COUNTRY EVALUATION | AS OF NOVEMBER 2020

Netherlands

TRANSPARENCY (Dimension)
Common disclosure framework (Sub-dimension)

1. Disclosure on governance

SCORE 8/10

Reporting on climate change related governance is partially covered by the Decree Disclosure of Non-financial Information PbEU, 2014, L330“. With this Decree, the Dutch government follows the requirements of the EU Directive 2014/95/EU. Although climate change is not particularly mentioned, the decree highlights the need for disclosure on environmental matters“ which should implicitly include climate change related governance decisions.

As an addition to the NFRD, the European Commission issued non-binding guidelines (Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01) in June 2019, which will provide further guidance to companies on how to disclose climate change related information, in line with the Financial Stability Board‘s Task Force on Climate-related Financial Disclosure (TCFD) and the climate change related metrics developed under the new EU taxonomy. Based on the TEG’s draft report, it divides its recommendations into two types: 1. should consider and 2. may consider. To achieve a non-binding character, the much stricter type “should , proposed by the TEG, was not adopted. Type 1 recommendations on governance include: 1. Describe the role of the board in overseeing climate-related risks, opportunities and impacts. 2. Describe the role of the top management in assessing and managing climate-related risks, opportunities and impacts. Type 2 recommendations include: Describe whether, how and at what levels (in particular board and management) the company has access to expertise on climate-related issues, either from its own internal capacity and/or from external sources.

The same degree of reporting requirement is reflected in the Dutch Corporate Governance Code, which requires a long-term view on value creation. Companies reporting under the Code have to follow a comply-or-explain approach.
SFDR: In April 2020 the EU adopted the SFDR, which will come into effect in March 2021. The SFDR requires financial market participants and financial advisors to disclose policies on the integration of sustainability risks in the investment decision-making process and in insurance advice. European supervisory authorities are currently developing further guidance to the SFRD through regulatory technical standards (RTS), which will cover the content, methodology and presentation of ESG disclosures both at entity level and at product level.

2. Disclosure on strategy

SCORE 8/10

Following the EU Directive 2014/95/EU, the Decree Disclosure of Non-financial Information PbEU, 2014, L330“ requires companies to disclose non-financial information including a business model, which does not necessarily entail strategic climate change considerations.

As an addition to the NFRD, the European Commission issued non-binding guidelines (Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01) in June 2019, which provides further guidance to companies on how to disclose climate change related information, in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) and the climate change related metrics developed under the new EU taxonomy. Based on the TEG's draft report, it divides its recommendations into two types: 1. should consider and 2. may. To achieve a non-binding character, the much stricter type "should", proposed by the TEG, was not adopted. Type 1 recommendations on strategy include: 1. Describe the principal climate-related risks the company has identified over the short, medium, and long term throughout the value chain, and any assumptions that have been made when identifying these risks. This description should include the principal risks resulting from any dependencies on natural capitals threatened by climate change, such as water, land, ecosystems or biodiversity. 2. Describe the impact of climate-related risks and opportunities on the company's business model, strategy and financial planning. 3. Describe the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios over different time horizons, including at least a 2 °C or lower scenario and a greater than 2 °C scenario.

However, companies are asked to take a "long-term view" when developing their strategy by the Dutch Corporate Governance Code (Code), Chapter 1. Climate change is not explicitly mentioned; however, non-financial information including environmental aspects should be published. This should imply climate change related information. Companies reporting under the Code have to follow a comply-or-explain approach; hence, the disclosure of a comprehensive long-term strategy is not necessarily mandatory.
SFDR: In April 2020 the EU adopted the SFDR, which will come into effect in March 2021. The SFDR requires financial market participants and financial advisors to disclose policies on the integration of sustainability risks in the investment decision-making process and in insurance advice. European supervisory authorities are currently developing further guidance to the SFRD through regulatory technical standards (RTS), which will cover the content, methodology and presentation of ESG disclosures both at entity level and at product level.

3. Disclosure on risk management **SCORE 8/10**

As an addition to the NFRD, the European Commission issued non-binding guidelines (Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01) in June 2019, which provides further guidance to companies on how to disclose climate change related information, in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) and the climate change related metrics developed under the new EU taxonomy. Based on the TEG's draft report, it divides its recommendations into two types: 1. should consider and 2. may. To achieve a non-binding character, the much stricter type "should", proposed by the TEG, was not adopted. Type 1 recommendations on strategy include: 1. Describe the principal climate-related risks the company has identified over the short, medium, and long term throughout the value chain, and any assumptions that have been made when identifying these risks. This description should include the principal risks resulting from any dependencies on natural capitals threatened by climate change, such as water, land, ecosystems or biodiversity. 2. Describe the impact of climate-related risks and opportunities on the company's business model, strategy and financial planning. 3. Describe the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios over different time horizons, including at least a 2 °C or lower scenario and a greater than 2 °C scenario.

However, companies are asked to take a long-term view" when developing their strategy by the Dutch Corporate Governance Code (Code), Chapter 1. Climate change is not explicitly mentioned; however, non-financial information including environmental aspects should be published. This should imply climate change related information. Companies reporting under the Code have to follow a comply-or-explain approach; hence, the disclosure of a comprehensive long-term strategy is not necessarily mandatory.
SFDR: In April 2020 the EU adopted the SFDR, which will come into effect in March 2021. The SFDR requires financial market participants and financial advisors to disclose policies on the integration of sustainability risks in the investment decision-making process and in insurance advice. European supervisory authorities are currently developing further guidance to the SFRD through regulatory technical standards (RTS), which will cover the content, methodology and presentation of ESG disclosures both at entity level and at product level.

4. Disclosure on metrics and targets **SCORE 8/10**

The disclosure and utilization of metrics and targets to assess climate-related risks and the companies' contribution to climate change have become mandatory for the signatories of the Dutch Climate Accord (including the bank, insurance, pension fund and asset manager associations). Respective financial institutions will need to disclose their targets for reducing their carbon footprint from 201 onwards, CO2-intensity of their lending and investments and they need to publish targets outlining a 49% emission reduction in their portfolios by 2030. Particularly the Partnership for Carbon Accounting Financials (PCAF) and the Terra approach are expected to be utilized in this process.
Signatories have committed to monitor progress on a yearly basis.
NFRD: Climate change related disclosure on metrics and targets in mandatory reporting is not explicitly mentioned in the NFRD (Directive 2014/95/EU).
However, the European Commission launched an initiative to review the NFRD in 2020. One aim is to improve disclosure of climate and environmental data by companies. Due to the COVID 19 pandemic, the review has been postponed to the first quarter of 2021.

As an addition to the NFRD, the European Commission issued non-binding guidelines (Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01) in June 2019, which provides further guidance to companies on how to disclose climate change related information, in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) and the climate change related metrics developed under the new EU taxonomy. Based on the TEG's draft report, it divides its recommendations into two types: 1. should consider and 2. may. To achieve a non-binding character, the much stricter type "should", proposed by the TEG, was not adopted. Type 1 recommendations on metrics and targets include: 1. Describe the outcomes of the company's policy on climate change, including the performance of the company against the indicators used and targets set to manage climate-related risks and opportunities. 2. Describe the development of GHG emissions against the targets set and the related risks over time.

SFDR: In April 2020 the EU adopted the SFDR, which will come into effect in March 2021. The SFDR requires financial market participants and financial advisors to disclose policies on the integration of sustainability risks in the investment decision-making process and in insurance advice. European supervisory authorities are currently developing further guidance to the SFRD through regulatory technical standards (RTS), which will cover the content, methodology and presentation of ESG disclosures both at entity level and at product level.

5. Adapt accounting standards **SCORE 4/10**

No relevant regulatory source could be identified that introduces guidance on assessing climate change related impacts into Dutch GAAP.

Specific sustainability accounting standards are published by the Royal Netherlands Institute of Register Accountants. These are however not systematically applied.

The Partnership for Carbon Accounting Financials (PCAF) published a carbon accounting standard on 18 November 2020. This standard aims to become the internationally accepted approach on carbon accounting.

7. Accounting for stranded assets risk **SCORE 0/10**

Dutch GAAP does not mention stranded asset risks.

TRANSPARENCY (Dimension)

Investors' fiduciary duties (Sub-dimension)

1. Investment evaluation transparency **SCORE 8/10**

The Dutch government has translated the Shareholder Rights Directive II in the Dutch Civil Code Book 2 on 5 November 2019, which requires institutional investors and asset managers to draw up and publish a Shareholder Engagement Policy.

The Shareholder Engagement Policy must comply with transparency requirements on ESG considerations that include information obligations on climate change related aspects. The amendment does not specify exactly what information the policy must contain in this context and how this information should be presented / structured. The Dutch government does not intend to exceed its minimum requirements of the EU Directive.

For banks, pension funds and insurance companies there is a sectoral Internationaal Maatschappelijk Verantwoord Ondernemen/Beleggen (IMVO/IMVB) Covenant. In these covenants, each sector works out its strategy towards shared ESG-issues (incl. climate change), following the OECD guidelines. This entails measuring and reporting about the impact on the environment.

In November 2019 the EU adopted the Regulation (EU) 2019/2088 on sustainability-related disclosure in the financial sector (SFDR), which will come into effect in March 2021. The SFDR requires financial market participants and financial advisors to disclose policies on the integration of sustainability risks in investment decision-making process and in insurance advice. SFDR introduces new transparency and periodic reporting requirements for investment management firms at both product and manager level. The requirements at the product level are of particular importance for this indicator.

Disclosures will also include pre-contractual information on the result of the assessment of likely impacts of sustainability risks on the return of the financial products they advise on. Respective regulatory technical standards (RTS) were to be developed originally by December 2020, but were due to the Covid-19 pandemic postponed to a later stage in 2021.

2. Shareholder responsibility for governance and strategy **SCORE 6/10**

The Dutch government has integrated the Shareholder Rights Directive II (SRD II) which clearly outlines the duties of asset managers, covers information on non-financial aspects of assets and introduces a medium to long term investment horizon. Climate change related financial aspects are not specifically outlined in SRD II. The Bill was passed by both chambers of parliament in 2019.
Pension: The Dutch government has implemented the Institutions for Occupational Retirement Provision (IORPs): IORP II/ Directive 2016/2341, which is effective since January 2019. IORPs will allow the taking into account of potential long-term impact of investment decisions on climate change related factors. IORP II explicitly states the reflection of climate change related aspects in multiple areas such as risk management, governance, potential member information. DNB repeatedly brings ESG issues to the attention of pension funds by issuing letters on best practices. The last letter dates from August 2018.

3. Asset manager responsibility **SCORE 8/10**

The Dutch government has translated the Shareholder Rights Directive II into the Dutch Civil Code 2. Under the Directive, the duties of asset managers and non-financial aspects are clearly outlined with a medium to long-term perspective. However, it is not stipulated which time horizon should be used for non-financial aspects (longer than the investment horizon of the investor?).

Climate change related aspects are not outlined in detail. Pension: The Dutch government has implemented the Institutions for Occupational Retirement Provision (IORPs): IORP II/ Directive 2016/2341, which is effective since January 2019. IORPs will allow the taking into account of potential long-term impact of investment decisions on climate change related factors. IORP II explicitly states the reflection of climate change related aspects in multiple areas such as risk management, governance, potential member information.

In November 2019 the EU adopted the Regulation (EU) 2019/2088 on sustainability-related disclosure in the financial sector (SFDR), which will come into effect in March 2021. The SFDR requires financial market participants and financial advisors to disclose policies on the integration of sustainability risks in investment decision-making process and in insurance advice. SFDR introduces new transparency and periodic reporting requirements for investment management firms at both product and manager level. The requirements at the firm level are of particular importance for this indicator.

4. Executive remuneration policy **SCORE 6/10**

By June 2019, the translation of the Shareholder Rights Directive II into Dutch law has to be finalized, which will require companies to disclose the principles of executive remuneration and also indicate the impact climate change related performance aspects have on remuneration. It does not require that these aspects form part of the factors to be included in the remuneration. The Dutch government does not intend to exceed the requirements of the Directive.

The new Sustainable Finance Disclosure Regulation (SFDR) requires financial market participants and financial advisors to include in their remuneration policies "information on how those policies are consistent with the integration of sustainability risks (SFDR; Art. 5). They shall also publish that information on their websites.

The Dutch Corporate Governance Code further stipulates that executive remuneration should be linked to long-term value creation. The criteria to determine remuneration are mostly long-term oriented.

Dutch laws set a limit on variable remuneration, i.e. bonuses, in the financial sector. Variable remuneration cannot exceed 20% of the fixed salary. In addition, guaranteed bonuses are prohibited, severance pay is limited to one-year salaries and the recovery of already paid out bonuses is mandatory in some cases.

5. Climate change related risk management **SCORE 7/10**

Pension: IORP II makes climate change related risk assessment mandatory for pension funds and related products. DNB repeatedly brings ESG issues to the attention of pension funds by issuing letters on best practices. The last letter dates from August 2018.

Insurance: Solvency II is integrated in the Act on Financial Supervision. It requires insurers to consider future developments including new business plans or the possibility of catastrophic events, which might affect their financial standing. The Own Risk and Solvency Assessment (ORSA) is a new tool designed to assist with this. However, it does not outline climate change related factors explicitly.

SFDR (affecting IORPs, IBIPs, AIFMs, investment firms, manufacturers of a pension product, PEPP, venture capital fund managers, social entrepreneur fund managers, UCITS managers, credit institutions providing portfolio management): In November 2019 the EU adopted the Regulation (EU) 2019/2088 on sustainability-related disclosure in the financial sector (SFDR), which will come into effect in March 2021. The SFDR requires financial market participants and financial advisors to disclose policies on the integration of sustainability risks in investment decision-making process and in insurance advice. These policies shall be published on their websites. Moreover, financial market participants shall include descriptions of the assessment of the likely impacts of sustainability risks on the returns of the financial products they make available.

TRANSPARENCY (Dimension)

Consumer transparency (Sub-dimension)

1. Packaged Retail and Insurance-based Investment Products (PRIIPs) **SCORE 3/10**

Main responsibilities for Packaged Retail and Insurance-based Investment Products (PRIIPs) lie on the EU-level and are governed by EU Regulations. The European Supervisory Authorities ESMA, EBA and EIOPA have the mandate to develop the key information document (KID) which provides PRIIP investors with information necessary by EU Regulation 1286/2014. Climate-related information is not part of the KID so far, however, general risk (which should include climate risk if material) shall be published.

2. Investment advisor duties **SCORE 3/10**

The translation of MiFiD II into Dutch law is established through changes to the Act on Financial Supervision. As part of MiFiD II and the subsequent suitability guidelines by ESMA, requirements for investment advisors to integrate sustainability into their services should be in place soon. However, the guidance from ESMA remains vague. Dutch legislation does not exceed the requirements of MiFiD II.

3. Retail product transparency incl. labels **SCORE 1/10**

Benchmark regulation: In May 2018, the Commission published its proposal to amend the benchmark regulation, in accordance with the Action Plan on Financing Sustainable Growth. In July 2020 the EC adopted new rules setting out minimum technical requirements of the methodology of EU climate benchmarks. Benchmark administrators now must describe how ESG factors are reflected in each benchmark (and its methodology) they provide and publish them.

The Act on Financial Supervision does not require the publication of climate-related information from retail funds. However, they may fall under the PRIIP regulation from the beginning of 2020. In 2019, AFM is reviewing sustainable investment products for the correctness of information in order to provide more transparency to the market.

4. Green products standards **SCORE 6/10**

The Dutch government has set up a mechanism in the regeling groenprojecten, which allows banks to establish green funds. These green funds receive capital from Dutch citizens, which receive a low interest on their investment but get a tax cut from the government. The bank sets the interest rate below market rates to fund additional green projects. The qualification for such projects is organised and provided by a strict criteria catalogue from the government. The potential scope of the resulting green label should be regarded as moderate.

EU Green Bond Standard: The voluntary EU Green Bond Standard may be used by Dutch institutions to issue green bonds.

SYSTEM STABILITY (Dimension)

Supervisory authority positioning (Sub-dimension)

1. Regulatory body's/bodies' awareness to climate risk integration **SCORE 8/10**

DNB raises awareness on physical and transition risks and places sustainable finance and climate risks prominently in speeches and research. DNB chairs and is engaged in the Network for Greening the Financial System (NGFS) and has established the Sustainable Finance Platform bringing together all associations and ministries twice a year and running several working groups on specific themes like carbon footprinting and measuring climate risks. The intention to build

up expertise in the field is highlighted and the opinion is promoted that regulators should include climate risks in their supervisory practice. Within the Sustainable Finance Platform, discussions on a standardised methodology for climate risk assessment have been initiated. Guidance on implementation is available via the website of DNB or AFM. AFM reports on on-going climate policies and sustainable finance initiatives and publishes thematic reviews on sustainability reporting and has published a green finance strategy in 2020.

Both institutions do mention the scope of risks, DNB explicitly refers to physical and transition risks with examples in its reports.

The Ministry of Finance takes an active stance towards integrating climate risks and ESG in the supervision of the financial sector. The semiannual Financial Stability Report includes climate related risks.

2. Provision of data, standard scenarios and methods **SCORE 8/10**

DNB is amongst leading institutions to develop methodologies necessary for aligning Dutch financial market regulation with the Paris Agreement. A particular focus of DNBs action lies on the development of methodologies for climate stress testing. In its report „Waterproof?" (2017), DNB has conducted a climate stress test for the first time. In „Values at Risk" (2019), DNB describes climate and environmental stress to the financial sector also covering aspects such as biodiversity and water stress. In "An energy transition risk stress test for the financial system of the Netherlands" (2018), DNB investigates the potential financial stability impact of a disruptive energy transition for the financial sector of the Netherlands by conducting a stress test

In his role as president of the NGFS, Frank Elderson should translate methodological action on the level of the NGFS into practice in the Netherlands. The publication of a set of climate scenarios by the NGFS was a major milestone in 2020.

SYSTEM STABILITY (Dimension)

Regulation/Supervision of banks (Sub-dimension)

1. Supervision of bank governance/strategy reflecting climate change related risk **SCORE 7/10**

DNB requests financial institutions to identify implications of relevant climate scenarios (transition and physical). This implies that governance structures and strategies will need to reflect climate change related risks.

DNB has researched how to integrate climate risks into their supervisory methodology and is currently implementing their findings. Financial institutions are now obliged to identify relevant climate related risks and include transition risks in their risk assessment.

Supervision of bank governance is covered by the NVB Social Charter, Banking Code, Rules of Conduct (Banking Code“), which applies to all banks operating under FMSA. In the Banking Code, banks commit to implementing a long-term remuneration policy“ and a long-term focus when assessing risk. This approach could implicitly require incorporating climate change related risks into the reporting.

The Dutch Corporate Governance Code applies to the larger part of the banks under the supervision of DNB. The Corporate Governance Code requires banks to take a long-term view“ when developing their governance and strategy. Climate change is not explicitly mentioned; however, non-financial information including environmental aspects should be published. This should imply climate change related information. The Code takes a comply-or-explain approach.

2. Minimum requirements for bank risk management include ESG/climate risks and a long-term perspective **SCORE 7/10**

DNB requires banks to include transition risks in their risk management. It engages with banks to provide more insight into the management of climate-related risks through a self-assessment, in the context of the ICAAP and SREP for LSIs. Details of the supervision process of risk management of climate change related risks are yet to be expected.

In the Financial Supervision Act (Wet op het financieel toezicht), risk management is a key element in the assessment of bank operation (section 3:17). Details on the risk management are outlined in sections 23 and 24 of the Decree on Prudential Rules for Financial Undertakings (Besluit Prudentiële Regels Wft or Bpr). Climate change related risks do not form part of the risk assessment, should however be considered if they are material.

3. Banking stress tests consider climate risks and a long-term perspective **SCORE 6/10**

DNB has not performed a fully-fledged stress test on climate change related risks yet.

In 2018, a stress test on the performance of Dutch banks, insurances and pension funds was conducted concerning risks from the energy transition.

DNB seems to be looking into a full climate risk stress test for banks in the near future. In the Financial Stability Report of autumn 2018, it states that this stress test should be taken as a first step: there is as yet no standard approach to analysing the energy transition by means of stress testing“.

5. Capital requirements reflect ESG/climate risks and a long-term perspective **SCORE 4/10**

There is currently neither an explicit reference to brown or green assets.
The CRR in combination with Directive 2013/36/EU does not stipulate changes to capital requirements in this respect. An appropriate long-term perspective is not encouraged and there is no specific treatment of either green“ or brown“ assets. The Directive is incorporated into the Dutch Financial Supervision Act (art. 3:111a) without exceeding the minimum requirements

1. Supervision of insurance governance/strategy reflecting climate change related risk **SCORE 7/10**

DNB requests financial institutions to identify implications of relevant climate scenarios (transition and physical). This implies that governance structures and strategies will need to reflect climate change related risks.

DNB has researched how to integrate climate risks into their supervisory methodology and is currently implementing their findings. Financial institutions are now obliged to identify relevant climate related risks and include transition risks in their risk assessment.

EIOPA Guidelines on governance systems (enforced through delegated regulation 2015/35) include the responsibility of the management for the overall risk management system that needs to reflect risk identification, measurement and monitoring at group level. In principle, this includes climate change related risks if material. There thus can be initial practice reflecting climate change risk if a comprehensive view is taken but not explicitly guided by regulation.

The Dutch Corporate Governance Code applies to the larger part of the insurance companies under the supervision of DNB. The Corporate Governance Code asks insurance companies to take a long-term view“ when developing their governance and strategy Climate change is not explicitly mentioned; however, non-financial information including environmental aspects should be published. This should imply climate change related information. The Code takes a comply-or-explain approach; hence, the disclosure on a comprehensive long-term strategy is not necessarily mandatory.

2. Minimum requirements for insurance risk management include ESG/climate risks and a long-term perspective **SCORE 7/10**

DNB requires insurance companies to include transition risks in their risk management. In doing so, DNB‘s 2019 action plan is coming into force. Details of the supervision process of risk management of climate change related risks are yet to be expected.

EIOPA based on Solvency II and Delegated Regulation (EU) 2015/35 takes a comprehensive risk perspective, particularly in its guidelines on the ORSA. The regulation in principle includes climate change related risks if material.

3. Insurance stress tests consider ESG/climate risks and a long-term perspective **SCORE 5/10**

A first stress test on physical risks for insurers has been conducted by DNB in 2017. In 2018, DNB ran a stress test on the energy transition with banks, pension funds and insurances.

4. Capital requirements reflect ESG/climate risks and a long-term perspective **SCORE 4/10**

Solvency II and its translation into the Dutch Financial Supervision Act take a comprehensive risk perspective that all risks have to be considered. There is no obvious distinction between green and brown assets. A long-term perspective is not encouraged.

DNB has developed the FOCUS! Methodology for the supervisory process, which does not include climate change in the risk analysis.

SYSTEM STABILITY **(Dimension)**
Regulation/Supervision of pension funds (Sub-dimension)

1. Supervision of pension fund governance/strategy reflecting climate change related risk **SCORE 7/10**

DNB requests financial institutions to identify implications of relevant climate scenarios (transition and physical). This implies that governance structures and strategies will need to reflect climate change related risks.

DNB has researched how to integrate climate risks into their supervisory methodology and is currently implementing their findings. Financial institutions are now obliged to identify relevant climate related risks and include transition risks in their risk assessment.

With the translation of IORP II into Dutch law, pension funds in the Netherlands are required to establish a system of governance and a strategy that appropriate for the complexity, scale and organisational structure as well as the risk to which the organisation is exposed. Risks should be documented including climate change related risks where material. A distinction between transition and physical risks is not stipulated explicitly.

The Code of the Dutch Pension Funds prescribes good governance for pension funds based on the "comply or explain principle. It explicitly includes long termism (1.1 Characteristics of a pension fund) and climate related issues (2.7 Sustainable Investment).

2. Minimum requirements for pension fund risk management include climate risks and a long-term perspective **SCORE 8/10**

Minimum requirements for risk management under IORP II, which has been implemented in the Dutch Act on Financial Supervision in January 2019 includes a triennial risk assessment by insurance companies and an integrated risk management in all processes. Inclusion of climate change related risks are explicitly requested where material.

Under IORP II, the DNB also includes an 'Eigen Risico Beoordeling (ERB)' (=self-assessment) in which pension funds also take into account climate risk. Furthermore, DNB stresses that climate risks are going to be integrated in the risk management.

3. Scope of supervisory review of the pension funds covers ESG/climate risks and a long-term perspective **SCORE 5/10**

Minimum requirements for risk management under IORP II, which has been implemented in the Dutch Act on Financial Supervision in January 2019 includes a triennial risk assessment by insurance companies and an integrated risk management in all processes. Inclusion of climate change related risks is explicitly requested where material.

Under IORP II, the DNB also includes an 'Eigen Risico Beoordeling (ERB)' (=self-assessment) in which pension funds also take into account climate risk. Furthermore, DNB stresses that climate risks are going to be integrated into risk management.

4. Pension fund stress test consider climate risks and a long-term perspective **SCORE 5/10**

DNB has not performed a fully-fledged stress test on climate change related risks yet.

In 2018, a stress test on the performance of Dutch banks, insurances and pension funds was conducted concerning risks from the energy transition.

DNB seems to be looking into a full climate risk stress test for banks in the near future. In the Financial Stability Report of autumn 2018, it states that this stress test should be taken as a first step: there is as yet no standard approach to analysing the energy transition by means of stress testing.“

5. Capital requirements for pension funds reflect ESG/climate risks and a long-term perspective **SCORE 4/10**

The EU has left the modelling of capital requirements for pension funds to the member states under IORP II. Currently, pension funds are not required by DNB to demonstrate specific risk impacts. However, many institutions tend to use the FIRM risk model developed by DNB.

There is currently no explicit inclusion of climate change related considerations into capital requirements - positively or negatively.

SYSTEM STABILITY **(Dimension)**
Regulation/Supervision of asset managers and investment funds (Sub-dimension)

1. Supervision of asset manager's governance/strategy reflecting climate change related risk **SCORE 7/10**

In 2019, DNB has devoted efforts to increase the level of commitment by asset managers to integrate governance, risk management and disclosure aspects of climate change. As a result, DNB requests financial institutions to identify the implications of relevant climate scenarios (transition and physical). This implies that governance structures and strategies will need to reflect climate change related risks.

DNB has researched how to integrate climate risks into their supervisory methodology and is currently implementing their findings. Financial institutions are now obliged to identify relevant climate related risks and include transition risks in their risk assessment.

2. Minimum requirements for asset managers risk management include climate risks and a long-term perspective **SCORE 7/10**

DNB requires asset managers to include transition risks in their risk management. In doing so, DNB's 2019 action plan is coming into force. Details of the supervision process of risk management of climate change related risks are yet to be expected.

The integration of EU regulation on investment funds (AIF, UCITS Directives) into the Dutch Act on Financial Supervision introduces a comprehensive risk management perspective to Dutch asset fund manager. However, the introduction does not constitute an explicit reference to climate change related risks or an appropriate long-term perspective.

ENABLING ENVIRONMENT **(Dimension)**
Established and maintained common taxonomy (Sub-dimension)

1. Common green taxonomy **SCORE 9/10**

The Taxonomy Regulation establishes the EU Taxonomy at the EU level. Due to the nature of regulations, the EU Taxonomy is directly applicable in the Netherlands. Technical screening criteria for most carbon-heavy sectors will be introduced through Delegated Acts by the end of the year.

ENABLING ENVIRONMENT (Dimension)
Supporting climate change related finance with public incentives (Sub-dimension)

1. Provision of a clear transition pathway — SCORE 7/10

The Dutch Climate Agreement (Klimaatakoord) sets out a clear roadmap for the decarbonisation of the Dutch economy. Particularly, carbon-intensive sectors have committed to transition goals in line with the Dutch Paris Agreement pledge.

A key element of the Klimaatakoord forms the introduction of a carbon levy, which will apply above certain threshold levels. This should ensure that the Dutch industry complies with the Dutch climate goals. The levy will be introduced in 2021 at a starting price of 30 EUR / tCO2e with a planned increase to 125 – 150 EUR/ tCO2e by 2030.

Major Dutch financial institutions signed the Klimaatakoord.

In June 2020, several PMs started an initiative to improve the sustainability of the Dutch financial sector "Van oliedom naar gezond verstand: verduurzaming van de financiële sector".

2. Risk reduction support for green finance — SCORE 7/10

Grants to promote investments in energy efficient technologies and renewable energy generation are available.

In 2020, the Dutch government expanded the subsidy program Stimulating Sustainable Energy Production (SDE+). The new SDE++ program focuses on CO2 reduction instead of the production of renewable energy. From now on, technologies compete based on „avoided CO2" instead of energy production. The range of technologies eligible for SDE++ program was expanded, e.g. to financing green hydrogen.

3. Government incentives for green finance — SCORE 7/10

The Netherlands offers several tax relief products to enable investment in the environment, inter alia, Energy Investment Allowance (EIA), Arbitrary Depreciation of Environmental Investments (VAMIL) and Environmental investment credit (MIA).

A special regulation in the Netherlands is the „Regeling Verlaagd Tarief". It offers an exemption for 15 years from the energy tax on solar or wind energy. Even though the maximum mortgage amount is set at 100% of the underlying value, there is an exception for households that are also investing in energy-saving facilities when buying a house. They may borrow up to 106%.

1. Green government investment strategy **SCORE 6/10**

The Sustainable Public Procurement (Maatschappelijk Verantwoord Inkopen) requires national, regional and local governmental bodies to procure sustainably. Per procurement item, relevant environmental factors are listed.

The Climate Agreement states that a strategic procurement agenda is being formulated for all government procurement. In addition, a pilot introducing a shadow price on CO2 for public procurement currently runs and by 2023 ten procurement categories need to be fully climate neutral, e.g. office furniture, clothing and ICT hardware.

There is no regulation at the national level that mandates the inclusion of climate change related risks in public investment decision-making. However, some municipalities or state-owned entities have developed their own climate related criteria and divestment goals.

Dutch recovery measures from the economic effects of COVID-19 do not have green credentials yet.

DNB considers climate change related risks in its investment portfolio.

2. Government agencies issue Green Bonds **SCORE 7/10**

The Dutch Ministry of Finance has issued its first green government bond on 21 May 2019. This green bond was issued at a volume of € 5.98 billion. The framework underlying the green bond issuance was the Netherlands Green Bond Framework.

3. Green public financial institution **SCORE 8/10**

The government has adopted a law to establish Invest-NL, as the Netherlands' green public fund. It provides financing to the markets for projects and sectors that struggle to acquire sufficient financing from the open markets because of, inter alia, uncertain payback periods. Invest-NL has yet to become fully operational and grow in market outreach / product portfolio.

The Netherlands Development Finance Company (FMO) provides financial services primarily outside the Netherlands. Several public investment banks such as BNG and waterschapsbank provide sustainable investment opportunities to the Dutch market. RVO (Netherlands Enterprise Agency) offers subsidies and financing programmes to companies in the Netherlands.

In 2013, the Dutch government nationlised Volksbank. Since then, it has become a bank with a distinctly green character. Discussions on Volksbanks status as a public institution are ongoing.

4. Central banks disclosure on climate-related risks — SCORE 5/10

DNB is currently pushing the sustainable finance agenda in the Netherlands. DNB signed the UN PRI in March 2019, making it the first central bank to do so. However, until now, DNB has not undertaken a climate change related risk assessment of its portfolio. Reporting on own emissions exists, i.e. buildings, travel, etc.

ENABLING ENVIRONMENT (Dimension)

Public capacity building and awareness raising on green finance (Sub-dimension)

1. Curriculae on Green finance — SCORE 6/10

Green finance is currently not included in general curricula at universities or schools. However, the government/DNB-led platform for sustainable finance is currently developing ideas on how to implement sustainable finance in education.

C-level actors from leading Dutch financial institutions signed a letter calling on deans of Dutch universities to integrate sustainability in the curricula of finance and investment-based courses. The letter is already leading to movement in the Dutch university landscape on the matter.

Maastricht University offers a full master track in Sustainable Finance. A small number of universities already offer courses that include sustainable finance (e.g. Utrecht University, Nyenrode Business University, and Rotterdam School of Management). Nyenrode Business University is a private university.

2. Consumer education on green finance — SCORE 7/10

The Consumentenbond helps consumers choose a sustainable and green savings product or investment product. In addition to listing the available options, it guides consumers in the available tax incentives for green savings and investment product.

Rijksoverheid provides information on green savings and investments on its website. In addition, it explains the green label for financial products 'Regeling Groenprojecten' and the corresponding tax incentives. The VBDO rank pension funds on their sustainability and recently issued a ranking specifically on climate change.
EerlijkeGeldWijzer.nl offers a ranking of banks on their climate change policies.

ENABLING ENVIRONMENT (Dimension)

Green Financial Centres (Sub-dimension)

1. Green public-private initiatives of financial centers **SCORE 7/10**

The Sustainable Finance Lab (SFL) aims to provide ideas for effective financial sector sustainability. It is an interdisciplinary network of mostly academics from various Dutch universities. The initiative receives funding from Triodos Bank and the DNB. However, the partners do not represent the majority of private actors in the financial industry.

The Sustainable Pension Investments Lab disseminates sustainability knowledge in the Dutch pension sector. SPIL consists of experts of large pension funds and pension providers in the Netherlands as well as from academia.

Another initiative by DNB is the Sustainable Finance Platform, which brings together several stakeholders from associations, authorities, ministries and academia. Its primary aim is to raise awareness for sustainable finance in working groups on, inter alia, climate risks, SDG Impact Assessment or carbon pricing.

For banks, pension funds and insurance companies there is a sectoral Internationaal Maatschappelijk Verantwoord Ondernemen/Beleggen (IMVO/IMVB) Convenant. In these covenants, each sector works out its strategy towards shared ESG-issues, amongst which climate change, following the OECD guidelines. This entails measuring and reporting about impact on the environment. These covenants were an initiative of the Ministry of Foreign Affairs.

Frankfurt School
FS-UNEP Collaborating Centre
for Climate & Sustainable Energy Finance

As of November 2020
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.