

The background of the slide is a photograph of a dry, cracked earth landscape under a sunset sky. The foreground is filled with a dense pattern of polygonal cracks in the dry soil. In the middle ground, there are several low, green, bushy plants scattered across the cracked earth. The horizon is visible in the distance, with the sun setting just above it, creating a warm orange and yellow glow. The sky is a deep blue with some wispy white clouds.

Financial Perspective on Upscaling Building with Nature  
Ecoshape Conference  
*Utrecht, 27 June 2018*

# Agenda

ACTIAM and sustainability

1

How do we assess sustainable financing?

2

Which knowledge/insights do investors miss?

3

Your opinion!

4

# Introduction

- ACTIAM delivers investment solutions with maximum long term financial, environmental and social returns
- ACTIAM believes that the financial sector has a fiduciary duty to facilitate the transition to a sustainable society. We see technology as the key driver for change in our industry
- Euro 57 bln. AuM
- 1 ESG fundament
- 100% of the rated funds receive 4 or 5 Morningstars

Our investment  
flavours

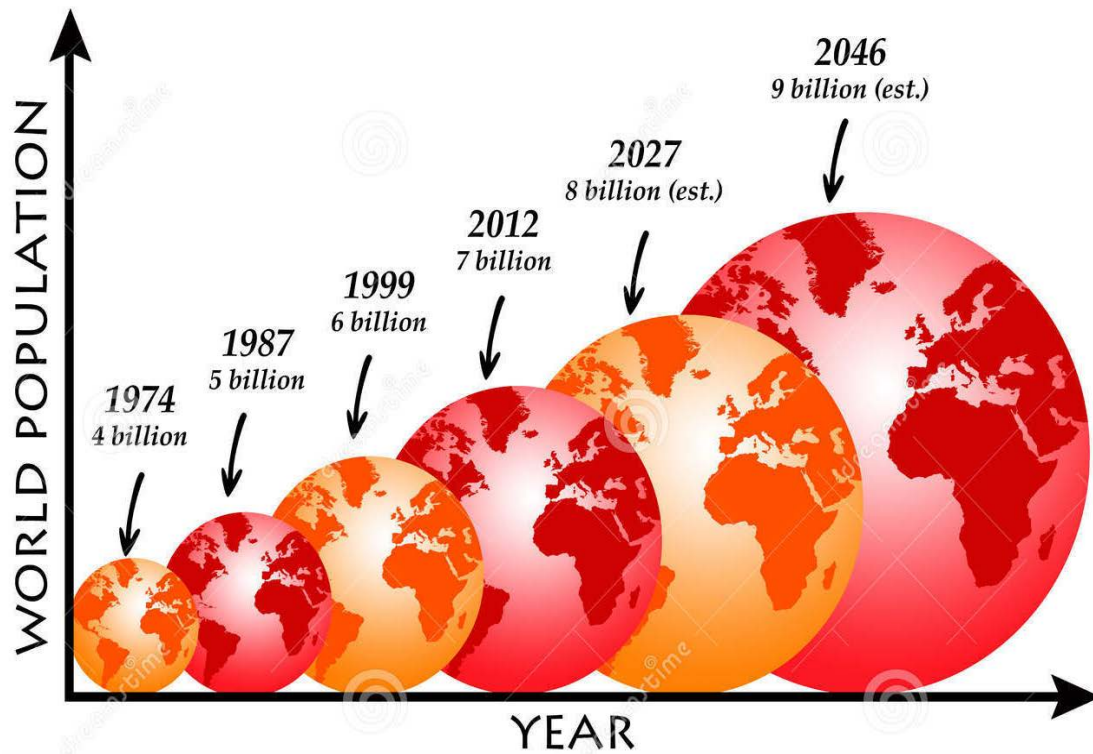
Responsible  
investment

Sustainable  
investment

SDG Impact

Direct Impact

# 1 Population growth and increasing material demands



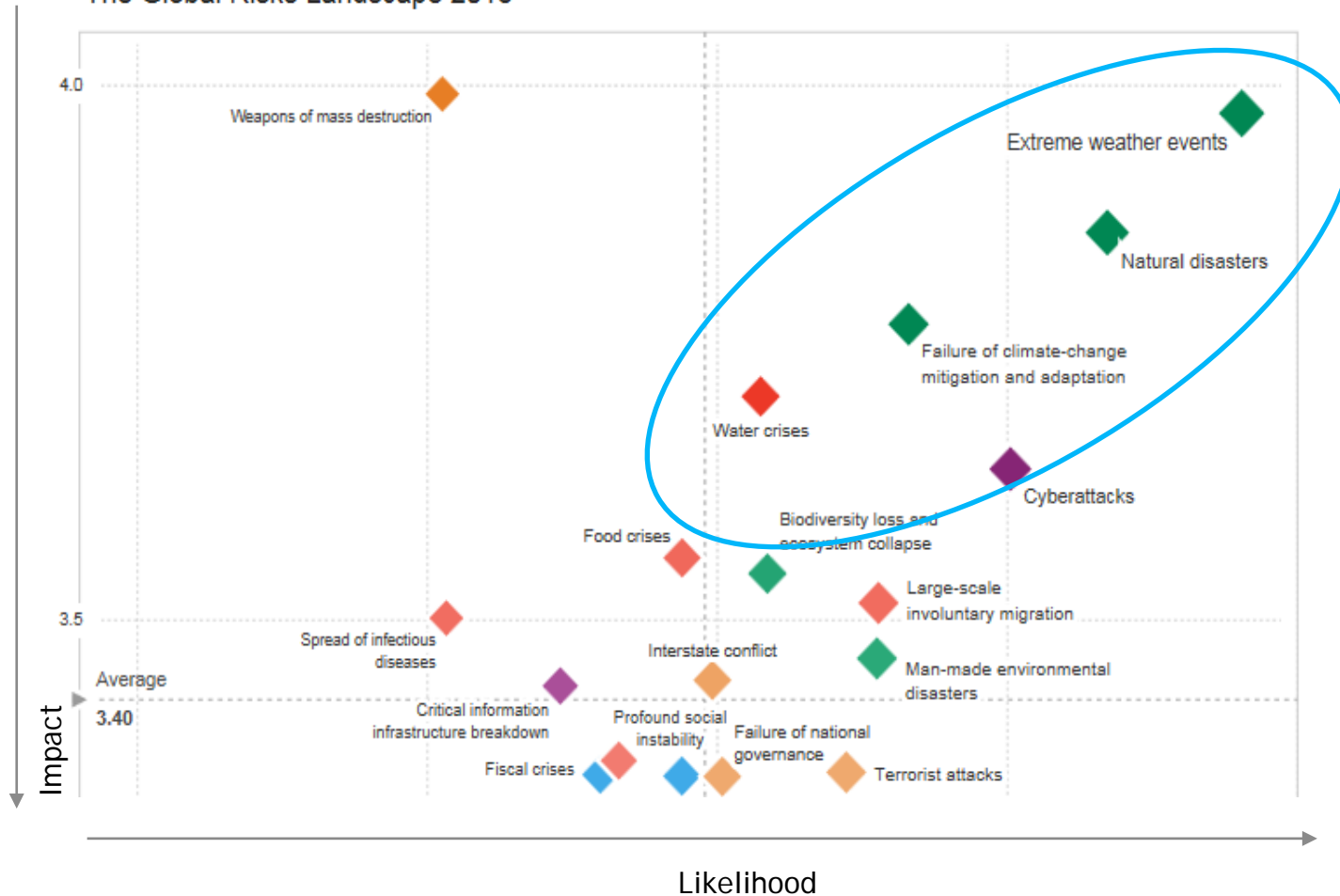
*'In our supervision we stimulate the financial sector to understand the sustainability-related risks and where necessary mitigates'.*

**With a population of 8.3 billion people by 2030, we'll need:**



# 1 Macro-economic opportunities and risks

The Global Risks Landscape 2018



Top 5 Global Risks in Terms of Likelihood

	2008	2018
1st	Asset price collapse	Extreme weather events
2nd	Middle East instability	Natural disasters
3rd	Failed and failing states	Cyberattacks
4th	Oil and gas price spike	Data fraud or theft
5th	Chronic disease, developed world	Failure of climate-change mitigation and adaptation

Source: WEF Global Risks Landscape (2018)

# What is ACTIAM's aim?

## Our starting points

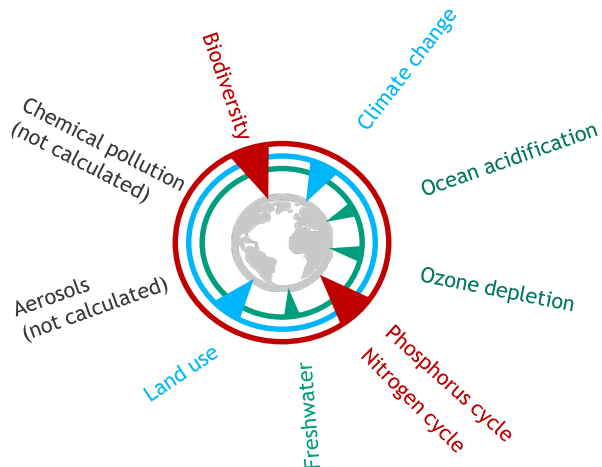
Change in the real economy

Financial materiality

Contribution to the SDGs

Within the planetary boundaries

Science-based approach



## Three focus themes and targets



Climate

-40% GHG emissions in 2040



Water

Water-neutral in 2030



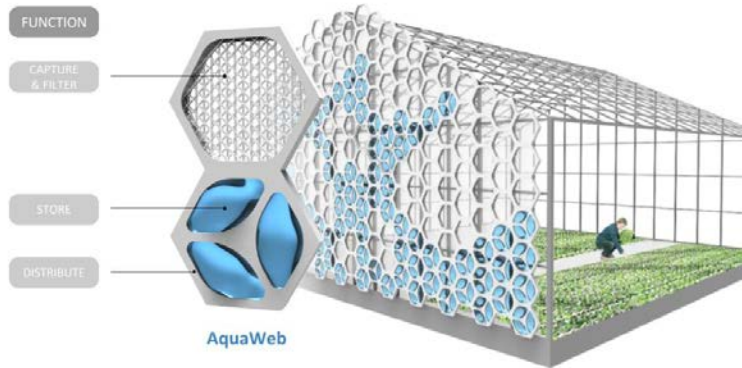
Land

Zero deforestation in 2030

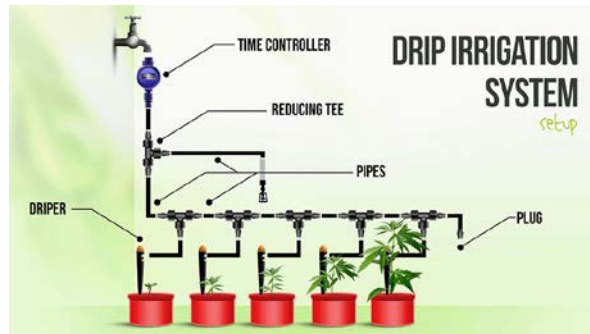
## Addressing SDGs



## 2 How can we invest sustainably?



Water collection systems



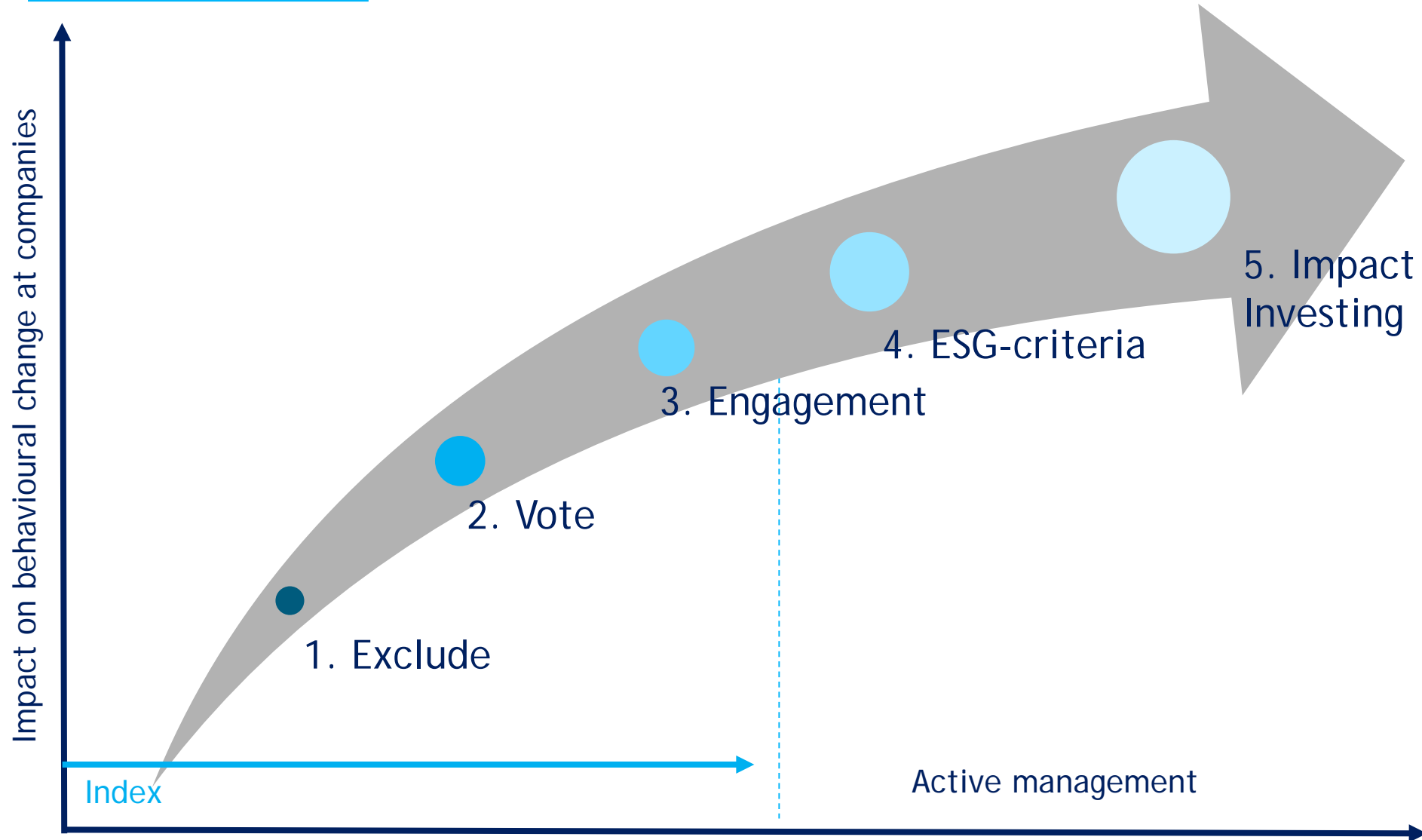
Drip irrigation technologies

New solutions with  
environmental, social and  
financial returns





## 2 Criteria for sustainable performance



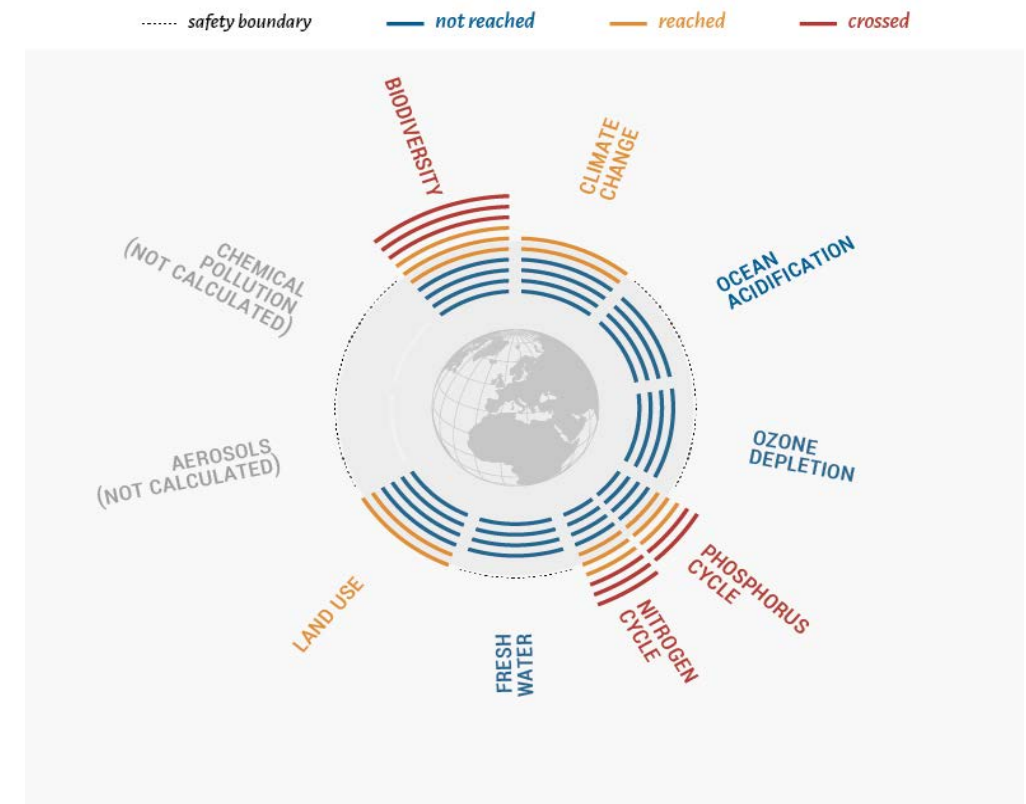


# Futureproof: SDGs and planetary boundaries

Measurement and steering based on the SDGs

Measurement and steering on 'planetary boundaries'

## SUSTAINABLE DEVELOPMENT GOALS



## Our criteria for financial performance



- Risk/return profile of the investment



- Benchmark against alternatives



- Commitment and/or intention of other investors (for certain financial instruments)

## 2 What other aspects do investors consider?

- Nature of the issuer
- Performance/track record of the issuer
- Scalability or size of the investment
- Additionality of the investment, so not purely refinancing

Specific questions:

- How does the financial instrument fit the *broader strategy* of the issuer?
- To what extent does the instrument concern a *green or social* project?

Example: green bond project



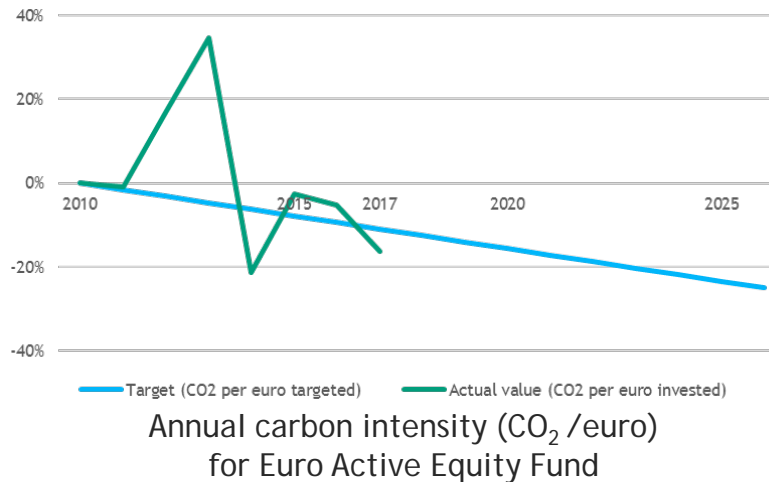
EUR 500 MN investment in green projects e.g. windmill park

1.000 households supplied with wind energy

# Footprinting: going beyond a paper reality

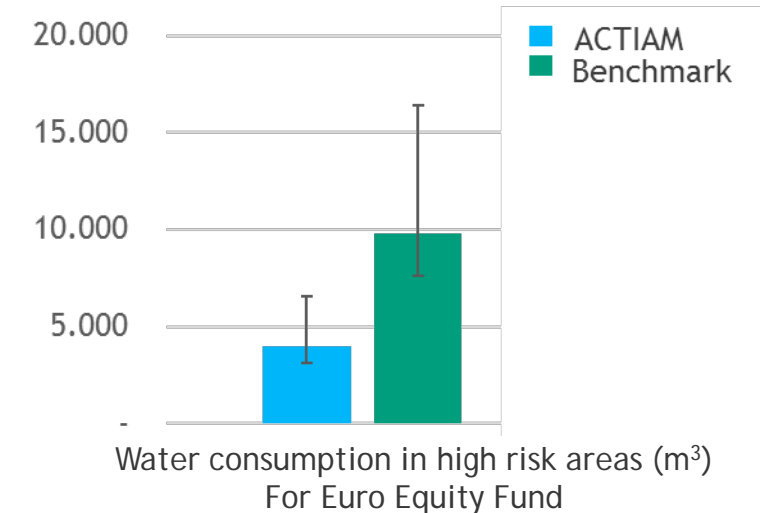
## Carbon footprint

What is the impact of our assets on climate change?



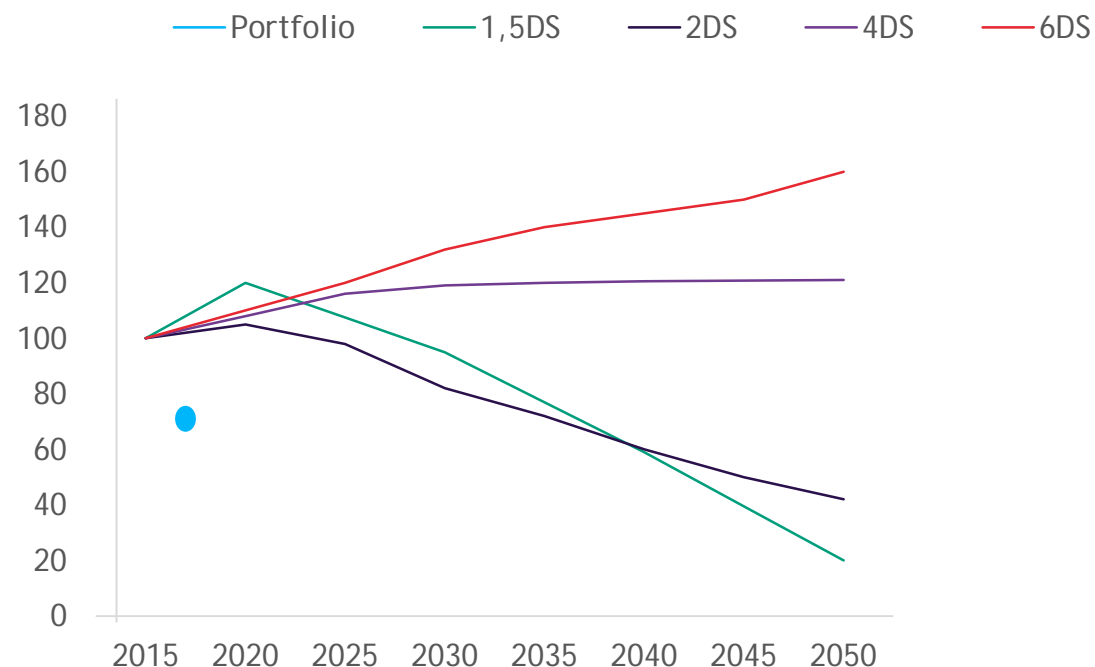
## Water footprint

What is the impact of our assets on freshwater consumption in high risk areas?

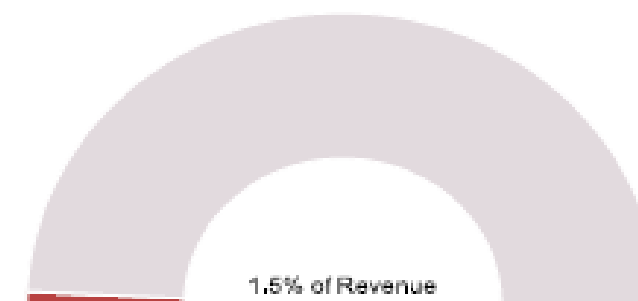


## 3 But footprinting is not enough: scenario analysis

Portfolio carbon risk exposure



Financial sensitivity to global \$10 carbon price

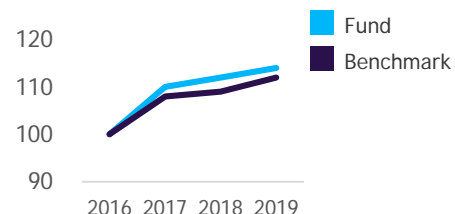


Cost of Carbon	
1.5% Revenue	55.3% Net Income

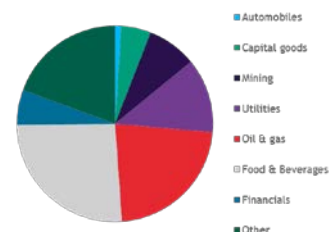
3

# Moving from insight to impact

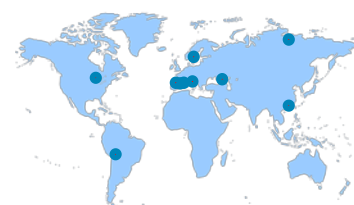
## Financial Performance



## Sector breakdown

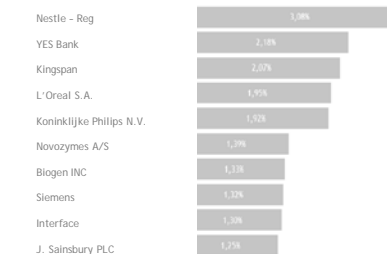


## Country breakdown



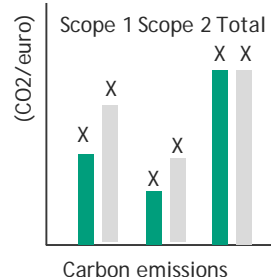
Select:  
☒ Investments  
☐ Engagements  
☐ Voting

## 10 largest holdings



## Planetary boundaries performance

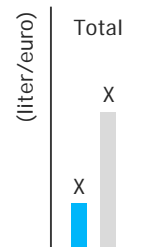
### Climate change



Carbon emissions

■ Portfolio  
 ■ Benchmark

### Freshwater consumption in high risk areas

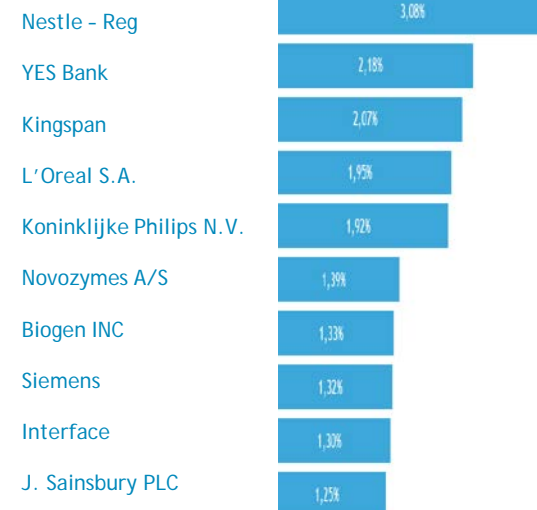


Water consumption

■ Portfolio  
 ■ Benchmark

## Social and environmental performance

### Top 10 companies (freshwater consumption)



### SDG



### Portfolio

### Benchmark

XXXX

XXXX

liter water/year

XXXX

XXXX

jobs created/year

XXXX

XXXX

mn. ton waste recycled/year

XXXX

XXXX

ton CO2/year  
 # houses electricity consumption/ year

### 3 Challenges and trends on sustainability knowledge

#### Challenges

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#### Trends

---

##### Impact measurement

For example standardized measure to assess the impact of land degradation or biodiversity reduction

Platform for Biodiversity Accounting of Financial Institutions (PBAFI) and other international organisations like WRI are working on this

##### Data availability

Many companies lack data on specific impacts

Standardized reporting for example by engaging companies through CDP questionnaire

##### Conservation/restoration finance

Scalability of projects with a positive impact on natural capital so they match risk/return profile of institutional investors

Several initiatives work on this to launch new forms of bonds and close the knowledge gap between conservation organisations and finance institutions, e.g. CPIC



## 3 Knowledge building and standard setting

### Sector-wide uptake



### Impact measurement



### Knowledge sharing across sectors



## Your opinion!

Statement 1: Building with Nature projects can never generate a financial and societal outperformance compared to projects that do not integrate this philosophy

- Yes
- No
- I don't know

## 4 Your opinion!

Statement 2: Building with Nature projects can never be sufficiently sizeable and scalable for institutional investors to step in

- Yes
- No
- I don't know

## Questions?

How can stakeholders collaborate to make Building with Nature projects more attractive to (institutional) investors?

- Make sustainable performance of projects measurable
- Make the financial solution scalable
- Stimulate knowledge of this type of projects



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# Backup

# 1. Exclude

- Last resort, because you lose your possibility to influence
- Example: threshold 15% of revenue from coal mining activities.

**Actiam excludes coal mining investments**



Dutch SRI-focused asset manager Actiam has announced it is excluding coal mining companies from all its portfolios and index funds, effective immediately.



## 2. Voting

### **ACTIAM supports the Follow This sustainability resolution**

#### **Shell shareholders called upon to support green resolution**

ACTIAM is supporting the sustainability resolution of Follow This. The resolution calls on Shell shareholders to take a leading role in the transition to renewable energy. Ambitious objectives need to be defined and published, with the ultimate goal of reducing greenhouse gas emissions in line with the Paris Climate Agreement.

Dennis van der Putten, Head of Responsible Investment at ACTIAM: 'Shell has a large store of human capital which it can use to further energy transition.' A good first step, according to Van der Putten, is the fact that Shell includes the company's CO2 emissions in the variable remuneration paid to managers. 'Just like Follow This, we hope that an innovative company like Shell will take the transition to renewable energy seriously and that it will take an ambitious approach to climate change, with the objective of restricting global warming to 2 degrees Celsius. This is why we will vote in favour of the resolution at Shell's upcoming shareholders' meeting.'



### **Shell will make plan for the energy transition**

June 29<sup>th</sup> 2017 – Shell announced today that the oil- and gas company will make a plan for the energy transition towards a net-zero emission energy system.

"I agree that companies should be clear about how they plan to be resilient in the energy transition," says Shell-CEO Ben van Beurden in a [...]

### 3. Engagement

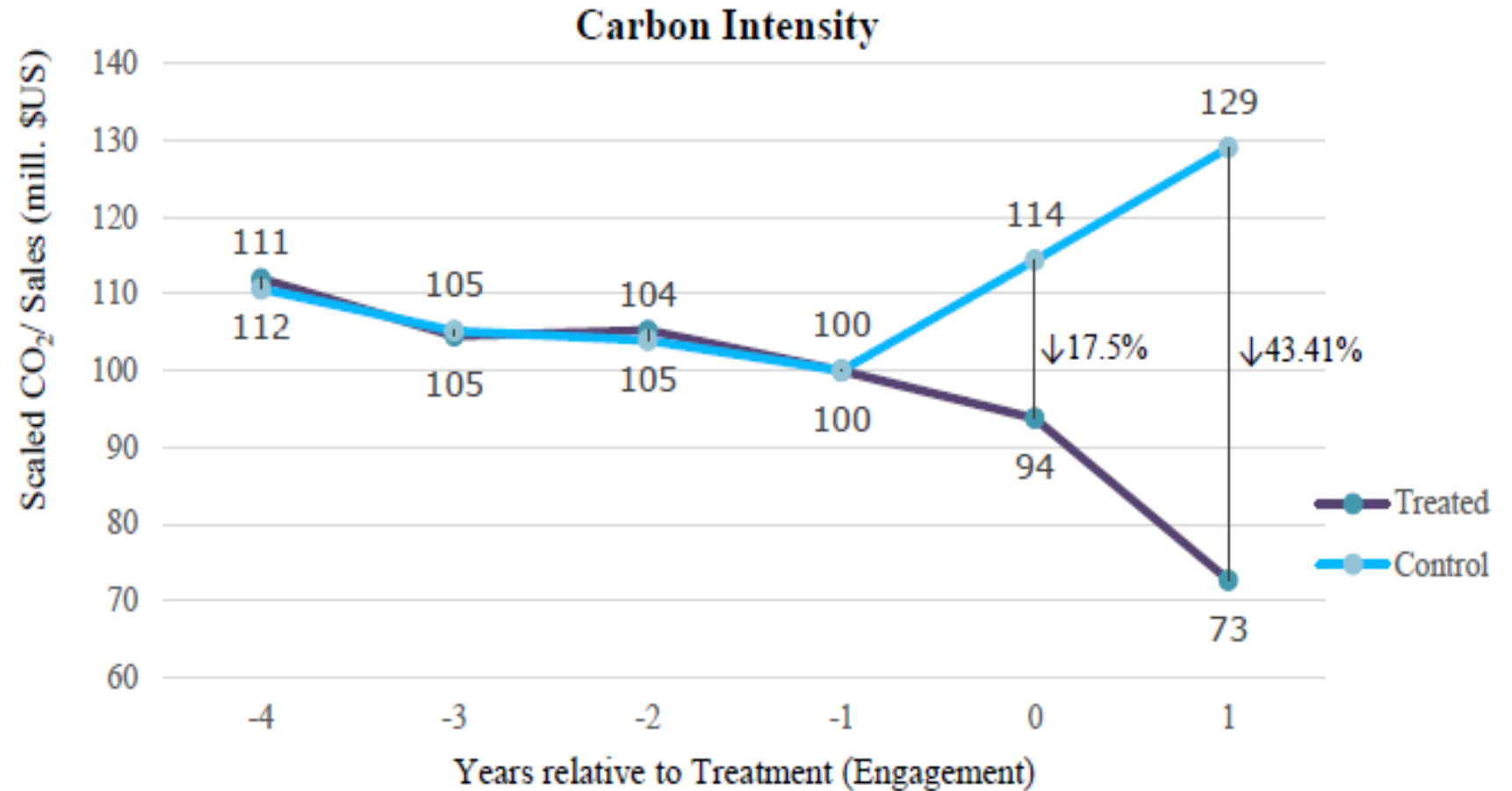
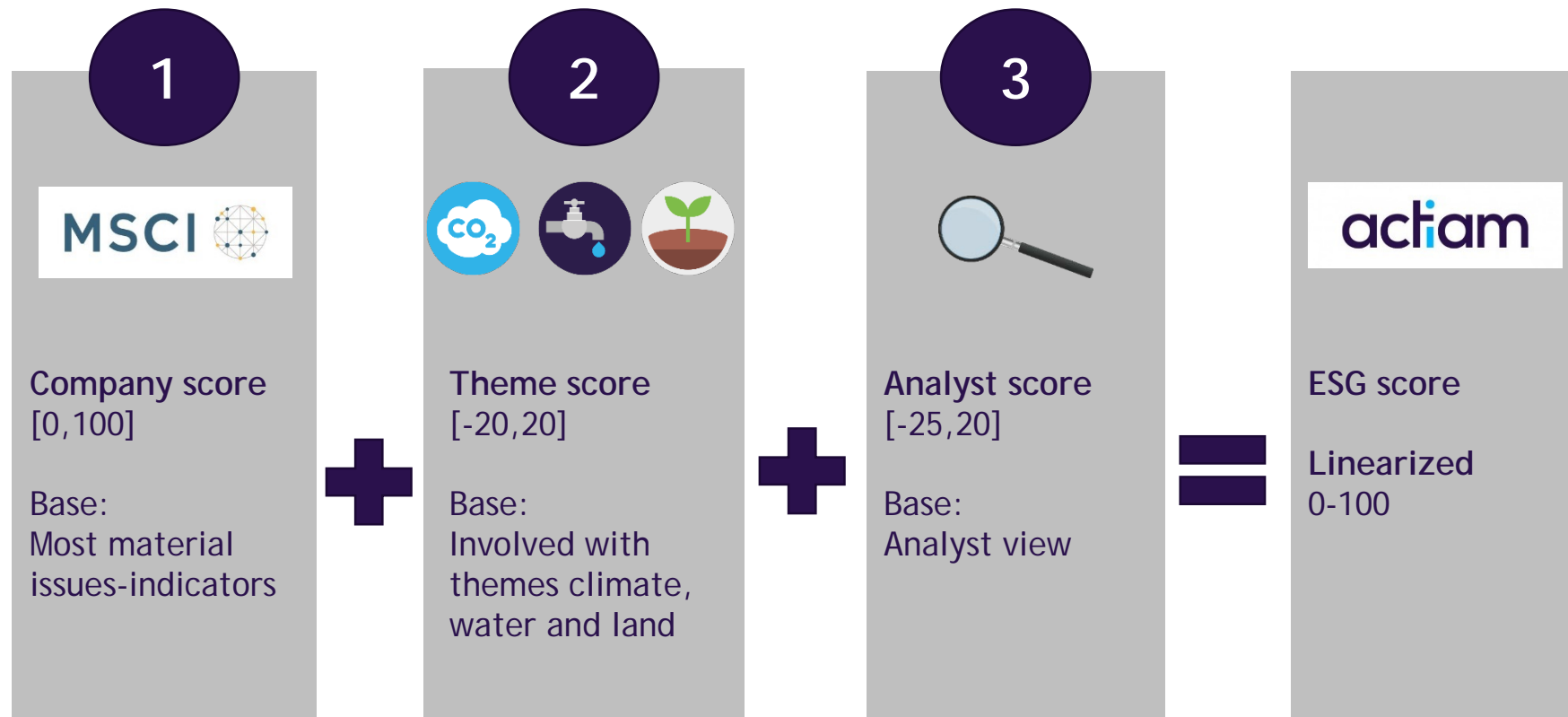


Figure 7: Carbon Intensity group-specific trends across treated and control companies, N=35

## 4. ESG integration



### Example ESG scores

<b>Vestas</b>	100
<b>Pattern</b>	86
<b>TOTAL</b>	31
<b>bp</b>	1

## 5. Investing with impact: Green Bonds

### Green bond project

### Output/impact



EUR 500 MN investment in green projects e.g. windmill park

1.000 households supplied with wind energy



Green loans for energy efficient houses and commercial real estate

5.900 MWh renewable energy per year  
7.565 tCO<sub>2</sub> reduction per year



Smart electricity network, smart meters and sustainable Alliander office

1.6 MN smart energy meters  
1.600 tCO<sub>2</sub> reduction per year



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