Climate Risk Disclosure Barometer The Netherlands

September 2022

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Executive Summary

Does your organization believe that management attention for climate risk is an essential part of day-to-day business? Are climate-related risks and opportunities sufficiently embedded in the governance of your organization? Is your company agile enough to respond to increasing pressure from regulators and shareholders to disclose strategy, risk management, and metrics & targets in greater detail than ever before?

If not, then this year's EY Climate Risk Disclosure Barometer for the Netherlands is essential reading. The key findings of our research suggest that the majority of Dutch companies under review still have a long way to go in terms of in-depth climate risk reporting. Two areas in particular – the transparency and quality of an organization's climate-related disclosure – leave room for improvement. The bottom line is that the majority of Dutch companies are simply not ready for what lies ahead as far as the scope and scale of their environmental reporting are concerned.

So what lies ahead? In this third edition of the Barometer, EY NL presents a comprehensive snapshot of the increasing focus on climate risk disclosure. We look at how Dutch companies are preparing themselves for the unwavering scrutiny of demanding stakeholders. The insistence of diverging target groups for more detailed information is set against the backdrop of the recently-published IPCC Report. This broad overview of the current intensity of undeniable climate change indicates unequivocally that greenhouse gas emissions are surging, the required transition to a low-carbon economy lacks executive ambition and commitment, and that the imperative for decisive action to combat global warming has never been more compelling.

And how is the Dutch business community responding to this conundrum? Based on publicly-available information, our research reinforces the uncomfortable reality that too few companies are primed for the scenarios we anticipate as far as climate change is concerned. Our findings illustrate the data organizations provide in their disclosure of non-financial information regarding climate-related risks and opportunities is simply insufficiently transparent. Although the sector results show a marginal improvement from last year, overall disclosure performance is just not good enough.

This drive for greater transparency and quality can be attributed to reporting like the Carbon Disclosure Project (CDP), regulators in more territories making TCFD reporting mandatory and the requirements of the Corporate Sustainability Reporting Directive (CSRD). Although some Dutch companies performed better than others in terms of their coverage of climate-related topics, the quality of this disclosure was under par. This is clearly visible in three areas:

1. It does not appear that company management is assuming the responsibility of integrating climate scenarios into their value creation models.
2. Equally remarkable is the fact that too many companies do little more than tick the boxes, calling into question their resolve and even ambition to transition to a low-carbon economy.
3. Moreover, the poor showing in terms of research results indicates that the majority of the Dutch companies we reviewed have a long way to go to be compliant with imminent CSRD directives.

It is abundantly clear that organizations in the Netherlands need to set targets in accordance with science and the Paris Agreement in order to best fulfil the recommendations of the Taskforce on Climate-related Financial Disclosure now and in the future. Otherwise, the consensus is that the goals set in Paris will not be met. This leads us to two core recommendations. Firstly, companies should undertake climate scenario risk assessments, providing clarity with regard to the potential impact of climate change on its company and value chain. Secondly, they should correspondingly set emission reduction targets in line with the aforementioned science and Paris accord to mitigate risks associated with the energy transition and help turn certain risks into opportunities. These activities form the firm foundations for tangible mitigation and adaptation strategies.

On the positive side, however, we do see that Dutch organizations are continuously improving the coverage of climate-related disclosures, particularly those companies in the financial sector. We would recommend that other sectors draw inspiration from the financial community as to how to draft the detail of their climate-related disclosures.

Although time is running out, it is not too late for the organizations we reviewed to provide greater transparency and more quality. They can do so by simply broadening the scope of their climate-related disclosures as they wrestle with the dual priorities of balancing business development and sustainable growth while reducing their environmental footprint. Now more than ever, it is of the essence that these organizations embed climate-related risks and opportunities in their governance, strategy, risk management and metrics and targets to ensure climate resilience.

It is with pride that we present to you our 2022 Climate Risk Disclosure Barometer for the Netherlands and hope that it inspires you to assess and verify the status of your organization with regard to climate-related risks and opportunities. If we can be of assistance in helping you to realize your ambition and commitment in this respect, please find our contact information on page 20. Good reading!

Taco Bosman
Partner - EY Climate Change and Sustainability Services

1 UK to enshrine mandatory climate disclosures for largest companies in law - GOV.UK (www.gov.uk)
2 https://assets.bbhub.io/company/sites/60/2021/10/TCFD-Whats-New-in-2021-Webinar.pdf

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Introduction

There is broad and growing consensus that climate change is fast becoming a fundamental part of an organization's business strategy and value creation model. The weight of informed public opinion and international disclosure legislation is obliging the business community to find new ways of identifying and addressing climate-related risks and opportunities. Climate strategy should be top of mind in executive boardrooms as organizations (especially organizations undergoing the transitions) wrestle with the dual priorities of balancing consistent organizational and sustainable growth while reducing their environmental footprint.

Moreover, companies are implored to become transparent as the transition to a lower-carbon future gains momentum. The Taskforce on Climate-related Financial Disclosures (also known as the TCFD Framework) requires clear and comprehensive, high-quality information on the impacts of climate change. Notwithstanding the progress made with climate risk disclosure in recent years, there is ample room for improvement. Otherwise, the consequences are clear to all; the risk to various stakeholders in the economy will become extreme and the global balance will become dire.

Increasing global recognition TCFD

Against this backdrop, EY is publishing its third Climate Risk Disclosure Barometer for the Netherlands, presenting the results of 78 companies across nine sectors as reported in 2021. Since the Financial Stability Board (FSB) published the TCFD in 2017, the first countries to legislate the framework (even if just in part) were New Zealand, UK, France and Japan furthermore:

- As of 2021, TCFD-Aligned Official Reporting is being implemented in Brazil, the European Union, Hong Kong, Japan, New Zealand, Singapore, Switzerland and the United Kingdom.
- In April 2021, New Zealand became the first country to introduce mandatory TCFD "comply or explain" disclosure for financial institutions, whereby approximately 200 large financial institutions would make climate-related disclosures starting in 2022.
- In June 2021, the Tokyo Stock Exchange issued a revised Corporate Governance Code, determining that certain companies should enhance disclosure based on TCFD recommendations.
- In March 2022, the United States' Securities and Exchange Commission (SEC) proposed that companies significantly increase their climate-related risk disclosures in their annual reporting. Where TCFD requires companies to consider and report both climate-related risks and opportunities, for SEC reporting, climate-related opportunities are voluntary and may be described "if applicable".
- In April 2022, the UK made it mandatory for Britain's largest businesses to disclose climate-related risks and opportunities in line with TCFD recommendations.[1]

Europe is leading with disclosures

However, Europe is still a leading disclosure region. Since 2019, European companies increased their average disclosure by 15 percentage points to 50% in 2021 according to the TCFD's Overview of 2021 Progress, Status Report, and Updated Guidance.[2]

Another development is EU legislation which will take effect soon (more information in 'Results'). This is being developed to support transition processes such as the EU Taxonomy Regulation, the Corporate Sustainability Reporting Directive (CSRD) and the European Green Deal.

This year's Climate Risk Disclosure Barometer for the Netherlands builds on last year's report, broadening the scale and geographical scope by including more companies in more sectors. The research draws on public disclosures of companies on the uptake of TCFD across highly impacted sectors.

Assessment methodology

TCFD

The TCFD recommendations are structured around four thematic areas that reflect the core elements of the TCFD – governance, strategy, risk management, and metrics and targets (as shown on page 7). These themes include 11 recommendations in total and have served as pillars for our assessment methodology.

Scope & data

This year, 78 Dutch companies[3] were assessed against the 11 recommendations of the TCFD. For the analysis, we have grouped companies into the following categories: financial services sector, tangible goods and services sector and Non-tangible goods and services sector. We have chosen to include the nine sectors under these overarching sectors since the defined overarching sectors engage with climate-related issues in a similar form.

As was the case last year, EY published its 2021 Dutch Climate Risk Disclosure Barometer including only a limited number of Dutch companies. To increase the representability of the Dutch market, we have added 46 Dutch companies to the analysis in this report to total 78 assessed organizations.

We have reviewed 2021 sustainability reports and integrated reports as well as any other publicly-available information such as the websites of 78 Dutch companies that in turn are scaled under nine sectors.

Group	Sector	Number of companies
1. Financial services	Asset owners and managers	9
	Insurance	4
	Banks	9
2. Tangible goods and services	Retail, health and consumer goods	14
	Materials and buildings	11
	Real estate	4
3. Non-tangible goods and services sector	Energy	10
	Transportation	9
	Telecommunications and technology	8
Total		**78**

3 Most of which are listed on Euronext Amsterdam. However, to broaden the coverage across sectors, some non-listed companies have been included, such as asset owners and asset managers, utilities, health care, and transportation

Scoring method

For assessment purposes, we looked at the coverage and quality of all the TCFD recommendations.

Coverage

Companies were scored on the basis of the percentage of the 11 TCFD recommendations that they addressed. A score of 100% indicates that the company has disclosed information about all the recommendations.

Quality

For each disclosure recommendation, the companies were given a rating (0 to 5) based on the quality of the disclosure. The scores are expressed as a percentage of the maximum score that companies can receive when they disclose all 11 TCFD recommendations. For example, a score of 100% indicates that the company disclosed all the recommendations and the quality of the disclosure met all the requirements of the TCFD (i.e., gaining a maximum score of 5 for each of the 11 recommendations). The quality of the disclosures was scored using the following scoring system:

0 – No consideration given
1 – Underdeveloped
2 – Basic
3 – Developing
4 – Well-developed
5 – Market leading

Limitations

Even though this year's report aimed to increase the representability of the Dutch market, there are still some limitations to our assessment methodology.

First, during the data analysis we did not consider rating agency responses, such as the Carbon Disclosure Project (CDP), as not all responses were available while this publication was being compiled. The exclusion of rating agency responses is most likely reflected in the underperformance of sectors since many companies disclose significantly more in rating agency responses than in their standard disclosures.

Second, we did not consider the underlying content at the governance level. In other words, if a company stated they discussed climate four times per year at the Board level, we did not analyze meeting notes or other specific governance reports to check whether they discuss e.g. climate scenarios or full metrics and targets. This could also have potentially led to substandard governance performances.

Finally, we did not perform completeness checks on whether the full Scope 3 inventory was disclosed or not. In some cases companies only disclose a selection of Scope 3 categories (e.g. business travel and employee commuting), so when referring to Scope 3 emissions it could either refer to partial or full Scope 3 emissions.

Core elements of recommended climate-related financial disclosures:

Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks, and opportunities on the organisation's businesses, strategy and financial planning

Risk management
The processes used by the organisation to identify, assess and manage climate-related risks

Metrics and targets
The metrics and targets used to assess and mange relevant climate-related risks and opportunities

Results

ESG regulation as incentive to avoid greenwashing

Overall results demonstrate an average of 39% in terms of quality and an average of 80% in terms of coverage. This data indicates that while companies are indeed increasingly reporting on TCFD recommendations, they may only be getting started. It is of the essence that companies take climate-related topics more seriously, integrating them firmly into their day-to-day business. After all, the effects of climate change cannot be understated and it is important for stakeholders to understand how they affect a given company. In order to give companies a helping hand, various existing and emerging ESG regulations will leave companies with no other choice than to disclose their sustainability efforts in detail. We have listed the following regulatory requirements that potentially enforce improvement of TCFD disclosures:

- **Climate Agreement:** The Klimaatakkoord is an integral part of the Dutch climate policy created to achieve the target of a 49% reduction in GHG emissions by 2030. This agreement targets several key contributing sectors in the financial and non-financial sector.

- **EU Taxonomy Regulation:** The European Commission has developed the EU taxonomy, a classification system used to determine – and report on – sustainable activities through the creation of activity-specific sustainability criteria. As financial and non-financial actors must report on their performance referencing the same criteria, the EU Taxonomy is intended to create a common language for companies, investors and society alike. In its first year – the 2021 reporting year – companies falling within the scope of the Non-Financial Reporting Directive (NFRD) are required to report on their activities related to Climate Change Mitigation and Climate Change Adaptation criteria.

> “
> While companies are indeed increasingly reporting on TCFD recommendations, they may only get started

- **Corporate Sustainability Reporting Directive (CSRD):** Another development at European Commission level concerns the adoption of the CSRD. This will significantly enhance NFRD reporting requirements, while bringing many more companies into scope. Under this new regulation, all companies in scope will need to report on more comprehensive sustainability criteria, including climate, and require a limited level of assurance on the information reported. The current timeline now indicates that companies falling under the NFRD will need to start reporting according to the CSRD from January 2024 (reporting in 2025 over fiscal 2024). On January 1st 2025, the CSRD will also apply to large companies currently not subject to the NFRD.

Financial institutions are also aware of the following regulatory incentives to perform better on their climate-related disclosures:

- **EU Sustainable Finance Strategy:** In June 2021, the European Commission updated its sustainable finance strategy. This plan contains a set of objectives such as increasing the contribution of the financial sector to sustainability (including climate), and enhancing the resilience of the economic financial system to sustainability risks.

- **Sustainable Finance Disclosure Regulation (SFDR):** This regulation requires Financial Market Participants (FMPs) and financial advisors to evaluate and disclose sustainability-related data and policies at entity, service and product level.

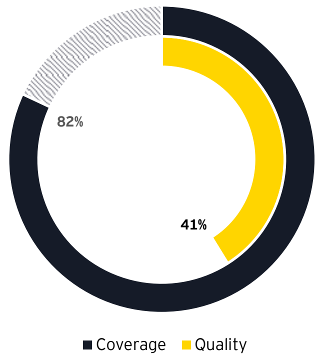
2. Financial sector

Asset owners and managers, Insurance, and Banks

Overall score

Quality: 41%, Coverage: 82%

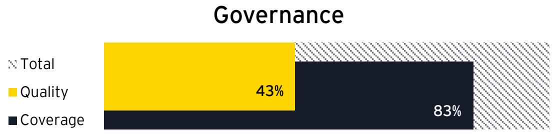
As the objective of the EU Green Deal is for the EU to become the first climate-neutral continent by 2050, the financial sector has been under the spotlight to take ownership and responsibility for the transition to a circular and low-carbon economy. This role of ownership is marginally visible as the financial sector performed better compared to other industries, however it failed to demonstrate real efforts in public reporting.



Governance

Quality: 43%, Coverage: 83%

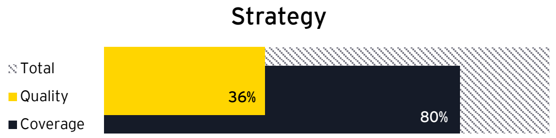
Despite the high coverage rate, the quality score does not reflect that climate-related topics are well integrated in the governance structure of financial institutions. There are high-level statements about Board involvement and responsibilities, but there is a marked lack of fundamental discussion at management level on the consideration of climate-related topics when reviewing issues such as company strategies, Risk Management policies and action plans.



Strategy

Quality: 36%, Coverage: 80%

The strategic theme scores lowest within the financial sector, both in terms of quality and coverage. Even though almost every assessed company disclosed climate-related risks and opportunities, half of them provided little to no detail on the impact of climate-related issues on their business. The other half that performed better in this area and clearly described the climate scenarios they have experienced, and their outcomes.

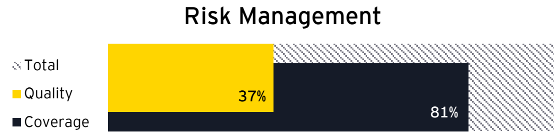


> "The financial sector has been under spotlight to take ownership and responsibility for the transition to a low-carbon economy

Risk Management

Quality: 37%, Coverage: 81%

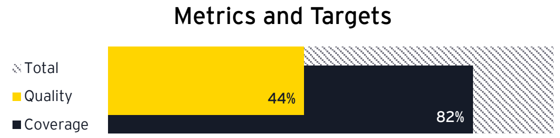
Neither did the Risk Management theme receive outstanding scores. There is a clear distinction here between laggards and frontrunners. One half disclosed details about their climate risk framework together with a link to their overall risk framework, while the other half disclosed little to no information on their climate risk framework. It is noticeable that those that disclosed few details on their climate risk framework also failed to dive deep into the impact of their identified climate risks. We believe that these companies do not yet have a mature climate risk identification process in place and are therefore not able to report on it in detail.



Metrics and targets

Quality: 44%, Coverage: 82%

Metrics and targets scored highest within the financial sector. Again, only a few companies find themselves in the well-developed stage as they disclosed at least three climate-related metrics, historical data and calculation methodologies. Since the financial sector's impact lies predominantly on its financed emissions, it is important they disclose carbon emissions in investments as well as other Scope 3 supply chain emissions. We note that approximately half of the assessed companies disclosed their Scope 3 emissions, but there was not a lot of discussion within any company about target setting to reduce their GHG emissions.



The financial sector should act as a flywheel for sustainability

When reflecting on the results of the financial sector, we can state that they are below par in view of statements made by Sigrid Kaag in her letter of June 2022 to the parliamentary Sustainable financing policy agenda; the Minister of Finance urged the financial sector to act as a flywheel for sustainability by setting an ultimo-2022 deadline by which financial institutions should present their action plans to reduce CO_2 emissions.

The banking sector in particular plays an important role in the transition to a low-carbon economy since it is responsible for financing the economy of the future and should therefore help companies to transition to a sustainable way of working. To illustrate the pressure on the financial sector and to avoid greenwashing, banks must take responsibility for the CO_2 emissions of their financing and investments, targeting a 55% reduction by 2030.

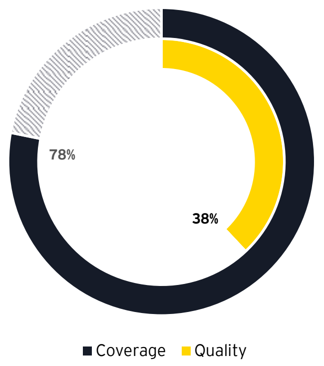
3. Tangible goods and services sector

Real estate, Materials and Buildings, and Retail, health and consumer goods

Overall

Quality: 38%, Coverage: 78%

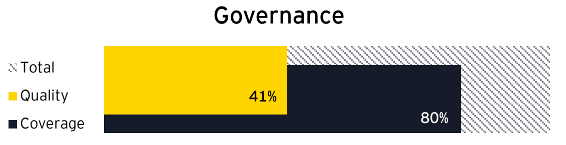
Compared to the financial sector, the tangible goods and services sector underperformed in terms of both quality and coverage. This performance rate can be accepted as critical since CSRD will soon come into effect, requiring much more detail on climate-related information.



Governance

Quality: 41%, Coverage: 80%

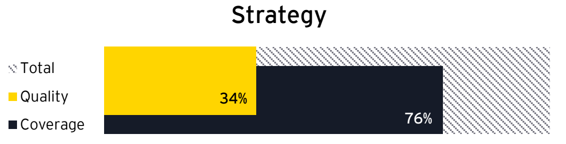
The scores of the climate-related disclosure around governance are diverse. We see a small number of companies providing detailed statements of Board and management involvement with climate-related issues while others simply disclose general statements of executive commitment. This may indicate that climate-related issues are not considered important enough at the highest level to address them simultaneously with the review of company strategy or outlook.



Strategy

Quality: 34%, Coverage: 76%

The strategic theme received the lowest score for the tangible goods and services sector, somewhat surprisingly; these sectors absorb ongoing pressure to live up to consumer expectations. However, we did observe some outperformers assessing the impact of their identified climate risks and opportunities together with the use of a scenario analysis. Yet, the majority of the companies go no further than 'lightly ticking the boxes' by simply mentioning the disclosure requirements in general – without providing any detail whatsoever.

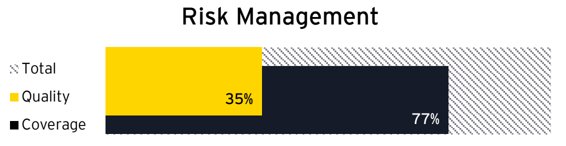


> "A lack of a developed climate risk identification process leads companies to decide not to disclose information on how they manage climate risks

Risk Management

Quality: 35%, Coverage: 77%

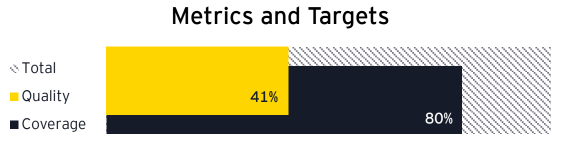
It is no surprise that this theme is very much in line with the strategic theme as referenced in the previous paragraph; most companies comment only very briefly on their climate risks. This could result from a lack of a developed climate risk identification process in place, leading to companies deciding not to automatically disclose information on how they manage climate-related risks. A factor that makes it difficult for companies to address climate risks is that the physical impacts of climate change and some transitional risks of climate change are on a much longer time frame than traditional Risk Management horizons which are usually 1-3 years. This is not just applicable for the financial sector but also across the other sectors mentioned in this report.



Metrics and targets

Quality: 41%, Coverage: 80%

Finally, metrics and targets show more promising results, nonetheless only a few companies disclosed other climate-related metrics than GHG emissions. Within the tangible goods and services sector, we would expect more climate KPIs and targets related to parameters such as water, energy and waste. On the other hand, a positive development in this sector is that half of the assessed companies disclosed Scope 3 emissions, which signals that climate topics are at least extended to parts of the value chain.



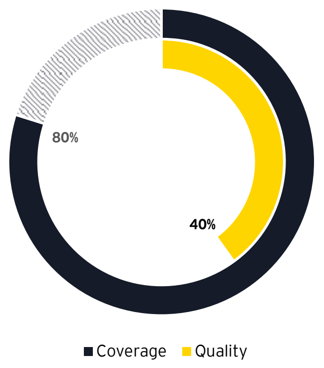
Non-tangible goods and services sector

Energy, Transportation, and Telecommunications and technology

Overall

Quality: 40%, Coverage: 80%

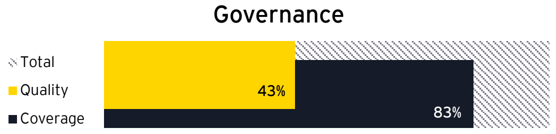
Results show that the non-tangible goods and services sector is positioned in between the financial sector and the tangible goods and services sector. Throughout this sector, we find scattered initiatives such as the Group Special Mobile Association (GSMA), representing the interests of mobile network operators to encourage telecom companies to develop net-zero strategies. In addition, an ongoing development in this sector is the energy transition; a pathway towards the transformation of the global energy sector from fossil-based fuels to zero carbon alternatives. Similar to the financial sector, this sector is also considered a pivotal player in the quest for reducing the scale of the impact of climate change.



Governance

Quality: 43%, Coverage: 83%

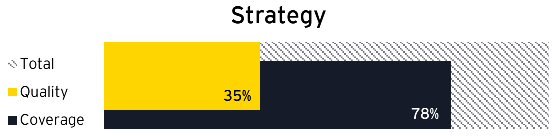
Compared to other sectors, we did not observe any significant difference here in terms of quality and coverage. Once again, it was evident that most companies limit their governance disclosures to high-level statements pertaining to Board and management involvement and responsibilities. Only a few companies were prepared to provide a more detailed narrative on their governance structure and processes related to climate topics.



Strategy

Quality: 35%, Coverage: 78%

Companies predominantly committed to achieving net zero did not disclose much information about identified climate risks and opportunities. In fact, only a few actually described the impact they anticipate from identified risks but even then there was regrettably no detailed disclosure. Additionally, companies that used at least two different climate scenarios were more likely to come from the energy sector, indicating they are more established in public disclosing climate-related information than the transportation, telecommunications and technology sectors.

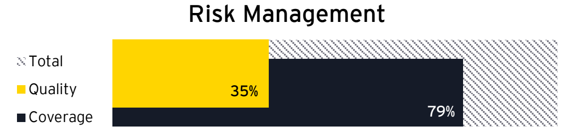


> "Companies committing to net zero did not disclose much information about identified climate-related matters

Risk Management

Quality: 35%, Coverage: 79%

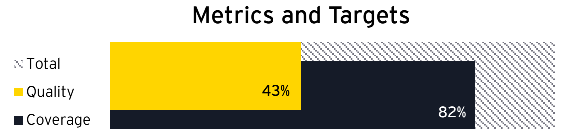
Based on the results from the strategic theme, quality and coverage results could be expected to be fully in line. What do our findings indicate? That the energy sector fails to disclose details of its climate risk identification process while only superficially discussing its climate risk position. This clearly shows that climate-related topics are not yet an integrated part of everyday risk management. These topics would appear to be a disconnect between the existence of these risks and how they are being integrated into Risk Management processes and ultimately business plans. With respect to the transportation, and telecommunications and technology sectors, it is plausible to say they have few climate risk identification processes in place yet, and for that reason do not disclose much information related to management acceptance of climate risk.



Metrics and targets

Quality: 43%, Coverage: 82%

Assessing results of the metrics and targets of the non-tangible goods and services sector, the energy sector once again discloses more than the other sectors. Nonetheless, we did observe that in general almost every assessed company disclosed at least one climate-related metric – which was in almost every case their direct GHG emissions. Finally, more than half of the companies disclosed their Scope 3 emissions. These are not always clearly definable in this sector and indicate no more than that some effort is being taken towards a low-carbon economy.



Discussion

Based on the results described in Chapter 3, the following section will discuss the outcome of the analysis in relation to what companies can do to improve, considering current and emerging developments in the field of climate change.

Overall, it can be unequivocally stated that most sector results are non-compliant with imminent regulations (such as CSRD), requiring a substantial re-engineering of climate-related disclosures. Though every sector brought forth top performers who lead by example – and certain sectors have also made progress compared to last year – further steps need to be taken in order to meet and surpass stakeholder expectations. These expectations include transparency on non-financial information, which could enhance the sector's ability to assess to what extent executive decisions can affect organizational ability to create sustainable value in the short, medium and long term.

> "Most sector results are non-compliant with imminent regulations such as the CSRD

Governance

Throughout every category and sector, companies need to improve on the way they report on the climate-related risks and opportunities they manage. To be specific: who is responsible? And which mitigation measures to manage identified risks have been implemented? Board and management oversight over climate-related matters is barely described, or superficially at best. To truly improve accountability and transparency, governance of climate-related issues requires clearer definition as to roles and responsibilities. Who handles climate mitigation response within the organization? When will it be done and how? And is the Board and management of an organization actively participating in and updated on such processes? The aforementioned suggests that Dutch companies still have plenty to consider, as good governance with respect to climate should be regarded as the foundation of a future-proof business.

Strategy

Though more companies disclose climate-related risks and opportunities, description and consideration of them within the context of strategy remains vague and unprecise. When, for example, transition risks are mentioned, companies have to make a more concerted effort to precisely define the type of risk involved, including the impact those risks could have on their overall financial planning. If companies fail to take this seriously, many run the risk of unexpected reputational and physical damage due to climate-related issues. These include risks that could be mitigated by assessing climate scenarios, another TCFD recommendation that only very few companies are addressing. Apart from the risks, we see few examples of companies exploring climate-related opportunities.

Risk management

It is perfectly understandable that many companies struggle to conscientiously report how they manage climate-related risk, since many simply do not yet know how to do so. There is a clear lack of narrative in the identification process of climate risks. There is also some way to go in clarifying the process for managing risks, including crucial decisions as to how to identify, mitigate, transfer, accept or control them. Techniques such as climate stress testing are developing and provide an adequate tool with which organizations can assess the resilience of their financial exposures to climate-related risks. Hence, companies are expected to put more effort into keeping climate risk assessment methodologies integrated into their core competencies. They are likely to report their findings more thoroughly. Finally, any outcome will need to be integrated into the overall Risk Management framework, unless a company can clearly explain why this would not be appropriate in its case.

Metrics and targets

To really measure and understand the progress a company is making in terms of climate-related matters, the right metrics need to be tracked and specific targets need to be set to comprehend where the company is heading. Though most companies track their GHG emissions, many are still focusing on only Scope 1 and 2 emissions. Organizations have an opportunity to make the most impact in the reduction of their Scope 3 value chain emissions. Apart from that, very few companies track other types of metrics (such as waste or biodiversity impact). Climate-related issues are broad and complex. Purely focusing on GHG emissions – though undoubtedly important – does not mitigate all climate risks. Improving the set of metrics as well as defining clear action plans with associated targets in the short, medium and long term can make a huge difference in achieving climate impact targets and ultimately overall ESG goals.

So, what's next?

The findings described above clearly show that most assessed Dutch companies still have a long way to go to align their disclosure policy and practice to the 11 TCFD recommendations, or even simply actualizing the benefits of understanding their climate-related risks and opportunities. The aim of this discussion is to map current market practices with respect to sustainability disclosures, highlighting their relevance – given the market outlook.

The swelling pressure of scientific researchers, regulators, investors and other stakeholders highlights why companies must accelerate their sustainability efforts.

According to the IPCC's sixth assessment report, published in early 2022, rapid action is needed if we are to mitigate the worst effects of climate change. Given the implications for society and key eco-systems, science-based targets (SBTs) should be taken into account to limit global warming to 1.5°C above pre-industrial levels and mitigate climate-related risks. However, the International Energy Agency claimed that the current collective pledges would only limit average temperature increases to an unacceptable 2.7°C by the end of the century.

The trend we observe in the regulatory landscape is the transition from voluntary to mandatory, and binding regulations. Dutch companies are expected to continually enhance climate disclosure over the next couple of years. This timeline is underpinned by CSRD, SFDR, EU Taxonomy and other regulations coming into force soon. Combined, these new insights shape stakeholder scrutiny of targets, expectation of good governance and the extent to which increased disclosure and transparency is self-evident.

Following this TCFD assessment and the market outlook set forth, here are some key takeaways emanating from this research study:

- **TCFD:** While more and more TCFD recommendations appear to be integrated in a variety of frameworks, adopting TCFD recommendations means that risk assessment, metric monitoring, topic governance and integration of climate resilience into strategy must be in place and operational.
- **Integrating climate scenarios:** Since climate-related risks are inherently more complex and long term than most traditional business risk, scenario analysis is essential for organizations to understand the physical and transitional implications of different climate scenarios for a company and the value chain it operates in.
- **Regulation:** CSRD, SFDR, EU Taxonomy and other imminently applicable regulations will mean increased disclosure and transparency requirements.
- **GHG emissions:** For TCFD fulfillment, climate scenario integration and compliance with regulations, company strategy can be underpinned by the transparency of GHG emissions and robust emission reduction targets, supported by academic research.

Wondering how to enhance your sustainability reporting and align it with the green economy? The next chapter outlines tangible ways that EY can help your company with some specific, relevant propositions.

What EY can do for you

Throughout this report, we have seen that many organizations are behind on their climate-related disclosures. The reasons for this are varied, and unique to each organization, however investor and regulatory pressure to be more transparent regarding climate-related risks and opportunities continue to drive organizations to do better.

At EY we continue to identify the best ways to support organizations 'understanding and addressing climate-related disclosures. In building a better working world, we work with dedicated clients who have committed to improving the standard of their respective climate-related disclosures.

Four areas where many organizations need support are on the overall TCFD Readiness, GHG Footprinting & Decarbonization, Climate Scenario Analysis and CSRD Readiness. In each of these areas there are benefits, not only to the organization itself (e.g. better data and material for strategic planning) but also for wider stakeholders (e.g. more transparency and reduction in negative impacts in the short, medium and long term).

> "Dutch companies still have a long way to go to align their disclosure policy and practice to the 11 TCFD recommendations

TCFD Readiness

The necessity to gain a deeper understanding of how the TCFD Recommendations apply to your company and how you can best prepare yourself for transparent disclosure on the climate-related risks and opportunities. This can be done by:

- Establishing the current context and a detailed gap analysis for the TCFD Recommendations
- Benchmarking with peers and developing a TCFD roadmap
- Climate risk and opportunity identification, and exposure analysis
- Strategy Resilience Assessment

Climate Scenario Analysis

With the need to provide stakeholders with a clear view of the risks and opportunities related to climate change, we undertake tailored climate scenario analysis and assessment of business implications.

- Assess qualitatively the impact of climate scenarios on the business' value chain from a physical and transitional perspective.
- Access to the EY Climate Analytics Platform (EY CAP) to help companies with on-demand delivery of granular physical and transition climate-related reporting, disclosure and analyses
- Ensure integration of the findings of the climate scenario analyses into the company's strategy and Risk Management processes
- Confirm the organization meets regulatory and market obligations (EU Taxonomy, CSRD, TCFD, CDP, etc.)

GHG Footprinting & Decarbonization

Given the central importance that organizations in all sectors play in decarbonising our economy, we have developed a practical, decarbonization framework that sets out the approach to decarbonising the emissions arising from business activities, which includes:

- Understand your current direct and indirect emissions in line with the GHG Protocol
- Develop your robust decarbonization ambitions and targets in line with science (SBTs) and the Paris accord ambition and targets
- Establish impact measurement capabilities to quantify carbon footprint
- Design and implement your decarbonization strategy
- Communicate performance over time

CSRD Readiness

The CSRD is the biggest change in corporate reporting since the adoption of IFRS. Companies will need to devote significant time and resources to prepare for implementation of the CSRD in a short timescale. EY helps its clients by:

- Identifying and analysing the current gaps from what you currently disclose and the upcoming regulation
- The application of EY tools, including the CSRD Readiness and Materiality Matrix tools
- Developing and implementing a strategic roadmap to become CSRD ready
- Assurance readiness over CSRD reported data

Regardless of sector or level of reporting, our multi-disciplinary teams are here to support your business in all areas of your climate change strategies. For a more detailed discussion, please contact one of our specialists.

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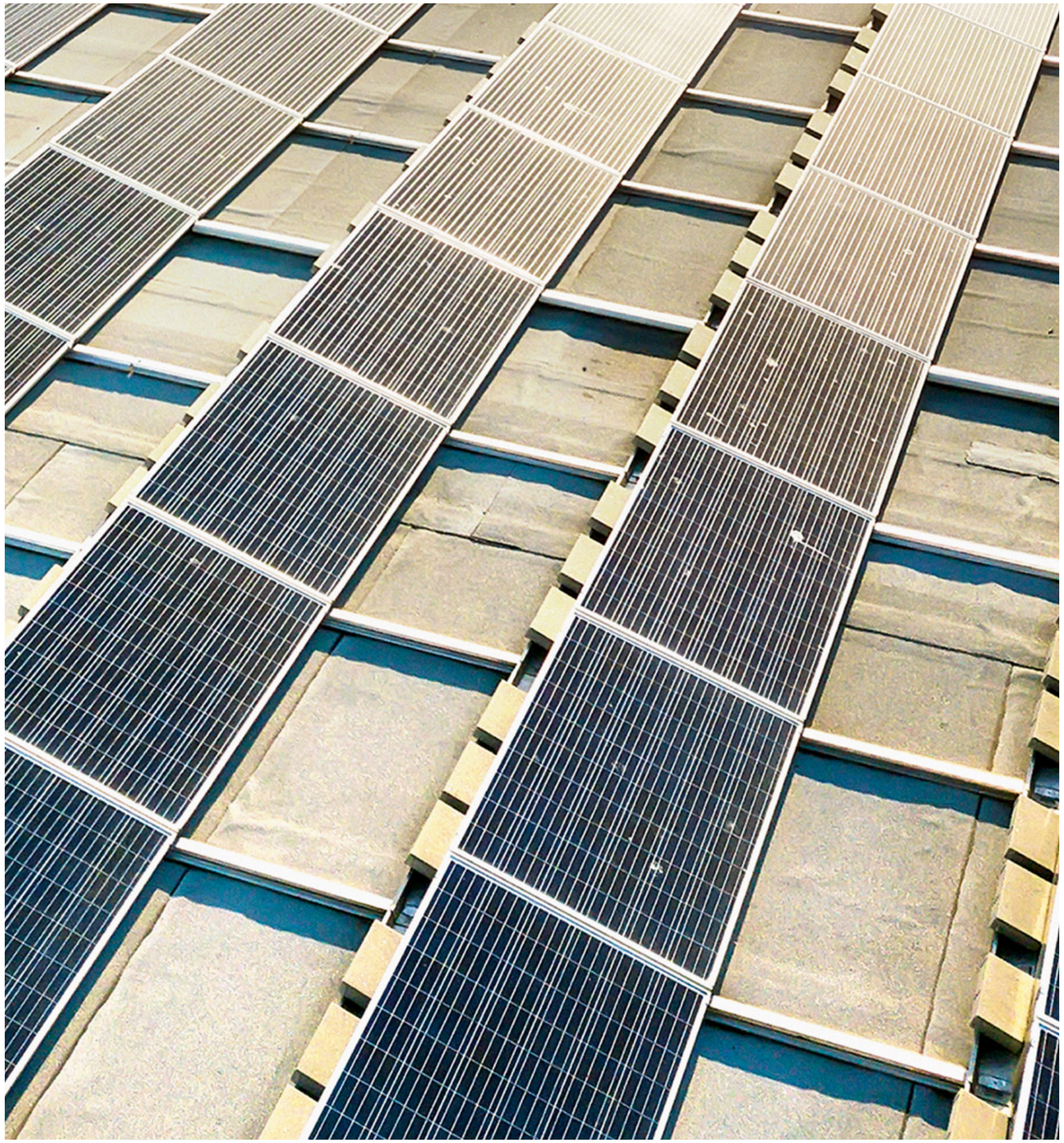
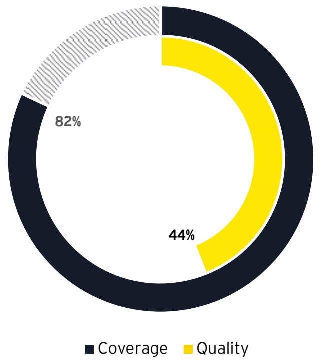
Appendix A: Sector results



1. Financial sector

Banks

This year, the banking sector is the highest performing sector in terms of both quality and coverage in this assessment of climate risk disclosure. Only two companies failed to report on all 11 TCFD recommendations while the remaining five companies reported on all of them. In terms of quality, this sector also outperformed the other sectors with a score of 44%.

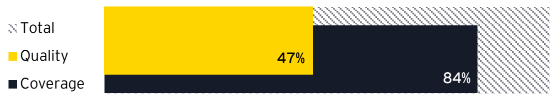


Governance

The banking sector received the highest scores for governance in both quality and coverage. It was conspicuous that only one company provided an in-depth discussion on how the board monitors and oversees progress benchmarked against goals and targets for addressing climate-related issues. The others solely disclosed the board's responsibilities and their involvement with climate-related matters.

There is also less disclosure on the role of management in climate-related topics within this sector. Only two companies provided a discussion on the process by which management is informed about climate-related issues. The remaining companies issued no more than a general statement on management's involvement with climate-related issues and the interaction process between the board and management. This shows no qualitative progress compared to last year.

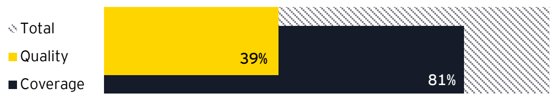
Governance



Strategy

As far as strategy is concerned, the banking sector also scored the highest of all sectors in both quality and coverage. Approximately half of the assessed companies disclosed climate-related risks over the short, medium and long term. Some also disclosed a narrative around the time horizons associated with these risks and opportunities. Most companies said their risk assessment was based on emerging and current regulations, the market, reputation and physical risks. Only three of the companies assessed also disclosed climate-related opportunities, with one of them identifying an opportunity in products and services.

Strategy



> "This year, the banking sector is the highest performing sector in terms of both quality and coverage in this assessment of climate risk disclosure

Additionally, one company referenced climate-related risks in its financial statements, an unusual occurrence as almost none of the sectors are doing so due to the complexity involved. The remaining companies disclosed to some extent the impact of climate-related risks and opportunities on business operations, strategy and financial planning.

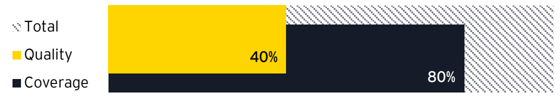
Top disclosers discussed how they might adjust their strategy to address the potential climate-related risks and opportunities to show a clear implementation of the identified climate risks. Additionally, two companies reported on the scenarios they used to determine organizational resilience. This is comparable with last year, as only a limited number of companies used scenario analysis then.

Risk Management

With one exception, the companies assessed in the banking sector reported on their process for identifying and assessing climate-related risks as well as how these risks were managed. Unlike last year, more companies disclosed a clear link between climate-related and overall risk management.

Top disclosers within this sector increasingly expressed their Risk Management process together with the integration of the process for managing climate-related risks.

Risk Management



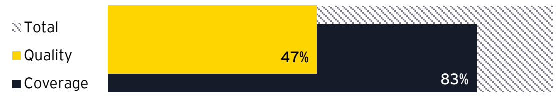
Metrics and Targets

In general, companies within the banking sector reported on climate-related metrics with some outliers providing at least three metrics together with methodological explanation and historical data.

Additionally, the majority reported on their Scope 3 GHG emissions in line with the GHG protocol methodology and their estimation methods.

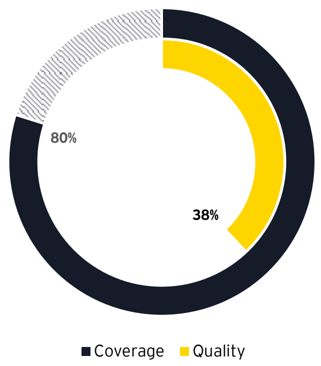
Finally, the top disclosers provided at least three targets to manage climate-related matters together with the base year of the targets. For those targets positioned in the medium or long term, interim targets were also designed to determine the attainment of the chief target.

Metrics and Targets



Insurance

Similar to last year, the insurance sector – together with the other financial sectors – is one of the highest performers in terms of coverage of all TCFD recommendations. Nonetheless, the quality of this sector’s disclosures lags behind other sectors such as banks, energy and real estate. The results indicate that the insurance sector has underperformed compared to its financial sector peers.

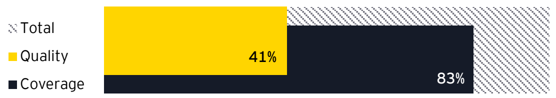


Governance

Coverage of the governance disclosures in the insurance sector is higher than most of the other sectors. On the other hand, quality remains at a moderate level of 41%, implying that most of the companies assessed only provided a general statement on board involvement with climate-related issues. Only one company provided a clear explanation of the board’s responsibilities around climate-related issues, embedding this sector between the basic and developing stage.

Findings concerning management commitment to climate-related issues are similar. Here too, Insurance flows between the basic and developing stage, since half of the companies provide no discussion of the process by which management is informed about climate-related issues. All companies however share a description of the interaction between the board and management on climate-related topics.

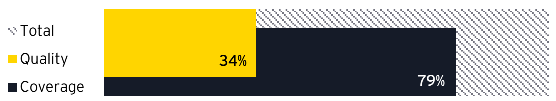
Governance



Strategy

The companies assessed disclosed high-level climate-related risks related to regulation, reputation, technology, legal, market and physical risks. Additionally, insurance companies also disclosed high-level climate-related opportunities, mainly focused on products and services as well as supply chain operations. The majority of the assessed companies clearly described the time horizons of what they consider to be short, medium and long-term issues. Nonetheless, most companies provided no description of the process to determine which risks and opportunities could have a material financial impact on their business.

Strategy



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Quality remains at moderate level

Furthermore, one company outperformed the others by also assessing the impact of each risk on its business and providing a detailed discussion on how climate-related issues serve as input for financial planning processes. Additionally, only one company referenced climate-related matters in its financial statements.

All companies – with one exception – made a statement on at least two climate scenarios, of which one is consistent with a 2ºC or lower climate. The objective was to evaluate the resilience of their business. The common scenarios used in this sector were based mainly on the IPCC’s RCP and the IEA scenarios. Unfortunately, none of the companies in this sector provided an assessment of the potential impact that climate-related issues could have on their financial performance – revenues and costs – or on their financial position – assets and liabilities – across the envisaged scenarios.

Risk Management

The majority of the assessed companies describe in some detail their climate-related risk identification and assessment process. However, none disclose any information on the assessment of the scale and scope of the identified climate-related risks.

Regrettably, few details are shared on the Risk Management process itself. Only one company discloses information with a little background on the way it manages climate risks.

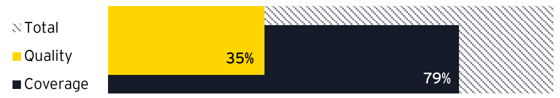
Finally, none of the companies were able to demonstrate a strong connection between the management of climate-related risk and overall risk. Within the insurance sector, most statements regarding the link between climate-related risks and overall Risk Management were very high level; detail was limited.

Metrics and Targets

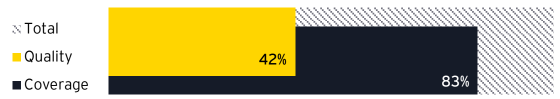
The majority of the companies provided at least one climate-related metric to measure and manage climate-related issues benchmarked against historical data. Only one company provided more than three climate-related metrics.

Furthermore, only two companies also reported on their Scope 3 GHG emissions, adding the relevant historical data. None of the assessed companies disclosed a description of the methodologies used to calculate or estimate their emissions. Over half the insurance companies assessed disclosed a net zero policy, transition plan or decarbonization strategy. However, the other half reported on multiple climate-related targets including time frames, the base year and applied calculation methodologies.

Risk Management



Metrics and Targets



Asset owners and managers

Asset owners and managers were amongst the highest performing sectors last year in terms of both quality and coverage. It is noteworthy that asset owners and managers this year are no longer the highest 'quality' performers, although they are still top 'coverage', according to the sector assessment results. Companies in this sector reported on average 83% of the 11 TCFD recommendations. Again, like last year, the quality of the disclosures is not in line with the coverage score. With a quality score of only 39% , the asset owners and managers sector score was amongst the lowest of all sectors.

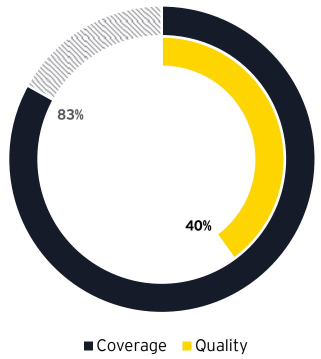
Governance

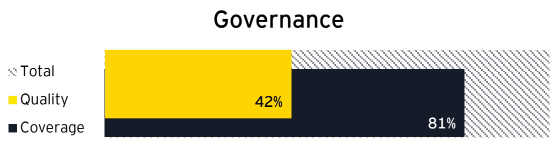
The average coverage of the governance theme is one of the highest of all sectors, nonetheless the quality of the governance disclosures does not keep pace. Results attained by the Asset owners and managers sector show that companies overall only disclose high-level discussions related to the board's involvement in climate-related risks and opportunities. This typically comprises a general reference to the board, or a committee's responsibility for overseeing climate-related matters.

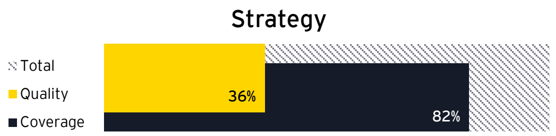
Unlike last year, more companies provided a narrative on the process by which management is involved with climate-related issues. Some, however, still only included a brief reference to the officer or committee responsible for the overall sustainability portfolio, with no additional detail provided.

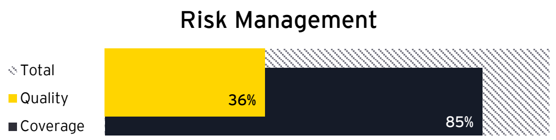
Regrettably, there is barely any discussion about how management is informed about climate-related issues and how they are addressed.

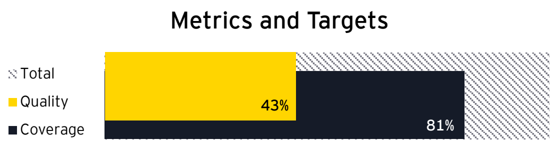
Furthermore, only two asset companies disclosed in detail their governance of climate-related issues. Rather than providing a general description, these companies reported on how the board monitors and oversees progress against goals and targets for addressing climate-related issues. They also commented on whether the board and/or board committees consider climate-related issues when setting out and reviewing strategy. This is also the case when discussing marketing











plans, Risk Management assessments, annual budgets, and business policy. Furthermore, reporting on organizational performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions and/or divestitures is also regarded as key.

Strategy

The majority of the assessed companies reported on climate-related risks regarding current and emerging regulations, physical and market risks. However, the climate-related risks are barely classified in time horizons. Overall, the assessed companies do not provide a description or justification of what they consider short, medium and long-term time horizons.

Additionally, the majority of the assessed companies identified climate-related opportunities of which most were related to resource efficiency, energy sources, markets, and products and services.

Nonetheless, there was little to no description of the impact of climate-related matters on the company's businesses, strategy and financial planning. Only a few companies used at least two scenario analyses consistent with a 2-degree or lower climate or business as usual (BAU) to determine their resilience. The scenarios within this sector were based on the RCP and the IEA scenarios respectively.

Risk Management

The quality of this theme's disclosures was lower than that of other sectors. The risk identification process is covered by almost all companies, however only top disclosers disclosed relevant detailed information.

Additionally, many failed to disclose any details at all pertaining to the existence of a Risk Management process for handling climate-related issues. Only two companies were able to provide a detailed description of the organization's overall process together with a statement confirming that the overall process includes consideration of climate-related risks. This also included how companies make decisions to mitigate, transfer, accept, or control identified climate risks.

Generally speaking, almost all companies provided a high-level statement regarding the integration of climate-related risks into their overall risk management. Nonetheless, only the two top disclosers disclosed a detailed connection between climate-related risk management and overall risk management.

Metrics and Targets

In general, companies disclosed multiple climate-related metrics to measure climate-related risks. Alongside Scope 1, 2 and 3 metrics, top disclosers also formulated indicators on water, waste and energy (in their portfolios). Two companies that considered climate-related matters as financially material discussed the incorporation of performance metrics into remuneration policies.
It is striking that so few companies reported on their Scope 3 GHG emissions. The top disclosers, however, disclosed these emissions including the methodologies and boundaries employed, even providing historical data to enable trend analysis.

Finally, almost every company used at least one target to manage climate-related issues, nonetheless only the top disclosers used at least three targets of which at least one related to GHG emissions. More details are disclosed on these targets, such as the base year and time frames in the short, medium or long term.

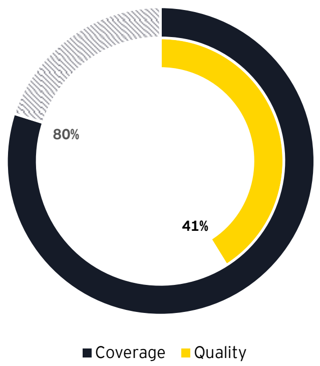
> "Asset owners and manager are not longer the highest "quality' performers, although they are still top 'coverage' performers

2. Tangible goods and services

Real estate

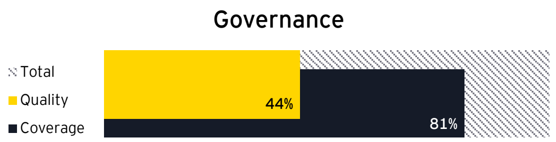
Overall, the companies in this sector performed above-average in comparison to the other sectors with respect to quality.

Governance was the TCFD element most often disclosed by this sector. This is in line with expectations, as to support the EU green agenda, the greenhouse gas emissions with respect to buildings' in the Netherlands is aimed to be reduced by 60%. Hence, good governance is potentially highly expected by stakeholders in order to realize this target.



Governance

The coverage and quality of governance-related disclosures was the highest in comparison to the other TCFD elements in this sector.

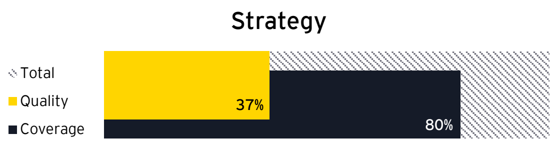


Top disclosers in this sector disclosed the implementation of sustainability or health and safety committees. Hereby, the delegation of tasks were disclosed among personnel and how the different roles assists each other with respect to the decision-making process on sustainability matters, including the frequency of periodic meetings.

The most commonly adopted governance recommendations were the involvement of top management (i.e., board of directors, president or CEO) in managing climate-related risks and opportunities. Low performers did not disclose any information on this matter. The disclosure of the roles and responsibilities with respect to the way in which the board oversees risk mitigation relating to climate-related risks and opportunities can be noted as an area of improvement for future reporting.

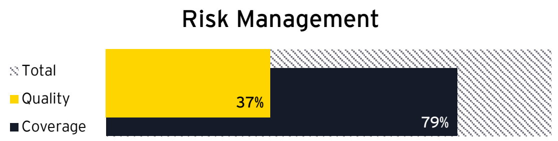
Strategy

Top disclosers provided a clear overview of the identified risks and opportunities, including the level of impact and likelihood of climate-related risks on the financial performance, business, and the underlying time periods. Other mature reporting information sometimes included the response and mitigation procedures related to the identified climate-related risks. This sector lacked companies reporting on their resiliency taking into consideration different climate-related scenarios.



Risk management

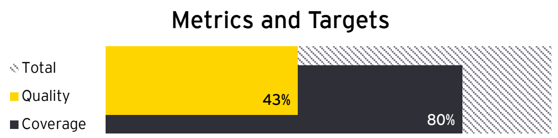
Overall, companies in this sector performed poorly on the reporting on the identification process of climate-related risks. Most of the companies assessed in this sector did not disclose any information on this matter or solely recognized the climate-related risks which possess risks to their assets. Risk identification with respect to climate-related risks can be noted as an area of improvement for future reporting.



Most companies briefly mentioned the existence of a climate-related risk assessment process, while top disclosers also mentioned the Environmental Management System within which the climate-related Risk Management is embedded. The system ensures that any identified climate-related risks or opportunities are tracked and monitored by management.

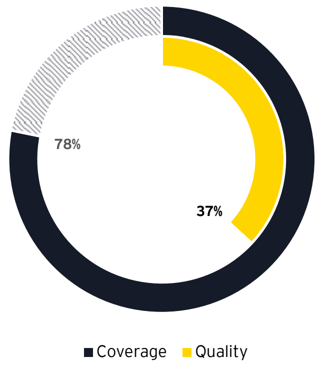
Metrics and targets

Top disclosers disclosed their GHG Scope 1,2, and 3 emissions, including pre-determined target and historical data which allows for monitoring against current performance. More mature reporting included the methodologies used for carbon accounting (e.g. GHG protocol) and target setting (e.g. SBTi). Low performers did not describe the targets set by the organization in order to track their performance against targets nor being able to manage climate-related risks.



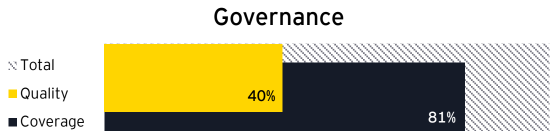
Materials & Buildings

The Materials & Buildings sector in the Netherlands underperformed in terms of both quality and coverage, scoring joint lowest among the sectors analysed in the report.
It should be noted, however, that while the sector as a whole did not score well, there were a few organizations that did demonstrate stronger TCFD reporting in both the quality and coverage elements. Organizations in this sector should seek out these 'best practice' peer examples to advance their own reporting performance.



Governance

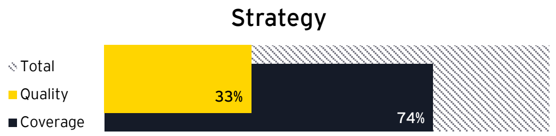
All of the organizations analysed referenced board involvement in climate- related issues, with the majority providing adequate quality information regarding their actual influence. Similarly, executive commitment to climate- related matters was addressed, offering insight as to the activities undertaken by management to address the organizational climate disclosure.



From a quality perspective, there were notable inconsistencies between the highest-scoring organizations and the lowest. Top disclosers in the sector came in as market leaders in terms of TCFD governance reporting, demonstrating their management boards understand their compelling role and responsibility to deliver.

Strategy

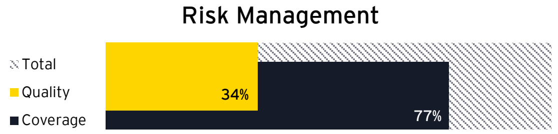
The sample of Dutch organizations in this sector demonstrated an overall poor quality level regarding their strategies related to risks and opportunities stemming from climate change. This was particularly evident in the lack of reporting on risks and opportunities across different time horizons (short, medium and long term). Similarly, this area of TCFD reporting scored lowest in terms of sector coverage.



The resilience of the organizations' strategies to the range of climate-related scenarios was also poorly covered across the sector with a majority of those reviewed giving no, or merely very brief, consideration to this area. Only one of the reviewed organizations took into consideration its strategy's resilience to at least three different climate scenarios, including enhanced physical climate-related risks and a transition to a lower-carbon economy with a 2°C or lower scenario.

Risk Management

The discrepancy between highest and lowest scoring organizations in this sector continued with reporting on climate-related risk management.

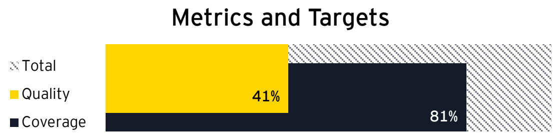


There were examples of market-leading reporting on the identification, assessment and management of risk. This demonstrated how organizations should specifically acknowledge and address – separately, albeit in relation – their overall risk management. At the end of the quality spectrum, there were reports that did not mention climate-related Risk Management at all.

Overall, the sample organizations in this sector indicated they need to further their understanding of and better communicate their approach to identify, assess and manage the climate-related risks they face. The next step is to incorporate these steps into their overall Risk Management strategy.

Metrics and Targets

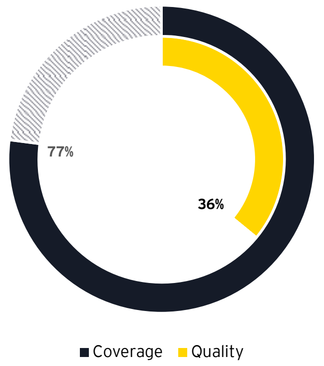
The Buildings and Materials sector received its highest score when disclosure of metrics used to assess climate-related risks and opportunities were included in the reports. The overall trend demonstrated consistent development in transparency with respect to the metrics and targets used. This was specifically evident in relation to GHG emission calculations aligned with the GHG protocol methodology.



A supplementary reason for the higher score was that the majority of sample organizations also delivered historical data on their KPIs. This provided context as to how these organizations were setting their targets and if they were on track to achieving them.

Retail, health and consumer goods

For analysis purposes, companies in the retail, health and consumers goods sector have been grouped into one category. The performance of this sector in terms of quality and coverage is relatively unremarkable compared to other sectors. The companies assessed scored slightly better than sectors such as Transportation and Materials and Buildings, but came in below sectors such as Banks and Asset Owners.



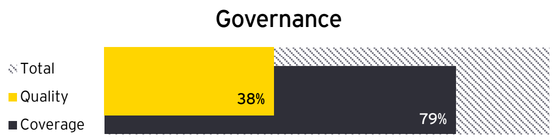
Compared to last year, this sector improved its overall performance based on both quality and coverage. However, there is still a large discrepancy between the two. As was the case last year, most attention focused on recommendations for Metrics and Targets, with Strategy recommendations receiving the least coverage.

Only half of the 14 companies assessed comprehensively covered all the recommendations. Some companies showed a small difference between their 100% quality and coverage, others a very low coverage percentage and/or a significant difference between the two factors.

The retail and consumer goods sector is facing increasing pressure due to rising consumer expectations. It comes as no surprise that some top disclosers in this sector are significantly improving their sustainability reporting. While a few companies are showing considerable improvement, a substantial pool of peers still lag behind and risk facing even more consumer pressure if they do not catch up soon.

Governance

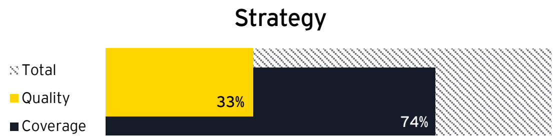
More companies in this sector only started reporting on their governance structure this year. Top disclosers in this category clearly described executive oversight on climate-related risks and opportunities as well as board commitment. They provided guidance on how risks and opportunities are assessed and managed. However, too few companies reported any type of governance around climate-related risks and opportunities.



> “The retail, health and consumer goods sector is facing increasing pressure [for improved disclosure] due to rising customer expectations

Strategy

Many companies mentioned climate-related risks and opportunities, though the emphasis was more on risks than on opportunities. Only a handful of top disclosers actually elaborated on the impact of climate risk on their financial planning.

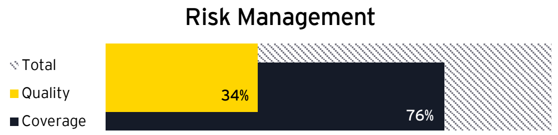


Many companies failed to report on how they assess or manage climate-related risks and opportunities, with only about half of them performing scenario analyses.

The kind of risks disclosed by companies include carbon pricing, land use regulation, product composition regulations, water scarcity and sourcing transparency. Only a very small number of companies recognized not only these risks, but also market risks such as energy and market commodity volatility. Even fewer are proactively addressing the risks identified.

Risk Management

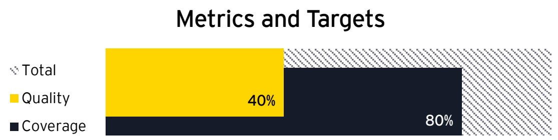
While a handful of companies described their climate Risk Management process, only a couple of top disclosers clearly reported on the integration of climate-related risks in their overall Risk Management systems.



Distinctive in this category is that the top discloser carried out a gap analysis to assess the extent to which its existing processes and public disclosures on climate risks are aligned with TCFD recommendations. The results were used to develop a plan to progressively meet TCFD requirements. This approach can only be regarded as exemplary for other companies.

Metrics and Targets

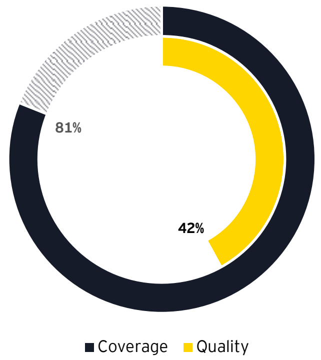
The companies within this sector had a high level of coverage for the Metrics and Targets category: 9 of the 14 companies achieved a 100% coverage of the recommended disclosures. Most companies reported on their Scope 1, 2 and 3 emissions though many of them still need to make progress in setting and communicating internal targets related to climate risks and opportunities.



3. Non tangible goods and services sector

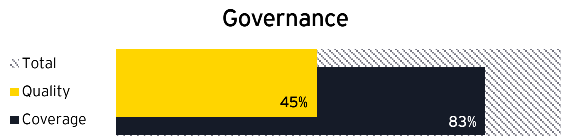
Energy

Overall, companies in this sector performed above average in comparison to the other sectors for both quality and TCFD coverage.



The element disclosed most frequently in this sector is governance. This is in line with expectations, as energy plays a key role in the transition to a low-carbon economy; stakeholders have high expectations with respect to good governance, and since energy companies have started reporting according to TCFD earlier than companies in other sectors.

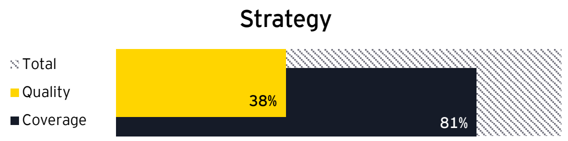
Governance



The quality and coverage of governance-related disclosures was above average in comparison to other sectors.

The most commonly-adopted governance recommendation was management's role in assessing and managing climate-related risks and opportunities. Top disclosers in this sector disclosed their top-down approach on identifying climate-related risks. They also described the delegation of accountability across business lines within the boundaries set by the Board of Management.

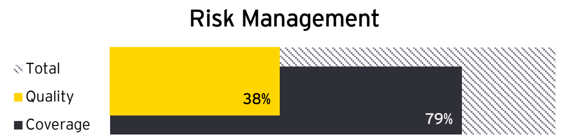
Strategy



Most companies did not perform well in reporting any detailed analysis with respect to different climate change scenarios. Moreover, few companies actually disclosed any potential adjustment to their strategic approach to climate change, taking into account the different climate change scenarios. Top disclosers in this sector discussed their strategic approach to climate change under two climate scenarios from which one of the two scenarios was the 1.5˚ C or 2˚ C scenarios. They also commented in detail about their organization's outlook as a result of different climate-related scenarios, clearly stating time horizons.

Most companies performed well in reporting on their climate-related risks and opportunities, some stating time horizons. Moreover, the impact per climate-related risk on the organization's businesses was sufficiently covered. Top disclosers discussed the impact in both a quantitative and qualitative manner, also prioritizing the risks. Common types of climate-related risks disclosed were physical, regulatory and transition risks.

Risk Management

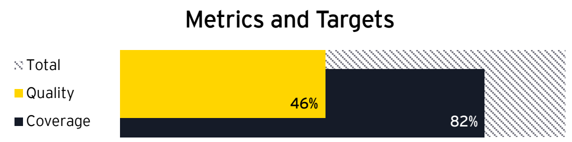


The quality and coverage of Risk Management disclosures was the lowest among the TCFD elements for this sector. However, the companies in this sector performed above average on this TCFD element in comparison with other sectors.

Most companies assessed in this sector have a framework in place to manage risk. However, the way in which these companies have specifically identified climate-related risks is below expectations.

The majority reported how they make decisions in order to mitigate climate-related risks. Top disclosers in this sector reported a risk overview, including risk appetite. Climate-related risk disclosures for these companies were consistently integrated into the company's overall strategy. Risk prioritization can be noted as an area of improvement for future reporting.

Metrics and Targets



The quality and coverage of metrics and target -related disclosures were above average in comparison to other sectors. Most companies assessed in this sector disclosed their Scope 1, 2 and 3 emissions. Moreover, most companies also performed well in disclosing historical data.

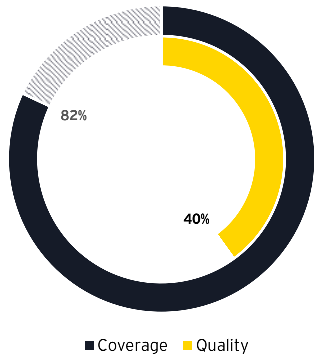
An area of improvement for future reporting is the disclosure of the link between the identified material issues and the climate-related risks and opportunities.

Targets against performance also received adequate attention. Top disclosers in this sector reported on the methodologies by which the targets are calculated as well.

Telecommunications and technology

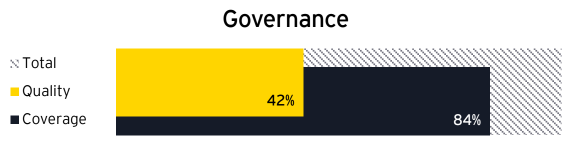
Last year, Telecommunications and Technology was among the lowest-scoring sectors. This year, improvements were visible as overall sector scores were higher than many others. This can potentially be attributed to the growing focus of sustainability in technology, reflected in the results of this analysis. More than half of the companies assessed describe all 11 recommended TCFD disclosures. The recommendations on Governance were covered most extensively, with an average of 84%.

There was not a big difference between companies assessed in this sector. Though some did slightly better than others, there were no conspicuous outliers.



Governance

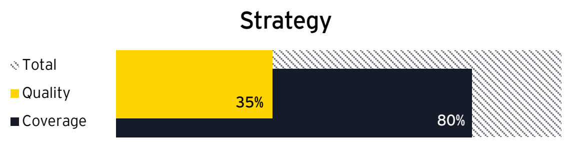
Companies increasingly disclosed not only their internal roles and responsibilities related to ESG matters and climate risks, but also the work of designated climate committees. Further steps are required, however. Details are rarely provided as to how board and management oversight is organized within the company. Very few actually describe the processes and frequency by which the board is updated on climate-related matters.



Strategy

In general, companies did not elaborate on their climate risks and opportunities in much detail. Top disclosers mentioned internal risk assessments to identify climate-related risks, but there was an overall lack of in-depth deliberation on the opportunities.

Common risks identified for this sector include stricter regulations on the reporting and reduction of GHG emissions, changes in carbon-pricing schemes and failure to respond to or even communicate climate-related product issues. A top discloser mentioned how digital solutions should be regarded as an indispensable component of a sustainable society.

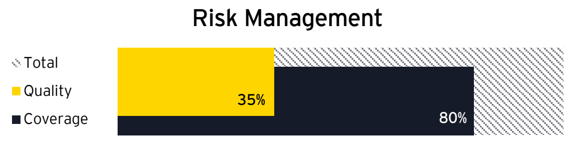


They are at the heart of tools and solutions that can help society address global challenges and make progress in tackling climate change by reducing energy consumption and greenhouse gas (GHG) emissions.

Some companies have started checking their strategy resilience through scenario analysis while others have described their ambitions to start doing so next year.

Risk Management

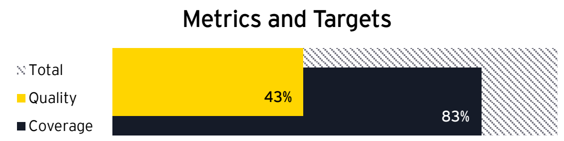
Top disclosers described their internal risk assessment processes to identify climate-related risks. Most of the companies describe or at least refer to a separate process for managing climate-related risks as opposed to other types of risk, though not all of those integrate this process in their overall Risk Management approach.



Companies in this sector could improve their performance by engaging in a detailed discussion with respect to the link between climate-related Risk Management and overall risk management. This could be achieved by recording climate-related risks in a company-wide database, addressing these risks as part of overall risk reporting, and tabling them as recurring senior management and board agenda items.

Metrics and Targets

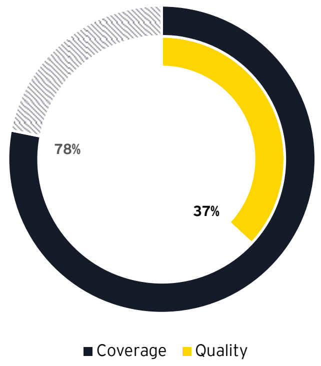
Metrics used within this sector relate to energy use, electricity, fuel consumption, energy efficiency and carbon intensity. Most companies cover Scope 1, 2 and 3 emissions and many of them disclose the historical data as well. Top disclosers align with the Greenhouse Gas protocol and/or Science Based Targets. Though top disclosers have set some targets, many of the others fail to describe the methodologies used to calculate targets and measures. There is room for improvement on this front.



Transportation

The results show that this sector has relatively established governance structures. This is in line with expectations, as the transport industry is responsible for a significant portion of CO_2 emissions in the Netherlands and stakeholders put good governance high on their priority list.

The low quality and coverage score in this sector resulted in transport coming in as the lowest performing sector in this report, alongside materials and buildings.

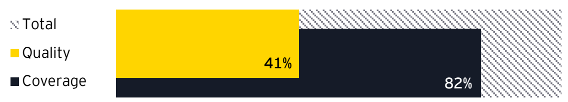


Governance

Most companies in this sector reported on board oversight with respect to risks and opportunities. However, the link between climate and the associated risks and opportunities should be noted as an area of improvement for future reporting. High performers in this sector reported on the tasks and responsibilities of the board with respect to their organization's sustainability policy. They discussed in detail how different sustainability topics are brought directly to the attention of the board. Low performers in this sector did not disclose any information on the board's oversight of or role in assessing climate-related risks and opportunities.

Top disclosers in this sector reported on internal processes for ensuring that climate-related risks and opportunities are on the executive board agenda. Other comprehensive reporting information sometimes included the frequency of periodic review of internal performance quality.

Governance

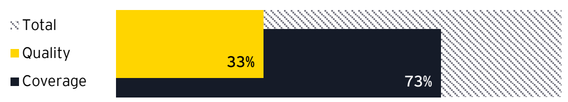


Strategy

Strategy disclosure was the core TCFD element on which companies in this sector scored the lowest, compared to the other core TCFD elements.

Most of the companies assessed in this sector did not describe how they identified climate-related risks and opportunities. Neither did they disclose the time horizons taken into account. They would typically disclose the state of the current sustainability market and their focus, but not the specific impact of sustainability trends on their business. More mature reporting information sometimes included the mitigation actions as a response to the identified risks, as well as discussing the financial position of their stranded assets.

Strategy



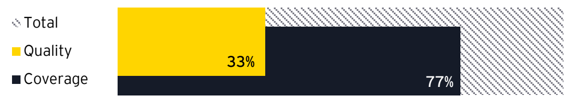
Stress testing has become an important tool for organizations to assess the resilience of their financial exposure to climate-related risks. Some companies assessed in this sector discussed the identified physical and transition risks on their organization, while taking into account the EU Green Deal. However, there was rarely a detailed analysis of organizational resilience within different climate scenarios. Most companies did not disclose any information on the resilience of their organizational strategy when considering different climate-related scenarios. Climate stress testing is an area of improvement for future reporting.

Risk Management

Most companies briefly referred to how they identified and assessed climate-related risk, but only a few actually discussed how they reported on this process. The top disclosers provided a detailed description of the company's Risk Management profile together with consideration of climate-related risks. Top disclosers also reported on their organizational Risk Management systems including (i) external certifications [such as an International Organization for Standardization (ISO) certification], (ii) Internal assessment, and (iii) assessment frequency.

More companies did their best to disclose how climate risk mitigation processes are integrated into overall company Risk Management in comparison to the previous year. Top disclosers in this sector described how the specific risks related to their organization were identified and addressed within the framework of their internal control process. Low performers did not disclose any information at all on these issues.

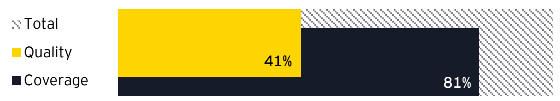
Risk Management



Metrics and Targets

Most companies disclosed their Scope 1, 2 and 3 emissions, including historical data for year-on-year comparison. The methodology was also consistently explained. Most companies disclosed other climate-related metrics than GHG emissions. Overall, companies performed adequately in disclosing their performance against predetermined targets.

Metrics and Targets



Appendix B: Cross reference from TCFD to CSRD

This table is based on the Draft European Sustainability Reporting Standards, Appendix IV – TCFD Recommendations and ESRS reconciliation table from August 2022.

	TCFD recommendation	ESRS	Comparison TCFD vs ESRS
Governance	1. Describe the board's oversight of climate-related risks and opportunities	→ ESRS 2, DR 2-GOV 1 §50	All TCFD disclosures are covered in ESRS E1.
		→ ESRS 2, DR 2-GOV 2 §54	Additions or classification differences in ESRS E1: ▸ Impacts considered in addition to Risks & Opportunities; ▸ Remuneration directly tied to GHG emissions reductions targets in ESRS E1 AG9 and classified under Governance in ESRS rather than Metrics in TCFD.
	2. Describe management's role in assessing and managing climate-related risks and opportunities	→ ESRS 2, DR 2-GOV 1 §50	▸ Internal carbon pricing schemes classified under Metrics in TCFD versus under governance in ESRS E1
		→ ESRS 2, DR 2-GOV 4 §62	
Strategy	3. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	→ ESRS 2, DR 2-IRO 1 §71 and 74	All TCFD disclosures are covered in ESRS E1.
		→ ESRS 2, DR 2-IRO 2 §75 and 77 (a)	Additions or classification differences in ESRS E1:
		→ ESRS 2, DR 2-IRO 3 §78 and 80 (a)	▸ Impacts on the environment and society taken into consideration on top of risks & opportunities.
		→ ESRS 1, GP 2.4	▸ Clearer reference to alignment with limiting global warming to 1.5°C (i.e., transition plan).
		→ ESRS E1, Climate-related specific AG on DR 2-IRO 1 and 2-IRO 2 of ESRS 2 on materiality assessment §AG 14 (b) and (c)	▸ Concept of locked-in emissions and related stranded assets more developed; ▸ Concept of policies more developed in ESRS to address both strategy and Risk Management processes; ▸ Effects on current financial statements classified under Connectivity Requirements (reconciliation between sustainability and financial statements); ▸ Effects on climate-related risks on future financial position and business activities separated between physical and transition risks; ▸ Future financial effects of climate-related risks covering gross risks instead of net risks (before mitigation and adaptation policies, targets and actions).
	4. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	→ ESRS 2, DR 2-SBM 4 §45 and 47 (b) and (c)	▸ Potential liabilities relating to EU ETS.
		→ ESRS 2, DR 2-GR 3	▸ Taxonomy-alignment ratios and consistency of resources and financial opportunities with figures from Taxonomy Regulation.
		→ ESRS E1, DR E1-1 §13	
		→ ESRS E1, DR E1-2 §16	
		→ ESRS E1, DR E1-3 §20	
		→ ESRS E1, DR E1-4 §28	
		→ ESRS E1, DR E1-15 §65	
		→ ESRS E1, DR E1-16 §69	
		→ ESRS E1,Climate-related specific AG on DR 2-IRO 1 and 2-IRO 2 of ESRS 2 on materiality assessment §AG19	
	5. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	→ ESRS 2, DR 2-SBM 4 §47 (d)	
		→ ESRS E1, Climate-related specific AG on DR 2-SBM 4 of ESRS 2 on the resilience of the strategy and business model §AG7 (b) and (c)	
		→ ESRS E1, Climate-related specific AG on DR 2-IRO 1 and 2-IRO 2 of ESRS 2 on materiality assessment §AG19	

	TCFD recommendation	ESRS	Comparison TCFD vs ESRS
Riskmanagement	6. Describe the organization's processes for identifying and assessing climate-related risks.	→ ESRS 2, DR 2-IRO 1 §71 and 74	All TCFD disclosures are covered in ESRS E1.
		→ ESRS E1, Climate-related specific AG on DR 2-IRO 1 and 2-IRO 2 of ESRS 2 on materiality assessment §AG14 (b) and (c), 17 and 18	Additions or classification differences in ESRS E1: ▸ Impacts taken into consideration on top of risks and opportunities; ▸ More detailed application guidance for physical and transition risks identification and assessment;
	7. Describe the organization's processes for managing climate-related risks.	→ ESRS E1, DR E1-2 §16	▸ The concept of due diligence process is further elaborated on in ESRS1; and
		→ ESRS E1, DR E1-3 §20	▸ Concept of policies more developed in ESRS to address both strategy and Risk Management processes.
		→ ESRS E1, DR E1-4 §28	
	8. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	→ ESRS G1	
Metrics and targets	9. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and Risk Management process.	→ ESRS E1, DR E1-7 §38	All TCFD disclosures are covered in ESRS E1.
		→ ESRS E1, DR E1-8 §41	
		→ ESRS E1, DR E1-9 §44	Additions or classification differences in ESRS E1:
		→ ESRS E1, DR E1-10 §47	▸ Energy consumption and mix and energy intensity per revenue required;
		→ ESRS E1, DR E1-11 §50	▸ More details on GHG emissions (share of Scope 1 emissions under ETS, Scope 2 emissions in market-based and location-based, calculation and presentation requirements on Scope 3, distinction between removals, offsets and avoided emissions);
		→ ESRS E1, DR E1-15 §65	▸ More details on potential financial effects and opportunities (stranded assets, assets at physical risks, ETS liabilities, business activities at risks, market size for low carbon solutions);
		→ ESRS E1, DR E1-16 §69	▸ Turnover, CapEx, OpEx deriving from the EU Taxonomy regulation; - Specific target on GHG emission reduction and remuneration tied to this target;
		→ ESRS E1, DR E1-17 §73	▸ Distinction of three levels of targets: general climate-related targets, GHG emission reduction targets, and net zero targets and other neutrality claims;
		→ ESRS E1, DR E1-4 §28	▸ Scope of the target specified;
		→ ESRS 2, DR 2-GOV 4 §62	▸ Target values aligned with 2030 and 2050 and preferably set over five years rolling periods;
		→ ESRS E1, Climate-related specific AG on DR 2-GOV 4 of ESRS 2 on internal carbon pricing schemes §AG10 and 11 → ESRSESRS E1, Climate-related specific AG on DR 2-GOV 4 of ESRS 2 on climate-related remuneration §AG8	▸ Targets presented by decarbonization levers;
	10. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 (GHG) emissions, and the related risks.	→ ESRSESRS E1, DR E1-7 §38	▸ Use of carbon offsets excluded from GHG emission reduction targets (only included in net zero targets under specific conditions); and
		→ ESRSERSR E1, DR E1-8 §41	▸ Pathways to net zero presentation.
		→ ESRSESRS E1, DR E1-9 §44	
		→ ESRSESRS E1, DR E1-10 §47	
		→ ESRSESRS E1, DR E1-11 §50	
	11. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	→ ESRSESRS E1, DR E1-3 §20	

Appendix C: Abbreviations and Glossary

Abbreviations	
2°C	2° Celsius
CDP	Carbon Disclosure Project
CSRD	Corporate Sustainability Reporting Directive
ESG	Environmental, Social, Governance
EY CAP	EY Climate Analytics Platform
FSB	Financial Stability Board
GHG	Greenhouse Gas
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IPCC	Intergovernmental Panel on Climate Change
NFRD	Non-Financial Reporting Directive
RCP	Representative Concentration Pathway
SBTi	Science Based Targets initiative
SEC	United States' Securities and Exchange Commission
SFDR	Sustainable Finance Disclosure Regulation
TCFD	Taskforce on Climate-related Financial Disclosures

Glossary	
Climate-related Opportunity[1]	Refers to the potential positive impacts related to climate change on an organization. Efforts to mitigate and adapt to climate change can produce opportunities for organizations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organization operates.
Climate-related Risk[2]	Refers to the potential negative impacts of climate change on an organization. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.
Financial planning[3]	Refers to an organization's consideration of how it will achieve and fund its objectives and strategic goals. The process of financial planning allows organizations to assess future financial positions and determine how resources can be utilized in pursuit of short- and long-term objectives. As part of financial planning, organizations often create "financial plans" that outline the specific actions, assets, and resources (including capital) necessary to achieve these objectives over a 1-5 year period. However, financial planning is broader than the development of a financial plan as it includes long-term capital allocation and other considerations that may extend beyond the typical 3-5 year financial plan (e.g., investment, research and development, manufacturing, and markets).
Financed emissions[4]	Absolute emissions that banks and investors finance through their loans and investments.
Governance[5]	Refers to "the system by which an organization is directed and controlled in the interests of shareholders and other stakeholders. Governance involves a set of relationships between an organization's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organization are set, progress against performance is monitored, and results are evaluated."

[1] TCFD, Recommendations of the Task Force on Climate-Related Financial Disclosures, 2017
[2] TCFD, Recommendations of the Task Force on Climate-Related Financial Disclosures, 2017
[3] TCFD, Recommendations of the Task Force on Climate-Related Financial Disclosures, 2017
[4] PCAF, The global GHG accounting & reporting standard for financials, 2020
[5] OECD, G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, 2015

Glossary	
Risk Management[6]	Refers to a set of processes that are carried out by an organization's board and management to support the achievement of the organization's objectives by addressing its risks and managing the combined potential impact of those risks.
Scenario Analysis*[7]	Is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organization to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.
Sector[8]	Refers to a segment of organizations performing similar business activities in an economy. A sector generally refers to a large segment of the economy or grouping of business types, while "industry" is used to describe more specific groupings of organizations within a sector.
Stranded assets[9]	Assets that have suffered from unanticipated or premature write-downs, devaluations or conversion to liabilities.
Strategy[10]	Refers to an organization's desired future state. An organization's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organization's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates.

[6] IPCC, Climate Change 2014 Mitigation of Climate Change, Cambridge University Press, 2014.
[7] TCFD, Recommendations of the Task Force on Climate-Related Financial Disclosures, 2017
[8] TCFD, Recommendations of the Task Force on Climate-Related Financial Disclosures, 2017
[9] "Stranded Assets Programme". Smith School of Enterprise and the Environment, 2014
[10] TCFD, Recommendations of the Task Force on Climate-Related Financial Disclosures, 2017

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