

Biodiversity Policy

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1. Structure policy

The biodiversity policy is structured as follows. First, our position and investment approach in relation to biodiversity is explained. Hereafter, we present a section on one aspect of biodiversity, namely no deforestation. In this section we highlight the importance of no deforestation, explain the link with the direct biodiversity drivers and go into the main cause of the issue. We also elaborate on our position and approach related to no deforestation. Finally, our governance and reporting is shown.

2. Biodiversity

2.1 Background

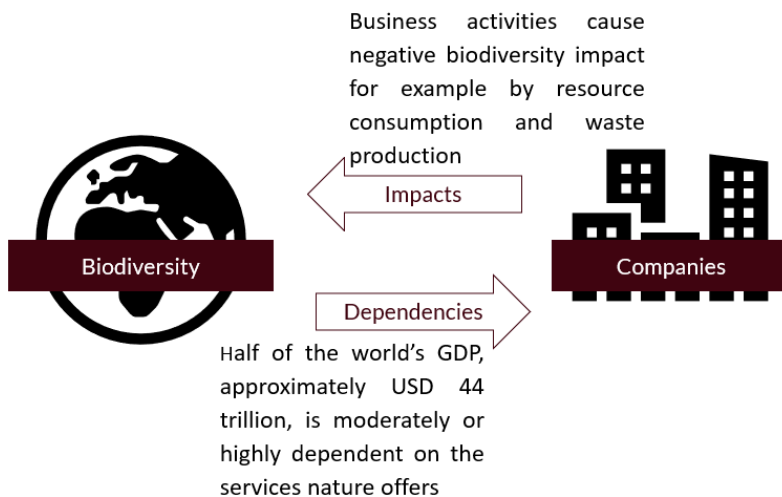
Definition and materiality

Following the definition of Convention on Biological Diversity, biodiversity means “*the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species, and of ecosystems.*”¹ We are losing biodiversity like the wealth of plants and animals like never before. Three-quarters of the land-based environment and about 66% of the marine environment have been significantly altered by human actions.² The global population of wild species has fallen by 69% over the last 50 years³ and more than one million species are currently at risk of extinction. Biodiversity is negatively impacted due to economic activities, but at the same time these activities are dependent via ecosystems.

Economies impact biodiversity and at the same time are dependent on it

The interlinkage biodiversity and economies is two-sided, as can be seen in figure 1. While economies have an adverse impact on biodiversity, at the same time they are dependent on services nature offers via ecosystems.

Figure 1 *Companies’ impacts and dependencies on biodiversity*



¹ CBD, *Convention on Biological Diversity*.

² Sustainable Development Goals (2019), *Nature’s Dangerous Decline ‘Unprecedented’; Species Extinction Rates*.

³ World Economic Forum (2022), *6 charts that show the state of biodiversity and nature loss - and how we can go ‘nature positive’*.

Economies dependency on biodiversity

Economies (and societies) are not only impacting biodiversity, they are also dependent on biodiversity. This may impact our economy and financial markets as well. Although exact numbers are difficult to obtain and will need to be treated with caution, there have been some estimations on the potential impact. According to the World Economic Forum, around half of the world's GDP, approximately USD 44 trillion, is moderately or highly dependent on nature and its services.⁴

Economies adverse impact biodiversity

Economies can adverse impact biodiversity via direct and indirect drivers. Whereas indirect drivers alter the level or rate of change of one of more direct driver, direct drivers unequivocally impact biodiversity. Globally, five main direct drivers can be identified⁵:

- Land-use change (including deforestation)
- Climate change
- Pollution
- Natural resource use and exploitation
- Invasive species

This impact on biodiversity by companies can take place in three phases: upstream, downstream and midstream. Upstream refers to the material inputs needed for production, while downstream is the opposite end, where products get produced and distributed. Midstream is the transportation and storage phase.

International development

Biodiversity is captured by the Sustainable Development Goals (SDGs) under SDG 14 (Life below Water) and SDG 15 (Life on Land).⁶ End of 2022, governments have reached a landmark biodiversity agreement on four overarching global biodiversity goals for 2050, and 23 targets for 2030.⁷ This may be a 'Paris Agreement' moment for biodiversity, as the Paris Agreement goals were for climate change, although it will depend on the implementation towards relevant stakeholders like individual (sub)governments, companies and financial institutions the coming years. Nevertheless, an global agreement is a promising sign which Van Lanschot Kempen welcomes. In particular targets 15 and 19 which appear to be relevant for financial institutions. In short, target 15 includes that companies and financial institutions monitor, assess, and transparently disclose risks, dependencies and impacts on biodiversity. Target 19 aims to mobilise at least USD 200 billion by 2030, coming from all sources including from private sources. Target 15 is in line with our (current and future) approach on biodiversity, more details can be found in section 2.2, 2.3, 3 and Appendix 2. Via our approach we will also strive to play an active role in relation to target 19. We will monitor, and take action where feasible, the further implementation of the biodiversity targets for 2030.

⁴ World Economic Forum (2020), *Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy*.

⁵ IPBES, *Models of drivers of biodiversity and ecosystem change*.

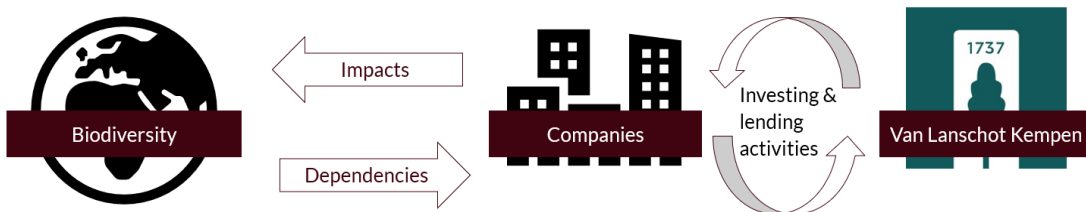
⁶ The Sustainable Development Goals are 17 goals which address the most pressing worldwide societal issues.

⁷ CBD, *COP 15: Nations adopt four goals, 23 targets for 2030 in landmark UN Biodiversity Agreement*.

2.2 Our position

Van Lanschot Kempen is a specialist, independent wealth manager dedicated to preserve and create wealth sustainably, for our clients and the society we serve. Through the activities we undertake as a company, ranging from our role as an investor of our clients' wealth, our role as a lender and as a corporate citizen we have an impact on biodiversity, be it positive or negative. In this policy we focus on our role as an investor as we are convinced we can have the biggest impact via leveraging our clients' assets. As such, we can play a facilitating role in global supply chains and have a responsibility in its associated dependencies and impacts - see figure 2.

Figure 2 Van Lanschot Kempen' impacts and dependencies on biodiversity as an investor



Our focus on biodiversity

We are committed to protecting our clients assets from dependencies, reducing our negative impacts and promoting our positive impacts by focusing on areas where we are best equipped to make a meaningful contribution. Our three sustainability focus themes can be found [here](#). One of these focus themes is Climate and Biodiversity. We choose to capture biodiversity and climate under one theme since they are interlinked. When one gets worse, so does the other. Global warming leads to rising temperatures, extreme weather events and ocean acidifications, which affect biodiversity. The other way around, biodiversity helps to regulate greenhouse gas emissions and protects against the effects of climate change. For example, mangroves, seagrasses and corals help protect against climate change effects by providing flood protection. Our climate change policy can be found [here](#). This policy will focus on the biodiversity aspect of the climate-biodiversity interlinkage.

Transitions with focus on food transition

We are committed to limit climate change and limit and reverse biodiversity loss by contributing to the energy, food and materials transitions. In relation to biodiversity, the food system and subsequent food transformation are especially important as the food production system is the primary human activity responsible for biodiversity loss.⁸ The intensification of agriculture to produce more food at cheaper prices has played a critical role in increasing biodiversity loss across all the main drivers (i.e. land and sea-use change, climate change, overexploitation of natural resources, pollution and invasive species). While the food system leads to adverse impact on biodiversity, we are at the same time dependent on the food that nature provides us. We opine that the consumption and production of food will need to change, including the food waste due to the food system. Moreover, we underline that the food transition may have serious impact on people's social foundation, such as on their health and access to food. We will

⁸ IPBES (2019), *Global Assessment Report on Biodiversity and Ecosystem Services*. BCG (2021), *The Biodiversity Crisis as a Business Crisis*. MSCI (2022), *Biodiversity & Food: The Double Burden*.

therefore focus our efforts to limiting negative impact on biodiversity as well to reverse biodiversity loss and to create positive impact in the food value chain like agriculture.

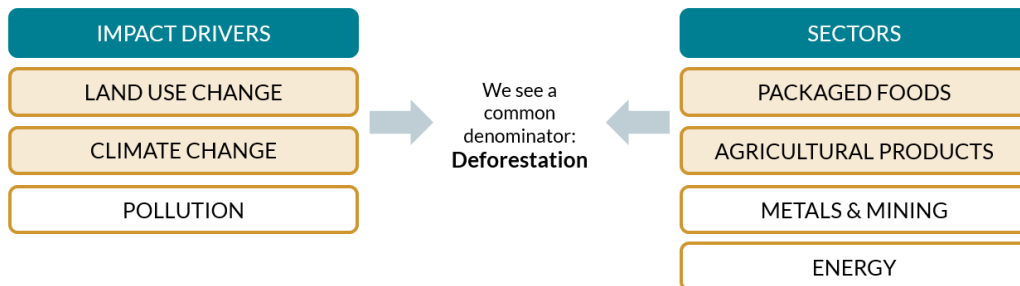
We will work out the food transition, next to the other transitions, the coming years.

Focus on deforestation

The direct impact drivers ‘climate change’ and ‘land-use change’ are closely linked to deforestation (see section 3.1 for more details). Two of the four sectors that highly negatively impact biodiversity (‘Agricultural products’ and ‘Packaged foods and meats’) can be clearly linked to no deforestation as well. This underlines that the food system is an important contributor to biodiversity loss.

Based on various assessments, we decided to focus on no deforestation first. In 2021, we conducted a risk assessment to identify and assess our actual and potential adverse biodiversity impacts (see appendix 2). When looking at the overlap of sectors from the actual and potential adverse biodiversity impact assessment, our biodiversity impacts is concentrated in a limited number of sectors. In addition to this assessment, in 2022 we assessed which ecosystem services Van Lanschot Kempen is dependent on and which services Van Lanschot Kempen impacts (see appendix 3). Based on the outcome of these two assessments, we decided to focus our efforts on deforestation first (see figure 3 for a graphical representation).

Figure 3 Link between Van Lanschot Kempens’ biodiversity impact assessments and deforestation



Our biodiversity initiatives

In 2021 Van Lanschot Kempen signed the Finance for Biodiversity Pledge, in which we commit to biodiversity related best practices, varying from collaboration to engagement and setting concrete targets by 2024 (see the initiative [here](#)). See appendix 1 for our biodiversity commitments in line with the pledge. Furthermore, we support the Convention on Biological Diversity and welcome that governments have set ambitious 2030 targets to conserve and restore biodiversity with the adoption of the Global Biodiversity Framework at the UN Biodiversity Conference of the Parties. We support the further implementation of the targets (see the targets [here](#)).

2.3 Our approach

We focus on biodiversity within our investment process through four instruments (exclusion, ESG integration, active ownership and impact). We believe that all instruments are needed to provide a robust framework on the integration of biodiversity in the portfolios. By means of these four instruments we aim to cease (via exclusions and active ownership), prevent or mitigate our adverse biodiversity impact (via ESG integration and active ownership) and contribute to positive solutions (via impact).

Pillar 1: Exclusion

One of the direct drivers of biodiversity loss is climate change (see section 2.1). We have formulated exclusion objectives for coal mining and tar sands for all fund managers where we have influence.⁹ We have assessed several activities that are detrimental to the transition to a low carbon economy and believe that especially these activities have an adverse impact on climate change. See our Climate change policy for more details. While we do not have specific exclusion criteria for the other four drivers of biodiversity loss, we apply exclusion criteria for companies based on company conduct behaviour. When companies are involved in actual severe adverse biodiversity impacts due to its business conduct, we avoid investing in these companies. Biodiversity indicators are part of these assessments.

Pillar 2: ESG integration

Biodiversity is part of our ESG due diligence and we reporting on principal adverse impacts (PAIs).

The topic is included in our ESG monitoring as well in our assessments via ESG ratings, controversies and business involvement. We seek to integrate ESG both directly – through our funds' investments – as well as through our external solutions. The screens (including ESG ratings and controversies) are based on international standards and conventions, such as the OECD Guidelines, UN Global Compact and the Convention on Biological Diversity. With the screens, we aim to identify companies with activities negatively affecting biodiversity sensitive areas, and risks to water stress and waste. Using data vendors, we measure the impacts and risks related to issues of biodiversity loss, deforestation and land use within the companies' own operations and/or their supply chains. For non-listed assets, we have minimum certification standards and a no deforestation policy requirement in place for land investments.

In the context of the EU Sustainable Finance Regulation, in particular the Sustainable Finance Disclosure Regulation, Van Lanschot Kempen is monitoring the invested assets' performance on principle adverse impacts (PAIs). Among the mandatory indicators (PAIs), indicator PAI 7 has a direct link to biodiversity and covers investee companies with activities (potentially) negatively affecting biodiversity-sensitive areas. We recognize that current data availability on this PAI is not complete and that many of the impacts on biodiversity sensitive areas occur through companies supply chains rather than through their direct operations. We take PAIs overall and PAI 7 in particular into account in our investment Due Diligence framework. We are working on further developing our framework to include a

⁹ By 'influence' we refer to a broader term than active funds, we refer to: (1) we generally have influence where allocation amounts are high (for active and passive fund managers); (2) we have influence for mandates via BestSelect; (3) we have influence where the selected fund is a co-creation between Van Lanschot Kempen and the asset manager in question.

holistic assessment of biodiversity impacts as more data becomes available. ESG integration is performed for multiple asset classes following somewhat different methodologies.

Pillar 3: Active ownership

Biodiversity is part of our engagement approach. We actively engage with companies on biodiversity-related controversies where applicable. Due to our size and resources available, we also aim to engage collaboratively to increase our leverage. Next to engagement with companies directly, we also engage with (external) fund managers. We assess them in our due diligence process and through their annual reporting cycle and engage with them proactively where we identify concerns.

Next to engagements we use our voting rights to express our views on biodiversity matters such as a company's performance regarding topics within this theme. We use our voting rights in line with our engagement activities. For example, we exercise our voting rights regarding supporting shareholder proposals relating to deforestation or plastic waste. More information can be found in our Proxy Voting Policy. We review shareholder proposals addressing topics within this theme on a case by case basis and are likely to support meaningful requests.

Furthermore, Van Lanschot Kempen has pledged its support to, as well as become a member of, various networks, initiatives and foundations that seek to promote and positively contribute to biodiversity.

Pillar 4: Impact

We invest in strategies that support nature and climate next to providing solutions to our clients for different asset classes. We recognise that solutions with a positive impact on biodiversity are also needed. A proxy for benefitting stakeholders is the alignment of investee revenues with Sustainable Development Goals 14 and 15. This can be done by investing in conservation and restoration of life on land and life below water. To make our policy on positive impact on biodiversity more concrete, we provide two examples:

- The Global Impact Pool that aims to realise market-based financial returns and a measurable, positive impact on society and the environment.
- The Kempen SDG Farmland Fund where we seek investments in nature-based solutions.

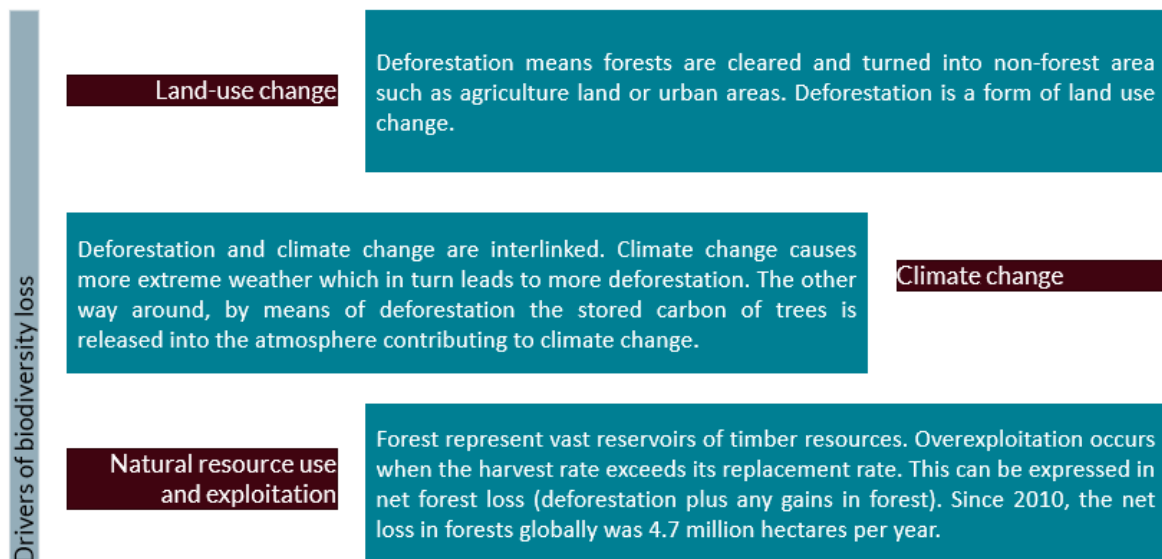
Within our discretionary portfolio we also allocate part of our client assets to external Impact Funds focusing on specific themes, such as climate change.

3. No deforestation

3.1 Background

The main forest losses took place in approximately the last century where our population size five folded. During this period the earth lost the same amount of forests as was the case for around the previous 9,000 years. Whereas 10,000 years ago 6 billion hectares of lands' surface was covered by forests, now only 4 billion hectares are left.¹⁰ This means that one third of our forest cover has disappeared. Deforestation can be linked to three of the five drivers of biodiversity loss introduced in section 2.1., as can be seen in figure 4. Although land use changes like deforestation can most of the time be linked to multiple causes, the main cause is often stated as agriculture. In the last two centuries, total land used for agriculture (crop and animal based) increased from 1 billion hectares (in 1700) to almost 5 billion hectares (in 2018). According to FAO and UNEP research, of all deforestation taking place, 80 percent can be directly linked to growth in agriculture.¹¹

Figure 4 Link deforestation and drivers of biodiversity loss



¹⁰ Our World in Data, *The world has lost one-third of its forest, but an end of deforestation is possible.*

¹¹ FAO and UNEP (2020), *The State of the World's Forests 2020. Forests, biodiversity and people.*

3.2 Our position

Based on the previous section we can conclude that deforestation is closely linked to biodiversity and can be regarded a systemic, physical and transitional risk for investors – and thereby a financial risk as well. Our no deforestation section builds on our commitments and objectives stated in our biodiversity policy. In 2015, Van Lanschot Kempen signed the Cerrado Manifesto to prevent deforestation in the Cerrado in Brazil and is closely following upcoming regulation in the field of deforestation. As a firm we want to contribute to the transition towards eliminating deforestation as a result of the production of major agricultural commodities and animal farming. We have formulated internal targets and will develop deforestation targets relevant for our investment portfolios.

3.3 Our approach

We strive to focus on no deforestation within our investment process through the four instruments explained in section 2.3. These instruments are used in relation to the investee companies involved in agricultural commodities, which relate to the food system (see section 2.2 for the sectors involved). In general, we encourage our investee companies involved in agricultural commodities to respond to nature related risks and opportunities. We will work the instruments out in more detail the coming period.

4. Governance and Reporting

Governance

Our sustainability governance structure can be found [here](#).

Reporting

We aim to report our progress regarding our biodiversity commitments, ambitions and objectives for Van Lanschot Kempen on an annual basis and integrate biodiversity in our existing reporting for client portfolios.

Appendix 1: Van Lanschot Kempen Biodiversity Statement

Our consideration of biodiversity is reflected in our investment process and in the solutions we offer to our clients.

We are committed to:

1. Collaborate and share knowledge on methodologies, data sources, biodiversity related metrics, targets and financing approached for positive impacts. This includes our commitment to:
 - Actively participate in initiatives and industry groups such as the DNB working groups and the Partnership for Biodiversity Accounting Financials (PBAF).
 - The Finance for Biodiversity Pledge.
2. Explore best practices and continue and enhance measuring the biodiversity impact and dependencies of our investments.
 - Engage with research data providers, acquire and analyse meaningful data.
 - Start measuring impact and dependencies of our investments on biodiversity and ecosystem services.
3. Set biodiversity related targets.
 - We will set and disclose targets in due time, in line with science-based best practices.
4. Integrate biodiversity risk into our investment processes.
 - As climate change risks, we consider (exposure to) biodiversity-related risks to be material issues. Therefore, we will examine diverse biodiversity metrics from research and data providers, to assess our investments for positive and negative impacts on biodiversity and identify the strongest loss drivers.
 - In the context of SFDR regulation we also consider Principle Adverse Impact indicators related to biodiversity in our investments
5. Aim to engage with companies and support them in reducing their negative and increase their positive biodiversity impacts Here we aim to focus on the material biodiversity related sectors and companies
 - To leverage our impact, we will seek to collaborate with other financial institutions in engagements
 - Engagements will be in line with our investee company expectations that can be read in chapter 1c No deforestation policy Our approach.
6. Investigate and develop investment products that deliver positive biodiversity outcomes.
 - Biodiversity is part of our overall sustainability objectives.
 - We aim to include in new funds that they can invest in activities which preserve, protect and enhance nature over the long term.
 - We will communicate those solutions to our clients in a transparent and comprehensive manner.
7. Reporting
 - We are aware of the limitations of existing biodiversity metrics. Yet, we expect reporting to improve over time as “a common language” for guidelines and metrics is established.
 - We will report annually on our own biodiversity footprint and that of our portfolios. In addition, we will disclose our progress towards achieving our (to be developed) company-wide targets.

Appendix 2: Biodiversity risk assessment

In 2021 we performed a biodiversity risk assessment to identify and assess our adverse biodiversity impact. Due to the challenges around biodiversity, such as on data availability and quality, metrics and standardisation, we have combined a top-down analysis (relevant literature on biodiversity risks for the financial sector from e.g. supervisors) with a bottom-up analysis based on our available biodiversity data.

Top-down analysis

Based on our top-down analysis, we can stipulate that biodiversity loss is being seen as a material risk for society, the economy and the financial sector. Regulators and central banks are looking at biodiversity risks and investigate the exposure of investors to these risks, like they did earlier with climate change. Biodiversity risks are relevant for the financial sector due to its role in financing economic activities. For financial institutions, biodiversity risks can translate into financial risks. With the convention on biodiversity in 2021 and 2022, increased policy action on biodiversity may strengthen the imperative for financial institutions to understand their own impacts and dependencies on biodiversity. Furthermore, climate change and biodiversity loss share (some of) the same characteristics, including its complexity, being subject to (irreversible) tipping points and non-linear change. As a first central bank, the DNB performed an analysis on the exposure to biodiversity risks for the Dutch financial sector in 2020. The central bank showed that Dutch financial institutions have significant exposure to biodiversity risks and recommended that financial institutions need to take these risks into account.

Bottom-up analysis

For our initial bottom-up assessment to come to actual and potential adverse biodiversity impact, we used our available biodiversity data and performed an analysis on a market index (proxy for the investments). Our analysis showed that the actual adverse biodiversity impact seem to be concentrated at a limited number of companies, operating in sectors mainly in Metals and Mining (via tailings and mines) and in Automotive (Manufacturers, via toxic emissions involvement), Energy (Oil & Gas, via oil spills), Food (Agricultural and Packaged foods, via e.g. palm oil production involvement), and Electric Utilities (via electricity generation) as well. Our analysis further showed that when looking at the potential adverse biodiversity impacts, overall we see quite some overlap of sectors, namely Packaged foods (via sourcing raw materials), Agricultural Products (via land use), Metals & Mining (via tailings and mines) and Energy (Oil & Gas, via oil and gas extraction). On regions, due to the rough proxy we used (based on headquarters), it's too premature to mention useful outcomes.

Deep-dive on palm oil

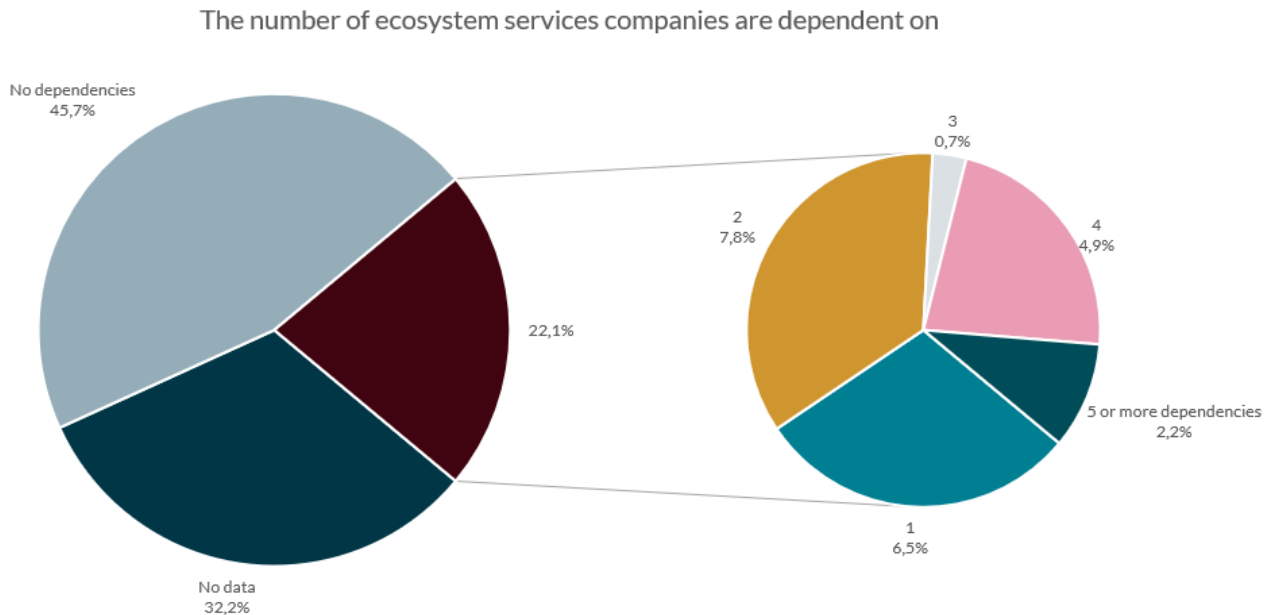
The outcome of our deep-dive on palm oil showed that most companies involved in palm-oil were active in the Agricultural and Food sectors and located (based on headquarters) in some emerging market countries (Malaysia, Indonesia and Thailand).

Appendix 3: Biodiversity dependency and impact assessment

In 2022 Van Lanschot Kempen used public data from ENCORE to perform a biodiversity dependency and impact assessment. This assessment is done to identify and assess our dependency on ecosystem services and impact on impact drivers. ENCORE maps production processes to ecosystem services and impact drivers. Each ecosystem service and impact driver is scored of having a very low, low, medium, high or very high dependency or impact on the respective production process. Some limitations of the ENCORE database relate to the use of direct dependencies only and the fact that location specific data and the current state of nature and ecosystem services is not considered. Approximately two third of the market index¹² (as proxy of our investments) could be mapped using the ENCORE database. Van Lanschot Kempen limited the analysis to Very High and High dependencies and impacts. The number of ecosystem services or impact drivers a production process is involved with is summed upto express how many ecosystem services a production process is highly dependent on and how many impact drivers a production process highly impacts.

Dependency assessment

Figure 5 Ecosystem services companies are dependent on

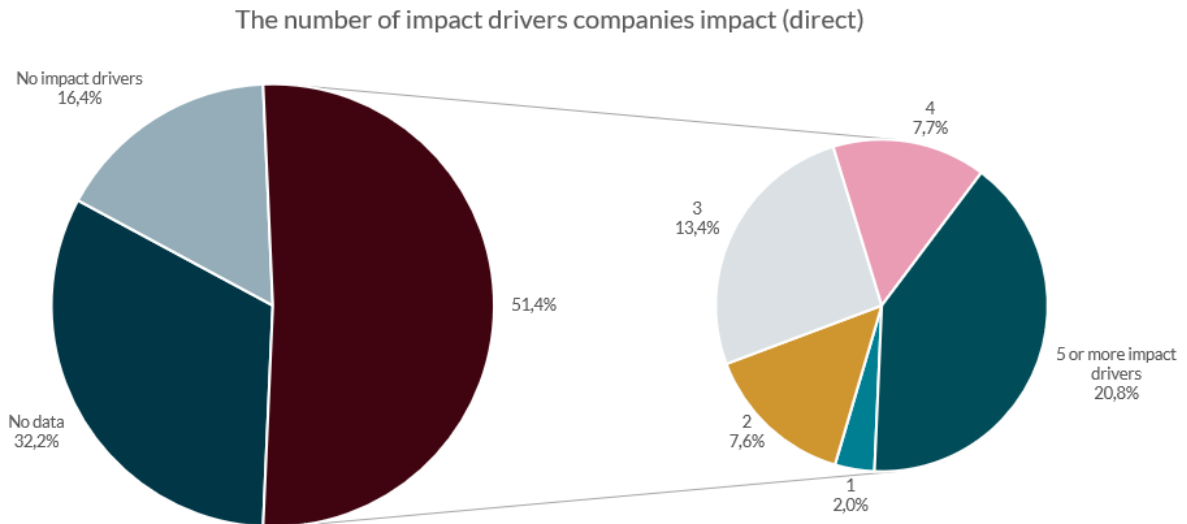


As can be seen in the figure above, at least 22% of investments are high or very dependent on at least one ecosystem service. Within this 22% most companies are highly dependent on two ecosystem services. Surface water is the largest ecosystem services companies are dependent on, followed by ground water and flood and storm protection.

¹² MSCI All Countries World Index (30-11-2022)

Impact assessment direct

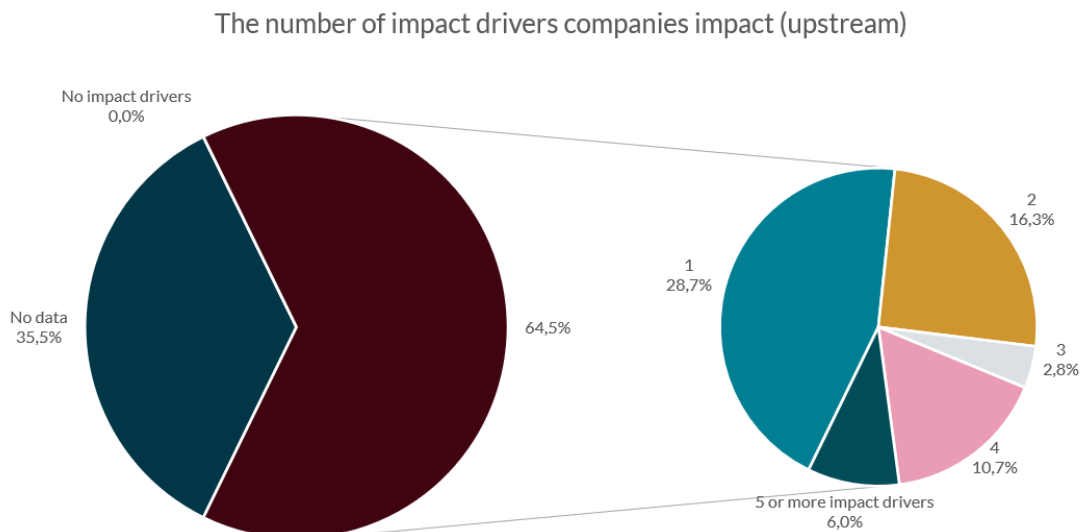
Figure 6 *Impact drivers that companies impact*



When we look at direct impact, the number increases. At least 51% of investments have a high or very high impact on at least one impact drivers. The three most common impact drivers are GHG emission, water use and water pollutants.

Impact assessment upstream

Figure 6 *Impact drivers that companies directly impact*



When we look at upstream impact, the percentage of investments impacting at least one impact driver increases even further. At least 64% of our investments have a high or very high impact on at least one impact drivers. The three most common impact drivers are GHG emission, terrestrial ecosystem use and water use.

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**VAN LANSCHOT
KEMPEN**

Beethovenstraat 300
1077 WZ Amsterdam
Postbus 75666
1070 AR Amsterdam

T +31 20 348 80 00
vanlanschotkempen.com