



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Recommendations

The Task Force on Climate-related Financial Disclosures (TCFD) has developed a number of recommendations on climate-related financial disclosures (see www.fsb-tcf.org), applicable to organisations across sectors and jurisdictions. 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 taken up in mainstream (i.e. public) financial filings. The recommendations of TCFD are structured around four thematic areas that represent core elements of how organisations operate: A. Governance, B. Strategy, C. Risk management and D. Metrics and targets.

Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization 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.
<p>Recommended Disclosures</p> <ul style="list-style-type: none"> 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. 	<p>Recommended Disclosures</p> <ul style="list-style-type: none"> a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. 	<p>Recommended Disclosures</p> <ul style="list-style-type: none"> a) Describe the organization's processes for identifying and assessing climate-related risks. b) Describe the organization's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. 	<p>Recommended Disclosures</p> <ul style="list-style-type: none"> a) Disclose the metrics used by the organization 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 organization to manage climate-related risks and opportunities and performance against targets.

Recommendations and Supporting Recommended Disclosures

Item	On-balance sheet activities	Off-balance sheet activities
A. Governance		
a. Boards oversight of climate-related risks and opportunities	<p>Within Van Lanschot Kempen climate-related risks and opportunities are reported to the Executive Board if these are assessed as material. As no material risks have been identified, the Board has only infrequently discussed climate-related risk topics.</p> <p>Climate-related opportunities are discussed as any other opportunity. Within Van Lanschot Kempen a New Product Approval (NPA) process is designed for assessing new opportunities.</p>	
b. Management's role in assessing and managing climate-related risks and opportunities	<p>Van Lanschot Kempens group risk management and control system is specifically designed to manage all internal and external risks. Climate change falls into the category of external risks and managing it consists of three lines of defence (for more information on the three lines of defence method, please refer to the annual report 2017 p. 74). A group-wide risk dashboard is sent to the Group Risk Committee every quarter. The Group Risk Committee consists of two Executive Board members and various senior managers from risk management and the business. If climate change is deemed to be a material risk for VLK, it will be discussed in this committee.</p>	<p>For the Assets under Management (AuM), the ESG Council is the highest governance body regarding Environmental, Social and Governance (ESG) risks and opportunities. This Council is chaired by the Managing Director of Kempen Capital Management and consists of various senior investment specialists of Kempen Capital Management (KCM), e.g. the Chief Investment Officer and the Director Responsible Investment. The ESG Council formulated a specific climate change policy in 2016. The execution of the climate change policy is delegated to the Engagement Working Group (EWG), together with the fund managers</p>
B. Strategy		
a1. Our identified short, medium and long term climate-related risks	<p>Given our balance sheet exposure we have not identified material climate-related risks (physical or transitional) over the short (2 years), medium (3-7 years) and long term (> 7 years).</p> <p>Our balance sheet (€14.7bn) does not contain material climate-sensitive assets.</p> <ul style="list-style-type: none"> – The investments in our own investment portfolio (€4.4bn; including cash) are mainly concentrated in government bonds and fixed income titles issued by European financial institutions; see our annual report 2017, p. 73. According to various studies these type of investments are not climate sensitive. – In our corporate loan book (€2.0bn) there is no material lending exposure to companies active in climate sensitive sectors like fossil fuels, food & agro, transport, tourism etc. The wind down of our Corporate Bank (due to strategic reasons; since 2013) has reduced our already limited climate change risk exposure to a non-material level in 2017. Most of our actual corporate loans are now with business professionals & executives, health care professionals and (a limited number of) Dutch SME's. See our Pillar III disclosure 2017 for a detailed description of our loan book (regions, sectors, type of borrowers etc.). – Our mortgages portfolio (€6.3bn) mainly consists of Dutch mortgages; see annual report 2017 p. 69. Climate-related risks (e.g. regulatory changes, flooding, etc.) will be carried by the house owner or will be covered by insurances on the house. Only if a large part of The Netherlands would be flooded, there are risks in the mortgage portfolio. As far as flooding risks from the sea is concerned, such risks are currently deemed non-material. Calculations made by the Dutch Government underscore these low risks; see e.g. 'De veiligheid van Nederland in kaart, 2016' page 30. The risks of flooding originating from rivers is much higher, but the government has initiated all kinds of investment programmes like 'Ruimte voor de rivier', 'Maaswerken' en 'Hoogwaterbeschermingswerken' to mitigate the risk of flooding (see https://www.rijkswaterstaat.nl/water/waterbeheer/bescherming-tegen-het-water/maatregelen-om-overstromingen-te-voorkomen/index.aspx). 	<p>Van Lanschot Kempen manages €69.2bn of client assets. As these assets are partly invested in climate-sensitive sectors and regions, Van Lanschot Kempen runs certain climate change risks. Examples of possible risks could be investments in oil companies whose share price could deteriorate if these companies' assets were to become stranded due to policy effects. Another example is an investment in non-listed/illiquid real estate that gets flooded. As we expect, most negative impacts appear in oil & gas, mining, utilities and industrials, Van Lanschot Kempen developed a specific climate change policy for these sectors.</p> <p>We think it is important to emphasize that – even if the above mentioned sectoral/regional risks would materialize – the impact on the total client portfolio would be limited, mainly because of the strong diversification over companies, sectors and regions, as well as the high liquidity of the investments we make for our clients. Various academic studies confirm such a low sensitivity on a portfolio level. At the same time, the diversification on a portfolio level is not a reason to ignore company-specific risks of particular investments. For more information, refer to the Risk Management part of this document.</p>

	<p>– For our own offices (in the Netherlands, Belgium, Switzerland, the UK 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 of 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 these prolonged continuity disruptions.</p> <p>Our Merchant Bank activities (Corporate Finance and Securities) are mostly fee-driven and 'asset-light'. Therefore, these activities are not materially exposed to climate change risks like e.g. stranded assets.</p>	
<p>a2. Our identified short, medium and long term climate-related opportunities</p>	<p>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. Nevertheless, we expect that this will change in the near future. We expect that certain sectors – e.g. renewables, infrastructure – can profit under an energy transition scenario. In addition to that, we expect clients' appetite for climate change friendly investment funds to grow, and mortgage loan clients to become more interested in energy saving advice from their bank.</p>	
<p>b. The impact of climate-related risks and opportunities on our businesses, strategy, and financial planning</p>	<p>Until now we have classified our climate-related risks as low. These risks have not affected our business, our strategy or our financial planning.</p> <p>The same goes for our climate-related opportunities, although we have recognized some growing appetite among our clients recently. In response to this new appetite, we have started an energy saving pilot for mortgage loans clients in 2017. However, the size of these developments is still marginal and has not yet affected our business, strategy or financial planning.</p>	<p>Until now we have classified our climate-related risks as low. These risks have not affected our business, our strategy or our financial planning.</p> <p>The same goes for our climate-related opportunities, although we have recognized some growing appetite among our clients recently. In response to this new appetite, we have for example provided our clients with new climate change friendly (external managed) mutual funds. However, the size of these developments is still marginal and has not yet affected our business, strategy or financial planning.</p>
<p>c. The resilience of our strategy under different climate-related scenarios, including a 2°C or lower scenario</p>	<p>So far we assess that the potential impact of a 2°C or lower scenario on our group is small.</p> <ul style="list-style-type: none"> – We have no material climate-sensitive assets on our balance sheet – We expect that a rise of the sea level will be countered by extra investments of the Dutch government in sea/river defence structures. Even if our operations would be physically impacted due to flooding, we will be able to manage the situation as our datacentres in Eindhoven and 's-Hertogenbosch (fallback) are well above sea-level. – We are currently investigating the sectoral/regional climate change sensitivities in our AuM in more detail. Unless the outcomes point in a different direction (which we do not expect), we classify our aggregated climate change risks (in the total portfolio) as low and/or manageable, mainly as a result of strong diversification and high liquidity. 	

C. Risk Management		
<p>a. The organization's processes for identifying and assessing climate-related risk.</p>	<p>On-balance sheet 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 recognizes the following risks: strategic risk, credit risk, market risk, liquidity risk, interest rate risk and operational risk; for more information, please refer to our annual report 2017 p. 69. Climate change risk has been identified as an external factor which can influence one of the above risk categories and is therefore not a separate risk category. There is also no specific climate-related responsibility assigned to (risk) management-level positions.</p> <p>On department and project level, Van Lanschot Kempen executes Risk Self Assessments (RSAs) on a regular basis. In these RSAs staff determines which risks may interfere with the successful execution of processes. If deemed relevant, climate change impact will be considered. However, until now this has not been the case.</p> <p>In addition to that, climate change could be taken into account as part of scenario analyses and business continuity assessments. In recent years climate change has not been a part of these assessments. Next year, however, the impact of climate change will be incorporated in the scenario analysis conducted for business continuity risk as part of the ICAAP process. As the primary impact of climate change takes the form of increased risk of flooding, scenario analysis will be a method which is aligned with the risk assessment by the Dutch government.</p>	<p>Off-balance sheet For our AuM, the ESG Council has formulated a specific climate change engagement policy which aims to measure the carbon intensity of all investments in the most carbon-intensive sectors (oil & gas, mining, utilities industries). Lagging investees (compared to peers) can be selected for an engagement process, aiming for more transparency and clear carbon reduction targets. The rationale behind these engagements is that we expect that due to the energy transition to carbon-poor economies, lagging companies in these sectors run the most material financial risks (e.g. because of their assets becoming stranded). This expectation is confirmed by various external academic studies.</p> <p>We also put forward a separate engagement policy in regards to coal. For the mining sector and utilities, we screen companies on their coal exposure. Mining companies that derive more than 10% of their revenues from coal, as well as utilities that use more than 20% coal in their fuel mix, will be engaged with. If these companies – over the next years – show no interest in reducing their coal exposure, we will consider to exclude them from our investments.</p>
<p>b. Our processes for managing climate-related risks</p>	<p>Within Van Lanschot Kempen the process for prioritizing climate-related risks in relation to our on-balance sheet activities is fully integrated in our overall risk management process. So far these climate-related risks appear to be only small. Therefore mitigation or transferring does not seem necessary.</p>	<p>For our AuM the process for prioritizing climate-related risks is part of the Responsible Investment Policy of Kempen Capital Management (KCM), as approved by the ESG Council and executed by the Engagement Working Group (EWG). For this policy, refer to https://www.kempen.com/en/asset-management/responsible-investment. For KCM one of the risk management approaches is engagement with investees. If engagement does not deliver the requested results, the ESG Council can decide to divest from the investee.</p>
<p>c. How our processes for identifying, assessing, and managing climate-related risks are integrated into our overall risk management</p>	<p>Refer to a. and b.</p>	<p>Refer to a. and b.</p>
D. Metrics and targets		
<p>a. Our metrics used to assess climate-related risks and opportunities</p>	<p>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. Because our climate-related risks are classified as non-material – especially in relation to our balance sheet - we do not see a need to use internal carbon prices or climate-related opportunity metrics.</p> <p>To assess the impact of (physical and transitional) climate-related risks on our lending business activities in the short, medium, and long term, we use various metrics. The most relevant metrics are 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.</p>	<p>For our AuM we measure the carbon intensity of all investees in the most carbon intensive sectors (e.g. oil & gas, mining, utilities and industrials) by using MSCI ESG Research data. For methodological reasons, we use an intensity metric here, defined as the (3 year moving) average of the scope 1 and 2 emissions per investee divided by the (3 year moving) average of sales per investee.</p>

<p>b. Our disclosures on scope 1, 2 and 3 (emissions as defined in GHG document)</p>	<p>Since 2011 Van Lanschot Kempen is disclosing its scope 1, 2 and 3 emissions regarding the on-balance sheet activities via the annual report, in line with the GHG Protocol; see our 2017 annual report p. 50 and our responsibility supplement. Our carbon disclosures are presented both in absolute numbers (tonnes) as well as in intensity ratios (tonnes per FTE). Also our reduction targets are presented in both absolute terms and intensity ratios.</p> <p>In our 2016 annual report we introduced a new element: the carbon data on the GHG Protocol 'Category 15: Investments'. These new data related 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.</p>	<p>After we did some initial carbon calculations in 2016 and used it for the purpose of engagement, we further evolved our methodology in 2017 and hired an external consultant (ISS) to deliver more carbon data and to calculate our carbon footprint of assets under management. The calculated carbon footprint is published in the 2017 annual report of VLK and the annual Responsible Investment report of Kempen. Three different carbon metrics related to our 2016 AuM are presented: an absolute footprint (tCO₂), a carbon intensity number (tCO₂/€ m sales) and a relative footprint (tCO₂/€ m invested). Due to fragmented reporting of underlying companies and lack of data on private investments, the three metrics were calculated for around 50% of total AuM. In 2018, we aim to further enhance our methodology and increase the coverage of the footprinting exercise as well.</p>
<p>c. Our targets used to manage climate-related risks and our performance against targets</p>	<p>Regardless our small and indirect climate change impact, our Executive Board has – as part of Van Lanschot Kempen's corporate social responsibility policy - formulated a corporate reduction target for the emissions of our own organization, being -2% per FTE per year. This (intensity) target was formulated for the first time in 2011 (base year) and is managed by the procurement function in the organization. At the moment, the target period is 10 years (2016-2025). Refer to our responsibility supplement.</p> <p>The Van Lanschot Kempen procurement department manages the carbon emissions of our own organization via the so-called Van Lanschot Kempen Business Partner Due Diligence Process. This process assures that all suppliers of Van Lanschot Kempen are screened on potential ESG issues in the supply chain (e.g. human rights, labour conditions, corruption, etc.). Where relevant (gas, electricity, cars, air travel) new and existing suppliers are assessed on climate change issues as well. Suppliers that do not contribute to further carbon reductions can be rejected or replaced. The director of the procurement department is directly reporting to the Executive Board.</p>	<p>Having calculated three carbon metrics for the first time in 2017, we have not yet set any reduction targets. We will further monitor the development of our footprint, the underlying data quality and coverage, and investigate such targets in the coming years.</p>