



Dutch State Treasury Agency
Ministry of Finance

ESG and sovereign debt in the Netherlands





Country approach to ESG: Good for the world, good for us

SDG's 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		€652 mn
Energy Efficiency	Expenditures for the improvement of energy efficiency in the built environment, the public-, commercial- and industrial sector.	 	€130 mn
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	 	€2015 mn
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	 	€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

Details new DSL 2040	
DDA date	Tuesday 21 May 2019
Maturity date	15 January 2040 (short first coupon)
Reference bond	DBR 4.75% 4 July 2040
Target volume	€ 4 - 6 bn
Pricing	Aim to price on the auction day, but no later than 12:00 CET on 22 May 2019
Settlement date	Two days after pricing
Coupon	To be announced on Friday 17 May 2019
Initial spread guidance	To be announced on Monday 20 May 2019
Country ratings	Aaa/AAA/AAA
Total fees	€ 13 mn (incl. advisory fee) for 2019, including 10 years DDA