



A roadmap for a sustainable Dutch financial sector¹

Conclusions of the UNEP Inquiry country engagement with the Netherlands, February 2016

1. Introduction

In 2014 the UNEP initiated [the Inquiry](#) into the Design of a Sustainable Financial System. The UNEP Inquiry is intended to accelerate the transition to a green and circular economy by better aligning the financial system with sustainable development goals through identifying best practices and exploring financial market policy and regulatory innovations.

On invitation of the [Sustainable Finance Lab](#) (SFL), sponsored by the Dutch Ministry of Infrastructure and the Environment (I&M), FMO, and ten other private financial institutions², a country engagement was organized consisting of a series of three meetings.

In the first meeting on May 26 the Inquiry's co-director Simon Zadek met with 20 representatives from the Dutch financial sector, ranging from policymakers and regulators to representatives from banks, insurance companies and asset managers. On the basis of this meeting an [input](#) was drafted by SFL to the UNEP Inquiry.

In the second meeting, on November 27, the president of the Dutch central bank (DNB) Klaas Knot hosted a [meeting](#) with 30 high level representatives of Dutch financial institutions, ministries and supervisors and a seminar for 150 attendants from the financial sector and stakeholders. Here it was decided to take up the challenge that the Inquiry put to countries in its [final report](#): to devise a plan on how to organize the Dutch financial sector in a way that it is conducive to support the transition to a sustainable economy.

In this final SFL-report of the UNEP Inquiry country engagement with the Netherlands we present our conclusions. They are the result of a roundtable discussion that was held in Utrecht on December 17 with 20 representatives from the Dutch financial sector and comments on a draft paper in January 2016 (see annex for list of contributors). The suggestions discussed below reflect the discussion but do not necessarily represent the position of all parties involved.

We trust that this document will help DNB in setting up a platform that will devise a roadmap for a sustainable Dutch financial sector by identifying the gaps of the current initiatives and by stimulating learning, cooperation and competition where necessary.

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2. The need for a roadmap towards a sustainable Dutch financial sector

The build-up of ecological and social imbalances poses a real and growing threat for destabilizing the global economy and hence its financiers. This is increasingly recognized, for instance by the current prudential investigation in this field by the Bank of England and by the G20 request to the Financial Stability Board to consider how central banks should assess the climate-related risks to financial stability. On November 27 DNB-president Klaas Knot in his [speech](#) ascertained that “A stable financial industry and sustainable economic growth are only possible if we integrate sustainability into our operations and business models.”

As the transition to a sustainable economy will shape the global economy in the decades to come, understanding this change and being ahead of others, offers also great opportunities. But however important it is to better capture the ESG risks and returns, on its own this will not suffice. Fundamental values can only be integrated in the financial models to a limited extent. Many risks are not financially valued (loss of ecosystem services, poverty etc.) or are borne by the parts of society that cannot speak out (the poor, future generations). Once climate change becomes a material financial risk, it may already be too late as the damage is irreversible. Therefore, a pure risk-return approach falls short.

At the meeting on November 27 SFL-chair Herman Wijffels asked whether the Dutch financial sector is now organized in a way that it is able to fully and optimally support the transition? And if not, what should be done about it and how, individually and as a sector? Simon Zadek, co-director of the UNEP inquiry, presented the inquiry's [main findings](#). Investments needed for a transition towards a sustainable economy far surpass public budgets. Hence mobilizing private funds for this task is inevitable. An increasing number of countries have made significant steps in transforming the financial system to better serve the needs of sustainable development, taking a systemic approach and moving beyond ad-hoc measures.

The 30 participants concluded that although many individual institutions are making (increasingly coordinated) efforts in the area of sustainability, the sector as a whole lacks a consistent plan. All these initiatives can only be truly effective if they are aligned as a lack of synergy can hinder the speed of development. Systematic changes need coordination and the transition requires a combination of deployment (i.e. investing in companies, projects and infrastructure based on available sustainable technologies) and experimentation (i.e. learning) in the pre-competitive phase. Therefore it was decided to design a coherent roadmap towards sustainable finance, which involves the whole financial sector, e.g. banks, pension funds and asset managers. DNB was asked and offered to facilitate this process with the support of AFM.

3. The how?

How to structure this process which involves predominantly private but also public actors and stakeholders of the financial sector? Here we will discuss several important elements.

Keep the momentum

Many longtime observers of the developments on sustainability in the Dutch financial sector have been pleasantly surprised by the speed at which sustainability in the Dutch financial sector has moved up on the agenda of the high-level decision makers. The UNEP Inquiry engagement with the Netherlands and especially the COP 21 in Paris have been important drivers for this. As the awareness of sustainability issues has been growing strongly in the Dutch financial sector, there needs to be a clear link between what the sector does and how the real economy develops. Making the transition towards sustainability is one of the big challenges in upcoming decades.

We should keep the momentum by starting the suggested platform in the first quarter or half of 2016. The aim should be commitments for action of the parties involved, to get beyond mere statements. Building on existing platforms and initiatives in this field, the new platform will act as a catalyst of existing initiatives and provide the opportunity for the whole financial sector to learn from what has been developed in other parts of the financial sector. The priority should be where the Dutch financial institutions can really make a change.

Ownership of the financial sector

On November 27 DNB suggested the form of the National Forum on the Payment System as a possible structure for this process. Thereby a standing platform would be created. This platform ensures consistency and duration of the initiative. DNB is the hosting parties, supported by AFM; Working groups are formed where private institutions take the lead. As responsible decision makers in different sectors, Dutch ministries (Finance, Economic Affairs and Infrastructure and Environment) could be engaged for consulting and knowledge dissemination purposes.

The MOB as a possible structure

The National Forum on the Payment System ('Maatschappelijk Overleg Betalingsverkeer' or MOB) has been installed in 2002 on request of the Minister of Finance. The MOB promotes the efficiency of the Dutch payments system. Its twelve members represent payment providers (e.g. NVB or Dutch Banking Association) and customers (e.g. ANBO, the Dutch Senior Citizens' Association). The ministries of Economic Affairs and Finance are observers. The MOB meets twice a year and is chaired by DNB, which also provides secretarial support. Several working groups have been created to do preparatory work on topics for the meetings such as security, SEPA, accessibility. Working Groups consist of 8–12 Forum member representatives, and one of whom acts as chair.

In order to secure ownership by the financial sector during the process, a good balance between the participants coming from the sector itself, regulators and supervisors and other stakeholders needs to be ensured. Also the participants should have the opportunity to set the agenda themselves.

In addition, it is essential to gather input from outside parties through international experts (like the UNEP Inquiry), academics and other well-informed stakeholders. For the working groups external

facilitators, like the SFL, can be used, but most of the work should be done by the private financial institutions. Here we can learn from the experience in China and Switzerland where such a process has been completed. Similar approaches are being implemented by the UNEP Inquiry which is currently facilitating the G20 track on sustainable finance.

Purpose and scope

One of the main added values of this new platform is that it covers the whole financial sector by connecting different initiatives in different parts of the financial sector (banking, insurance, pension funds and asset management, private equity). The enlarged scope allows for maximum learning and coordination. For instance between lending and investing.

Since both the financial sector and the challenges of sustainability are very international, it is clear that any initiative will need to have an international outlook. However, it could have an added value to start with Dutch participants as they share a common language, geographical proximity and between them are the main financiers of the Dutch economy. The Dutch financial institutions all have their own international fora, and international participants can be invited for specific themes and discussions. For specific working groups foreign financial institutions with large interests in the Netherlands can be invited.

However, given that many Dutch financial institutions are to a large extent active in international markets, with some having only a relatively small part of their activities in the Netherlands, it seems reasonable to define the purpose of the initiative along two (overlapping) lines:

1. How to finance the sustainability transition towards a sustainable Dutch economy in the main sectors (like built environment, energy, agriculture, mobility)?
2. How to finance the sustainability transition internationally in sectors where Dutch financial institutions are important players (like energy and food)?

Steps to be taken

For these sustainability transitions a gap analysis can be made:

- What (kind) of investments are needed for this?
- Where, in terms of investments, do we stand now?
- What then are the financial gaps resulting from this analysis?

This could then be integrated with current sustainability programmes that Dutch financial institutions are involved in both nationally and internationally:

- What are we already doing (inventory of current initiatives)?
- What can be expected of this in terms of output and timing?
- Would it make sense to integrate some of these efforts (for instance by creating working groups on the platform)? What could be expected of these synergies?

This will deliver a set of actions to make current initiatives more productive as well as to identify gaps in the current approach and areas where actions may be lacking.

4. The what?

As we concluded before, it should be the participants of the platform who set their own agenda. However, both on the second November 27 and on the third December 17 meetings several proposals have been made as to which topics could be taken up. Ideally the platform would start with a limited number of working groups, aiming at a mix of topics that can deliver quick wins and topics that require a longer time span to bear fruit.

We list some of the possible topics here for inspiration (between brackets current initiatives in this specific field). Topics 1-4 are aimed at knowledge development and diffusion amongst financial institutions, topics 5-8 aim at the realization of a more sustainable real economy:

1. Green asset portfolio analysis, development of stress scenarios for taking ecological risk into account and disclosure based on an integrated reporting (FSB Climate Disclosure Taskforce, Dutch Platform Carbon Accounting Financials, Portfolio Carbon Initiative, (PRI's) Montreal Pledge, Portfolio Decarbonization Coalition, G20 green finance track, EU capital market union).
2. Education on sustainable finance, specifically for the current professionals (Community of Practice Finance & accountancy (CoP FAN) of het Groene Brein).
3. Platform on supervision and sustainable finance, identifying potential barriers and a dialogue on possible resolutions.
4. Next to financial risk and return the financial sector needs to also implement a value approach. With a societal statute and oath, supervision on culture and behaviour and explicit ESG goals the Dutch banking sector is already a frontrunner in this field.
5. Stimulating investments in the real economy (especially drivers for sustainable innovation such as innovative SMEs) through better cooperation between the various forms of finance and public-private partnerships (e.g. to share the risks a transition entails), including a circular/biobased economy fit for purpose check on our current national financial instruments and guarantee scheme (EZ, RvO, NLII).
6. Public green investment bank and/or green climate fund (Green Climate Fund, see initiative Jeroen Kremer in NL, UK Green Investment Bank, German KfW, PMV Flanders).
7. Sustainable financial innovation ("fintech") and experimentation room for sustainable business models, products and markets (Holland Finntech, SPIL).
8. Efforts to guide and assist owners of private and commercial real estate to make their property more sustainable (especially regarding energy efficient and increased quality of living), e.g. by offering advice and financing packages (GRESB).

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