Sustainability in Action

September 2026

For Professional Investors only

From environmental challenge to financial risk

After a summer of severe drought, extreme heat and widespread wildfires, September's rain may have felt like a welcome change. Yet both highlight an uncomfortable reality: climate change increases exposure to a range of physical risks, from water shortages and low river levels to possible flooding after a wet autumn or winter. These events can disrupt economic activity, affect asset values and test organisations' resilience. In this edition of Sustainability in Action we take a brief look at what this means for the investments we manage and for our own operations.

The costs of climate change

While the economic impact of climate change over the full year remains uncertain, the costs of this summer's extreme weather is already clear. With river levels on major waterways such as the Rhine and Danube falling to historic lows and water shortages affecting agriculture, transport and energy production[1], experts estimate that the impact to the European economy could range from €50 billion to 180 billion in 2026 alone[2].

This is not a short term concern. Just looking at research that became available in September in the Netherlands, we see that recent advice from the Dutch National Delta Programme indicates that the Netherlands will need to invest billions of euros extra each year to strengthen its resilience to droughts and floods.[3] Research by the Dutch Green Buildings Council and Dutch newspaper NRC concluded that extreme rainfall, which can disrupt essential services, is likely to become a recurring challenge.[4]

1 European Union, Europe's major rivers at record low water level
2 Financial Times, The economics of Europe's drought (login)
3 de Volkskrant, Het leven in de Nederlandse delta gaat ingrijpend veranderen | Deltaprogramma; Deltacommissaris waarschuwt: miljarden nodig om het land droog (en soms juist nat) te houden (login)
4 NRC, Regenwater dat bij de spoedeisende hulp naar binnen stroomt en ambulances blokkeert. Nieuwe data laten zien: hoosbuien worden 'groot probleem' (login)

When climate risks become financial risks

Van Lanschot Kempen (IM) focuses on navigating through transitions with resilience and guiding our clients through major global events, preserving their wealth and shaping lasting legacies that reflect their beliefs.

Climate change and the ensuing physical climate risks can influence the investments we manage and affect the financial (asset) value and performance of companies through disrupted supply chains, reduced production capacity and increased operating costs.

For real assets, like real estate, infrastructure and farmland, the risks are even more tangible, as these assets are directly exposed to the effects of floods, droughts and heat. The 2026 summer drought already severely affected transport routes, like the lower Rhine and Danube shipping capacity mentioned above.

The water level also affected energy generation across Europe, with for example Hungary needing to scale down on nuclear energy production because of a lack of cooling water.[5] Agricultural production was hit as well, with drought and heat scorching rice fields in northern Italy.[6]

Understanding and managing climate risks

So how do we manage and mitigate the risks posed by climate change in our investment management activities?
We analyse and monitor sustainability risks, including physical climate risks, in our investment management processes and use scenario analysis to better understand and manage the potential long-term impact of sustainability risks on investment portfolios.

5 POLITICO, Hungary uses sunken barges to raise Danube River to keep nuclear plant going
6 Reuters, Drought scorches Italy's rice belt as water supplies hit record lows

Using **extensive data sets** helps us to assess and manage climate-related risks. The following examples illustrate how this works in practice:

- For our Real Estate portfolios we use detailed, building-level data to assess the impact of natural hazards on valuation and to price in risks. By integrating climate risk data into our investment process, we aim to foresee the potential costs that come with these risks, such as higher insurance costs or lower rental incomes. This enables more informed valuation decisions and helps us to detect potential stranded assets at an earlier stage: find more information here.

- The same is true for our infrastructure strategy, where specialist data on where demand is growing, together with climate risk maps and power load factor patterns, reveal emerging pressures long before they appear in company results.

- In our farmland strategy, climate and other data sets are used throughout the investment process to assess factors such as water availability, crop-region suitability, and soil quality. Data also helps us test whether assumptions hold in practice. Read more in: Where data drives decisions in farmland investing | Van Lanschot Kempen IM.
  Data can narrow the investment universe, challenge assumptions and monitor outcomes, but they cannot answer every question: When data actually changes decisions in farmland | Van Lanschot Kempen IM
  We also seek to avoid investing in farmland areas with potential future water scarcity for certain crops. Read more in: When summer becomes the stress test | Van Lanschot Kempen IM.

In addition, we do extensive research on the consequences of climate change and look at climate risks from different perspectives.

- For example in this paper, we argue that climate risk is not only about physical asset damage, but also about persistent, climate-driven inflation risk: Climateflation | Van Lanschot Kempen IM

> "In our investment management processes we analyse and monitor sustainability risks, including physical climate risks.

For all liquid Kempen investment strategies, we use the Van Lanschot Kempen Sustainability Score which takes material topics into account including biodiversity and land use as well as water stewardship. The score combines external ESG ratings with our own research, additional data sources and engagement insights, providing a more forward-looking view of sustainability risks and opportunities. This helps create a consistent framework for investment decisions, engagement and risk assessment across portfolios.

We also use engagement and voting to encourage investee companies to address climate-related risks and opportunities. We engage on topics such as decarbonisation, climate governance and planning for a transition to a lower-carbon economy. Our voting activities reinforce our expectations for transparency, accountability and long-term value creation. Please find an overview of our engagements in our Stewardship and Sustainable Investment Report 2025 | Van Lanschot Kempen IM.

Our own organisation

The direct water use of our own organisation is limited. However, drought and wildfires can disrupt the infrastructure, suppliers and energy systems on which we depend. We therefore monitor climate-related operational risks and factor physical climate risks into our business continuity planning.

We also aim to lead by example: our new Amsterdam office includes water-saving measures such as sensor taps, leak detection, smart monitoring and rainwater reuse. In addition, we encourage employees to use water prudently and share practical information on water use and saving, both at work and in their daily lives.

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