

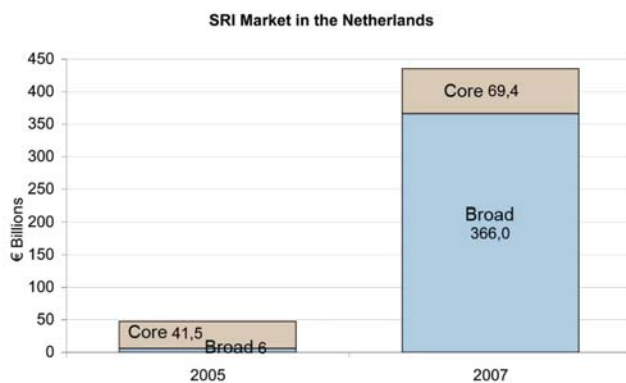
THE NETHERLANDS



KEY FEATURES

Both Core and Broad SRI have increased dramatically in recent years. Since the 2006 SRI Study, total SRI Assets under management (AuM) have increased +816% from €47 billion to €435 billion at the end of 2007 (CAGR: +203%), one of the fastest growth patterns in Europe. Of that, approximately €69.4 billion (+67% compared to 2005, CAGR at 29%) is regarded as Core SRI and €366 billion (€6 billion in 2005) as Broad SRI as illustrated in Figure 1. The total volume of Dutch AuM was at €1.09 trillion in 2007¹ resulting in a total SRI market share of 40%.

FIGURE 1



Source: Eurosif European SRI Survey, 2008

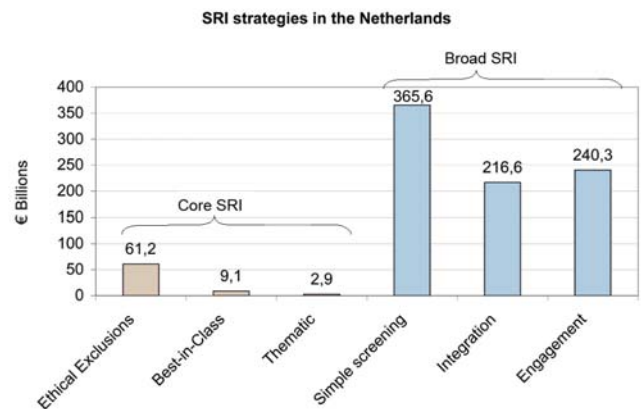
Institutional SRI in the Netherlands has shown incredible development in recent years. Besides a growing societal concern about the environment and awareness of social injustice, the Dutch financial community was rocked by a documentary that was broadcasted in early 2007. In this documentary several large pension funds were confronted with the fact that their SRI investments were minimal, and that some of their investments included investments in highly polluting companies or in producers of weapons such as cluster bombs. The broadcast acted as a wake up call and/or accelerator in the traditionally conservative mainstream financial market where only a few institutional investors had made efforts to increase SRI in their portfolio. Since the broadcast, the largest pension funds in particular have made genuine and impressive efforts to further increase SRI in their portfolio. The first results of these increased efforts include drawing up policies, and in some cases, implementing them.

It should be noted that the documentary had a major impact but was certainly not the sole reason for the incredible development of SRI. Several of the largest institutional investors were already in the process of implementing SRI policies before the broadcast. It did however expose the financial community to a level of media attention that was unheard of beforehand.

MAIN PRACTICES

The majority of Dutch SRI AuM are based on simple negative screening as shown in Figure 2. €365.6 billion of assets are screened on the exclusion of weapons alone. This represents 36% of the total Dutch AuM. Simple negative screening is often the first and most common step in the implementation of an SRI policy. It should be noted that the level of strictness varies as some investors tolerate minor involvement of companies in some excluded industries.

FIGURE 2



Source: Eurosif European SRI Survey, 2008

After simple negative screening, about €61 billion are invested according to multiple ethical exclusion criteria.

Total positive screening has increased far less dramatically than negative screening. However, the increase is still + 16% compared to the 2006 study. This growth is largely due to the introduction of several sustainability related theme funds.

Engagement too has shown a tremendous growth (€15 billion in 2005 to €240 billion in 2007) as large institutional investors continue to increase their engagement efforts. Although the primary focus is still on corporate governance issues, several institutional frontrunners are increasingly engaging with companies on environmental and social issues.

All parties involved indicate that they make use of their proxy voting right and 57% indicate that they have an active engagement policy. Engagement is mostly conducted on a private and collaborative basis with only 14% indicating that they engage with companies publicly.

Integration policies are limited to specific funds in most cases with only 29% indicating that they have a formal integration policy that covers all equities. Practically the same number of parties indicate that thematic analysis and research on ESG

¹ Source: DNB, Statistical Bulletin 2007.

issues are fed back to mainstream analysts, that ESG analysts work directly and on a regular basis with mainstream analysts and that ESG rating are systematically included in standard analysis spreadsheets.

MAIN INVESTORS

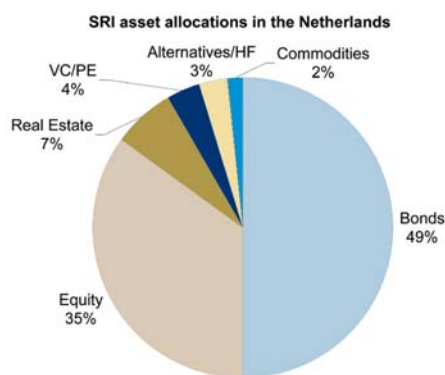
Pension funds and insurance companies continue to be a dominant force in the Dutch mainstream and SRI institutional markets.² In the pension fund market, the two largest pension funds (ABP and PGGM) represent approximately €300 billion in assets. These largest pension funds also happen to be frontrunners in the development and implementation of their SRI strategies, hence the remarkable volume of Broad SRI in the Netherlands. Many smaller pension funds assets are managed externally.

The Dutch asset management market traditionally consists of several very large mainstream asset managers and a few niche SRI asset managers. Trends show that the large mainstream asset managers are increasing their SRI efforts and that due to rapid growth rates, niche markets are becoming more mainstream.

According to our survey, retail investors represent about €3.7 billion of AuM.

INVESTMENT PRODUCTS

FIGURE 3



Source: Eurosif European SRI Survey, 2008

As illustrated in Figure 3, the Dutch SRI market is dominated by fixed income (49%) and equities (35%). It is also starting to be quite diversified in other asset classes compared to other European markets. Here again, this mirrors the weight of the largest Dutch pension funds which are delving into new SRI asset classes such as sustainable property, private equity, hedge funds or commodities (forestry).

MARKET EVOLUTION

SRI growth rates in the Netherlands are extreme, both institutional and retail. There are however several issues to take into consideration. First, it should be noted that €366 billion of SRI is Broad based. More specifically, this is primarily due to simple screening, most of which is weapons exclusion.

Second, the growth can also be attributed to the decision of three major asset managers to exclude the weapon industry in their investment decisions.

It is difficult to pinpoint the exact reason for the major developments in the Dutch SRI community, but there are some clear indications. First of all, there is an overall growing concern in society about issues related to the environment. People are more frequently confronted through the media with the consequences of climate change and people increasingly link environmental issues with high energy prices. Finally, as discussed in the introduction, in early 2007, pension funds experienced media attention and public pressure following the broadcasting of the Zembla documentary called 'the cluster bomb feeling'. For several SRI frontrunners, it acted as an accelerator to implement SRI policies, and for followers, it meant a wake-up call to finally act.

MARKET PREDICTIONS: 3 YEARS FROM NOW

Environmental related issues such as above mentioned climate change and energy scarcity will continue to be prominent. More and more large institutional investors are expected to take their own responsibility in contributing to the solutions for these challenges. As a result, Eurosif and VBDO expect many large institutional investors to invest more in sustainability related theme funds such as water, clean energy and climate change funds.

Large institutional investors will proactively look for means to prevent being confronted with another Zembla like broadcast. This means that more large institutional investors will actively develop and implement policies on sensitive sectors but also more general policies on international labour standards and human rights.

Further SRI developments will be more gradual as many financial market actors are still either not convinced that sustainability and finance are compatible, or have difficulty adapting their business. SRI will however continue to gain momentum as civil society, faced with the growing urgency of environmental and social challenges, seeks financial means to address these issues.

² Pension funds represent approximately €650 billion in assets and insurers approximately €350 billion.