FS ESG Benchmark Report 2025

A comprehensive analysis of the sustainability efforts and strategic approaches of leading European financial institutions.

Capgemini invent

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1 | Introduction

2025 marks a critical inflection point for the financial services industry, as they navigate the complex interplay of sustainability, profitability and policy. The global sustainability agenda is facing its most turbulent period in over a decade. Geopolitical instability, heightened economic uncertainty and energy security pushback have led to recalibration of climate commitments and ESG priorities across various geographies.

Ironically, this softening comes just as regulatory momentum around ESG is picking up speed. There are several changes proposed to streamline EU Taxonomy, the Corporate Sustainability Reporting Directive (CSRD), and the Corporate Sustainability Due Diligence Directive (CSDDD) through Omnibus proposal. The EU taxonomy regulation mandates companies to disclose the share of revenue, opex which can be considered environmentally sustainable. CSRD significantly expands sustainability reporting obligations for EU companies through disclosures aligned with European Sustainability Reporting Standards. CSDDD aims at businesses to disclose how they manage and address human rights and environmental risks in their value chains, promoting accountability, transparency and ethical practices. By refining these frameworks, the Omnibus proposal seeks to eliminate redundancies, lower compliance costs, and create a more efficient reporting system, reflecting a broader effort to simplify sustainability disclosures while maintaining the EU's ambitious environmental objectives.

However, the fact remains that banks have been witnessing a lot of challenges in balancing sustainability goals with their strategic vision, particularly in emerging markets where sustainability may not be an immediate priority due to reliance on less environmentally friendly industries. While the short-term pressures are real, the long-term need for sustainability is even more pressing. The risks tied to climate change, biodiversity loss, and social inequality are becoming more visible and material to financial outcomes. European regulators have introduced environmental regulations that discourage high-emission or brown lending by banks, pushing them to shift capital towards greener, taxonomy-aligned sectors.

While short term geopolitical uncertainties pose risks to bank operations, they also provide opportunities for those financial institutions which want to differentiate themselves. Institutions that stay the course and embed sustainability into core strategy going beyond regulatory expectations will position themselves as credible leaders in a rapidly shifting global economy.

The interplay between sustainability in banking and geopolitical factors is complicated and as banks navigate these challenges, their ability to innovate and align sustainability goals maintaining resilience, will be crucial for their long-term viability and reputation. From evolving regulations and data limitations to shifting expectations and market pressures, success requires a tactical yet forward-looking approach, balancing short term priorities with long term goals. Identifying practical levers across product innovation, data strategy and cross-functional governance is crucial to convert ambition into action.

1.1 Trends around ESG in banking and insurance (including regulatory changes)

When examining the latest ESG trends over the past year, it has become clear that financial institutions in Europe are at the forefront of significant regulatory and market changes. This chapter explores the latest trends shaping the landscape of Environmental, Social, and Governance (ESG) practices, categorized into three core components for clarity and coherence.

1.1.1 Environmental trends

Climate resilience in finance

European financial institutions are facing a dual climate challenge: managing the growing impact of physical climate risks while financing the transition to a low-carbon economy. Climate risk is no longer a peripheral concern, it is becoming a central pillar of financial risk management and capital planning.

Recent regulatory and market developments reflect this shift. On May 12, 2025, the Basel Committee on Banking Supervision introduced a voluntary disclosure framework to guide global banks in addressing climate-related financial risks. In March, the European Banking Authority (EBA) launched a climate risk dashboard based on ESG disclosures, providing vital benchmarks to assess both transition and physical risks across the EU banking sector. A key focus of the EBA guidelines is on the implementation of granular and continuous monitoring of material ESG risks for counterparties and portfolios, leveraging quarterly risk reporting or heat maps.

Meanwhile, the European Central Bank and EU insurance regulators proposed a bloc-wide public-private reinsurance scheme to close the growing protection gap in catastrophe coverage, which is an urgent response to the increasing frequency and severity of floods, wildfires, and heatwaves.

Physical climate risks are intensifying. Extreme weather events, sea-level rise, and prolonged droughts are already disrupting supply chains, damaging infrastructure, and eroding asset values. Financial institutions are expected to integrate these risks into strategic planning, stress testing, and capital allocation. According to the latest S&P Global Corporate Sustainability Assessment publication, which is based on responses from 6,871 companies to S&P Global Sustainable's CSA, only 21% of the companies have an adaptation plan. (Figure 1).

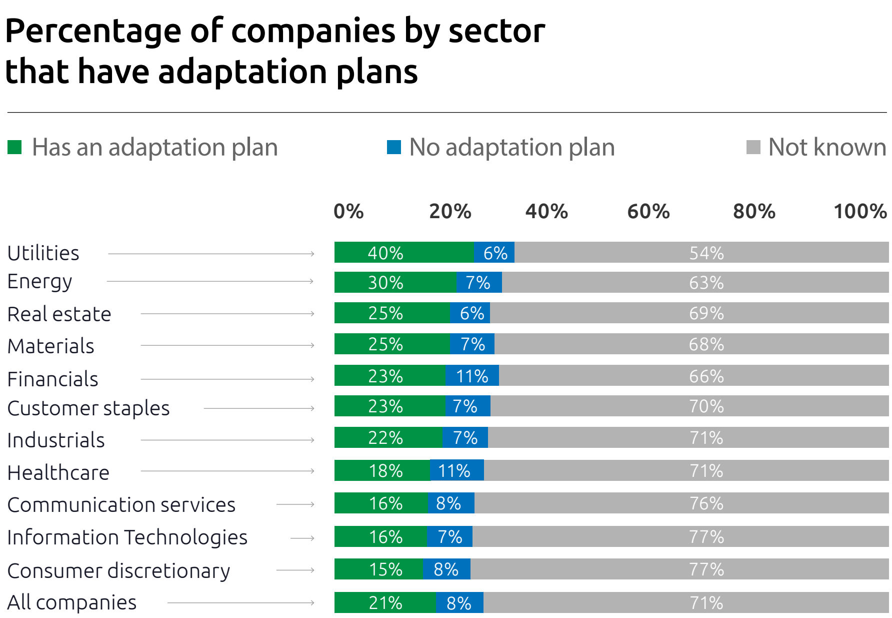


Figure 1: Share of companies having adaptation plans

At the same time, the energy transition is entering a more complex phase. While clean technologies are advancing, progress is uneven. Many companies in hard-to-abate sectors are falling short of net-zero targets, and some governments are prioritizing energy security over decarbonization. Still, innovation is accelerating, and the focus is shifting from commitments to implementation and accountability.

To remain resilient and competitive, banks and insurers must:

- Strengthen climate risk modelling to capture both acute and chronic physical threats
- Rethink underwriting and lending to reflect climate vulnerability and transition alignment
- Enhance transparency and reporting to meet evolving regulatory and stakeholder expectations

In this evolving landscape, climate resilience is not just about mitigating risks but also about enabling transformation and unlocking long-term value.

Evolving sustainability regulations in the EU for financial institutions

As climate risks reshape financial priorities, the EU is simultaneously overhauling its sustainability regulatory framework to align green ambitions with economic resilience. These reforms aim to improve transparency, comparability, and accountability across financial markets.

Key regulatory developments include:

- SFDR Revisions: The Sustainable Finance Disclosure Regulation is being updated to address inconsistencies in fund classification (Articles 6, 8, and 9) and to enforce stricter reporting on Principal Adverse Impacts (PAIs)
- CSRD Expansion: The Corporate Sustainability Reporting Directive is broadening its scope, requiring more companies to disclose sustainability data. While sector-specific standards and non-EU requirements are delayed, this eases short-term implementation pressures
- CSDDD Implementation: The Corporate Sustainability Due Diligence Directive, effective from 2024, mandates that large companies identify and mitigate human rights and environmental risks across their entire value chains

These regulatory shifts are designed to drive more consistent and meaningful sustainability disclosures. However, they also introduce short-term uncertainty for market participants, who must adapt to evolving requirements while maintaining operational and strategic clarity.

Legal heat rises on climate accountability

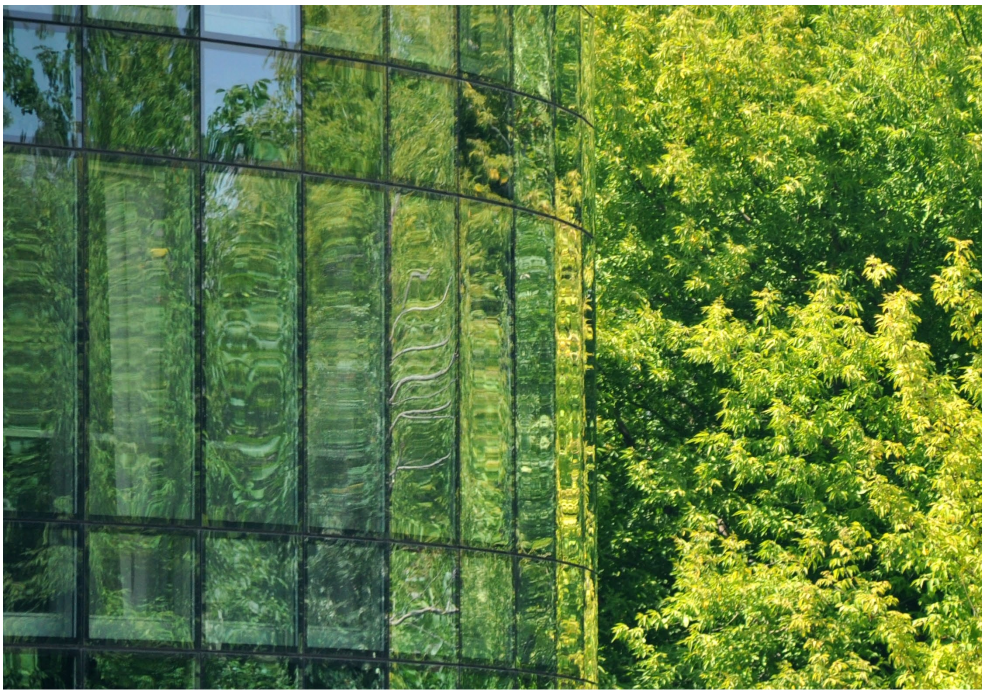
Financial institutions are under mounting legal pressure to align with climate commitments.

In a landmark case, Dutch NGO Milieudefensie sued ING in 2024, alleging the bank’s financing practices fall short of the Paris Agreement goals. The case, still ongoing in 2025, could set a powerful precedent for climate litigation in Europe.

Adding to the pressure, the European Central Bank (ECB) has begun issuing formal warnings and potential fines to banks that fail to meet climate risk disclosure and management standards under its Climate Risk Stress Test and Supervisory Review and Evaluation Process (SREP). Non-compliance could cost banks up to 5% of daily turnover per day until corrective action is taken.

A recent example underscores the stakes. In May 2025, **Banco Santander** was accused of financing large-scale deforestation in Brazil, contributing to what environmental groups are calling “ecocide.” The case, reported by The Guardian, highlights the reputational and legal risks tied to unsustainable financing.

The message is clear that climate inaction is no longer just a reputational risk, it’s a legal liability.



1.1.2 Social trends

Regulatory pressure and standardization

The European banking and insurance sector is facing intensifying regulatory pressure to standardize and enhance transparency in the social dimension of ESG, driven by directives like CSRD and CSDDD, and reinforced by evolving EBA guidelines and anti-greenwashing measures.

In January 2025, the European Banking Authority (EBA) published its Final Guidelines on ESG risk management, effective from January 2026. Key social-related expectations include:

- Integration of social risks (e.g., labor rights violations, discrimination, community displacement) into credit and operational risk frameworks
- Scenario analysis for social risks, such as reputational damage from poor labor practices or social unrest
- Enhanced governance structures to oversee ESG risk management, including board-level accountability

Expected to be finalized in 2025, the CSDDD will require banks and insurers to conduct human rights' environmental due diligence across their supply chains and investment portfolios and to report on adverse social impact and mitigation strategies.

The European Securities and Markets Authority (ESMA) and national regulators are cracking down on greenwashing and social-washing by stricter rules on ESG fund naming and marketing and increased scrutiny of social impact claims in sustainability-linked loans and insurance products.

Driving change through diversity & inclusion

In recent years, European banks and insurance companies have begun to shift from symbolic diversity efforts to more strategic, data-driven inclusion practices. Despite longstanding commitments, the financial sector has faced persistent challenges as women still hold only about 24% of executive roles in major European banks, and the gender pay gap remains above 20%. In insurance, leadership diversity is even more limited, with only 8% of board chairs being women.

Recognizing these gaps, leading institutions are now embedding D&I into their core business strategies. This includes the use of D&I dashboards to track representation and pay equity and tying executive compensation to diversity outcomes. Banks are adopting bias-reducing recruitment methods, such as anonymized CVs and structured interviews, while also investing in sponsorship programs that actively promote underrepresented talent into leadership roles.

Insurance companies are innovating with inclusive product design, thereby offering micro-insurance and health plans tailored to diverse family structures and underserved communities. Both sectors are aligning D&I with broader ESG goals, responding to increasing regulatory pressure and stakeholder expectations.

Notably, some organizations are emerging as D&I leaders. Others are redesigning services to better serve migrant populations and multilingual communities, reflecting a broader shift towards customer-centric inclusion.

While progress is uneven across regions (Northern and Central Europe lead, while Southern and Eastern Europe lag) the momentum is growing. With stronger accountability, cross-sector collaboration, and a focus on measurable impact, European finance is beginning to turn its diversity of ambitions into tangible, systemic change.

1.1.3 Governance trends

Governance transformation

European banks are fundamentally rethinking how ESG is governed across their organizations.
The three traditional lines of defense-management, risk and compliance, and internal audit are being restructured to ensure ESG responsibilities are clearly defined and consistently applied. This transformation is driven by increasing regulatory scrutiny and stakeholder expectations for transparency and accountability.

However, many institutions still face fragmented ESG ownership, where responsibilities are siloed or inconsistently implemented across departments. This lack of clarity can hinder effective decision-making and result in slow progress on sustainability goals. To address this, leading banks are establishing dedicated ESG committees, integrating ESG KPIs into executive scorecards, and embedding ESG into board-level oversight.

Under evolving frameworks like the EU's CSRD and the ISSB standards, companies are expected to adopt a dual-lens approach to sustainability reporting. This means disclosing not only how their operations impact the environment and society, but also how environmental and social changes pose financial risks and opportunities to business. This integrated view is capturing both outward and inward impacts, thereby becoming the new norm in ESG reporting.

Risk integration

ESG is no longer treated as a compliance obligation. It's now a core component of enterprise risk management (ERM). Banks are integrating ESG into scenario analysis, stress testing, and risk appetite frameworks, recognizing that climate, social, and governance risks can have material financial impacts.

Regulators like the European Banking Authority (EBA) and the European Central Bank (ECB) are setting clear expectations: ESG risks must be embedded into strategic planning, capital allocation, and governance structures. This is prompting banks to enhance their risk taxonomies, develop ESG-specific risk indicators, and align their internal models with climate and transition risk scenarios.

As international standards such as TCFD and TNFD gain widespread adoption, financial institutions are increasingly required to harmonize their ESG disclosures with globally recognized frameworks. This alignment enhances comparability, reduces reporting fragmentation, and supports investor confidence in sustainability performance across jurisdictions.

It's not merely about meeting regulatory demands; it's about future-proofing the organization against emerging ESG risks.

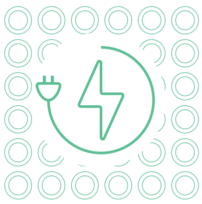
Data evolution

As ESG reporting becomes mandatory under frameworks like the Corporate Sustainability Reporting Directive (CSRD), banks are transforming how they manage ESG data. What was once fragmented, voluntary effort is now evolving into a structured, technology-enabled, and highly regulated discipline.

Institutions are investing in AI-powered platforms, cloud-based data lakes, and real-time ESG dashboards to ensure data quality, traceability, and audit readiness. These tools enable decision-makers to act on ESG insights with speed and confidence, thereby turning data into a strategic asset rather than a compliance burden.

The European ESG data market is also maturing. Banks are adopting multi-provider data strategies to fill gaps and improve accuracy, while regulators push for cross-sectoral harmonization. With CSRD requiring third-party assurance, ESG data is now treated with the same rigor as financial data, complete with lineage tracking, version control, and governance oversight.

In this new landscape, ESG data governance is no longer a back-office function. It has turned into a strategic imperative that underpins trust, performance, and long-term value creation.



1.2 Introduction to 2025 benchmark

The 2025 ESG Benchmark for Financial Services offers a detailed assessment of the sustainability initiatives and strategies of 33 European financial institutions. Our analysis relies on publicly available information, including annual reports, sustainability reports, ESG rating agency reports and company websites.

This year, our benchmark has been refined and expanded to cover a broader range of financial institutions compared to last year, providing a more comprehensive view of the industry's sustainability efforts. We have updated our key performance indicators (KPIs) and topics to reflect current market trends and best practices. Additionally, we have initiated an in-depth view on quantitative aspects like the GAR Stock and Flow Analysis, coupled with interesting insights from Double Materiality Assessment. Our benchmarking insights were deduced after a thorough review of news related to ESG matters prevalent in the financial services sector, to be able to correlate to an external perspective on the industry.

Our benchmark focuses on four main pillars:

a. **Products and services:** We evaluate how well financial products and services align with environmental and social responsibilities. This also includes assessing the value chain partnerships, customer education/advisory initiatives and the setting of targets and action plans

b. **Internal assets and operations:** We examine the efforts to enhance sustainability across companies' operations, supply chains, investments to ensure they are genuinely committed to responsible business practices

c. **Internal governance:** We analyse how organizational structures and governance practices support sustainable outcomes, integrate sustainability into decision-making, and promote a sustainable culture among employees and stakeholders

d. **Reporting:** We assess the quality and transparency of ESG disclosures along with the practices used, to ensure reporting credibility and measures to prevent greenwashing

Several material topics were analysed within these pillars. Initiatives and strategies of financial institutions across more than 140 key performance indicators (KPIs) were analysed to determine a comprehensive strength score. This score was imperative in ascertaining the overall performance of Financial Institutions on specific topics within the peer group.

Strength Scores: High Medium Low

Heat Map of banks

Banking Industry

Figure 2: Performance of banks across key material topics - ESG Benchmark 2025

Heat Maps of Insurers

Insurance Industry

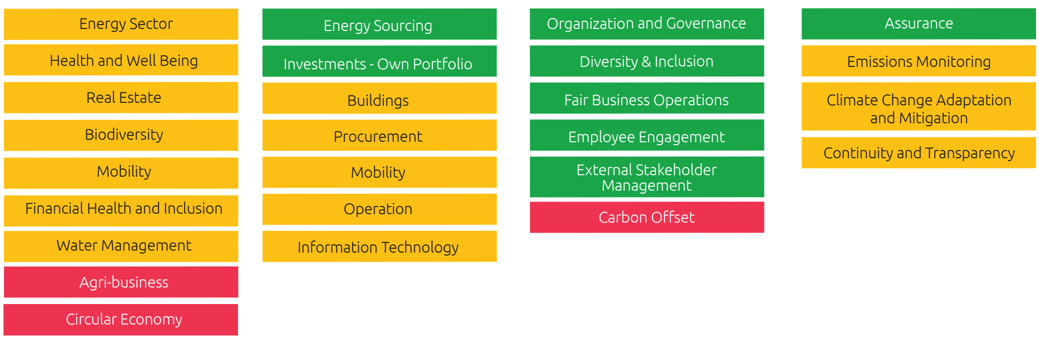
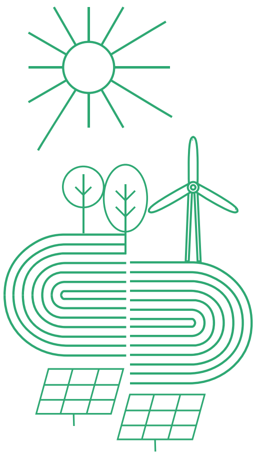


Figure 3: Performance of insurers across key material topics - ESG Benchmark 2025



1.3 Key takeaways

1. Banks lead in advisory-driven product uptake

Twice as many banks as insurers are providing advisory services across key sustainable areas

Banks are ahead of insurers in providing advisory services across their products and services, with twice as many banks offering additional advisory support to drive product adoption across circular economy, mobility, energy transition, real estate, financial health and inclusion and agriculture.

2. Greening internal operations

100% of Dutch financial institutions have adopted electric/hybrid lease vehicles and fuel efficiency measures and they also have a sustainable procurement strategy for onboarding and screening suppliers

Excluding financed emissions from the loan book, business travel and the procurement of goods and services are the largest contributors to Scope 3 emissions from internal operations for financial institutions. It has become apparent that Dutch institutions have set their focus on reducing emissions from internal operations and mobility, by actively greening their lease fleet and screening suppliers.

3. Financed Emissions: The challenge of comparability in a non-standardized landscape

Even in the presence of globally accepted frameworks, financed emissions have been hard to be compared due to the lack of completeness and differences in ways of reporting, on sector-wise breakup.

4. Incentivise sustainable behaviour

100% of the European institutions have sustainability linked remuneration in place, compared to 80% of the Dutch institutions

All European institutions have sustainability linked remunerations, while in the Netherlands this is the case for only 8 out of 10 institutions. Most European institutions focus on incentivizing executives to incorporate sustainable behaviour. By embracing diversity and inclusion, organizations can better understand the needs of their stakeholders, mitigate risks, leading to more informed and equitable decision-making. This leads-by-example to endorse ESG strategies and align employees in the execution of the strategy.

5. CSRD Debuts with a clear Message: Climate change material to all

100% of benchmarked companies have chosen climate change as a material topic from risk and negative impact perspective

In the first wave of CSRD-aligned disclosures, climate change emerged as the only topic identified as a material topic causing negative impact and carrying risk by all companies. This signals a powerful consensus: climate change is both financially material and societally impactful.

6. Uptake in Sustainable Mortgages but energy efficiency remains a question

Only 12% of the total loans collateralized by immovable property have energy label A or B

Banks are ramping up sustainable mortgages for energy efficient homes, yet a striking mismatch persists with energy efficiency across their portfolio– On an average, only 12% of the total loans collateralized by immovable property have energy label A or B, which are considered highly energy efficient. Besides, 61% of properties have energy performance score estimated than based on an EPC label.

7. Low Green Asset Ratios – Structural Barriers or Need for clearer taxonomy and stronger incentives?

Average Green Asset ratio of benchmarked banks stands at 4%

Low Green asset ratio indicates that a limited portion of bank assets contribute towards taxonomy-aligned green exposure. While structural barriers such as data challenges and need for further clearer taxonomy activities are highlighted, it will be crucial to explore how banks can navigate through the challenges and balance the volume with verifiable impact.

2 | Key Insights

2.1 Products and services

Green transition towards a climate-neutral economy is a key challenge for the EU and requires substantial investment by the year 2030 and beyond. A blend of structural reforms and good business conditions is critical for this green transition. Structural reforms can incentivise firms and investors to step up green investment activities across sectors and businesses.

The green transition requires substantial amounts of funding, largely expected to be provided by the private sector. Banks play a crucial role in financing the green transition catering to the lending needs of the transitioning companies, while insurers need to provide insurance coverage for climate-related risks and incentivizing sustainable practices.

Each sector has strategies in place to reduce their emissions and a plan to achieve part of their energy requirements from renewable sources by 2030. A total of 9 sectors as a part of the Products and Services pillar were analysed from sustainability point of view: Real Estate, Energy Sector, Mobility, Biodiversity, Circular Economy, Financial Health and Inclusion, Health and Wellbeing, Water Management, and Agri Business.

2.1.1 Energy sector

Energy sector plays an important role for banks and insurers to reach 2030 climate objectives and meet EU's long-term target of achieving carbon neutrality by the year 2050. The Renewable Energy Directive establishes targets for increased renewable energy use, supporting cooperation between EU countries towards this goal. European financial institutions are offering solutions to businesses seeking to make the energy transition. While all European banks provide different financing and lending solutions for energy transition, however, only 69% of European insurers are providing insurance products related to energy transition.

Banks are offering loans specifically for energy renovation projects, often with favourable terms such as lower interest rate and longer repayment periods. Grants and subsidies to support energy renovation projects are also provided which can be combined with bank loans. Products such as energy efficiency loans are

European Financial Institutions providing financial products towards energy transition

Figure 4: Banks vs Insurers - Financial products towards energy transition

Advisory to companies to drive companies' transition to sustainable energy

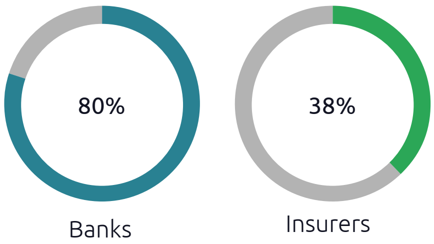


Figure 5: Banks vs Insurers - Advisory services towards energy transition

designed for small businesses and self-employed individuals to finance energy-saving measures. 80% European banks also provide advisory to companies to facilitate their move towards more sustainable energy systems.

For retail customers, green mortgages are provided to homeowners to renovate their properties from energy efficiency point of view. All

the European banks are providing sustainability aligned green bonds or similar investment instruments for energy transition.

Insurers are underwriting responsibly for businesses which are undergoing energy transition. They are strengthening their underwriting capabilities to insure and encourage innovation in the renewable energy sector. However, only 31% of European insurers provide insurance products for eco repairs for energy transition. This is an area where insurers need to strengthen their stance and leverage technology and improved data analysis moving forward.

Most European FIs are committing to not financing in the oil & gas sector. Several banks have refrained to finance power generation from coal or peat, thereby showing their commitment towards 2030 goals.

To meet the 2030 goals, financial institutions need to understand the client needs better. They need To meet the 2030 goals, financial institutions must gain a deeper understanding of client needs. They should actively engage with stakeholders in low-carbon projects and make extensive use of real-time data analytics to deliver more effective solutions. Additionally, financial institutions should incorporate more qualitative information into their financing and underwriting decisions. Sustainability-linked loans and bonds have emerged as popular instruments for incentivizing companies to make their operations more sustainable.

Providing eco-repairs for energy transition

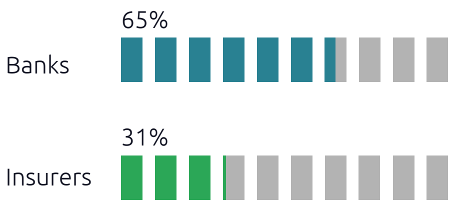
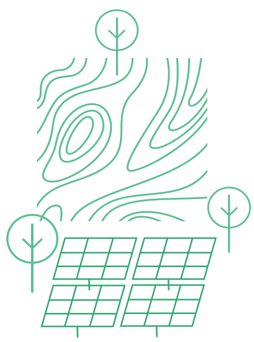


Figure 6: Banks vs Insurers - Providing eco-repairs towards energy transition



Best Practice:

Belfius is focused on facilitating energy-saving renovation projects of their clients in Belgium. The bank provides Energy Renovation Loan, a financing option specifically for energy-saving renovation projects. Belfius also provides other financing solutions to implement improvements to home insulation, along with conducting energy audits. To support its clients in their energy renovation projects, Belfius strengthened its commitment by establishing a new partnership with ImmoPass & Scone.

2.1.2 Real estate

Real estate has emerged as a critical lever in advancing ESG agendas of financial institutions, with the commercial and residential properties forming a major part of banks and insurers' lending and investment portfolios. From an environmental standpoint, real estate plays a pivotal role in decarbonization efforts, as the built environment is responsible for nearly 42% of annual global greenhouse gas (GHG) emissions. Of these, approximately 30% originate from construction activities, while a staggering 70% are attributed to the operational phase of buildings.

- Banks have taken a leading role compared to insurers in promoting sustainable real estate, particularly through innovative offerings and advisory services. While 85% of banks have introduced advisory services to enhance the adoption of sustainable buildings, only 38% of insurers have done the same.
- Despite a growing trend among banks to finance green buildings and sustainable real estate, the energy performance of the assets being financed remains suboptimal. Only 12% of the collateral which are financed holds an energy label of A or B, indicating a significant gap between financing intent and actual environmental performance.

European financial institutions providing advisory services to drive adoption of sustainable buildings

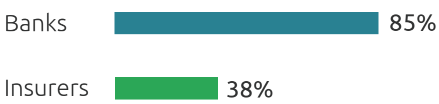


Figure 7: Banks vs Insurers - Advisory services towards adoption of sustainable buildings

- Although insurers have shown progress, with 46% disclosing action plans in the current year (up from 15% the previous year), they are still lagging the banks substantially. Banks have been have been instrumental about a widespread sustainable revolution, whereby 75% of them have already disclosed comprehensive plans to decarbonize their real estate portfolios and enhance sustainable offerings.

While some of the disparity between banks and insurers can be attributed to the inherent differences in their business models and the relative importance of real estate within their portfolios, a more fundamental challenge lies in the lack of reliable data. Both sectors struggle to measure the actual impact of their financing and underwriting activities on real estate sustainability.

For banks, data quality remains a significant hurdle: on average, 66% of their real estate portfolios are originated without an Energy Performance Certificate (EPC) label, and 61% of the portfolio is only assigned estimated energy performance ratings based on regional assumptions rather than standard methodologies.

To truly harness the potential of driving ESG goals across real estate, financial institutions must go beyond increasing exposure to green assets. They must also invest in robust data infrastructure, standardized energy performance metrics, and transparent reporting mechanisms.

Energy performance of collateral financed by banks

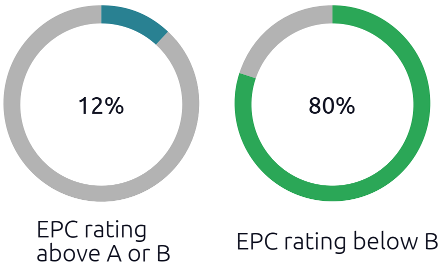


Figure 8: Energy performance of collateral financed by banks

Action plans disclosed by financial institutions to decarbonize their real estate portfolios and enhance offerings

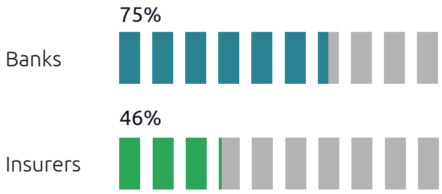


Figure 9: Banks vs Insurers - Actions plans to decarbonize real estate portfolios and enhance offerings

Best Practice:

ING launched ING Upgrader, an all-in-one service to help its mortgage customers make their homes further sustainable and enable future-proof living. ING delivers this solution in 5 steps - an expert visiting people in their homes to develop a personalised plan; advice on financing – whether that's with ING or not; access to reliable installers to deliver the plan and, at the end of the renovation process, a free upgraded energy label.

2.1.3 Mobility

The protection of air quality and reduction of GHG emissions is a priority for the European Commission, especially emissions coming from automotive sector. Electric vehicles are pivotal for sustainable mobility. Financial institutions are offering a range of services to support customers in transitioning to electric vehicles.

In 2025, 90% of European banks are providing lending or financing solutions for electric vehicles or non-fossil fuel powered vehicles and efficient fuels. On the insurance front, 77% of insurers from Europe provide insurance products centred around electric vehicles and efficient fuels. Financing initiatives to facilitate the transition, such as charging infrastructure, energy storage and green energy production are ongoing.

European financial institutions financing and insuring electric vehicles

Figure 10: Banks vs Insurers - Financing/insuring towards electric vehicles

Several prominent banks and insurers have taken positive steps towards this transition. Banks such as ING is supporting companies to create internal commercial incentives to support the development of critical parts such as traction batteries, EV charging infrastructure, thereby increasing circularity in the sector.

European banks are providing different product offerings ranging from clean vehicle loans with specific environmental criteria to green loan programmes. Insurers have deployed sustainable mobility insurance products for companies as well.

- In 2024, 65% of banks also provide advisory services to leading automobile, aviation or other mobility companies to promote sustainable mobility

Advisory services to leading automobile, aviation or other mobility companies to promote sustainability mobility

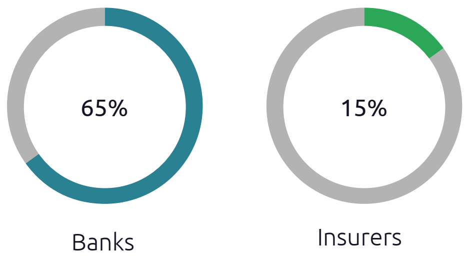


Figure 11: Banks vs Insurers - Advisory services towards sustainable mobility

- 70% of banks provide value-added services to their customers with respect to sustainable mobility, while only 46% of insurers provide such value-added services

Value-added services to customers to improve adoption of sustainable mobility

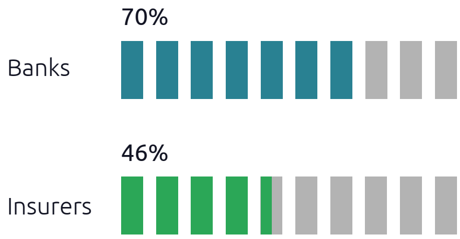


Figure 12: Banks vs Insurers - Value added services to improve adoption of sustainable mobility

The EU plans to achieve a 90% reduction in its GHG emissions from automotives by 2050, as compared with 1990. This effort is aligned to its commitment to reduce CO2 emissions and achieve climate neutrality by 2050 under the European Green Deal roadmap.

An EU-level investment strategy is expected to be deployed to decisively support transport decarbonisation and enhance the sector's competitive sustainability. Financial institutions need to continue supporting automotive companies for development of critical parts in the value chain, such as traction batteries and other EV charging infrastructure. In addition, banks and insurers need to raise awareness and provide support for clients' investment plans.

Best Practice:

Rabobank offers customers and partners broad support in the transition to zero-emission mobility. Through their leasing companies, RaboLease and De Lage Landen (DLL), Rabobank is giving its customers easy access to clean tech and e-mobility, thereby reducing their GHG emissions.

The bank is developing new business models with its subsidiary, DLL, to see how electric vehicles can be financed or leased. Rabobank has come up with an online tool named "raboelectric.nl" which engages directly with customers regarding e-mobility, thereby helping individuals and businesses calculate the costs of switching to electric driving.

Together with RaboLease, Rabobank has launched "Electricity Acceleration for Entrepreneurs", a campaign to promote electric driving. The campaign sensitizes the clients about issues involved in the transition of their fleets and the support offered by Rabobank.

2.1.4 Financial health and inclusion

Financial inclusion is the foundation of a thriving economy, ensuring that individuals and businesses have access to affordable financial products and services like savings, credit, and insurance. These tools are essential for managing risks, building wealth, and investing in growth. By promoting financial inclusion, we can achieve several Sustainable Development Goals (SDGs), foster economic growth, and enhance social equality.

The absence of financial inclusion creates significant barriers. Limited access to credit and capital hinders small businesses, preventing them from expanding and creating jobs. Without secure savings and insurance, both individuals and businesses are left vulnerable to financial shocks and unforeseen risks, leading to economic instability. This lack of financial services impairs poverty and inequality, particularly affecting women and marginalized communities, and prevents overall economic development.

Conversely, the benefits of financial inclusion are profound. It fuels entrepreneurship and business growth by providing access to credit and efficient payment services. Financial inclusion empowers women and enhances resilience against climate change and natural disasters by enabling investments in sustainable practices and infrastructure.

Our study shows that banks and insurers are emphasizing financial inclusion by expanding their product and service offerings to cater to a broader range of customers and target groups. Banks are significantly enhancing the digital accessibility of their products and services, while insurers still have room for improvement in this area.

Accessibility of digital financial products and services

Figure 13: Banks vs Insurers - Accessibility of digital financial products and services

Additionally, banks and insurers are heavily investing in financial literacy and education, as well as supporting SMEs, startups, and local businesses. However, 65% of banks and 85% of insurers have not established long-term targets or action plans regarding financial health and inclusion, indicating a lack of strategic planning and genuine commitment to this topic.

Financial institutions which have not disclosed targets or action plans

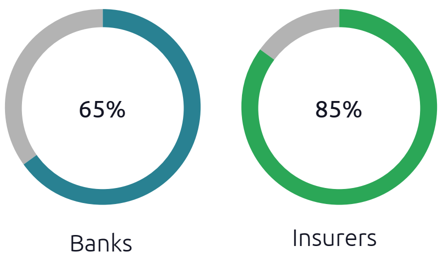


Figure 14: Banks vs Insurers - Financial institutions not disclosing targets or action plans

The importance of financial inclusion is recognized by ABN AMRO, which posted a financial inclusion statement in 2024. Santander stands out with its objective of investing EUR 400 million between 2023 and 2026 in the three pillars - higher education, employability and entrepreneurship, that supports the purpose to help people and businesses prosper. Financial institutions could further advance financial inclusion by continuing to enhance digital accessibility, developing targeted financial products for underserved communities, and setting clear long-term goals and action plans to ensure sustained commitment to financial health and inclusion.

2.1.5 Biodiversity

From the 21st of October to the 1st of November 2024, the 16th meeting of the Conference of the Parties (COP) to the Convention on Biological Diversity took place in Cali, Colombia. Despite some defining milestones being reached in the negotiation process, such as, the decision to create a global fund for collecting economic resources from the use of digital sequence information, a few burning questions remained unanswered.

First, there is still no clear financing model to support implementation of the Kunming-Montreal Global Framework for Biodiversity, which is estimated to require USD 700 billion. Secondly, a robust monitoring mechanism to track countries' progress in meeting biodiversity targets has yet to be agreed upon. These gaps highlight the essential role of financial institutions in enabling effective biodiversity protection and restoration.

- Although COP16 did not yield formal agreements on financing biodiversity protection, bank involvement continues to rise. In 2024, 80% of banks supported biodiversity through loans, green bonds, investments, or donations, showing a 13% increase from last year. In contrast, insurer engagement declined by 10%, dropping to 46%
- While 55% of banks have disclosed action plans for biodiversity, only 35% have set long-term targets with timelines. Among insurers, 38% have shared action plans, but just 31% have communicated long-term goals.
- Bank assessments of biodiversity impacts on client portfolios rose significantly from 67% to 90% this year. In contrast, insurer assessments saw only a slight increase, from 44% to 46%

European financial institutions financing/insuring and investing towards biodiversity restoration

Figure 15: Banks vs Insurers - Financing/ Insuring towards biodiversity restoration

Financial institutions disclosing action plans to drive biodiversity goals

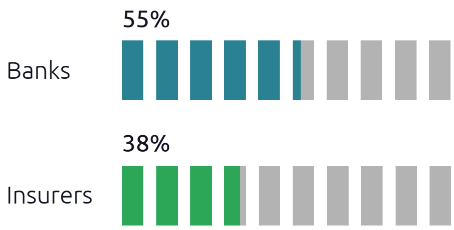


Figure 16: Banks vs Insurers - Action plans to drive biodiversity goals

Financial institutions conducting biodiversity impact on client portfolios

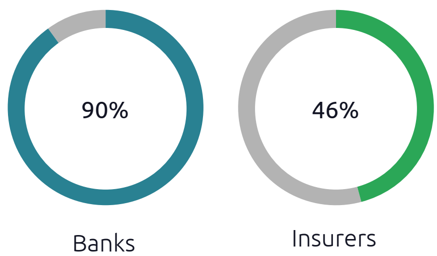


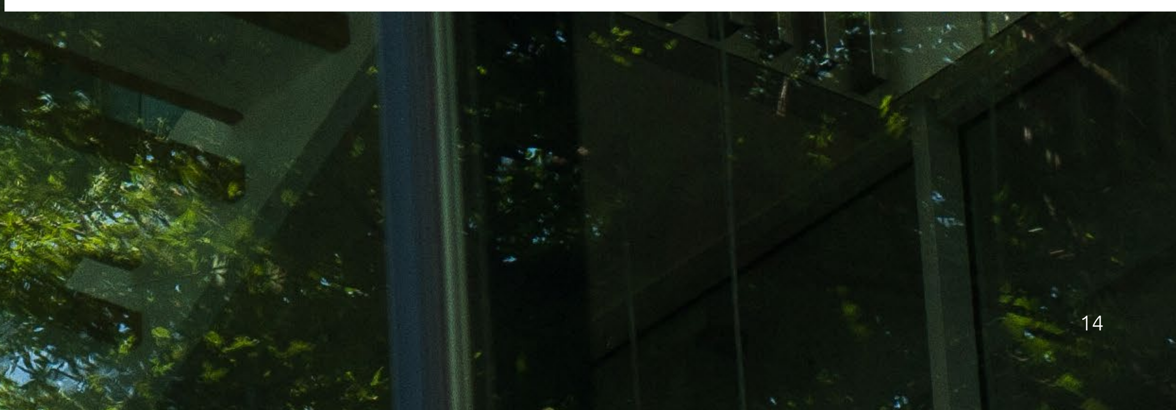
Figure 17: Banks vs Insurers - Biodiversity impact analysis on client portfolios

Two key themes highlighted in reports by financial institutions regarding biodiversity and ecosystem protection are the financing of reforestation initiatives and the preservation of marine environments. Forests are vital for resilient ecosystems, yet a 7% drop in Amazon deforestation occured in 2024, degradation surged to 36,379 km²—up from 6,092 km² in 2023. In response to the European Union Deforestation Regulation (EUDR) and past scandals related to financing projects linked to deforestation, especially in high-risk sectors like soy, palm oil, and cattle, banks have expanded their reporting on policies addressing deforestation. They are also allocating more resources to financing and supporting reforestation initiatives through reforestation-linked outcome bonds, donations, and collaborations with academic institutions.

Financial institutions are increasingly investing in "blue" finance, which supports the restoration of ocean and coastal ecosystems, including coral reef conservation. These efforts align with the UN Decade of Ocean Science for Sustainable Development (2021–2030), aimed at advancing ocean science and delivering solutions for sustainable marine management. Funding is critical to support research and innovation, as healthy marine ecosystems are essential for preserving biodiversity.

Best Practice:

Rabobank conducted a top-down nature footprint analysis covering 63% of its total assets, using the BioScope biodiversity impact tool. This tool integrates Exiobase and the ReCiPe framework to translate environmental pressures—such as resource use and emissions—into biodiversity impact scores. The analysis provides a comprehensive view of biodiversity-related risks across Rabobank's operations and value chain.



2.1.6 Agribusiness

Agriculture plays an inherent role in global sustainability challenges and solutions. On one hand, agrifood systems are responsible for a third of total greenhouse gas emissions. On the other hand, it holds the potential to alleviate extreme poverty and is essential to feed the expected 9.7 billion people by 2050, according to the World Bank Group (2021). Today, circa 10% of the global GDP comes from agriculture. Food systems experience increasing pressure from climate change, biodiversity loss, land degradation, and geopolitical and economic shocks. Extreme weather events are becoming more frequent and intense, threatening agricultural yields and economic stability. Agriculture is a driver of climate change, but also highly exposed to the effects of it. With the world's dependencies on agriculture, the sector is a priority within sustainable finance.

To catalyse the sustainable transition and improve resilience within this sector, financial institutions must take up a proactive role by offering tailored loans, insurance solutions, and advisory on compliance and technological solutions. Banks and insurers are uniquely positioned to engage their value chain and leverage their network to develop frameworks for monitoring and improving environmental outcomes.

- Our study shows that 55% of banks versus 38% of insurers, are partnering with other value chain partners to innovate and create products and services specifically for agricultural customers, helping them to assess the sustainability of their agricultural practices, while at the same time increasing their reach through partner network.

Partnering with other value chain players to innovate and create products and services soecifically for agricultural customers

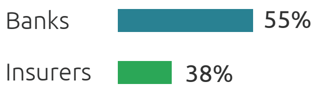


Figure 18: Banks vs Insurers - Value chain partnerships for sustainable agriculture

- Financial institutions are increasingly providing products and services to support the agricultural sector, such as loans and insurance coverage to aid in their transition. 50% of Dutch institutions and 70% of other European institutions are actively engaged in these initiatives.

Financial institutions financing/ insuring to support sustainable agri-business

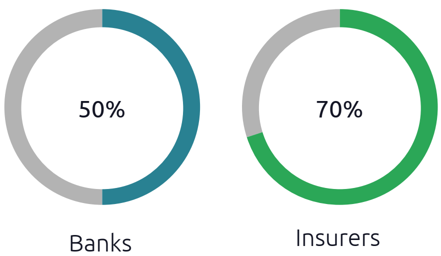


Figure 19: Dutch vs Other European peers - Financing/Insuring towards sustainable agri-business

Taking up the proactive role in driving the sustainable transition for a resilient and low-emitting sector requires banks and insurers to go further than offering traditional ESG products. By forming strategic partnerships with agri-tech organisations, research institutes, and cooperatives, financial institutions can invest in data-driven agricultural practices, support climate-smart agriculture, and promote regenerative practices for improving soil health and biodiversity — ultimately strengthening ecosystems and securing long-term agricultural viability.

Best Practice:

BNP Paribas' International Food & Agri centre has developed an "Agronomist" platform. This initiative supports the Low-Carbon Transition for small and medium-sized enterprises and MidCaps in France, Italy, Poland, Belgium, and Luxembourg. The platform brings together around 100 experts to share best-practices and innovative tools for agricultural producers.

2.1.7 Circular Economy

The financial sector's engagement with the circular economy evolved significantly in 2024 and 2025, moving beyond early-stage awareness into more structured implementation and global coordination. UNEP FI's 2024 review highlights a growing maturity in how banks and insurers are embedding circularity into their core strategies. With over 553 financial institutions now part of UNEP FI, representing more than USD 125 trillion in assets, the scale of influence has expanded considerably.

A key development in 2024 was the introduction of the Forum for Insurance Transition to Net Zero (FIT), a UNEP FI-led platform that brings insurers together to align underwriting and investment practices with circular and net-zero goals. This complements the Principles for Sustainable Insurance and reflects a broader shift towards integrating circularity into risk frameworks and product innovation.

At the global policy level, the 2024 Global Resources Outlook, presented at UNEA-6, revealed that global resource use has tripled in the past 50 years and is projected to grow by another 60% by 2060. This stark trajectory has intensified calls for financial institutions to redirect capital flows towards circular economy solutions. UNEA-6 emphasized that circularity is no longer optional but essential and highlighted the role of financial institutions in enabling this transition through stable regulatory frameworks, green fiscal policies, and circular procurement standards.

New financing mechanisms are also emerging. For example, ING is expanding its scope for sustainable financing towards other topics contributing to, and interlinked with, climate actions such as nature, plastics, and the circular economy. Governments and financial institutions are collaborating on circular economy taxonomies, which aim to standardize what qualifies as a circular investment. This is expected to improve transparency, reduce greenwashing, and facilitate the scaling of circular finance products.

- 75% of banks now provide financing or lending to circular businesses, including sectors such as recycling and circular product design.

Financial institutions financing/insuring circular businesses

Figure 20: Banks vs Insurers - Financing/Insuring towards circular business

- In 2024, only 35% of banks have set specific targets related to the circular economy, indicating room for further strategic alignment.

Targets related to circular economy

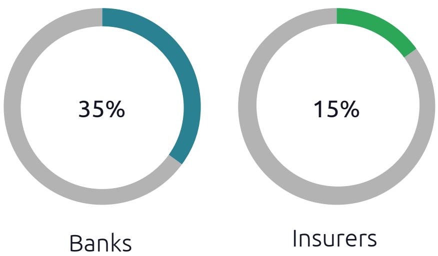


Figure 21: Banks vs Insurers - Targets to improve circular economy

- 35% of banks have developed action plans to operate circular economic principles within their financial activities.

Action plans to operate circular economic principles within their financial activities

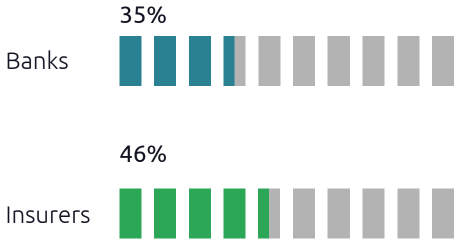
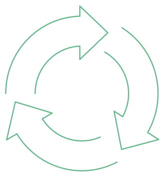


Figure 22: Banks vs Insurers - Action plans to operate circular principles within their financial activities

In addition, UNEP FI's 2025 guidance urges banks to go beyond client engagement and begin embedding circularity into internal governance, credit risk assessments, and portfolio-level impact measurement. This includes developing sector-specific criteria for circularity, such as in construction, electronics, and textiles, and aligning these with broader ESG and climate risk frameworks.

These developments mark a shift from pilot projects and voluntary commitments to systemic integration and regulatory alignment. Financial institutions are now expected not only to support circular businesses but to transform their own operations, risk models, and product offerings to reflect circular principles.



Best Practice:

ING integrates circularity as a key pillar of its climate strategy, offering financial products that directly support the transition to a circular economy. As financial institutions increasingly embed circular principles into their operations, ING stands out for its proactive approach in aligning capital flows with measurable circular outcomes. Through green bonds, green loans, and sustainability-linked instruments, ING feeds capital toward circular activities, with KPIs tied to measurable circular outcomes. This ensures that financing is not only sustainable in name but also in impact.

A notable example is ING's Hydrocarbons & New Energies (H&NE) team, which focuses on innovative solutions like chemical recycling. This process converts plastic waste into hydrocarbons that can fully replace fossil-based feedstocks in plastic production. By financing such technologies, ING is helping to close material loops and reduce dependence on virgin fossil resources, demonstrating how financial institutions can drive circular innovation in hard-to-abate sectors.

2.1.8 Health and well-being

Sustainable Development Goal (SDG) 3 – Good Health and Well-being remains a global priority as the world recovers from the long-term impacts of COVID-19. The 2024 WHO progress report warns that the world is off-track to meet SDG 3 targets by 2030, with rising non-communicable diseases, mental health issues, and unequal access to healthcare posing major challenges.

In response, financial institutions—especially banks—are stepping up. In 2025, banks across Europe are increasingly directing capital into healthcare infrastructure, from hospitals and elderly care to medical practices. This reflects a growing recognition that resilient health systems are essential for economic and social stability.

- 65% of banks now finance healthcare companies with a focus on improving access to care and supporting sector development.

Financial institutions financing/insuring healthcare companies to improve access to healthcare

Figure 23: Banks vs Insurers - Financing/Insuring towards healthcare companies

- Only 40% of banks have established partnerships across the healthcare value chain, highlighting a gap in collaborative approaches to systemic health challenges.

Partnerships across the healthcare value chain

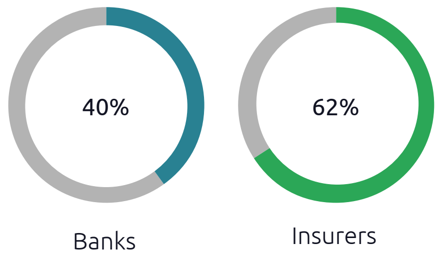


Figure 24: Banks vs Insurers - Financing/Insuring towards healthcare companies

- Perhaps most striking, only 10% of banks have set long-term targets related to health and well-being, underscoring the need for more strategic commitment.

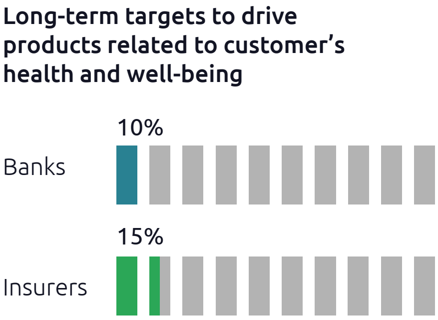
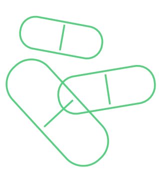


Figure 25: Banks vs Insurers - Value chain partnerships across healthcare sector

Many banks are aligning healthcare financing with sustainability and inclusion goals. Examples include sustainability-linked loans tied to emission cuts and mental health training, investments in digital platforms for underserved communities, and support for rural mental health programs. Others are backing innovation hubs in life sciences and health tech.

These efforts signal a shift that banks are not just funding healthcare, they are helping shape a more equitable, resilient, and sustainable health system.



Best Practice:

ING is playing a leading role in structuring impactful healthcare financing, in accordance with a broader trend of aligning finance with health and sustainability goals. ING acted as a Sole Sustainability Coordinator for the update and extension of AUD 1.7 billion sustainability-linked facilities for Ramsay Health Care, one of the largest and most diverse private healthcare companies in the world. The refreshed KPIs relate to emissions, energy usage, on-site renewables, supplier sustainability performance, and mental health training.

2.1.9 Water management

Water security is emerging as one of the most urgent global challenges of our time. At least half of the global population continues to experience water shortages for at least one month each year. At the same time, more than 1 in 8 people are affected by flooding globally. As the impacts of climate change intensify, we are witnessing more severe and frequent water-related disasters.

In 2025, the United Nations declared it the International Year of Glacier Preservation, highlighting the rising threat of glacier loss to global freshwater supplies. Melting glaciers are now endangering water security for billions and could put up to USD 4 trillion in global GDP at risk.

Financial institutions can play a critical role in addressing the global water crisis by supporting clean water access, climate-resilient infrastructure, and conservation projects.
These initiatives often require significant capital for infrastructure development, technology adoption, and community outreach. Financial institutions can contribute through financing water projects, issuing blue bonds, offering flood insurance, and partnering with foundations to deliver water protection and conservation programs. This support helps catalyse innovation and enhances the resilience of communities facing water scarcity, while contributing to environmental sustainability, risk mitigation, and long-term economic growth.

- However, only 45% of banks currently provide financing or lending to water conservation or wastewater treatment projects, indicating a significant gap in capital allocation for water resilience
- Just 25% of banks have established partnerships across the water value chain or offer advisory services for water management, limiting their ability to influence systemic water solutions

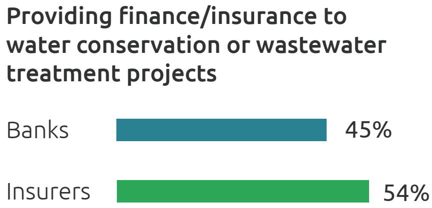


Figure 26: Banks vs Insurers - Financing/Insuring water conservation/treatment projects

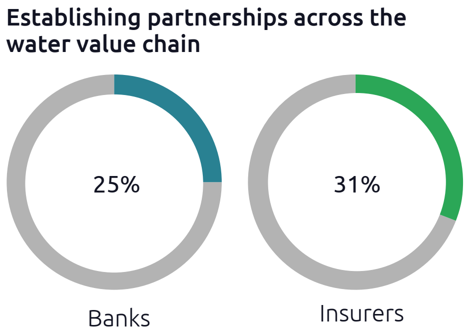


Figure 27: Banks vs Insurers - Value chain partnerships across water management

Initiatives like the Network for Greening the Financial System (NGFS) and the Taskforce on Nature-related Financial Disclosures (TNFD) remain crucial in developing frameworks for integrating climate and nature-related risks into financial decision-making. In 2025, the Global Water Partnership (GWP) launched a Global Transformation Agenda to mobilize USD 15 billion by 2030 for climate-resilient water investments.

At the same time, water-related disasters can fundamentally alter the economic landscape of a country, industry, or market, thereby posing significant risks to financial stability. For instance, the Netherlands Central Bank (DNB) stress test of a major flood event illustrates the potential capital impacts for Dutch banks if the densely populated western regions were hit by extreme flooding. Such scenarios underscore why water risk remains a priority area for financial institutions.

Best Practice:

As a part of their commitment to sustainable water and agricultural practices, Rabobank is actively supporting innovative solutions that address water scarcity and food security. In collaboration with WWF, Rabobank has developed a tool to promote more efficient water management in India. The tool supports both farmers and large sugar cane producers by improving water efficiency, thereby reducing the risk of water scarcity. This initiative is expected to set a benchmark for the sugar industry in India, aligned with the BONSUCRO standard.

Furthermore, Rabobank granted a letter of credit to Lindsay's irrigation project in the MENA region to develop highly efficient irrigation systems tailored to varied terrains and soil types. These systems help increase crop yields and optimize the use of natural resources, addressing the challenges of a growing population and potentially strengthening food security in one of the world's most water-stressed regions.

2.2 Internal assets and operations

This pillar studies how financial institutions manage their own physical footprint, internal resources and internal systems to align with sustainability objectives. While much of public and regulatory scrutiny has traditionally been focused on external impacts of bank with environmental and social implications of lending and investment portfolios, an institutions' internal ESG performance is equally critical as it provides an essential measure of integrity, commitment and leadership. A strong ESG-aligned internal operational model acts as a strategic lever for brand credibility, employee engagement while inspiring clients and portfolio companies to follow suit.

We have examined financial institutions' sustainability efforts across 7 segments: Mobility, Energy Sourcing, Investments-Own portfolio, Buildings, Procurement, IT, Operations.

2.2.1 Energy sourcing

According to World Resources Institute report, nearly 40% of global GHG emissions can be traced to energy generation, and half of that energy is used by industrial or commercial entities. European financial institutions are aware of these emissions resulting from their own operations.

Company operated buildings are major consumers of energy, and operational emissions from heating, cooling, and powering buildings account for a substantial share of global GHG emissions. Institutions are reducing the impact on the environment by implementing efficiency measures in their own operations, while several others are sourcing electricity from renewable energy sources for their operations.

- In 2024, 90% of European banks use renewable sources as their primary source of energy in their operations while 92% of insurers do the same

Sourcing renewable energy through direct on-site production or energy attribute certificates

Figure 28: Banks vs Insurers - Sourcing renewable energy

- 85% of European financial institutions have initiatives in place for reduction of energy consumption in their operations, last year

Energy reduction initiatives in place

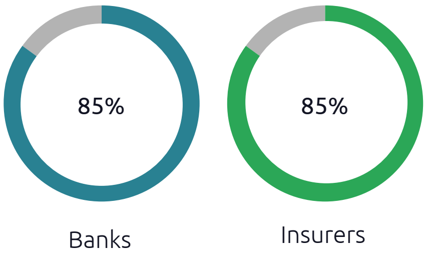


Figure 29: Banks vs Insurers - Energy reduction initiatives

- In Europe, 70% of the banks and only 54% of the insurers have clear long-term targets in place when it comes to responsible energy sourcing

Targets to reduce dependence on tradition sources of energy and transition to renewable energy

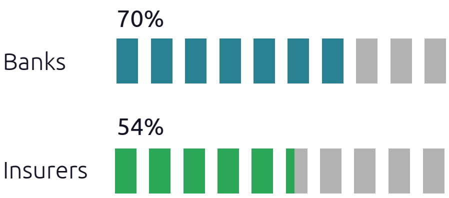


Figure 30: Banks vs Insurers - Targets to reduce dependence on traditional sources of energy

Most companies are working towards energy conservation, efficiency upgrades, and supply switches to low-carbon electricity, either through on-site installations or through changing the energy products purchased, to reduce these emissions. Companies have taken steps such as reducing energy consumption and sourcing more electricity from renewables to name a few, to reduce these emissions with a 2030 target in mind.

Best Practice:

ABN AMRO sources close to 65% of its energy from renewable sources, including on-site solar energy generation and certified green gas. The bank plans to transition to 100% renewable energy in all offices as part of its long-term target.

The bank has also reduced its energy consumption in the offices in the Netherlands from 150 kWh per square meters in 2018 to 107.7 kWh per square meters in 2024. By 2030, ABN AMRO aims for all its Dutch offices to consume less than 50 kWh per square meters annually.

The bank has also reduced its natural gas consumption across Dutch and international offices, replacing it with heat pumps and energy efficient initiatives.

2.2.2 Procurement

Procurement has evolved as a material aspect for financial institutions since last several years on back of strong ESG expectations and emerging regulatory push (such as the CSDDD). Financial institutions rely heavily on a wide range of third-party vendors – from IT, facilities management, consulting, operational services to data providers. These relationships carry reputational, regulatory and sustainability risks making it critical for financial institutions to measure and reduce influence of their indirect value chains on them. Hence procurement policies and practices represent not just a path to reduce risks but also exert influence on value chain partners to encourage them to embed ESG principles in their own operations. Embedding sustainability into procurement strategies can also help financial institutions unlock economic advantages and strengthen relationships with suppliers, giving them a distinct edge in today's environmentally conscious marketplace.

For financial institutions which reported breakup of scope 3 emissions, emissions from purchased goods and services on an average made up for about 45% of total scope 3 operational emissions (excluding financed emissions). While majority of organizations have put in place sustainable procurement policies and screening while onboarding new suppliers, it is equally important to conduct continuous monitoring of suppliers and track their transition plans to reduce the scope 3 - purchased emissions.

- Banks continue to be ahead of insurers in continuous monitoring of suppliers, with 100% of banks compared to 62% of insurers disclosing engagement at increased frequency with suppliers

Financial institutions disclosing continous monitoring of suppliers

Figure 31: : Banks vs Insurers - Continuous monitoring of suppliers across ESG parameters

- There is further room for improvement between both banks and insurers in setting future plans, with 70% of banks and 54% of insurers disclosing their future targets and action plans to improve inclusion of sustainability in procurement

Action plans/Targets to improve sustainable procurement

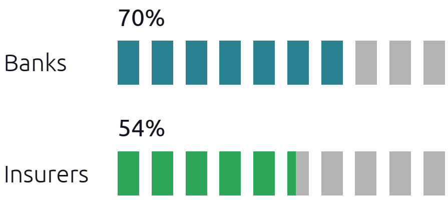
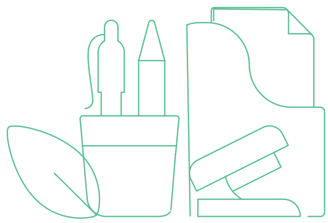


Figure 32: Banks vs Insurers - Action plans to improve sustainable procurement

Benchmarking reveals a growing trend of integrating ESG criteria into vendor onboarding and setting minimum sustainability thresholds in sourcing. However, maturity varies widely across institutions, with leaders actively engaging suppliers through scorecards and disclosures, while laggards remain in the policy-setting phase. By setting clear sustainability criteria, offering capacity-building opportunities and rewarding responsible practices, financial institutions can elevate ESG performance of their ESG partners across value chain and drive systemic change beyond their immediate boundaries.



Best Practice:

ING has taken a global approach for sustainable procurement. It includes environmental and social criteria in request for proposals. The bank also asks suppliers in potential high-risk categories (e.g., facility services, IT and professional services) for additional information about sustainability of their products or services. Bespoke questions covering environmental and social issues, as well as circular economy concepts, are embedded in these RFPs. ING has partnered with Ecovadis to monitor environmental performance of suppliers and undergo a continuous dialogue with suppliers, assigning corrective action plans, where necessary.

2.2.3 Investments – own portfolio

Financial institutions are also embedding ESG deeply into their own investment strategies and portfolios to align with long-term sustainability goals while demonstrating stewardship beyond regulatory compliance. In line with the previous year, positive screening of companies and assets for investment has been largely followed by majority of financial institutions towards decarbonizing investments. To reduce the exposure to non-sustainable sectors, financial institutions also started to apply divestment strategies to their own investments.

- Insurers are ahead of banks in making impact investments in ESG, with 85% of insurers compared to only 35% of banks disclosing initiatives and committing capital towards ESG impact investments

Financial institutions disclosing ESG impact investments

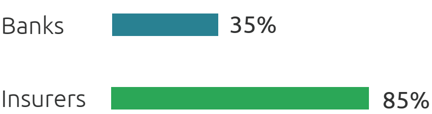


Figure 33: : Banks vs Insurers - ESG impact investments

- Insurers have also been ahead in formulating action plans to decarbonize their investment portfolios, with 77% of insurers compared to 40% of banks disclosing action plans. These include improving engagement targets, increasing scope of exclusion to wider sectors, committing more capital towards mitigation of climate change.

Financial institutions disclosing decarbonization targets/action plans of their investment portfolios

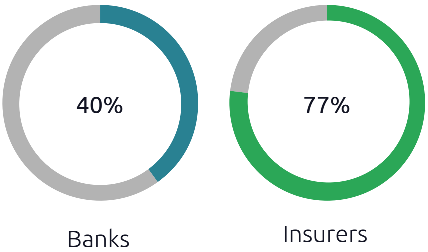


Figure 34: Banks vs Insurers - Decarbonization targets of investment portfolios

- 90% of Dutch financial institutions as compared to 39% of European peers have made commitments to drive impact investments.

Financial institutions disclosing commitments to drive impact investments

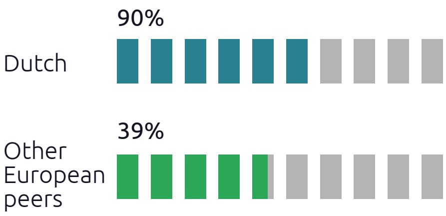
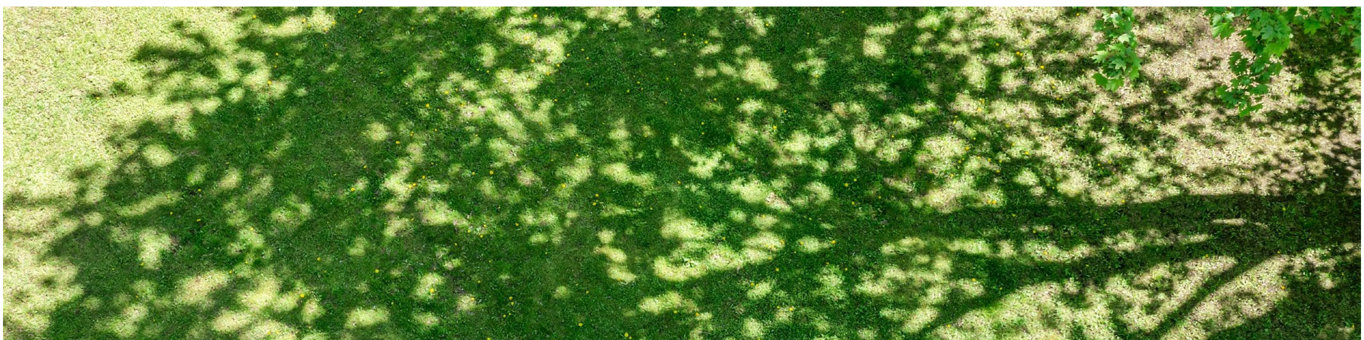


Figure 35: Dutch vs Other European peers - Commitments to drive impact investments

Organizations which excel in improving sustainability of their own investments go beyond annual reporting to implement real-time ESG dashboards, enabling continuous assessments of proprietary portfolios. Inclusion of forward-looking metrics such as emissions trajectories, nature-related risk exposure and just transition indicators into investment frameworks, will help financial institutions respond to emerging risks and opportunities with agility.

Best Practice:

AXA discloses a Stewardship report every year explaining in detail about the engagement and initiatives taken towards improving exposure to positive impact making investments. AXA uses multi-layered ESG scoring and developed proprietary ESG scoring model combining MSCI data with internal qualitative analysis, tailored across asset classes including corporates, sovereigns, real assets, and private markets. AXA also includes biodiversity in investment decision making by creating assessments via Iceberg Data Lab's Corporate Biodiversity Footprint (CBF), aligned with GLOBIO models.



2.2.4 Mobility

Financial institutions in EU have a strong focus on sustainable mobility and reducing greenhouse gas emissions, whether it is supporting their customers or transforming their own operations. Banks and insurers are taking steps to reduce their carbon footprint by adopting energy efficiency measures, using renewable energy sources, and transitioning to electric vehicles.

Banks and insurers across Europe are looking at sustainable and smart mobility solutions to support their own operations to meet the 2030 deadline. Many European banks are transitioning to electric vehicles for their own fleets. Financial institutions are promoting shared mobility platforms and services, thereby encouraging more efficient and sustainable use of vehicles.

- In 2024, 75% of the banks and 85% of the insurers are adopting electric/hybrid vehicles and other fuel efficiency measures in their fleet to propel this efficiency

Financial institutions adopting electric/hybrid vehicles in their fleet

Figure 36: Banks vs Insurers - Adopting electric/hybrid vehicles in their fleet

- 55% of the European banks are providing charging stations for electric vehicles of their employees at office locations, as compared to only 23% of insurers, last year

Financial institutions providing charging stations at office locations for employees

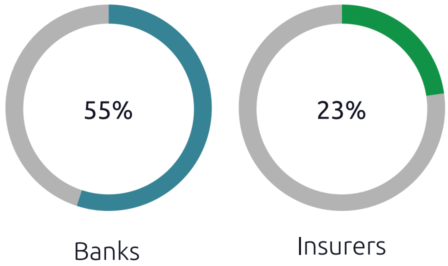


Figure 37: Banks vs Insurers - Providing charging stations at office locations

- 80% of the European banks are designing sustainable travel policy for business commute of their employees and stakeholders, with 69% of insurers also doing the same

Banks are promoting sustainable travel practices, such as using public transport and cycling, for their employees. For instance, to support decarbonization of business travel, ABN AMRO has replaced short-distance air travel with rail alternatives and implemented a maximum annual travel budget for each department. Close to 75% of the banks in Europe encourage sustainable commute for their employees as part of their policies.

Financial institutions designing sustainable travel policies for business commute

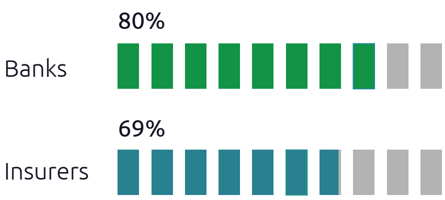


Figure 38: Banks vs Insurers - Sustainable travel policies for business commute

Long term targets related to sustainable mobility and transportation have been set by 68% of the European banks, thereby showing commitment towards sustainability. A lot of banks and insurers are planning for an all-electric fleet of cars by 2030. Extensive focus will also be given to providing charging stations for electric vehicles and car sharing initiatives for their employees.

Best Practice:

DZ Bank aims to minimize the environmental impact of business travel with its business travel policy, wherein they encourage only necessary air travel and clean vehicles in fleet. Currently DZ Bank's fleet of vehicles has nearly 30% as all-electric or hybrid vehicles. The bank's aim is to have an all-electric fleet by 2030.

The bank has also taken several positive steps such as partnering with Deutsche Bahn railway network for long-distance travel, providing travel subsidy to encourage its employees to commute by public transport, and offering the DZ Rad scheme, which allows employees to lease a bicycle through salary.

2.2.5 Buildings

While financial institutions face growing demand for sustainable financing for real estate from customers, they are equally expected to invest in their own real estate too in an environmentally and socially responsible way. Designing sustainable office spaces is not only found to improve environmental credibility but also contribute to attracting conscious talent pool and align with their values. One of the key ways in which financial institutions have improved the environmental performance of their office spaces has been through improving energy management systems and driving energy efficiency. While several financial institutions have conducted resilience tests on their buildings against climate change, relatively fewer companies have conducted impact of their office buildings on biodiversity and have taken steps towards improving it. Compared to previous year, the scores have remained the same for banks and insurers this year as well.

- A high proportion of financial institutions have implemented energy efficiency measures across their office buildings, with 95% of banks and 85% of insurers investing in optimizing their energy usage and building management systems

Financial institutions disclosing energy efficient measures across their office buildings

Figure 39: Banks vs Insurers - Energy efficient measures across office buildings

- Only 40% of banks and 31% of insurers have disclosed their efforts to improve biodiversity and nature enhancement activities across their buildings

Financial institutions disclosed their efforts to improve nature enhancements acroos buildings

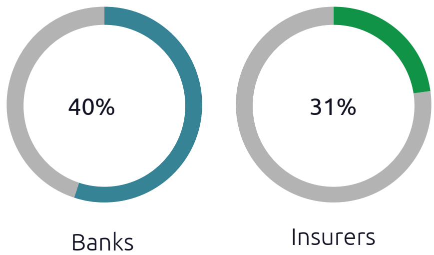


Figure 40: Banks vs Insurers - Disclosing efforts to improve nature enhancements across buildings

- 80% of Dutch financial institutions as compared to only 43% of other European peers have set long term targets to improve sustainability and reduce emissions from office buildings

Looking ahead, the leaders will be those companies who embed smart, net-zero ready infrastructure in their real estate strategies, aligning every square meter of their office space with carbon targets. The future lies in buildings that do more than reducing emissions; they regenerate value. Nature-inclusive design, biodiversity enhancing spaces will become benchmarks of leadership. Pollinator corridors, native landscaping will not only support local ecosystems but signal a tangible commitment to environmental stewardship. The future isn't just about the buildings that comply, but those that compete and inspire stakeholders to uphold sustainable values.

Financial institutions disclosing long term targets to improve sustainability across office buildings

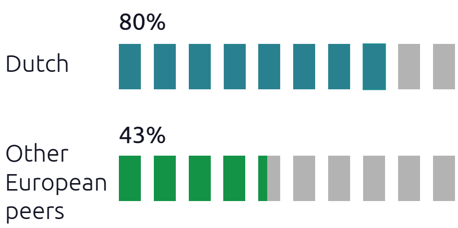
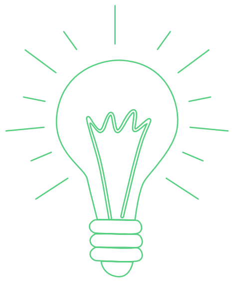


Figure 41: Dutch vs Other European peers - Targets to improve sustainability across office buildings



Best Practice:

Lloyds bank has introduced energy optimisation programmes as well as nature enhancement activities to improve ecosystem health and ecological functions. The energy efficiency improvements were delivered through energy efficient lighting, fabric improvements and increased delivery of building management systems. The bank has launched a 10-year biodiversity enhancement management plan across seven of its key operational sites along with nature enhancement activities around urban spaces such as enhancements to local pond in Chester to support local population of great crested newts.

2.2.6 Operations

Financial institutions are no longer being solely evaluated on portfolio performance or client assets under management. Stakeholders from investors and regulators to clients and employees are increasingly demanding a holistic view of sustainability that includes institution's own internal operational footprint. While most strategies currently are focused on financed emissions and sustainability assets, internal operations often remain a blind spot.

- Banks have been ahead of insurers in disclosing waste management initiatives, with 80% of banks compared to 54% of insurers disclosing quantitative progress or responsible disposal and recycling of waste produced within the company

Financial institutions disclosing waste management initiatives

Figure 42: Banks vs Insurers - Disclosing waste management initiatives

- While the disclosure of action plans remained low across all companies, other European peers have been more proactive, with 48% having disclosed strategies to enhance sustainability in their operations and minimize environmental impact through partnerships or the adoption of circular practices, compared to only 30% of Dutch financial institutions

Financial institutions disclosing action plans to improve sustainability in operations

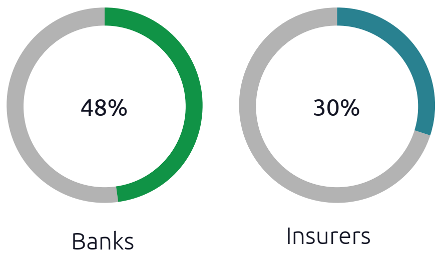


Figure 43: Banks vs Insurers - Actions plans to improve sustainability in operations

By managing waste, reducing paper use and minimizing water consumption, institutions demonstrate authenticity in their ESG positioning. Aligning internal and external ESG efforts reduces reputational risk and strengthens long-term resilience. These practices set a foundation for holistic ESG performance beyond balance sheet. Ultimately, sustainability within the walls signals readiness to shape sustainability beyond them.

Best Practice:

Lloyds bank has introduced circularity to reduce items ending up in landfill. They have reused 7024 items of furniture saving 640,497 Kgs of carbon. The bank has also increased its new recycling stations and scaled up delivery of milk dispensers to reduce number of plastic milk bottles.

Lloyds bank has ensured water efficient equipment is included within the design of its office and branch refurbishments, tackling taps, showers and toilets to drive down water consumption. One of the key action plans is to increase coverage of tracker sack solution to accurately measure changes in recycling volumes and contamination levels.

2.2.7 Information technology

Financial institutions in Europe are progressing steadily towards optimizing their IT infrastructure to make their operations more sustainable. Optimising energy consumption and emissions from data centers and IT infrastructure is a key focus area which is witnessing increased importance. In 2024, 55% of banks and 54% of insurers are actively involved in optimization of data centres, but the percentages need to increase more.

Banks and insurers have also implemented circular practices for IT equipment usage. These steps involve collecting and recycling hazardous waste (such as lamps, batteries, e-waste, etc.).

Some of the financial institutions are optimizing the cooling systems and server occupancy rates across data centers to reduce the emissions. Banks and insurers are also utilizing electricity coming from 100% renewable sources in the facilities hosting its data centres. Santander, for instance, is using solar panels in their own buildings, data centres and commercial premises for their electricity needs.

However, there is more work to be done;

- Only 40% of the banks and 31% of the insurers in Europe have adopted clean tech solutions in their IT operations so far in 2025

Financial institutions disclosing adoption of clean tech IT solution

Figure 44: Banks vs Insurers - Adoption of clean tech IT solutions

- 80% of the European banks are measuring the carbon footprint of their IT equipment this year. This helps them analyse the data and plan better considering the 2030 timelines. As for insurers, only 38% are looking into the carbon footprint of their IT equipment.

Financial institutions measuring carbon footprint of IT

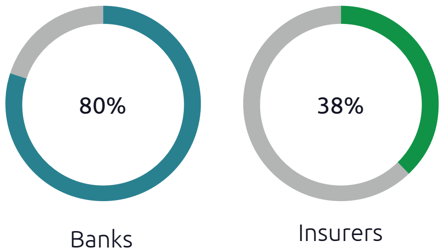


Figure 45: Banks vs Insurers - Measuring carbon footprint of IT

- Just 25% of banks are engaged in circular practices for IT equipment usage, as compared to 46% of insurers. European financial institutions need to focus more on this aspect to propel IT sustainability.

Financial institutions disclosing circular practices adopted for IT equipment usage

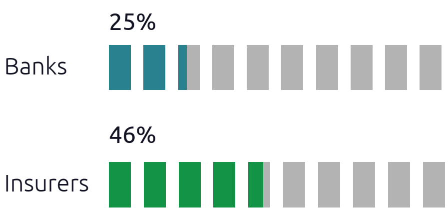
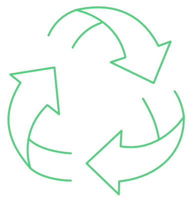


Figure 46: Banks vs Insurers - Circular practices adopted for IT equipment usage

A few banks and insurers are measuring the carbon footprint of its IT infrastructure annually, while setting up internal programmes and policies to optimize their IT infrastructure. More financial institutions need to work actively towards such measures like setting up Green IT framework focused on reducing emissions related to IT operations.



Best Practice:

BPCE has developed Green IT policy while applying eco-design principles for new digital applications to reduce system energy use. The institution has also optimized cooling systems and server occupancy rates across Group-managed data centers.

BPCE promotes the extension of equipment life through refurbishment, redeployment, and re-use programs before considering recycling. When the time is right, BPCE also has several circular practices in place for their IT equipment usage. BPCE has also implemented a carbon accounting methodology for IT assets, based on life cycle analysis principles.

2.3 Internal governance

Internal governance and sustainability efforts are interrelated, as effective governance structures are critical for implementing and managing sustainability initiatives. Efficient employee management, coupled with a strong focus on diversity and inclusion (D&I), is crucial for any institution's success. Financial institutions are focused on maintaining their integrity, thereby resulting in increased customer satisfaction, reduced regulatory penalties and brand elevation. Carbon offsetting is crucial in terms of showcasing the institution's responsibility towards their environmental impact.

As a part of this report, we have explored the financial institutions' governance efforts across 6 segments: Diversity & Inclusion, Employee Engagement, External Stakeholder Engagement, Organisation & Governance, Fair Business Operations, and Carbon Offset.

2.3.1 Diversity & inclusion

Diversity and inclusion are essential components of effective internal governance and achieving sustainability goals. Inclusion ensures that all voices are heard and valued, leading to a more informed and equitable decision-making. By embracing diversity and inclusion, organizations can better understand the needs of their stakeholders, mitigate risks, and build a strong reputation as responsible corporate citizens.

- Our study shows that banks and insurers are placing increasing emphasis on diversity and inclusion. Financial institutions are broadening their focus beyond gender to include ethnicity, disability, age, and other dimensions of diversity. Nearly all banks and insurers have achieved more than 30% female representation in leadership roles

Financial institutions broadening focus beyond gender to include ethnicity, disability, age

Figure 47: Broadening focus beyond gender to include ethinicty, disability, age

- In 2024, all 100% of banks and 92% of insurers have established long-term goals to enhance diversity and inclusion within their organizations, underscoring the recognition of D&I as a sustainable and strategic priority

Financial institutions disclosing long-term targets to enhance their D&I efforts

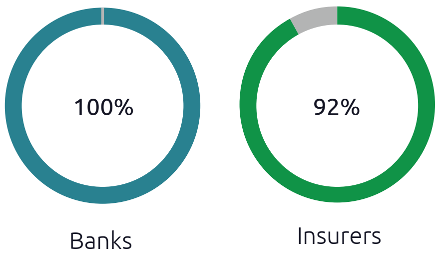
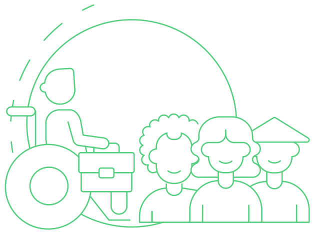


Figure 48: Banks vs Insurers - Disclosing long-term targets to enhance D&I efforts

Diversity and inclusion remain ongoing priorities in the financial services sector, and institutions are encouraged to maintain and expand current initiatives to ensure lasting transformation. Greater attention could be directed towards implementing specific gender pay gap policies and taking measurable steps to close these gaps. While progress has been made, full parity has not yet been achieved.



Best Practice:

Santander stands out by reporting a 0% gender pay gap, setting a benchmark for the industry. By considering overlapping factors such as gender, disability, ethnicity, and age, financial institutions can foster more inclusive environments. This intersectional lens is key to unlocking the full potential of diverse talent. NN Group distinguished itself by ranking first in the 2024 Gender Equality Report and publishing a comprehensive Diversity & Inclusion statement, demonstrating leadership and transparency in this space.

2.3.2 Organization & governance

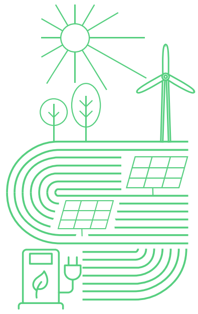
Effective sustainability starts with strong governance. Financial institutions are increasingly integrating ESG principles into their core strategies by establishing dedicated governance structures, aligning executive incentives with sustainability goals, and enhancing transparency in reporting.

Our study reveals that 95% of banks and 85% of insurers now link sustainability KPIs to remuneration. For example, ABN AMRO ensures ESG priorities are embedded in performance assessments by making at least 50% of the Executive Board's KPIs non-financial. These developments reflect a growing commitment to embedding sustainability into decision-making and performance management.

Financial institutions disclosing sustainability linked KPI remuneration

Figure 49: Disclosing sustainability linked KPI remuneration

Institutions are also reinforcing ESG oversight at the highest levels. Many have made ESG a permanent board function, ensuring strategic alignment and accountability. Furthermore, a significant portion of executive compensation is increasingly tied to ESG targets such as carbon reduction, gender diversity, and sustainable finance. To support this, financial institutions are investing in ESG dashboards and control offices that enable timely, accurate, and strategic sustainability reporting.



Best Practice:

ABN AMRO exemplifies leading sustainability governance by combining board-level and operational oversight, with over half of its executive KPIs being non-financial—demonstrating a deep integration of ESG into leadership accountability. ING reinforces its sustainability agenda by linking executive remuneration to targets such as sustainable financing volumes and improvements in ESG assessment methodologies, under the guidance of a permanent ESG Committee. Crédit Agricole stands out with a multi-layered ESG governance structure, supported by several dedicated committees, and ties 33% of long-term executive incentives to environmental and societal performance.

2.3.3 Employee engagement

Fostering ESG awareness among employees enhances long-term business performance by improving business operations, driving opportunities and mitigating risks. As policymakers, executives, and consumers become increasingly social and ethically conscious, it is more important than ever to raise ESG awareness and empower those at the heart of the organization: its employees. Providing training and hosting events to build this awareness enables employees to integrate ESG principles into their daily work, identify emerging business opportunities, and deliver better services to customers. Aligning employees with ESG strategies not only drives positive environmental and social impact but also strengthens risk management, ultimately improving long-term performance.

Financial institutions should not only advocate for ESG awareness but also exemplify these principles within their own operations, as employees are becoming increasingly attuned to social and ethical considerations. Research indicates that 55% of employees prefer to work for socially responsible employers, and are willing to accept lower pay to do so. Cultivating an inclusive organizational culture fosters a sense of safety and belonging which are essential components of a resilient and engaged workforce. Such a culture encourages employees to contribute innovative ideas, collaborate effectively, and take initiative. This openness strengthens problem-solving capabilities and drives continuous improvement across teams. Moreover, a strong sense of belonging has been consistently linked to higher levels of employee satisfaction, retention, and productivity.

- 100% of the banks and 85% of insurers provide upskilling and training to enhance ESG awareness amongst employees
- 73% of financial institutions, including 60% of Dutch and 78% of other European companies are encouraging employees to participate in ESG communities and events

Provide up skilling and training to enhance ESG awareness of employees

Figure 50: Banks vs Insurers - Upskilling and training to enhance ESG awareness of employees

Encouraging employees to participate in ESG communities and events

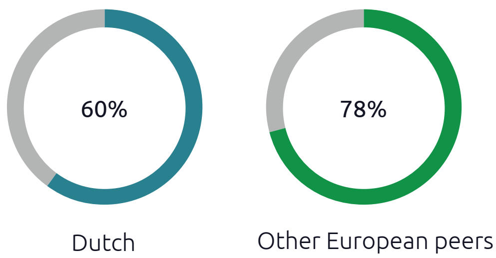


Figure 51: Dutch vs Other European peers - Encouraging employees to participate in ESG communities and events

Millennials and Gen Z are reshaping the expectations placed on financial institutions, particularly in relation to environmental and social responsibility. These generations, which now make up a growing share of the workforce, are deeply value-driven. They expect their employers to demonstrate a genuine commitment to ESG principles—not just in public statements. This shift presents both a challenge and an opportunity: those that embed ESG into their culture and governance are more likely to attract and retain top talent, foster innovation, and build long-term resilience. As younger employees increasingly seek purpose and alignment with their values, ESG integration becomes a strategic imperative rather than a reputational add-on.

Best Practice:

Santander invested EUR 64 Million in employee training to enhance skills, improve employability, and meet evolving market demands. The bank upskills its workforce by offering training on the integration of ESG criteria into commercial processes, as well as country-specific modules on Green Finance for Retail & Commercial Banking. Additional training is recognized through certification by an independent issuer.

Furthermore, Santander promotes purpose-driven engagement by encouraging employees to participate in ESG networks, volunteer in community-benefiting activities, and support charitable organizations that contribute to society.

2.3.4 External stakeholder engagement

External stakeholder engagement continues to be a foundation of sustainability strategy in 2025. Financial institutions are increasingly recognizing that meaningful progress on environmental and social goals requires collaboration beyond their own operations. This year, we observe a growing trend of institutions not only engaging with customers, investors, suppliers, and communities, but also deepening partnerships with governments, regulators, and non-profit organizations. These collaborations are helping shape sustainability policies, frameworks, and standards. Moreover, many institutions are aligning with global sustainability alliances—such as the Net-Zero Banking Alliance (NZBA), the Task Force on Climate-related Financial Disclosures (TCFD), and the Principles for Responsible Banking (PRB)—to foster shared learning and collective action.

- Our study shows that banks continue to lead in external stakeholder engagement compared to insurers. Banks are more actively collaborating with peers and industry bodies to co-develop sustainability frameworks and innovative tools. Over 90% of the banks in our sample are affiliated to banking alliances such as the Net-Zero Banking Alliance, which commits members to aligning their lending and investment portfolios with net-zero emissions by 2050. This level of engagement highlights the sector's proactive stance in shaping the future of sustainable finance. In contrast, insurers show potential for growth in this area, particularly in forming cross-sector partnerships and joining global sustainability platforms.

Affiliation to industry alliances

Figure 51: Banks vs Insurers - Affiliation to industry alliances

Financial institutions—both banks and insurers—should continue to pursue coopetition: collaborating with competitors to co-create sustainability solutions. Maintaining strong engagement with governments, regulators, and civil society remains essential. Institutions can make a bigger difference by giving more to charity and supporting local sustainability projects, especially in communities that need it most.

Collaborating with competitors to co-create sustainablility solutions

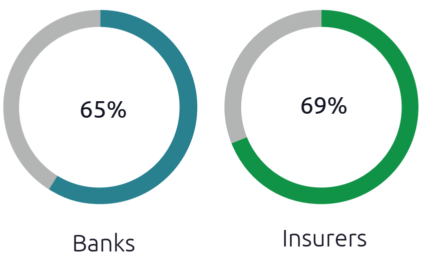


Figure 53: Banks vs Insurers - Collaborating with competitors to co-create sustainability solutions

- A standout example of effective collaboration is Rabobank's partnership with the Worldwide Fund for Nature Netherlands and Friesland Campina. Together, they developed the Biodiversity Monitor for Dairy Farming, a pioneering tool that uses key performance indicators (KPIs) to assess the biodiversity impact of individual dairy farms. This standardized approach empowers farmers to measure, understand, and improve their contributions to biodiversity, both on their land and in surrounding ecosystems.

2.3.5 Fair business operations

Fair business operations are the bedrock of sustainable corporate governance. By upholding ethical standards, treating stakeholders equitably, and operating with transparency, companies foster trust, mitigate risks, and enhance their reputation. ISO 26000 has also defined Fair Business Practices as one of the core principles, which addresses the way an organization interacts with others. ISO 26000 calls for organizations to deal ethically with customers, partners, suppliers, contractors, competitors, and government agencies to bring about positive results. Financial institutions are gradually working towards disclosing their adoption of fair operating practices, through their policies on preventing corruption, maintaining responsible political involvement, ensuring fair competition, consumer financial protection, and policies and certifications around protecting data and information management.

Despite having policies in place, we are still seeing instances of controversies and penalties being imposed on financial institutions, for being involved in disputes and unlawful activities, which highlights the need for being more transparent in their disclosures and having stricter enforcement and oversight of their policies.

- Our study shows that 90% of the banks have been disclosing policies related to consumer financial protection as against 62% insurers, quoting the same disclosures

Disclosing programs and policies related to consumer financial protection

Figure 54: Banks vs Insurers - Disclosing programs and policies on customer financial protection

- At the same time, we saw that 80% of Dutch financial institutions are leading in these disclosures about financial protection policies over 78% of other European financial institutions

Financial institutions disclosing about financial protection policies

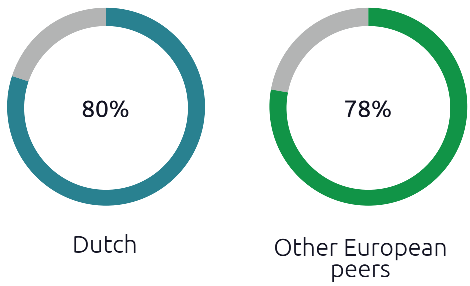


Figure 55: Banks vs Insurers - Disclosing programs and policies on customer financial protection

- 39% of financial institutions (50% banks and 23% insurers) were fined or were involved in controversy for unlawful activities in last three years, such as data breaches impacting customer data, breaching anti-trust rules, faulty anti-money laundering systems, and more

Financial institutions involved in ESG controversies/lawsuits and fines

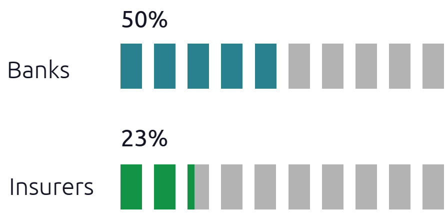


Figure 56: Banks vs Insurers - Involvement in ESG controversies/ lawsuits and fines

The requirement for financial institutions to maintain the privacy of data grows along with the frequency of processing personally identifiable information as well as the threats of cybercrimes. GDPR was a breakthrough in data privacy – the new golden standard among data protection regulations. "GDPR domino effect" can be seen, where countries are implementing GDPR-style privacy frameworks one at a time, such as California Privacy Rights Act (CPRA), ePrivacy Regulation (law that complements and elaborates the GDPR), and more.

2.3.6 Carbon offset

When financial institutions apply carbon offsetting strategies for the residual operational emissions, they should engage in the carbon offsetting value chain to ensure trust and credibility. Carbon offsetting strategies can be applied by financial institutions to address the hard-to-abate, residual emissions in their operations. However, due to questionable permanence of offsetting activities, overestimation of carbon savings, and lack of governance and transparency in monitoring, engaging in carbon offsetting comes with reputational risk of greenwashing. This results in some financial institutions focusing exclusively on expensive, high-quality offsets, which create a lasting impact and can be transparently monitored throughout their duration. Others choose to refrain from engaging in carbon offsetting strategies altogether.

- Our study shows that 61% of financial institutions have formulated emission offsetting plans and strategies, of which 70% are banks and 46% insurers

Disclosing emissions offset plans

Figure 57: Banks vs Insurers - Disclosing emissions offset plans

- To ensure credibility, 36% of financial institutions opt for carbon offsetting projects backed by certifications, comprising of 50% Dutch institutions, and 30% of their European counterparties

Financial institutions disclosing emission offset plans

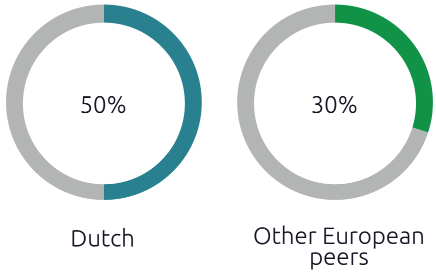


Figure 58: Banks vs Insurers - Disclosing emissions offset plans

The carbon finance market started to take form after the Kyoto protocol in 1997, but has failed to materialize on its potential ever since. To strengthen trust and credibility of the market, financial institutions should go beyond solely purchasing offsets and become actively engaged in the carbon market value chain. This means creating partnerships with project developers and tech companies to ensure traceability and resilience throughout the entire value chain.

Best Practice:

UBS's carbon offsetting strategy goes beyond the purchase of offsetting credits through a series of initiatives. As part of a consortium, UBS developed Carbonplace: a trade platform for high-quality, voluntary carbon credits, backed by blockchain technology to ensure transparency and trust. In another collaboration, UBS presented a new carbon finance offering, which stimulates investments in the carbon removal market. The bank actively engages its ecosystem to promote net-zero alignment. Finally, UBS has set the target to offset historical emissions up until the year 2000.

2.4 Reporting

Demonstration of sustainability stewardship and success starts with reporting. It is even more important for financial institutions to uphold the transparency and granularity in disclosures, as it can then influence other industries to follow the lead. The level of robustness seen in financial reporting is yet to be replicated in sustainability, as lack of standard requirements on disclosure and increasing demand for ESG information from various stakeholders has ended up financial institutions disclosing large amounts of disparate data. The proliferation of sustainability data has only led to complexity, which the EU's CSRD aspires to untangle and standardize, for better transparency and comparability. The new directive will mandate a greater number of companies to measure and report on unified reporting standards and increased depth. Aspects such as transparency, assurance and continuity in reporting will be highly scrutinized with new reporting directives.

We have examined financial institutions' reporting disclosures across 4 segments: Emissions Monitoring, Assurance, Continuity and Transparency, and Climate Change Adaptation and Mitigation.

2.4.1 Assurance

The Corporate Sustainability Reporting Directive (CSRD) represents a pivotal shift in sustainability reporting, moving from a previously voluntary assurance landscape to a mandatory framework. Under the former Non-Financial Reporting Directive (NFRD), companies could choose whether to have their sustainability data assured, leading to inconsistent practices and limited comparability. The CSRD changes this by requiring limited assurance over reported ESG information, ensuring a baseline level of credibility and reliability. This mandatory approach aims to standardize reporting quality across the EU and build greater trust among stakeholders. It also sets the stage for a future transition to reasonable assurance, further aligning sustainability reporting with the rigor of financial audits.

- Dutch financial institutions have been involved in fewer greenwashing controversies compared to their European counterparts. Meanwhile, the implementation of internal audit processes remains consistent between Dutch and European financial institutions, indicating a similar level of engagement in audit practices.

Financial institutions involved in greenwashing controversy

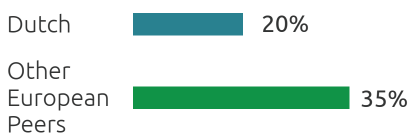


Figure 59: Dutch vs Other European peers - Involved in greenwashing controversy

- The adoption of internal audit processes among insurers has significantly increased over the past year, rising from 44% to 94%. This growth reflects a stronger emphasis on verifying the accuracy and reliability of disclosures. In contrast, the level of internal audit disclosure among banks has remained relatively stable, with a slight increase from 94% last year to 95% this year.

Internal audit process over ESG data by a dedicated team among insurers

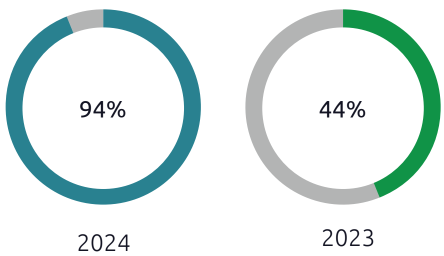


Figure 60: 2024 vs 2023 - Internal audit for ESG data

While limited assurance remains the prevailing approach due to its lower cost and complexity, there is a clear shift toward reasonable assurance, seeking to lead in transparency and accountability. Reasonable assurance offers a higher level of scrutiny, reinforcing the credibility of sustainability disclosures. This trend is further driven by alignment with the European Sustainability Reporting Standards (ESRS), which emphasize the need for robust assurance frameworks. As a result, financial institutions are strengthening internal controls and audit preparedness to meet rising expectations.

2.4.2 Emissions monitoring

Measuring emissions from financial activities is essential for institutions to manage risk, identify climate-related opportunities, and meet sustainability regulations. Beyond compliance, emissions tracking enables realistic decarbonization targets. Emissions fall into three categories: Scope 1: Direct emissions from owned or controlled sources; Scope 2: Indirect emissions from purchased electricity; Scope 3: All other indirect emissions, including those from financed, invested, insured, and value chain activities.

Scope 3 emissions, especially financed emissions, are the most complex and substantial. These emissions stem from the activities of companies and projects that institutions fund or insure. Due to their complexity, institutions often estimate them using proxies like industry or geographic benchmarks. The Partnership for Carbon Accounting Financials (PCAF) rates the quality of these estimates on a scale from 1 (direct measurement) to 5 (basic proxies).

- Banks are nearing full disclosure of financed emissions, with 90% now reporting on Scope 3. Insurers have also made notable progress—46% now disclose Scope 3 financed emissions, more than doubling compared to last year's figures.

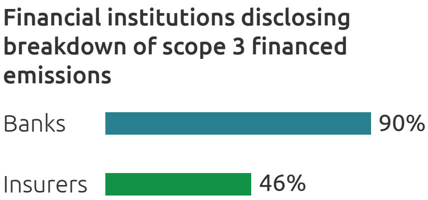


Figure 61: Banks vs Insurers - Disclosing breakdown of scope 3 financed emissions

While almost all banks in our benchmark study have reported on financed emissions Scope 3, next challenge is to expand the percentage of sectors included in the calculations. Including all sectors significantly amplifies the complexity, as each sector presents distinct emissions characteristics, data challenges, and methodological requirements. From carbon-intensive industries like oil and gas, steel, and aviation to less direct emitters such as real estate, healthcare, and financial services, the emissions profiles vary widely in scale, scope, and traceability. Financial institutions must account for upstream and downstream emissions across these sectors, often relying on sector-specific models and assumptions due to inconsistent or unavailable emissions data. This comprehensive inclusion demands a nuanced understanding of sectoral dynamics, supply chains, and regulatory contexts, making it difficult to apply a one-size-fits-all approach. As a result, financial institutions face the dual challenge of ensuring both completeness and accuracy in their emissions accounting while managing the operational burden of sectoral diversity.

2.4.3 Climate change adaptation and mitigation

Stakeholder expectations are still mounting, placing growing demands on financial institutions to evaluate and manage risks posed by climate change. Physical risks, such as damage from extreme weather events, rising sea levels, and other climate-related disruptions, may lead to significant loan defaults, asset devaluations, and the repricing of financial instruments—ultimately affecting the solvency and profitability of financial institutions. Transition risks arise from the global shift toward a low-carbon economy. These include regulatory changes, evolving market preferences, and technological advancements. For example, the devaluation of carbon-intensive assets or the emergence of stranded assets can result in substantial financial losses and strategic misalignment.

These converging climate risks make it imperative for financial institutions to embed climate-related factors into every aspect of their operations—from risk assessment and capital allocation to strategic planning and long-term investment decision. This is further supported by the fact that nearly all financial institutions in benchmark studies have identified climate change as a double materiality issue, in alignment with CSRD reporting requirements.

- 80% of banks and 62% of insurers have reported on exposure of portfolio to increased climate risks, as 13% and 29% increase respectively from last year.

Financial institutions reporting on exposure of portfolio to increased climate risks

Figure 62: Banks vs Insurers - Reporting on exposure of portfolio to increased climate risks

- 88% of financial institutions disclose on how they integrate climate risk factors into their decision-making processes and risk management frameworks

Disclosure on climate factor integrated into decision making and risk management

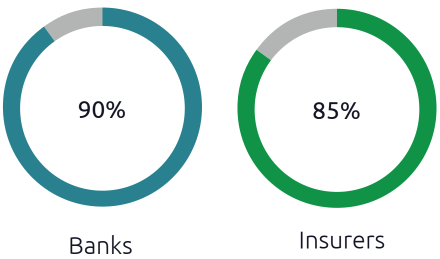


Figure 63: Banks vs Insurers - Disclosure on climate risk factors integrated into decision making

The financing needs for climate adaptation in emerging markets and developing economies are substantial and growing. By 2030, these countries are estimated to require approximately USD 212 billion annually to build resilience against climate impacts. This figure is projected to rise even further, reaching USD 239 billion per year between 2031 and 2050. Financial institutions play a pivotal role in bridging this adaptation finance gap. As key intermediaries in the global financial system, they are uniquely positioned to mobilize and allocate capital towards climate-resilient infrastructure, sustainable agriculture, early warning systems, and other critical adaptation measures. This involves not only scaling up direct investments but also innovating financial instruments—such as blended finance, resilience bonds, and sustainability-linked loans—that can attract private capital and de-risk adaptation projects.

By integrating climate risk into their decision-making processes, financial institutions can help ensure that capital flows are aligned with long-term resilience goals. This proactive engagement is essential not only for supporting vulnerable economies but also for safeguarding the stability of the global financial system in a climate-constrained future. Advanced tools, such as artificial intelligence (AI) and climate analytics are used to integrate climate considerations into the decision-making processes. These technologies enable institutions to assess both physical and transition risks. AI-powered models can analyse vast datasets to forecast climate-related financial impacts, optimize portfolios for climate resilience, and automate climate risk disclosures. Tools like geospatial risk mapping, climate scenario analysis engines, and sustainability-linked performance dashboards help embed climate risk into core financial operations. By leveraging these innovations, financial institutions can not only comply with evolving regulatory expectations but also make more informed, forward-looking investment and lending decisions that align with a low-carbon, climate-resilient future.

2.4.4 Continuity and transparency

Since the Corporate Sustainability Reporting Directive (CSRD) became mandatory in 2023, banks across Europe have been transitioning from voluntary to standardized ESG reporting. This shift has exposed gaps in maturity, with many institutions still developing the systems and governance needed to meet the directive's rigorous requirements. The complexity of CSRD has led to limited availability of diverse, standalone ESG reports. Increasing the frequency and diversity of ESG disclosures enhances transparency, keeps stakeholders consistently informed, and demonstrates a proactive approach to meeting rising market expectations. While some banks are leading the way, most are still adapting, resulting in uneven transparency and reporting practices across the sector. This is reflected in the scores:

- 39% of financial institutions publish ESG reports on a quarterly or half-yearly basis. Among Dutch institutions, only 30% report more frequently than annually, compared to 43% of their European counterparts.

Financial institutions publishing ESG reports on quarterly and half-yearly basis

Figure 64: Dutch vs Other European peers - Publishing ESG reports on quarterly and half-yearly basis

- Our research indicates that 70% of financial institutions publish separate reports on various ESG parameters, detailing their latest performance, initiatives, and targets. This practice is seen at 80% of the banks, compared to 54% of insurers.

Financial institutions disclosing separate reports on various ESG topics

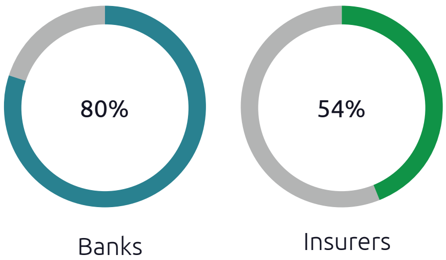


Figure 65: Financial institutions disclosing seperate reports on ESG topics

Publishing more ESG statements and reports enhance transparency and strengthens stakeholder confidence by clearly communicating a financial institution's sustainability commitment and performance. As scrutiny from investors, consumers, and regulators intensify, consistent and detailed ESG disclosures help demonstrate accountability and responsiveness to societal expectations. These reports also support internal alignment on sustainability goals and provide a structured basis for tracking progress. By proactively sharing methodologies, metrics, and initiatives, institutions can build trust, manage reputational risk, and position themselves as credible leaders in the evolving ESG landscape.

Best Practice:

Deutsche Bank demonstrates best practices in ESG transparency through the extensive public disclosure of its sustainability-related activities. The bank has disclosed sustainability and non-financial information annually since 2002. Apart from the **annual reports**, Deutsche bank also publishes regular **quarterly reports**, which include investor relations documents and earnings commentary that contains ESG-related information. Typically, the information is related to sustainable financing and ESG investments, showcasing the bank's commitment towards transparency related to sustainability disclosures.

BNP Paribas Fortis reports on ESG (data-driven and performance-focused) and CSR (overall strategy and commitments) topics quarterly, with additional thematic updates throughout the year. Their disclosures cover key areas such as climate strategy, energy transition, biodiversity, human rights, inclusive employment, and governance. For example, they publish updates on their coal exit strategy, biodiversity roadmap, and gender equality initiatives. They also release specialized reports on green bonds issuance, microfinance impact, and sector-specific climate alignment, particularly in industries like oil & gas and transport.

3 | Trending Practices in the ESG Domain

3.1 GAR analysis

As a part of enhancing reporting requirements and standardizing how banks report towards climate transition, EU has implemented several frameworks, most critical of which has been the Green Asset Ratio (GAR). The ratio intends to clearly demarcate which economic activities of financial institutions are considered environmentally sustainable and measure bank's green engagement in a standardized and comparable way.

Based on our analysis, the highest GAR for the benchmarked companies has been 15% and the average GAR ratio for banks stood at 4%, indicating that a very limited part of the bank's balance sheets has been green currently, according to EU taxonomy. There exists high variability within GAR of studied European banks, which could partly be linked to the difference in priority areas of loan books and type of business model adopted by banks. While taxonomy-eligible assets continue to exceed the volume of taxonomy-aligned assets, the gap is largely attributed to challenges in meeting stringent technical screening criteria, and the need for enhanced data quality, client engagement and transitional financing strategies

For banks reporting under GAR, largest proportion of EU taxonomy-aligned assets typically stem from loans collateralized by residential immovable property. This is largely due to relatively straightforward eligibility criteria for energy-efficient buildings under EU taxonomy. Hence banks with high volume of mortgage lending linked to high EPC rating are among the banks with highest GAR score. With proportion of high EPC ratings among overall mortgage book remaining as low as 12% on an average across banks, there is a huge opportunity for banks to further drive energy efficient residential loans and drive GAR scores.

GAR stock measures the proportion of bank's existing balance sheet that is aligned with EU taxonomy, while GAR Flow measures share of newly originated or newly refinanced assets within a given reporting period, indicating future capital allocation. For majority of organizations, GAR stock values remained marginally higher than GAR Flow values, indicating that banks are still in early stages of transitioning their financing portfolios towards taxonomy-aligned economic activities.

3.2 Double materiality assessment analysis

CSRD marks a significant step towards greater transparency and accountability in how companies measure and disclose non-financial impacts. CSRD adopts a more comprehensive approach, requiring banks to disclose materiality from dual lens of financial and impact materiality. While impact materiality measures how companies' activities impact society and environment, financial materiality measures how external sustainable issues affect the bank's financial performance. The impact materiality is further broken down into positive and negative impact, while financial materiality under risk and opportunity.

Financial institutions are required to conduct materiality assessments across topics as stipulated under European Sustainability reporting Standards. The topics under each pillar of E,S,and G are – Environmental – E1: Climate change, E2: Pollution, E3: Water and marine resources, E4: Biodiversity and ecosystems, E5: Resource use and circular economy; Social – S1: Own Workforce, S2: Workers in value chain, S3: Affected Communities, S4: Consumers and End-users; Governance – G1: Business Conduct

On analysing double materiality disclosures of benchmarked companies, we found 100% of companies to report E1: climate change as material. All the benchmarked companies which have disclosed double materiality assessment have disclosed climate change as topic of materiality in form of negative impact and risk. The negative impact is attributed to financial institutions' exposure to high emissions sector causing climate change, risk of impairment and credit losses linked to physical climate risks, change in policy, technology and trends towards emission reduction. None of the other topics under environmental pillar have received as much attention as climate change. While proportion of banks and insurers disclosing climate change as material remained fairly similar, the difference lied in high proportion of insurers when compared to banks disclosing other environmental topics as material.

The topic of "S1: Own Workforce" under the social pillar is disclosed by most financial institutions as topic of positive impact, with 83% of them highlighting it as an area through which companies cause positive impact towards employees through good working conditions, inclusive workplace and involvement of employees in philanthropic activities. "S4: Consumers and end users" is the second most disclosed material topic by most companies, with greater proportion of insurers when compared to banks disclosing impact materiality in form of positive and negative impact, while the opposite was observed in case of risk and opportunities.

The sole topic under Governance – G1: While Business Conduct was emphasized as key material topic by most of the financial institutions, the proportion of banks and insurers disclosing it as positive, negative impact and risk had no visible pattern and varied significantly. Supplier relationships, avoidance of corruption and bribery and improvement of corporate governance were key themes highlighted behind business conduct.

Banks

	Positive impact	Negative impact	Risk	Opportunity
E1: Climate change	69%	100%	100%	88%
E2: Pollution	19%	25%	19%	6%
E3: Water and marine resources	0%	13%	6%	0%
E4: Biodiversity and ecosystems	19%	38%	25%	6%
E5: Resources use and circular economy	6%	13%	0%	0%
S1: Own workforce	88%	75%	69%	50%
S2: Workers in the value chain	6%	19%	13%	6%
S3: Affected communities	25%	19%	13%	6%
S4: Consumers and end-users	56%	50%	81%	44%
G1: Business conduct	56%	50%	94%	19%

Figure 66: Banking Industry Analysis - CSRD Materiality Disclosures

Insurers

	Positive impact	Negative impact	Risk	Opportunity
E1: Climate change	100%	100%	100%	88%
E2: Pollution	13%	38%	13%	0%
E3: Water and marine resources	13%	25%	13%	0%
E4: Biodiversity and ecosystems	38%	88%	38%	13%
E5: Resources use and circular economy	38%	63%	13%	25%
S1: Own workforce	88%	38%	50%	50%
S2: Workers in the value chain	13%	75%	13%	0%
S3: Affected communities	13%	13%	13%	0%
S4: Consumers and end-users	75%	63%	63%	38%
G1: Business conduct	88%	75%	38%	13%

Figure 67: Insurance industry analysis - CSRD Materiality Disclosures

4 | Conclusion

The dynamic nature of the financial services industry has been instrumental in an organization's growth since the last quarter of 2024, which forays into 2025 too. The significance of inculcating sustainability principles into the company's core operations is imperative in fostering sustainable growth and creating long-term value for stakeholders, progressing towards a sustainable future. The amalgamation of Environmental, Social and Governance Factors (ESG) within the financial services domain signifies a streamlined approach to investing and business decision making.

Keeping in sync with the evolving market dynamics, ESG best practices have become indispensable for long term organizational growth. Financial institutions have been witnessing an undulating momentum along the four pillars, targeting at an overall sustainable growth journey.

Trends in **products and services** remain consistent with last year's outcomes. Energy Transition and Real Estate continue to be the most mature and well-developed topics. Health and Well-being & Water Management still receive the lowest scores. However, Health and Well-being has shown some improvement in comparison to last year, whereas Water Management has yet to attract sufficient attention from financial institutions. Banks have broadened their advisory services in the circular economy, providing clients with tailored tools, innovative solutions, and strategic challenges designed to help companies achieve their circularity goals.

Insurance companies have strengthened their commitment to circularity in the healthcare sector by collaborating with one another to promote sustainable and resource-efficient practices. Biodiversity initiatives have placed significant emphasis on reforestation and marine conservation, supported by targeted financing and collaborations with academic institutions. In parallel, financial institutions are beginning to take steps to measure and manage biodiversity-related risks, while also working to better understand their own impacts on ecosystems.

While the scores this year have remained fairly similar and in comparable range across **internal assets and operations** compared to previous year; Energy sourcing, Procurement and Mobility have been found to be largely focused by majority of financial institutions to drive positive internal change. IT still stands as a topic which requires increased focus and sustainable integration across all organizations.

Under Own investments, while the focus has been on engagement and transition strategies, divestment commitments have taken a back seat. Many financial institutions have taken a cautious approach reflecting the long-term nature of many investments and industry's preference for driving change from within, rather than outright withdrawal. However, it is to be seen if pressure from stakeholders, especially from institutional investors will shift this stance over the years ahead

Internal governance remained a strong pillar for financial institutions, with growing emphasis on Diversity and Inclusion, Employee Engagement and Fair Business Operations. Most Dutch banks and insurers are exceeding expectations especially in facets such as talent management, engaging with government and regulators and managing diversity in the institution.

Banks and insurers have targeted initiatives to accelerate change to reach their gender diversity goals and initiatives to address pay gap. Financial institutions are coming up with comprehensive strategies towards upskilling of employees and sustainable talent management. Focus on fair business operations is increasing as well, with financial institutions emphasizing on fair lending compliance, while enhancing their internal governance frameworks. However, many financial institutions, including several Dutch banks, still need to improve their development of comprehensive carbon emission offset plans and strategies.

Financial institutions are increasingly focused on **reporting** and managing their carbon emissions. Scope 3 financed emissions are now being recognized as the most significant part of a financial institution's carbon footprint. Dutch banks and insurers have become more invested in efforts towards reporting their emission numbers, as compared to last year.

Banks and insurers are setting up dedicated teams to ensure that sustainability-related matters are properly covered, thereby removing any potential for greenwashing. Robust audit committees are key in ensuring integrity, transparency, and long-term stability of financial institutions.

While financial institutions are increasingly reporting on ESG performance and initiatives, there is a need for more consistent and timely publication to enhance transparency and ensure continuity in sustainability efforts. In the context of climate change and mitigation, banks and insurers must enhance the quality of their climate risk disclosures and energy efficiency reporting. Moreover, financial institutions have recently shown a decline in the robustness of portfolio reporting related to both acute and chronic climate-related events.

Embedding environmental, social, and governance (ESG) factors into business operations, strategic planning, and decision-making has become a standard practice across the financial sector. However, despite this growing integration, financial institutions continue to face significant challenges. These include navigating an evolving regulatory landscape, addressing data gaps and managing the inherent complexity of diverse and often global portfolios.

The year 2024 marks the first reporting cycle under the Corporate Sustainability Reporting Directive (CSRD), a major milestone in the EU's push for greater transparency and accountability in sustainability performance. In response to early implementation challenges, the European Commission adopted the Omnibus package on February 26, 2025. This legislative update is designed to reduce compliance burdens for companies across the board, while sharpening the focus of regulatory efforts on the largest entities—those with the most substantial environmental and climate-related impacts.

The simplification of the European Sustainability Reporting Standards (ESRS), aimed at reducing ambiguity and enhancing usability, holds significant promise for improving the overall quality of sustainability reporting. By making the standards clearer and more accessible, the reforms are expected to foster greater consistency, transparency, and comparability in ESG disclosures across the financial sector. However, this streamlining also introduces a potential downside. There is a risk that some financial institutions may interpret the simplified requirements as a signal to scale back their efforts, leading to a more superficial or box-ticking approach to reporting. If not carefully managed, this could undermine the directive's broader objective of embedding sustainability into core business practices and reducing greenwashing. Striking the right balance between simplification and accountability will therefore be critical to the long-term success of the CSRD framework.

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