

The Netherlands remains a solid investment destination

EY Attractiveness Survey
The Netherlands
June 2018



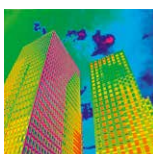
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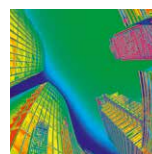
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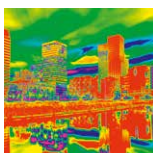
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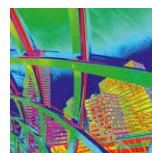
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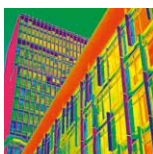
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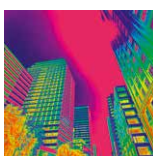
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1

The Netherlands remains a solid investment destination

INGRID ALLEMEKINDERS
PARTNER TAX



The confidence of international investors in the Dutch business climate has increased yet again this year. Although it is only a minor increase, it has added to the significant restoration of confidence in our economy since the beginning of 2017. For that reason, the optimism that we feel about our business climate in 2018 is comparable to what we felt in the record year of 2015.

Some of the Netherlands' assets as an investment country have historically been the country's quality of life, its transport and logistics infrastructure and the level of education of its employees. Its central location in Europe, political stability and robust financial sector are also key aspects that make our business climate appealing. In addition, the appreciation of the Dutch fiscal climate has meanwhile soared to record heights.

MARIJE VAN HUIS
MANAGER INTERNATIONAL
LOCATION ADVISORY SERVICES



In this regard, it is striking that the number of foreign investments that were realized in 2017 showed a decrease from 409 to 339 investment projects. This decrease seems more dramatic than the raw figures would suggest. The nuance lies in the fact that 2016 was an absolute record year for foreign direct investments. As such, with the 339 investment projects that were realized, 2017 is still in the top 4 record years over the past eight years. If we link that fact to the increase in confidence in our business climate, then we can safely say that the Netherlands absolutely continues to prove itself as an attractive investment climate. Despite the fact that investors may have taken a breather for a while, the long-term prognosis looks very healthy indeed.

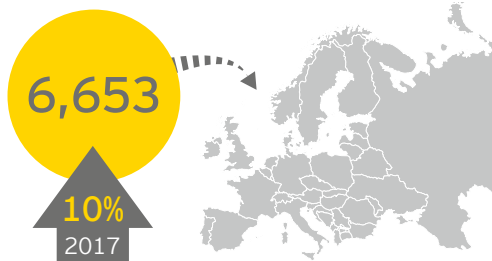
Nevertheless, there are some areas for improvement. For example, improvements could be made in the field of labor costs and the flexibility of labor laws. These aspects have been cited by investors for years as the least attractive elements of the Dutch business climate. However, this seems not to have had any major impact. This may not be the case for two other aspects. First, there is the issue of our country's digital infrastructure, of which appreciation has decreased among investors. This is something to keep in mind, given that the forecasted growth is expected to be rooted in the digital economy this year. There is a similar issue with regard to the start-up climate, which has never before reached such a low level of appreciation. For that reason, we will be focusing on these topics in greater detail in this report. We will also be looking into the impact Brexit will have on our business climate in the future. The increase of the number of head offices in the Netherlands expected by a part of the investors may very well be related to that. We conclude this report with a set of recommendations aimed at strengthening our international competitiveness and at maintaining our attractive investment climate.

339

Realized investment
projects

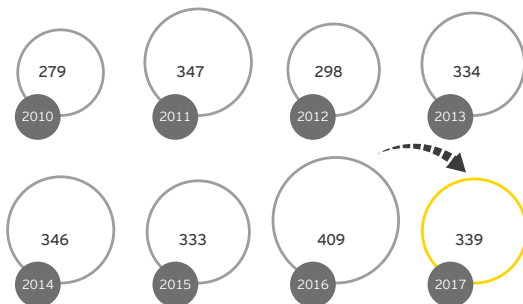
Management summary

1 Total number of foreign direct investments in Europe rises by 10% from 6,041 to 6,653



The number of European investments grew from 6,041 in 2016 to 6,653 in 2017, an increase of 10%. These investments resulted in the creation of 353,469 jobs.

2 In the Netherlands, the number of investments fell from 409 to 339

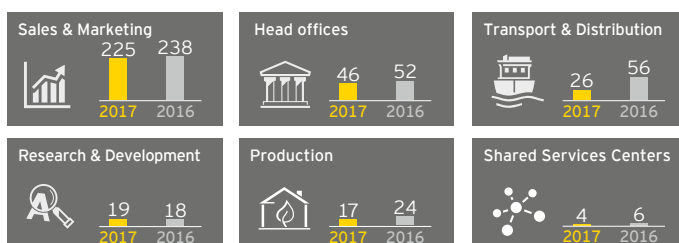


In the past year, investors took a short break to catch their breath, resulting in a decline in the number of investment projects from 409 to 339. As a result, 2017 is the fourth best investment year since 2010.

3 Sales and marketing remain in the lead

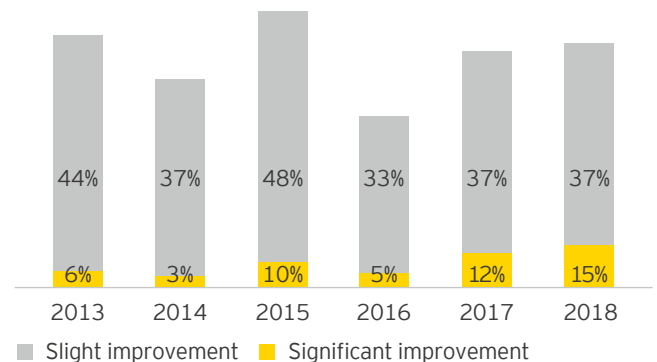
Sales and marketing offices have been able to keep up their substantial lead. In fact, with 225 projects, the share showed a further increase to no less than 66% of the total.

Foreign investments by type of facility



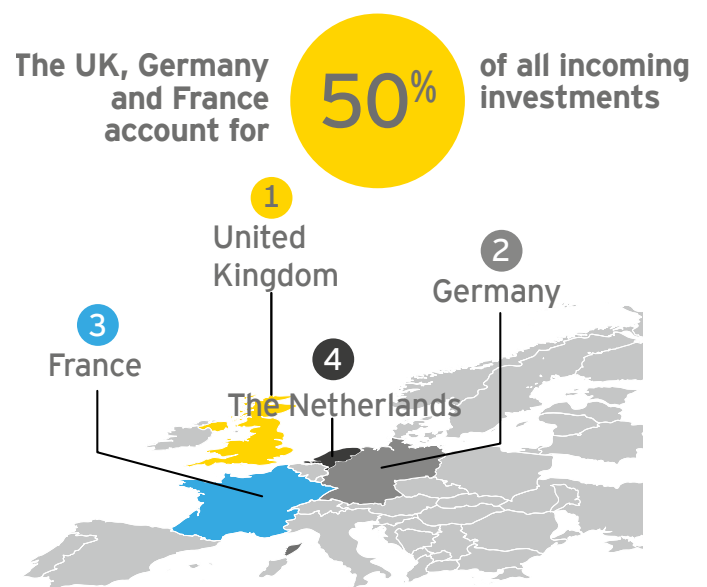
4 Confidence in the Dutch business climate continues to increase

Over the past year, the confidence of international investors in the Dutch business climate has continued to increase. Of those surveyed, 52% expect the business climate to further improve over the next three years - 3% more than one year ago.



5 Netherlands remains in the Top 4

The Netherlands continues to maintain its 4th position in the ranking of incoming investments. The United Kingdom remains in the lead, followed by Germany and France. The Top 3 accounts for 50% of all incoming European investments.



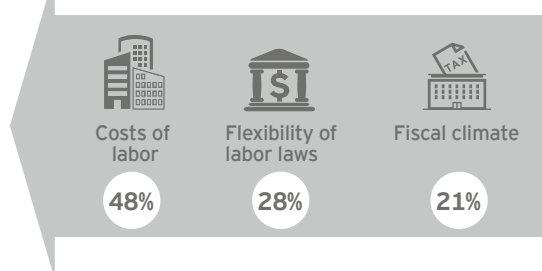
6 Top 3 strengths and weaknesses

Quality of life continues to top the list, level of education is valued slightly less, and the fiscal climate is a point of attention.

Top 3 strengths of the Dutch business climate

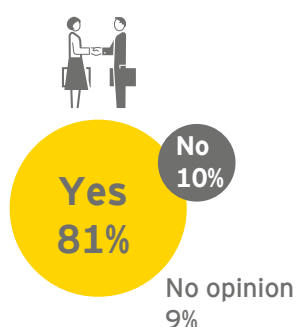


Top 3 weaknesses of the Dutch business climate



7 Appreciation of the tax climate is high, and optimism about maintaining that climate continues to rise

The confidence of international investors in the Dutch business climate is at a record high. No less than 81% of the respondents surveyed indicated to have (a lot of) confidence in the Netherlands being able to maintain its attractive tax climate, compared with 67% in 2017.



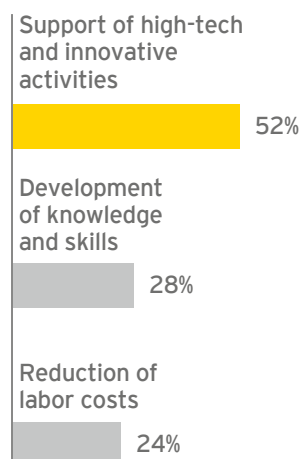
8 What should the Netherlands focus on to boost innovation?

Of the investors that were surveyed, 40% indicated that improving education and training programs aimed at new technology would make a significant contribution the Netherlands being a competitive and innovative country (previously 42%).



9 How can the Netherlands retain its competitiveness?

An overwhelming majority of 52% of respondents (in 2017: 38%) recommended supporting high-tech and innovative activities. This was followed at a substantial distance by development of knowledge and skills (28%) and the reduction of labor costs (24%).





3

Investors pause for breath after peak year

After an exceptional peak in 2016, the number of foreign investments in the Netherlands showed a decline in 2017*. Over the past year, investors took a short break to catch their breath, resulting in a decline in the number of investment projects from 409 to 339. As a result, 2017 is the fourth best investment year since 2010.

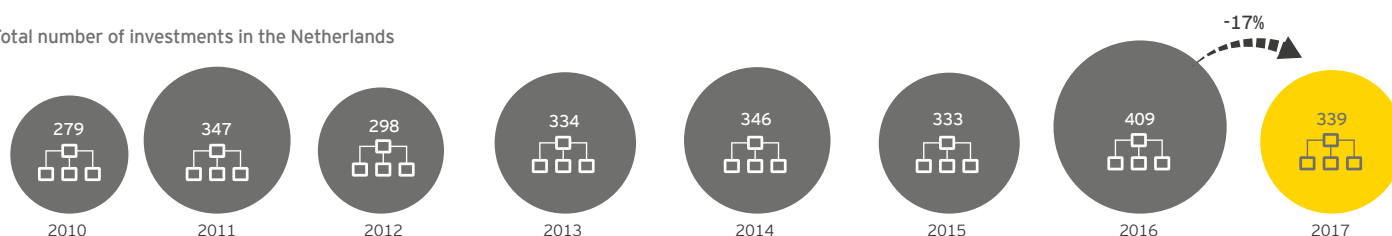
The 339 investment projects resulted in the creation of more than 8,500 jobs in 2017. In 2016, the amount of jobs created was stated at 11,500 jobs. The average number of jobs per investment saw a marginal decline from 28 in 2016 to 25 in 2017.

As in 2016, newly opened sales and marketing offices led to the largest increase of jobs in absolute numbers in 2017, nearly 3,000 jobs. On average, this would mean 13 jobs per office. In terms of the type of investment, a new shared service center on average resulted in the most jobs, 162 jobs. In 2017, our country was able to attract four such centers, two fewer than in the previous year, which may

account for the minor drop in the average number of jobs per investment. Half of these parties (the streaming service Netflix and retail company Bestseller) chose Amsterdam as their business location.

Going by sector, the wholesale and retail sector created the most employment per newly opened branch, with an average of 172 jobs per branch. In 2017, the sector accounted for nearly 1,900 new jobs, which according to the Employee Insurance Agency (UWV) primarily benefited personnel with senior secondary vocational education. In absolute numbers, however, the IT sector is the most significant source of job creation, with a total of over 2,500 new jobs (an average of 34 per branch).

Total number of investments in the Netherlands



Source: IBM Global Location Trends database, 2018

*This year, for the first time, the data used in the survey is derived from the Global Location Trends database - the database is the product of a collaboration between EY and IBM. Due to the difference in methodology, the level of investment for 2016 (and previous years) was recalculated and adjusted upwards. Please consult Chapter 7 for an overview of the methodology used.

Investments in sales and marketing dominant

In terms of types of investments, the sales and marketing offices have maintained their leading position. With 225 projects, the importance of this type of investment showed a further increase up to 66% of the total.

Despite a minor decrease (of six projects), the head offices were able to secure their second place, overtaking investments in transport and distribution. Historically, the Netherlands has held a strong position as a business location for head offices and large international organizations. Head offices provide a relatively large amount of indirect employment, for example, in the financial and legal sector, but equally in the hospitality industry and passenger transport services. In addition, they also have a positive impact on innovation, scientific research and training.

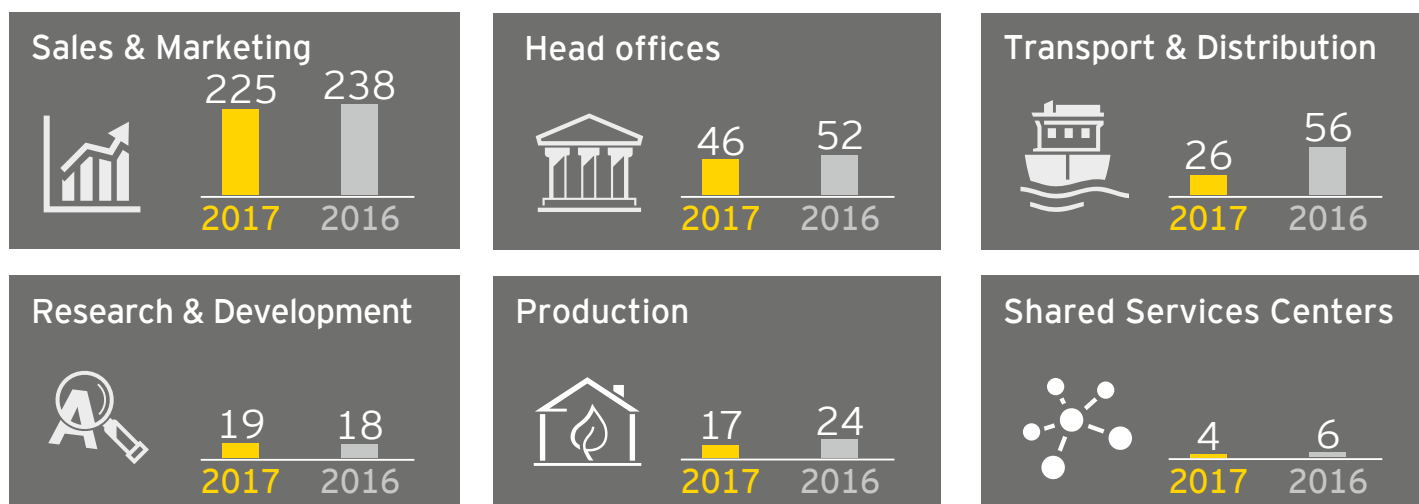
The number of investments in transport and distribution saw a sharp drop in 2017, from 56 to 26 projects (53% decrease). This could be explained by the difficulty of finding skilled personnel and the reduced availability of sites.

Nevertheless, Dutch logistics entrepreneurs are very optimistic about 2018. According to a survey carried out by the SRA, they expect an increase of domestic investment, among other things, of nearly 9%.

Outside of the Top 3, in fourth place, are the investments in R&D activities. Although the number of R&D projects did increase slightly, by a single project, no other investment type was able to produce positive growth figures.

Likewise for Europe as a whole, most investments (2,820 out of a total of 6,653 = 42%) related to sales and marketing offices. In deviation from the Dutch landscape, however, the number of investments in production companies is at a far higher level. In Europe, 30% of the total number of investments related to production facilities, compared with only 5% in the Netherlands.

Foreign investments by type of facility



Source: IBM Global Location Trends database, 2018

The IT sector remains popular, logistics takes a step back

As in 2016, the IT sector succeeded in attracting the most investments in 2017, maintaining a lead with a total of 74 projects, well ahead of the business services sector (44 projects). Although both sectors were able to maintain their position in the ranking in comparison to the previous year, both sectors lost ground. This was not the case for numbers three and four on the list, the electronics and medical/pharmaceutical sectors, which were both able to attract five projects more than in the previous year, coming to 31 and 28 investment projects respectively.

The logistics sector experienced a significant setback. Last year, the sector took third place in the rankings, but due to a drop of no less than 36%, the sector fell to sixth place in 2017. This decline fits the picture we saw previously in relation to the list of popular investment types, where logistics investments also showed a considerable drop.

While most sectors were forced to report a decline in investment projects, three sectors were able to produce positive growth figures. In addition to the electronics and medical/pharmaceutical sectors previously mentioned, the financial sector was able to wrestle its way up from its trailing position in 2016 to the second tier in 2017 with a total of 17 projects. This growth was the result of 13 marketing offices, in addition to 4 head offices (2 from the United States and 1 from Japan and the UK each).

Amsterdam continues to lead in the Netherlands, The Hague gains ground

Although the number of projects dropped by 17 in 2017, Amsterdam is once again by far the most popular Dutch city for international investors. With 152 investment projects, the capital city of Amsterdam accounted for 45% of the investment volume a 5% increase from 2016. The Hague and Rotterdam took joint second place, trailing at a substantial distance with 42 projects each. Although these positions are similar to the previous year, it is striking that, whereas Rotterdam lost 18 projects, The Hague was able to gain 7. It will be intriguing to see if this trend holds up in 2018.

Most attractive cities

Which three Dutch cities are the most attractive to foreign investors?






Cities	2017
Amsterdam	152
Rotterdam	42
The Hague	42

Source: IBM Global Location Trends database, 2018

As was the case last year, Eindhoven and Utrecht took fourth and fifth place on the ranking of most popular investment cities, attracting 14 and 11 projects respectively. In comparison to the previous year, both cities saw a decline in the number of investment projects, a decrease of four projects for Eindhoven and seven for Utrecht.

Whereas most cities saw a decline in their number of projects, there were also positive exceptions. Although these related to only a handful of projects, the cities themselves, such as Tilburg (+4 projects), Roosendaal (+3) and Groningen (+3), will nevertheless have been very satisfied.

Foreign direct investments in the Netherlands by country of origin

	2016	2017
 United States	120	88
 China	41	38
 United Kingdom	33	28
 Japan	22	22
 India	10	21

Source: IBM Global Location Trends database, 2018

US investors most active, German enthusiasm abating

When it comes to the geographical origin of investments in the Netherlands, the United States continues to lead with a total of 88 projects in 2017. The US is followed by China and the United Kingdom at a safe distance, with 48 and 28 projects respectively. As a result, the Top 3 has not changed since 2017, with the fourth place (Japan, 22 projects) also remaining unchanged from previous year.

Interesting shifts are underway, however, lower down in the ranking. The number of projects from India (21) more than doubled. As a result, India has climbed up from seventh to fifth place in the ranking of international investors. Taiwan similarly made gains and rose from eleventh to seventh place with 14 projects. South Korea saw its number of projects double as well, and rose from fifteenth to ninth place, making it a new entry in the Top 10.

















Where there are winners, there are losers. The latter applies to Germany, whose number of investment projects fell to 13 - a drop of 9 projects. This led to Germany dropping to eighth place in the ranking of investors in 2017, from shared fourth place in 2016. Similarly, countries like Canada, Belgium and France were also forced to cede ground. The latter even crashed out of the Top 15. This decline is possibly the result of the stagnant French economy in 2016, of which the effects were only felt a year later.

Increased interest in Europe, with the UK leading the pack

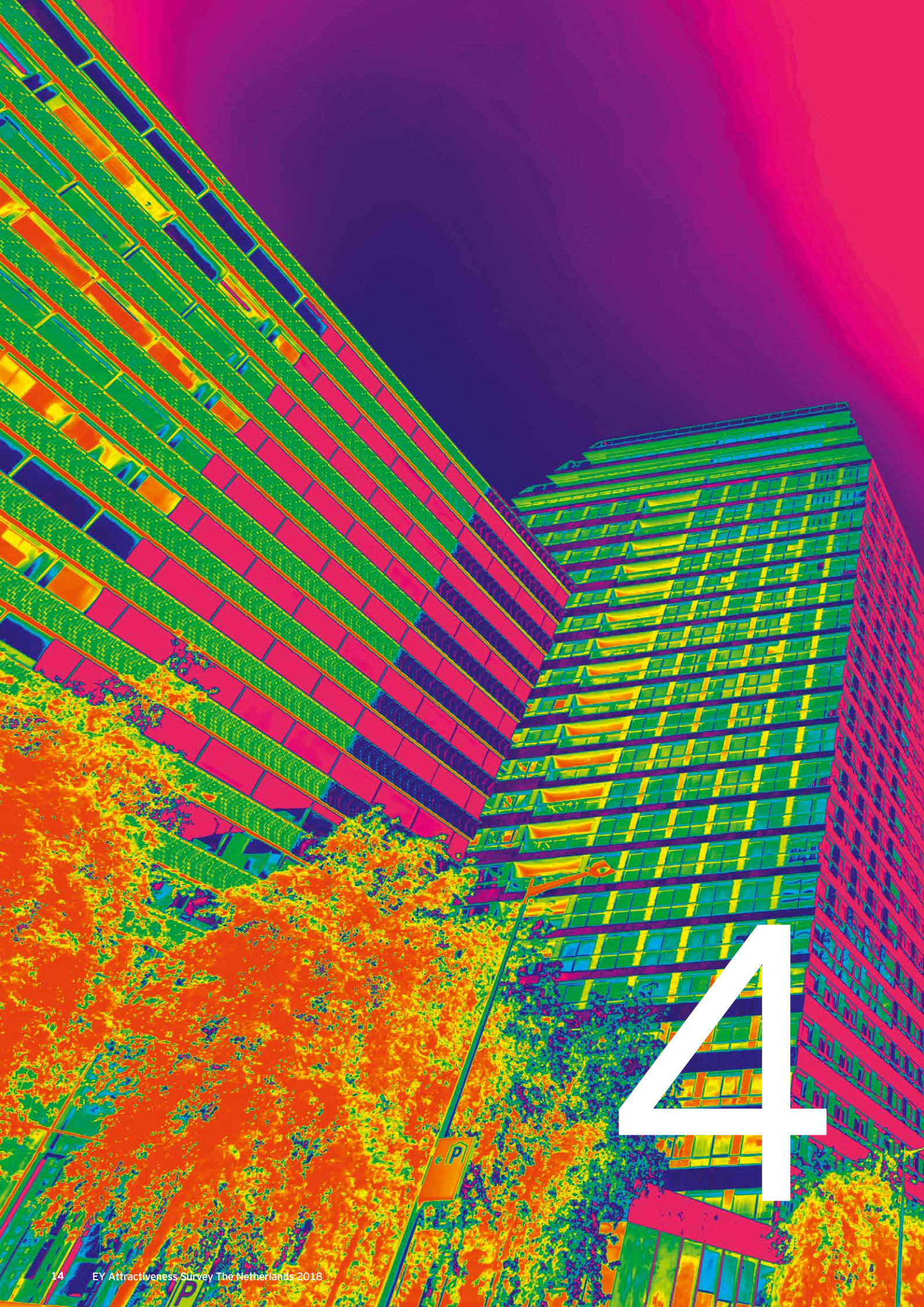
Europe's popularity as an investment destination saw a further increase in 2017. The number of investment projects grew from 6,041 in 2016 to 6,653 last year – an increase of 10%. Despite the drop in the number of investments in the Netherlands, our country was able to hold its position in fourth place in the ranking of popular European investment countries. As in 2016, the United Kingdom topped the ranking in 2017. As yet, there seem to be no adverse effects as a result of Brexit, given the rise in the number of investments by 5.9% compared with the previous year. The number of investments in Germany rose by 5.7%, resulting in Germany taking second place in the ranking.

France consolidated its position in third place on the European investment rankings. Although it occupied the same position as the previous year, France saw a spectacular growth in the number of investment projects from 779 to 1,019. This is equivalent to an increase of no less than 30.8%. Various studies have shown that France has made a comeback and is back in investors' good books.

Number of foreign investment projects in Europe

	2016	2017		Percentage report (2017 vs. 2016)
 United Kingdom	1.138	1.205	⬆	5.9%
 Germany	1.063	1.124	⬆	5.7%
 France	779	1.019	⬆	30.8%
 The Netherlands	409	339	⬇	-17.1%
 Russia	205	238	⬆	16.1%
 Spain	308	237	⬇	-23.1%
 Turkey	138	229	⬆	62.9%
 Belgium	200	215	⬆	7.5%
 Poland	256	197	⬇	-23%
 Finland	133	191	⬆	43.6%
 Ireland	141	135	⬇	-4.3%
 Czech Republic	110	134	⬆	21.8%
 Romania	132	126	⬇	-4.5%
 Serbia	46	118	⬆	156.5%
 Hungary	107	116	⬆	8.4%
 Sweden	90	108	⬆	20.0%
 Portugal	59	95	⬆	61%
 Denmark	72	86	⬆	19.4%
 Lithuania	44	74	⬆	68.2%
 Switzerland	88	71	⬇	-19.3%
 Italy	89	63	⬇	-29.2%
Other	434	533	⬆	23%
Total	6.041	6.653	⬆	10%

Source: IBM Global Location Trends database, 2018



4

Perception

Investors' confidence in the Netherlands continues to grow

Following the sharp rise (11%) in confidence in the Dutch business climate that we were able to record in 2017, we can see a further increase in that confidence among international investors in 2018. Among those surveyed, 52% of respondents expect the business climate to become more attractive in the next three years - an increase of 3% compared with the previous year. Over the last eight years, confidence was only higher in 2015.

At 61%, confidence among investors who already operate in the Netherlands is significantly higher than that of investors who are not yet based in our country (38%).

The Netherlands scores points in European terms...

At 52%, international appreciation of the Netherlands as a business location is just above the European average of 50%. France is the main source of competition, as a result of the spectacular increase in confidence the country experienced, up from 27% last year to 55% at present. It is possible that the new boost provided by the Macron government has had a positive effect in this regard. It is striking that countries such as Belgium and the United Kingdom receive a relatively low amount of confidence from investors (30%). Set against the backdrop of Brexit on the horizon, this would not seem illogical in respect of the UK, but there is currently no clear explanation as to why this is the case for Belgium.

... and so does Amsterdam

Amsterdam is not only performing very well in a national sense, but is also a highly competitive business location in European terms. Our capital has jumped up one tier to fifth place this year, surpassing Munich on the ranking of the most attractive cities for investors. Of the investors that were surveyed, 14% counted Amsterdam as one of their favorite business locations - a substantial increase (of 9%) in comparison to 2017.

Top 5 most attractive cities

Paris	2017	27%
	2018	37%
London	2017	32%
	2018	34%
Berlin	2017	25%
	2018	24%
Frankfurt	2017	16%
	2018	22%
Amsterdam	2017	9%
	2018	14%

Bron: 2018 European Attractiveness Survey

In 2018, for the first time, the ranking of the favorite European cities among investors has seen Paris, which was the runner-up the year before, take the lead. The French capital rose considerably in the estimation of investors and ousted London from first place. As such, London takes second place this year, with Berlin and Frankfurt taking third and fourth place respectively, just like last year. This could be seen as a sign of Brexit affecting the appeal of the United Kingdom as an investment location.

Investment readiness sees slight increase

This rise in confidence in the Netherlands has also translated into greater willingness to invest. In the coming year, 22% of investors intend to develop operations in our country, 2% more than a year ago. Of the companies already based in the Netherlands, 33% expect to realize an expansion of operations in the coming year. As a preferred location, our country sits in the sub-top. The larger neighboring countries (including the United Kingdom) have been more successful, whereas Belgium is considerably less popular.

In the short term, our country can mostly look forward to investments in production companies (24%). Following the European landscape, this type of investment has made a spectacular comeback in comparison to the previous year (+15%). Activities in the field of sales and marketing (20%) and R&D (11%) are also popular among investors. One striking occurrence is the significant fall in interest in logistics investment projects, which halved to 10%.

Quality of life continues to score high on the list

When prompted to list the key strengths of the Dutch business climate, "quality of life" continues to top the list time and again. Our infrastructure in the field of transport and logistics and the level of education of employees are also met with substantial appreciation from investors, in addition to the political stability of our country.

Although investors still count our digital infrastructure and the start-up climate among the seven key strengths of our business climate, appreciation for these aspects has seen a slight decrease. Although there is no need to sound the alarm quite yet, it is clear that the positive appreciation of our digital infrastructure (76%) is showing a downward trend. Among investors, 67% still speak highly of our business climate for start-ups, but this percentage has never before been so low. In this regard, we want to note that the appreciation of the digital infrastructure and start-up climate is being driven downward to a significant extent by investors who do not currently operate in our country. In this sense, the lack of appreciation is also due to unfamiliarity.

Interview startupklimaat



HRH Prince Constantijn van Oranje-Nassau
Special Envoy of StartupDelta



As a nation, we need to reposition ourselves. We have more high-tech than Germany, which seems to me to be something that should be highlighted



It is vital that Dutch entrepreneurs emulate major international players. Our job is to put those Dutch start-ups in touch with those international players

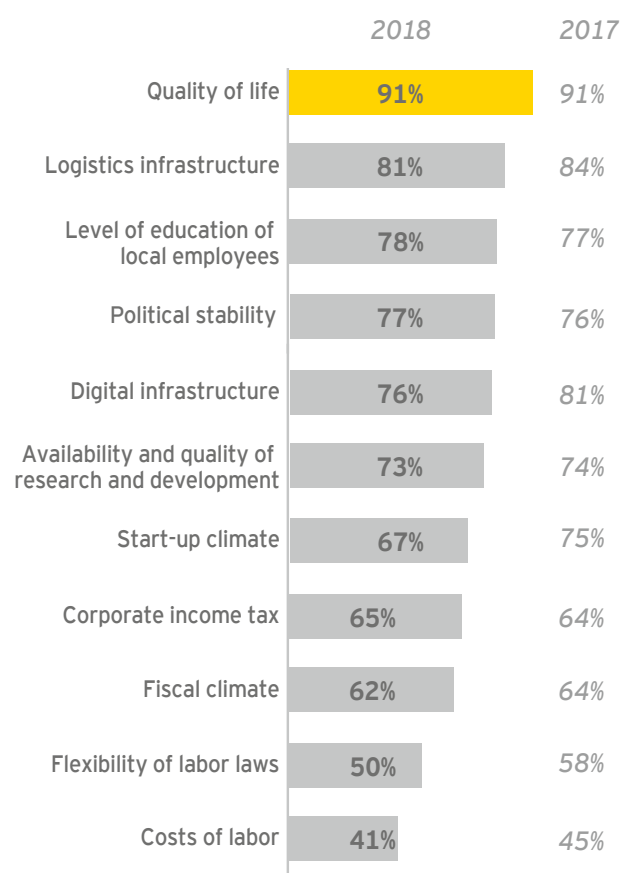


Erik de Heer
Senior tax manager and
EYnovation™ leader

► read the complete interview on page 26

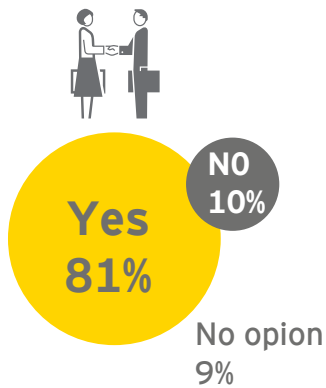
International investors regard Dutch labor costs as the greatest stumbling block to setting up operations in our country, which was already the case in 2017. However, discontent on the subject has increased slightly in the meantime. This also applies to the flexibility of labor laws, which is another point for improvement.

Strengths of the Dutch climate for establishing a business



Source: 2018, The Netherlands Attractiveness Survey

Will the Netherlands be able to maintain its attractive tax climate?



Source: 2018, The Netherlands Attractiveness Survey

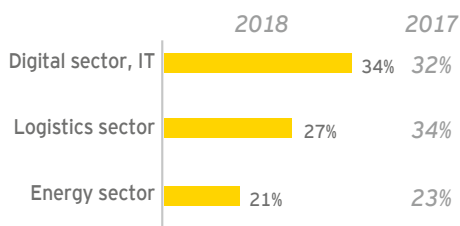
Tax climate continues to see sharp rise in popularity

So far in 2018, our country has been successful at retaining investors' appreciation of the Dutch tax climate in general and of corporate income tax specifically. More than three in five investors see these aspects as key strengths - in both aspects have been gaining popularity in recent years. In fact, the appreciation of our corporate income tax policies reached an all-time high this year. The proposed reduction of the maximum rate of this tax from 25% to 21% will undoubtedly have affected this sentiment.

For the time being, the tax climate in the Netherlands can bask in the growing confidence of international investors. No less than 81% of the respondents surveyed indicated to have (a lot of) confidence in the Netherlands being able to maintain its attractive tax climate, compared with 67% in 2017. As such, confidence in the Dutch tax climate is at a record high. This is possibly a positive effect of the government's plan to abolish dividend tax.

Corporate income tax and the tax climate score far higher among companies who are based in our country than among companies that have no operations in the Netherlands. Furthermore, it is striking that the number of investors who have a negative opinion regarding our tax climate has dropped from 25% to 10%. This not only holds true for companies that are based here, but also for companies who do not operate on the Dutch market.

Which sectors will be the drivers of growth in the Netherlands in the next three to five years?



Source: 2018, The Netherlands Attractiveness Survey

Digital sector to become engine of growth

In the medium term (three to five years), the digital sector is set to become the most important driver of the Dutch economy, according to 34% of international investors. This will lead to "digital" taking over the leading role from the sector that is traditionally regarded as the powerhouse of our economy: logistics and distribution. According to 27% of investors (down from 34% last year), the logistics sector is still a key pillar underpinning our economic growth, followed by the financial sector at 21%. The growth potential of the digital sector has been recognized chiefly by investors who already operate on the Dutch market (45%).

Another interesting issue is which industries are regarded as promising in the opinion of investors who do not currently operate on Dutch territory. They chiefly expect the energy sector (27%) and the financial sector (25%) to be contributing to Dutch growth.

The digital sector is also the largest driver of growth in Europe, with the logistics sector scoring significantly lower, taking eight place. Likewise, the financial sector is not able to rise higher than fifth place within a European context. From a European perspective, "digital" is followed primarily by clean technology and pharmacy/biotechnology. It is possible that, in the wake of the arrival of the European Medicines Agency (EMA) in Amsterdam, the number of investments in the medical/pharmaceutical sector and in R&D may also show an increase in the Netherlands.



Interview digitaal vestigingsklimaat



Mark Bressers

Director of Digital Economy
at the Ministry of Economic
Affairs and Climate Policy



We are small enough to seize new initiatives and large enough to recognize when something has potential



The new GDPR privacy law actually hampers companies that work with big data. In fact, that privacy regulation can even conflict with the rules against money laundering



Barend van Doorn

Partner at EY Advisory,
EY digital lead in the
Netherlands

► read the complete interview on page 28

Good education as the foundation of digital attractiveness

In order to remain attractive to investors who are on the lookout for opportunities in the digital economy, the Netherlands should make spending time and money on education and training in the field of new technologies a key priority. This view is supported by 50% of the investors surveyed, with a smaller group (46%) calling for investments in digital infrastructure, followed by 33% who feel that improvements in the field of cybersecurity are required. This is the same Top 3 as in 2017.

The need for education and training of digital talent is of particularly grave concern among investors who already operate on the Dutch market. This group also more strongly supports improvements in cybersecurity. In fact, they are far less interested in customized laws and regulations for disruptive technologies than companies not based here.

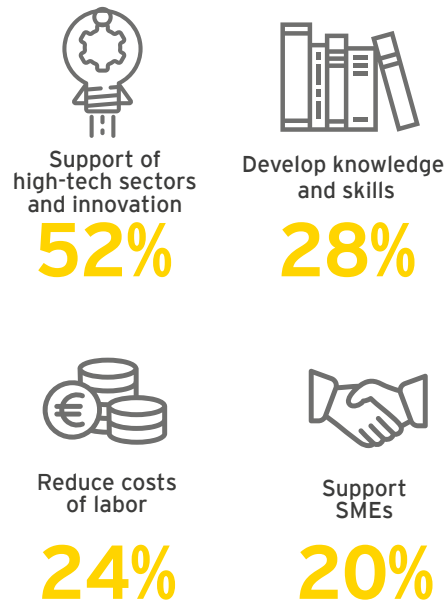
R&D attracts investors

What types of activities will be attracting the most investments for the Netherlands in the next few years? According to 37% of international investors, R&D activities first and foremost will be attracting investments, followed by logistics operations (30%). As such, the Top 2 is identical to the previous year. The head office function is a newcomer in the Top 3, with fourth place being claimed by internet data centers (22%). Sales and marketing offices (able to claim a place in the Top 3 last year) fell to fifth place this year.

High-tech and innovation should keep the Netherlands competitive

For global investors, what the Netherlands needs to do to be able to compete with other countries is a foregone conclusion. An overwhelming majority of 52% of respondents (in 2017: 38%) recommended supporting high-tech and innovative activities. This was followed at a substantial distance by development of knowledge and skills (28%) and the reduction of labor costs (24%).

How can the Netherlands retain its competitiveness?



Source: 2018, The Netherlands Attractiveness Survey

On average, companies already based in our country more frequently call for development of knowledge and skills, on the one hand, and investments in infrastructure and urban development, on the other. For companies that are not yet based here, these aspects are of secondary importance.

Incidentally, global investors feel that pursuing high-tech and innovative activities is not the exclusive domain of the Netherlands. In Germany and France as well, these fields enjoy the most support - Germany's Top 3 is even identical to ours. While the main piece of advice Belgium has received is to improve its fiscal climate, investors feel that France should put more focus on small and medium-sized enterprises.

Invest in education

What should the Netherlands do in 2018 to achieve a leading position in the field of innovation? In response, 40% of the investors that were surveyed said that improving education and training programs aimed at new technology was the way to go – roughly the same percentage as in 2017. Nearly a third of the respondents call for investments in digital infrastructure, which is a significant increase from the previous year (18%). We can see a similar increase in the number of investors advocating the development of a culture of green and social innovation (26%). Surprisingly enough, the respondents consider investment in the development of entrepreneurship (15%) far less necessary than they did a year ago (23%).

Of the investors, 18% feel it is essential that the Netherlands grant tax incentives to innovative companies. This sentiment is especially predominant among companies who do not have operations in our country (29%).

Impact of Brexit

Of the companies based in the United Kingdom, 80% have stated that they have no intention of shifting their operations to other countries as a result of Brexit. However, 13% of companies who is considering transferring their activities, are considering the Netherlands as their destination. Among the remaining 7% of companies considering shifting their operations elsewhere, our country has been disregarded all together.

Interview Brexit



Jos Kruisman
Tax director for Europe &
AMEA at Mexichem



We have to be careful that the Netherlands doesn't try to be the most virtuous. Clear tax policies put forward by the government – that's what businesses need

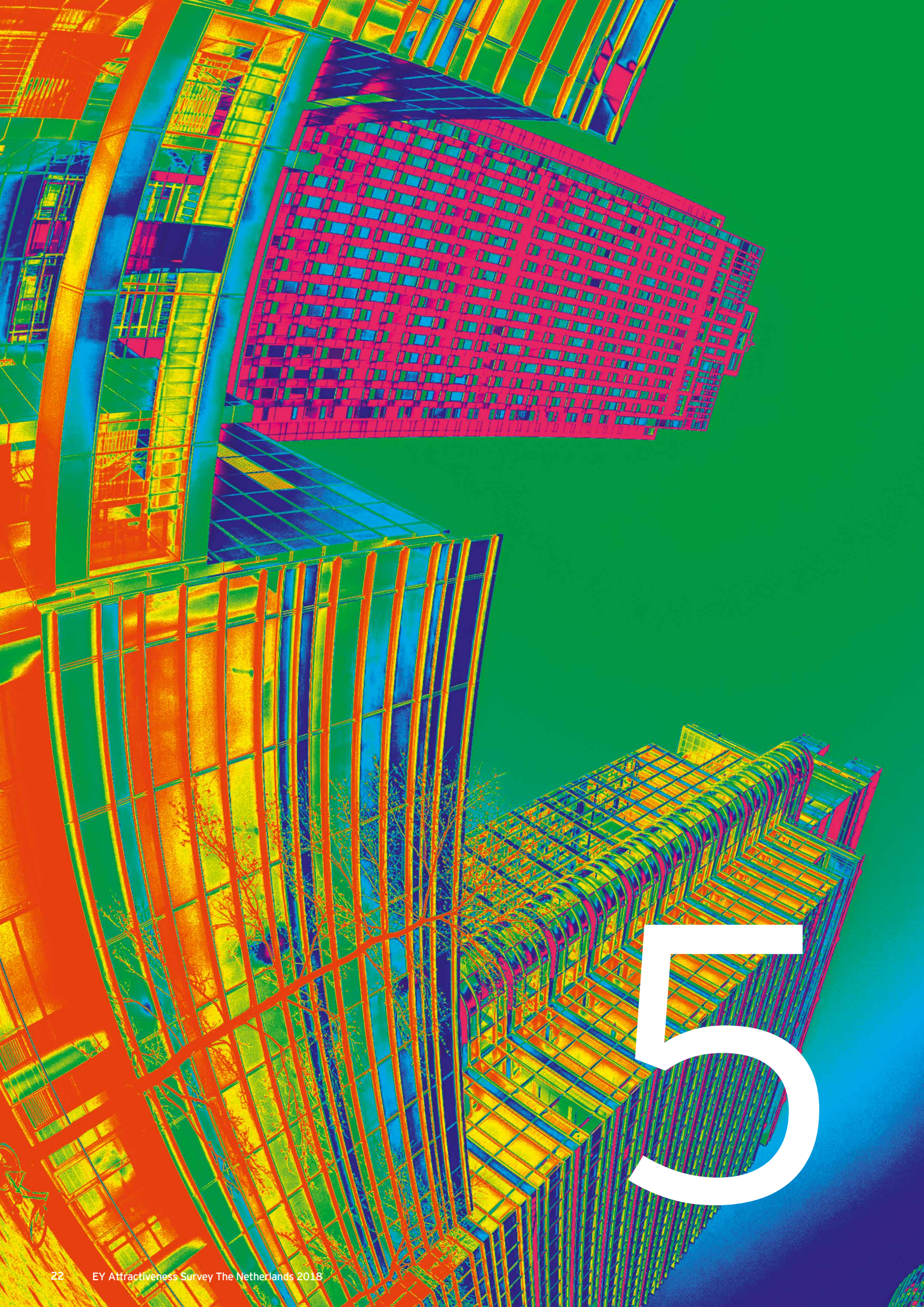


Caspar Jansen
Senior manager Indirect Tax
and Brexit specialist



The EU grants for R&D in the UK will be disappearing. That will provide the Netherlands with the opportunity to attract R&D centers

► read the complete interview on page 30



Recommendations

Recommendations aimed at increasing the Netherlands' appeal

Confidence in the business climate of the Netherlands has seen continued growth over the past year. As much as 22% of respondents intended to be developing operations in the Netherlands in the coming year. In order to actually realize these proposed investments, we have set out a number of recommendations below aimed at elevating the attractiveness and appeal of the Dutch investment climate to the next level.

International trade relations

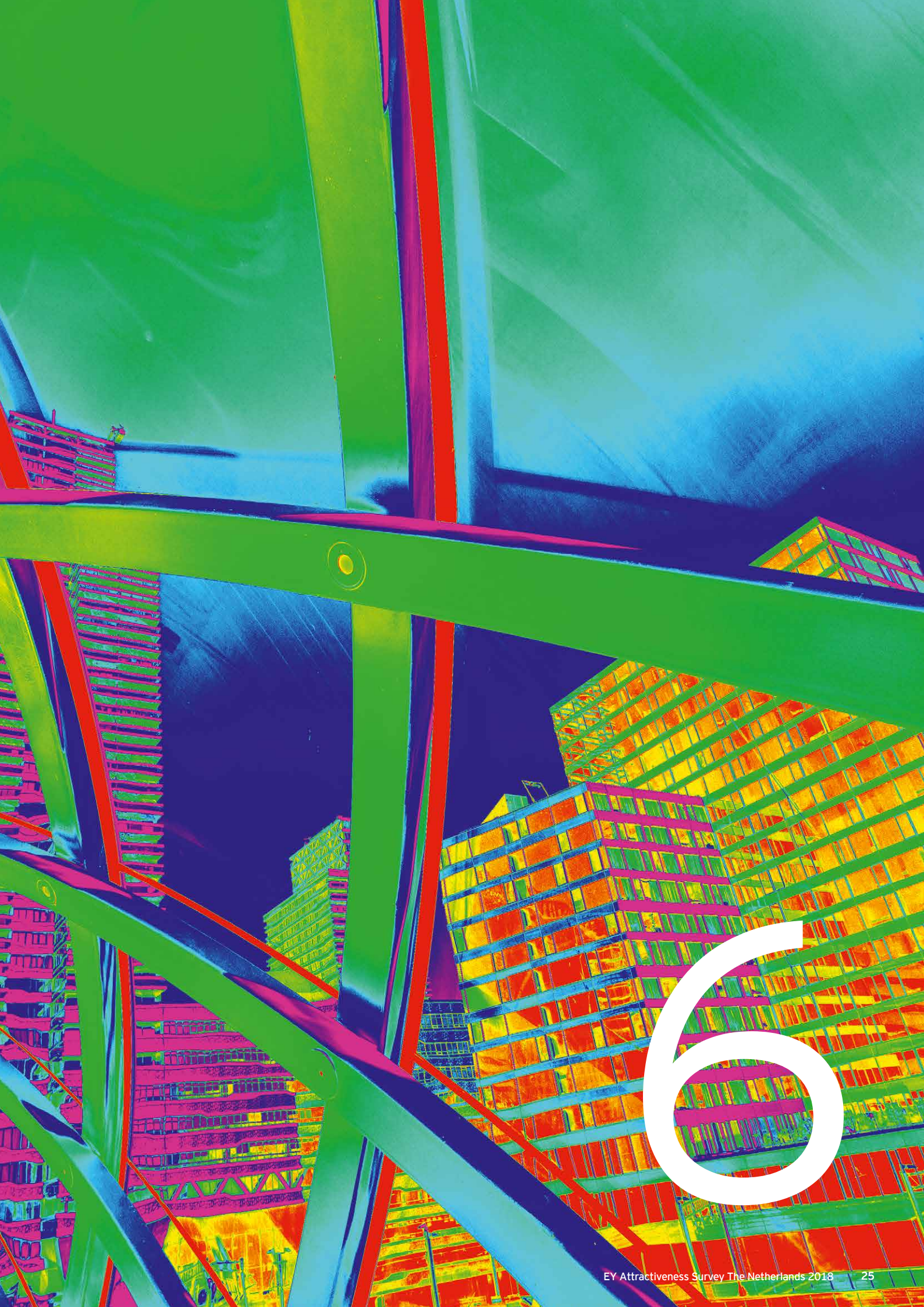
- ▶ The largest share of investors in the Netherlands comes from the United States, the United Kingdom and various Asian countries. Trade missions play a crucial role in this regard. We should be investing in good relations with political decision-makers and companies in these countries in order to preserve and strengthen our trade relations.
- ▶ Of companies with offices in the United Kingdom, 20% say that they intend to relocate their operations to other countries as a result of Brexit. Over 13% of these companies have put the Netherlands on their shortlist of potential business locations. Specific commitments should be made to attract these companies.
- ▶ Awareness of the Dutch tax climate should be increased among companies that are not yet based in the Netherlands by way of a coordinated marketing, acquisition and investor development approach.
- ▶ Aim to achieve a comprehensive package of tax measures that make it attractive for investors to settle in the Netherlands. The key elements of this comprehensive package should be: simplification of the tax system, reduction of the basic rate and the maximum rate of corporate income tax and tax incentives for R&D and innovation activities.
- ▶ Higher education should be a breeding ground for Dutch talent and excellence and, as such, plays a crucial role in relation to the attractiveness of the Dutch business climate. Efforts should be focused on achieving better alignment between education and the business community, whereby an environment is created in which students are able to develop their talents in the broadest sense (creativity, innovation, etc.).

(Digital) Infrastructure

- ▶ The digital sector is cited as the key driver of growth for the Dutch economy in the years to come. That is why we recommend investing in (sustainable) digital infrastructure and ensuring reliable (energy) facilities. Above all, the Netherlands should ensure that a sufficient amount of talent is being trained and that there is a policy climate in which innovations are able to thrive and in which regulations, tax burdens and incentives make a positive contribution.
- ▶ Promoting “The Netherlands as a logistics hub within Europe” has traditionally been one of the key pillars of the Dutch business climate. We recommend continuing investment in this regard and supporting the Dutch transportation hubs in order to hold on to the country’s leading position.
- ▶ Transport and distribution will occupy a crucial secondary position in terms of creating the average number of jobs per investment. Ensure that sufficient suitable building land is available and ensure the availability of personnel (specifically in the regions around Venlo, Amsterdam and Eindhoven) in order to allow further growth for this sector.
- ▶ The increase in technological and other innovation and the accelerated integration of these innovations require greater adaptability both from Dutch companies and from the Dutch government. For this reason, we must ensure that more efficient and effective decision-making processes are in place in ICT and digital infrastructure and that fast-tracked procedures are in place in relation to laws and regulations.

Innovation/High-tech

- ▶ We recommend focusing on attracting R&D investments. Investors believe that supporting high-tech industries and innovation is a key pillar underpinning the Netherlands’ ability to retain its competitive position in the global economy.
- ▶ Although 67% of the investors is happy with our business climate for start-ups, that percentage has never been so low before. Therefore, commitments must be made regarding education and training in the field of new technology - at all levels of education and for all ages. Creativity and innovation should also be stimulated in this regard. In addition, Dutch start-up entrepreneurs should be assisted in fostering networks, as well as with their visibility abroad.
- ▶ To be unknown is to be unloved. The Netherlands should be positioned as a strong start-up brand and tax regulations and procedures for start-ups should be simplified.





It's about showing the world the innovative power of tulips

HRH Prince Constantijn van Oranje-Nassau has been the Special Envoy of StartupDelta for the past two years. His mission is to make the Netherlands the most attractive nation for start-ups in Europe. HRH Prince Constantijn spoke with Erik de Heer, senior tax manager at EY and leader of EYnovationTM - an EY program specifically aimed at start-ups and scaleups - about whether he felt our country was enterprising enough.

It is vital that Dutch entrepreneurs emulate major international players. Our job is to put those Dutch start-ups in touch with those international players

As a nation, we need to reposition ourselves. We have more high-tech than Germany, which seems to me to be something that should be highlighted

HRH Prince Constantijn: "I have noticed that there really is momentum for start-ups in the Netherlands. I constantly find myself being approached by people who want to set up funds, who want to invest. These are people from abroad, but also people from the Netherlands. The arrival of so many new funds sometimes makes me wonder why these people don't work together more. You can tell by the regions that want to get involved. The government wants to push on with regard to certain aspects, such as knowledge transfer. Shown by the fact that universities have accepted that, in addition to research and education, they have a tertiary responsibility to ensure that expertise and inventions find their way onto the market. The 'Why' phase has clearly given way to the question of 'How do we tackle this issue?' This is a very positive development."

Erik de Heer: "The interviews for our Netherlands Attractiveness Survey show that 67% is positive about our start-up climate. It strikes me that the appreciation among people who already invest in the Netherlands is significantly higher than among those who have yet to do so. Are we not making our country visible enough right now?"

HRH Prince Constantijn: “I can relate to that. It’s also a result of the fact that the Dutch are very bad at networking. There are very few Dutch people in the international networks of founders and investors, and you will almost never see any Dutch people at all at smaller tech events. That’s a real problem. Nonetheless, our start-ups definitely have quality on their side and Netherlands-based companies like Adyen, Picnic and Messagebird are catching a lot of attention, but there are too few of them at the moment. What’s more, the Dutch brand is relatively weak. We tend to parade with our tulips and windmills on every occasion, and although those tulips are highly innovative, we combined them with windmills and cheese and made it into a tourist brand – without emphasizing the innovative aspects. As a nation, we need to reposition ourselves. We have more high-tech than Germany, which seems to me to be something that should be highlighted.”

Erik de Heer: “In the Netherlands, we still have a tendency to think in small-scale terms. Something Dutch entrepreneurs often forget is that the world doesn’t end at the Dutch border. In fact, that’s exactly where it starts. Small companies that make a bit of traction, see their sales grow and maybe gain some customers abroad will at that point already call themselves a scale-up – but in fact they’re a drop in the ocean on the world stage, and even in Europe they are pretty small.”

HRH Prince Constantijn: “In principle, that isn’t such a strange thing. After all, if you’re making a few million euros in revenue, you are probably doing alright. I spoke to someone recently who owns a multibillion dollar company and who asked me: ‘What can I spend my money on now?’ On the other hand, it would be nice if there were more people with big ambitions. After all, that’s what will create jobs in the future.”

Erik de Heer: “In my opinion, Dutch entrepreneurs should think in much bigger terms. As a start-up, you want to offer a solution to a problem in the world. And if you want that, wouldn’t you also want it to be as big as possible and reach as many people as possible? It is vital that Dutch entrepreneurs emulate major international players. Our job is to put those Dutch start-ups in touch with those international players.”

HRH Prince Constantijn: “It’s true that, at present, the world is too heavily dominated by platforms and tech companies from the US. They have an incredible amount of impact on our lives, affecting what we read, what we eat and what we buy. It’s essential that such major platforms originate from the Netherlands in the future and that the algorithms of the future are written based on our norms and values. I don’t

mind saying that the world can afford to be a bit more Dutch in that regard.”

An abundance of start-up initiatives

Erik de Heer: “Initiatives aimed at innovation are shooting up left and right. At the moment, we have a whole host of ‘valleys’. I feel that, for such a small country, we have an abundance of initiatives, which results in those initiatives staying small scale. The landscape is fragmented, which is something you have said previously.”

HRH Prince Constantijn: “This is certainly the case where public authorities are concerned. They tend to use public funds to support initiatives that the market, ostensibly, has not identified and subsequently expect them to take hold at the local level. Now, I have nothing against opening a building free of charge. I am sure that start-up companies would flock to it, but I highly doubt that this would result in new breakthroughs.”

Erik de Heer: “How does the Dutch start-up climate compare to the rest of the world?”

HRH Prince Constantijn: “I think that, in Europe, we are certainly in the top tier. In my opinion, we have an advantage over Germany and the Scandinavian countries in that we have everything at our disposal within a small geographical area, including good logistics, a huge hinterland, excellent universities and a leading IT infrastructure in which 5G presents a crucial opportunity for our country. Given this favorable starting position, it is only a matter of time before a few excellent Dutch companies once again gain international reputation. That seems to me to be a wonderful goal to work towards together.”



HRH Prince Constantijn van Oranje-Nassau
Special Envoy of StartupDelta



Erik de Heer
Senior tax manager and
EYnovation™ leader



Digitization will help us to be compliant

Our business climate is doing well, but that does not mean there is no more room for improvement.

Mark Bressers, Director of Digital Economy at the Ministry of Economic Affairs and Climate Policy, believes that we must keep investing in our business climate, in part to retain scaleups. He shared his thoughts in a conversation with Barend van Doorn, Partner at EY Advisory and digital lead of EY Netherlands.

Barend van Doorn: "How would you rate our digital business climate?"

Mark Bressers: "Certainly very highly, I'd say. We have an excellent digital infrastructure, as a result of which the Dutch are quite tech-savvy, and our country exercises the role of an international living lab for new, innovative applications. We are small enough to seize new initiatives and large enough to recognize when something has potential."

Barend van Doorn: "I know what you mean. In my opinion, the Netherlands is a perfect pilot country for foreign parties. Do you have any countries in mind that you think of as an example?"

Mark Bressers: "If you're going by the Global Competitive Index, you'll end up at a country like Singapore, which is a very different type of country. I'd like to refer yet again to the triple helix we have here in the low countries, where public authorities, companies and knowledge institutions are very quickly able to put together joint projects. I don't know of any other country that is able to do that in this way."

The new GDPR privacy law actually hampers companies that work with big data. In fact, that privacy regulation can even conflict with the rules against money laundering

We are small enough to seize new initiatives and large enough to recognize when something has potential

Barend van Doorn: “What countries do you feel are the Netherlands’ main competitors in terms of attracting ICT activities?”

Mark Bressers: “I’d say Ireland, the United Kingdom, Germany, Denmark and France. By the way, I have no evidence at all that we are less successful than those countries with regard to certain aspects. In fact, we are often more successful, particularly in relation to the points I just mentioned. Where attracting foreign companies is concerned, ICT is one of the most important things.”

Barend van Doorn: “Like digital infrastructure. Our research for the Netherlands Attractiveness Survey showed that appreciation of our digital infrastructure has dropped slightly. However, I haven’t noticed anything among my customers and I can’t really see any indications that point to that fact. What are your thoughts on this?”

Mark Bressers: “I haven’t seen any signs of that either. Going by the various rankings, we seem to take first place in terms of our digital infrastructure – you can’t get much better than that, although it may be the case that the differences have become less apparent. This is all the more reason to keep investing in connectivity and digital infrastructure.”

Barend van Doorn: “In the Netherlands, the media sector is growing rapidly and is leading in international terms. We used to have major sectoral publishing houses, like Reed Elsevier and Wolters Kluwer, but those aren’t even Dutch companies anymore. How do we prevent our innovative companies like Adyen and Booking.com from seeking their fortunes abroad?”

Mark Bressers: “For a lot of these digital activities, the ‘winner takes all’ principle applies. It is crucial to these companies that they are able to grow and scale up very quickly. That means we need to be able to offer them sufficient access to capital and investors’ networks. It is vital that they also attract the right employees. This is a major challenge for the Netherlands.”

Barend van Doorn: “I can definitely see that. To staff certain teams at EY’s advisory division, we are sometimes forced to look beyond our own borders, because we simply cannot find talented individuals with the right competences. Regulations are another point of concern. The new GDPR privacy law actually hampers companies that work with big data. In fact, that privacy regulation can even conflict with the rules against money laundering. In my practice, I see that a lot of companies are having difficulties with this issue. How

can the government help companies in the Netherlands resolve that issue?”

Mark Bressers: “Specifically in relation to the GDPR, a number of support tools have been developed, such as ‘AVG-regelhulp’. In addition, I’ve seen a lot of trade associations do great work supporting the people they represent. Aside from this, it’s true that a new digital world needs new laws and regulations. That is the challenge we face. In terms of regulation, digital transition is an extremely complex issue. After all, you want to be able to continue to protect public interests without shutting down innovation. That requires innovative regulations and freedom to experiment.”

Barend van Doorn: “Because of the increase in regulations, banks, among others, have had to significantly expand their compliance departments in order to comply with all the rules – surely, that can’t have been what they wanted?”

Mark Bressers: “That’s why we need to be prepared to scrap some rules and work towards achieving European harmonization. What’s more, digitization also produces opportunities to actually be even more compliant with complex laws and regulations, for example by sharing data and using artificial intelligence.”

Barend van Doorn: “How can we help the government?”

Mark Bressers: “We have started various initiatives in the field of digitization, such as the strategic plan The Netherlands: Digital Gateway to Europe. On top of that, a number of public-private partnership projects are ongoing, led by Top Team ICT, in the field of Knowledge and innovation. We’d like to invite as many interested parties as possible to take part.”



Mark Bressers
Director of Digital Economy at
the Ministry of Economic Affairs
and Climate Policy



Barend van Doorn
Partner at EY Advisory,
EY digital lead in the Netherlands



The spotlight and pressure is entirely on the United Kingdom

Brexit has the potential to be a well of opportunities for our country. This is something Jos Kruisman, tax director for Europe & AMEA at Mexichem, and Caspar Jansen, senior manager tax and Brexit specialist at EY, both agree on. However, to benefit fully, says Kruisman, the Netherlands should not want to be the most virtuous from a tax point of view.

Caspar Jansen: "As a tax director, what is your opinion of the tax measures the government has in place to keep our business climate attractive?"

Jos Kruisman: "The scrapping of dividend tax is great - but the question is how you want to establish yourself moving forward. You can keep lowering the rates, but does that make sense in budgetary terms? It's nice that Unilever's head office is now located entirely in Rotterdam - but that's mostly symbolic. It doesn't involve a huge amount of employment, whereas if we could have one measure to attract fifteen head offices, bringing with them thousands of jobs, that would be a big step. If I look at our own head office, there are only about eighty or ninety of us. I don't really know whether a new head office every now and then would make a difference..."

Caspar Jansen: "The more head offices, the better, but I do think it would be very interesting to attract more operational

We have to be careful that the Netherlands doesn't try to be the most virtuous. Clear tax policies put forward by the government - that's what businesses need

The EU grants for R&D in the UK will be disappearing. That will provide the Netherlands with the opportunity to attract R&D centers

activities to the Netherlands. The manufacturing industry might be trickier because of the relatively high labor costs, but look at the distribution activities. I think that, because of Brexit, we need to commit to attracting as many EU hub functions from the United Kingdom to the Netherlands as possible. Plus, there is a lot of R&D in the United Kingdom that is sponsored by European grants. Those EU grants will be disappearing. That will provide the Netherlands with the opportunity to attract R&D centers."

Jos Kuisman: "Just one other thing about taxes: for some European tax arrangements, like the envisaged proposal on interest deduction (up to 30% EBITDA), you're allowed to apply exceptions and a degree of flexibility, and many countries do that - but up to now, the Netherlands hasn't. With this in mind, we should be careful that the Netherlands is not aiming to be the most virtuous. Clear tax policies put forward by the government - that's what businesses need."

Caspar Jansen: "Luckily, our infrastructure is second to none. We have the port in Rotterdam and Schiphol Airport. Everyone here speaks fluent English and is relatively highly skilled."

Jos Kuisman: "That's true, but road congestion is getting worse, and Schiphol is stretched to capacity. There's a shortage on the labor market and, although quality of life here is great, you do need to find a house to live in first. We're pleased with the growing economy, but it also has a downside. Moreover, sometimes you just need a little bit of luck, like the arrival of the European Medicines Authority (EMA). That's a step in the right direction."

Caspar Jansen: "A lot of companies currently still cozying up to the EMA in the United Kingdom will be relocating an important part of their business to the Netherlands, because they want to be close to the EMA, where the decisions are made. On top of that, doing so will also give them an EU branch, which, in turn, is vital to be able to get the permits necessary to sell goods on the EU market."

Jos Kuisman: "There are also companies in the United Kingdom that simply secure and comply with EU rights without relocating the entire business to the EU. In most cases, simply sending a few people to the EU in order to manage those rights seems to suffice."

Caspar Jansen: "One of the threats I see is that, within the EU, we have to negotiate with almost thirty different countries

until we're able to reach any decision. In a few years, the United Kingdom will no longer have that problem. It will be able to chart its own course and respond to changes quicker. In the long term, that could really be an advantage for the UK."

Jos Kuisman: "The advantage that the EU has is that, at the moment, politicians in the United Kingdom are at loggerheads with one another, whereas we're able to just sit back and watch as they fight one another in the political arena. Up to now, the pressure and spotlight has been firmly focused on the UK, which need not necessarily have an adverse effect on the EU, but the end game has yet to start. It will continue to be an interesting game to watch - and one with an as yet unsure outcome."

Caspar Jansen: "It's mainly the Eastern and Southern European countries that want to play hardball. They are using a different approach than countries like the Netherlands and Germany. The interests of the EU Member States diverge to a significant extent, so the United Kingdom won't be getting an easy ride. If the EU doesn't like a proposal, the United Kingdom will just be sent back to the drawing board. Would you be able to say something about the impact of Brexit on your company?"

Jos Kuisman: "We're currently working on identifying the implications of Brexit and we will have to prepare for the eventual exit of the UK. This includes looking at measures regarding customs formalities, such as requesting Authorised Economic Operator (AEO) status. In addition, we're reviewing the possible implications of customs duties. As yet, the latter is still a bit unclear - and for that reason we're still kind of in the dark."



Jos Kuisman
Tax director for Europe
& AMEA at Mexichem



Caspar Jansen
Senior manager Indirect Tax,
Brexit specialist at EY



7

Methodology

The EY 2018 Netherlands Attractiveness Survey is based on two main sources.

1. Actual attractiveness of the Netherlands to foreign investors

The assessment of the FDI (Foreign Direct Investments) in Europe is based on an analysis of the Global Location Trends database, which EY and IBM-Plant Location International (PLI) have developed together. This database includes FDI projects that have led to new facilities and new jobs. By excluding portfolio investments and mergers and acquisitions, this database shows the reality of investments by foreign companies in production and service facilities across Europe.

Our figures provide an understanding of investments in physical assets. These data offer valuable insights in relation to:

- ▶ the industries and business activities being invested in;
- ▶ the location of projects;
- ▶ the origin of the investments;
- ▶ the size of the investments (with regard to the number of jobs created).

The Global Location Trends database² records actual cross-border investment projects worldwide. This unique tool was developed by IBM-PLI and has been maintained in collaboration with EY since 2017. The database is widely seen as the most representative source of data on cross-border investment projects and trends.

The database provides information on announcements of investments and the number of jobs created. Projects are

identified through daily monitoring and analysis of over 10,000 news sources, and through investment promotion agencies (IPAs) in the Netherlands (both the Netherlands Foreign Investment Agency (NFIA) and other local and regional agencies).

Difference in methodology compared with the EY 2017 Netherlands Attractiveness Survey

In previous years, the number of investments within Europe was documented in the European Investment Monitor (EIM) database, which was updated by Oxford Intelligence. Like the Global Location Trends database, this database logged the number of cross-border investments and expansions of international companies. The investments in this database, however, were registered based on announcements published in the media.

The addition of non-published information obtained via the various investment promotion agencies (IPAs) has allowed us to present a more comprehensive and more representative picture of the developments on the Dutch investment market this year as compared with previous years. In addition, the Global Location Trends database allows us to include information on the number of jobs created.

As we also have the Global Location Trends database listing investments that took place in 2016 at our disposal, we have been able to compare 2016 and 2017 with one another. Due to the changes to the source file, comparison with previous years was not possible from a methodological perspective. This is also why the figures published on 2016 this year deviate from the figures included in the Survey report of the previous year.

² The Global Location Trends database excludes the following activities:

- mergers and acquisitions or joint ventures (unless they have resulted in expansion with new facilities);
- license agreements;
- retail and leisure activities (unless at least 100 new jobs have been announced for an individual project), hotels and real estate investments;
- investments in utility services and infrastructure, including telecommunications networks, airports and ports;
- extraction activities (minerals, ores and fuels);
- portfolio investments;
- replacement investments with respect to manufacturing facilities;
- representations of individual countries (embassies, consulates and other government agencies that represent a single country), with the exception of commercial agencies, tourist offices and investment promotion authorities.

2. The perception of foreign investors with respect to the attractiveness of the Netherlands and its competitors

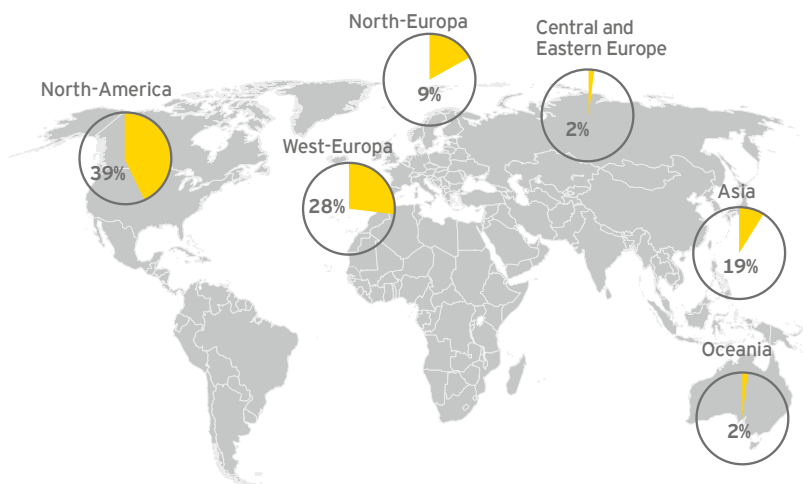
The perceptions and expectations of international decision-makers with respect to the Netherlands as a prospective investment country. This information was obtained from interviews with 206 decision-makers at international companies. The interviews took place between 5 and 21 February 2018 and were conducted by the CSA Institute. Of the individuals interviewed, 61% is established in the Netherlands, while the other 39% is established abroad.

Of the companies interviewed, 60% is established outside Europe (North America: 39%, Asia: 19%, Oceania: 2%). In order to ensure that the geographical distance between the respondents and their business location was taken into account, the companies were divided into two groups according to their nationality:

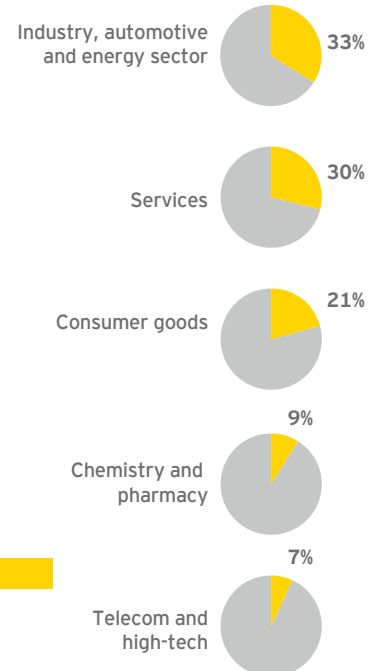
- ▶ Half of the group of decision-makers work for subsidiaries in the Netherlands and were interviewed in the Netherlands.
- ▶ The other half of the group of decision-makers were interviewed in their country of origin.

A total of 502 international decision-makers were asked to voice their opinion on the attractiveness of Europe.

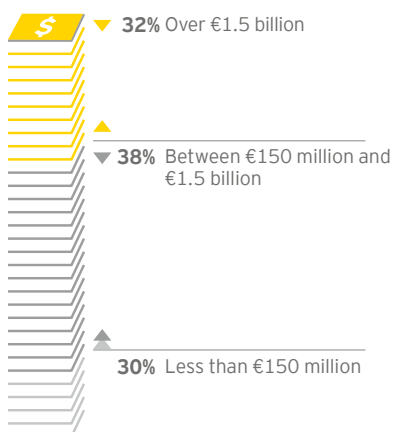
Origin of companies surveyed



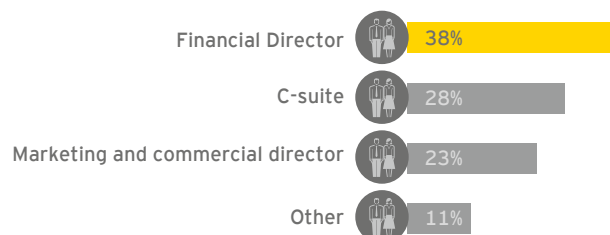
Sectors of industry



Turnover



Position



Contact

Ingrid Allemekinders

Partner Tax

Telephone: +31 (0)6 21 25 24 15

Email: ingrid.allemekinders@nl.ey.com

Marije van Huis

Manager International Location Advisory Services

Telephone: +31 (0)6 21 25 16 28

Email: marije.van.huis@nl.ey.com

Erik de Heer

Senior manager Tax, EYnovation™ leader

Telephone: +31 (0)6 29 08 32 82

Email: erik.de.heer@nl.ey.com

Barend van Doorn

Partner EY Advisory, Digital lead in The Netherlands

Telephone: +31 (0)6 21 25 10 64

Email: ingrid.allemekinders@nl.ey.com

Caspar Jansen

Senior manager Indirect Tax, Brexit expert

Telephone: +31 (0)6 21 25 10 64

Email: caspar.jansen@nl.ey.com



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