



Green Bond strategy and internal governance

A reflection on preventing green washing at green bonds strategy

Adrie Heinsbroek, 25th September 2020

CFA Society Netherlands VBA seminar 'Sustainable Bonds'

Responsible investing. Because it matters. And it works.

Putting our Principles into Practice

Taking the necessary steps

Approach



Responsible Investing at NN IP

RI beliefs an integral part of our investment approach

Putting capital to work

As a global asset manager we can and should play an instrumental role in influencing society to move towards a more sustainable future.

Improving returns

Stringently integrating ESG criteria throughout our investment process improves risk-adjusted returns.



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Alignment



Realising the responsible goals of our clients...

... enabling clients to choose and demonstrating our stance

Investment strategies integrating ESG factors



Traditional strategies

Applying NN's norms-based RI criteria, voting and engagement



ESG-integrated strategies

Embedding ESG data in our investment processes to improve risk-adjusted returns



Sustainable strategies

Focusing on today's and tomorrow's sustainability leaders



Impact strategies

Targeting companies that make a clear positive contribution to the UN SDGs

Voting, engagement and exclusions based on NN's norms-based RI criteria

Our approach: assessing business activities

Assessment issuer and issuance and eye for business context of activities



Business relevance

- In our analysis we focus on business relevance (including financial materiality), linking relevant factors with value creation
- Quantifying the link to SDG's of the specific issuance

Assess business model as identifier for eligibility;

- Result of assessment can be to ask specific questions to issuers to clarify topics
- Dialogue with all issuers in portfolio – before as well as monitoring
- Having a constructive and regular dialogue enables us to contribute to improving on reporting practices

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Assurance



NN IP green bond assessment

Three-step approach

Green Bond Principles

- Alignment with Green Bond Principles 2019
- Transparency and governance
- In-house NN IP assessment

Sector and project criteria

- Controversial sectors excluded
- Controversial projects excluded
- Climate Bond Initiative (CBI) taxonomy

Issuer assessment

- Issuer sustainability rating
- Issuer sustainability controversies and
- Business model dependency
- Dialogue with issuers

NN IP's green bond governance

Independent and objective interaction portfolio team – RI team

Green bond team



- Granular green bond project and issuer analysis
- Green bond PMs and credit analysts
- Ongoing monitoring and screening

Responsible Investment team



- Monthly Green Bond Workstream
- Quarterly Green Bond Review meeting
- Ad-hoc consultation green bond team

External verification



- Compliance monitoring
- Greenfin Label
- Febelfin label

Royal Schiphol Group: not eligible

Green building, clean transportation



Key figures

Rating	A1/A+
ISIN	XS1900101046
Second Party Opinion	Vigeo/CBI
Nominal	EUR 500 million

Use of proceeds

- Green buildings: entails new, existing and refurbished buildings which have one or more relevant energy certifications/classifications
- Clean transportation: zero emission equipment for remote handling, electric transportation (buses, cars, trains) and equipment for electric taxiing and charging stations

Green bond assessment

- Schiphol is facilitating a sector with a significant and increasing carbon footprint
- Currently Schiphol is not putting enough effort into contributing to cleaner air transportation
- Schiphol is expanding its business by building a new terminal at Lelystad airport
- Possible solutions for cleaner air traffic are electrical/hybrid planes (short haul) and biofuels for long-haul flights

Queensland: not eligible

Clean Transportation, Renewable Energy



Use of proceeds

- Low carbon transportation: electric transportation (trams, light rail, trains, buses, cars, trains).
- Renewable energy: Sunshine coast solar farm which is estimated to power 5,000 homes.

Green bond assessment

- Green Bond of Queensland primarily finances low carbon transportation, allocating the proceeds to a pool of eligible green projects.
- At the issuer level, Queensland supports the development of the Carmichael coalmine, which is going to be the world's largest open-pit coal mine.
- Evidently, the undesirable impact at the issuer level outweighs the benefits of green bond, making the whole commitment to fight climate change a weak case.

Key figures

Rating	Aa1/AA+
ISIN	AU000XQLQAD1
Second Party Opinion	CBI
Nominal	AUD 700 million

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