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# Summary

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## The Netherlands: Expert in financing sustainability

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The sustainable investment and financing industries are growing rapidly, creating demand for tools that can be used to screen investments and manage the risks of sustainable investments. In addition, banks and investors are struggling to find a way of financing much-wanted clean technology, which is a volatile sector for banks. These developments have fostered the growth of market-based trading instruments, and European companies that exceed their carbon emission allocations are now obliged to purchase emission rights or make money by keeping emissions low and selling the rights.

The Dutch government plays an active role in developing sustainable initiatives. The Dutch financial industry has a great deal of experience in sustainable investment and carbon trading, and many institutes in the Netherlands focus on sustainability. The signatories to the Principles for Responsible Investment and the Equator Principles include top Dutch financial institutions, and Dutch pension funds are very experienced in the field of clean technology. The Netherlands has particular expertise in the area of carbon trading.

# Global Challenges

The European Union has the largest emission trading market in the world

The sustainable investment and financing industries are growing rapidly. The European Social Investment Forum (EUROSIF) has estimated that nearly €5 trillion is now under management in sustainable investment strategies of various kinds, including both environmentally and socially responsible funds. More than half of this sum is under management in Europe, where the value of sustainable investment assets has more than doubled in the last three years to nearly a fifth of the total under management in strategies of all kinds.<sup>1</sup>

This growing market for investment strategies that conform to the highest environmental, social and corporate governance (ESG) standards has created a demand for tools to help investors and fund managers screen investments and manage the risks of sustainable investments. To provide a framework, a group of institutional investors meeting under the auspices of the United Nations, devised six detailed Principles for Responsible Investment (PRI), which 172 asset owners and 337 fund managers and investment consultants have now signed.<sup>2</sup>

Banks as well as investors are struggling to find a way of financing the clean technologies which science suggests will make a large contribution to sustainability. With regulations

and public subsidies subject to change, and revenues hard to foretell, clean technology is a volatile sector for the banking industry. Banks are under simultaneous pressure from environmentally-minded investors and activists not to finance projects that damage eco-systems and local communities. The Equator Principles, a set of benchmarks for managing the environmental and social aspects of any project financing greater than \$10 million, were launched under the auspices of the International Finance Corporation (IFC) in June 2003. Since then, the number of banks supporting them has increased nearly seven-fold to 67 banks operating in over 100 countries.<sup>3</sup>

These developments have, with the encouragement of policymakers, fostered the growth of market-based trading instruments. The Kyoto Protocol that came into force in 2005 established a market for the trading of certified carbon emissions within a total cap set by governments. In Europe, companies that exceed their allocations are now obliged to purchase emission rights. The European Union Emissions Trading System (EU ETS) was launched by the European Commission in January 2005 as the trading platform for emission rights in the member-states of the EU.

The EU ETS has now reached a value of €28 billion, making it the largest emissions market in the world.<sup>4</sup> The market can be expected to continue to grow rapidly on the back of growing demand from companies and governments for carbon credits ahead of the target date of 2012 set by the EU for reducing CO<sup>2</sup> emissions by 8 per cent compared to 1990.

## Assets Under Management in Sustainable Investment Strategies

Region or country	Total SRI (Euros)
<b>Europe</b>	<b>2,665.4</b>
United States	1,917.3
Canada	333.6
Australia and New Zealand	41.4
Japan	5.5
Total	4,963.2

Source: EUROSIF, European SRI Study 2008

# Dutch Solutions

## Dutch Signatories to the PRI

ABN Amro Asset Management	Investment manager
Achmea	Asset owner
AlpInvest Partners N.V.	
APG	Asset owner
Avida International	Profes. service partner
BNG Asset Management	Investment manager
Bpf AVH	Asset owner
Cordares	Investment manager
Cyrte Investments	Profes. service partner
Double Dividend	Profes. service partner
Holland Private Equity B.V.	
ING Investment Management	Investment manager
KAS BANK	Custodian bank
Kempen Capital Management NV	Investment manager
LRV Investments	
Mn Services N.V.	Asset owner
Mode Interieur Tapijt & Textiel (MITT)	Asset owner
Pensioenfond Metaal en Techniek	Asset owner
Pensioenfond PNO Media	Asset owner
Pensioenfond Predikanten	Asset owner
Pensioenfond Vervoer	Asset owner
Pensiefund Metalektro (PME)	Asset owner
PGGM Investments	Investment manager
Robeco	Investment manager
SNS Asset Management	Investment manager
SPF Beheer	Investment manager
SPOV	Asset owner
Shell Asset Management Company	Asset owner

## Dutch Signatories to the PRI

SPF Asset Management	Asset owner
Stichting Beroepspensioenfond Loosden	
Stichting Beroepspensioenfond voor Zelfstandige Kunstenaars AENA	
Stichting Ondernemingspensioenfond Mn Services (Opf)	
Stichting Pensioefond ABP	
Stichting Pensioefond ING	
Stichting Phillips Pensioefond	
Syntrus Achmea Asset Management	Investment manager
Triodos Investment Management B.V.	Investment manager
Van Lanschot Bankiers	

Source: [www.unipri.otrg/signatories](http://www.unipri.otrg/signatories)

## Dutch Signatories to Equator Principles

ABN Amro Bank
ASN Bank
Fortis
ING Group
Rabobank Group

Source: [www.equator-principles.com](http://www.equator-principles.com)

In helping financial services firms to exploit these trends, the Netherlands has a number of distinct advantages. Indeed, the Netherlands can justly claim to be the global centre for sustainable investment and finance. It has a public and political culture that attaches a high value to environmental, social and corporate governance (ESG) issues. The Dutch government has named sustainability as one of its key policy objectives, and played an active role in developing sustainable initiatives at home and abroad, notably in carbon trading and through investment in carbon-neutral housing. Dutch pension funds, fund managers, banks, broker-dealers and exchanges have long experience of designing and implementing sustainable investment strategies, intermediating sustainable real estate and infrastructure investment projects, and structuring and trading international carbon transactions. This has attracted to the Netherlands a cluster of academic, technical, legal, auditing and consulting expertise in sustainable investment and finance, from established consultancy firms such as KPMG and PwC to specialist ESG agencies. Amsterdam is home to the Global Reporting Initiative (GRI) secretariat, and its biennial conference on sustainability and transparency. The Triple Bottom Line Group (TBLI), which helps

companies incorporate social and environmental benefits into investment decisions, is also based in Amsterdam. The Dutch Sustainability Research Institute (DSR), founded in 2002, gathers data on the social and environmental policies of over 2,000 listed companies. This information is used by Dutch pension funds.<sup>5</sup> SNS Asset Management, formed in the Netherlands in 1997, is now one of the best-known specialist sustainable investment managers in the world, and the manager of the largest micro-financing fund in the world. Dutch pension funds and fund managers are also among the most experienced and committed investors in the notoriously challenging field of clean technology. Although there is widespread recognition of the contribution clean technologies – those that reduce or eliminate the environmental impact of currently available technologies – can make to sustainability, they present potential financiers and investors with significant challenges. The most innovative technologies require investment immediately, with only a distant prospect of a pay-off. The energy prices that make an investment economic at one point in the cycle can easily render it worthless in another. The public subsidies and regulatory incentives to invest in new technology vary between jurisdictions, and are also subject to constant change.

The Netherlands is the global centre for sustainable investment and finance

To help entrepreneurs, investors, bankers, academics and government officials overcome these challenges, the Holland Financial Centre is sponsoring the establishment of a Centre for Finance and Sustainability to pool knowledge of clean technologies and sources of bank and equity finance. Among businesses developing clean technologies, the Netherlands can boast one of the best-known environmental services companies in the world (Arcadis) and one of the leading environmental engineering and contracting groups (Grontmij). Dutch fund managers and institutional investors were also early signatories to the PRI. Sixteen pension funds, twelve fund managers, three professional services firms and one custodian bank based in the Netherlands have so far signed up to PRI. Else Bos, CIO and Executive Director of PGGM, one of the first signatories to PRI in 2006, is one of just eleven institutional investors serving on its board. Despite the relatively small size of the Dutch economy, institutions based in the Netherlands account for \$4 out of every \$100 of the \$10 trillion managed by the signatories to PRI.

Likewise, all of the major Dutch banking groups – ABN Amro, Fortis, ING and Rabobank – have endorsed the Equator Principles. Indeed, ABN Amro was one of the initiators of the

discussions which led to the preparation and adoption. In addition to the growing interest of orthodox banking groups in sustainable investment and financing, the Netherlands is the home of ASN Bank (founded in 1960) and Triodos Bank (founded in 1980), both of which have pursued sustainable lending and investment policies since their foundation. Micro-finance funds, in which major Dutch pension funds have invested, have grown significantly in recent years. The Netherlands is the third largest-market for ‘green’ Exchange Traded Funds in Europe, with €47.5 billion in assets under management.<sup>6</sup> But in no field is the Netherlands as well placed to profit from the growth in sustainable investment and financing as carbon trading. Dutch banks already enjoy a share of around one fifth in the €40 billion<sup>7</sup> international carbon emissions trading market. Though this makes the Netherlands second to London, where the European Climate Exchange (ECX) has built a strong position, the Dutch carbon trading industry has a number of advantages. History has given Rotterdam a dominant share of the market for physical storage and distribution of hydrocarbon fuels. Vopak, the largest provider of hydrocarbon storage facilities in the world, is a Dutch company based in Rotterdam. This large presence in the physical markets has in turn helped Amsterdam

develop both an energy exchange (APX) and an energy derivatives exchange (Endex), which have now merged into a single, full service trading organization. It has also equipped the Dutch market with facilities for the physical clearing and settlement of hydrocarbon contracts. The Dutch government has reinforced these strengths through the introduction of domestic emissions allowance trading systems for carbon dioxide (CO<sup>2</sup>) and nitrogen oxides (NO<sub>x</sub>), both of which are supervised by the Dutch Emissions Authority.

## The Netherlands is a world leader in the construction, standardization and certification of carbon emission rights

The Netherlands is now one of the largest issuers of tradable emission rights, making the country a significant force in the primary markets in Europe, especially for so-called Clean Development Mechanism (CDM) emissions. CDM emission rights are an arrangement available under the Kyoto Protocol by which developed countries with carbon emission reduction commitments can invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries. This has necessitated the development in the Netherlands of highly specialized legal, finance and insurance expertise to ensure that investments of this kind can be certified. The Netherlands is now a world leader in the construction, standardization and certification of carbon emission rights. All of these developments have helped Fortis, which was always a major force in derivatives trading and clearing, to become the leading European provider of carbon trading, financing, administration and investment services. In the tightly regulated and highly specialized but fast-growing business of carbon trading, knowledge and experience in processing complex international transactions is scarce – and the Netherlands is capitalising on its competitive edge. Not only was the largest carbon transaction ever originated in the Netherlands, but six of the ten largest carbon trades were.

# Triodos Bank

Triodos Bank, which finances companies, institutions and projects that have cultural value or benefit people and the environment, is the brainchild of a Dutch professor, a Dutch consultant and a Dutch banker, and is still headquartered in the Netherlands. Trading initially as a foundation that guaranteed loans for sustainable investment projects, it acquired a deposit-taking banking licence of its own from the Dutch central bank in 1980, and started a health insurance business three years later. In 1990, Triodos launched the first green investment fund in the Netherlands, listing it on the Amsterdam Stock Exchange. The Added Value Policy the bank launched that year in conjunction with Delta Lloyd was the first life and pension insurance product to screen investments by social and environmental criteria. Triodos has since pioneered sustainable venture capital and micro-finance investing. It was co-founder in 2002 with a Dutch pension fund (PGGM) and a Dutch bank (Mees Pierson) of DSR. Triodos is now active in the Belgian, Spanish and UK markets, and has a representative office in Germany, plus stakes in sustainable banks in Denmark and the US. The bank has total balance sheet footings of €2 billion and assets under management of €3.4 billion.

# The PGGM Sustainability Policy

The management of PGGM, one of the largest public sector pension funds in the Netherlands, faces the same financial constraints imposed by fiduciary responsibilities as any pension fund. But the fund has long believed that financial returns can be enhanced by paying proper attention to corporate governance, and to the environmental and social effects of investments. All holdings in its equity portfolios take ESG into account, and many investments are chosen specifically in order to deliver social and environmental benefits as well as financial returns, while others are specifically excluded on the same grounds. In illiquid markets, PGGM looks for investments with a high ESG quotient, such as sustainable forestry, climate projects, renewable energy infrastructure and clean technologies. External fund managers working on behalf of PGGM are also expected to take ESG factors into accounts. The fund is an active shareholder, maintaining a continuous dialogue with the companies in which it invests, and voting its shares in line with its investment policy. PGGM has found increased demand among its third party clients for active engagement with companies in which funds are invested, and has recruited specialist staff to develop a full service.

<sup>1</sup> [EUROSIF, European SRI Study 2008, page 52.](#)

<sup>2</sup> <http://www.unpri.org/signatories>

<sup>3</sup> <http://www.equator-principles.com>

<sup>4</sup> [Ewald Engelen, Rodrigo Fernandez and Martijn Konings, A Quick Scan of the Dutch Financial Services; Selling the Netherlands to a Post-Crisis World, AMIDSt, University of Amsterdam, 18 November 2008, page 45.](#)

<sup>5</sup> [The Dutch Association of Investors for Sustainable Development \(VBDO\) probably has figures for this, but their site is Dutch language only.](#)

<sup>6</sup> [Taken from Eurosif data \(2006\) in Ewald Engelen, Rodrigo Fernandez and Martijn Konings, A Quick Scan of the Dutch Financial Services; Selling the Netherlands to a Post-Crisis World, AMIDSt, University of Amsterdam, 18 November 2008, page 44.](#)

<sup>7</sup> [Ewald Engelen, Rodrigo Fernandez and Martijn Konings, A Quick Scan of the Dutch Financial Services; Selling the Netherlands to a Post-Crisis World, AMIDSt, University of Amsterdam, 18 November 2008, page 43.](#)



