

THE NETHERLANDS

FIGURE 29: SRI IN THE NETHERLANDS
DECEMBER 31ST, 2005



Source: Eurosif

KEY FEATURES OF SRI IN THE NETHERLANDS

Dutch investment companies and banks manage more than €47 billion in SRI assets. The total volume of Dutch assets under management (AUM) was €1.1 trillion in 2005⁴¹ which brings the SRI market share to 4.3%.

SRI in the Netherlands continues to gain momentum as more investors become involved. However, while the SRI retail market is developing impressively with continuous annual growth rates exceeding 10%⁴², the institutional SRI market shows only a minor increase.⁴³ The institutional SRI market in the Netherlands continues to remain in an experimental phase with institutions using a fragment of their assets to test the different techniques available. There have not been major developments since 2002 as discussions continue about returns on investment (ROI) and fiduciary responsibility. Market trends do however indicate a growing conviction that SRI is the way forward and does not necessarily affect ROI.

MAIN PRACTICES

Most Dutch SRI investments include a mixture of investment strategies. First, all Dutch SRI investors use Negative screening. The level of strictness however may vary as some investors tolerate minor involvement of companies in some excluded industries.

After Negative screening, 17% of managed assets are invested according to the Best-in-class principle.

Engagement has gained a lot of momentum as many institutions have started their own active Engagement strategy. There has been an increase in shareholder involvement at general shareholder meetings, especially

by large pension funds. This involvement however was primarily focused on corporate governance issues and as such are not included in the Dutch SRI data.⁴⁴

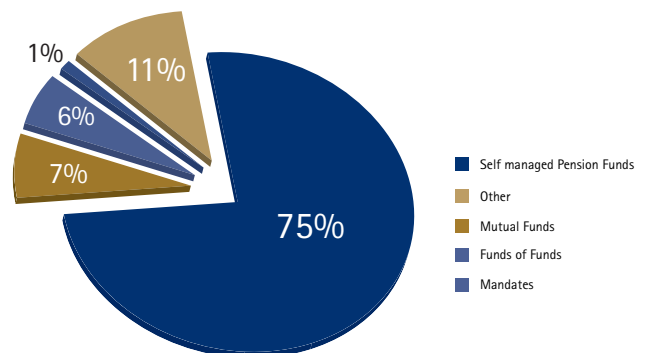
Who are the main investors?

The institutional SRI market, like the mainstream institutional market, is dominated by pension funds and insurance companies in the Netherlands. In the mainstream institutional market approximately €635 billion is represented by pension funds and €345 billion by insurers. Other institutional investors represent approximately €100 billion. The focus of VBDO research has thus far been on pension funds, with little research conducted in the insurance sector.

What do SRI fund managers and service providers offer?

In light of the above, and as illustrated by figure 30, the bulk of SRI investments is self managed by pension funds (75%). Mutual Funds (7%) and Mandates (6%) have almost equal shares of the market. Funds of funds (1%) are almost inexistent.

FIGURE 30: INVESTMENT VEHICLES IN DUTCH SRI



Source: Eurosif

41. De Nederlandsche bank, DNB 2006.

42. Duurzaam Sparen& Beleggen DSB 1987-2004.

43. Quick scan SRI Dutch pension funds 2005.

44. This study does not look at governance-related activity per se, other than when it is performed within the context of a broader SRI policy.

In terms of asset allocation, the focus is still on large caps for 93% of fund managers. 63% have extended their SRI practice from equity to corporate bonds, and 13% also to government bonds. Geographically, domestic and European markets get about 60% of assets, and North America 28%.

In terms of research, 75% of Dutch asset managers draw upon their own teams for SEE and CG research, but equally on external corporate governance and sustainability research providers for their SRI management (75%). 50% make use of broker research, and only 13% have an internal ethics committee.

MARKET EVOLUTION SINCE 2003

SRI investment in the retail market has grown substantially in the Netherlands. Institutional SRI investment however remains at a level comparable with the last survey in 2003. The figure mentioned in the 2003 survey (€3.1 billion) was based on different criteria than the €47 billion figure in 2005. The latter includes Negative screening, which can be regarded as common practice amongst institutional SRI.

However, although the data results are comparable to the last survey of institutional investors, the discussion among institutional investors regarding SRI has intensified. Predictions about the future are difficult, as major pension funds have not yet taken an official position on sustainable investment. Recently the second largest pension fund, PGGM, has shown a keen interest in increasing sustainability in their portfolio.

MARKET PREDICTIONS: 3 YEARS FROM NOW

SRI is gaining momentum and is on the agenda of many institutional investors. More and more investors are becoming convinced that SRI does not result in smaller returns on investment than traditional investors. Moreover, since the Enron and Ahold scandals, an increasing number of investors are convinced that SRI reduces risks, partly because of the high ethical standards that are to be considered.

As soon as the major pension funds (e.g. ABP and PGGM) fully commit themselves to SRI, the growth rate will increase dramatically. Additionally, it is highly likely that many smaller pension funds will follow suit. It is difficult to predict when these large pension funds will increase their SRI portfolio. ABP for example is still in an experimental phase, managing two SRI funds worth €240 million. It will most likely take another 5 to 10 years, before they evaluate the ROI results and make a decision whether or not they increase their SRI efforts.