

Rabobank Climate Commitment

Disclosure of progress over 2020

The cooperative Rabobank



Introduction

In 2019, Rabobank signed the Commitment of the Financial Sector to the Dutch Climate Agreement (the commitment) together with 50 other financial institutions. Moreover, we are committed to the goals of the Paris Agreement and consider it a shared responsibility to take action. By doing so, we have committed to mandatory reporting on the climate impact of our loans and investments from 2020 onwards, as well as to have action plans in place by 2022 that contribute to reducing CO₂e emissions of our loans and investments.

About this disclosure

This disclosure follows the structure of the framework¹ of the climate commitment of the financial sector and is aligned with our contribution to the sector report. It aims to foster transparency regarding our position and contribution to the commitment, as well as to ensure our reporting practices fully align with the commitment's requirements. Most importantly, however, we also give further depth to our view on which share of our balance sheet is considered to be relevant from a climate-materiality perspective², and which as such will be in scope of future Paris alignment disclosures. Please note that most of the content of this disclosure is taken from our climate report '[Rabobank and Climate Change](#)' and the [Annual Report 2020](#).

1 This framework forms the basis of the joint sector report on behalf of the financial sector, which has been provided by KPMG.

2 As opposed to the financial-materiality perspective which can be seen in our TCFD disclosure.

Challenges in data quality and measurement

Over the last years we have disclosed information on our portfolio using data from internal and external sources, and used this data for risk analyses. More and better data is needed for the future, however. Overarching challenges for measurement methods include the limited availability of data and the lack of unambiguous recognized and applied definitions and standards. This concerns, for example, granular data in the field of emissions. In our report [Rabobank and Climate Change](#), we provide more details on the challenges of assessing the transition to a low carbon economy in agriculture (page 20). Regarding the two main estimations mentioned in this disclosure, we may note the following:

Mortgage portfolio:

In order to improve the accuracy of our carbon estimations of the mortgage portfolio, we would like to use emission intensity figures but the required data is not accessible for us at this time. While the Dutch Statistics (CBS) have all data at hand, making use of it has proven to be difficult. Data that has been shared before has been aggregated and not directly assignable to individual customers. Further work in that respect needs a governmental assignment and budget in order for Dutch Statistics to be able to gather the required data, which is a work in progress.

Dutch SME Loan portfolio:

At this time, most clients do not disclose emissions data, and the emissions data they do collect is not publicly available. Perhaps, some of them may be inhibited in doing so by not having the knowledge on how to calculate it. The calculation methodology for agricultural clients, which make up a significant share of our Dutch SME loan portfolio, is especially complex. Hence the only way forward at this time is using top-down country and/or sector data. Furthermore, natural legal persons (natuurlijke rechtspersonen) are not obligated to disclose financial accounts, which means they cannot be included in these top down estimations. In the agricultural sector, the share of family businesses, which are often organized as natural legal persons, is estimated to be relatively large¹. As such, current estimates of Rabobank's share in this sector are likely to have an upward bias. Our financed share figures do include exposures to these natural legal persons, which, combined with an understatement of the sector total balance sheet published by the Dutch Statistics, causes a relative overstatement of our share in the sector and related financed emissions. Work is being done in accessing bottom-up data wherever available, with as known limitation that this data is generally not disclosed by companies. At this time,

we have designated 70% of our total assets as climate material. We define climate material assets as assets that potentially have a significant impact on the climate, for example by leading to high levels of financed emissions.

For 57% of these climate-material assets, we have already calculated a carbon footprint estimate, which leaves 43% of the remaining climate-material assets to be done in the near future. Given above notions, however, it should be mentioned that work is to be done in overcoming the data quality issues, also for the already estimated share of the portfolio.

Dutch and international wholesale and international rural banking portfolio:

Our international wholesale and rural portfolios as well as the Dutch wholesale portfolio add up to 24% of assets designated as climate-material. At the time of writing of this report, estimations of the carbon footprints of these portfolios were not at hand. However, for the wholesale portfolio we expect to report an estimate soon. For our international rural portfolio, we have initiated "Banking for Impact on Climate in Agriculture" (B4ICA), an international group that brings together banks, scientists and relevant experts under the convening power of the PCAF, UNEP FI and the WBCSD. It is bound to address the data gaps in climate impact measurement in agriculture.

Other shares of our climate-material assets such as leasing by DLL (7%) or those currently aggregated under financial or other assets, specific methodologies required for footprinting and Paris-alignment exercises are still lacking. Work is being done however to address those gaps as well.

¹ <https://economie.rabobank.com/publicaties/2018/februari/flexibele-arbeidsmarkt-grenzen-aan-flex/> (Figure 3)

Reading Guide Disclosure

General information

Question	Response
Financial Institution	Rabobank
Sub-segment	Banks
Link to public document (source of relevant information)	Rabobank and Climate Change Rabobank Annual Report 2019 Rabobank Annual Report 2020 Our impact in 2020
Type of financial institution	Bank

Chapter 1: Measuring CO₂e impact

Question	Response
1.1 Is the CO ₂ e impact measured?	Yes
2.1 Which CO ₂ e impact indicator(s) does the institution use to monitor the performance of the overall portfolio?	<p>Mortgage portfolio: Energy labels. Total Carbon Emissions (tCO₂e)¹.</p> <p>Dutch SME loan portfolio: Carbon Footprint (tCO₂e/EURm invested).</p> <p>Power Generation portfolio: PACTA technology mix / Other.</p>
2.1.1 Which measurement method is used for these indicators?	<p>Mortgage portfolio: PCAF - Energy label approach. PCAF - Energy use per household¹.</p> <p>Dutch SME loan portfolio: PCAF - Sector emissions approach.</p> <p>Power Generation portfolio: PACTA .</p>
2.2 Which attribution method is used (per asset class)?	<p>Private Sector Loan Portfolio: Mortgage portfolio: Client level energy label data. Dutch SME loan portfolio: PCAF – Rabobank’s share in the sector based on exposure and total sector size. Power Generation portfolio: Based on energy mix of each client / project.</p> <p><i>At this stage Rabobank did not use company data (Enterprise Value attribution method).</i></p>
3.1 What data sources are used? And which data providers?	<p>Private Sector Loan Portfolio: Mortgage portfolio: Calcasa (Energy label approach). CBS (Dutch Statistics) (Energy use per household)¹.</p> <p>Dutch SME loan portfolio: RIVM data attained via Dutch Statistics, with extra granularity commissioned through PCAF.</p> <p>Power Generation portfolio: World Energy Outlook, International Energy Agency, Global Data.</p>
2.4 Describe the quality of the data used to measure the CO ₂ e impact (per asset class)	<p>Private Sector Loan Portfolio: Mortgage portfolio: Energy label approach: PCAF score 3². Energy use per household: PCAF score 2¹.</p> <p>Dutch SME loan portfolio: PCAF score 4.</p> <p>Power Generation portfolio: PCAF score 3.</p>
3.1 What is the scope of the CO ₂ e report (which entities and/or activities)?	<p>Private Sector Loan Portfolio: Activities: Mortgages; sustainable food and agribusiness; SME clients; power generation (project finance, corporate clients); sustainable assets under management for private clients; leasing for corporate clients (source: Rabobank and Climate Change p. 9-17).</p> <p>We have assessed our balance sheet and found that 70% of our total assets are relevant in terms of climate materiality. From this share, 57% has been included in one or more carbon footprinting exercises. This corresponds with 40% of our total balance sheet. The following activities have been included in CO₂e reports: Residential Real Estate, and SME loan portfolio (sectors for which PCAF data is available). Furthermore, our Power Generation portfolio's alignment with the Paris Agreement has been assessed, too.</p> <p><i>Please see appendix for a break-down of our total assets and climate materiality.</i></p>
3.2 What are the relevant financing and investments? <i>List the relevant financing and investments</i>	<p>Please refer to the appendix where we provide a detailed overview of our balance sheet, an initial estimate of the climate materiality of the line items, as well as whether they have already been included in a calculation or expected to become included soon (based on financial materiality first).</p> <p>Another important consideration is that of data availability, see note on data quality above.</p>
3.3 What scope is reported on (from the perspective of financing / investments - scope 1/2/3 emissions)?	Scope 1 and 2.
4. Breakdown of the CO ₂ e impact of the portfolio (refer to the Framework for an example).	<i>Please see appendix.</i>

1 One-off estimate by Dutch Statistics.

2 Please see the PCAF Global Standard for an explanation of the scores.

Chapter 2: Action plans and actions

Question	Response
1.1 Does the institution have an action plan for all relevant financing and investments?	We have a partial action plan with specific ambitions and targets for each of the climate themes but not yet for all relevant financing and investments, or overarching at group level. We have a climate action plan with specific ambitions and objectives. This action plan is guiding our bank wide climate program. An initiative within the climate program is our Paris Alignment Methods & Targets project. With a specific approach and timeline, this project focuses on developing methods and setting targets for the Rabobank portfolio within the timelines of the Dutch Climate Agreement and working towards the Paris objectives. Please refer to " Our Impact in 2020 " for an overview of relevant indicators for climate and broader sustainability topics. Our publication ' Rabobank and Climate Change ' also contains details of our action plan.
1.2 What climate actions are described in the action plan and on what timeframe?	For select climate strategy themes, we have developed actions and targets, some of which are % CO ₂ e reduction targets. Summary of actions in each of the climate themes Finance sustainability measures; green funding; training; client engagement; measure sustainable frontrunners; implement uniform voting and engagement policy; exclusion of coal, shale gas, and other non-conventional fossil fuels; finance energy transition <i>Refer to Rabobank & Climate Change for the information.</i>
1.3 Has the institution actively attracted the clients/participants attention to the climate?	Yes, please see Rabobank & Climate Change page 11, 17 and 18.
1.4 Has the institution sold/reclaimed assets on account of the climate?	We have not sold or reclaimed assets on account of the climate but provide multiple climate-related products and services which are listed in 'Rabobank and Climate Change' in each chapter (pages 9, 11, 14, 15, 17). Furthermore, with the acquisition of The Sustainables in July 2020, we aim to offer Dutch homeowners the convenience of simple and practical advice online to make their homes more sustainable.
2.1 What are the (reduction) goals for the relevant financing and investments for 2030 and how has the institution accrued these relevant financings and investments?	The reduction goals for the relevant financings and investments for 2030 are currently being developed and will be disclosed in full 2022. The reduction goals are due to be aligned with the Paris Climate Agreement. Specific goals for relevant themes are most easily found in the summary of 'Rabobank and Climate Change' .
2.2 Are there quantitative (reduction) goals on CO ₂ e impact for the relevant financings and investments? If so, for which part of the portfolio and what is the reference year?	Yes, however not translated into specific CO ₂ reduction values. The reduction goals for the relevant financings and investments for 2030 are currently being developed and will be known no later than 2022. Furthermore, regarding voting and engagement we do not have a quantitative target but we will have implemented a uniform voting and engagement policy for our investment funds on behalf of our clients in which we use our engagement power to support climate-proof business by 2023.
2.3 Are the CO ₂ e reduction goals in alignment with the Paris Climate Agreement?	The reduction goals for the relevant financings and investments for 2030 are currently being developed and will be known no later than 2022. The reduction goals are due to be aligned with the Paris Climate Agreement.
2.4 If known: What is the performance on the quantitative goals?	Please see our Annual Report 2019 page 15 and Annual Report 2020 page 28 for the performance of our mortgage portfolio. Furthermore, in ' Our Impact in 2020 ' we map key performance indicators to the transitions and Sustainable Development Goals.
2.5 In what way is progress on the action plan linked to performance management of the management of the organisation?	Rabobank's Sustainability Ambitions 2020-2024 which were launched in 2020 have set out to transfer the responsibility for sustainability (and climate) from a single department to all-line management. In ' Our Impact in 2020 ' we report a number of group-wide Sustainability-related KPIs in relation with the SDGs. Those include a KPI on the sustainability performance of our clients and increasing the volume of sustainable products and services. Steering on these KPIs includes growth in climate-related products and services as well as improving climate-related aspects of our clients.
3.1 What are the key climate actions taken to contribute to the Paris Climate Agreement?	As part of our company wide Climate Program, we have taken the following steps: <ul style="list-style-type: none"> • We have made steps in approximating the Carbon Footprint of our loan portfolio using and contributing to PCAF. • We have worked out a strategy to become aligned with the Paris Climate Agreement (our Climate Strategy). • For our international rural portfolio, we have initiated "Banking for Impact on Climate in Agriculture" (B4ICA), an international group that brings together banks, scientists and relevant experts under the convening power of PCAF, UNEP FI and the WBCSD. It is bound to address the data gaps in climate impact measurement in agriculture. • We have made steps in assessing Climate risks and opportunities as well as setting up climate risk management, such as processing the data for heat-mapping and qualifying climate risks for our portfolio (see TCFD disclosure in the Annual Report). • We have performed a data-gap analysis for overcoming the challenges of measuring climate impact. • Multiple climate and sustainability related products and services are in use or being developed. • We have initiated a specific project to develop Paris Alignment Methods and Targets. The plan is aligned with the Dutch Climate Agreement and the Paris Climate Agreement.

Question	Response
3.2 How does the institution determine and measure the effectiveness of these climate actions?	Measuring the effectiveness of climate actions (the climate impact) is a work in progress. The landscape of climate measurement methodologies is still at an early stage of developments and is therefore very dynamic. See 'Rabobank and Climate Change' page 4 for an overview of actions taken in overcoming these challenges.
3.3 To what results have the key climate actions within the reporting period led ?	<ul style="list-style-type: none"> • Increase in sustainable products & services including the launch of five mandate funds. (Our Impact in 2020, page 12). • Improved client performance as measured by the Client Photo. (see Our Impact in 2020 and ESG Facts & Figures). • Setting of and reporting progress on Group Wide KPIs on Climate and Sustainability (see Our Impact in 2020).
3.4 What are the main challenges?	<ul style="list-style-type: none"> • Data availability (data is often not available or accessible (Dutch Statistics and mortgage information), or not there yet / not granular enough. • Lack of established F&A methodologies on climate impact estimation and Paris alignment. <p>See also the challenges presented at page 3 of this disclosure.</p>
4.1 (Optional) Provide a quantitative overview of climate actions taken on relevant financings and investments.	Not reported.
5.1 To which (international) climate initiatives has the institution contributed?	<p>NVB Member of the NVB Working group Climate: Chair of the NVB Working group Transparency.</p> <p>WBCSD Member and co-chair of the Climate Smart Agriculture Working Group. Co-founder and chair of Banking for Impact on Climate in Agriculture (B4CIA) project.</p> <p>TCFD Active member to both the first and second pilot projects for implementing the TCFD Recommendations for banks.</p> <p>PCAF Member of PCAF Mortgages Working Group. Member of PCAF Corporate Loans Working Group. Chair of the PCAF Stakeholder Engagement Working Group.</p> <p>EACB Chair of the Green and Sustainable Finance Working Group.</p> <p>UNEP FI Founding member of the Climate Resilience Risks and Opportunities Coalition (ClimateRROC) Member of the Impact Working Group for the implementation of the Principles for Responsible Banking.</p> <p>WWF Partnership with WWF, working together with clients and prospects on the transition to a more sustainable food and agribusiness sector.</p> <p>CDP & SBTi Scope 1+2 preliminary validated target.</p>

Chapter 3: Other

Question	Response
1. At what level within the financial institution has the climate information been approved?	Management Board/Executive level.
2. Has the climate information been validated externally?	Rabobank and Climate Change: no. Our Impact in 2020: no. Annual Reports 2019/2020: ye.s
3. What type of validation has been performed?	Annual Reports 2019/2020: Limited Assurance.

Appendix: Table to question 1.4

Balance sheet (Assets) per 31/12/2020			Climate materiality	Emissions estimated	Most recent CF estimate	Other estimates	Estimate date
	bn	bn					
Cash and cash equivalents	€ 109		no	no			
Total Loans and Advances	€ 436						
- Government clients	€ 2		no	no			
- Reverse repurchase transactions and securities borrowing	€ 17		no	no			
- Interest rate hedges	€ 7		no	no			
- Private Sector Loan Portfolio	€ 409		yes	partially			
- Domestic retail banking		€ 271					
- Loans to Private Individuals		€ 191					
- Residential Real Estate		€ 189	yes	yes	5943	C ¹	2016
- Other loans to Private Individuals		€ 2	no	no			
- Dutch SME Loan Portfolio		€ 81					
- Of which included in PCAF		€ 64	yes	yes	19088		2018
- Of which omitted in PCAF		€ 17	partially	no			
- Rural (intl.)		€ 33	yes	no			
- Wholesale NL + International		€ 73	yes	no			
- Leasing - DLL		€ 32	yes	no			
Other relevant asset classes within loan portfolio:							
- Commercial Real Estate		€ 20	yes	no			
- Power generation		€ 4	yes	only intensity		17 ²	2019
Financial assets	€ 20		partially	no			
Loans and advances to banks	€ 21		no	no			
Derivatives	€ 30		no	no			
Other assets	€ 17		partially	no			
Total assets	€ 632						
Off-balance sheet:							
Private Investment Management	€ 45		yes	no			
Relevancy:							
Total assets designated as climate material (or partially climate material)	€ 444						
Percentage of total balance sheet assessed as climate material	70%						
- Of which a carbon footprint or carbon intensity has been calculated	57%						
- Percentage calculated as part of total balance sheet ³	40%						

1 PCAF average Energy Label Estimate (2020).

2 PACTA intensity estimate in CO₂e/MWh (2019).

3 Relevant for portfolio impact questions in the Carbon Disclosure Project.