Dutch investors step up to the Sustainable Development Goals challenge

How a €2.8trn investor coalition is getting involved in the SDGs

by Vibeka Mair | January 11th, 2017

Just before Christmas, 18 Dutch financial institutions, collectively managing over €2.8trn in assets, presented a report to their government and central bank outlining an action plan for investing along the themes from the Sustainable Development Goals.

The Sustainable Development Goals (SDGs) were adopted at the United Nations Sustainable Development Summit two years ago and represent a set of 17 targets to end poverty, fight inequality and injustice, and tackle climate change by 2030. The SDGs are an update to 2000’s UN Millennium Development Goals, and uniquely, while governments say that traditional aid will be vital to achieving the SDGs, they also stress new and innovative financing mechanisms from the public and private sector will be critical.

Since then, observers have identified that a $5-7trn annual gap needs to be filled with private and institutional capital to accomplish the SDGs. The Netherlands is one of the first countries to actively implement the SDGs, having sent letters to seven Dutch ministers currently without any leaders, is focused on identifying SDG investments among individual pension savers and private banking and wealth clients.

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The first working group is ‘Blending Public & Private Capital’ led by Dutch development bank FMO and Dutch pension investor PGGM. It says blended finance would include grants or public funding to make the risk-return profile of investments more attractive to private investors. It notes that the Dutch government has been contributing to blended finance for years through the fund MASSIF, where public capital is typically applied to fund young institutions that are subsequently funded by private capital.

Its recommendations include pooling funds for scale, developing public risk-return solutions and setting institutional targets for SDG investing. The second working group is focused on enabling Dutch retail investors to invest with impact and is led by ABN AMRO and Triodos Bank. Its recommendations include launching an SDG awareness campaign and aligning pension saving schemes and regulations to enable SDG investing among individual pension savers and private banking and wealth clients.

The third working group, led by SDG-focused consultancy C-Change, is looking at data standardisation around sustainability; and the fourth working group, currently without any leaders, is focused on identifying and addressing regulatory barriers and incentives to SDG investing. The fourth working group is developing recommendations and will do this as part of a complementary initiative from the Dutch Central Bank’s Platform for Sustainable Finance.

Added to this the Dutch government has created a taskforce for Innovative Finance. And the SDGI Initiative has sent letters to seven Dutch ministers currently involved in SDG implementation.

This year will see the groups work together on progressing the road-map laid out by the SDGI, who say as a country the Netherlands “has the opportunity to reaffirm its pioneering position in sustainability and be a catalyst for a thriving local, regional, and global market for sustainable investment”.

Mulder says one of their next steps will be to reach out to the Dutch business community, as clients and investees. He also hopes that similar initiatives will be taken in other countries.

“This is yet another signal to society that we as a financial sector serve society,” Mulder said. “It is a particularly meaningful step and shows that we have
the Netherlands to catalyse action from the country’s financial sector around the SDGs. This has involved a six-month consultation with more than 70 investors, government representatives and expert practitioners. It led to the report ‘Building Highways to SDG Investing’ (WWW.SDGI-NL.ORG) where the SDGI initiative gives recommendations on accelerating investment into the SDGs in collaboration with the Dutch government and central bank. The report says: “As a country, we have a unique opportunity to set the tone for SDG investing.” In the report the SDGI initiative outlines the creation of four live working groups that have made, or will make, recommendations and develop a plan. learnt from our mistakes and that we are changing. “It’s redefining our purpose and making it smart as the SDGs are relatively smart as they look at banks and pension funds in the context of a positive agenda rather than a defensive, compliance driven approach to business and society – it’s a new ambitious compass that we want to use.” The SDGI initiative demonstrates a high-level of joined-up thinking, but it isn’t without hurdles. Mulder says it has had some difficulty getting some insurance companies as investors on board. “It’s been bit more difficult. I don’t know why – maybe the awareness of duration mismatch and long-term vision is developed better with pension funds.”