

RESULTS AND SCORES

Netherlands



The Netherlands achieve relatively good results on all three dimensions of the 3fP-Tracker with a particular strength on supervision, risk management and system stability followed by the enabling environment. However, as with all jurisdictions considered, ample room for improvement exists in Dutch financial market regulation to become fully fit for Paris.

In the Netherlands, a rather unique and potentially highly effective interplay between public and private actors is in place. Green initiatives reinforce this interplay and allow for guidance and knowledge sharing. Initiatives include the Dutch Corporate Governance Code, the Platform for Sustainable Finance and the iMVO-covenants initiated by the Ministry of Foreign Affairs. Empowered through such initiatives, Dutch private financial institutions drive progress on climate finance through their commitment to the Dutch Climate Act and the Platform for Carbon Accounting Financials (PCAF).

TRANSPARENCY & DISCLOSURE

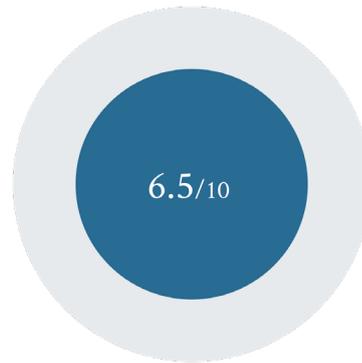
On transparency, the Dutch efforts to greening the financial system show progress in the last two years. The Dutch Corporate Governance Code requires (financial) institutions to engage in long-term value creation with their business activities. Under a comply-or-explain approach, this should imply a further push for financial market actors to support green and sustainable investments. In 2019, Dutch financial institutions made a leap forward in greening the financial sector by their commitment to the Dutch Climate Accord. They commit themselves to measuring and reporting on their carbon footprint, and to set reduction targets in line with the Paris Accord. The Platform Carbon Accounting Financials (PCAF) is developing a methodology for measuring the carbon footprint of investments and loans. This private initiative has progressed substantially in developing a granular methodology and has the potential for international rollout. The Dutch government has set up a mechanism in the regeling groenprojecten, which allows banks to establish green funds under a comprehensive catalogue of green activities.



The Netherlands has also translated several European directives into national law including the Shareholder Rights Directive II, the IORP II/ Directive 2016/2341 and MiFID II. However, the country would benefit from pushing regulation beyond European framework especially on investors fiduciary duties and investment advisor duties. Green financial market regulation in the Netherlands could improve on requirements for disclosure on risk management. Furthermore, Dutch accounting regulation could increase its focus on accounting for physical and transitional climate risks. Finally, consumers could benefit from higher transparency on climate exposure of retail fund investments.

SUPERVISION, RISK MANAGEMENT AND SYSTEM STABILITY

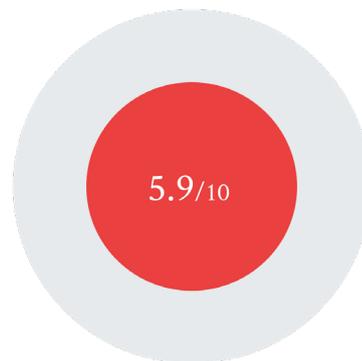
The supervisory authorities in the Netherlands take on a position as catalysers for integrating climate-related risks in the Dutch financial industry. De Nederlandsche Bank (DNB), the Dutch Authority for the Financial Market (AFM) and the Ministry of Finance all state their support for green finance and outline concrete actions to accelerate its usage in their strategic plans.



This is reflected in the advanced integration of climate-related risks in stress testing and the supervisory review process in the Dutch supervisory system. Banks are asked to do a self-assessment on the impact of climate change on their portfolio. The DNB also requests banks, asset managers, insurance companies and pension funds to identify implications of relevant climate scenarios (transition and physical) and include transition risks in their risk assessment. Potential next steps for deeper integration of climate finance in the Dutch supervisory system are the structural inclusion of climate-related factors in stress testing at financial institutions and an industry-wide implementation of climate risks in the supervisory review.

ENABLING ENVIRONMENT

The enabling environment for a Paris-compliant financial system is robust in the Netherlands. The Dutch government offers a wide range of green financial support instruments mostly in the form of grants and tax reliefs. These instruments should primarily increase the deployment of renewable energy and energy efficiency. The state-supported green investment vehicle Invest-NL has been adopted and will finance projects that contribute to greening the



economy. In addition, the Dutch government is considering to set-up a fund “in the tens of billions” for large-scale financing activities within the Dutch economy. As early discussions indicate, a key focus of this fund would lie on greening the Dutch economy.

The Dutch Ministry of Finance has issued its first green government bond on 21 May 2019. The DNB shows a strong commitment to greening the financial industry in the Netherlands, which it has manifested by setting up the Sustainable Finance Platform, co-initiating and chairing the international Network on Greening the Financial System (NGFS) and becoming the first central bank to sign the UN Principles on Responsible Investment (PRI). Besides, the Dutch Climate Accord provides the Dutch economy with a roadmap to the reduction targets of Paris. Financial institutions can base their future scenario’s on the agreements in this accord.



Note for interpreting this evaluation: given current state of methodology development, data availabilities and market experiences, the ideal total score (10) might not be realistically achievable in some categories today, best practices today score significantly lower.