ESG and sovereign debt in the Netherlands
Country approach to ESG: Good for the world, good for us

SDGs are guiding principles for the Netherlands policy on Foreign Trade and Development Cooperation

Examples:
- Focus of development coordination shifts to unstable regions, f.e. in Africa;
- Additional EUR 290 million per year for innovative emergency aid (data and cash)
- Additional funding for international climate action, rising to EUR 80 million per year (including EUR 40 mln per year for a new climate fund for investment in developing countries)
- Emphasis on knowledge transfer from water, food and logistics sector to tackle global challenges
Government expects multinationals to implement OECD guidelines for responsible business conduct

This is promoted through agreeing on sectoral covenants and legislation. Covenants are based upon the UN Guiding Principles on Human Rights and ILO guidelines.

Covenants agreed so far:
- Banking, insurance and pension sector
- Garments and textiles, forestry
- Responsible gold agreement, vegetable protein and natural stone

Dutch Pension Act:
A pension fund should indicate in its annual report how the fund takes environmental, climate, human rights and social conditions into account in its investment policies.
Financial sector is also urged to take action

• Financial supervision; encouraging the financial supervisor to integrate ESG-factors in financial supervision

• Financial institutions; report on the CO2 footprint of their balance sheet and to commit themselves to gradually diminish their footprint

• Financial institutions; report more broadly on ESG-criteria
New coalition agreement in 2017: ambitious on climate change

• There will be a new national climate and energy agreement, based on a target of 49% fewer emissions by 2030.

• The main points concerning climate and energy in the coalition agreement will be laid down in a Climate Act.

• The Netherlands will call at EU level for a 55% reduction in greenhouse gas by 2030.
Minister of Finance: lead by example

• Great investor demand
• Provide market with highly safe (AAA-rated) and liquid sustainable paper
• Source of inspiration for others to go green
• All can contribute to the further development of a green financial market

Sufficient green budget expenditures for a sizeable green bond
• € 3.5 – 5 bn annual green expenditures.

Netherlands is therefore able to issue a green bond of EUR 4-6 bln this year, about 25% of the Dutch funding requirement on the capital market.
Consultations completed: investor feedback

• Additional certification (like Climate Bond Initiative) is very welcome

• A small “greenium” is acceptable; investors value transparency, although not all investors are willing to make price concessions

• Impact reporting – keep it simple!

• Focus on a few large categories of expenditure

• CO2 avoided is the preferred indicator (CO2/euro invested)
Investor feedback (2)

• The green bond should be aligned with the general policy and ambition of the issuer; most ESG-ratings rank the Netherlands around the 10th place (global)

• In the case of sovereigns, refinancing possible but preferably capped

• Provide clarity on which criteria are used to select projects/expenditure
Green Bond Framework

• The Netherlands published its Framework this week.

• The Framework identifies 4 large categories of eligible expenditure

• Expenditure from the budget year preceding issuance, the budget year of issuance and subsequent budget years are eligible. At least 50% of expenditure from year of issuance or subsequent years.

• Expenditure categories were chosen to fit de CBI-taxonomy
Definition of Eligible Green Expenditures

Renewable Energy
Expenditures to support the development of renewable energy generation capacity. Currently this encompasses solar energy and onshore and offshore wind energy.

Energy Efficiency
Expenditures for the improvement of energy efficiency in the built environment, the public-, commercial- and industrial sector.

Clean Transportation
Expenditures for the development, maintenance and management of railway infrastructure relating to upgrading trajectories for higher-frequency passenger rail travel, railway capacity management, bicycle parking space at rail stations, and linkages to other modes of public transportation.

Climate Change Adaptation & Sustainable Water Management
Expenditures under the Dutch Delta Programme to ensure flood risk management, freshwater supply, and spatial planning will be climate-proof and water-resilient reinforcing flood defences, monitoring and management of water levels, water distribution and related measures to anticipate on higher (fresh) water levels.

- Renewable Energy: €652 mn
- Energy Efficiency: €130 mn
- Clean Transportation: €2015 mn
- Climate Change Adaptation & Sustainable Water Management: €1042 mn
Certification by Climate Bond Initiative

• The Netherlands wished to express its high ambitions with an additional certification

• Climate Bond Initiative has the most detailed green bond taxonomy, focusing on climate change

• Certification by the CBI does limit the choice of current and future green expenditure
Details new Green Dutch State Loan

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