VAN LANSCHOT KEMPEN

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

24 February 2022

Recommendations

The Task Force on Climate-related Financial Disclosures (TCFD) has developed a number of recommendations on climate-related financial disclosures, applicable to organisations across sectors and jurisdictions (see fsb-tcfd.org). Given its aim to promote more informed investing, lending and insurance underwriting decisions, TCFD advises that all financial and non-financial organisations with public debt or equity implement its recommendations. TCFD also suggests that asset managers and asset owners implement its recommendations. To ensure that appropriate controls govern the production and disclosure of the required information, TCFD advises that the recommended disclosures should be included in mainstream (i.e. public) financial filings. TCFD's recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.

Governance	Strategy	Risk management	Metrics and targets
Disclose the organisation's governance around climate- related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended disclosures a) Describe the board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.	**Recommended disclosures** a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Recommended disclosures** a) Describe the organisation's processes for identifying and assessing climate-related risks. b) Describe the organisation's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	**Recommended disclosures** a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The tables on the next pages describe how Van Lanschot Kempen has implemented the recommendations.

Recommendations and supporting recommended disclosures

Item	On-balance sheet activities	Off-balance sheet activities
Governance		
a. Board's oversight of climate-related risks and opportunities	Van Lanschot Kempen's Management Board is responsible for developing a vision for long-term value creation and an appropriate strategy. This includes taking account of risks as well as opportunities, which include climate-related risks. It is also responsible for identifying and managing risks and effective management of these risks, including climate-related risks. Van Lanschot Kempen has a Sustainability Board in place (with members from the Management Board and involvement of the risk management function) to which the Management Board has delegated responsibility for driving and implementing the sustainable strategy for the whole of Van Lanschot Kempen. The Sustainability Board also has the final right of decision with regard to the outcome of the materiality assessment of different climate-related risks. Climate-related opportunities are discussed like any other opportunity. Within Van Lanschot Kempen, a new product approval (NPA) process is in place to assess new opportunities.	
b. Management's role in assessing and managing climate-related risks and opportunities	Van Lanschot Kempen's risk management and control system is designed to manage all internal and external risks. Climate change falls into the category of external risks and managing it involves three lines of defence (for more information on the three lines of defence method, please refer to our annual report 2021, p. 98) The Group Risk Committee consists of all Management Board members, the Head of Risk Management and the Head of Compliance. If climate change is deemed to be a material risk for Van Lanschot Kempen, it will be discussed in this committee. In addition, climate-related risks and opportunities are discussed by the Sustainability Board.	For Van Lanschot Kempen's assets under management (AuM), the Sustainability Board is the highest governance body regarding environmental, social and governance (ESG) risks and opportunities. The Sustainability Investment Council, which reports to the Sustainability Board, is deciding on implementation. The Investment Council is chaired by Van Lanschot Kempen's Chief Sustainability Officer and consists of various senior Van Lanschot Kempen investment specialists. The Council designed a specific climate change policy in 2020. Implementation of this climate change policy is delegated to the departments taking part in the Council.

Item	On-balance sheet activities	Off-balance sheet activities
Strategy		
a1. Our identified short, medium and long-term climate-related risks	Given the nature of our clients, many climate-related risks (physical or transitional) are not material for Van Lanschot Kempen as a firm over the short (2 years), medium (3-7 years) and long term (> 7 years). Our balance sheet (€16.3bn) does not contain material climate-sensitive assets. – Investments in our own investment portfolio (€6.3bn; including cash) are mainly concentrated in government bonds and fixed income instruments issued by European financial institutions; see our annual report 2021, p. 63. According to various studies, these types of investments are not materially climate-sensitive. – Our corporate loan book (€1.0bn) has no material lending exposure to companies active in climate-sensitive sectors such as fossil fuels, food & agri, transport, tourism, etc. The wind-down of our Corporate Banking lending activities (for strategic reasons, since 2013) had reduced our already limited climate change risk exposure to non-material levels by 2021. Most of our current corporate loans are now with business professionals & executives, health care professionals and (a limited number of) Dutch SMEs. – Our mortgages portfolio (€6.7bn) mainly consists of Dutch mortgages; see our annual report 2021, p. 53 and 54. While some climate-related risks to this portfolio exist (e.g. financing homes exposed to flooding), our assessment is that the probability of these risks materialising is lower than other credit risk factors. For example, we expect that rising sea levels will be countered by additional infrastructure investments by the Dutch government in sea/river defence structures. That being said, we will undertake more granular stress testing in 2022. Furthermore, we are working to improve the energy efficiency of the homes and other types of property we finance. – In our equity exposure, stemming from our equity brokerage activities, we see limited (transitional) climate-related risks. Firstly, the holding period and net exposures are quite limited, while transition risks in general tend to be longer term. Furthermore, we are a specialist broker for certain sectors like life sciences, which also tend to have a lower exposure to sustainability risks. – Our management book (€200m), in which we provide seed capital to support our own managed funds, is largely categorised as an EU Sustainable Finance Disclosure Regulation (SFDR) Article 9 fund (sustainable investment objective), or funds are categorised as SFDR Article 8 (promoting environmental and/or social characteristics). Under the SFDR and related disclosure transparency rules, there are strict requirements for managing principal adverse impacts on sustainability factors for products categorised as SFDR Article 8 or Article 9. Our managed funds that are exposed to climate-related risks are in these categories. They also fall under Van Lanschot Kempen's broader climate change policy in which we actively engage with issuers in our investment portfolio to assess their path towards climate neutrality and related climate change risks. On the basis of this, we deem the sustainability risks in our management book to be acceptable. – For our own offices (in the Netherlands, Belgium, Switzerland, the UK, France and the US) the main climate change risk is flooding. This risk is included in our business continuity stress testing as one of several scenarios that could lead to a prolonged disruption to the usage of facilities. Other scenarios taken into account are e.g. fire, epidemics and terrorist attacks. Based on these various scenarios we have assessed the related operational risk as relatively low and manageable. Existing business continuity measures are deemed sufficient in view of the low risk of such prolonged continuity disruptions.	We manage €112.1bn of assets under management. As a long-term investor, we believe climate change represents a systemic risk facing the economy, society and environment. We therefore want to consider these risks and opportunities in relation to our investments in the coming decades. Examples of climate risks are investments in oil companies whose share price could fall if these companies' assets were to become stranded due to policy effects if these companies could not make the transition to sustainable activities in time. Another example is an investment in non-listed/illiquid real estate that gets flooded. As we expect most negative impacts to appear in oil & gas, mining, utilities and industrials, we have incorporated these sectors in our climate change policy. We expect climate risks to increase due to more climate-related guidelines and regulations by governments and regulators (transition risks) and increasing physical climate risk. For more information, see Risk management.

Item	On-balance sheet activities	Off-balance sheet activities
a2. Our identified short, medium and long-term climate-related opportunities	Although we have seen a strong increase in interesting projects and initiatives, climate-related investable opportunities (fitting with our strategy, business and size) have been relatively small so far. However, we note that for our fiduciary management clients this is shifting. Due to the launch of an increasing number of investment products tailored for this client group, the opportunities to invest in funds that address climate change mitigation and/or adaptation are growing. We also observe growing client appetite for climate change-friendly investment funds and mortgage loan clients are becoming more interested in energy-saving advice from their bank. Clients are increasingly looking to invest in portfolios in which climate change is an important theme. We expect that national and international (regulatory) developments (e.g. the Dutch Climate Agreement – including the Climate Commitment of the Dutch Financial Sector, the EU Sustainable Finance Disclosure Regulation, and the EU Taxonomy Regulation) will continue to increase such client demand. We encourage and facilitate this development. Within our private banking activities, we steer on this through our target to annually increase AuM invested in sustainable and impact investment wealth management solutions. We have translated our 2025 objectives on carbon emission reductions in line with the Paris Agreement goals into KPIs across the organisation for 2022. By operationalising these objectives, we have further committed ourselves to a Paris-aligned pathway and to taking climate action.	
b. The impact of climate-related risks and opportunities on our businesses, strategy, and financial planning	Until now, we have classified our climate-related risks as low. These risks have not affected our business, our strategy or our financial planning. At the same time, we are seeing our climate-related opportunities increasing in line with the growing appetite among our clients. In response to this growing appetite, in early 2019 we launched a new green mortgage product which provides financing at reduced interest rates to clients who are looking to make their homes more sustainable and energy-efficient.	Although we see that climate-related risks are increasing, until now they have not affected our business, strategy or financial planning. We see strong interest for investment in funds with either exclusion of non-sustainable exposures or funds with explicit targets for sustainable impact. This is important for the majority of our fiduciary clients, but there is also growing interest amongst our private banking clients. For example, we provide our clients with new climate change friendly (externally managed) mutual funds and inflow to these funds has increased significantly. We also develop our own products to meet this demand. An example is the SDG Farmland Fund that we launched in 2021. This fund allows institutional clients to invest in land for sustainable agriculture and to mitigate biodiversity loss and climate change.
c. The resilience of our strategy under different climate-related scenarios, including a 2°C or lower scenario	So far we assess that the potential impact of a 2°C or lower scenario on our group is small: – We have no material climate-sensitive assets on our balance sheet. – We expect rising sea levels to be countered by extra investments by the Dutch government in sea/river defence structures. Even if our operations were physically impacted due to flooding, we would be able to manage the situation as our data centres in Eindhoven and 's-Hertogenbosch (fallback) are well above sea level. Despite this, we are working to improve our understanding of the complex relationship and non-linearities between the various sustainability risk factors on our balance sheet.	Since 2018, we have performed ever more advanced scenario analyses. In 2020, we took an important step, by integrating climate change into our asset allocation scenarios via GDP assumptions (i.e. climate scenarios ranging from 1.5°C to 4°C). We also developed a climate change policy and set the objective to align our investments with 1.5°C climate scenarios. For our Kempen real assets (infrastructure, real estate) we have started to obtain physical climate data (on an asset level) from a specialist climate data provider to gain insights into how physical risks resulting from climate change are likely to materialise in certain regions and sectors. In 2021, we translated the 2025 objectives on carbon emission reductions in line with the Paris Agreement goals into KPIs across the organisation for 2022. This supports us in structurally managing the transitional risks related to climate change and enhances resilience to physical climate risks, as investee companies will take climate change into account. Moreover, for our equity, property and infrastructure fund range we have incorporated the four energy transition risk stress tests, as developed by the De Nederlandsche Bank (DNB) into our risk system.

Item	On-balance sheet activities	Off-balance sheet activities
Risk management		
a. Our organisation's processes for identifying and assessing climate-related risk	All relevant (material) risks are considered in our regular risk management processes as described under A (Governance, section b). The group-wide risk dashboard that is sent to the Risk Committee every quarter recognises the following risks: strategic risk, credit risk, market risk, liquidity risk, interest rate risk, operational risk, and information risk; for more information, please refer to our annual report 2021, p. 58. Climate change risk has been identified as an external factor which can influence any of the above risk categories and is therefore not a separate risk category. In 2021, our first sustainability risk policy was implemented, based on guidance on climate-related and environmental risks by the ECB. This policy describes responsibilities for managing sustainability risks as well as types of risks, with most attention paid to physical and transition risks as result of climate change. In addition, we integrated ESG guidelines into our credit approval processes in 2021. At tactical, process and project level, we carry out risk and control self-assessments (RSCAs) on a regular basis. In these RSCAs staff determine which risks may interfere with the successful execution of processes. If deemed relevant, climate change impact will be considered. In addition, climate change may be part of scenario analyses and business continuity assessments.	For our AuM, our Sustainability Investment Council has developed a specific climate change policy with the aim for the organisation to become a net zero investor by 2050, with a mid-term ambition (2030) and short-term objectives (2025). Climate risks are identified by measuring the carbon intensity of all investments in the most carbon-intensive sectors (e.g. oil & gas, mining, utilities). We use an external data provider for these carbon data.
b. Our processes for managing climate-related risks	Within Van Lanschot Kempen, the process for prioritising climate-related risks in relation to our on-balance sheet activities is fully integrated in our overall risk management process.	To manage our climate-related risks we have developed climate objectives for our portfolios, plus underlying objectives (by 2025) for our ESG pillars, namely: ESG integration – integrate climate risks and opportunities; exclusions – divestments in companies with majority revenues coming from coal mining and tar sands (from 2022); active ownership – set up sector climate engagements (utilities, oil & gas, real estate); impact – invest in more green bonds. We can engage on our own (via our own funds) and also together with other investors. Joint engagements are done, for example, via our active membership of the Institutional Investor Group on Climate Change (IIGCC) and the Principles for Responsible Investment. Kempen is also part of the international engagement initiative called Climate Action 100+ that was launched in December 2017 and targets over 150 carbon-intensive companies. For more engagement examples, see kempen.com/en/asset-management/responsible-investment.
c. How our processes for identifying, assessing, and managing climate-related risks are integrated into our overall risk management	See a. and b.	See a. and b.

Item	On-balance sheet activities	Off-balance sheet activities
Metrics and targets		
a. Our metrics used to assess climate-related risks and opportunities	Given our business activities, our key metric used to measure and manage (potential) climate-related risks is carbon emissions. Other metrics, e.g. associated with water, energy, land use and waste management, do not seem relevant within the context of our on-balance sheet activities. Because our climate-related risks are currently deemed low – especially in relation to our balance sheet – we do not see a case to use internal carbon prices or climate-related opportunity metrics. To assess the impact of (physical and transition) climate-related risks on our lending business activities in the short, medium and long term, we use various indicators. The most relevant indicators relate to the sector and the geography of the borrower. Most of our (corporate) borrowers are operating in climate-insensitive sectors in the Netherlands. The amount and percentage of carbon-related assets relative to total assets is low.	For our AuM we measure the carbon intensity, relative and absolute emissions of all companies we invest in for our own funds. When analysing the results we pay close attention to the most carbon-intensive sectors (e.g. oil & gas, mining, utilities and industrials) by using ISS ethics data. Please refer to our annual responsible investment report: kempen.com/en/asset-management/responsible-investment.
b. Our disclosures on scope 1, 2 and 3 (emissions as defined in GHG document)	Since 2011, we have been monitoring and working to reduce the scope 1, 2 and 3 greenhouse gas emissions resulting from our operations. Since 2011 we have achieved a 74% reduction. 2020 and 2021 were extraordinary years in this regard as – due to Covid-19 – we travelled less and worked more often from home. Compared to 2020, Covid-19 restrictions were less strict in 2021. Therefore our absolute carbon footprint slightly increased (from 1,965 tonnes CO_2e to 1,980 tonnes CO_2e). Due to our increased workforce, emissions per FTE decreased by 6.2%. Thereby achieving our target to annually decrease our carbon footprint by 2.5% per FTE per year. As of 2022 we have increased this target to 7% per FTE per year. As of our 2016 annual report we have also reported our Scope 3 carbon data for Category 15: Investments. These new data, which are in line with the GHG Protocol, relate to the carbon emissions of our balance sheet, mainly mortgage loans, other loans and proprietary investments. In 2017, we complemented these data with carbon emission data relating to our assets under management. For 2020 and 2021, we have disclosed the same data. See our annual report 2021 (p. 37) for details.	We started calculating carbon emissions in 2016 for engagement purposes. We then further evolved our methodology in 2017 and hired an external consultant (ISS) to deliver more carbon data and to calculate the carbon footprint of our assets under management. The calculated carbon footprint was published in Van Lanschot Kempen's 2018, 2019, 2020 and 2021 annual reports and in Kempen's responsible investment report; see: kempen.com/en/asset-management/responsible-investment. Three different carbon metrics related to our AuM are presented: an absolute footprint (tCO_2e), a carbon intensity number (tCO_2e/€m sales) and a relative footprint (tCO_2e /€m invested). Due to fragmented reporting of the underlying companies and lack of data on private investments, the three metrics were calculated for listed equities, corporate bonds and government bonds making up around 59% of total AuM.
c. Our targets used to manage climate-related risks and opportunities and our performance against targets	Despite our small and indirect climate change impact, our Management Board has – as part of Van Lanschot Kempens' sustainability policy – set a corporate reduction target for the emissions of our own organisation. From 2011 (base year) until November 2018, this target was -2% per FTE per year; since then it has been raised to -2.5% per FTE per year. In 2021, we reduced our direct carbon emissions by 6.2% per FTE. As of 2022 we have increased our target to reduce our carbon footprint to 7% per year. Until 2018, we also offset around 40% of our own emissions. As of 2019, we committed to offset all our own (operational) carbon emissions, making us climate neutral. In addition, for our balance sheet-related carbon emissions we have defined a carbon reduction target per euro invested in mortgages. This target entails a reduction in carbon emissions caused by mortgages, compared with the previous year. In 2021, these emissions decreased by 6.1%. For further details on the emission targets and results described above, see our annual report 2021. Furthermore, as of 2022 we will start actively monitoring progress on two KPIs of our sustainable investment policy (related to our own investment portfolio): incrementally increase the share of green, social and sustainability(-linked) bonds (ESG bonds) in the portfolio, with the aim of allocating at least 15% of the target portfolio to ESG bonds by the end of 2023; and Ensure Paris-alignment via reducing the weighted carbon emission Intensity of the portfolio year-on-year. This means on average a carbon intensity reduction of 7%. For more information, see: vanlanschotkempen.com/media/4902/esg-policy-and-ambitions-van-lanschot-kempen.pdf.	Having monitored the carbon footprint of our AuM since 2017, we have updated our climate change policy with a long-term commitment (net zero investor by 2050), a mid-term ambition (2030) and climate objectives for 2025. For more details: kempen.com/en/asset-management/esg (under "Climate change policy"). In 2021, the aggregate carbon footprint of our AuM was 3.6 million tonnes (2020: 4.9 million tonnes). This reflects the fact that our AuM are increasingly in sustainable investments, which have lower carbon intensities, but also show the effects of the Covid-19 pandemic as these data lag one year behind.