

# Climate Resolution 2018

## Resolution

We support KBC/BNP/ING/Belfius to take leadership in the energy transition to a net-zero-emission energy system. Therefore, we request KBC/BNP/ING/Belfius to set and publish targets that are aligned with the goal of the Paris Climate Agreement to limit global warming to well below 2°C and pursuing efforts to limit the temperature increase to 1.5°C. These targets should be set and published by 2020.

These targets need to cover the greenhouse gas (GHG) emissions of KBC/BNP/ING/Belfius's operations(\*), they need to include long-term (2050) and intermediate objectives, to be in line with the RCP2.6 scenario, to be quantitative, and to be reviewed regularly.

We request that the company base these targets on tangible metrics such as GHG intensity metrics (carbon footprint of the outstanding loans as well as the carbon footprint of the equity and debt investment portfolio's, managed investments and client services, including underwriting) or to use other metrics that the company finds suitable to align its targets with a well-below-2°C pathway.

We request a strict policy regarding energy companies whose business model is incompatible with the Paris Agreement. This means:

- No financing, underwriting or investment in bonds or shares for KBC/BNP/ING/Belfius's own account or on behalf of its clients for companies who invest in exploration and extraction of new fossil fuel sources or have plans to develop new coal power plants.
- No financing, underwriting or investment in bonds or shares for KBC/BNP/ING/Belfius's own account or on behalf of its clients in energy companies who cannot prove their business plan is compatible with the Paris Agreement, e.g. by having targets in line with the Science Based Targets Initiative.
- Phase-out current exposure to companies in the above two categories through financing, underwriting or investment in bonds or shares for KBC/BNP/ING/Belfius 's own account or on behalf of its clients. This phase-out should be complete by 2050, but include intermediate targets and be reviewed regularly.

We request that annual reporting include information about plans and progress to achieve these targets.

You have our support.

(\*) Scope 1, Scope 2, and category 15 of Scope 3 (emissions from equity and debt investments by KBC/BNP/ING/Belfius as well as project finance and managed investments and client services)

## Supporting Statement

The energy transition is complicated, the end-goal is straightforward: a net-zero-emission energy system. A future proof investment strategy takes into account these challenges and aligns itself with the Paris Agreement to avoid economic upsets.

Leadership of companies is crucial to accelerate the energy transition, and leadership in this inevitable transition will create long-term value for shareholders.

We support KBC/BNP/ING/Belfius to take leadership by being one of the first banks to commit to the Paris Climate Agreement by setting clear targets for its Scope 1, 2 and category 15 of Scope 3 emissions. Inspirational targets will stimulate imagination, increase brand value, and signal a sense of urgency.

Institutional investors need transparency about long-term targets in order to mitigate climate-related risk to comply with their fiduciary duty. KBC/BNP/ING/Belfius setting a clear target regarding its role in the energy transition will provide this transparency and reduce the risk of stranded assets.

### **Transparency**

In order to align its emission intensity targets with a well-below-2°C pathway, the targets need at least to cover the following scopes:

- Scope 1: direct emissions from the facilities under KBC/BNP/ING/Belfius's operational control or within the equity boundary,
- Scope 2: indirect emissions from the facilities of others that provide electricity or heat and steam to KBC/BNP/ING/Belfius's operations,
- Scope 3, category 15: GHG emissions from KBC/BNP/ING/Belfius investments, including debt and equity investments, project finance and managed investments and client services

At the same time we recognize that while carbon footprinting is a widely-used measure at company level, fuelled by reporting initiatives such as the CDP and the GHG Protocol, it is not sufficient. While it is useful as a measure of responsibility and might be used as a starting point to assess exposure to low-carbon transition risk, it needs to be supplemented by other measures, hence the second demand regarding investment policy.

### **Risks**

If actions to get on a well-below-2°C pathway are taken too slowly, this may lead to abrupt adjustments, resulting in costly shocks. An orderly transition should start with the expression of clear medium- and long-term targets. We fully realize that these targets will be just dots on the horizon and that the road leading there has to be discovered, but the longer the company waits, the harder it will be to attain the well-below-2°C pathway and the more disruptive the transition will be.

The political pledge to limit climate change to well below 2°C, the resulting future legislation, and the decreasing costs of renewable energy add to the risk that capital expenditures in fossil fuel projects will become stranded assets.

### **Opportunities**

Taking leadership in the global energy transition could increase the brand value of KBC/BNP/ING/Belfius. The company could distinguish itself from its competitors if customers knew that the bank is forward-looking and reducing its exposure to climate-related financial risks.

The increasing competitiveness of renewables with fossil fuels means that even without climate action fossil fuels are on their way out. The levelised cost of electricity (LCOE) from solar photovoltaics (PV) decreased by 69% between 2010 and 2016 – coming well into the cost range of fossil fuels. As costs for solar and wind continue to fall, the gap between these renewables and conventional generation in some cases is increasing. And solar and wind are now not only vastly cheaper than new-build coal or nuclear plants, but are in many cases cheaper than running existing plants, according to research by Lazard, which they expect to lead to ongoing and significant deployment of alternative energy capacity.

**Support**

We encourage KBC/BNP/ING/Belfius to show leadership by enhancing its capability to innovate and make use of potential opportunities in a transforming energy landscape over the coming decades. We would welcome further alignment between the company's strategic positions vis-à-vis emerging energy technologies that stand to benefit from the energy transition. With its decades of experience and expertise as an innovator, its wide reach, its financial capital, KBC/BNP/ING/Belfius is excellently positioned to make use of these developments by applying new technologies and setting up related business models. We encourage KBC/BNP/ING/Belfius to set targets that are inspirational for society, employees, and shareholders, allowing KBC/BNP/ING/Belfius to meet increasing demand for energy while reducing GHG emissions.