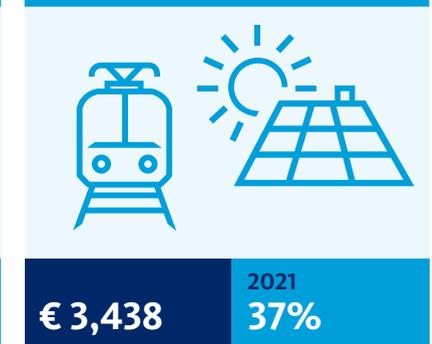
Healthcare sector



Educational institutions



Others



Emission intensity as CO₂ equivalent/million euro

Reporting year 2020 en 2021

Attributed emissions

(ton CO₂-eq)

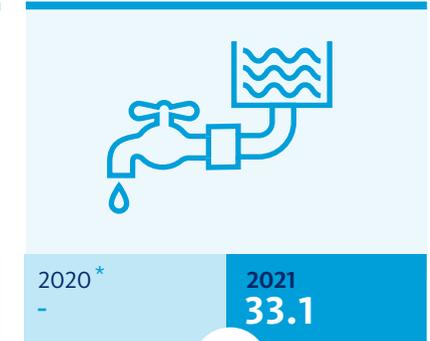


Local authorities



-1.3

Drinking water utilities



-

Relative emissions

(ton CO₂-eq/million euro)



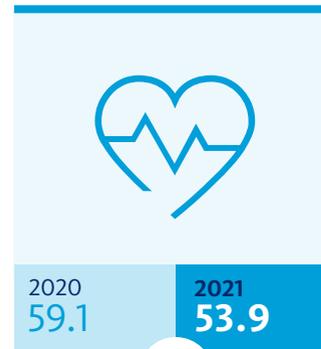
-2.5

Social housing sector



-3.3

Healthcare sector



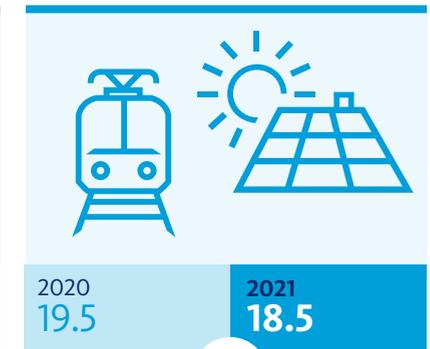
-5.2

Educational institutions



+0.6

Others



-1.0

* For the drinking water utilities the methodology for reporting year 2021 changed in comparison to reporting year 2020. Reporting year 2020 could not be recalculated. Therefore, the value for reporting year 2020 cannot be compared with the value for reporting year 2021. The methodology is explained in the report GHG Emissions of BNG Bank Loan Portfolio; Reporting year 2021.

Conclusions for BNG Bank

- › The percentage of outstanding loans for which the total GHG emissions could be calculated increased with 0.4%
- › Although the loan portfolio covered with a GHG footprint increased by 2 billion Euro, the absolute CO₂ equivalent emissions reduced with 118 kiloton CO₂ equivalent in one year
- › The relative CO₂ equivalent emissions reduced with 2.5 ton (6.2%) CO₂-eq per million Euro
- › The largest reduction of GHG emissions was seen for the social housing sector and the healthcare sector



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