

2021 Climate Commitment Asset Managers in the Netherlands



The financial sector in the Netherlands – banks, pension funds, asset managers, and insurance companies – actively contribute to combatting climate change. The Dutch government aims at reducing greenhouse gas emissions by 49% by 2030 compared to 1990. In order to contribute to this target, 54 Dutch financial institutions have committed themselves to reporting on the climate impact of their relevant financing and investment activities as from 2021. Moreover, financial institutions will announce their action plans – including reduction targets – for 2030 no later than in 2022, in order to contribute to the Paris Agreement.

In 2019, about 15 asset managers who are operating in the Netherlands signed the Climate Commitment. This publication sets out how six different asset managers are handling the undertaking.

Asset managers manage but do not own their clients' investments, and therefore clients usually have a decisive say in their choice of investment. Their clients vary greatly, and include institutional parties such as pension funds and insurance companies. However, there are also asset managers whose clients are mainly private investors.

In the context of the Climate Commitment, asset managers assist their institutional clients with reporting on, among other things, the CO₂ levels of their investments. In addition, they advise their clients on action plans and reduction targets. They may also discuss with companies their climate policy, or vote at shareholder meetings.

The vast majority of investments handled by asset managers are investments in foreign shares, government and corporate bonds, projects, or real estate, because their clients want a substantial geographical diversification of their investments. As a result, the Dutch Climate Agreement is not the only relevant factor with regard to clients' climate policy. The transition paths outside Europe usually differ from the European Green Deal ambition.

When reduction targets and plans for 2022 are announced, this international and global context needs to be taken into account. Nevertheless, in order to help limit global warming, many asset managers acknowledge the urgency of aligning their clients' investment portfolios with the targets of the Paris Agreement.

Aegon Asset Management

Aegon AM incorporates ESG-related factors into its investment process, in order to handle risks and opportunities more efficiently. They do this systematically with financial-material factors such as climate change, which is a direct focal area for the long-term value development of its investments. Therefore, Aegon AM holds the companies in which it invests accountable for how they deal with climate change. In relevant cases, Aegon AM also exercises its shareholder rights to exert influence on the policies and management of companies in order to render climate change a key component of company policy through active ownership.

As a signatory of the Climate Commitment, Aegon AM Nederland (AIM BV) helped its Dutch clients gain an insight into the carbon footprint of their investments, and supported their climate ambitions. For this purpose, Aegon AM addressed companies directly on how to handle climate issues, and also collaborated with other investors so as to jointly address companies and relevant supervisors. The following are some examples of actions to which Aegon AM contributed.

- **Climate Action 100+** Aegon AM is a member of Climate Action 100+, an investor-led initiative focused on encouraging the world's largest GHG-emitting companies to combat such emissions and the negative impact of climate change. Under Aegon AM's co-leadership, two relevant companies have committed themselves

to achieve a net-zero target of emissions by 2050 at the latest, and to obtain sound scores in the CA100+ benchmark.

- **ArcelorMittal** This company committed itself to 'Net-Zero GHG emissions by 2050', and has set clear interim reduction targets in this respect. It has increased its European targets to a 35% CO₂-equivalent reduction by 2030, has introduced new carbon-free technologies in Germany and Spain, and collaborates with the Science Based Targets initiative in order to develop reduction targets suitable for the metal and steel sector.
- **E.ON** This company has announced its ambition to be climate neutral by 2040. Its aim is to achieve a 75% reduction in Scope 1 and 2 emissions by 2030, and 100% by 2040. The Scope 3 greenhouse gas emissions – which constitute over 50% of E.ON's emissions – should be reduced by 50% in 2030 and, eventually, by 100% in 2050. E.ON will continue linking its remuneration structure to its climate targets.

In addition to holding companies accountable for their climate policies, Aegon AM also exercised its voting rights and contributed to shareholder resolutions during the meeting of shareholders in order to stimulate a more ambitious approach of emission reduction and combat climate change. This included:

- **Follow This** This initiative submitted several shareholder resolutions to European and American oil and gas companies. The resolutions aimed at developing and implementing climate strategies in line with the emission reduction targets of the Paris Climate Agreement.
- **Climate resolutions** On behalf of some of its clients, Aegon AM put forward and supported climate-related shareholder resolutions in other sectors such as banking. In a number of cases, this has led to commitments to stop financing coal mining and the generation of coal-fired power, as well as to the further strengthening of emission reduction targets.

Furthermore, we only supported climate proposals that were based on a clear and ambitious climate plan. The efforts of Aegon AM have been recognised by ShareAction, a prominent organisation

that promotes responsible investing. In a report issued by ShareAction, Aegon AM was identified as one of the world's leading investors in the field of climate-related resolutions.

APG

Reduction paths towards 'Paris' for real estate

In 2020, the Carbon Risk Real Estate Monitor (CRREM) launched global CO₂ reduction paths for commercial real estate. APG is one of the initiators, together with PGGM, Norges Bank Investment Management (NBIM), and GRESB, among other organisations. These reduction paths enable investors to check whether making their real-estate investments more sustainable is in line with the Paris climate targets. The built environment accounts for about 40% of the global greenhouse gas emissions. Owing to more stringent rules, climate change poses transition risks as well as physical risks.

In cooperation with 32 other major investors, APG has published the Net Zero Investment Framework (NZIF), which allows investors to align their portfolios with the Paris climate targets. This means that the portfolio contributes to the target of reducing the net global GHG emissions to zero by 2050. The framework was developed by over 110 major investors at the initiative of the Institutional Investor Group on Climate Change (IIGCC), which is co-chaired by APG.

Voting

Companies with the highest greenhouse gas emissions worldwide are expected to develop a CO₂ target, in addition to linking their climate target to the remuneration of management. Otherwise we will vote against the remuneration and appointment of management boards, or against the annual report. In 2020, we did so with regard to Philips 66 and Devon Energy, among other companies.

Carbon footprint

We have reached an agreement with our clients that the carbon footprint of the equity portfolio must be structurally reduced. In order to achieve this, the managers of our equity portfolio were given a target for the maximum CO₂ levels the

companies in their part of the portfolio were permitted to emit. By reducing this CO₂ budget annually, we are gradually working towards the agreed targets (e.g. ABP: -40% in 2025 versus 2015).

Investing in SDG 7: affordable and sustainable energy

At the end of 2020, on behalf of our funds, we invested € 15.9 billion in Sustainable Development Goal number 7; 'Affordable and Sustainable Energy' (SDG 7; original title: Ensure access to affordable, reliable, sustainable and modern energy). By investing in this goal, we will reduce climate risks in our investment portfolio and contribute to energy transition. ABP's target is to invest € 15 billion in SDG 7 by 2025. In 2020, APG invested an additional € 250 million in Småkraft, the largest operator of small-scale hydroelectric power plants in Norway. The company will use this investment to construct dozens of small new hydroelectric power plants, and will eventually generate sufficient sustainable energy to supply 570,000 households. The investment follows two previous investments in Småkraft, of which APG has invested a total of € 540 million.

In 2020, together with a group of international financial institutions, we took part in a funding round involving Northvolt. With the € 1.35 billion in loans that Northvolt obtained by this means, the company is building two 'giant plants' for more sustainable lithium-ion battery cells in Sweden and Germany. Northvolt is the largest European producer of such batteries, which, for example, are used for electric cars. The Swedish plant itself will operate fully on renewable energy, providing sufficient energy to run 15,000 electric cars for a period of one year.

ASN Impact Investors

ASN Impact Investors report on the carbon footprint of both the total invested assets under management and the individual funds, and aims to be climate positive by 2030. This means that, by 2030, our aim is to take more CO₂ out of the air than we emit. We are actively focusing on finding investment opportunities for removing CO₂ from

the air and/or storing/sequestering it, and we also work continuously on further improving the measurement method.

Every year, in our impact report as well as in our half-yearly and annual reports, we report on the progress made. We report on the Scope 1, 2, and 3 CO₂ emissions relating to all investments (i.e. not just oil, gas, and mining) and the emissions avoided.

The goal we have set ourselves affects everything we do as ASN Impact Investors, ranging from the critical selection of companies in our investment universe on the basis of our sustainability policy, engagement, and voting, to the actual construction of a portfolio. Climate plays a key role in everything. We opt for companies that are the best in their sector: namely, the ones that work on solutions and are also transparent in this respect. As a result, we do not select companies and projects in the fossil-fuel sector but in the field of renewable energy. In addition, we assume our role as an investor and, where relevant and needed, we engage in talks with companies about their impact on the climate, as well as their strategy and how they can improve it. We also include this as follows when we vote during shareholder meetings:

- assessing directors (supervisory board) on the basis of their skills and experience in the field of climate;
- ensuring that sufficient attention is paid to the climate in the annual report;
- voting against acquisitions, reorganisations, and expansions if these have a negative impact on the climate.

We report on this on our website and in reports. Finally, in constructing the portfolio, the carbon footprint of companies is also taken into account. We are currently in the process of introducing this for all funds that invest in listed companies, by assessing how investments relate to the Paris Agreement.

BlackRock Nederland

Concerted efforts in the asset management sector

BlackRock is committed to stimulating climate transition in cooperation with local, regional, and international organisations, by affiliating to, among others, the Net Zero Asset Managers Initiative (NZAMI), One Planet Asset Managers Initiative, Partnership for Carbon Accounting Financials (PCAF), Institutional Investors Group on Climate Change (IIGCC), Task Force on Climate-related Financial Disclosures (TCFD), and the Task Force on Nature-related Financial Disclosures (TNFD).

Carbon footprint and climate impact reporting

As a global investor, BlackRock advocates for greater transparency in order to provide all stakeholders with clear and meaningful sustainability-related information. To this end, BlackRock draws up a universally accessible GHG statement for all its investments, with a full report on all Scope 1, Scope 2, and, insofar as applicable, Scope 3 emissions. Please refer to our Lloyd's Register Independent Assurance Statement for our emission figures. Additional information can be found in our 2020 SASB and 2020 TCFD Reports.

Climate action

In his letter to clients of January 2021, our CEO Larry Fink committed himself to the steps to be taken by BlackRock. These include publishing figures, insofar as available, that, with regard to all our listed equity and bond funds, clearly indicate to what extent they are in line with the target of reducing global warming; the integration of climate criteria into our Capital Markets Assumptions; the application of an 'increased-supervision' model for our active portfolios, for targeted management of positions that represent a significant climate risk (that can be dispensed with in absence of improvement); the introduction of investment products that explicitly incorporate climate targets, such as products that are geared to the net-zero emission target; and the application of stewardship as a means to stimulate the companies in which our clients invest to aim at reducing their climate risk as well as to think about how they may benefit from the opportunities brought about by the transition to net zero. Furthermore, we will be issuing interim reports on what percentage of our assets must be in line with net zero by 2030.

Stewardship – voting and engagement

We expect companies to indicate clearly how they adapt their business operations to the global efforts of reaching net-zero emissions by 2050. In 2021, we expanded the universe that we are investigating to over 1,000 carbon-intensive listed companies, covering 90% of the global Scope 1 and 2 emissions of companies in the portfolios of our clients that are managed by BlackRock. If we feel a company is not sufficiently transparent to assess how key risks are tackled, we may reach the conclusion that these risks are dealt with inadequately, and insufficient measures are being taken to reduce them. Since July 2020, this view has had an impact on how we voted on behalf of clients relating to proposals of management boards and shareholders. At shareholder meetings in 2020/2021, we voted 255 times against management boards and 319 times against companies because of climate-related issues that might have a negative impact on the shareholder value.

As regards investments aimed at reducing CO₂ emissions

Innovative actions we have undertaken include the introduction of investment products focused specifically on achieving temperature targets; the expansion of our sustainable alternative instruments; the development of impact-investment products in public as well as private markets; and the development of sustainable versions of broad-based market exposures. In addition, we invest in Aladdin Climate, our platform for climate-risk management, to help investors with targeted management of their climate targets by providing them with instruments to map how closely the investments in their portfolio are in line with achieving net zero, and offering analysing tools for the integration of climate criteria into portfolios and corresponding reports.

Exclusions and divestments related to CO₂

Insofar as it is within our mandate, BlackRock will move to dispose of investments in shares and bonds of companies that generate more than 25% of their revenue in connection with thermal-coal production, due to the increased risk associated with this economic activity.

Robeco

As a signatory of the Dutch Climate Commitment, Robeco's ambitions further accelerated when we launched the Net Zero Asset Manager Initiative with about 30 other asset managers in December 2020. This initiative currently has 128 members worldwide, and a total of \$43 trillion in managed assets.

Robeco is committed to being climate neutral with regard to 100% of the investments by 2050 at the latest, and in this regard issued an action plan with concrete targets for 2025 and 2030 before the COP26 climate conference took place in Glasgow in 2021.

The key dilemma in the transition to a climate-neutral economy is in the fact that carbon-intensive industrial sectors are actually the ones in need of this capital in order to realise the transition. This means that common instruments such as exclusions and reducing the carbon level of investments may contribute only to a limited extent.

Furthermore, it is of paramount importance that asset managers have better forward-looking data at their disposal relating to the transition capacity of the companies and countries in which we invest. The Dutch government can contribute to this with a clear-cut, long-term policy and targeted reporting frameworks for the business community.

Van Lanschot Kempen

The financial sector has a key role to play in climate change. Van Lanschot Kempen signed the Climate Commitment in 2019, and committed itself as a net zero asset manager in 2020. This means that we aim to align our investment portfolios with the Paris Climate Agreement.

In our climate policy of 2020, we incorporated a long-term commitment (2050), formulated a mid-term ambition (2030), and laid down short-term targets (2025).

- 2050: climate-neutral investment portfolios (in line with the Paris Climate Agreement);
- 2030: listed and non-listed investment portfolios are in line with the path to the Paris and Dutch Climate Agreements.

- 2025: listed investment portfolios are in line with the path to the Paris Agreement in accordance with the new EU benchmarks as well as with the Dutch Climate Agreement. In practice, this means that we aim at substantially reducing the carbon footprint of these portfolios annually, and will focus on Scopes 1, 2, and 3 in this respect.

For 2025, we have formulated actions in line with our ESG approach

- Exclusions (companies that obtain the majority of their revenue from coal mining and tar sands at the end of 2022);
- ESG integration (full integration into the daily investment policy on climate risks and opportunities in portfolios);
- Active ownership (engagements and voting; stimulate companies and fund managers to integrate climate risks and opportunities into business models). Our portfolio managers as such will enter into direct dialogue with management of companies. In addition, we will engage with other major investors through Climate Action 100+. The objective here is to set the frontrunners in a sector in motion, and the stragglers will usually follow automatically. In addition, we will vote on climate-related resolutions during shareholder meetings;
- Impact. The next few years will increasingly be committed to creating a positive impact. Examples include promoting green bonds, a global-impact pool, and the recent establishment of a sustainable farmland fund.

Furthermore, we also participate in various sectoral initiatives, as well as the Net Zero Asset Managers Initiative and the Institutional Investor Group on Climate Change. In the Netherlands, we take part in the PCAF climate working group (for climate reporting) and the climate-risk working group of the DNB (the Dutch central bank).

For several years, we have reported on our carbon footprint with regard to our own organisation and balance activities (such as mortgages), as well as on investments for our clients. In the next few years, we seek to further expand coverage of these activities, because, as yet, no reliable climate data are available relating to all activities.

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