



VAN LANSCHOT
KEMPEN

Best practice pays off

Sustainability in Action | December 2023

Strategy

Kempen Euro Credit

E, S of G?

Environmental

Companies

Essent / E.ON

SDG



Theme

Climate transition



Anna Ferschtman
Sustainability writer



When engaging with companies, usually we address issues where we see room for improvement in terms of sustainability. But sometimes companies come to us on their own initiative. On these occasions, we see this as a great opportunity to share our knowledge and perspective, and convey best practice. But we also take care to show that sustainability is not just a task to be checked-off, but something which can truly benefit the company, also financially.

Harold van Acht, portfolio manager of the Kempen Euro Credit strategy, emphasized this during training sessions he gave to some sixty executives and other employees of the energy company Essent during their CFO townhall day.

A frontrunner in Europe

Essent, which supplies electricity to Dutch consumers, is part of the German company E.ON. The company is already fully committed to a sustainability agenda, says Van Acht. 'I see E.ON as one of the frontrunners in Europe. Ten years ago, they were heavily dependent on coal, but now their emissions are relatively very low. In 2012, E.ON emitted 90 million tons of CO₂, and currently, it is about 2 million tons.'

Germany has decided to phase out both nuclear energy and coal. Therefore, E.ON, like other major German energy producers, such as EnBW and RWE, has aligned with the energy transition in recent years. 'These are theoretically big risks for energy companies to take, but in our view, E.ON is doing well. The sessions at Essent mainly focused on accelerating Essent's green ambitions and the role they can play within E.ON.'

Acceleration can happen on multiple fronts, Van Acht told Essent. One important aspect is to have clear reporting. At Essent/E.ON, this is already at a reasonably high standard but can always be improved. 'You should think of better measurable standards and adding more metrics, for example, regarding CO₂ emissions which have been avoided.'



“

The financing costs of a more sustainable company are usually lower. Such a company is better prepared for the future and can emerge as a winner from the energy transition



Harold van Acht
portfolio manager

Direct green procurement

In order to promote sustainability, it is self-evident that companies should offer more green energy. But there are some caveats to be made here: 'Ordinary green energy is usually marked as green through green certificates. The idea is that the proceeds from these certificates are used by producers to invest further in green projects. But the latter is not always guaranteed – for example, some producers may not be able to expand or start new projects', says the portfolio manager.

'We believe that the future lies more in the direct procurement of green energy from a supplier, the so-called Power Purchase Agreements, or PPAs. Van de Bron, part of Essent, operates exactly according to this concept.' Van Acht thinks that the European energy market could move further towards this form of delivery.



Essent valued the session, as voiced by Joris van Dam, Director Risk, Accounting & Controlling: 'It is encouraging to learn why the data we gather, audit and disclose is so important to investors and, consequently to us as a firm. Especially at a time when we are busy with the year-end preparation and fulfilling the (mandatory) ESG reporting obligations.'

Benefiting from lower financing costs

There is always more that energy companies can do. 'Not everyone can afford solar panels or a heat pump. Energy companies could engage more with other enterprises and individuals to explore further greening and saving opportunities. People with a limited budget could really benefit from greater assistance from their providers.'

It is important to realise that this is not just good for sustainability, or as charity work for the company. Companies can indeed benefit from this financially, says Van Acht. 'From an investor's perspective, this is also important. The financing costs of a more sustainable company are usually lower. Such a company is better prepared for the future and can emerge as a winner from the energy transition. This is viewed positively by investors. Not all the people present at our knowledge sessions seemed to have even considered this before.'

“

Energy companies could engage more with other enterprises and individuals to explore further greening and saving opportunities.

Disclaimer

Van Lanschot Kempen Investment Management (VLK IM) is licensed as a manager of various UCITS and AIFs and authorised to provide investment services and as such is subject to supervision by the Netherlands Authority for the Financial Markets. This document is for information purposes only and provides insufficient information for an investment decision. This document does not contain investment advice, no investment recommendation, no research, or an invitation to buy or sell any financial instruments, and should not be interpreted as such. The opinions expressed in this document are our opinions and views as of such date only. These may be subject to change at any given time, without prior notice.

The value of your investment may fluctuate. Past performance provides no guarantee for the future. The figures presented are gross performance, the effect of potential fees and charges is not included. The level of the fees and charges will depend on the applied product structure, this will have effect on the net performance.



Beethovenstraat 300
1077 WZ Amsterdam
Postbus 75666
1070 AR Amsterdam

T +31 20 348 80 00
Investment Management (vanlanschotkempen.com)