Report on Sustainable bonds in the Netherlands

Developments, risks and impact on supervision

April, 2020

Read the report

AFM

The Dutch Authority for the Financial Markets

The AFM is committed to promoting fair and transparent financial markets.

As an independent market conduct authority, we contribute to a sustainable financial system and prosperity in the Netherlands.

Expression of gratitude

For this project the AFM has interviewed different stakeholders. We would like to thank all of these participants for their co-operation and the open discussions.

Contents

Executive Summary

The sustainable bond market in the Netherlands is growing rapidly. During an exploration of this market in 2019, the AFM observed that demand for sustainable bonds continues to be strong and exceeds the supply of eligible projects. Furthermore, we found that:

- **More transparency and standardisation would be beneficial for this market and could limit risks.**
- **To this end, the AFM strives for more transparency both at the initiation (prospectus-approval process) and during the lifetime of a bond (for instance, supervision of the financial reporting including non-financial information and market abuse supervision).**
- **In addition, the AFM will continue to monitor new (regulatory) developments and will interact with market participants as part of its advisory role towards the Ministry of Finance and its contribution to the policy work of ESMA and IOSCO.**

Over the past couple of years the global market for sustainable bonds has been growing rapidly. Since the issue of the first green bond in 2007, the total amount of sustainable bonds issued exceeds $850bn[1]. In the Netherlands, a similar rising trend is visible: in 2018 the amount of sustainable bonds issued totalled an already respectable €9bn while in 2019 it had significantly increased to €18bn, placing the Netherlands as the third largest market in Europe and the fifth worldwide.

The aim of this report is to gain a better understanding of this growth market and to identify risks that could be taken into account by the AFM in its supervision.

In this report, the term sustainable bonds refers to green, social, sustainability, impact, blue, SDG[2] and other similarly labelled bonds. The AFM focuses on bonds issued by a Dutch issuer (corporate or government) which are offered to the public and/or are listed on a Dutch trading venue and which are subject to the prospectus, market abuse and/or financial reporting supervision of the AFM.

In its Agenda for 2020[3], the AFM expressed support for the financial sector in its efforts to transition into a more sustainable economy. The AFM believes that the financial sector in the Netherlands plays an important role in realising long-term sustainability goals, because the sector can facilitate and accelerate the growth and relevancy of the market for sustainable finance.

The AFM takes the view that it is important that sustainability is integrated in financial products and services in a responsible and careful manner[4]. The demand for, and offering of, sustainable

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[1] Based on data from Climate Bonds Initiative, global cumulative green bond issuance since 2007 amounted to USD 517.5bn in 2018. In 2019, green bond issuance amounted to USD 257.5bn, and other sustainable bonds to USD 85bn. https://www.climatebonds.net/files/reports/2019_annual_highlights-final.pdf.

[2] Many terms used in this report are explained in the glossary (Annex 2). SDG= Sustainable Development Goals. https://sustainabledevelopment.un.org/?menu=1300

[3] https://www.afm.nl/en/professionals/nieuws/2020/jan/agenda-2020.

[4] This is in line with statements made by the Dutch Minister of Finance, that state that he would welcome further integration of sustainability risks in the daily supervision of DNB, AFM and European supervisory authorities. https://www.rijksoverheid.nl/ministeries/ministerie-van-financien/documenten/kamerstukken/2019/08/29/kamerbrief-verkenning-markt-groene-financiering.

investment products and sustainable investments is increasing. Therefore, it is essential that the information throughout the chain, from prospectuses to integrated reporting, is transparent, easily available and of good quality. This limits, for instance, the risk of 'greenwashing' (misrepresentation of projects'/investment products' green or sustainable aspects, objectives or impact).

This report is based on 20 interviews with leading and influential market participants combined with desk research and data analysis. The interviews included ones with three issuers of sustainable bonds, seven (large) institutional investors, two data/research providers, three structuring banks and six other organisations. Furthermore the AFM has contacted representatives of other supervisors.

The main conclusions from our project are:

1) **The AFM expects that the sustainable bond market will continue to grow rapidly.**
    a. **Transition into a sustainable economy**: financial market participants, together with scientists[5] and the society as a whole, have become increasingly aware of the risks related to global warming as well as other environmental and social challenges.
    b. **Large investments needed:** in the European Green Deal[6], the European Commission estimated that an additional investment of €260bn per year is needed, a sizeable part of which will be financed with bonds.
    c. **Increasing demand from investors**: around the world, asset managers, insurers and reinsurers, pension funds and banks are publicly expressing their intention to reallocate substantial portions of their investment portfolios to an increasing proportion of sustainable investments[7].
    d. **Issuers transition into a more sustainable business model.** The AFM learned from the interviews and desk research that an increasing number of companies might turn to financing these investments through sustainable bonds, partly to demonstrate that they can be seen as behaving responsibly.

2) **More transparency and standardisation would be beneficial for this market.**
    a. There is not yet a clear and mandatory standard that a sustainable bond has to meet. A number of disclosure frameworks have emerged, which serve different purposes and diverge considerably, in particular with regard to the taxonomies or key performance indicators applied. No global standard has yet been adopted. The diversity and voluntary nature of these frameworks creates challenges with regard to comparability for investors. This may create scope for cherry picking and greenwashing that risks reducing the efficacy of such disclosures.

[5] For instance via IPCC https://www.ipcc.ch/.
[6] https://eur-lex.europa.eu/resource.html?uri=cellar:b828d165-1c22-11ea-8c1f-01aa75ed71a1.0002.02/DOC_1&format=PDF.
[7] See, for example, the overview of commitments following the One Planet Summit in Paris in December 2017: https://unfccc.int/news/one-planet-summit-finance-commitments-fire-up-higher-momentum-for-paris-climate-change-agreement.

b. The risk of greenwashing can be mitigated by defining objective criteria that help to qualify, classify and rate sustainable bond issuances and subsequent transparent reporting requirements.
c. The current EU proposals[8], such as the EU Green Bond Standard[9] (EU-GBS), in combination with disclosure of alignment with the proposed EU taxonomy[10], will in our view help to mitigate this risk and to stimulate this market.
d. Furthermore, transparency regarding ESG ratings will become increasingly relevant.
e. In view of the wide range of firms that provide external review services using very diverse approaches, the AFM welcomes proposals (such as those of the EU-GBS) to arrive at both a standardised verification programme and a standardised accreditation process for external verifiers.
f. Transparency on the part of the issuer is also very relevant. The AFM concluded in its December 2019 report[11] that reporting of non-financial information regarding (long-term) value creation including, for instance, climate change, is still at an early stage and could be more specific.

3) Implications for AFM supervision.

a. With regard to prospectus supervision, the AFM is striving for more transparency concerning information such as the use of proceeds, allocation and impact reporting.
b. The AFM supervises non-financial information in the management reports of large listed companies and encourages integrated reporting.
c. The AFM's market abuse supervision will continue to focus on timely disclosure of inside information, which could also include information about the (changing) sustainability aspects of the issuer.
d. The AFM will continue to monitor new regulatory developments[12] and will interact with market participants as part of our advisory role towards the Ministry of Finance and our contribution to the policy work of ESMA[13] and IOSCO.

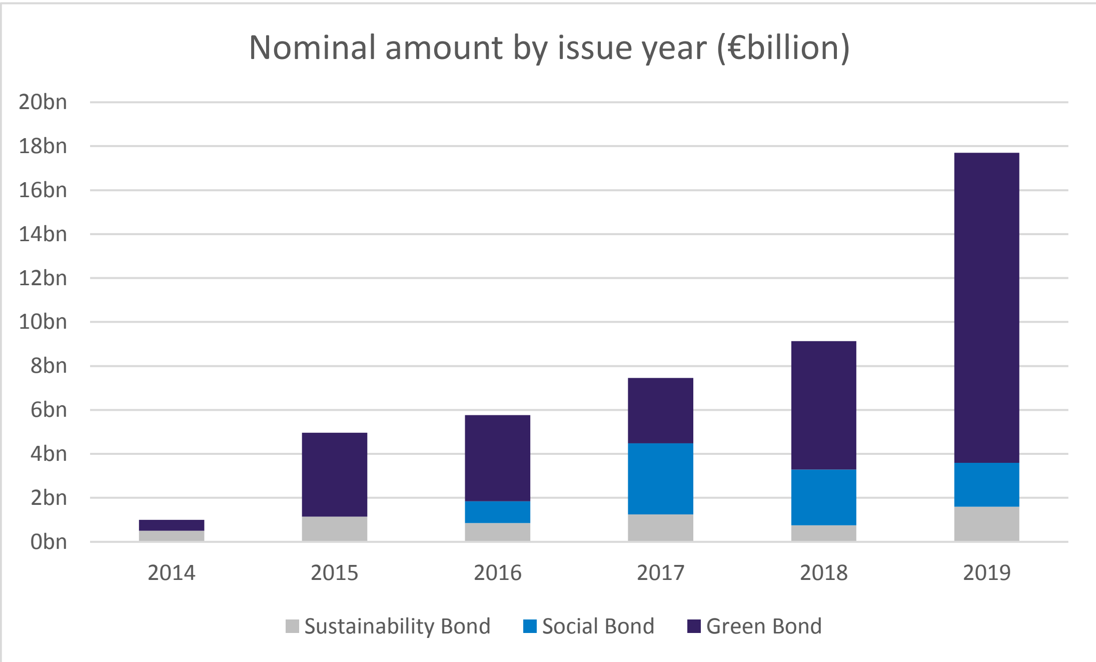
[8] For an overview, see https://ec.europa.eu/info/business-economy-euro/banking-and-finance/green-finance_en.
[9] https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en#190618.
[10] https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf
[11] https://www.afm.nl/en/nieuws/2019/dec/waardecreatie-wint-aan-belang.
[12] Such as the EBA action plan on sustainable finance: https://eba.europa.eu/financial-innovation-and-fintech/sustainable-finance.
[13] See, for instance, https://www.esma.europa.eu/sites/default/files/library/esma22-105-1052_sustainable_finance_strategy.pdf.

1. Dutch sustainable bond market

1.1 The Dutch sustainable bond market has been growing rapidly

The Dutch sustainable bond market is a relatively young market which has only existed since 2013 when the FMO (Dutch Development Bank) issued a €500m sustainability bond[14]. Since then, a sharp rise of this market segment can be observed in the Netherlands, as shown in the graph below. In 2018, the issuance of sustainable bonds already amounted to €9bn, while in 2019 this rise accelerated to a total issued amount of €18bn (the third largest market in Europe and the fifth worldwide[15]). The Dutch State issued its first green bond (AAA rated) in May 2019 (almost €6bn) and reopened it in January 2020 to add another €1.2bn. Several other first-time issuers also issued sustainable bonds in 2019. Between 2014 and 2019, 70 sustainable bonds have been issued under AFM jurisdiction with a total nominal amount of €44bn[16].

In the following graph, Dutch sustainable bonds are split into the three most common types: green, social and sustainability (a mix of these two) bonds.



Source: AFM

However, the total sustainable bond market size is still relatively small, with €44bn issued so far, which equates to approximately 4% of the total Dutch bond market[17].

[14] https://www.fmo.nl/sustainability-bonds-framework.
[15] According to Climate Bonds Initiative figures.
[16] The full list is shown in Annex 1.
[17] Based on Bloomberg data as per 31 December 2019, when the total amount issued on the Dutch bond market was €1,135bn (country of risk Netherlands – plain vanilla bonds only).

Although the market is expanding quickly, the number of instruments is still relatively small. This is due to the still limited number of (corporate) issuers – only 17 at the end of 2019. In recent months De Volksbank[18] and PostNL[19] have issued their first green bond.

The table below shows the issuers and the (base) prospectuses (with the AFM as competent authority) under which sustainable bonds have been or can be issued up to and including December 2019.

	Issuer	(Base) prospectus
1	ABN AMRO Bank N.V.	Programme for the Issuance of Medium Term Notes
2	Alliander N.V.	Euro Medium Term Note Programme
3	BNG Bank N.V.	Debt issuance programme
4	Coöperatieve Rabobank U.A.	Global Medium-Term Note Programme
5	ING Bank N.V.	Debt Issuance Programme
6	Koninklijke Ahold Delhaize N.V.	Prospectus for the listing of notes
7	LeasePlan Corporation N.V.	Debt Issuance Programme
8	FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.)	Debt Issuance Programme
9	Nederlandse Waterschapsbank N.V.	Debt Issuance Programme
10	NIBC Bank N.V.	Programme for the Issuance of Debt Instruments
11	Obvion N.V. (Green STORM SPVs) (Obvion as seller and servicer; Rabobank as arranger)	Prospectus for the listing of Residential Mortgage-backed notes
12	PostNL N.V.	Prospectus for the listing of fixed rate notes
13	Royal Schiphol Group N.V.	Euro Medium Term Note Programme
14	Stedin Holding N.V.	Euro Medium Term Note Programme
15	TenneT Holding B.V.	Euro Medium Term Note Programme
16	Vesteda Finance B.V.	Guaranteed Euro Medium Term Note Programme
17	De Volksbank N.V.	Debt Issuance Programme

Source: AFM

Governmental and financial institutions, together with utilities, dominate the sustainable bond issuances while other companies are underrepresented in the market, which implies that there is

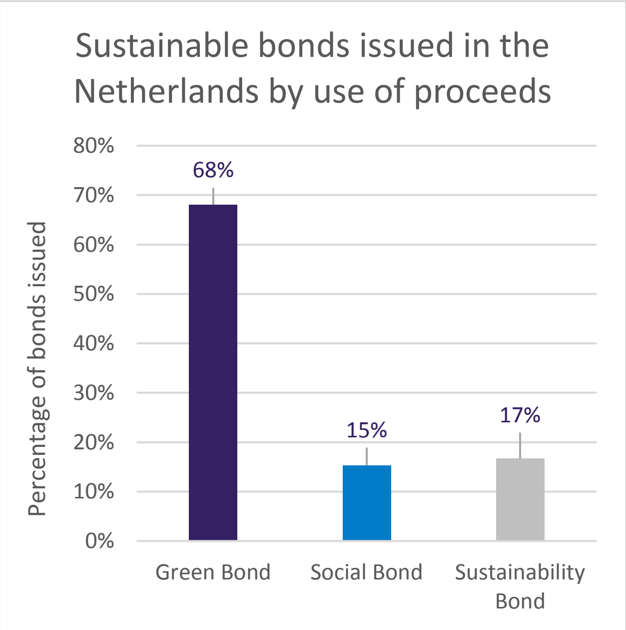
[18] On 9 September 2019, De Volksbank N.V. issued its first senior preferred bond under the Green Bond Framework. The €500m bond has a 5 year term and a 0.01% coupon. The bond was oversubscribed with the order book reaching approximately €1.7bn. https://www.devolksbank.nl/en/press/de-volksbank-geeft-haar-eerste-green-bond-uit.
[19] On 16 September 2019, PostNL issued a €300m green bond maturing in 2026 with a 0.625% coupon.

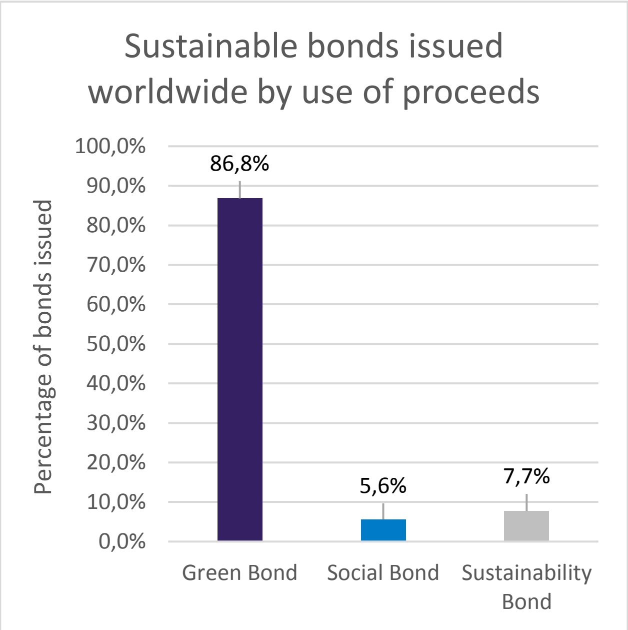
ample room for further growth. The limited number of eligible projects that qualify as 'green' or 'sustainable' is often mentioned as a hurdle to the further growth of this market.

This may lead to higher demand for green bonds issued by (former) 'brown'[20] companies. In this respect the Schiphol green bond issuance in 2018[21] was a clear example: even though some investors questioned the green character of an airport, Schiphol sold a €500m green bond (mainly financing clean transportation and green buildings). Investors put in orders of more than €3bn, mainly because they welcomed more sector diversification.

Demand for sustainable bonds is high and largely driven by buy-and-hold institutional investors. Market reports[22] note that demand for sustainable bonds outstrips the supply of sustainable projects, a notion that was confirmed in AFM's discussions. (Recent) sustainable bond issuances are typically quite popular among investors, with order book coverage ratios often twice as high as those for 'normal' bond issuances.

The graphs below show the distribution of the number of green, social and sustainability bonds issued in the Netherlands (left) and worldwide (right). Green bonds are more common than social and sustainability bonds. The Netherlands has a relatively high percentage of sustainability and social bonds (32%) compared to the worldwide figure (13%).





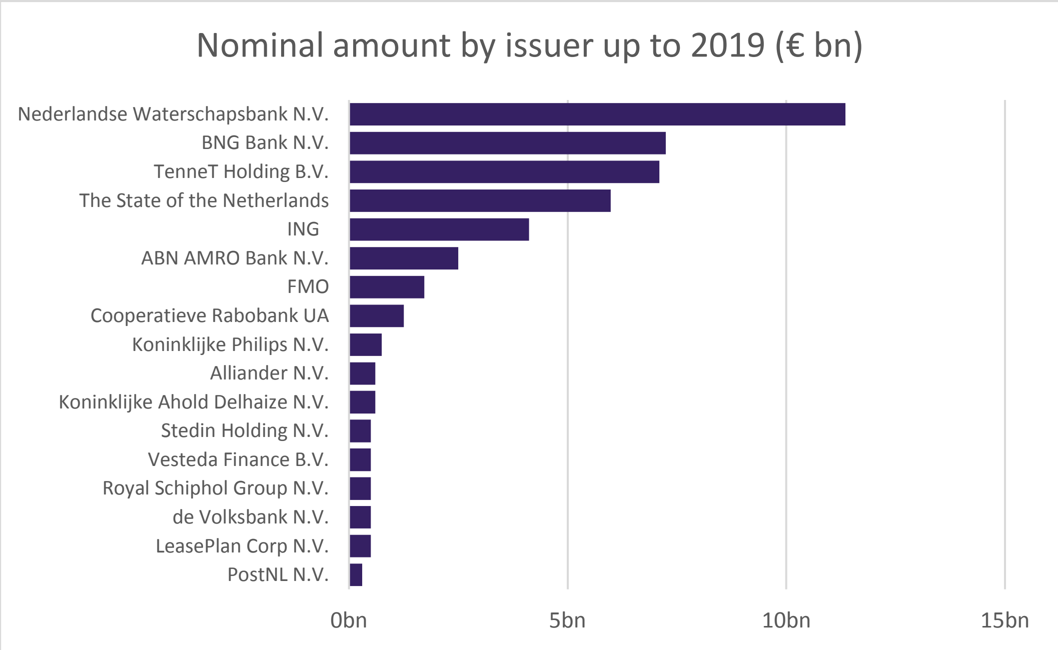
Source: AFM

Most Dutch issuers of sustainable bonds can also be found in the top 50 of 'normal' bond issuers. However, many large issuers of normal bonds have not yet issued sustainable bonds.

As can be seen in the graph below, the largest issuers of sustainable bonds in the Netherlands, up to and including 2019, are government backed banks, NWB Bank (Dutch Water Authorities Bank)

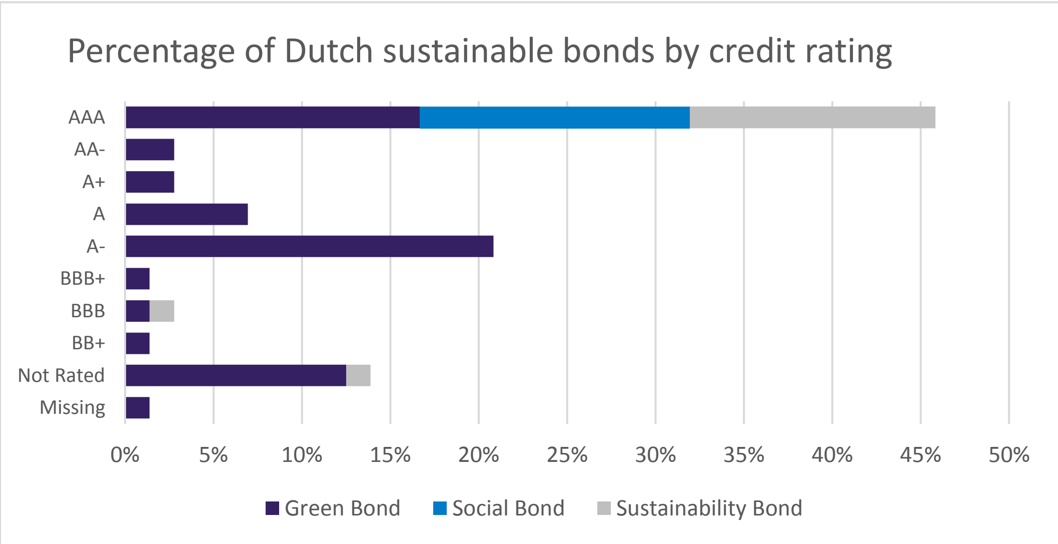
[20] A company that is not (yet) sustainable.
[21] https://news.schiphol.com/eur-500-million-of-green-bonds-to-invest-in-sustainability-of-airports/.
[22] See, for instance, paragraph 2.2 of the EU Green Bond Standard report: https://ec.europa.eu/info/files/190618-sustainable-finance-teg-report-green-bond-standard_en.

and BNG Bank (Dutch Municipalities Bank), that have issued more than €10bn[23] and €6bn[24] respectively, together with Tennet Holding B.V (power transmission services), that issued more than €7bn and the Dutch government that has issued close to €6bn. Following the worldwide trend, in the Netherlands, government development banks, financial institutions and utilities are the largest issuers of sustainable bonds.



Source: AFM

As can be seen from the graph below, most Dutch sustainable bonds (whether green, social or sustainability bonds) are investment grade, with 46% AAA rated.



Source: AFM; in the graphs, sustainable bonds are split into the three most common types: green, social and sustainability (a mix of these two) bonds.

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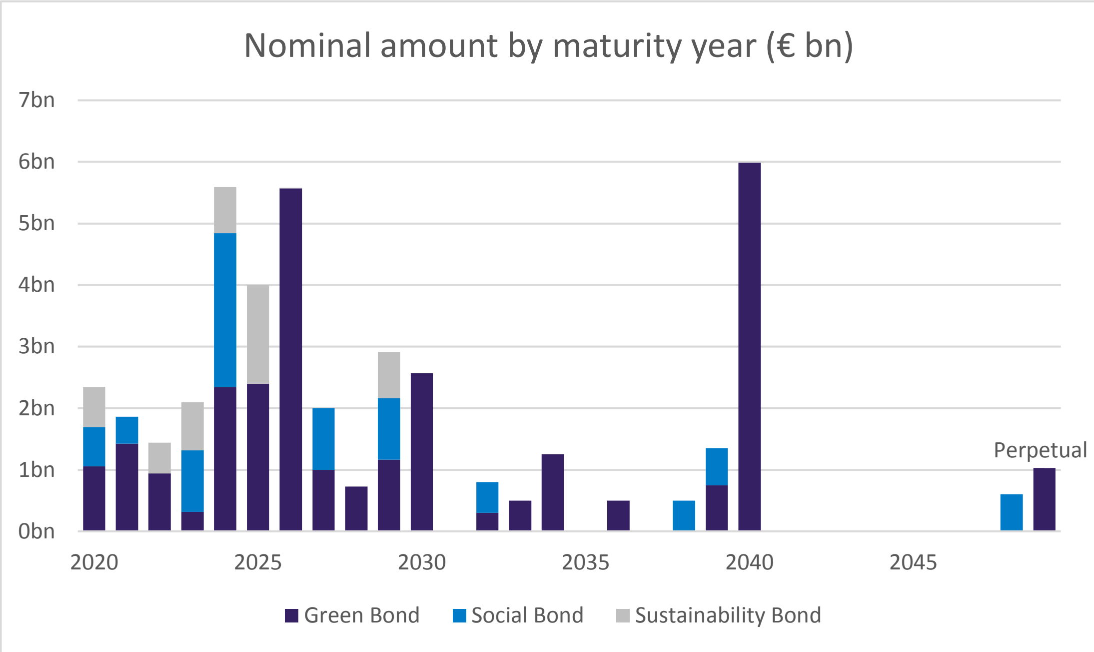
[23] https://nwbbank.com/nieuws/nwb-bank-exceeds-eur10-billion-mark-sustainable-bond-issuance-1.
[24] https://www.bngbank.nl/Pages/BNG-Bank-haalt-ruim-5-miljard-euro-op-met-duurzame-obligaties.aspx.

The figure below shows that all of the Dutch sustainability bonds outstanding (the grey bars in the graph) had a maturity date between 2019 and 2026. It is remarkable that Dutch sustainability bonds seem to have a shorter duration than green and social bonds, a situation that is different than that in the global market. The AFM did not find a specific explanation for this.



Source: AFM

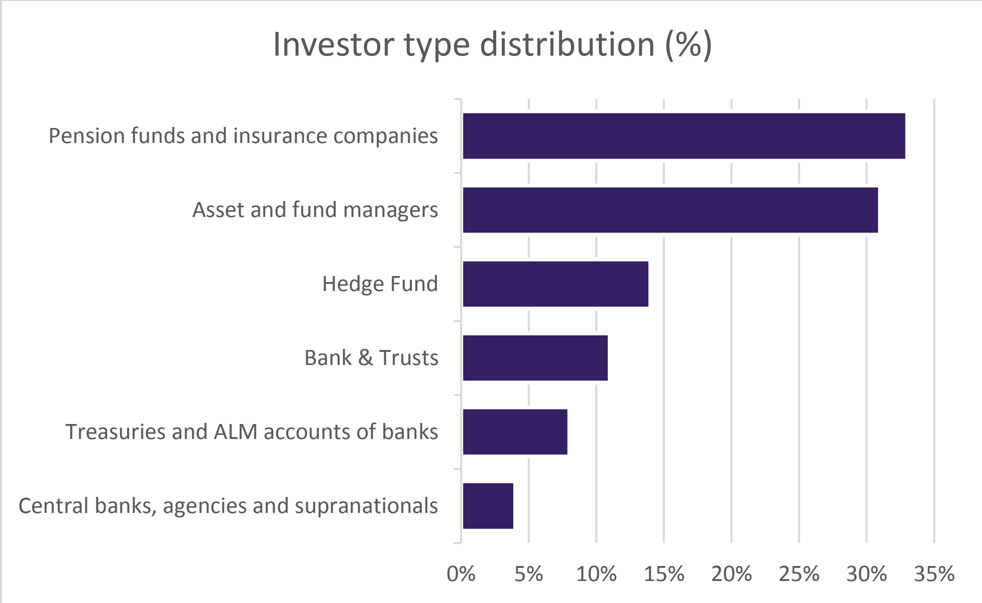
1.2 The first Dutch green government bond

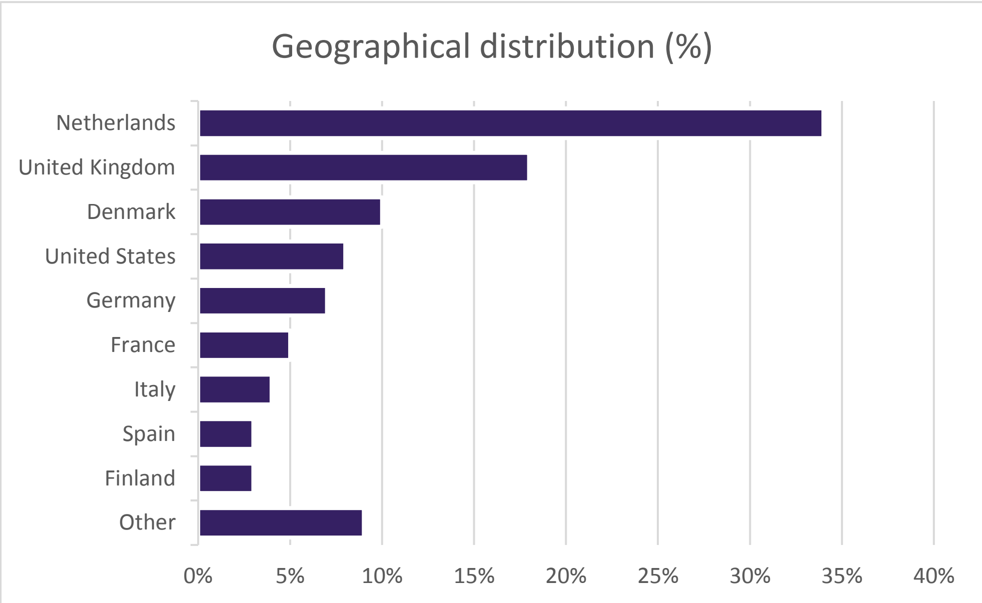
On 21 May 2019, the Dutch State issued its first Sovereign Green Bond of almost €6bn (and reopened it in January 2020 to add another €1.2bn). The Netherlands is the first country with a triple A rating that issued a green bond. This has helped (institutional) investors to invest more easily in this segment which many of their clients have been asking them to do these days.

The 0.50% January 2040 green DSL (Dutch State Loan) attracted a demand of €21 billion, the DSTA (Dutch State Treasury Agency) stated[25], which was 3.5 times the upper end of the DSTA's € 4 - 6 billion targeted amount.

The DSTA allocated 28,5% of the issue to 'green real money accounts', in line with its Green Bond Rules[26] which provide that eligible green investors may benefit from a priority allocation. In the graph from the DSTA below, the investor type and geographical distribution are indicated.

[25] https://www.dsta.nl/onderwerpen/groene-obligaties/documenten/publicaties/2019/05/21/one-pager-20-year-green-dda.
[26] https://english.dsta.nl/subjects/g/green-bonds/documents/publication/2019/04/08/dsta-green-bond-rules.





Source: DSTA https://english.dsta.nl/binaries/dsta-english/documents/publication/2019/05/21/one-pager-20-year-green-dda/One-pager+20-year+Green+DDA.pdf

Proceeds from the Dutch issuance will be used to finance climate change adaptation and sustainable water management, clean transportation, renewable energy and energy efficiency.

1.3 Role of platforms

According to Climate Bonds Initiative figures, two thirds of all green bond issues were listed on a trading venue. In the first half of 2019, Euronext Amsterdam, the largest Dutch trading venue, was the most popular green bond listing venue, particularly as a result of the €6bn Dutch State Loan, but also because of issuances by ABN Amro (€750m) and property fund manager Vesteda (€500m). For 2019 as a whole, Euronext Amsterdam was the sixth largest green bond listing venue in the world.

In 2020, because of Brexit, there might be a shift in bond market activities from London to Amsterdam. The four biggest European bond market platforms, Bloomberg, MarketAxess, CME (formerly NEX) and Tradeweb, have decided to move (part of) their business to continental Europe and to settle it in Amsterdam. This may lead to a significant increase of (sustainable) bond trading activities and, as a consequence, Amsterdam could become the epicentre for EU (sustainable) bond markets.

Platforms play an important intermediary role in this market: platforms with a dedicated sustainable bond segment increase the visibility of this segment and their listing requirements promote transparency and integrity. Furthermore, by promoting sustainable bonds to companies seeking capital, they provide them with possible new types of financing and promote a sustainable growth strategy.

In 2015, the first stock exchanges started to promote a green bond segment. Nowadays there are 18 of them, as shown in the table below.

Sustainable bond segments on stock exchanges

Name of Stock Exchange	Type of Dedicated Section	Launch date
Oslo Stock Exchange	Green bonds	January 2015
Stockholm Stock Exchange	Sustainable bonds	June 2015
London Stock Exchange	Green bonds	July 2015
Shanghai Stock Exchange	Green bonds	March 2016
Mexico Stock Exchange	Green bonds	August 2016
Luxembourg Stock Exchange	Luxembourg Green Exchange	September 2016
Borsa Italiana	Green and social bonds	March 2017
Taipei Stock Exchange	Green bonds	May 2017
Johannesburg Stock Exchange	Green bonds	October 2017
Japan Exchange Group	Green and social bonds	January 2018
Vienna Exchange	Green and social bonds	March 2018
Nasdaq Helsinki	Sustainable bonds	May 2018
Nasdaq Copenhagen	Sustainable bonds	May 2018
Nasdaq Baltic	Sustainable bonds	May 2018
The International Stock Exchange	Green bonds	November 2018
Frankfurt Stock Exchange	Green bonds	November 2018
Moscow Exchange	Sustainable bonds	August 2019
Euronext	Green bonds	November 2019

Source: https://www.climatebonds.net/green-bond-segments-stock-exchanges

1.4 Pricing and liquidity

Research provides different views about the potential pricing benefit of issuing green, but many market participants believe that green and unlabelled bonds from the same issuer should have the same price. The pricing advantage of issuing a green bond, if any, appears at the moment to be small[27]. In fact, during the interviews leading up to this report, it became clear that most institutional investors do not make a distinction between green and other types of sustainable bonds and conventional bonds in terms of risk/reward. But this does not rule out the possibility that there may be some price difference. For instance, in the press release[28] regarding its recent general purpose SDG-linked bond, Enel stated: "The value of sustainability has been reflected in the demand mechanics and the pricing of the issue, enabling Enel to obtain a financial advantage equal to 20 basis points compared with an issuance of bonds without sustainability features" (even though there is some discussion about this new type of bond)[29].

Overall, the liquidity in secondary markets continues to deteriorate. According to market reports (and also something confirmed during the interviews), **the liquidity of sustainable bonds is usually poorer than the liquidity of their conventional peers.** There appear to be two main reasons for this phenomenon: i) the demand for sustainable bonds is larger than the available supply and ii) sustainable bonds are often bought by buy-and-hold investors. Generally speaking, low liquidity in secondary markets can be considered as a risk for (conventional) bonds. Low liquidity generally leads to highly volatile prices, often making it harder for investors to sell such bonds. For sustainable bonds, however, this risk is somewhat limited at the moment because of the presence of a large number of buy-and-hold investors, their appetite for sustainable bonds and the fact that overall there is more demand than supply in this asset class. In this 'trendy' segment, in spite of the poorer liquidity, the large demand from investors could in theory lead to tighter spreads, i.e. a small negative premium unlike conventional bonds.

These buy-and-hold investors, commonly referred to as eligible green investors, might in many occassions benefit from a priority allocation in a new bond, as was the case with the issuance of the Dutch State's green bond in May 2019.

1.5 Retail market

Although not the main focus of this report, the implications of what happens in the sustainable bond market are also relevant for the retail market, given the sharp rise in the retail offering of 'sustainable' financial products (whereby some of those products are based on sustainable bonds, for instance green bond funds/ETFs).

[27] See, for instance, this research that sees a 2bp difference https://ideas.repec.org/a/eee/jbfina/v98y2019icp39-60.html.
[28] https://www.enel.com/content/dam/enel-common/press/en/2019-September/SDG%20bond%20ENG%20(003).pdf.
[29] See a commentary about this: https://www.reuters.com/article/enel-ditches-green-bonds-for-controversi/enel-ditches-green-bonds-for-controversial-new-format-idUSL5N26O403.

The retail offering of financial products and services specifically advertising a sustainability feature is growing. According to internal AFM research, retail investors already currently invest in over 60 sustainable ETFs and more than 600 sustainable funds in the Netherlands.

The focus of this report is on benchmark size[30] sustainable bonds, which are typically focused on institutional investors and due to the often high denominations and rapid bookbuilding process retail clients are not targeted. Still, we also see high growth in the lower segment of the Dutch sustainable bonds market (bonds with a total nominal amount issued of up to € 10 million). These issuances mainly relate to investments in wind energy, solar energy, sustainable residential and healthcare real estate and, furthermore, advanced technologies and infrastructure (such as electrification). These offerings of sustainable bonds are being made both in the area where no (approved) prospectus is required (such as crowdfunding) or is exempted and also under prospectuses approved by the AFM. Target investors are mainly retail investors.

These propositions are being promoted particularly online and using other marketing material (such as brochures) and extra attention is given to the sustainable nature of the proposition and the sustainable use of proceeds. These offerings do however sometimes carry a higher risk for the investor.

[30] Benchmark size means bonds with an issued amount of at least € 500m.

2. Growth is set to continue

We expect the sustainable bond market to undergo rapid further growth. The transition into a more sustainable economy will mainly be financed by debt, including sustainable bonds. This expectation is based on several developments:

2.1 Transition into a sustainable economy

Financial market participants, together with scientists and society as a whole, have become increasingly aware of the risks related with global warming as well as with other environmental and social challenges. The 2015 Paris Agreement on climate, the United Nations Sustainable Development Goals and many other policy measures urge accelerated climate action by all actors in the global economy, including businesses and financial institutions. Reducing greenhouse gas emissions by transitioning to a low-carbon economy is critical to limiting global warming and building a sustainable economic system. As a result of this transition, **a wide range of carbon-intensive assets risk becoming 'stranded'** (i.e. unusable)[31], which may also have an effect directly on the economy at large and indirectly on sustainable development.

2.2 Large investments needed

Current levels of investment are not sufficient to support a climate-resilient, sustainable economic system that mitigates climate change and stops depletion of natural resources. More capital flows[32] need to be oriented towards sustainable investments.

In the European Green Deal announced at the end of 2019, the European Commission estimated that an additional investment of €260bn per year is needed in order to achieve the current climate and energy targets for 2030 (a 55% reduction in greenhouse gas emissions) and climate neutrality by 2050. Governments, private businesses and households will all be responsible for these investments. The financial sector can play a central role in this transition. Since these assets are mainly financed by debt**, a large portion of this funding gap will likely be financed by issuing bonds, including sustainable bonds.**

2.3 Increasing demand from investors

Around the world, asset managers, insurers and reinsurers, pension funds and banks are publicly expressing their intention to reallocate substantial portions of their investment portfolios to sustainable investments. Traditional bond investors focus on the risk profile of the issuer, represented by its credit rating, and the remuneration offered in the form of interest paid. This is also the case for sustainable bonds but, in addition, they represent a considerable innovation because of their focus on the sustainable use of proceeds, tracking, impact reporting

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[31] See European Systemic Risk Board Advisory Scientific Committee Report, 2016: https://www.esrb.europa.eu/pub/pdf/asc/Reports_ASC_6_1602.pdf.

[32] See also: https://www.imf.org/en/Publications/WP/Issues/2019/09/04/Macroeconomic-and-Financial-Policies-for-Climate-Change-Mitigation-A-Review-of-the-Literature-48612.

and external reviews. They therefore provide investors with a higher degree of transparency and a chance to become involved in corporate strategies in a way that was previously mainly reserved for equity investors. Research and our interviews show that the demand for sustainable bonds is high and driven largely by buy-and-hold institutional investors.

Not only institutional investors[33], such as pension funds, are shifting to more sustainable investments (partly in response to concerns about the threat of climate change), but **also retail investors are increasingly investing in sustainable securities.** Total net inflow into sustainable investment funds in Europe amounted to €120bn in 2019[34].

The recent ECB plans might provide another impulse to this market. The ECB has been purchasing green bonds since 2018 and Christine Lagarde, the president of the ECB, said in September 2019 that the bank could buy more green bonds as part of its monetary stimulus after a taxonomy is introduced. This could raise the profile of the green bond market.

2.4 Issuers transition into a more sustainable business model, partly financed by sustainable bonds

The transition into a more sustainable business model requires capital. The AFM learned from the interviews and desk research that an increasing number of companies might turn to financing these investments through sustainable bonds, partly to demonstrate that they can be seen as behaving responsibly. The AFM learned from the interviews that issuers particularly seek to issue sustainable bonds to broaden their investor base. A green bond issuance, for instance, is perceived as a signal that a company is willing to take the necessary steps to become more sustainable which attracts a more diverse group of investors. Moreover, sustainable bonds create market and media visibility for the issuer for its sustainability projects. An additional benefit for issuers of sustainable bonds is the increased internal awareness of their environmental and social footprint. This is due to the fact that the issuer needs to collect and report information on the (non-financial) impact of (changes in) business processes that can be considered sustainable. In addition, sustainable bonds could improve employee satisfaction and customer retention.

The majority of the 20 Dutch sustainable bond issuers in our sample have a high ESG score[35] (more than 60 on a scale of 1-100), as shown in the left hand graph below. Furthermore, the average ESG score of sustainable bond issuers is around 10 points higher than the average ESG score of issuers that did not issue sustainable bonds (72 vs 62). As can be seen in the right hand graph, there is still a large group of bond issuers who have not yet issued sustainable bonds (the

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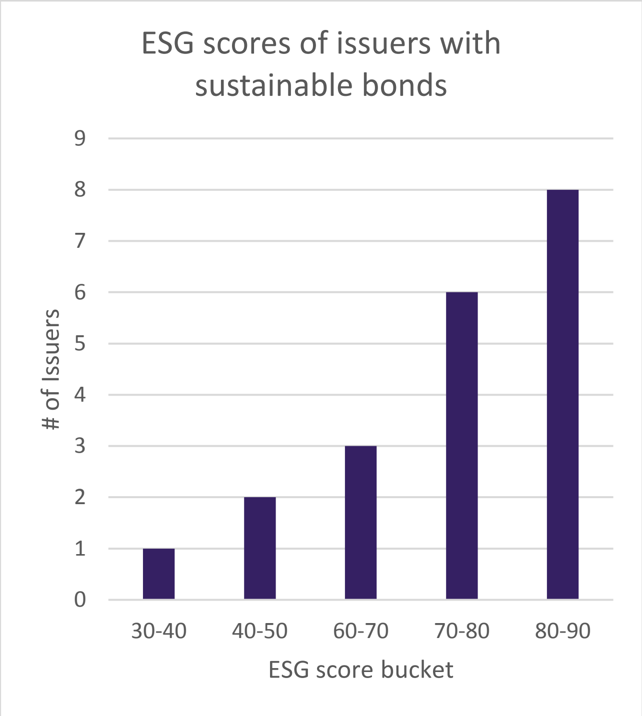
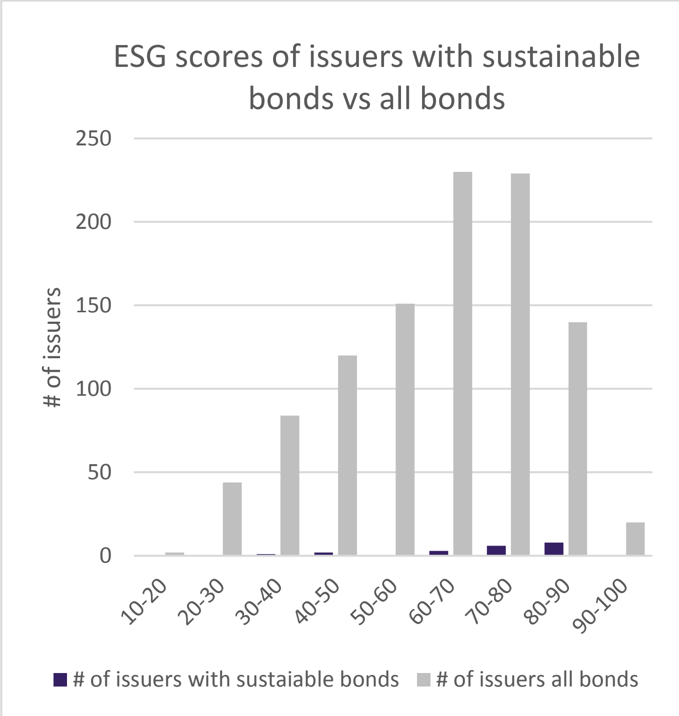
[33] See, for instance, initiatives such as climate action 100+: http://www.climateaction100.org/.
[34] According to Morningstar figures, the number of investment funds labelled 'sustainable' in the Morningstar database in Europe amounts to 4,000. See: https://www.morningstar.nl/nl/news/199269/instroom-in-esg-fondsen-breekt-record-in-2019.aspx
[35] In this case we have taken data from Refinitiv.

dark purple bars in the graph) and who do have a high ESG score. In our view, this implies that **there is still sufficient potential for these issuers to issue inaugural sustainable bonds.**





Source: AFM, based on Refinitiv

Product diversification. In addition to green bonds, many new varieties of sustainable bonds are emerging; apart from social bonds and sustainability bonds (a mix of green and social), we have seen issuances of transition bonds, blue bonds, KPI-linked bonds and SDG-linked bonds.

Barriers to growth: as stated previously, demand for sustainable bonds currently exceeds the supply of eligible projects and/or assets. Furthermore, there seems to be a lack of issuer variety. This could pose a barrier to the further growth of the sustainable bond market. This mismatch, confirmed during the interviews leading up to this report, is also made visible by the oversubscription of most sustainable bond issuances. Order book coverage ratios of three to one are not uncommon, which can be twice as high as for conventional bond issuances. This is probably the main explanation, as stated above, for the small greenium (difference in yield between green and conventional bonds): because of scarcity, sustainable bonds are sometimes priced more tightly than their conventional peers in relation to the initial price thought.

At the moment, issuers are very careful in deciding which assets to allocate to a sustainable bond. There is little discussion about wind or solar energy as a sustainable category, but there are many other categories that cannot yet be clearly designated as 'sustainable'. In addition, many companies cannot identify capital investments or expenditures which can reach the benchmark size, because of insufficient information in internal systems or a lack of (public) databases which could enrich company information. Furthermore, during the interviews the AFM gained the impression that, to a certain extent, issuers may be reluctant to issue sustainable bonds. They see a high degree of reputational risk compared to the limited benefits (there is almost no greenium) and also the additional costs, particularly in terms of reporting. In addition, the unclear definitions of what is sustainable makes them hesitant as they might fear reputational risks. On the other hand, it is expected that the EU taxonomy and the EU Green Bond Standard could reduce these risks because of further standardisation and clarity about what activities can be regarded as sustainable.

3. More transparency and standardisation would be beneficial for this market

The market for sustainable bonds is growing rapidly, but there is a lack of clear definitions and standards. This also concerns the availability and quality of information. Companies and governments are increasingly financing specific and targeted investments in sustainable projects using debt instruments. However, there is still no clear and mandatory standard that has to be met by a sustainable bond. This not only concerns information about the sustainability of the use of proceeds of the bond, but also concerns the extent to which a company, product or service makes a positive overall contribution to attaining sustainability goals.

3.1 Lack of clear definitions and standards

There is a lack of clear definitions and standards. A number of (national or regional) disclosure frameworks have emerged which serve different purposes and which diverge considerably, in particular with regard to the taxonomies or the key performance indicators applied[36]. No global standard has yet emerged. The diversity and voluntary nature of these frameworks have encouraged adherence by issuers and asset managers but has also created challenges for investors when it comes to comparability. This may create scope for cherry picking and greenwashing that risks reducing the efficacy of such disclosures. Investors and issuers of financial instruments need common metrics and definitions regarding which activities contribute positively to environmental objectives. Common language and harmonisation would enhance market efficiency and integrity and would redirect financial flows to support the transition towards a more sustainable economy.

The availability and quality of data diverges widely. There is generally a lack of reliable and credible data and a lack of standards that promote comparability between sustainable investments. This could come from the lack of common definitions and the lack of standardised frameworks. Investors, both institutional investors investing in a sustainable bond and private investors buying (for instance) into a green bond fund, rely on public information about their investment.

3.2 Transparency is very important in limiting the risk of greenwashing

Greenwashing refers to the misrepresentation of green or sustainable aspects, objectives or impact of projects or investment products. In theory, the limited availability of sustainable projects and the popularity of sustainable investments could incentivise certain issuers to perform so called ‘greenwashing’ (i.e. presenting projects or investment products as sustainable when they are not) by reducing the thresholds of criteria defined in their framework. Currently the AFM does not (yet) have any clear indications of this phenomenon, particularly not in the professional, benchmark segment (>€500m), because most of the current issuers, being ‘launching market participants’, are very cautious about possible reputational risk. However, an increased risk of

[36] Although our research shows that many issuers follow the recommendations of the ICMA green, social and sustainability bond principles.

greenwashing could evolve as the sustainable bond market is expected to grow further and is likely to attract a more heterogeneous group of issuers and bond types. Furthermore, the risk of greenwashing will remain as long as issuers are not penalised for using the proceeds for non-green purposes (unless it happens beyond their control such as in case of takeovers, bankruptcies, redemptions etc.).

Whereas green, social and sustainability bonds are already relatively well-defined bond types, other new types of bonds, such as 'transition bonds', 'SDG bonds' or 'ESG-linked bonds' are less standardised and can therefore pose a larger risk of greenwashing.

The challenge is: how does one ensure and measure that one's assets have a more positive impact on society and the environment? Currently there is no generally accepted standard to measure impact investing, although industry organisations such as GIIN[37] have launched promising proposals in that direction.

This risk of greenwashing can in our view be mitigated by defining objective criteria to help qualify, classify and rate sustainable bond issuances and subsequent transparent reporting requirements. In this respect, some important steps are already being taken in the market such as:

- Voluntary external reviews: second party opinions, verification of the sustainability of projects, certification and ESG-ratings that can help investors judge whether the assets are indeed allocated to the bond in a way that fits the framework. These external reviewers will also put pressure on the issuer if they suspect that conditions are not being met. This was confirmed during our interviews.
- Benchmark providers who, in some cases, will remove a bond from 'sustainable benchmarks' if they suspect this bond no longer satisfies the criteria.
- (Sustainable) investors who increasingly challenge issuers about ESG aspects by asking them critical questions and demanding assurance.

The current EU proposals, such as the EU Green Bond Standard (EU-GBS), in combination with the proposed taxonomy, will help to mitigate this risk further. Thanks to the common reference provided by the EU taxonomy, issuers and investors will be able to refer to a common definition of green and sustainability activities. This will be important for the labelling of instruments, corporate reporting, benchmarks, etc. While the use of the EU-GBS is voluntary, the use of the term 'EU green bond' is only permitted when all components of the EU-GBS are satisfied. This will significantly mitigate reputational risk in this area and alleviate market concerns about greenwashing.

Market conduct supervisors, like the AFM, also play a role in making sure that all relevant information is included in the prospectus and in the annual report (non-financial information[38]). A clear connection should be visible between the issuer's goals, activities, metrics and financial and

[37] GIIN= Global Impact Investing Network, a network of impact investors, www.thegiin.org.
[38] For larger companies listed on a Dutch Regulated Market.

non-financial results (in terms of outcome and impact) as determined by the company's business model in terms of value creation and related risks. For instance, the trade-offs (balancing of goals) and the expected effects on the financial and non-financial results should be clearly described.

In its communication about the European Green Deal, the European Commission stated that reliable, comparable and verifiable information also plays an important part in enabling buyers to make more decisions about sustainability and it reduces the risk of 'green washing'. Companies making 'green claims' should substantiate these against a standard methodology to assess their impact on the environment. That said, the lack of a standard methodology is partly the result of missing public and EU wide information, which leads issuers to develop in-house methods. The EC will step up its regulatory and non-regulatory efforts to tackle false green claims.

Limit lookback periods. If issuers apply long lookback periods - the period in the past during which projects might still be eligible for (re-)financing via the sustainable bond - for eligible projects in their Use of Proceeds information, this may decrease the appetite of investors because we understand that some investors prefer to finance 'projects that add to the transition' rather than refinance 'existing' business. In the EU-GBS proposal, no lookback period is proposed for green assets while a maximum period of three years is proposed for eligible green operating expenditure.

3.3 Transparency about ESG ratings will become increasingly relevant

Over time, the sustainable bond market may become more mainstream with investors fully integrating ESG factors in their credit assessments. Thus it is increasingly important that ESG rating providers are operating independently of both issuers and investors. The consequence of the lowering of a bond's ESG rating due to a specific event (e.g. the bond no longer qualifies as sustainable) could lead to a situation in which some investors want/must sell that particular bond, even though this event (probably) will not impact the issuer's ability to meet its obligations.

Environmental factors are not yet fully integrated in credit rating methodologies. However, ESMA published Guidelines regarding disclosure practices for credit ratings[39] in July 2019 that require greater transparency from credit rating agencies about whether ESG factors are a key driver of a change to a credit rating. ESMA will consider these guidelines for the purposes of supervision as from 2020.

The AFM considers it eminent that investors know how these rating providers arrive at their rating. However, in our review and in the research[40], we have noticed that there is divergence in ESG ratings for the same issuer. This might, for instance, stem from differences in scope (which elements to consider), in weighting and in measurement (which indicator is used to measure performance). In addition, smaller companies could receive a lower ESG rating than a similar large company because they report less elaborately about ESG factors. Thus, more transparency from

[39] https://www.esma.europa.eu/sites/default/files/library/esma33-9-320_final_report_guidelines_on_disclosure_requirements_applicable_to_credit_rating_agencies.pdf.

[40] See, for instance, this MIT publication: https://mitsloan.mit.edu/ideas-made-to-matter/why-esg-ratings-vary-so-widely-and-what-you-can-do-about-it.

the ESG rating providers about the methodology used and especially more standardisation would be very welcome, providing more comfort to investors.

Recent research has shown that high ESG ratings are correlated with lower cost of capital[41], market-based outperformance and accounting-based outperformance. Researchers at Harvard Business School discovered that 'high sustainability' firms outperform 'low sustainability' firms over the long haul with lower volatility. As previously described, the sustainable bond issuers in the Netherlands typically also have a higher ESG rating than other bond issuers.

3.4 External Review

A wide range of firms provide external review services and use very diverse approaches. They include credit rating agencies and non-financial rating agencies, auditing firms, certification bodies and environmental consulting firms. These reviews can be performed before or after the transactions and with very diverse approaches. As an example, such external reviews may include a consideration of the ESG rating of the issuer, of the project categories mentioned in the Green Bond Principles, may be valid for multiple transactions (or not), or be a pre-issuance opinion or a post-issuance verification. This broad range of approaches provided by players with very diverse levels of expertise regarding environmental matters, creates uncertainties for issuers and investors about the actual value, quality and impact of the external reviews. This not only applies to reviews of green bonds, but also to those of other types of sustainable bonds.

It can also lead to duplication and increased costs. Furthermore, there could potentially be a lack of independence resulting in perceived or actual conflicts of interest. There is also a wide array of market practices for external reviews that are related to procedures to limit potential conflicts of interest and quality control issues.

The AFM noticed that, currently, a small group of such service providers is (commonly) used by (frequent) issuers and that most issuers choose the same external reviewer(s) for all of their sustainable bonds. This trend was illustrated during the interviews.

During discussions with several external reviewers, the AFM learned that current market practices already provide a large degree of comfort that these risks are mitigated. For instance, the *Guidelines for external reviews*[42], published by ICMA in June 2018, address the potential for conflicts, reference relevant ethical and professional standards and provide guidance with regard to the process and content of external reviews. However, **the AFM still considers the proposals of the EU-GBS desirable in order to arrive at a standardised verification programme that ensures alignment with the EU-GBS as well as a standardised process of accreditation for external verifiers.**

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[41] According to research by Deutsche Bank, which evaluated 56 academic studies, companies with high ratings for ESG factors have a lower cost of debt and equity.

[42] Guidelines for Green, Social and Sustainability Bonds External Reviews, ICMA/Green Bond Principles, June 2018: https://www.icmagroup.org/green-social-and-sustainability-bonds/external-reviews/.

Key components that are currently being considered as accreditation criteria in the proposed EU-GBS are: i) professional codes of conduct related to business ethics, conflicts of interest and independence and ii) minimum professional qualifications and quality assurance and control.

Independent supervision (for instance, as proposed in the EU GBS proposal, through an accreditation system for external reviewers) would also raise professionalism and the independence of these market participants.

3.5 (Impact) Reporting

(Impact) Reporting is essential and increasingly published, but data availability and data quality diverge widely. Companies and financial institutions will need to increase their disclosure with regard to, for instance, climate and environmental data so that investors are fully informed about the sustainability of their investments. More and more data is becoming available (for instance, about CO2 emissions), but as yet there is no generally accepted standard to measure impact investing.

Although some standards or frameworks are commonly applied, there can be a lack of assurance about the quality and fairness of the disclosures provided since the standards are often non-binding and applied on a voluntary basis. In some sustainable bond frameworks, the AFM has read that issuers will report about the use of proceeds and impact evaluation within a year of the date of the bond issuance and only until the proceeds have been fully allocated. In our view, a better practice would be to continue this reporting annually during the full lifetime of the bond.

Impact reporting is an essential element for the sustainable bond market in the view of many market participants (confirmed during our interviews). There seems to be a lack of standards regarding the tracking of the use of proceeds and also in impact measurement. Market participants indicated that the method of impact reporting, as well as the specific impact itself, could be vague and/or generic. Still, there are many initiatives used by an increasing number of Dutch companies that try to assign a monetary value to the generated impact. From the interviews the AFM conducted, it appeared that certification bodies could also play a (greater) role in the judgement of impact reporting.

At some point in the future, investors will focus more on the ability of the issuer to create sustainable value over time than on the sustainability of the asset. This shows the relevance of transparency reflected by adequate reporting.

3.6 The quality of non-financial information from issuers can be improved

Transparency from the issuer is also very relevant. The chain of information can be long, but in the end the issuer should supply the details. The data from the issuer is used, for instance, by data providers, SPO providers and structuring banks. ESG analysts and institutional investors also use this data, combined with data from data providers. In turn, private investors rely on the information provided by the institutional investors. Investors have limited mechanisms to validate whether non-financial reports have been prepared in accordance with a third-party framework and in all material respects represent a fair view of the related ESG elements/risks/transactions. In the end the whole chain relies on information that is disclosed by the issuer. Therefore it is essential that this data is relevant, reliable, comparable, complete, accurate and consistent. The question is therefore: who can challenge the data quality? The issuer knows the data and its quality.

As an assurance provider, the auditor could play a role in providing assurance about non-financial information. A positive development in mitigating the risk of inadequate reporting is that an increasing number of companies are having their non-financial information separately (and voluntarily) assured by an external auditor. Most of these assurance statements nowadays are based on 'limited assurance'. There is as yet no international assurance framework that certifies that non-financial reports have been prepared in accordance with a particular framework and in all material respects represent a fair view of the related ESG elements, risks and transactions. Furthermore, market reports show that an important role can be played in this field by news media and/or NGOs and perhaps the credit rating agencies as well.

The importance of transparency is also underlined by the recommendations from the Task Force on Climate Related Financial Disclosures (TCFD)[43], which show that transparency regarding the consequences of climate change, both in terms of risks and opportunities, is of great importance when making decisions about whether to insure risks and to invest in or provide loans to companies. The recommendations are intended to assist organisations in identifying and publishing information that investors, credit providers and insurers need in order to assess and to price climate-related risks and opportunities. In a recent public management letter[44], the professional body for accountants in the Netherlands (NBA) also stressed the importance of climate change for the sector. In June 2019 the European Commission published guidelines[45] on reporting climate-related information, in which the TCFD recommendations are integrated.

Large listed companies and financial institutions must include non-financial information in their management reports in accordance with the Dutch Non-Financial Information (Disclosure) Decree. This includes transparency with regard to policy and risks as well as performance with regard to environmental, social and employee matters, respect for human rights, anti-corruption and bribery. The availability and quality of non-financial information is an important starting point in this respect. Furthermore, company reporting with regard to non-financial information is increasingly in line with current standards such as GRI sustainability reporting standards[46], frameworks such as IIRC (the International Integrated Reporting Council[47]) and the Corporate Governance Code.

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[43] https://www.fsb-tcfd.org/publications/.
[44] https://www.nba.nl/nieuws-en-agenda/nieuwsarchief/2020/januari/persbericht-klimaat-is-financieel---publieke-managementletter-van-nba-over-klimaatverandering/.
[45] https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf
[46] https://www.globalreporting.org/standards.
[47] https://integratedreporting.org/the-iirc-2/.

The AFM concluded in its December 2019 report[48] that reporting of non-financial information and (long-term) value creation is still developing and could be more specific. Part of the conclusions from the year before[49] are still valid, namely that the quality of non-financial information in annual reports can be improved so that it becomes more relevant, more comparable and more balanced. The issuer's procedures relating to the issuance of the bonds should be on the agenda of the board and should fall within the scope of internal auditing. In our view, this could also help the reporting about specific sustainable bonds. Within AFM's supervision of financial reporting, increased attention is therefore being devoted to non-financial reporting.

In July 2019, the Dutch financial sector signed the Climate Treaty, thereby promising to report on the net climate impact of their financings and investments as from 2020 and to present action plans that contribute to CO2 reduction as from 2022[50]. Recently ESMA also published a report[51] in which it advises the EC to consider appropriate amendments to the Non-Financial Reporting Directive. One of the planned actions by the EC under the European Green Deal is the review of the Non-Financial Reporting Directive[52]. At the same time, we consider that there is a **need for a global standard setter for non-financial reporting.** Another interesting development is a recent consultation document published during the World Economic Forum by a large number of business leaders concerning a framework for ESG measurement and reporting[53].

The AFM noticed that more issuers have published (base) prospectuses under which they issue or may issue sustainable bonds. Over the last few years, prospectuses contain more specific sustainability information such as eligible projects, allocation and management of proceeds or the intention to publish a periodic impact report. This increase in transparency (also in terms of quality) is a favourable development.

3.7 Promising developments at EU level

In order to reach climate neutrality by 2050, the European Commission launched its 'Commission Action Plan on financing sustainable growth'[54] in March 2018. In the European Green Deal report published on 11 December 2019, the EC announced that it will present a renewed sustainable finance strategy in the third quarter of 2020 that will focus on a number of actions.

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48 https://www.afm.nl/en/nieuws/2019/dec/waardecreatie-wint-aan-belang.
49 See also AFM's December 2018 report concerning a review of non-financial information: https://www.afm.nl/en/nieuws/2018/dec/onderzoek-nieuwe-verslaggevingsregels
50 https://www.klimaatakkoord.nl/actueel/nieuws/2019/07/10/financiele-sector-ondertekent-klimaatakkoord and https://zoek.officielebekendmakingen.nl/kst-32013-220.pdf and https://carbonaccountingfinancials.com/files/downloads/1911-pcaf-report-nl.pdf?6253ce57ac
51 https://www.esma.europa.eu/sites/default/files/library/esma30-22-762_report_on_undue_short-term_pressure_on_corporations_from_the_financial_sector.pdf. See section 2.2.
52 See also a recent speech by EC Executive Vice President Dombrovskis: https://ec.europa.eu/commission/presscorner/detail/en/speech_20_139.
53 http://www3.weforum.org/docs/WEF_IBC_ESG_Metrics_Discussion_Paper.pdf.
54 https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en.

This includes EU standards for green bonds, a taxonomy[55] for sustainable economic activities plus an Ecolabel for retail investment products, to ensure that money goes to truly climate-friendly projects and companies. Until then, financial companies will remain responsible for clarity with regard to the terminology they use and about the safeguards for the claims that are made.

Thus the green deal builds on the March 2018 action plan which contained ten actions, among which are:

- **Establishing a Taxonomy, an EU classification system for sustainable activities.** On 18 June 2019, the Technical Expert Group ('TEG') published its technical report regarding the EU taxonomy[56]. This was followed on 9 March 2020 by the final report. The Taxonomy Regulation, agreed at the political level in December 2019, creates a legal basis for the EU Taxonomy. It sets out the framework and environmental objectives for the Taxonomy, as well as new legal obligations for financial market participants, large companies, the EU and Member States. The Taxonomy Regulation will be supplemented by delegated acts which contain detailed technical screening criteria for determining when an economic activity can be considered sustainable, and hence can be considered Taxonomy-aligned.
  This taxonomy will become an EU regulation that will provide businesses and investors with a common language to identify what economic activities can be considered environmentally sustainable. It contains performance criteria for their contribution to six environmental objectives. These are i) climate change mitigation, ii) adaptation, iii) sustainable use and protection of water and marine resources, iv) transition to a circular economy, v) pollution prevention and control and vi) protection and restoration of biodiversity and ecosystems.
- **Creating standards and labels for sustainable financial products** on the basis of this classification system to protect integrity and trust with regard to the sustainable finance market. The EU Green Bond Standard is the first of them.
- Disclosures by financial market participants: an EU regulation[57] has been adopted that will help to enhance transparency to end-investors with regard to how financial market participants incorporate sustainability.
- **Strengthening corporate sustainability disclosure.** Companies subject to disclosure requirements under the non-financial reporting directive must make disclosures with reference to the taxonomy.
- **Developing sustainability benchmarks.** As a first step, this led to a regulation regarding the creation of two types of climate benchmarks, the EU Climate Transition benchmarks and the EU Paris-Aligned benchmarks[58].

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[55] https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf
[56] https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_fr#190618.
[57] https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R2088&from=EN
[58] https://ec.europa.eu/commission/presscorner/detail/en/IP_19_1418

With regard to sustainable bonds, an important action is the creation of an EU Green Bond Standard[59] ('EU-GBS'). The TEG proposes that the EC creates

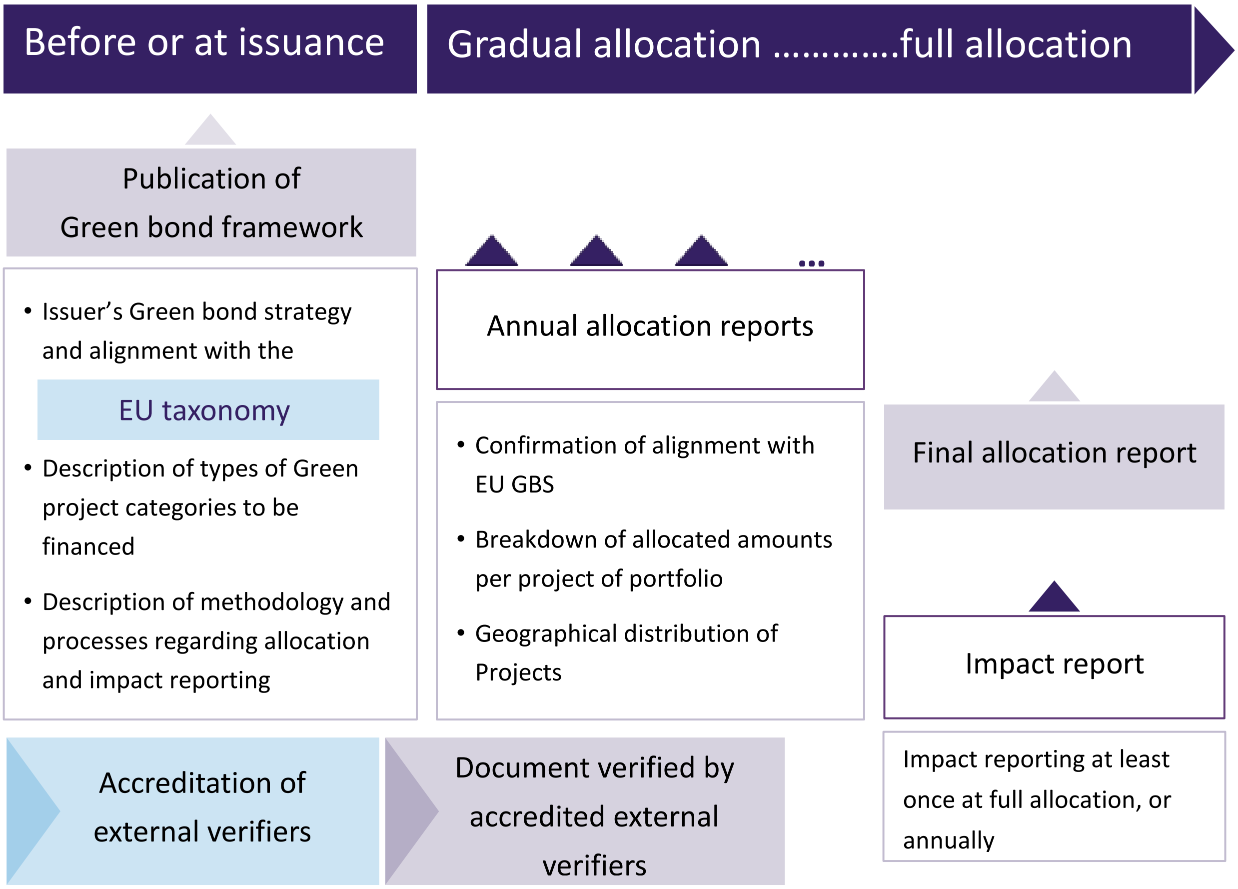
- a voluntary EU Green Bond Standard to enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market and to encourage market participants to issue and invest in EU green bonds;
- which builds on best market practices (transparency and use-of-proceeds approach);
- which is applicable to EU or international green projects and issuers.

The TEG report states that an EU Green Bond is any type of listed or unlisted bond or capital market debt instrument that is aligned with the EU-GBS and therefore meets the following requirements:

1. **Alignment of green projects with the EU-taxonomy.** Proceeds from EU green bonds should go to (re)financing projects/activities that a) contribute substantially to at least one of the taxonomy's six environmental objectives; b) do not significantly harm any of the other objectives and c) comply with the minimum social safeguards[60]. Where technical screening criteria (i.e. principles, metrics and thresholds) have been developed, green projects should meet these criteria. Green assets qualify without a lookback period and eligible green operating expenditure will qualify with a maximum of three years lookback. The use of proceeds should be specified either in the prospectus or in the final terms of the bond.
2. **Publication of a Green Bond Framework** which confirms the voluntary alignment of green bonds issued with the EU-GBS, explains how the issuer's strategy aligns with the environmental objectives, and provides details about all key aspects of the proposed use-of-proceeds, processing and reporting. For instance, the methodology and assumptions to be used for the calculation of key impact metrics are explained: i) related to the EU Taxonomy and ii) any other additional impact metric that the issuer will define for the green bonds.
3. **Mandatory reporting on use of proceeds (allocation report,** at least annually until full allocation of the bond proceeds) and on environmental impact (**impact report**, at least once at the full allocation).
4. **Mandatory verification** of the Green Bond Framework and the final allocation report by an accredited external reviewer.

[59] https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en#190618.

[60] Represented by the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, including the principles and rights set out in the eight fundamental conventions identified in the International Labour Organisation's declaration about fundamental rights and principles at work.



Source: EC https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en#190618

The TEG also made other recommendations, for example that external verifiers are formally accredited and supervised by ESMA. As this will take time, the TEG recommends the setting up of an interim, voluntary registration process for external verifiers of green bonds, for a transition period of up to three years, in close cooperation with the EC. Such a voluntary interim registration scheme should define robust criteria for verifiers, operate a registration process, keep and maintain a public register and inform the EC and ESMA about the lessons learned.

While the use of the EU-GBS is voluntary, the use of the term 'EU green bond' is only permitted when all components of the EU-GBS are satisfied.

The AFM endorses the main objective of the action plan, which is the effort to achieve greater clarity, consistency, uniformity and transparency in sustainable finance. Issues relating to the provision of information, the duty of care and reporting requirements are at the heart of the supervisory mandate of the AFM. We expect that the AFM will play an important role in the supervision of compliance that will follow the implementation of the legislative proposals under development on the basis of the action plan.

4. Implications for AFM supervision

The growth of the sustainable bond market in the Netherlands will also have implications for AFM's supervision activities. The AFM is committed to promoting fair and transparent financial markets and contributes to sustainable financial well-being in the Netherlands. In that respect, disclosure is an important means of meeting these core objectives: there should be full, accurate and timely disclosure to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses, and prospects of the issuer. Reliable and more comparable ESG disclosure may enable market participants to consider sustainability-related matters in their investment decisions and may improve the pricing mechanisms for sustainability-related risks and sustainable investments.

The AFM strives for more transparency both at the initiation (prospectus approval process) and during the lifetime of a sustainable bond (supervision of the financial reporting – including non-financial information and market abuse supervision). In addition, the AFM will focus on malicious parties who are enticing prospective investors with doubtful sustainable investment propositions and/or who participate in greenwashing.

4.1 Prospectus supervision

With regard to prospectus supervision, the AFM is striving for more transparency regarding items such as the use of proceeds, allocation and impact reporting. An example of this is the AFM/AMF-position paper[61] on green bonds in prospectuses, which recommended that if an issuer chooses to qualify its bond issuance as 'green', the prospectus should include additional information regarding the use of proceeds, the selection of funded projects and the management of proceeds. This position paper aims to contribute to the current debate at European level with respect to the content of prospectuses for green bond issuances and further regulation about this.

The AFM has noticed that over the last few years and especially just recently, not only more information but also more specific information, such as eligible projects, management of proceeds or intention to publish an impact report, is included in the prospectuses for sustainable bonds. This increase in transparency is a favourable development.

However, if no further information about the sustainable bonds is included in the prospectus or if the information is not specific enough, this could be challenged by the AFM when asking questions during the prospectus review process. Information in the prospectus needs to be specified where necessary.

In most sustainable bond prospectuses, an external review has taken place, for instance a second party opinion. The AFM noticed that currently a small group of such service providers is used by issuers and that most issuers choose the same external reviewer(s) for all their sustainable bonds.

In view of the popularity of sustainable investments, the AFM will pay even more attention to advertisements[62] concerning the offering of (sustainable) bonds. Advertisements must be correct, clear and not misleading, consistent with the information in the prospectus and they may not give a materially unbalanced impression of the information in the prospectus. For instance, if a particular sustainable or green character has been presented (prominently) in an advertisement, this must be consistent with the nature of the proposition and consistent with the information included in the prospectus. The AFM will take enforcement action if this information turns out to be incorrect, unclear or misleading.

Whereas this report focuses on large sustainable bonds (mainly >€200m), AFM's supervision is focused on all segments. From interviews and desk research, and also from the AFM's own experience supervising the sustainable bond market, it seems that especially in smaller issuances of bonds that are labelled as green, social or in similar terms, a lower degree of market integrity is a risk that has to be taken into account. In addition, the large appetite for sustainable products also attracts parties that seek to take (illegal) advantage of this popularity by setting up unfair

[61] https://www.afm.nl/en/nieuws/2019/apr/transparantie-prospectus-groene-obligaties.

[62] Advertisements may appear in the form of brochures, flyers, letters, emails, Google ads, banners, billboards, commercials, websites, interviews, etc.

business models. Recently, the AFM imposed a fine on a firm that offered investments in land for solar parks without an approved prospectus[63].

Although not the main focus of this report, retail offerings of bonds for which a prospectus may or may not be required, could also fall within the scope of supervision by the AFM relating to the Consumer Protection (Enforcement) Act. In the event of misleading and thus unfair trade practices, for instance if the proceeds of the offering are not being used in the way they should be, the AFM could take supervisory action. The AFM maintains a critical supervision of the increasingly common claims made with regard to sustainable investing.

4.2 Financial Reporting Supervision

The AFM supervises non-financial information in the management reports of listed companies. (Issuing) companies should report their non-financial information in a more relevant, balanced and comparable way and **in accordance with the Dutch Non-Financial Information (Disclosure) Decree**[64]. If necessary, the AFM may decide to make informal arrangements with a company which it needs to observe when preparing its future financial reports, or the AFM may issue a notification or recommendation[65].

The AFM encourages integrated reporting, particularly as regards honest and transparent reporting about sustainability. In this context, the AFM also refers to the European Common Enforcement Priorities (ECEPs) of ESMA. The ECEPs state that issuers and their auditors must devote special attention to non-financial information in their financial reporting[66].

4.3 Market Abuse Supervision

The AFM's market abuse supervision will continue to focus on timely disclosure of inside information (which could also include information about sustainability aspects of the issuer) and other potential aspects of market abuse, such as insider trading and possible manipulation (including publication of misleading information). As an example, if there is news which leads to a sharp reduction in the sustainability of projects (eligible assets) financed by a bond or to a sharp reduction in the ESG rating of an issuer, this might qualify as inside information. The same could hold true if post-issuance verification results in a requalification of the sustainable bonds. From research and interviews, the AFM has learned that there is a risk that issuers underestimate the sensitivity of this kind of information. In some cases (sustainable) investors will have to sell their holdings after such news, which could have a (significant) impact on the price of the bond.

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[63] https://www.afm.nl/nl-nl/nieuws/2019/mrt/boetes-zonneperceel.
[64] The statutory basis is Book 2, Section 391(5) of the Dutch Civil Code.
[65] See AFM's Supervision of financial reporting requirements: https://www.afm.nl/en/professionals/doelgroepen/effectenuitgevende-ondernemingen/financiele-verslaggeving/toezicht-fv.
[66] https://www.esma.europa.eu/press-news/esma-news/european-enforcers-focus-new-ifrss-and-non-financial-information-in-issuers%E2%80%99.

4.4 New regulatory developments

The AFM will continue to monitor new regulatory developments and will interact with market participants as part of its advisory role towards the Ministry of Finance and its contribution to the policy work of ESMA[67] and IOSCO. The AFM participates as an active member in these groups and works towards the further promotion of its ideas in these areas in Europe. Cooperation with other supervisors is also essential for effective problem solving. The AFM identifies like-minded international partners for collective actions and to learn from each other.

To the extent that ESMA receives a mandate to prepare implementing regulation, the AFM as a member of ESMA will contribute actively to the drafting of the rules.

The AFM also cooperates closely with other competent authorities, such as DNB and other EU supervisors within ESMA[68]. In May 2019, ESMA established a Coordination Network on Sustainability to foster the coordination of national competent authorities' work regarding sustainability. This, in turn, has come about from developments at EU level (see the April 2019 EU press release[69] which stated that the ESAs[70] are tasked with monitoring the developments of ESG factors and to take into account these factors in all their activities).

As a member of the Sustainable Finance Network (SFN) of IOSCO[71], the AFM, together with the majority of the board members, supported IOSCO in taking a 'driving role' in facilitating alignment of third party frameworks, highlighting the lack of consistent ESG taxonomies and disclosure frameworks which hinder comparability and raise investor protection issues. Furthermore, the SFN proposes to focus its engagement on promoting internationally more coherent and aligned standards and frameworks of climate change and other ESG-related disclosures by issuers. In this context, the SFN could also assess the rationale for IOSCO to endorse one or more disclosure standards.

The AFM will continue to seek active dialogue with market participants (as it has realised, for instance, in the run-up to this report) in order to keep abreast of important developments in this market and their impact on supervision.

The AFM is a member of the Sustainable Finance Platform[72]. In this platform the Dutch financial sector, supervisory authorities and government ministries work in tandem to take sustainability initiatives.

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67 See also https://www.esma.europa.eu/press-news/esma-news/esma-sets-out-its-strategy-sustainable-finance.
68 https://www.esma.europa.eu/press-news/esma-news/esma-appoints-chair-its-new-coordination-network-sustainability.
69 https://europa.eu/rapid/press-release_MEMO-19-1928_en.htm.
70 The ESAs are the European Banking Authority ('EBA'), the European Insurance and Occupational Pensions Authority ('EIOPA') and the European Securities and Markets Authority ('ESMA').
71 The Sustainable Finance Network, consisting of around 20 supervisory authorities, of IOSCO (International Organisation of Securities Commissions).
72 https://www.dnb.nl/en/about-dnb/co-operation/platform-voor-duurzame-financiering/index.jsp.

Annex 1. Dutch sustainable bonds included in this report

The table below shows the sustainable bonds that have been included in this report, ranked by announcement date until 2019.

Issuer	Announcement Date	Amount Issued	Currency	Coupon	Maturity	Rating	Bond type	External Review
Nederlandse Waterschapsbank N.V.	26-06-2014	500.000.000	EUR	0,625	03-07-2019	NR	Green Bond	CICERO
BNG Bank N.V.	06-10-2014	500.000.000	EUR	0,375	14-10-2019	NR	Sustainability Bond	Sustainalytics
FMO	13-04-2015	500.000.000	EUR	0,125	20-04-2022	AAA	Sustainability Bond	Sustainalytics
TenneT Holding B.V.	28-05-2015	500.000.000	EUR	0,875	04-06-2021	A-	Green Bond	ISS ESG
TenneT Holding B.V.	28-05-2015	500.000.000	EUR	1,75	04-06-2027	A-	Green Bond	ISS ESG
ABN AMRO Bank N.V.	02-06-2015	500.000.000	EUR	0,75	09-06-2020	A	Green Bond	ISS ESG
Nederlandse Waterschapsbank N.V.	25-08-2015	1.000.000.000	EUR	1	03-09-2025	AAA	Green Bond	CICERO
BNG Bank N.V.	27-10-2015	650.000.000	EUR	0,125	03-11-2020	AAA	Sustainability Bond	Sustainalytics
ING Bank N.V.	17-11-2015	800.000.000	USD	2	26-11-2018	NR	Green Bond	ISS ESG
ING Bank N.V.	17-11-2015	500.000.000	EUR	0,75	24-11-2020	A+	Green Bond	ISS ESG
ING Bank N.V.	21-12-2015	62.500.000	USD	2,6475	29-12-2020	#N/A N/A	Green Bond	ISS ESG
Nederlandse Waterschapsbank N.V.	18-03-2016	1.250.000.000	USD	2,375	24-03-2026	AAA	Green Bond	CICERO
Alliander N.V.	18-04-2016	300.000.000	EUR	0,875	22-04-2026	AA-	Green Bond	ISS ESG
ABN AMRO Bank N.V.	23-05-2016	500.000.000	EUR	0,625	31-05-2022	A	Green Bond	ISS ESG
TenneT Holding B.V.	06-06-2016	500.000.000	EUR	1,875	13-06-2036	A-	Green Bond	ISS ESG
TenneT Holding B.V.	06-06-2016	500.000.000	EUR	1	13-06-2026	A-	Green Bond	ISS ESG
BNG Bank N.V.	06-07-2016	1.000.000.000	EUR	0,05	13-07-2024	AAA	Social Bond	Sustainalytics
Cooperatieve Rabobank UA	04-10-2016	500.000.000	EUR	0,125	11-10-2021	AA-	Green Bond	Sustainalytics
TenneT Holding B.V.	10-10-2016	500.000.000	EUR	1,25	24-10-2033	A-	Green Bond	ISS ESG
BNG Bank N.V.	16-11-2016	600.000.000	USD	1,625	25-11-2019	AAA	Sustainability Bond	Sustainalytics
FMO	21-11-2016	8.668.000	USD	0	25-11-2026	AAA	Sustainability Bond	Sustainalytics
FMO	22-11-2016	2.700.000.000	SEK	0,75	29-11-2023	AAA	Sustainability Bond	Sustainalytics
Nederlandse Waterschapsbank N.V.	17-01-2017	3.000.000.000	SEK	0,7	25-01-2023	AAA	Green Bond	CICERO
TenneT Holding B.V.	29-03-2017	1.100.000.000	EUR	2,995	Perpetual	BB+	Green Bond	ISS ESG
Nederlandse Waterschapsbank N.V.	04-04-2017	1.250.000.000	SEK	1	11-04-2025	AAA	Green Bond	CICERO
FMO	23-05-2017	500.000.000	EUR	0,125	01-06-2023	AAA	Sustainability Bond	Sustainalytics
Nederlandse Waterschapsbank N.V.	31-05-2017	500.000.000	EUR	1,25	07-06-2032	AAA	Social Bond	Sustainalytics
Nederlandse Waterschapsbank N.V.	31-05-2017	1.500.000.000	EUR	0,25	07-06-2024	AAA	Social Bond	Sustainalytics
TenneT Holding B.V.	12-06-2017	500.000.000	EUR	0,75	26-06-2025	A-	Green Bond	ISS ESG
TenneT Holding B.V.	12-06-2017	500.000.000	EUR	1,375	26-06-2029	A-	Green Bond	ISS ESG
Nederlandse Waterschapsbank N.V.	22-08-2017	600.000.000	EUR	1,625	29-01-2048	AAA	Social Bond	Sustainalytics
Nederlandse Waterschapsbank N.V.	30-10-2017	500.000.000	USD	2,125	15-11-2021	AAA	Green Bond	CICERO
BNG Bank N.V.	02-11-2017	750.000.000	EUR	0,2	09-11-2024	AAA	Sustainability Bond	Sustainalytics
BNG Bank N.V.	04-12-2017	750.000.000	USD	2,125	14-12-2020	AAA	Social Bond	Sustainalytics
Nederlandse Waterschapsbank N.V.	17-01-2018	2.000.000.000	SEK	1,5075	24-01-2028	AAA	Green Bond	CICERO
ABN AMRO Bank N.V.	11-04-2018	750.000.000	EUR	0,875	22-04-2025	A	Green Bond	ISS ESG
Nederlandse Waterschapsbank N.V.	18-04-2018	500.000.000	EUR	1,5	27-04-2038	AAA	Social Bond	Sustainalytics
BNG Bank N.V.	14-05-2018	36.000.000	AUD	3,3	17-07-2028	NR	Green Bond	
TenneT Holding B.V.	22-05-2018	500.000.000	EUR	1,375	05-06-2028	A-	Green Bond	ISS ESG
TenneT Holding B.V.	22-05-2018	750.000.000	EUR	2	05-06-2034	A-	Green Bond	ISS ESG
Nederlandse Waterschapsbank N.V.	18-09-2018	1.000.000.000	EUR	0,125	25-09-2023	AAA	Social Bond	Sustainalytics
Royal Schiphol Group N.V.	22-10-2018	500.000.000	EUR	1,5	05-11-2030	A+	Green Bond	S&P Global Ratings
BNG Bank N.V.	23-10-2018	500.000.000	USD	3,125	08-11-2021	AAA	Social Bond	Sustainalytics
Nederlandse Waterschapsbank N.V.	05-11-2018	600.000.000	EUR	1,5	15-06-2039	AAA	Social Bond	Sustainalytics
ING Groep N.V.	08-11-2018	1.500.000.000	EUR	2,5	15-11-2030	A-	Green Bond	ISS ESG
ING Groep N.V.	08-11-2018	1.250.000.000	USD	4,625	06-01-2026	A-	Green Bond	ISS ESG
BNG Bank N.V.	19-11-2018	750.000.000	EUR	0,5	26-11-2025	AAA	Sustainability Bond	Sustainalytics
Nederlandse Waterschapsbank N.V.	26-11-2018	500.000.000	USD	3,125	05-12-2022	AAA	Green Bond	CICERO
ING Groep N.V.	19-12-2018	60.000.000	GBP	3,399	28-12-2030	NR	Green Bond	ISS ESG
BNG Bank N.V.	23-01-2019	40.000.000	AUD	2,95	31-07-2029	AAA	Green Bond	

Issuer	Announcement Date	Amount Issued	Currency	Coupon	Maturity	Rating	Bond type	External Review
Nederlandse Waterschapsbank N.V.	30-01-2019	1.000.000.000	EUR	0,625	06-02-2029	AAA	Social Bond	Sustainalytics
FMO	11-02-2019	500.000.000	USD	2,75	20-02-2024	AAA	Green Bond	Sustainalytics
LeasePlan Corp N.V.	28-02-2019	500.000.000	EUR	1,375	07-03-2024	BBB	Green Bond	Sustainalytics
ING Groep N.V.	18-03-2019	138.000.000	EUR	1,625	21-03-2029	A-	Green Bond	ISS ESG
Netherlands Government Bond	08-04-2019	5.985.004.000	EUR	0,5	15-01-2040	NR	Green Bond	Sustainalytics
ABN AMRO Bank N.V.	08-04-2019	750.000.000	EUR	0,5	15-04-2026	A	Green Bond	ISS ESG
Koninklijke Philips N.V.	15-05-2019	750.000.000	EUR	0,5	22-05-2026	BBB+	Green Bond	Sustainalytics
Vesteda Finance B.V.	16-05-2019	500.000.000	EUR	1,5	24-05-2027	NR	Green Bond	Sustainalytics
TenneT Holding B.V.	20-05-2019	500.000.000	EUR	0,875	03-06-2030	A-	Green Bond	ISS ESG
TenneT Holding B.V.	20-05-2019	750.000.000	EUR	1,5	03-06-2039	A-	Green Bond	ISS ESG
Nederlandse Waterschapsbank N.V.	20-05-2019	1.000.000.000	EUR	0,125	28-05-2027	AAA	Social Bond	Sustainalytics
BNG Bank N.V.	28-05-2019	400.000.000	AUD	1,9	26-11-2025	AAA	Sustainability Bond	Sustainalytics
Alliander N.V.	17-06-2019	300.000.000	EUR	0,875	24-06-2032	NR	Green Bond	ISS ESG
Koninklijke Ahold Delhaize N.V.	19-06-2019	600.000.000	EUR	0,25	26-06-2025	BBB	Sustainability Bond	Sustainalytics
Nederlandse Waterschapsbank N.V.	02-07-2019	200.000.000	SEK	0,125	09-07-2025	AAA	Green Bond	CICERO
de Volksbank N.V.	09-09-2019	500.000.000	EUR	0,01	16-09-2024	A-	Green Bond	ISS ESG
PostNL N.V.	16-09-2019	300.000.000	EUR	0,625	23-09-2026	NR	Green Bond	Sustainalytics
Nederlandse Waterschapsbank N.V.	23-09-2019	500.000.000	EUR	0	02-10-2034	AAA	Green Bond	CICERO
BNG Bank N.V.	07-10-2019	1.000.000.000	USD	1,5	16-10-2024	AAA	Green Bond	Sustainalytics
Cooperatieve Rabobank UA	22-10-2019	750.000.000	EUR	0,25	30-10-2026	A	Green Bond	Sustainalytics
Stedin Holding N.V.	07-11-2019	500.000.000	EUR	0,5	14-11-2029	NR	Green Bond	ISS ESG
BNG Bank N.V.	13-11-2019	750.000.000	EUR	0,05	20-11-2029	AAA	Sustainability Bond	Sustainalytics

Source: AFM/Bloomberg

Annex 2. Glossary

Please find below a list of terms that the AFM has used in this report

Accreditation: The formal recognition by an independent body, generally known as an accreditation body, that a certification body operates according to international standards.

AFM: The Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten).*

AMF: The *Autorité des Marchés Financiers*, the French supervisory authority.

CBI: Climate Bonds Initiative; an international investor-focused, not-for-profit organisation working to mobilise the $100tn bond market for climate change solutions. The mission focus is to help drive down the cost of capital for large-scale climate and infrastructure projects and to support governments seeking increased capital market investments to meet climate goals.

Certification: An issuer can have its sustainable bond, associated sustainable bond framework or use of proceeds certified against a recognised external sustainable standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

ESG: Environmental, social and (corporate) governance. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities in which it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

ESG Rating: An ESG rating helps investors identify environmental, social and governance (ESG) risks and opportunities within their portfolio. Most ESG ratings score companies on a particular scale according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to peers.

ESMA: European Securities and Markets Authority: ESMA is an independent EU authority that contributes to safeguarding the stability of the European Union's financial system by enhancing the protection of investors and promoting stable and orderly financial markets.

ETF: Exchange Traded Fund.

EU-GBS: EU Green Bond Standard[73]: The EU is consulting a new, green bond standard.

EU Taxonomy[74]: Proposed EU classification system for sustainable activities to help investors and companies identify environmentally friendly economic activities.

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[73] https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-green-bond-standard_en.pdf

[74] https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_fr#190618.

Green Bonds: As yet there is no common definition, but typically green bonds enable capital-raising and investment for new and existing projects with environmental benefits.

Greenium: Difference in yield between green and other bonds (usually a few basis points). Due to scarcity, green bonds could possibly be priced more tightly than conventional bonds.

Greenwashing: This refers to the misrepresentation of projects' green or sustainable aspects, objectives or impact. In other words, the practice of making unsubstantiated or misleading claims about the sustainability characteristics and benefits of an investment product.

ICMA: International Capital Market Association[75]. ICMA has published the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.

Lookback period: the past period during which projects might still be eligible to be financed by the sustainable bond.

Prospectus Regulation: Prospectus Regulation (EU) 2017/1129 of 14 June 2017 concerning the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

SDG Bonds: Sustainable Development Goal Bonds: bonds with a strict accountability of the use of proceeds for eligible green, social, or climate activities and a link to the SDGs and bonds issued by companies that have adopted a corporate-level strategy to contribute to the SDGs and which are committed to providing accountability for the general use of funds and corporate-level SDG impacts.

Social Bonds: Bonds that raise funds for new and existing projects with positive social outcomes.

Sustainability Bonds: (in our definition, this is a subcategory of *sustainable* bonds). Bonds where the proceeds will be exclusively applied to financing or re-financing a combination of both green and social projects.

Sustainable Bonds: in this report, the term Sustainable Bonds is used to include green, social, sustainability, impact, blue, ESG, SDG and similarly labelled bonds. In our research and discussions with market participants, the AFM learned that there is not yet a formal definition of 'sustainable', 'social' or 'green'.

SPO (Second Party Opinion): An institution with environmental/social/sustainability expertise that is independent of the issuer may issue a Second Party Opinion. This normally entails an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental and/or social sustainability, and an evaluation of the environmental and/or social features of the type of projects intended for the use of proceeds.

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[75] https://www.icmagroup.org/green-social-and-sustainability-bonds/.

United Nations Sustainable Development Goals / SDG: The 17 Sustainable Development Goals are the United Nations' blueprint to achieve a better and more sustainable future.

Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental/social/sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from green, social or sustainability bond proceeds, statement of environmental and/or social impact or alignment of reporting with the Principles, may also be termed verification.

Annex 3. Contacted parties

Role	Name
Issuers	• FMO • Schiphol Group • State of the Netherlands (DSTA)
Investors	• Actiam • Aegon AM • APG • NNIP • PGGM • Robeco • Triodos
Structuring Banks	• ABN AMRO • ING • RABO
Data/SPO/ research provider	• ISS ESG • Sustainalytics
Investment consultant	• Phenix Capital
Other	• Climate Bonds Initiative • DNB • ICMA • Ministry of Finance • VEB

The Dutch Authority for the Financial Markets

T +31(0)20 797 2000 | F +31(0)20 797 3800

PO Box 11723 | 1001 GS Amsterdam

www.afm.nl