



Masterclass SBTi: How to Define and Implement Targets

21st January 2025

LSFI

Luxembourg
Sustainable Finance
Initiative



LSFI: SBTi Masterclass for Financial Institutions

21 January 2025



SBTi's role and progress

SBTi's role in the climate ecosystem is focused on target setting and validation in the real economy



Account

Account for Greenhouse gases (GHGs) using a common framework



Disclose

Disclose and benchmark progress



Mobilize

Commit to combat climate change



Align

Assess future scenarios, pathways and portfolio alignment guidance



Aspire

Set third-party validated or self-identified targets



Note: Please review [SBTi Financial Sector Science-Based Targets Guidance 1.0 \(Feb 2022, Table 1.1 pg. 22-23\)](#) for alternative framing of companies and roles within ecosystem. Use of logos does not imply endorsement
 Source: Individual organizations' websites and logos, Bain & Company

SBTi is a charity, that has been becoming a formal standard setter, with a third-party validation services subsidiary

SBTi

- SBTi was formed as a collaboration between **CDP, UNGC, WRI** and **WWF** in **2015**
- SBTi has now **become independent** from its founding partners, a process that started in 2023

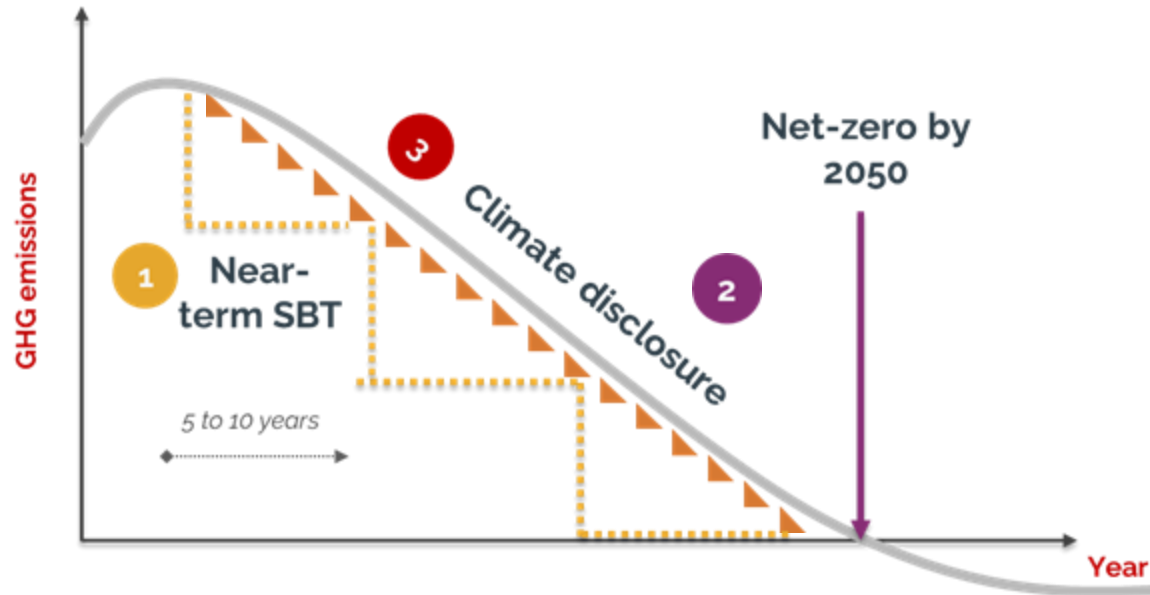
Science Based Targets Initiative

- **Role: Standards development**
- Incorporated in June 2023
- Registered as a UK charity in November 2023

SBTi Services Limited

- **Role: Independent third-party validation services**
- Incorporated in October 2023
- Has invested in FTEs and technology to scale up

What are science-based targets?



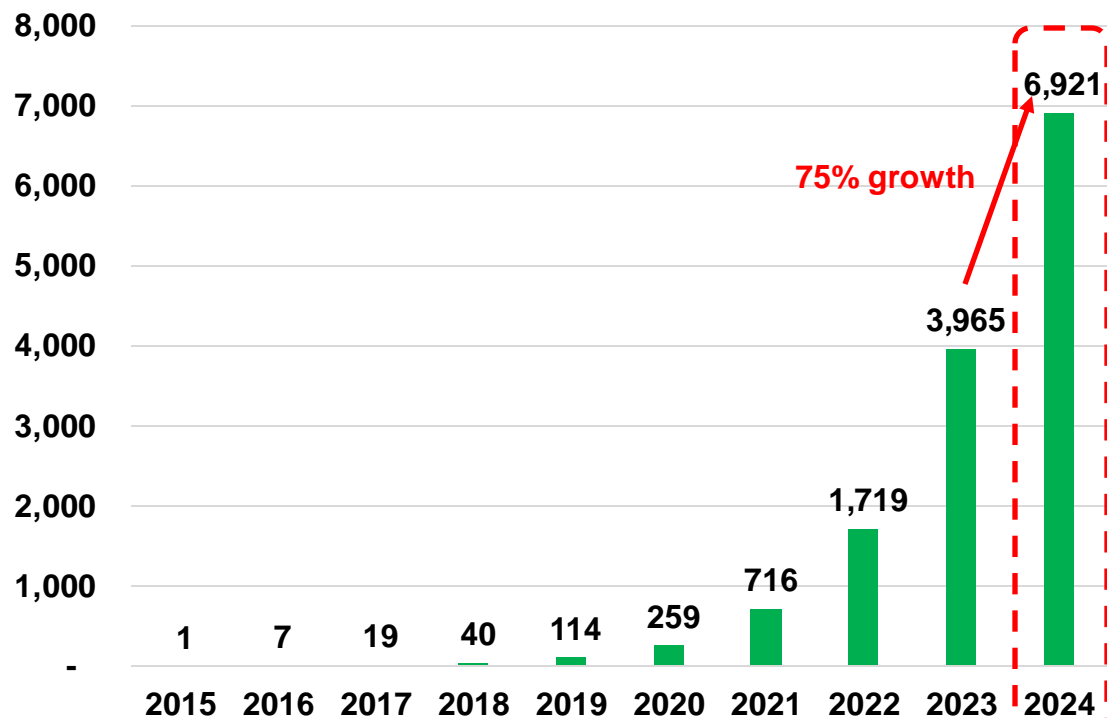
Science-based targets show companies **how much** and **how quickly** they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change

- 1 (Near-term) science-based target:** Ensures that the company is taking near-term action to reduce emissions at a pace that is consistent with keeping warming below 1.5°C
- 2 Long-term net-zero target:** Provides clarity about the direction that the company will follow a north-star for long-term strategic and investment decisions
- 3 Annual disclosure:** Gives visibility on how the climate strategy is being implemented and provides transparency on progress against targets

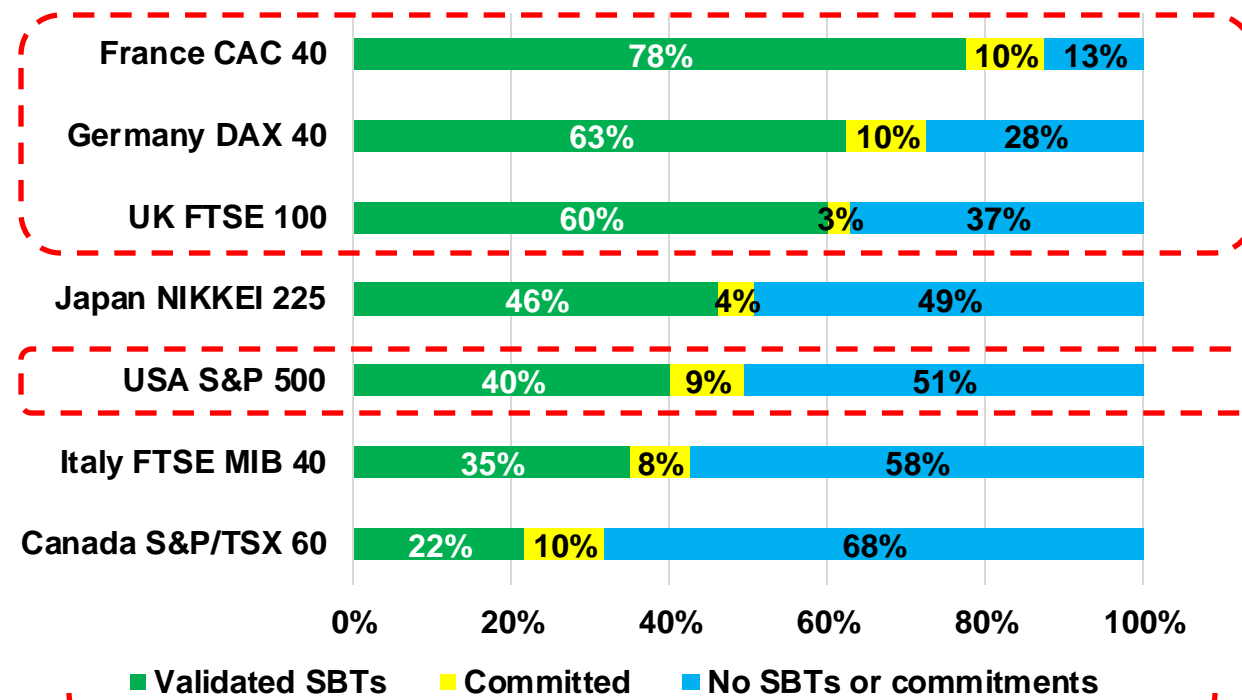
Companies with validated SBTs have been growing rapidly, achieving significant G7 index penetration



Number of validated SBTi entities, 2015-24^{(a)(1)}



SBTi penetration of G7 stock market indices, end-2024^{(a)(b)(2)}



Notes: (a) Does not include any removed companies: those that may have been committed or validated which may have been subsequently removed
 (b) Index constituents as at 2024 year-end

Sources: (1) SBTi based on Companies Taking Action database, as at 14 January 2025
 (2) SBTi analysis based on index composition and percentage of constituent companies with validated SBT targets or commitments

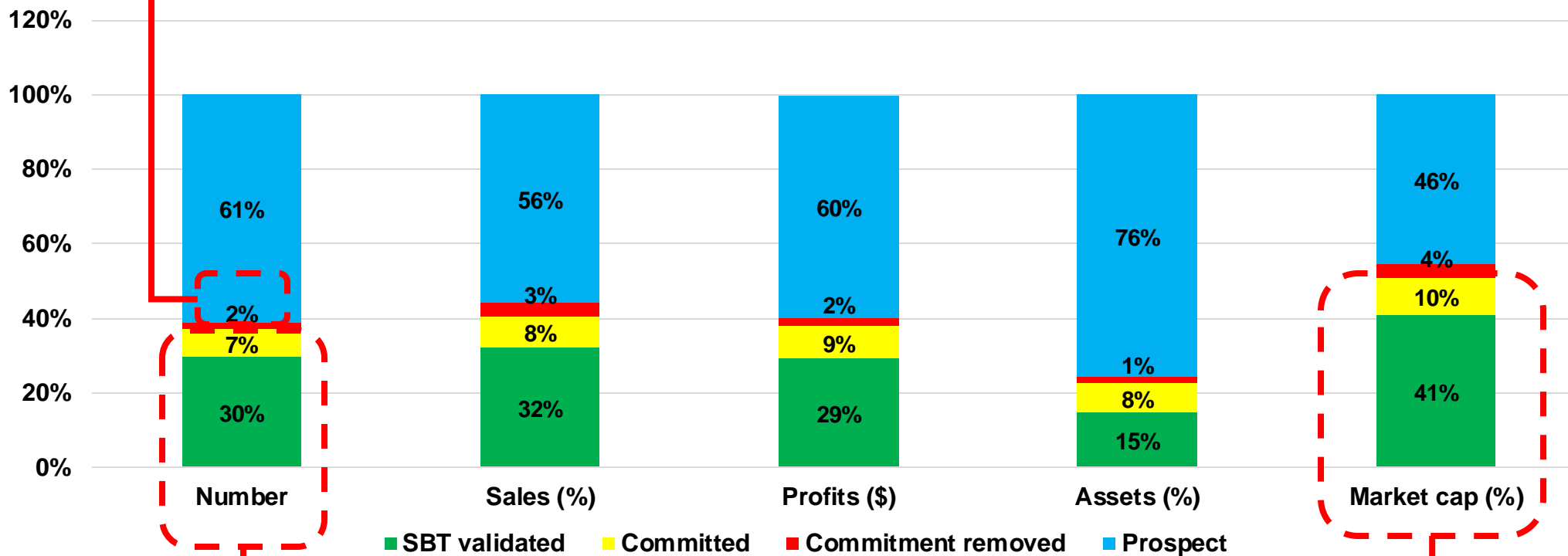
30% of Forbes Global 2000 companies had validated SBTs at the end of Q3 2024, equating to 41% of the combined market cap



41 had their commitments removed

removed

SBTi Penetration of Forbes Global 2000, end Q3 2024

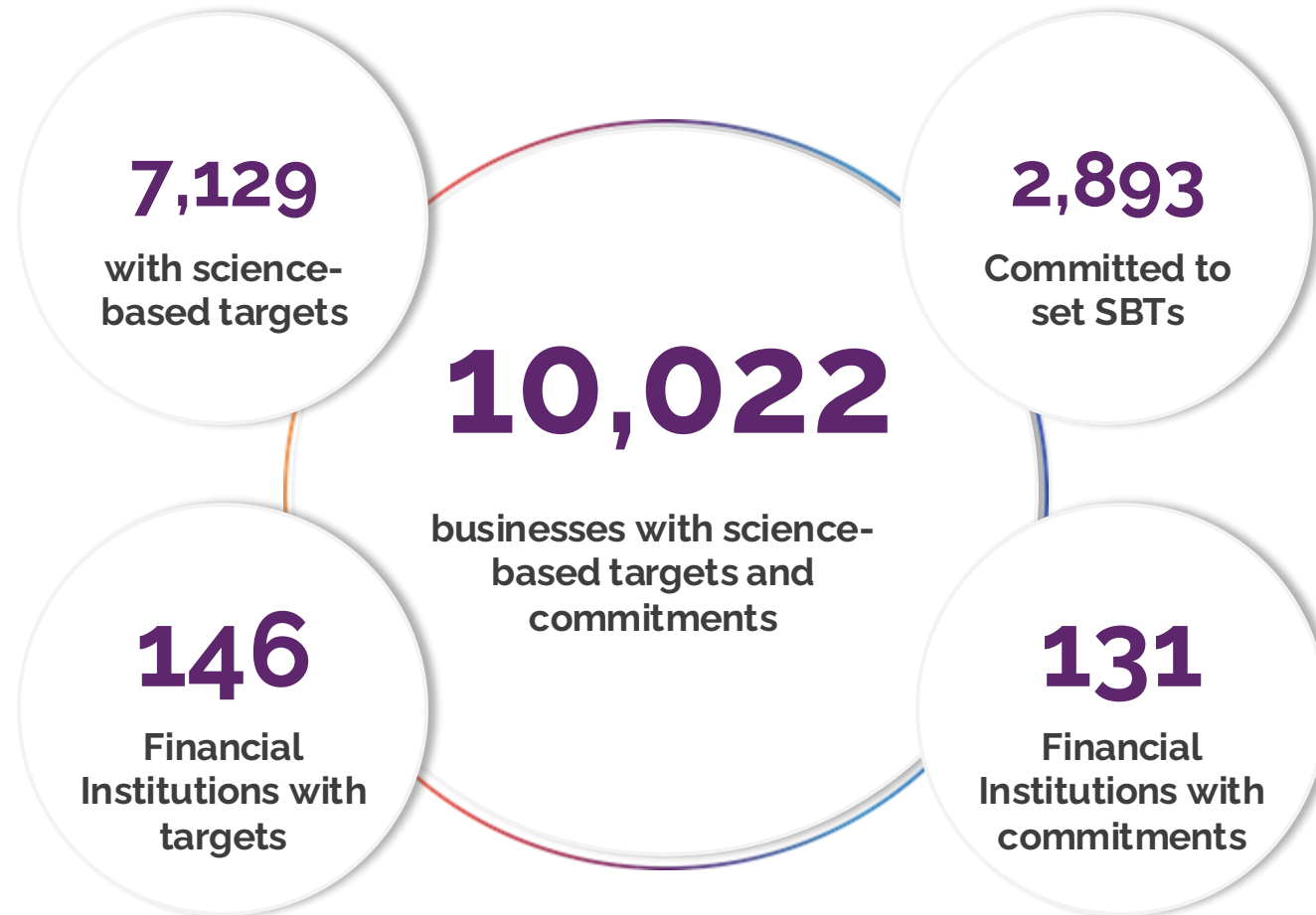


592 validated and 147 committed

51% validated and committed

Sources: (1) *Forbes Global 2000*, as at June 2024
 (2) *SBTi Companies Taking Action database*, as at end Q3 2024

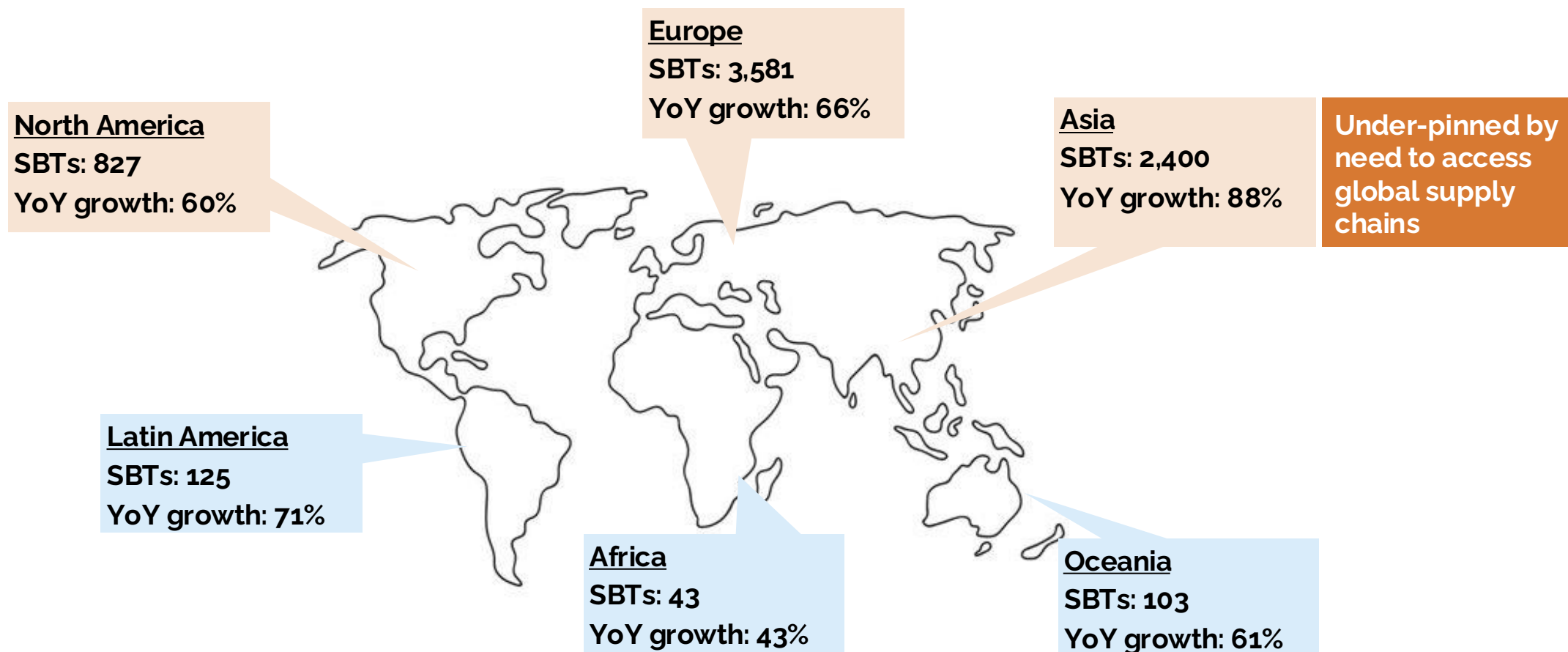
We passed the 10,000 threshold of SBTi validated and committed companies on 16th January



FI Near-Term Criteria V2 released in 2024 and upcoming FI Net-Zero standard should build momentum amongst FIs.

SBTi has achieved a higher rate of validated SBT penetration in the Global North, but is growing rapidly in all regions

Companies and financial institutions with validated science-based targets (SBT), 31 Dec 2024⁽¹⁾

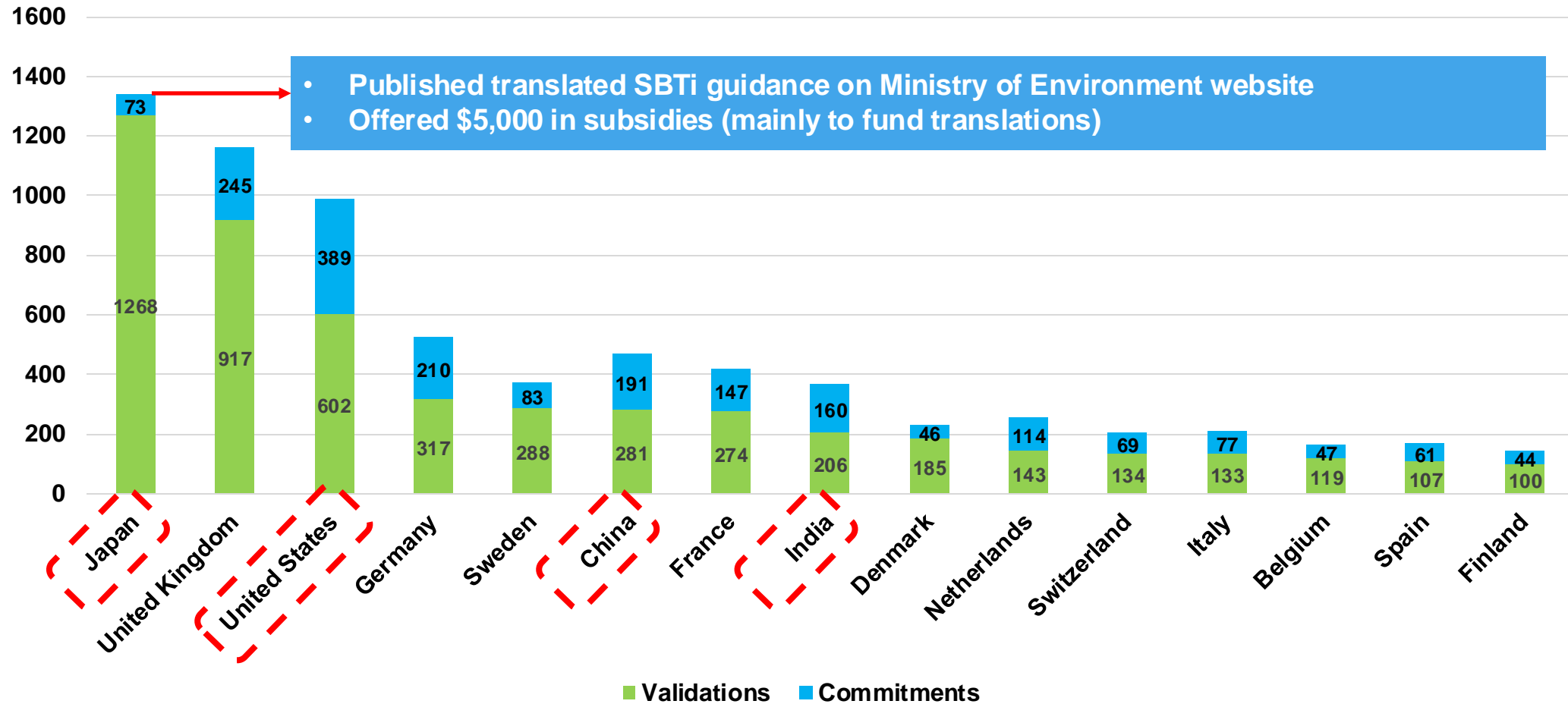


Planned capacity building and resources translation may facilitate uptake in the Global South

Source: (1) SBTi, based on *Companies Taking Action database*, as at 31 December 2024

15 countries had 100+ SBTi validations as at end of 2024, of which 11 were based in Europe, but with Japan leading globally

Countries with more than 100 SBTi validations, 31 Dec 2024

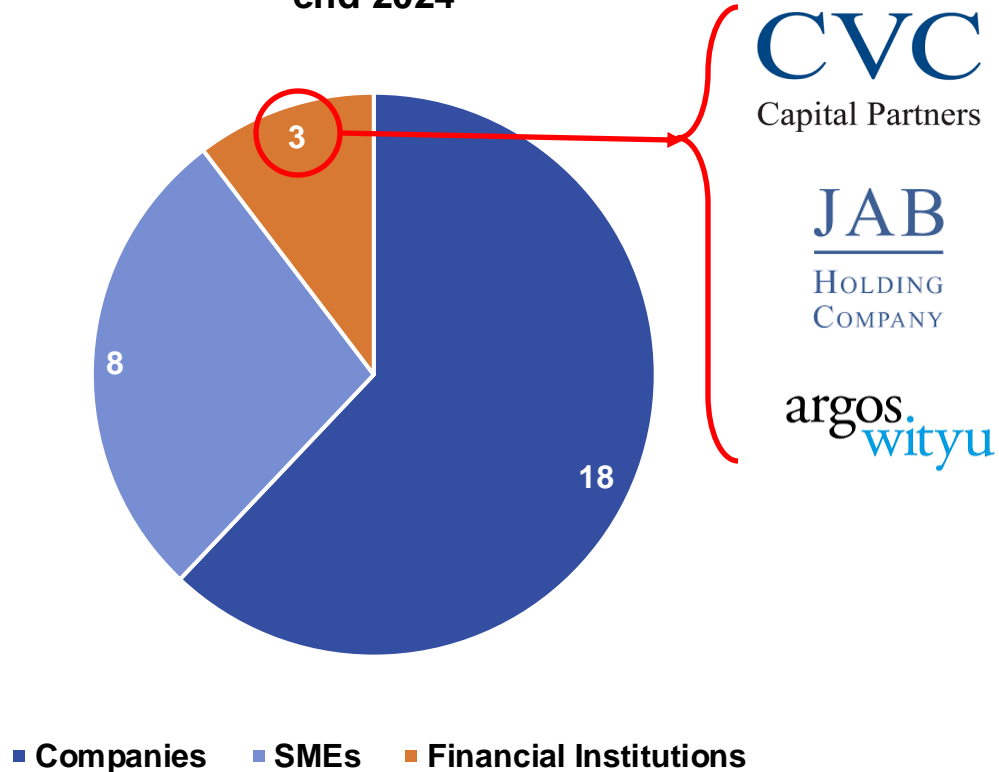


- Published translated SBTi guidance on Ministry of Environment website
- Offered \$5,000 in subsidies (mainly to fund translations)

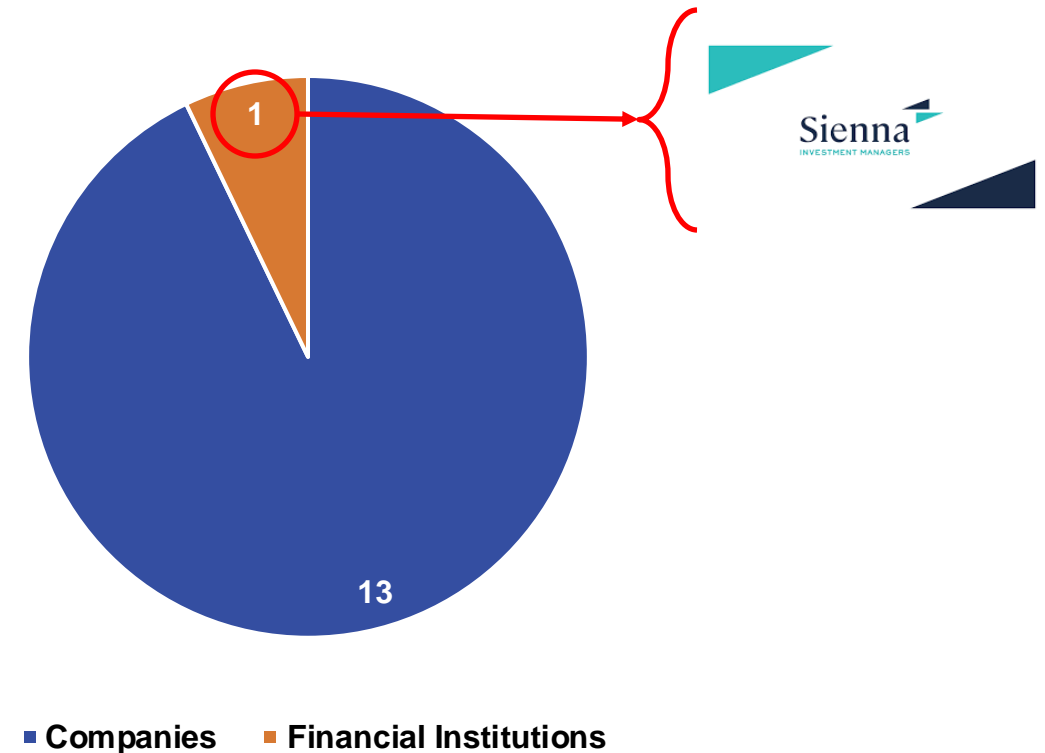
Source: (1) SBTi, based on *Companies Taking Action* database, as at 31 December 2024

With 29 validated and 14 committed entities, Luxembourg has a high degree of SBTi adoption

SBTi validated entities in Luxembourg, end-2024

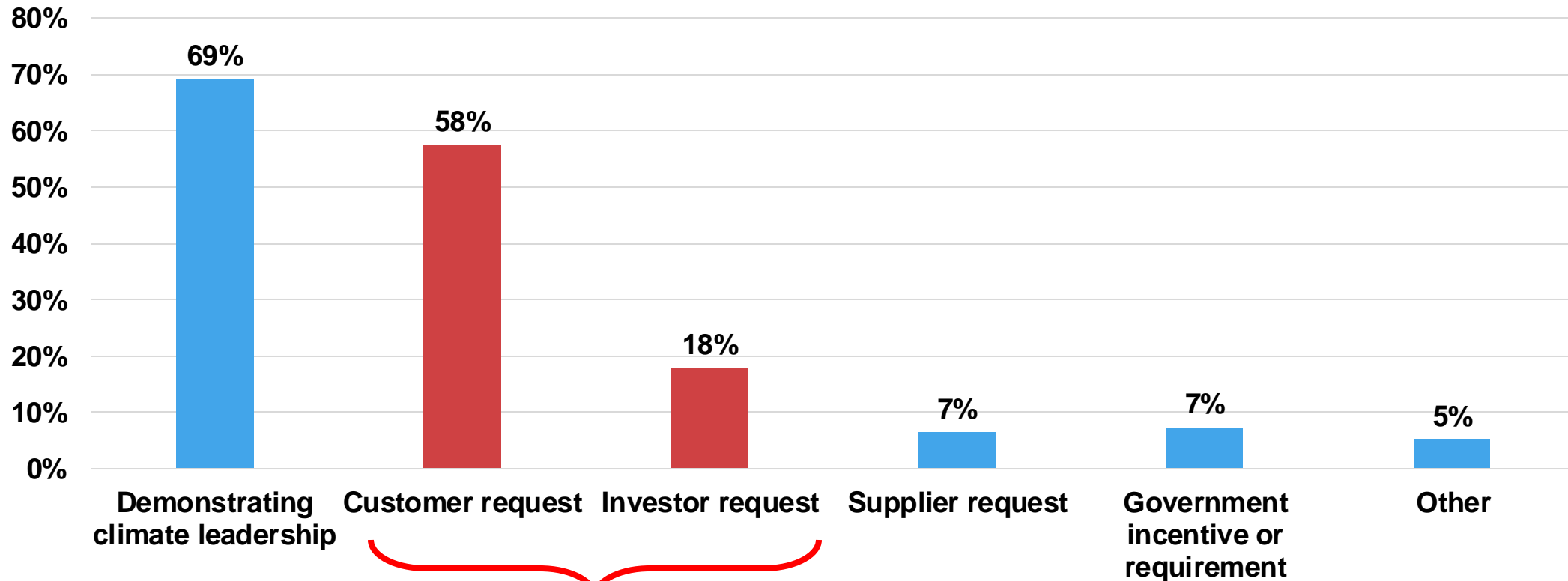


SBTi committed entities in Luxembourg, end-2024



Customer and investor requirements are the top-two external factors why companies set targets

Reasons cited by companies completing the SBTi commitment form, 2023



Supplier chain action and FI requirements can drive science-based target setting

Note: Data covers larger (non-SME) corporates
Source: SBTi data, 31 Dec 2023

Asset allocation, giving regard to climate-related risks, is likely over time to impact cost of funding and corporate valuations

Banks, asset owners, asset managers and insurers want to reduce their exposure to climate-related transition, physical and litigation risks

Portfolio companies' stable revenues and **access to their customers' supply chains**

Credit risk appetite shifting to climate-progressive corporates, thereby reducing their relative **costs of funding**

Stock selection within a given sector pivoting towards firms with lower climate-related risks, impacting **relative valuations**

*"... Euro area banks price climate risk ... rate charged to firms that have not committed to reducing future emissions consistently exceeds that charged to committed firms, with **the overall difference averaging 20 basis points.**"⁽¹⁾*



This trend is being supported with the likes of Euronext separately listing corporate bonds of SBTi-validated entities⁽²⁾

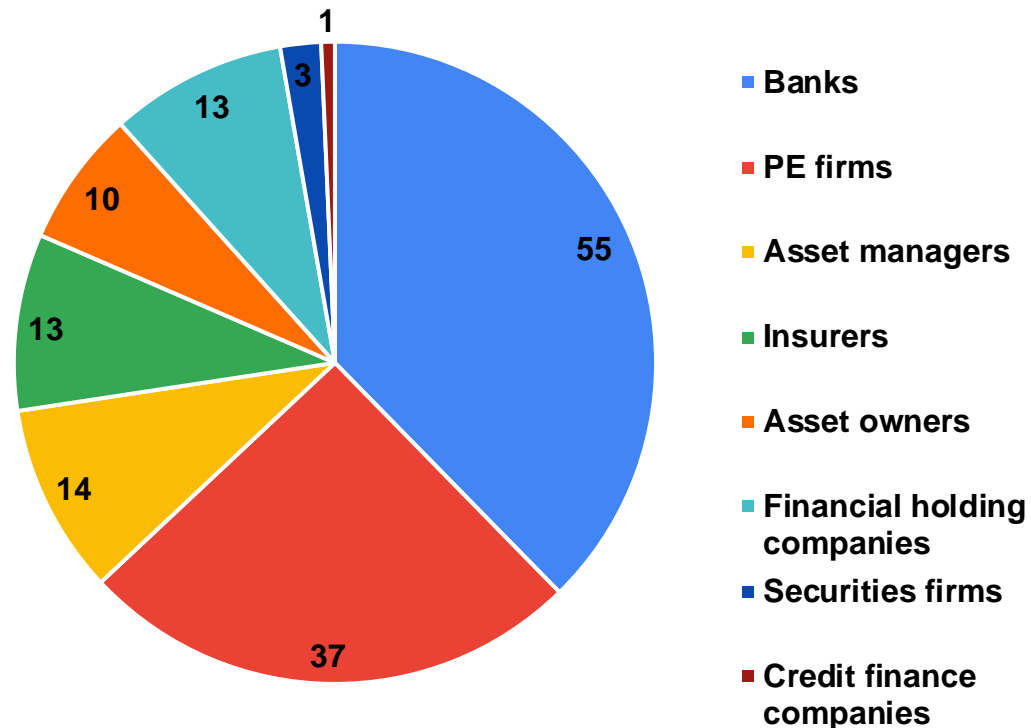
Sources:

(1) [ECB's Working Paper: Climate Risk, Bank Lending and Monetary Policy](#), August 2024

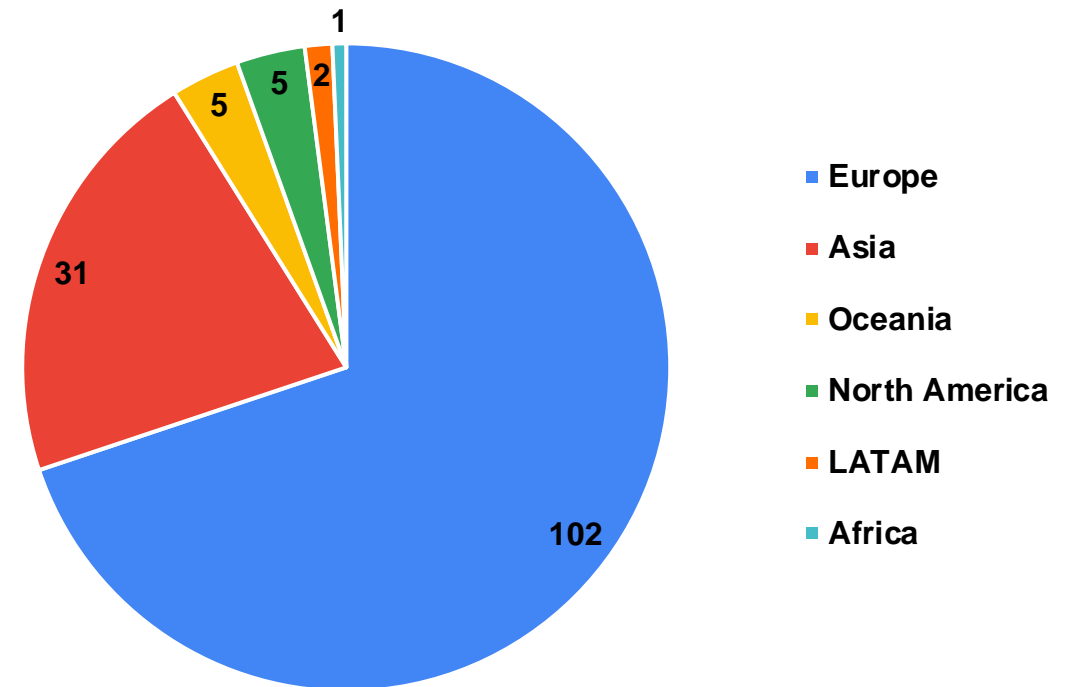
(2) Euronext, [SBTi 1.5C ESG Bond Issuers](#)

SBTi-validated FIs are broad in type, and concentrated in Europe and Asia

SBTi validated FIs by type, 19 Jan 2025⁽¹⁾⁽²⁾



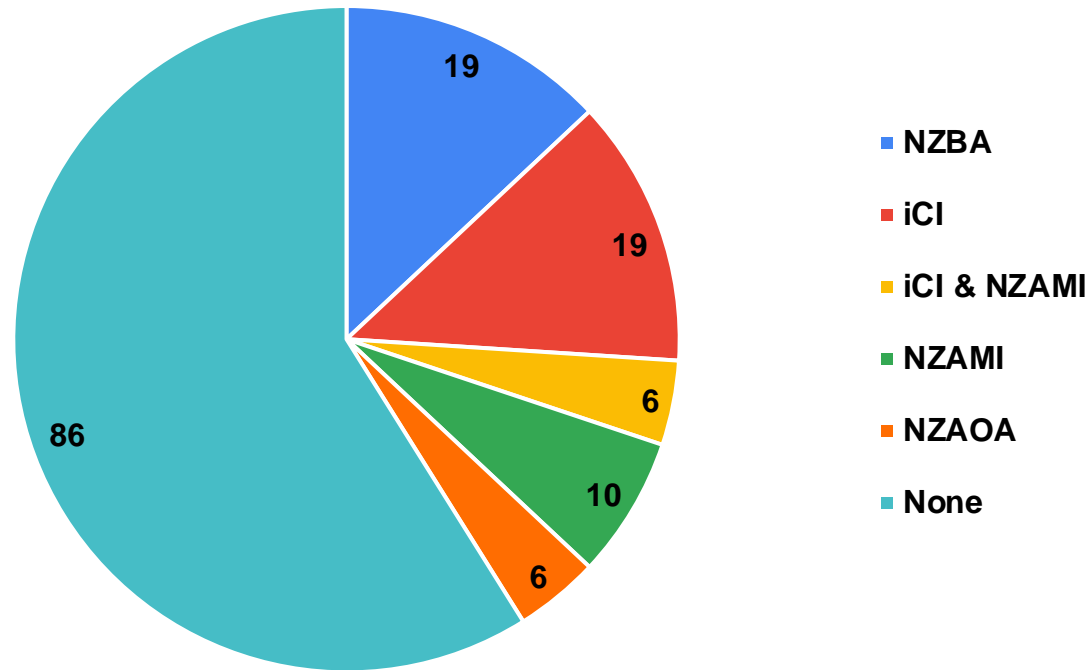
SBTi validated FIs by region, 19 Jan 2025⁽¹⁾⁽²⁾



Sources: (1) SBTi, based on [Companies Taking Action](#) and [Target Dashboard](#), as at 19 January 2025
(2) SBTi analysis

SBTi and other initiatives are complimentary: 41% of SBTi validated FIs have other affiliations

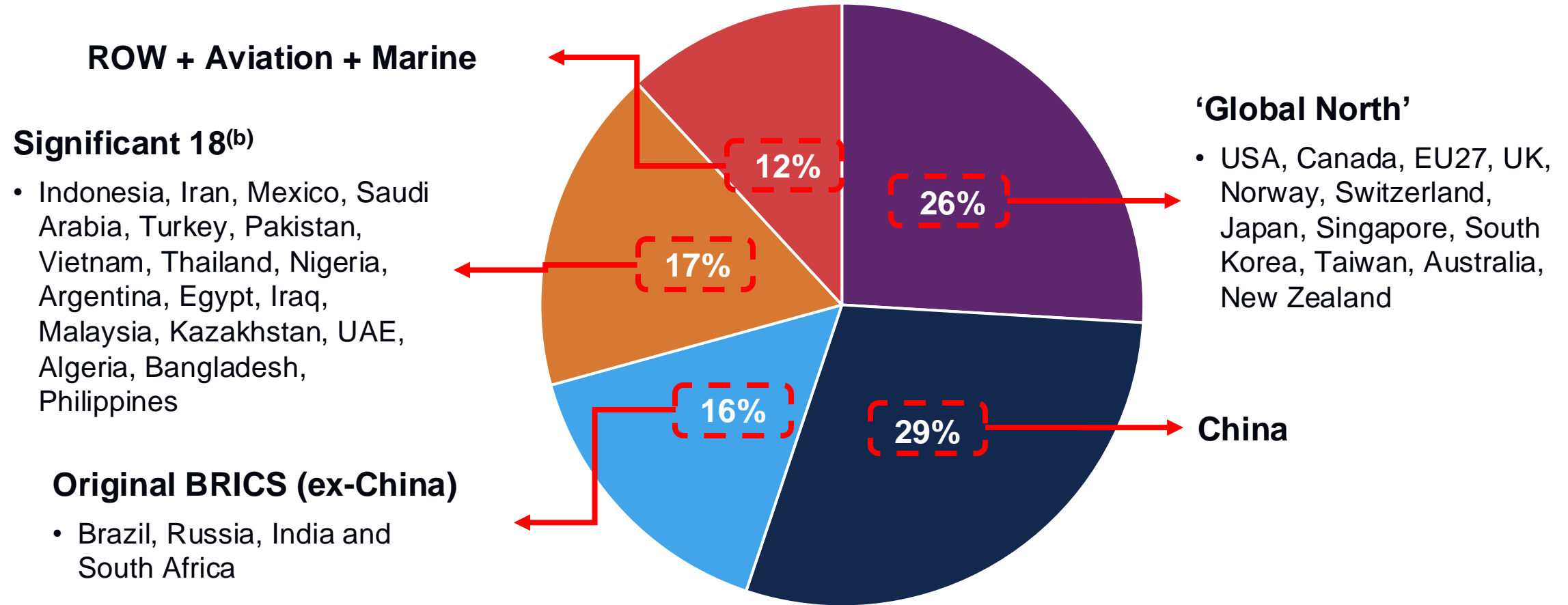
SBTi validated FIs by affiliation, 19 Jan 2025



Sources: (1) SBTi, based on [Companies Taking Action](#) and [Target Dashboard](#), as at 19 January 2025
(2) SBTi analysis

Global North's 26% and EU27's 6.7% share of GHG emissions is dwarfed by the 62% from 23 emerging markets, where action is key

Share of global GHG emissions, 2022^{(a)(1)}



Notes: (a) Share of CO₂ equivalent from CO₂, CH₄, N₂O and F-gases

(b) Each of Significant 18 countries account for greater than 0.5% of global emissions. Together these emitted 260% more than EU's total share of 6.7%

Source: (1) EU's Edgar Database v8.0, released on 26 October 2023

High level overview of:

- Financial Institutions Near-Term (**FINT**), and
- Financial Institutions Net-Zero (**FINZ**)

SBTi provides cross-sector, SME, Financial Institution, and sector-specific target setting frameworks

Cross sector

- **Corporate Near-Term Criteria** and **Corporate Net-Zero Standard** are used by most target setting entities
- Targers aim for **absolute reduction**

SMEs

- An **expedited progress** is available for organisations that meet the **SBTi's SME definition**

Financial Institutions (FIs)

- **Financial Institutions Near-Term Criteria (V2)**
- **Private Equity (Near-Term) Sector Guidance (V1)**
- **Financial Institutions Net-Zero Standard** is currently in development

Sector specific guidance

- With **focus on emission intensity**, guidance for the following sectors is **available now**:
 - Apparel and footwear
 - Buildings
 - Cement
 - Forrest, Land and Agriculture (FLAG)
 - Information, communication and technology (ICT)
 - Land transport
 - Maritime
 - Power
 - Steel
- Sector standards to the aluminium, aviation, chemicals and oil and gas sectors is **in development**

Financial institutions may set SBTi near-term targets (FINT) now and net-zero targets (FINZ) later in 2025

	Financial Institutions Near Term (FINT) V2	Financial Institutions Net Zero (FINZ)
Effective from	<ul style="list-style-type: none"> • May 2024 update 	<ul style="list-style-type: none"> • Tentatively Q2 2025
Scope	<ul style="list-style-type: none"> • Lending and investing 	<ul style="list-style-type: none"> • Lending, investing, insurance underwriting and capital markets
Target timeframe	<ul style="list-style-type: none"> • Near-term: 5-10 years 	<ul style="list-style-type: none"> • Short, medium and long-term milestones
Methods and metrics	<ul style="list-style-type: none"> • Portfolio Coverage (PC) • Temperature Rating (TR) • Sectoral Decarbonization Approach (SDA) • Fossil Fuel Finance (FFF) 	<ul style="list-style-type: none"> • Climate alignment target tracking the % share of financing to aligned activities • Emissions-intensity target for “emissions-intensive” activities • Policies (e.g. on fossil fuels and deforestation)
Coverage	<ul style="list-style-type: none"> • Required, optional, and out-of-scope asset classes • 67%+ coverage; 5% materiality exclusion • Coverage thresholds by asset class (e.g., power: 100%, commercial real estate: 67%) 	<ul style="list-style-type: none"> • “In-scope” and “out-of-scope” activities • Guidelines to prioritize emissions-intensive activities



FI Near-Term (FINT) Criteria V2 summary

FINT V2 was introduced in May 2024, with the previous FINT V1.1 retiring in November 2024

Key changes from v1.1 to v2.0

Align with
Corporate
Net-Zero
Standard
criteria

Improve
usability

Introduce
Fossil Fuel
Financing
target setting
method

Enhance
Clarity

Increase
Ambition to
1.5°C

Target setting methods (1/2)

Target setting method

Portfolio coverage (PC)

Temperature rating (TR)

Overview

- **Engagement based**
 - **Target** to increase % of portfolio companies with SBTi validated targets on a linear basis to reach 100% by 2040
-
- **Engagement based**
 - Underlying **non-SBTi emissions reduction targets** are translated into scores that are aggregated to portfolio level
 - Using **SBTi approved methodology**
 - **Target** to improve portfolio temperature alignment scores on a linear basis to reach 1.5C (scope 1 & 2) and 1.75C (scope 3) by 2040

Target setting methods (2/2)

Target setting method

**Sector Decarbonisation
approach
(SDA)**

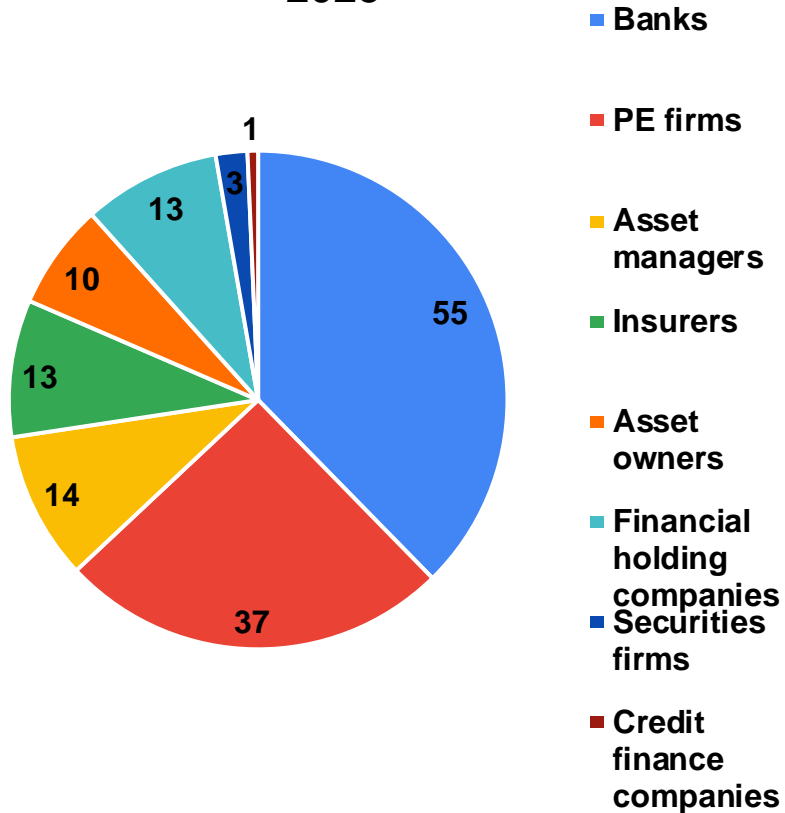
**Fossil Fuel Finance
(FFF)**

Overview

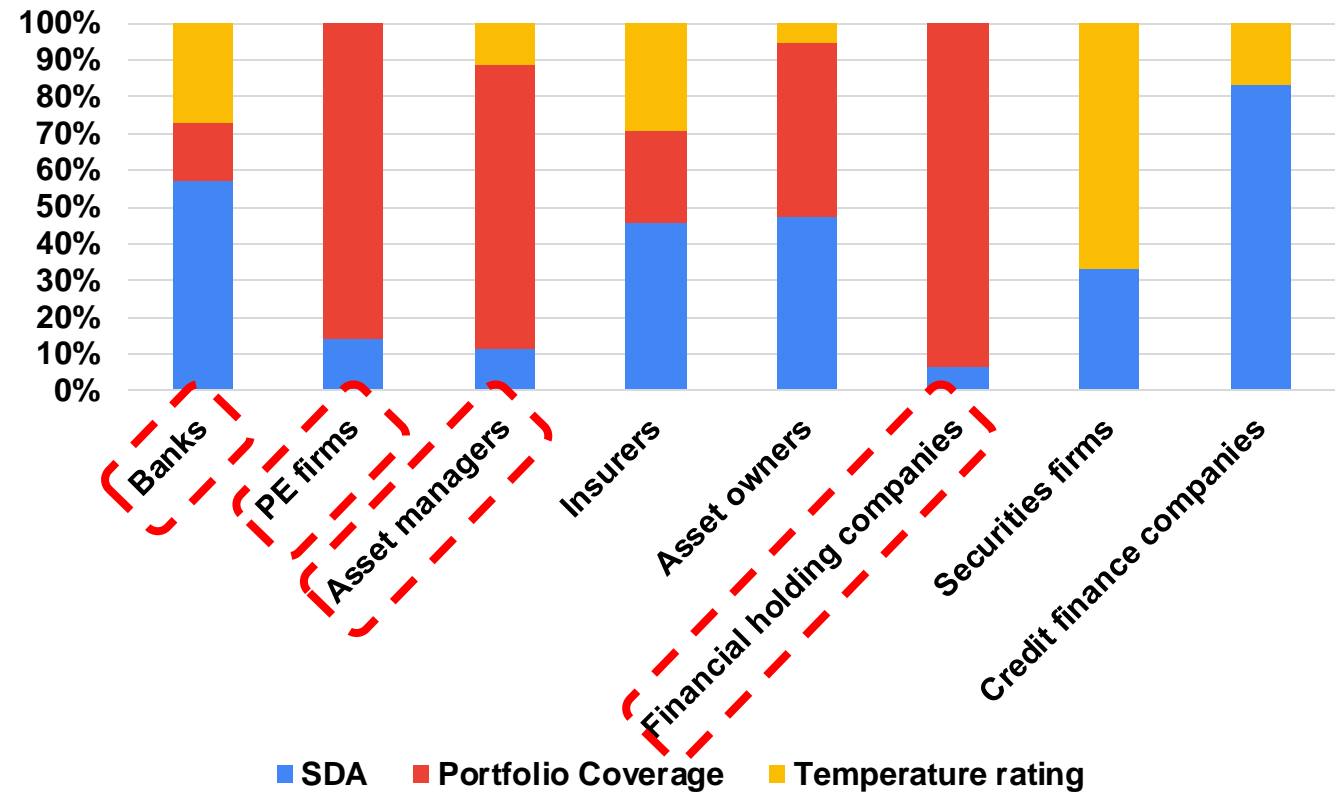
- **Emissions intensity reduction targets** based on SBTi approved pathways (1.5C aligned where available)
 - Aluminium, aviation, building, cement, FLAG, Land Transport, Maritime Shipping, Power, Iron & Steel
 - Minimum target ambition calculated using SBTi **excel-based tools**
- New policy requirements covering **coal** and **oil & gas** value chains:
 - **Disclosure**
 - **Halting new financial activities**
 - **Transition targets** for in-scope activities (upstream O&G + some coal)
 - **Phase-out** for coal

Banks tend to favour SDAs; PE and asset managers and financial holding companies favour portfolio coverage

SBTi validated FIs by type, 19 Jan 2025⁽¹⁾⁽²⁾



Target setting method by FI-type, 19 Jan 2025



Sources: (1) SBTi, based on [Companies Taking Action](#) and [Target Dashboard](#), as at 19 January 2025
 (2) SBTi analysis

Asset class requirements


Illustrative extract from FINT V2 Table 1

Asset Class ^a	Sub-Asset Class	Sector / Market Specifications	Minimum Coverage Requirement	Applicable Methods ^b
Fixed income (investment)	Corporate ⁹ and SME ⁱ bonds and private debt (direct holdings and co-investments)	Electricity generation and fossil fuel (listed and private companies)	100%	SDA / PC / TR / FFF
		All other sectors (listed companies)	100%	SDA / PC / TR
		All other sectors (private companies)	Optional	SDA / PC / TR
	via Funds (invested in assets, e.g., exchange traded funds, mutual funds, hedge funds, other collective investment schemes)	Electricity generation and fossil fuel (listed and private companies)	100%	SDA / PC / TR / FFF
		All other sectors (listed companies)	100%	SDA / PC / TR
		All other sectors (private companies)	Optional	SDA / PC / TR
		with non-transparent strategy ^m	n/a	n/a
	via Fund of Funds (funds invested in funds)		Optional	SDA / PC / TR
	Securitized fixed income, including asset-backed securities, mortgage-backed securities, covered bonds (direct holdings or via funds)		Optional (if a method is available for the underlying assets, such as for real estate assets) or out of scope	SDA
	Supranational, sovereign, sub-sovereign (including municipal), government and government agency bonds (direct holdings or via funds) ^j		n/a	n/a

Asset Class ^a	Sub-Asset Class	Sector / Market Specifications	Minimum Coverage Requirement	Applicable Methods ^b
Equity (investment)	Common and preferred stock of corporates and SMEs and private equity (direct holdings and co-investments)	Electricity generation and fossil fuel (listed and private companies)	100%	SDA / PC / TR / FFF
		All other sectors (listed companies)	100%	SDA / PC / TR
		All other sectors (private companies)	Per SBTi Private Equity Guidance ^l	SDA / PC / TR
	via Funds (invested in assets, e.g., exchange traded funds, mutual funds, hedge funds, other collective investment schemes)	Electricity generation and fossil fuel (listed and private companies)	100%	SDA / PC / TR / FFF
		All other sectors (listed companies)	100%	SDA / PC / TR
		All other sectors (private companies)	Optional	SDA / PC / TR
		with non-transparent strategy	n/a	n/a
	via Fund of Funds (funds invested in funds)		Optional	SDA / PC / TR

Required Activities	
Optional Activities	
Out of Scope	

FINT V2 and associated resources were released in May 2024




Financial
Institutions' Near-
Term
**Criteria Version
2.0**
(FINT Criteria V2)




Translations
of FINT Criteria V2

- Arabic**
- French**
- Portuguese**
- Spanish**
- Japanese**
- Mandarin**




Main Changes
Document

Versus FINT V1.1



**Target
Submission Form**
for Financial
Institutions
Version 2.0

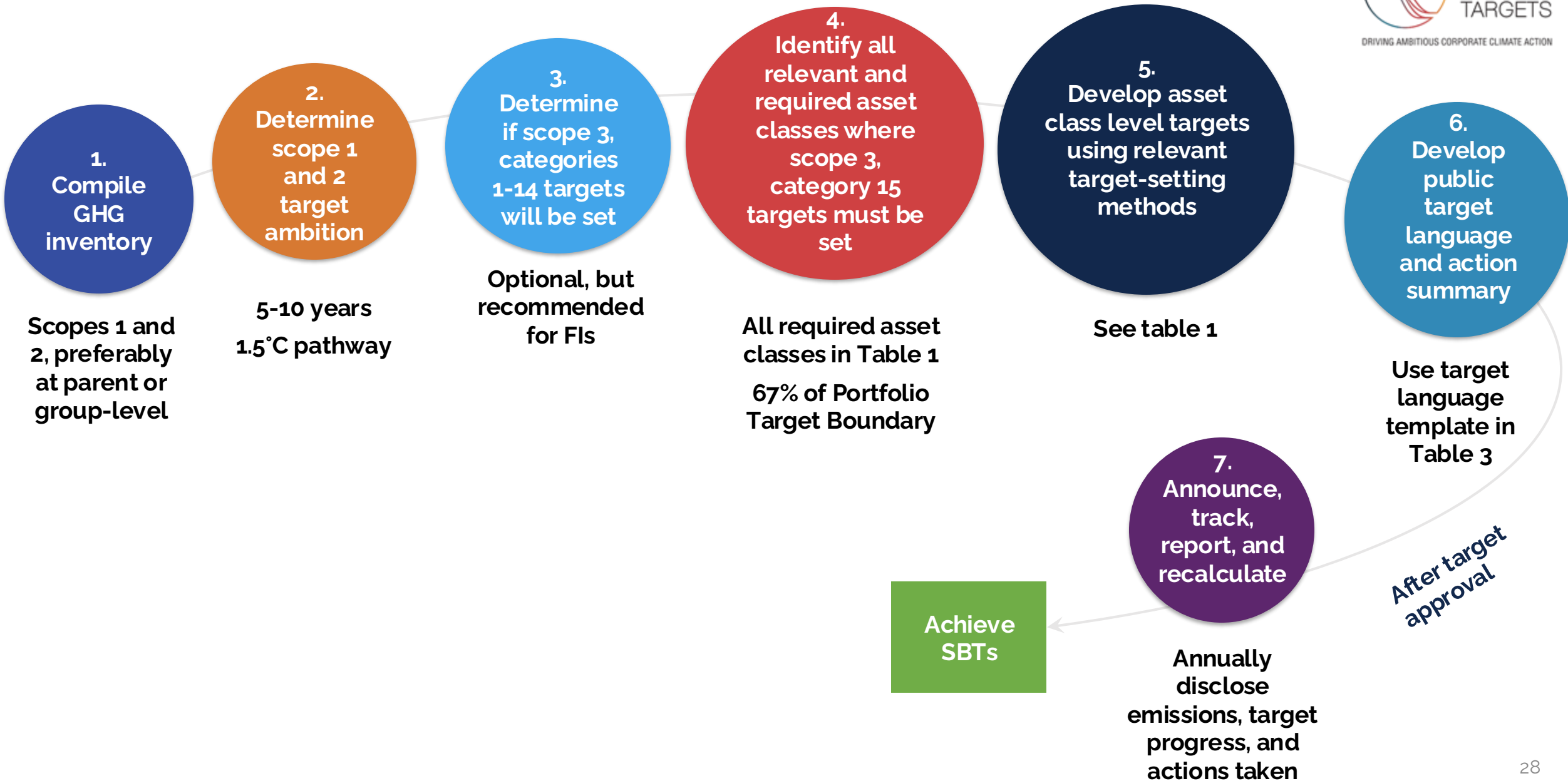


**Criteria
Assessment
Indicators**
for FINT Criteria
V2

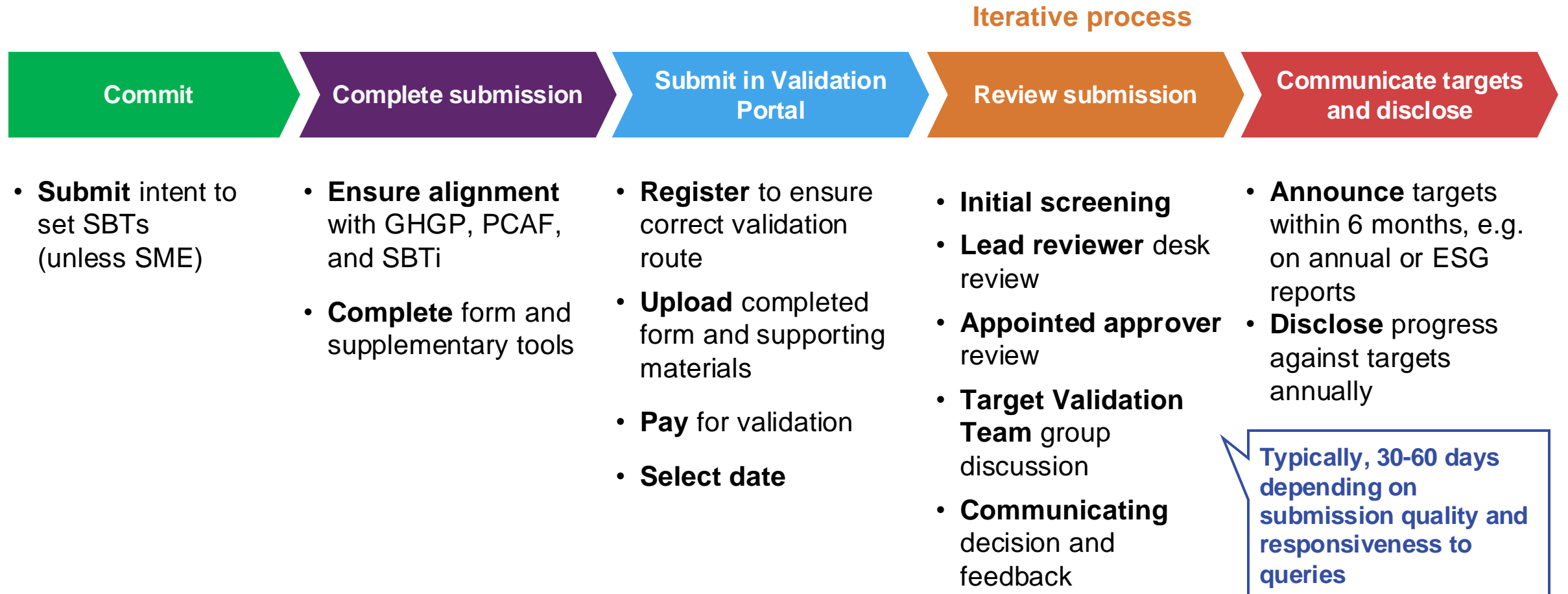


Financial Sector
Near-Term
Science-Based
Targets
**Explanatory
Document**

There are seven steps to set and deliver SBTs



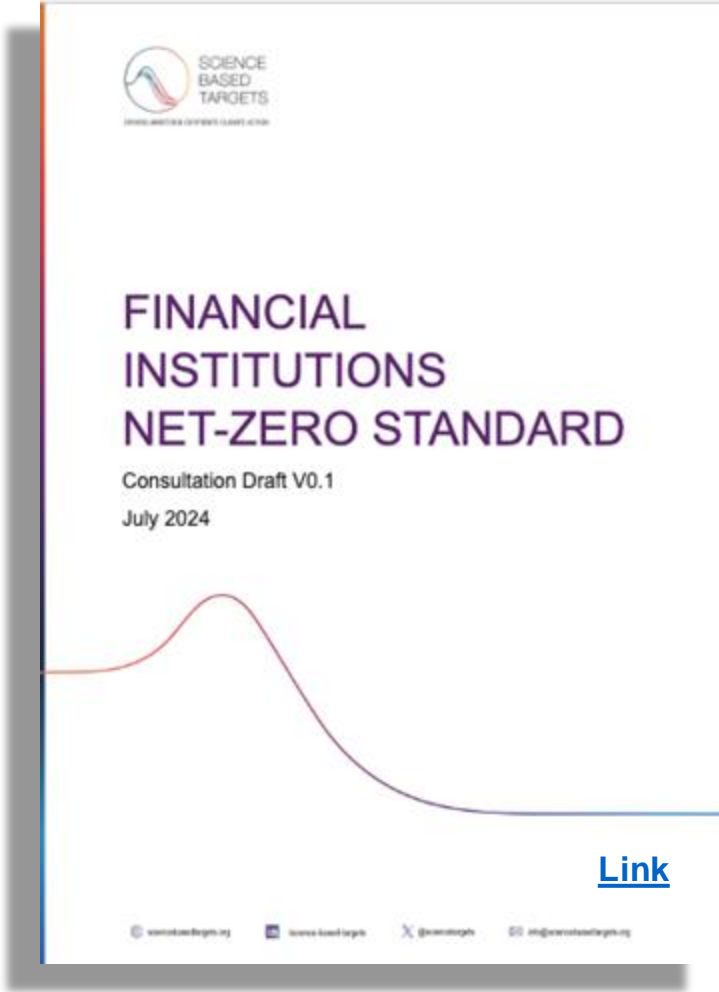
SBTi Services has a structured validation process



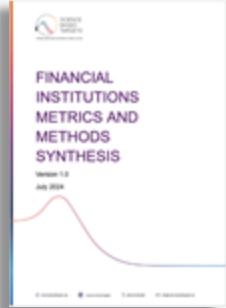


FI Net-Zero (FINZ) standard consultation draft

The FINZ draft and supporting material were subjected to a public consultation exercise and pilot testing in Q3 and Q4 2024



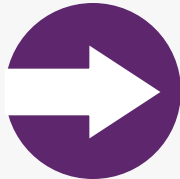
These will inform the upcoming FINZ release:



Metrics & Methods [Synthesis](#), released alongside the FINZ Standard.



Pilot testing which concluded in October 2024.

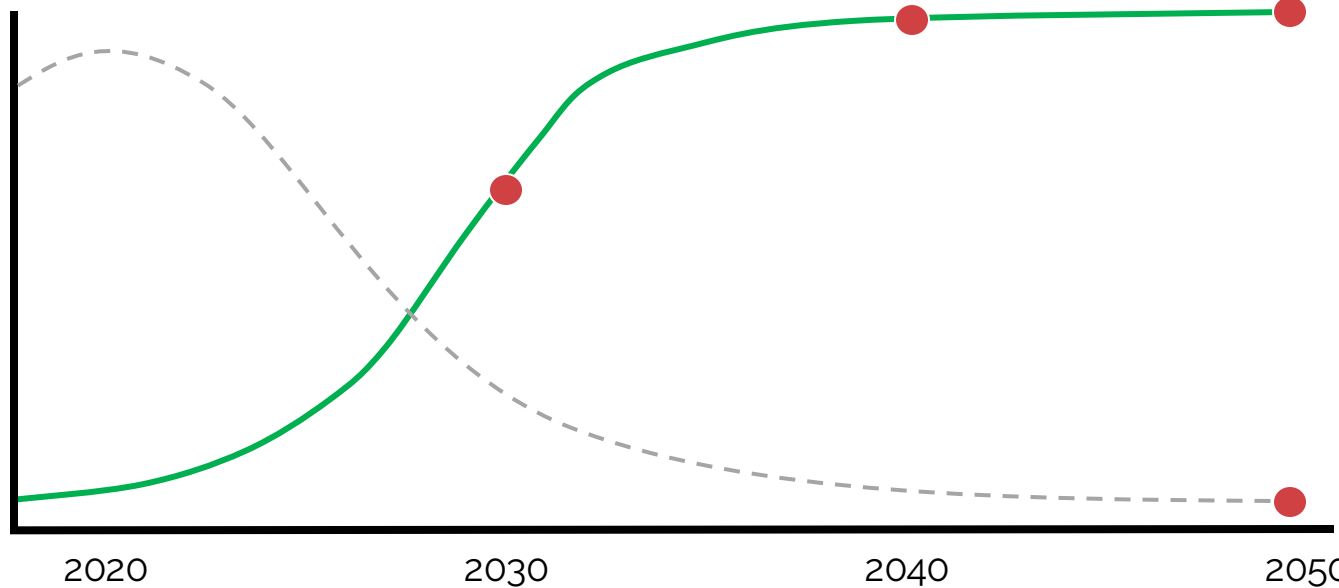


[Consultation survey](#) which closed in October 2024.

Draft FINZ Standard V0.1 development was informed by the consultation exercise of summer 2023.

The standard aims to drive near-term action towards a long-term net-zero

FIs must drive the transformation to global net-zero



Portfolio alignment: Leading indicator

Percentage of financial flows that are transitioning or already net-zero achieved

Absolute portfolio emissions: Lagging indicator

Total emissions attributed to an FI's portfolio

Immediate

Medium-term

Long-term (≤ 2050)

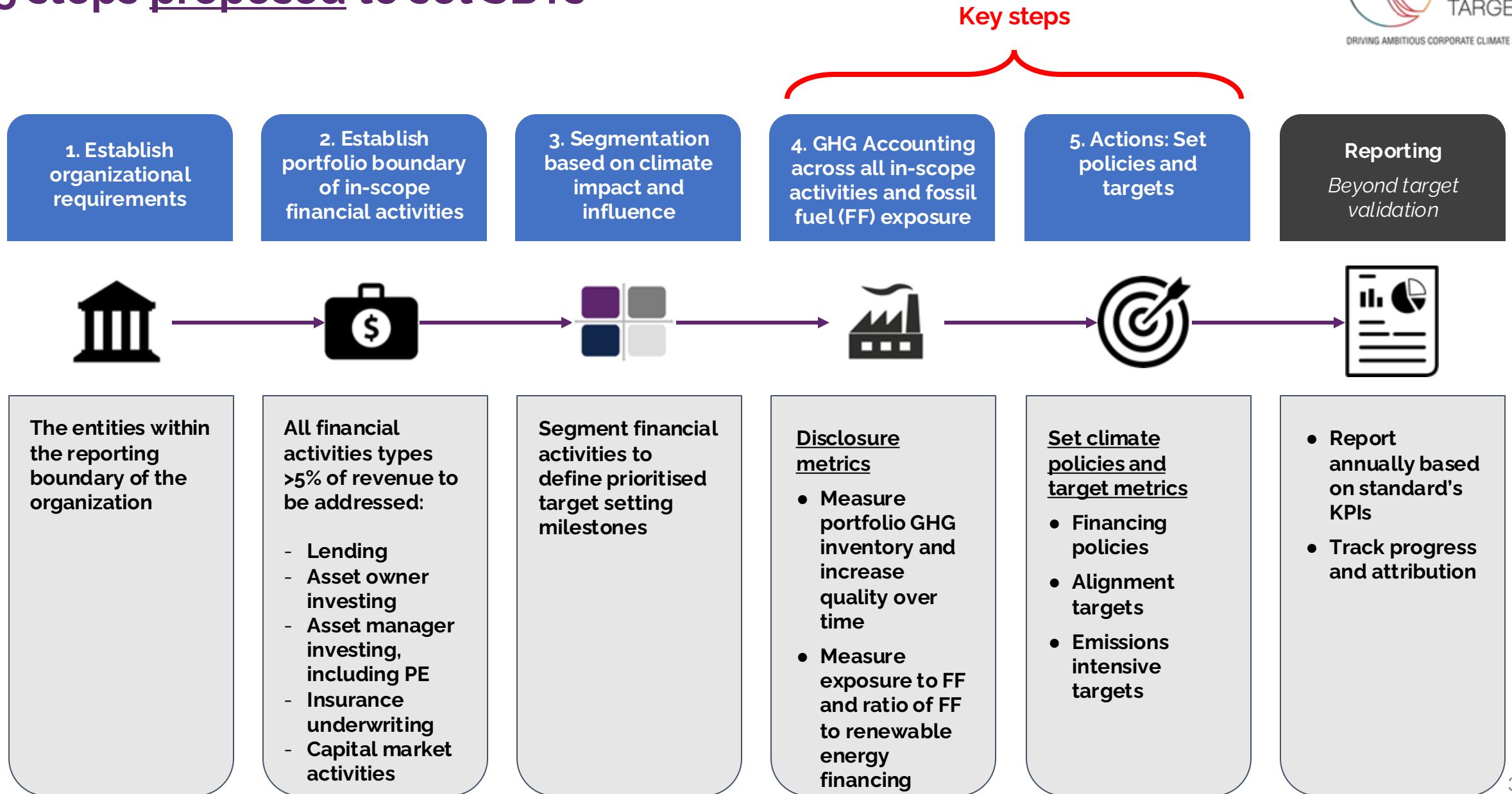
What does 1.5°C transition look like?

Stop financing, facilitating or insuring new GHG emitting assets

Align financial flows by ensuring portfolio constituents have transitioned or are transitioning to net-zero

Ensure portfolio has achieved net-zero, with residual emissions neutralized

5 steps proposed to set SBTs



Recap of how the FINZ draft differs from FINT



1 **Scope**
Extended to **insurance underwriting** and **capital markets activities**; applicable for **private equity**

2 **Coverage**
Simplified coverage approach, with **100% boundary** applied to in-scope activities

3 **Prioritization**
Enables action to be focused by **climate relevance** and **ability to execute**

4 **Alignment Metrics & Methods**
Introduces alignment targets while **expanding the range of eligible metrics and methods** to improve interoperability

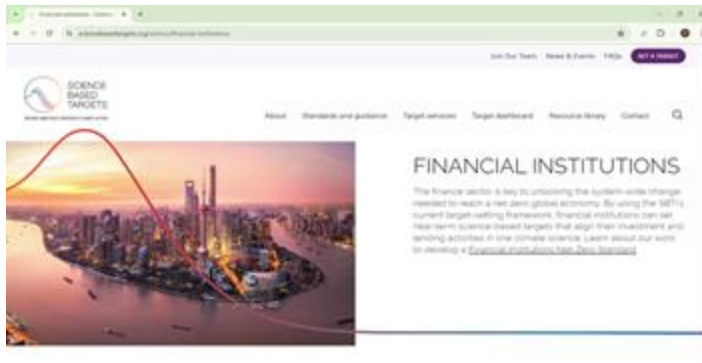
5 **Timeframe**
Includes near and long-term target **milestone years** (2030, 2035, 2040, 2050 or earlier)



Resources

Ample SBTi resources support financial institutions' target setting

SBTi Financial Institutions website



- **Criteria and recommendations V2** plus translations
- **Criteria Assessment Indicators**
- **Target submission form**
- **PE guidance v1.0**
- **FI and sector tools**
- **Target setting, step-by-step**

SBTi's YouTube channel launch webinar



- **FI Near-Term Criteria V2 Launch Webinar**
- **FI Near-Term V1.1's nine training modules**
- **FI temperature scoring tool**
- **FI portfolio coverage tool**
- Myriad other resources and videos


SBTi's Impact and Engagement team

- **Pendar Ostovar**
(Head of Financial Institutions, Impact and Engagement)
pendarostovar@sciencebasedtargets.org
- **Peter Uhlenbruch**
(FI Impact and Engagement Manager and Asset Management Lead)
peteruhlenbruch@sciencebasedtargets.org
- **Marco Swan**
(FI Impact and Engagement Manager and PE Lead)
marcoswan@sciencebasedtargets.org




Q&A

Thank you for listening

 sciencebasedtargets.org

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 [Science Based Targets](https://www.youtube.com/ScienceBasedTargets)

 [/science-based-targets](https://www.linkedin.com/company/science-based-targets)

 info@sciencebasedtargets.org

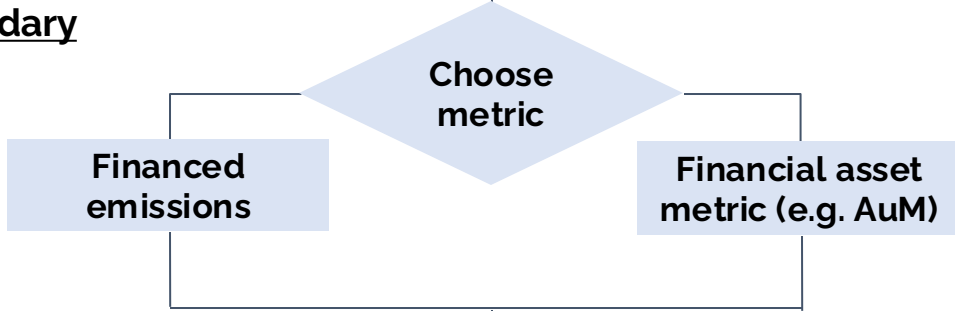


Backup coverage slide

What elements of the portfolio must be covered?

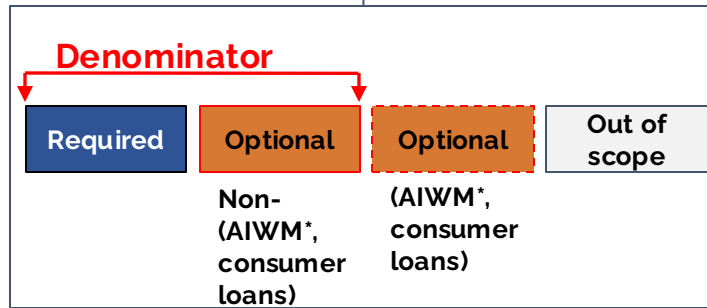
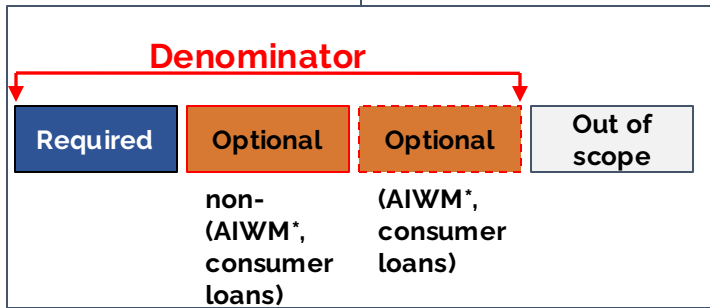
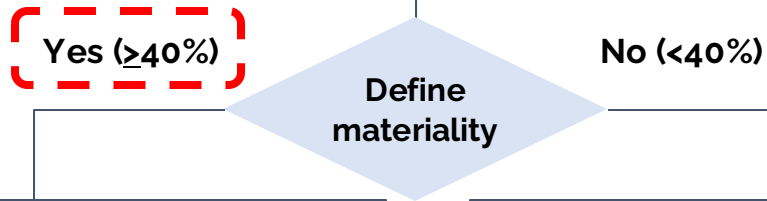
Stage 1:
Select Portfolio Target Boundary (PTB) metric

Assess all Required and Optional Activities (Table 1)



Stage 2 - Coverage denominator

Do any of the Optional Activities within AIWM or consumer loans make up 40% or more of all Required and Optional Activities?



67% coverage floor

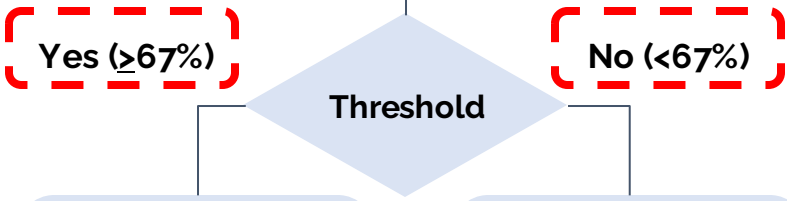
5% PTB materiality exclusion option (non-O&G)

Stage 3 - Coverage numerator

Set targets on all Required Activities in Table 1

** subject to 5% materiality exclusion option (except fossil fuel)

Do targets cover at least 67% of the PTB denominator?



Coverage requirements are met

Cover additional activities until targets cover at least 67% of the PTB denominator

*Asset/investment/wealth management (AIWM); it is optional for banks to cover their asset management activities, which may be excluded from the PTB denominator



Setting and integrating Science Based Targets

Company profile

De Volksbank aims to meet the specific financial needs of its customers in a people-oriented, efficient and sustainable manner. Our mission is 'banking with a human touch'. We achieve it by creating value for all our stakeholders: our customers, society, our employees and our shareholder. We aim for optimum total value rather than maximisation of a single value. Together with our brands we strive for a strong customer relationship and increasing our social impact.



SNS helps people achieve their goals and dreams by focusing on the growth of each individual. SNS believes that if everyone is allowed to grow in their own way, it will make the Netherlands stronger.

RegioBank

RegioBank is committed to stimulate the quality of life in Dutch communities by taking on the role of community builder and contributing to social and economic vitality.



ASN Bank seeks to make sustainability accessible to all Dutch people, enabling them to use their money to do the right thing for people, animals and nature.



BLG Wonen enables a society in which people can live contentedly in a manner that suits their wishes and financial situation. Now and in the future.

De Volksbank is the fourth largest retail bank operating in the Dutch market, with more than 3.2 million customers. We offer simple and transparent mortgage, savings and payment products to private individuals, self-employed persons and smaller companies. We also offer insurance and investment products.



EMPLOYEES

4,407
FTE of which
3,449 internal



CUSTOMERS

> 3.26 m



193
SNS Shops

1,508,000
customers



802,000
customers



425
branch offices

698,000
customers



> 3,000
independent
advisers

249,000
customers



MORTGAGES

€ 49.2bn

market share
new production 5.7%

CURRENT ACCOUNT CUSTOMERS

2,004,000

market share of new current
accounts 22.4%

SAVINGS

€ 43.6bn

market share 9.5%

ASSETS UNDER MANAGEMENT

€ 4.2bn

SME LOANS

€ 1.24bn

De Volksbank has over 15 years of experience on measuring financed emissions and setting targets

2011: ASN Bank sets a goal of becoming climate neutral with its whole balance sheet by 2030.

2013: ASN Bank develops the first open-source carbon accounting methodology

2015: de Volksbank adopts the goal of reaching a climate neutral balance sheet in 2030

2016: de Volksbank initiates PCAF, a bottom-up initiative to develop an open-source carbon accounting standard for financial institutions.

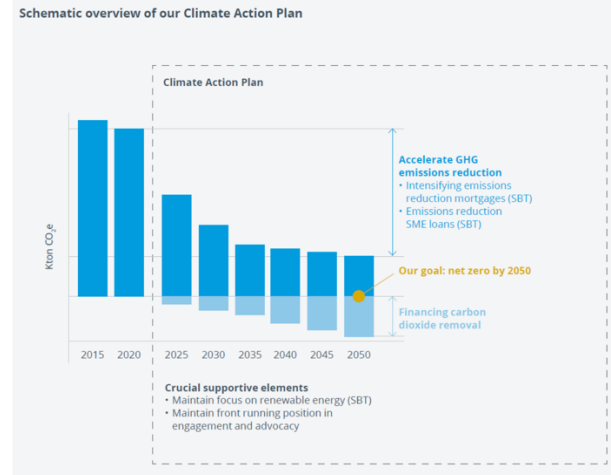
2019: Roadtest of Science Based Targets methodology for residential mortgages

2021: de Volksbank develops and submits Science Based Targets in line with a 1.5 degrees scenario

2022: Validation of Science Based Targets for de Volksbank in line with 1.5 C scenario

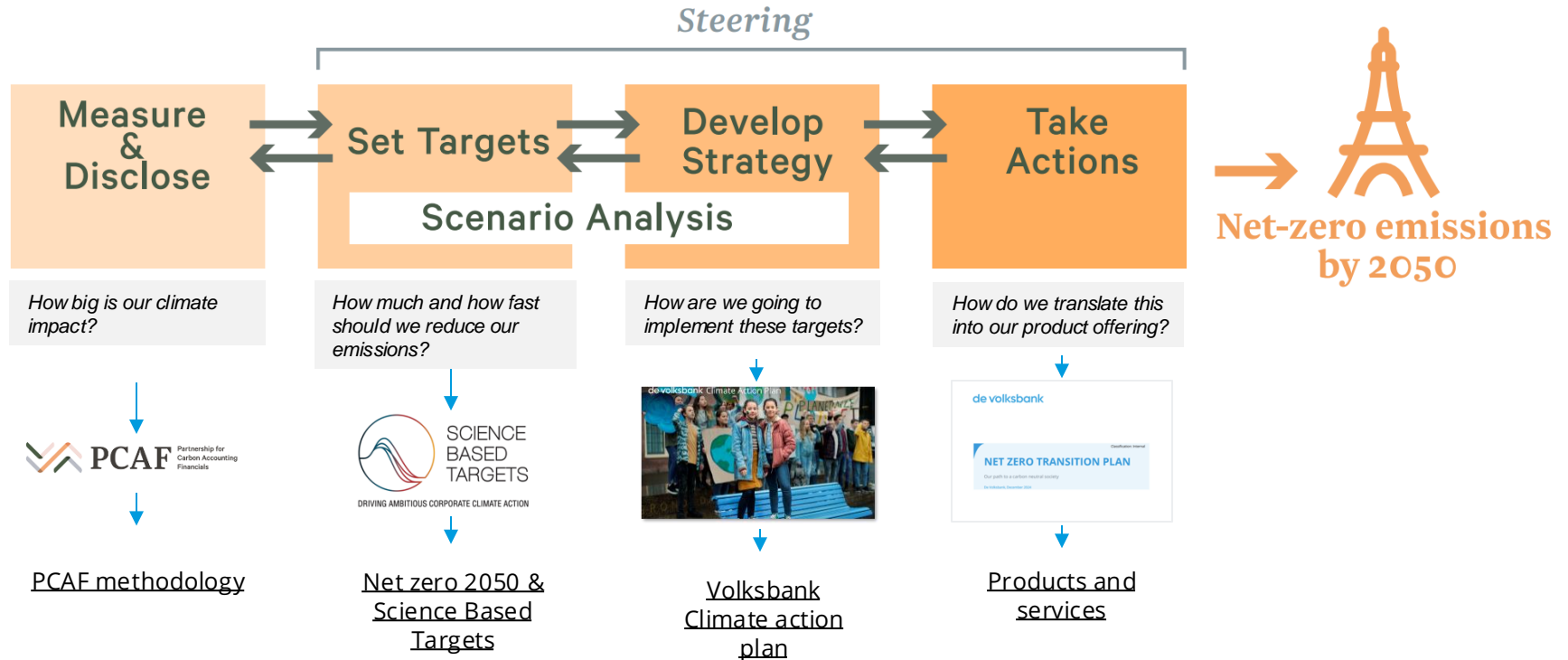
2022: de Volksbank commits to a Net Zero 2050 goal, earlier if possible

2024: Drafting the first version of our Net Zero transition plan in line with CSRD requirements



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

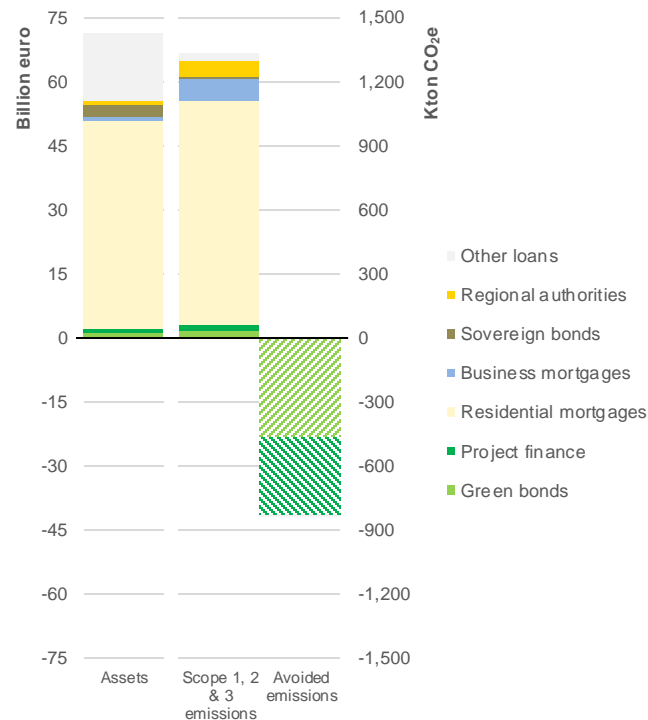
Our Net Zero 2050 target is substantiated by Science Based Targets for credibility and clarity



De Volksbank has been measuring and disclosing its financed emissions since 2015

- Climate impact is one of the strategic KPI's of de Volksbank
- Internal KPIs on absolute and relative emissions for relevant asset classes.
- Progress monitored on a monthly basis. External reporting occurs biannually in (half-)year results. Limited assurance on results.
- GHG emissions and biodiversity impact are weighed into our pricing process.
- Board of Directors is assessed annually on their performance on a.o. climate impact of de Volksbank.

Climate impact year-end 2022



Science Based Targets: setting the boundaries on what is relevant to include in target setting

Key challenge is to determine which asset classes should be included.

Not in scope: government debt, SME lending, Derivatives, Advisory services.

Optional: mortgages, consumer loans

Before result appropriation and in € millions	31-12-2022
ASSETS	
Cash and cash equivalents	8,011
Derivatives	3,302
Investments	5,591
Loans and advances to banks	6,884
Loans and advances to customers	48,966
Tangible and intangible assets	85
Tax assets	67
Other assets	249
Total assets	73,155

Investments by counterparty		
in € millions	Amortised cost	
	2022	2021
EQUITY SECURITIES		
Financial corporations	--	--
DEBT SECURITIES		
Government	1,012	1,693
Financial corporations	1,413	1,097
Non-financial corporations	326	505
Total debt securities	2,751	3,295
<i>of which: green and sustainable bonds</i>	<i>1,418</i>	<i>1,264</i>
Total investments	2,751	3,295

Loans and advances to banks	
in € millions	2022
Deposits	6,487
Demand deposits at the Dutch Central Bank	402
Provision for credit losses	-5
Total	6,884

Loans and advances to customers by portfolio		
in € millions	Gross carrying amount	
	2022	2021
Residential mortgages	46,232 ¹	48,018
Consumer loans	54	52
SME loans	1,085	830
Other corporate and government loans	1,749	1,777
Total	49,120	50,677

Out of scope: not relevant as governments are out of scope

Mandatory: debt securities to corporations

Out of scope: not relevant due to nature of loans and advances

Optional and relevant: Residential mortgages

Optional and not relevant due to small size

Optional and relevant: Business mortgages

Mandatory: Project finance

SBT on mortgage portfolio (SDA): 59% reduction in emission intensity in 2030 compared to 2020

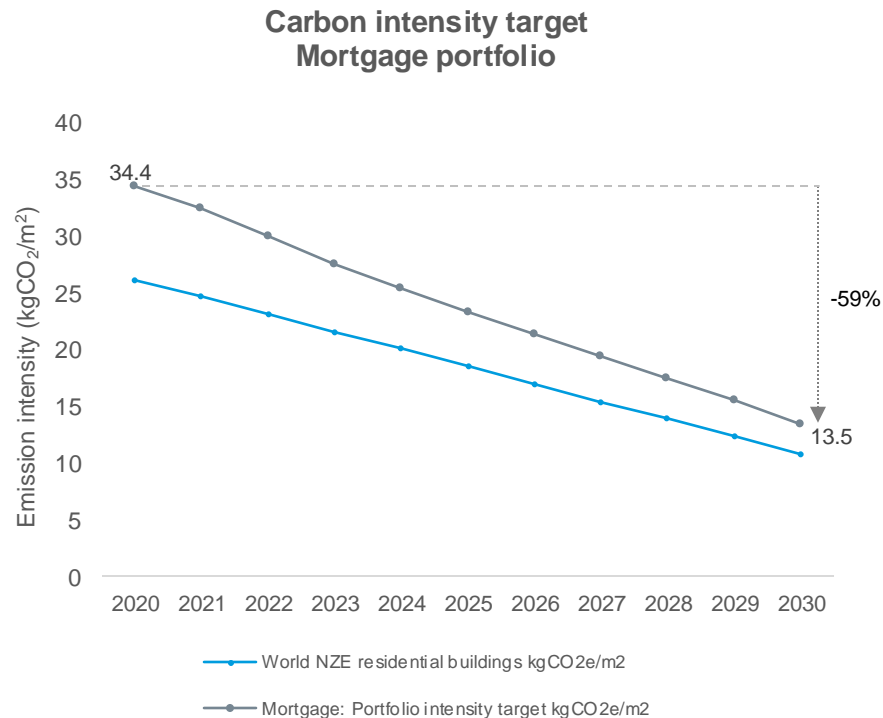
- De Volksbank only has mortgages in the Netherlands
- Benchmarked with NZE scenario (IEA)
- 2020 base year; near-term target for 2030

$$\text{carbon intensity} = \frac{\text{energy consumption}}{\text{surface area}} \times \text{grid emission factor}$$

Energy consumption of houses in the Netherlands

Published annually by Dutch statistics agency

Available per property through Dutch Cadastre



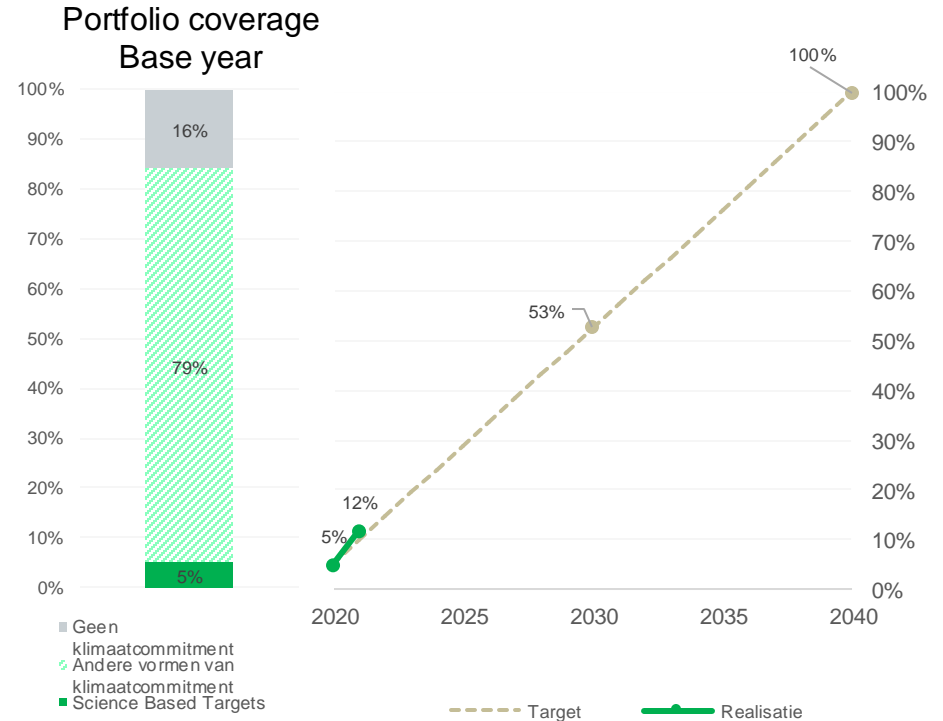
SBT on investments (portfolio coverage): 100% portfolio coverage in 2040

- 2020 base year; near-term target for 2030 and 2040.

De Volksbank has already a strict investment policy in place, selecting counterparties on their sustainability policy. Most of the counterparties already are involved or committed in climate action:

- 5% has an approved SBT
- 79% other means of climate commitments outside of SBTi
- 16% no climate commitment

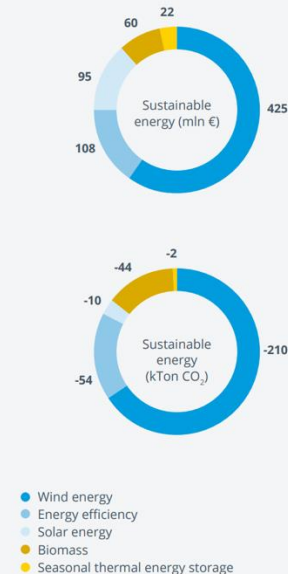
SBT portfolio coverage should rise from 5% in 2020 to 100% in 2040.



SBT on project finance: a commitment to only finance renewable energy projects

- Within our project finance portfolio we already only finance renewable energy projects.
- Therefore Volksbank commits itself to continue to only finance renewable energy projects through 2030.

Figure 9. The portfolio of sustainable energy projects amounts to € 710 million and avoids 320 kilotons of CO₂e emissions (year-end 2021)



The set of validated Science Based Targets for de Volksbank

Scope 1 & 2 - Business operations:

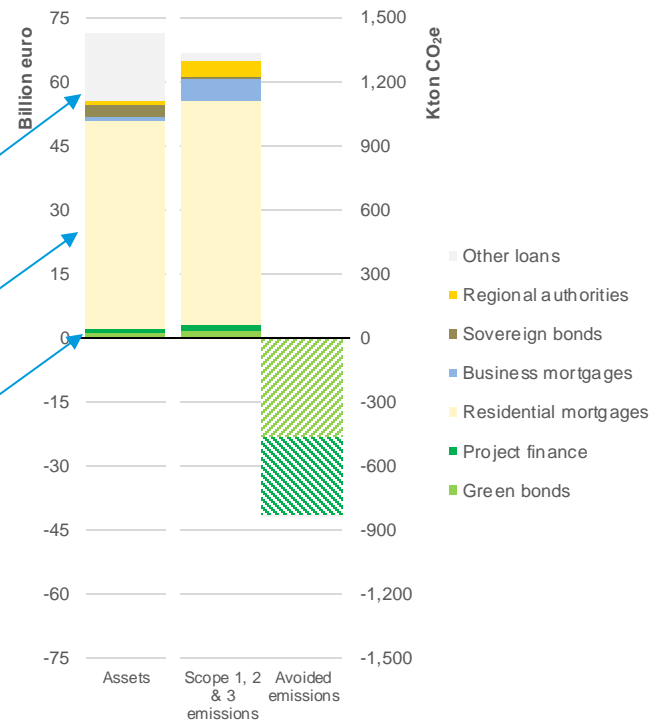
Emission reduction of 45% in 2020 compared to 2020.

- 100% electric car fleet
- Emission reduction of 45% of offices

Scope 3 - Financed emissions:

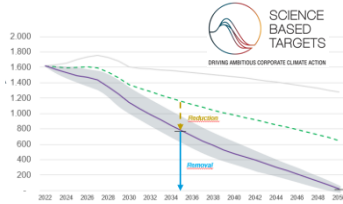
- In 2040 all counterparties of “investments” should have a validated Science Based Target.
- **Mortgage portfolio emission reduction of 59% per m² in 2020 compared to 2020.**
- Commitment to keep on only financing renewable energy projects

Climate impact year-end 2022



Integrating science based targets in operational planning

1. Scenario analysis



2. Gap analysis



3. Integrate in products



4. KPI's and KRI's



de volksbank

To be published

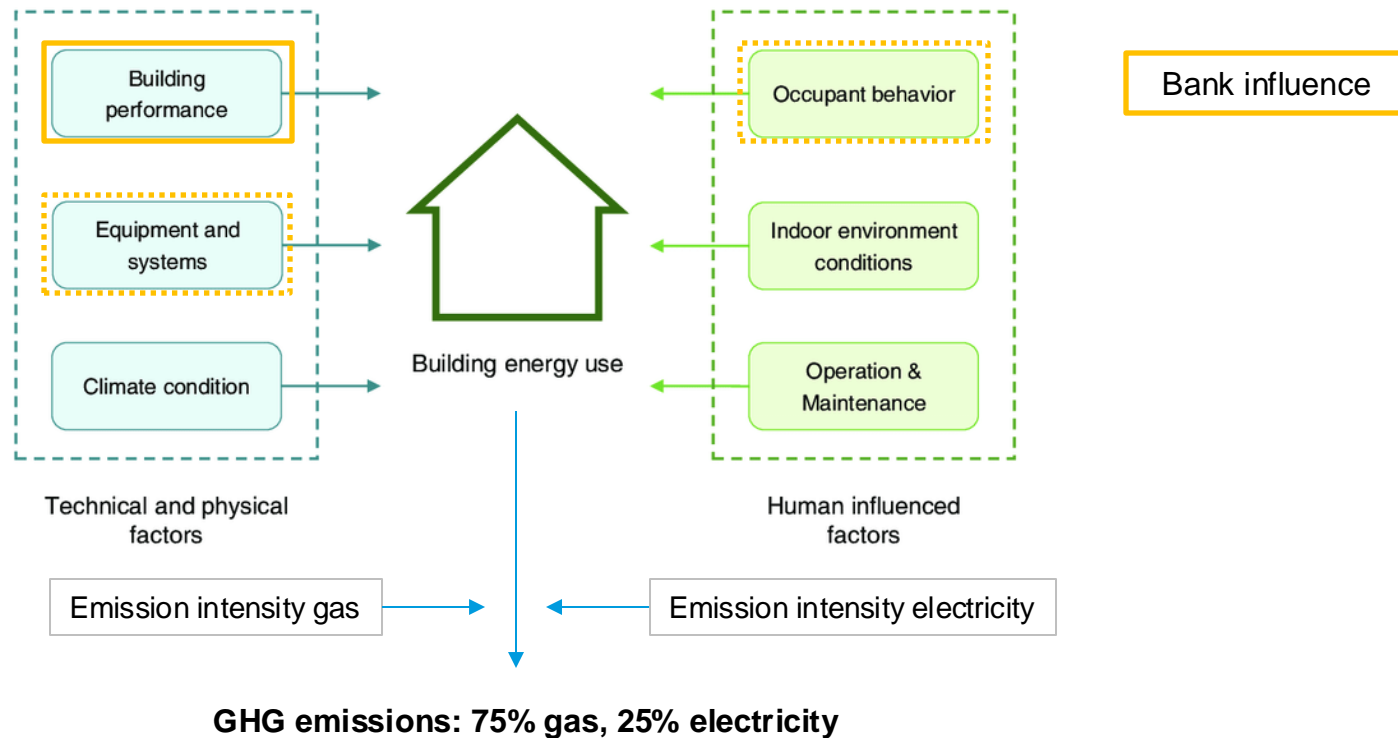
NET ZERO TRANSITION PLAN

Our path to a carbon neutral society

De Volksbank, December 2024

Classification: Internal

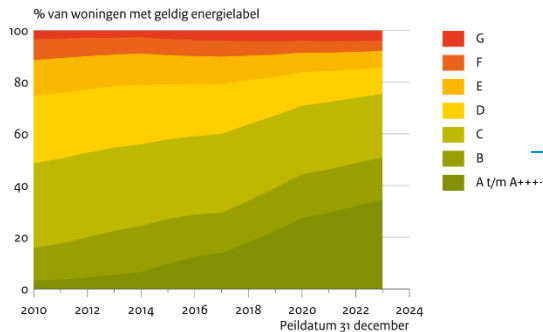
How much of the GHG emissions of houses can we influence as a financial institution?



Complex interplay of policies and external forces influencing the housing market

government

Energielabels van woningen met geldig energielabel



Bron: RVO

market

A sustainable home is worth more Increase in sales price with higher energy label:

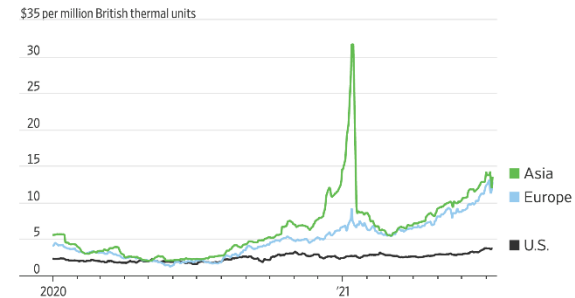
From old labelling	To new labelling						
	A+/+/+/+	A	B	C	D	E	
A	2.9%						
B	7.1%	3.9%					
C	10.3%	7.1%	3.0%				
D	14.2%	10.8%	6.5%	3.5%			
E	*	14.5%	10.0%	6.8%	3.2%		
F	*	*	12.6%	9.3%	5.7%	2.3%	
G	*	*	*	11.6%	7.8%	4.4%	2.1%

Source: NVM/Brainday

* Label jump omitted because it is not realistic

external

Natural-gas prices since 2019



Note: Data for Asia reflect prices for liquefied natural gas in Japan, South Korea, China and Taiwan. Europe shows price for gas in the Netherlands. U.S. data are based on prices at Henry Hub in Louisiana.

Scenario analysis of our Net Zero 2050 target to assess dependencies

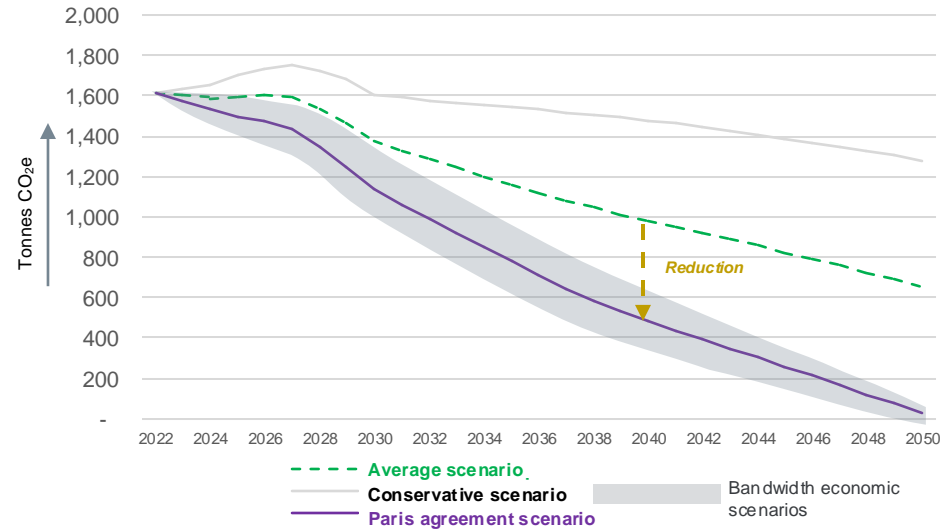
Scenario analysis of Net Zero target:

1. Paris agreement scenario: Europe reaches its Net Zero targets according to schedule. This scenario gives the minimum effort for de Volksbank to reach its Net Zero target.

2. Conservative scenario: The path to Net Zero stagnates and does not exceed current policies. This scenario gives the maximum effort for de Volksbank to reach its Net Zero target.

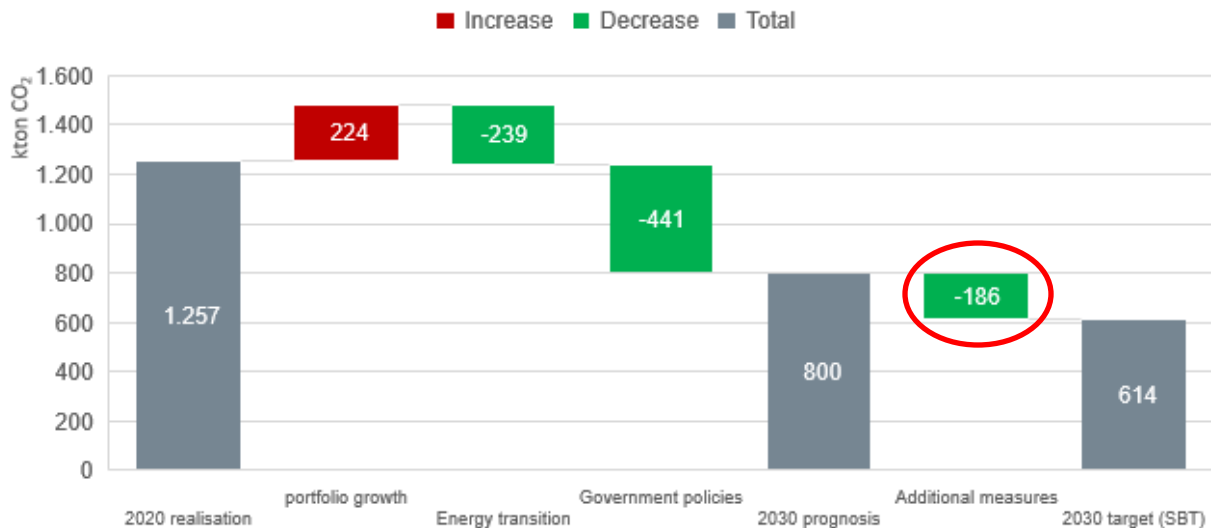
3. Average scenario:
The average between the Paris agreement scenario and the conservative scenario.

Estimated emissions until 2050 according to three scenarios



A gap analysis was done to analyse the minimum effort for de Volksbank to reach the SBT for the mortgage portfolio

Minimum effort for the mortgage portfolio to become Paris aligned by 2030



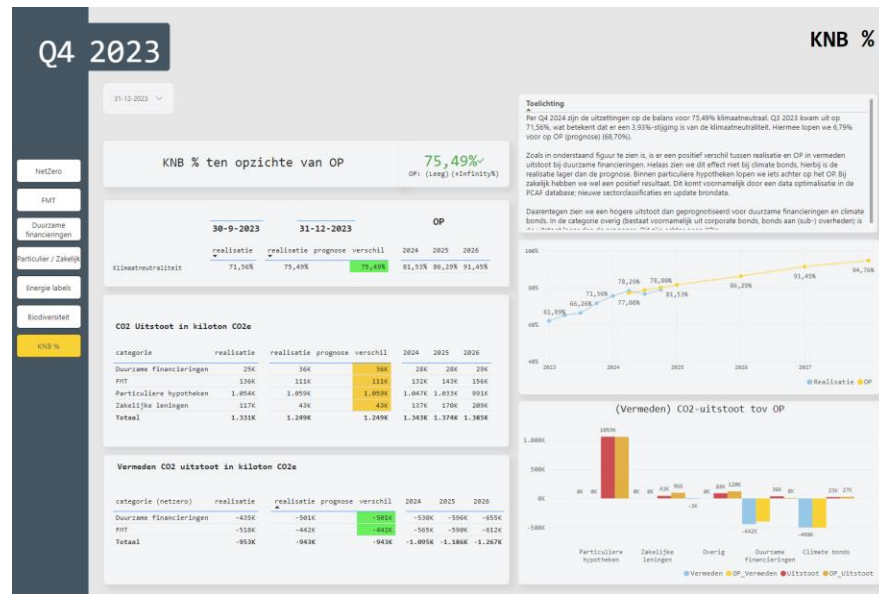
Options to update product offering

Calculations of energy efficiency measures



All required information on monitoring GHG emissions and EPC labels is available in our data warehouse

- Net Zero 2050 and the Science Based Targets form the basis for the KPI's and KRI's
- Monitoring on a quarterly basis the GHG emissions for all relevant asset classes
- Mortgages: monitoring progress through anonymized actual energy consumption data from grid operators, and EPC labels



Some of the challenges for de Volksbank on climate target setting

- Prioritization of Net Zero target vs commercial targets

Volksbank to stick with ASN as sole brand; SNS, Regiobank to go

December 16, 2024

- Long time horizon is new to banks and requires different mindset on uncertainty.

Reaching 2030 climate goal becomes extremely unlikely; extra policy with rapid effect is needed

**Skills gap looms for energy efficiency jobs tied to net-zero emission goals:
IEA**

Britain braces for price hikes as Ukraine stops piping Russian gas

Prices rose after Gazprom supplies to Europe via Ukraine ceased, increasing pressure on Labour to deliver on its 2030 target to end reliance on fossil fuels

- Data quality remains a challenge (EPC labels, energy consumption)

55% of companies cite data quality challenges in CSRD reporting

-
- freek.geurts@asnbank.nl



3i Group plc Science-based targets



3i is an investment company with complementary businesses, Private Equity and Infrastructure, specialising in core investment markets in northern Europe, the UK and North America

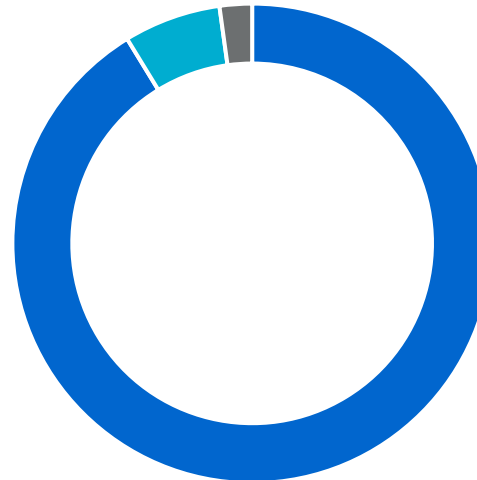
We invest from our own balance sheet (proprietary capital) and manage third party capital to achieve a complementary mix of capital returns and income

Proprietary capital value

Private Equity
£20.9bn

Infrastructure
£1.5bn

Scandlines
£0.5bn

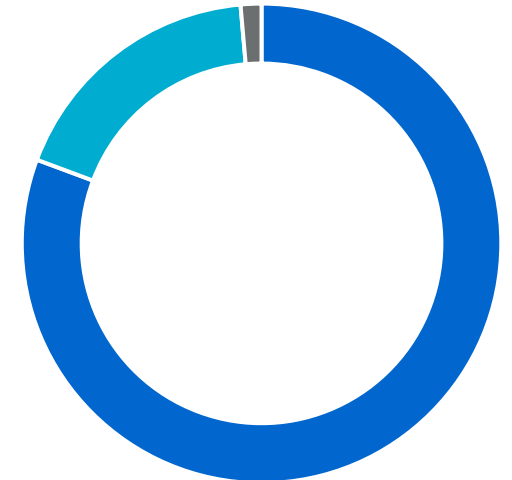


Total assets under management

Private Equity
£28.8bn

Infrastructure
£6.2bn

Scandlines
£0.5bn



Over 75 years of investing history

Listed on the LSE since 1994, member of the FTSE100

Market cap of c£34.5bn



Private Equity

- Funded principally from our proprietary capital, with some funding from co-investors for selected assets
- Principal focus is to generate attractive capital returns
- Invests in companies with an EV of typically €100-500m at acquisition
- Core investment markets of northern Europe and North America

Sectors

-  Consumer
-  Healthcare
-  Industrial Technology
-  Services
-  Software

Infrastructure

- Manages assets on behalf of third-party investors and 3i's proprietary capital
- Objective of generating attractive capital returns and earning fund management fees and portfolio income for 3i
- Invests across a broad range of economic infrastructure businesses in Europe and north America

Sectors

-  Communications
-  Healthcare
-  Energy
-  Social Infrastructure
-  Transport/Logistics
-  Utilities

Careful portfolio construction

Portfolio strategically positioned to benefit from structural growth trends



Demographic and social change



Digitalisation, digital transformation & big data



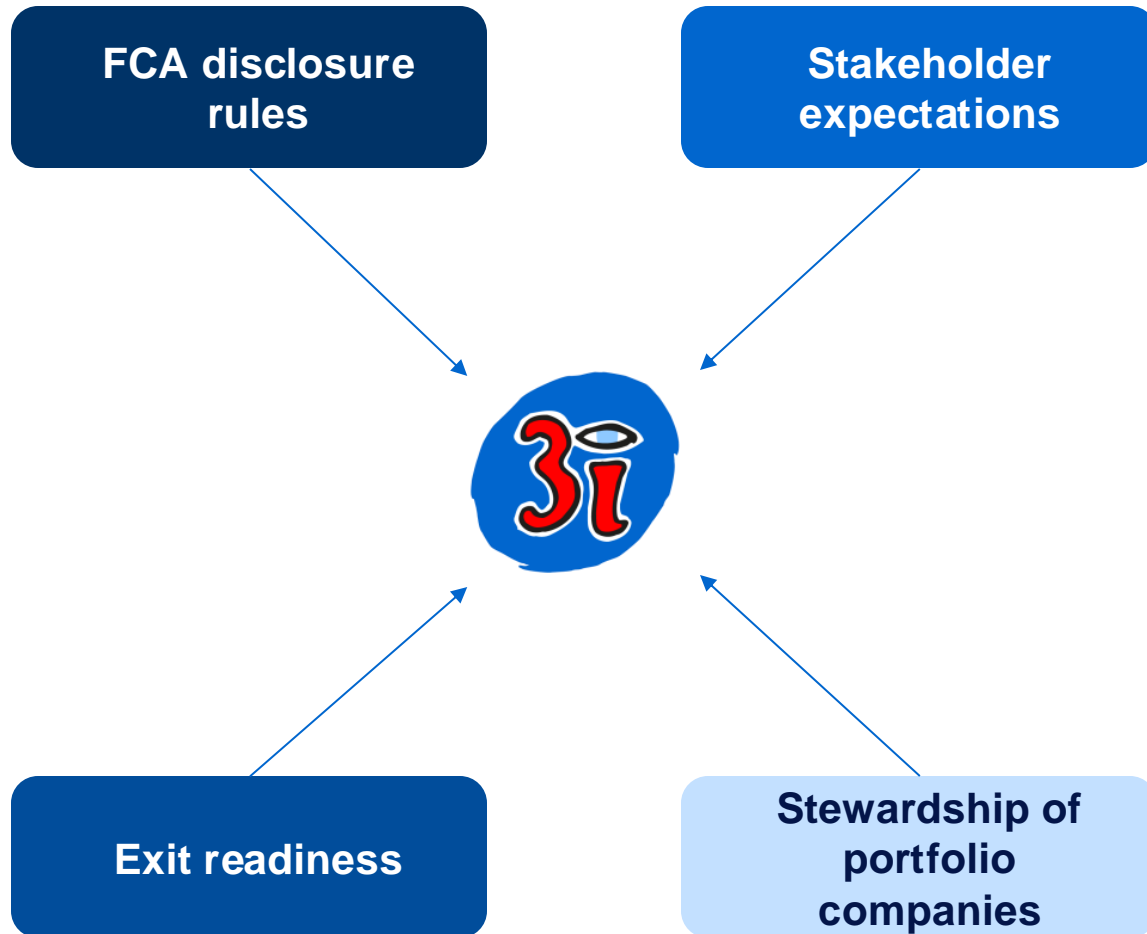
Value-for-money and discount



Energy transition, energy security and resource scarcity



Why did 3i set science-based targets?



FCA disclosure rules

- FCA requires asset managers to report in alignment with TCFD recommendations
- These require companies to describe targets used to manage climate risks and opportunities and performance against these

Stakeholder expectations

- We are assessed by shareholders, fund investors, competitors and rating agencies among others in relation to our position on GHG emissions reduction targets

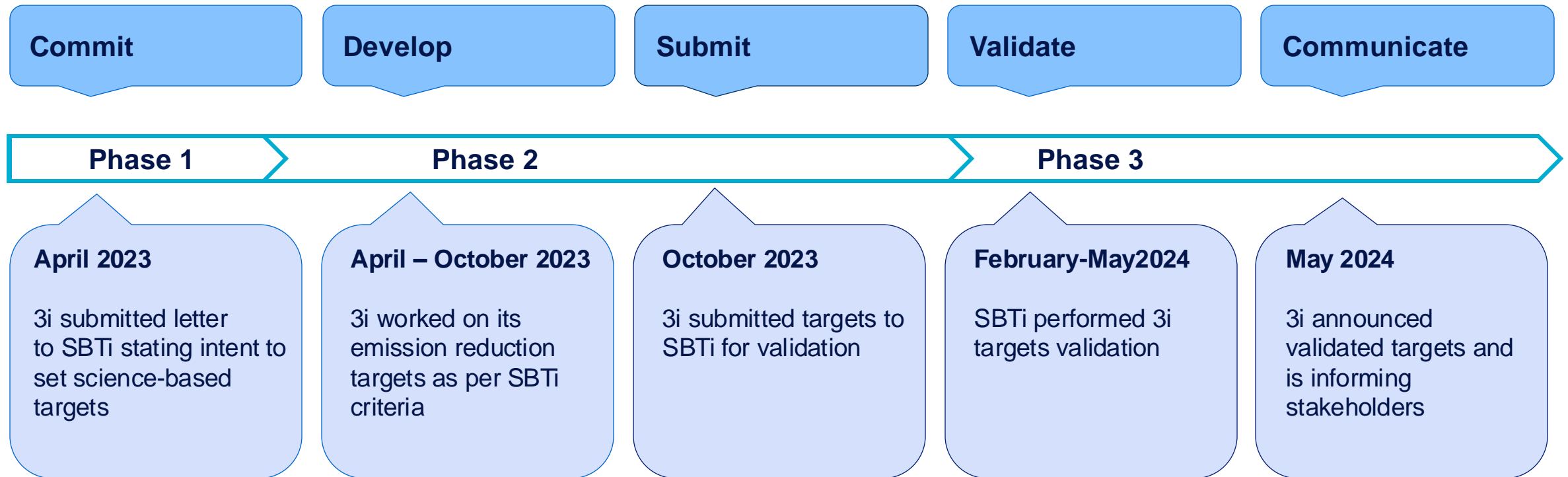
Stewardship of portfolio companies

- We need to position portfolio companies for the transition to a low carbon economy
- This has important implications for their commercial viability as well as for their long-term sustainability

Exit readiness

- Potential buyers might have their own targets in place or question the readiness of portfolio companies for transition

3i's process for targets setting





Scope 1 and 2

(own operations)

3i commits to reduce its absolute Scope 1 and 2 (market-based) GHG emissions by **42%** by FY2030

From a FY2023 base year



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Scope 3

(financed emissions - targets cover 82% of activities by invested capital as of FY2023)

3i is committed to:

- **31%** of its eligible portfolio by invested capital setting SBTi-validated targets by FY2028
- **100%** by FY2040

Portfolio coverage approach

- A **68%** per MWh reduction in GHG emissions from the electricity generation sector within its eligible portfolio by FY2030

Sector decarbonisation approach

- Continue providing electricity generation project finance for only renewable electricity through FY2030

From a FY2023 base year

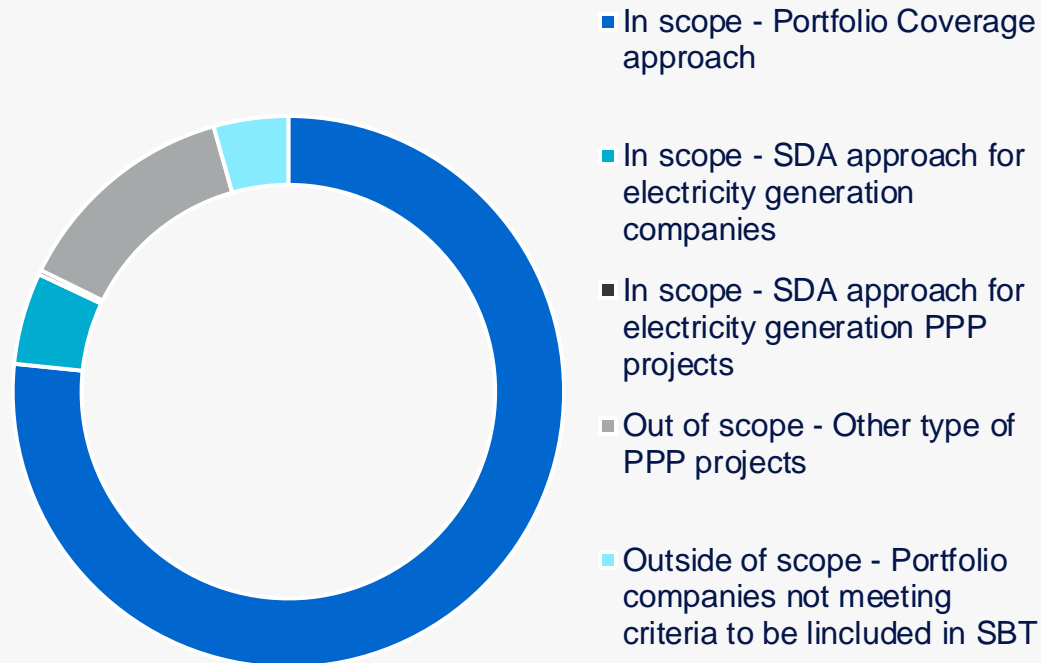
Scope 3 GHG emissions – emissions associated with the portfolio

SBTi prescribes different target setting methodologies depending on sector and level of influence



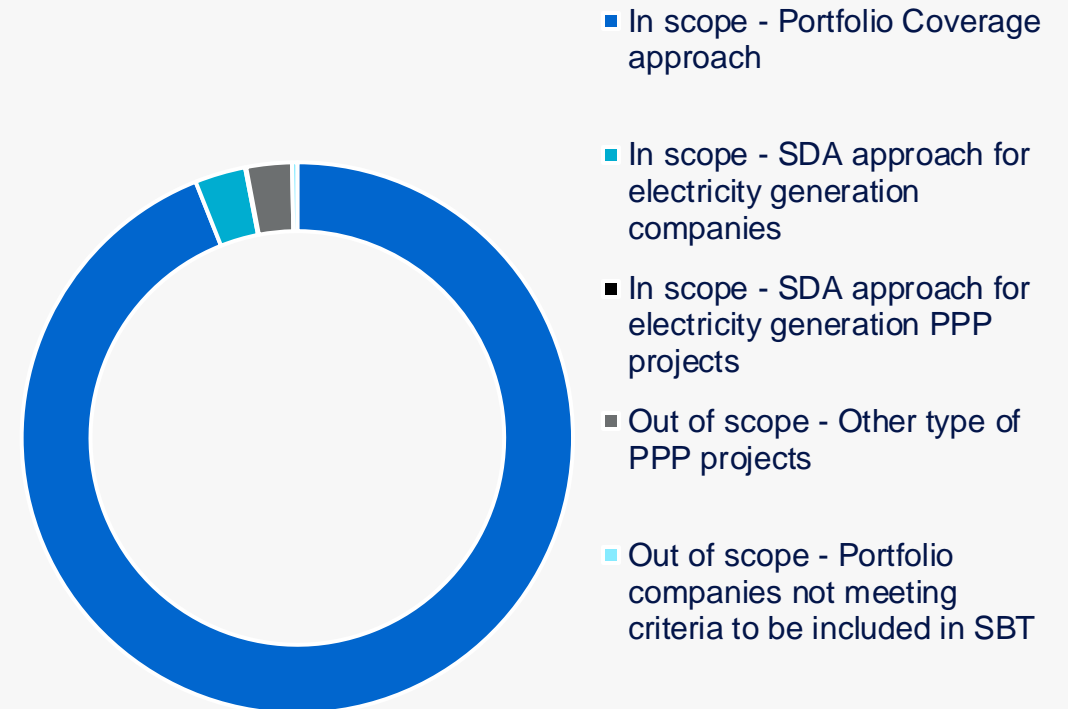
Targets and approaches

by invested capital as at 31 March 2023



Targets and approaches

by AUM as at 31 March 2023



Targets and challenges

Scope 1 and 2 target



3i commits to reduce its absolute Scope 1 and 2 (market-based) GHG emissions by 42% by FY2030

Guidance used

[SBTi Financial Institutions Near-term criteria](#), [Financial Sector Near-Term Science-Based Targets Explanatory Document](#) and [Target-setting tool](#)

Methods available

Absolute Contraction Approach

Information required to set the target

Full inventory of Scope 1 and 2 GHG emissions

Challenges to achieve the targets

- We lease our offices and usually occupy only a small part of the building
- We provide leased cars to some of our employees as part of their benefits package

Our plan to achieve the target

- Engaging with our landlords on the energy efficiency of our premises and on using less carbon intensive energy sources
- Engaging with energy suppliers directly or through our landlords on the procurement of renewable electricity
- Engaging with HR to restrict the provision of leased cars as part of benefit packages to electric models or offer a cash equivalent



Targets and challenges

Financed emissions portfolio coverage target



3i is committed to 31% of its eligible portfolio by invested capital setting SBTi-validated targets by FY2028 and 100% by FY2040

Guidance used

[PE Sector Science Based Target Setting Guidance](#) and PE template shared separately by SBTi during validation

Methods available

SBT Portfolio Coverage and Temperature Rating

Information required to set the target

For each portfolio company:

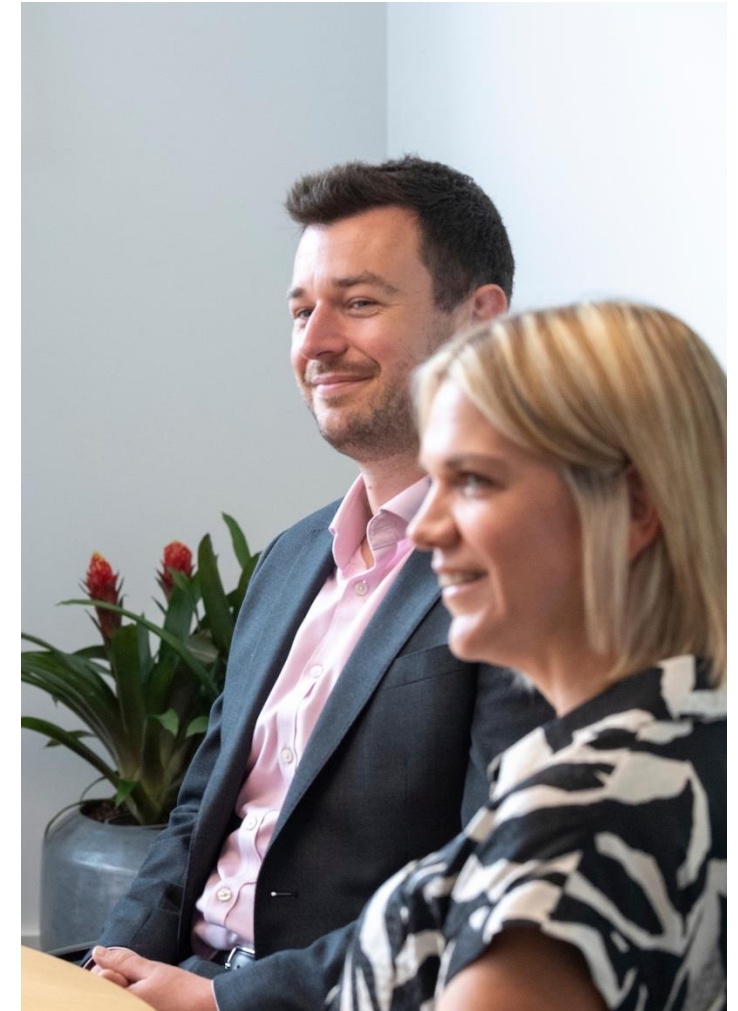
- Whether we have a board seat and we own or manage =>25%
- Invested capital
- Whether the portfolio company has already set SBTs

Challenges to achieve the targets

- Some of our portfolio companies are in jurisdictions which are less focused on climate priorities
- Some of our portfolio companies currently derive a material proportion of their revenues from involvement in the oil & gas industry value chain
- Some of our newer portfolio companies have a low level of carbon maturity and are just beginning to measure their emissions

Our plan to achieve the target

- Updated investment process and RI policy to consider implications of new investments on progress against the targets
- Work with portfolio companies on measuring GHG emissions and developing transition plans



Targets and challenges

Financed emissions target for electricity generation portfolio



3i is committed to a 68% per MWh reduction in GHG emissions from the electricity generation sector within its eligible portfolio by FY2030

Guidance used

[PE Sector Science Based Target Setting Guidance](#),
[SBTi Financial Institutions Near-term criteria](#), and
[Target-setting tool](#)

Methods available

Sector Decarbonisation Approach

Information required to set the target

For each portfolio company:

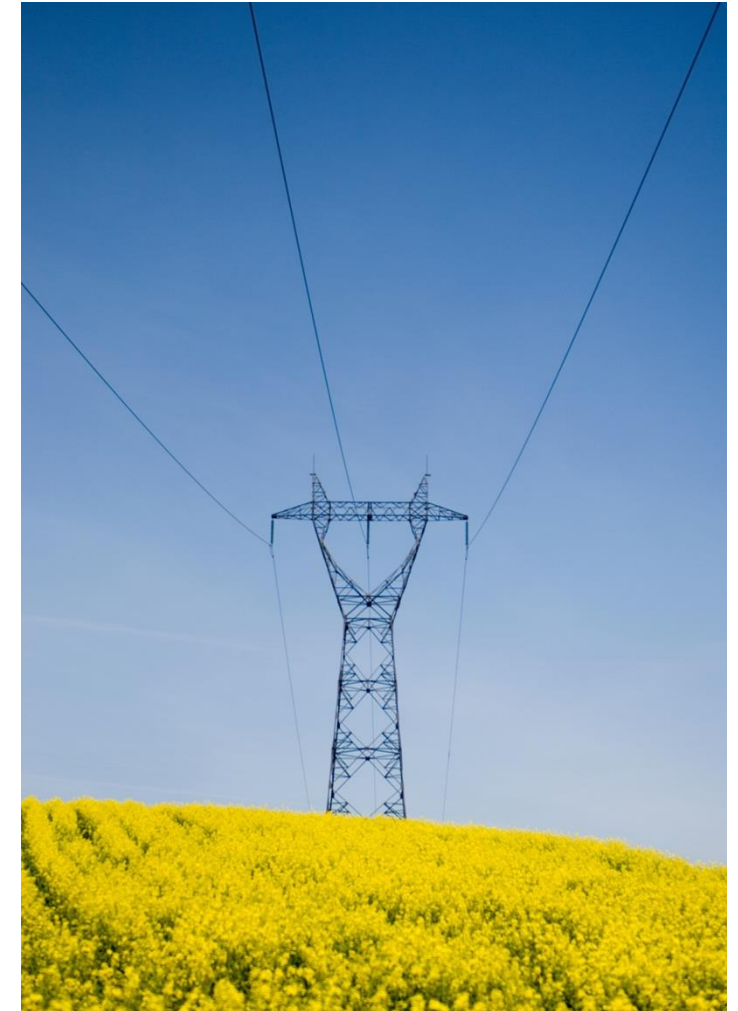
- Electricity produced
- GHG emissions associated with the electricity produced
- Expected growth of production

Challenges to achieve the targets

- The baseline intensity of our electricity generation portfolio is low (0.276 tCO₂e/MWh) and therefore our required reduction will bring us to an intensity of 0.089 tCO₂e/MWh
- Limited availability of renewable energy opportunities within our desired criteria

Our plan to achieve the target

- Updated investment process and RI policy to consider implications of new investments on the target progress
- Changes to electricity generation portfolio composition





LSFI MASTERCLASS ON SBTI TARGET SETTING

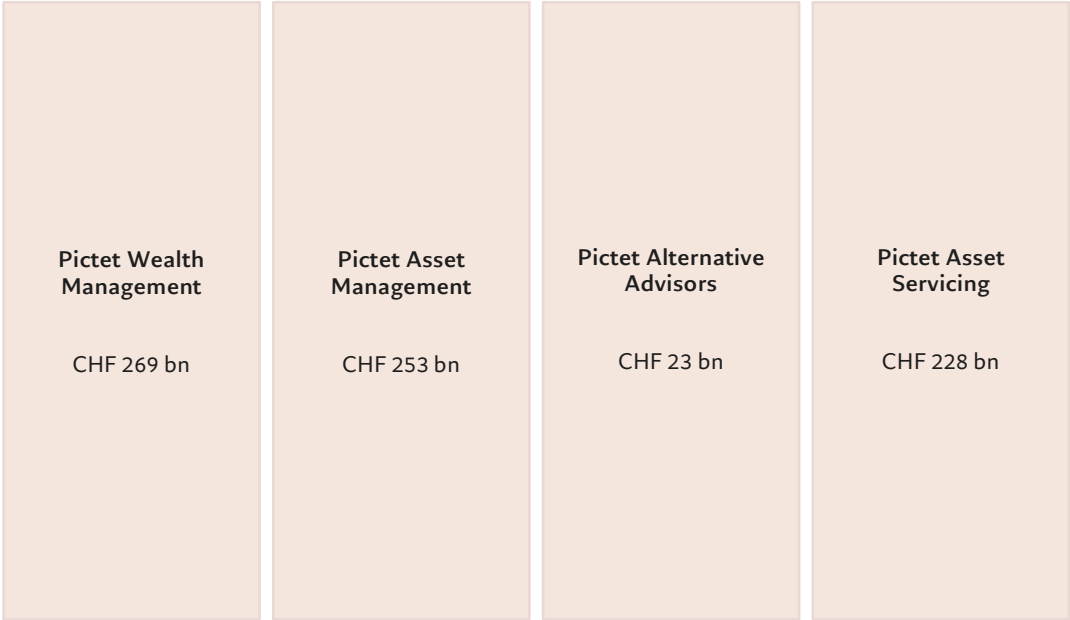
Case study: Pictet's Climate Action Plan

Marie Neveu, Environmental Specialist

21 JANUARY 2025

The Pictet Group

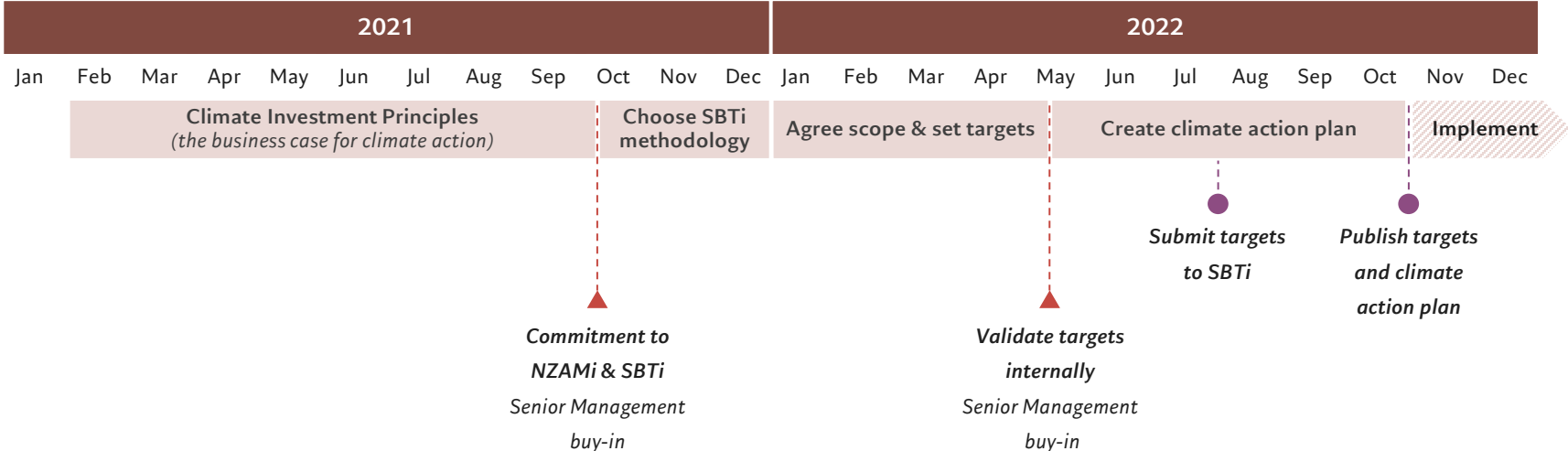
CHF 633 bn under management across 4 business lines




Numbers as of December 2023



Step 0: Get the timelines right



 Project team: 3
People involved: >25

 8 months

Step 1: Get buy-in to take action on climate change

- 1 Climate change will have a **material impact on asset prices and investment returns** in the coming years.
- 2 The **investment decisions taken today** will have a strong bearing on **how climate change and its consequences ultimately unfold**.
- 3 No economic system will be immune to the impacts of severe climate change, therefore such a risk **cannot be easily diversified or hedged**.




Pictet needs to take action

- 1) To limit how it is driving climate change
- 2) To manage climate transition and physical risks





 Project team: 2
People involved: 5

 4 months

Step 3.a: Assess and agree scope of targets

Mandates

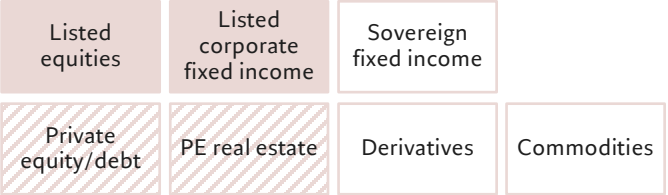


Resulting scope for Pictet targets




34% of all assets under management

70% of assets under discretionary management

Asset classes¹ (active & passive, direct holdings and holdings via funds)




Legend

-  Mandatory
-  Optional
-  Out of scope

¹ Note Pictet does not do corporate loans or project finance, so not represented here

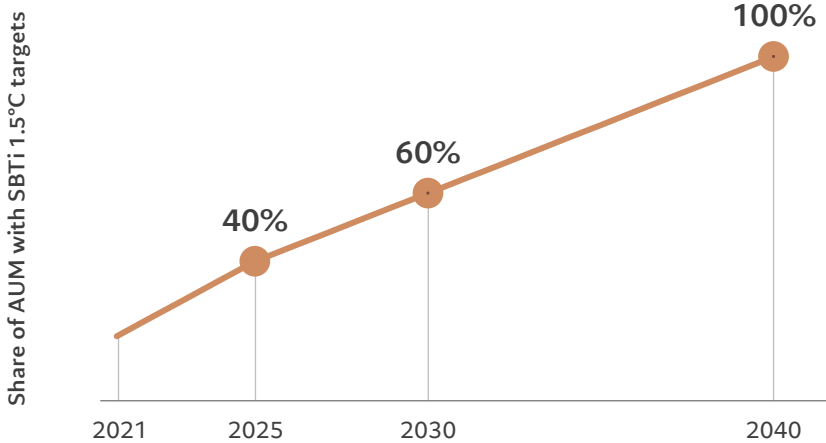


 Project team: 2
People involved: 6

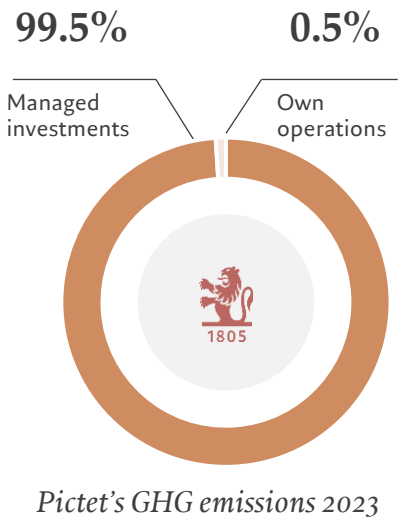
 4 months

Step 3.b: Set, validate and publish science-based targets

Listed equities and fixed income
Increase share of AUM in companies with SBTi 1.5°C targets to 40% by 2025, 60% by 2030 and 100% by 2040




Dec'24 status at 40%, above target



Own operations
-55%
reduction in absolute scope 1 and 2 emissions from 2019



 Project team: 2
People involved: >25

 6 months
+ ongoing

Step 4: Support targets with an action plan and implement

3 levers of actions in our investments and recent examples



Our solutions
PE Environment Co-investment



Our transition
Pictet ESG scorecard
Energy Transition Reflections



Our engagement
Group Engagement Focus
Advocacy



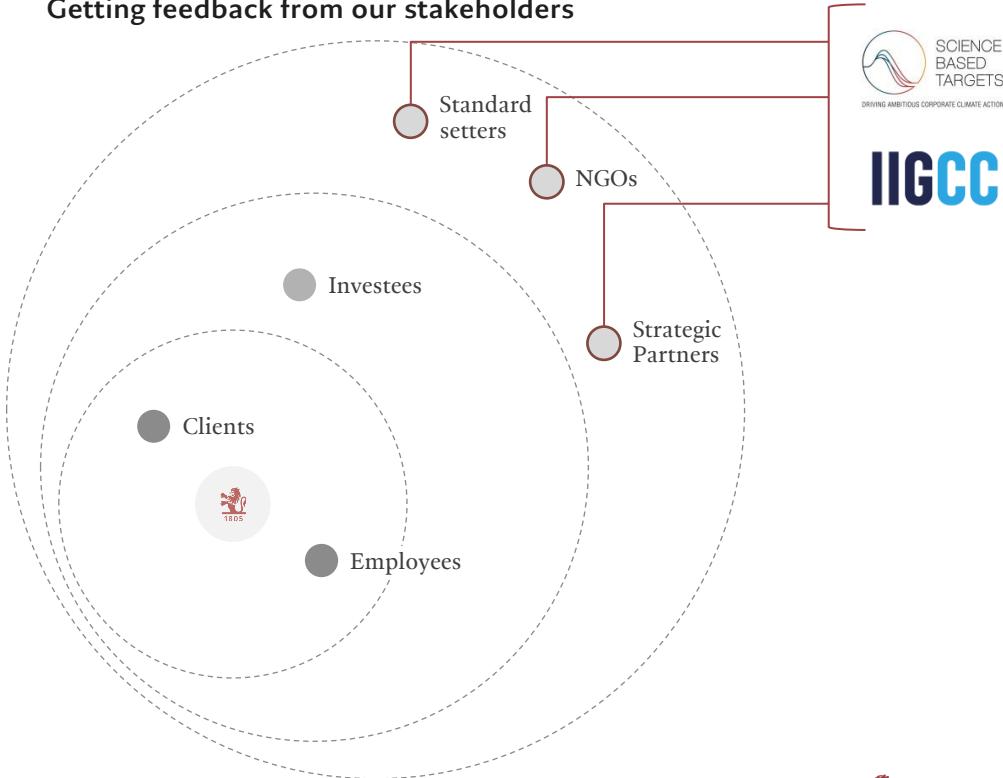
Supporting actions
Control, train and report

 Project team: 2
People involved: 8

 Ongoing

After: Continuously update approach to climate action

Getting feedback from our stakeholders



- Answer consultations on climate-related topics
- Inform evolution of guidance through bilateral conversations
- Obtain feedback on our progress and priorities
- Participate in working groups to share best practices

