



# Climate report 2022

Argenta Bank- en Verzekeringsgroep

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## Foreword

We live in a world which is and will remain unpredictable. Global warming is a fact: constantly rising temperatures and extreme weather conditions, the consequences for seas and oceans and the consequences for everyone as human beings. Following the spring storms, we shall remember the summer of 2022 as one of the driest and hottest periods in over a century. Denial is therefore no longer possible and concrete action ought to have been taken yesterday instead of tomorrow. In addition to the climate problems, we also need to be concerned about the social consequences in the areas of equality, inclusion and well-being.

Argenta wants to form part of the solution for turning the tide. That is why we want to focus on the financial resilience of customers, of Argenta itself and within society. Because resilient people can make their own considered choices, assess the risks of what they can bear and insure themselves against what they cannot bear. Financial resilience is reflected in everything we do. We aim to make a real impact with it: directly on our customers and employees, but also indirectly on society and our environment.

With this climate report, we want to give insight into how Argenta is working for a climate-neutral society. These efforts comprise our strategy as well as concrete actions which we will undertake in the coming years to mitigate the effects of climate change for our customers and society. Our ambitions have to be authentic, but also pragmatic and realistic. We still have quite a way to go before we can genuinely achieve the transformation. We therefore have to pursue it with determination. That's something we are quite accustomed to at Argenta.

Peter Devlies  
(CEO, CSO)

## Executive summary

Argenta made considerable efforts in 2022 for its climate action plan, bringing us one step closer in achieving our purpose: financial resilience for customers, for Argenta and in the society. To better understand the impact of climate change on our customers and our business model, we reinforced our initial insights with new analyses which were generated from new climate-related data, KRIs (key risk indicators) stress tests, thematic reviews and more.

This reveals that potentially the greatest impact is to be expected in our mortgage loan portfolios in Belgium and the Netherlands, which are rather sensitive to the transitional effects of climate change, and to a lesser extent to physical climate risks. The mortgage portfolios also represent the largest share of our business activities, and we therefore consider the impact to be material. If we want to focus on the financial resilience of our customers, we should therefore mainly focus on themes such as sustainable living and insurance.

To understand the financial impact on our business model, Argenta integrated climate-specific scenarios within the internal stress testing framework and also participated in the ECB's climate stress test analysis.

This shows that the financial impact is rather limited.

The ECB conducted in 2022 a thematic research on the progress of the climate action plan. The research confirmed Argenta's good progress, but also emphasised the importance of trustworthy climate-related data which would enable Argenta to define concrete ambitions and measurable KPIs (key performance indicators). The regulator therefore expects that Argenta – together with the other European banks – will be fully compliant with the ECB's 13 expectations relating to climate risks by the end of 2024<sup>1</sup>.

Argenta will continue to develop its strategic climate ambitions in 2023 and translate them into KPIs at group, business line and product level, within the general framework of our purpose and the 2023-2026 sustainability action plan.

With reinforced governance and adequate risk management, we consider that we can achieve the right progress to reach our goals.

<sup>1</sup> • In the [ECB guide on climate-related and environmental risks](#), the ECB sets forth what it expects of banks in the area of safe and prudent management of climate and environmental risks and transparent provision of information on the subject, within the current prudential framework.

## About this report

Argenta has been reporting on its climate change efforts in the climate report since 2021. The report forms an integral part of the Activities and Sustainability Report. It is intended for all customers, branch managers, employees, cooperative and family shareholders, institutional investors, regulators, social representatives and other stakeholders who are interested in the strategy, efforts and results of the climate policy, but also on the business model of the Argenta Bank- en Verzekeringsgroep and all underlying companies.

The report covers the period from 1 January 2022 to 31 December 2022 and was based on the Task Force on Climate-Related Financial Disclosure standard (TCFD). This means that the report uses the same structure as set by the TCFD framework: with chapters on governance, strategy, and risk management as well as risk indicators and objectives. In addition, the report also contains the qualitative reporting requirements relating to climate change, social and governance risks in the context of Pillar III, in accordance with article 449a CRR (capital requirement regulation). The report has been prepared to the best of our ability and is based on the information currently at Argenta's disposal. Argenta will

continue its to further improve its climate reporting in the coming years.

Argenta's climate change efforts can only be viewed in the broader context of sustainability. For Argenta, the "E" in ecology is inherently linked with the "S" in social and the "G" in governance. This means that in addition to the need for a transition towards a climate-neutral economy, we also have to pay attention to the social consequences that are associated with it. This climate report therefore also regularly addresses social topics such as accessibility and affordability for everyone.

## Governance

Corporate governance is very important at Argenta. Corporate governance includes drawing up and implementing the strategy, establishing effective governance and internal control, recognising and taking due account of the interests of all stakeholders, and leading the business in accordance with the principles of sound and prudent management, in accordance with the applicable regulations. Here, Argenta attaches great importance to principles such as diversity and a sound remuneration policy with no bonus culture.

Argenta strives for a transparent policy structure which promotes a sound and prudent policy. The business activity is essentially situated in the bank pool and the insurance pool, the management of which lies with the Executive Committees of Argenta Spaarbank and Argenta Assuranties. The independent control functions and personnel policy are organized at group level and are managed by the Executive Committee of Argenta Bank- en Verzekeringsgroep.

You will find more information about governance at Argenta [here](#).

## The operation of sustainability

### The Board of Directors and Executive Committee

Argenta opts for centralised, company-wide operation because sustainability is a subject which affects all departments.

The sustainability policy is defined by the Executive Committee and ratified by the Board of Directors, who plays an important role in ESG, in accordance with the Sustainability Charter. The Executive Committee has appointed the CEO as Chief Sustainability Officer (CSO). His mission is to give sustainability a prominent place in every department at Argenta, through strategic business objectives, the Sustainability Action Plan, the risk policy, annual budgets and business plans. The CSO is assisted by a sustainability manager, who is co-responsible for the implementation of the policy.

**“ESG cannot be seen separately from strategy and will form an essential component of the 2026 strategic update.”**

Peter Devlies (CEO)



## **Group Sustainability Committee**

The Group Sustainability Committee (GSC) shapes the general sustainability policy and is responsible for its translation into concrete measures for the various business activities.

The GSC is chaired by the CSO and is made up of members with specific ESG expertise from the various business departments (Lending, Insurance, Investment and Banking) and members with expertise in climate risks and other sustainability risks. The GSC meets quarterly to discuss strategic topics and the progress within the departments. The GSC reports directly to the Executive Committee.

## **Investment Exclusion Committee**

The Investment Exclusion Committee (IEC) is responsible for the implementation of a consistent exclusion policy. The IEC consists of members with specific expertise in sustainable investing. However, the sustainability manager and the risk management department are also represented on this committee. The IEC reports to the Investment Committees of the various investment entities within the Argenta Group.

## **Green Bond Consultation**

The Green Bond Committee (GBC) manages the Green Bond Framework for Argenta. Argenta uses this

framework for green debt issuance and to stimulate growth in sustainable home loans in order to support the transition to a climate-neutral society. The GBC reports directly to the GSC.

## **Risk management**

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The risk (limit) framework for climate and sustainability risks (financial) and brand and sustainability risks (non-financial) is presented and managed by the risk management function and approved by the Board of Directors through the (linked) policy or policies. Climate and sustainability risk tracking has been entrusted to the three Lines of Defence departments, which are also responsible for monitoring market risk, credit risk, underwriting risk, liquidity risk and other areas. These departments monitor the risk management framework and are responsible for identifying, measuring, managing and reporting the risks. In addition, general monitoring is carried out within the Board of Directors, Audit Committee, Risk Committee, Group Supervisory Committee, Executive Committee, the MTO (management consultation) in the Netherlands, the Group Risk Committee (GRC), Credit Risk Committee Retail (Kreco), the Insurance Risk Committee (VRC), the Asset & Liability Committee (ALCO), Investment Consultation and Rating Consultation and finally within Investment Consultation.

You will find the governance organization chart in the context of climate and sustainability risks in [appendix](#).

## Integrity and codes of conduct

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In the areas of ethics and integrity, Argenta remains faithful to its own values. Honest sales methods and a no-nonsense culture remain extremely important for Argenta. Argenta is aware of the importance of promoting and safeguarding integrity in all areas. The integrity charter also forms the official basis for Argenta's banking and insurance policy and serves as a guideline for actions and decision-making in Argenta. Integrity implies loyalty to the generally accepted standards in the banking and insurance sector, but also to the company purpose and specific company values: close to customers, enterprising, pragmatic and simple.

The compliance function plays an important role in shaping and enforcing the integrity policy. The Argenta group compliance officer, who also heads up Compliance, has a coordinating and initiating role in the implementation of the integrity policy and reports to the Executive Committee.

You will find more information about the integrity policy and codes of conduct [here](#).

## Remuneration policy

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The Argenta Group strives to remunerate its employees in line with market conditions. The salaries of employees, administrative staff, management and members of the Executive Committee of Argenta consist hereby solely of a fixed amount. No variable remuneration, shares, stock options, entry bonus or deferred compensation are granted.

The remuneration policy determines which remuneration package applies to which functions, taking into account the degree of difficulty, responsibility, level of required training/experience and necessary specialization of a particular function.

Argenta explicitly pursues a gender-neutral remuneration policy. The employee's function is the sole factor which determines what the pay category is, and the pay category determines and includes the remuneration package of the employee concerned. Employees in the same pay category therefore have a remuneration package which consists of the same components and fundamentals.

The no bonus culture applies to Argenta's management, employees and directors. No variable pay is granted, even not for achieving the ESG objectives. Not awarding



variable remuneration is a deliberate governance choice, made to avoid the pursuit of short-term goals to the detriment of Argenta's longer-term objectives.

For more detailed information about Argenta's governance and the operation of its sustainability, please consult the [Activities and Sustainability Report 2022](#).



## Strategy

Climate change may have major consequences for the financial sector. The business model of banks, insurers and asset managers may be put under pressure as a consequence of physical and transitional effects which may be caused by climate change.

In addition, other important social changes will come prominently to the fore. Because how do we make sure that everyone is sufficiently protected against the consequences? How do we make sure that everyone can make the transition in an affordable way?

The pressure on the sector is increasing, with more legal requirements to be met. The need for an adequate risk policy and strong governance, and the increasing demand for transparency with regard to customers, employees, investors, shareholders, the regulator and supervisory body makes for additional pressure on the sector.

To arm ourselves against this, we have to above all understand the impact well, identify the effect in good time, monitor and adapt the business strategy adequately.

The Executive Committee and the Board of Directors subscribe that we take responsibility at Argenta on

behalf of our customers and employees, and focus on their financial resilience.

### Financial resilience

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**“In an unpredictable world, Argenta is doing something that is exceptional in the financial sector: taking care of its customers and employees in a thoroughly responsible manner to ensure that they are resilient in that unpredictable world.”**

Argenta targets financial resilience. Our purpose was not just plucked out of thin air. It is in line with what Argenta has been doing for years. Our *raison d'être*, the focus of everything we do, is timeless. And at the same time more contemporary than ever.

### **Financial resilience in everything we do**

Argenta's purpose is what distinguishes us from the rest of the market. We aim to make a real impact with it: on our customers and employees in a direct sense, but also indirectly on society and our environment. Because

people who are resilient are armed against uncertainty. And that is a sustainable approach.

Everything we do is linked to financial resilience:

- With a close-to-customers, simple offering, we make banking and insurance accessible to our customers. Because people who understand their finances and insurance and can take soundly based decisions on them feel resilient and are more confident about the future.
- We want to create value sustainably for everyone, our customers, our environment and our society. Because sustainability makes us resilient in the key challenges of our time: the environment and climate change.
- We take responsibility for the financial resilience of our customers, employees and partners in all our management tasks. So that every strategic decision and every investment make ourselves and our customers a little more resilient.

The relevance of our purpose is further reinforced by the context in which we live with the impact of climate challenges, social issues about equality, inclusion and development, questions of well-being relating to mental and physical health, security etc. Our purpose

is therefore closely linked with important sustainability challenges.

## Customers

Argenta supports customers throughout their lives in making the right financial choices. Any sustainable insurance policy or investment or any sustainable loan is therefore a step in the right direction. A sustainable home keeps energy costs under control and retains its real estate value, as an investment for a rainy day. Being adequately insured against unforeseen events such as an accident or natural disaster protects, customers financially and gives extra peace of mind. Knowing that your savings are not invested in weapons and, as far as the energy sector is concerned, only in energy companies with no fossil fuels, or at least with a clear plan for operating without fossil fuels in the near future, makes investment more socially responsible.

Everything we do contributes to our customers' financial resilience. If we do this consistently and on a large scale, we can help to achieve the transition to a climate-neutral economy. Taking adequate account of affordability and accessibility.

## Sustainable living

“In the coming years, Argenta wants to focus strongly on sustainable renovations and in this way systematically grow the share of sustainable mortgages on its balance sheet. Argenta aims to have a totally sustainable mortgage portfolio based on the ‘Orderly Scenario<sup>2</sup>’ by 2050. Argenta will further refine this ambition in 2023 and translate it into concrete, measurable goals”

By 2050, every European must be able to live in a sustainable, energy-efficient home. But how do we ensure that this is affordable for everyone? And how do we protect our customers from the consequences of climate change?

This can be done by giving customers an insight into the sustainability quality of their home and the associated risks. By helping customers to keep energy costs under control and increasing the value of their home in the long term. And by insuring customers adequately for their peace of mind, and supporting them adequately in making the right choices when it comes to a home.

“To get a picture of the sustainability quality of the Belgian loan portfolio, Argenta made significant efforts in 2022 to collect the data on EPC ratings for the properties in the portfolio. And it will also concentrate on a qualitative property database in the years to come.”

Ann Brands (COO)



2 • The Network for Greening the Financial System (NGFS) has developed a variety of climate scenarios which financial institutions can use in order to better understand the impact of their business model on the basis of climate stress tests performed on these scenarios. The ‘Orderly Scenario’ assumes that political policy will make efforts early and implement them gradually so that both the physical and the transitional effects of climate change are kept under control.



“The Dutch portfolio will also concentrate on collecting EPC labels, and the database is almost entirely up to date. The financing of sustainable homes evidently shows a marked increase in the Netherlands as well. Together with advisors, we are helping our customers to make their homes more sustainable.”

Sander Blommaert (CEO Argenta Nederland)

See [here](#) for Argenta’s achievements in 2022.

### Sustainable mobility

“Argenta is convinced that sustainable mobility contributes to customers’ resilience. That is why Argenta aims to focus strongly on this area in the coming years. Argenta wants to finance sustainable vehicles only by 2040.”

We are placing the emphasis on financing and insuring bicycles and electric or hybrid vehicles. Customers will receive a reduced rate for the purchase of a sustainable car or bicycle. Accidents with electric bicycles are automatically insured through the family insurance. In the coming years, we want to develop new products and services which will support customers in sustainable and affordable travel.

See [here](#) for Argenta’s achievements in 2022.

### Sustainable investing

“Because every euro is valuable, we are aware of the impact we can make through the cash flows we manage for our customers.

Argenta starts 2023 with sustainable funds only (SFDR 8 or 9 classification) in its product range.”

At Argenta, a policy has prevailed for many years which has no room for unethical investments within our own funds. There is a strict exclusion list of controversial and unethical companies in which no investments may be made, both for the investment funds managed

by Argenta Asset Management (AAM) and the pension funds managed by Arvestar.

For example, no investments are made in companies which base their business models on non-sustainable activities, or in companies which are criticised for serious violations of ethical standards. This is done within a conservative and financially prudent investment framework with a focus on a healthy risk/return ratio.

Find out more about Argenta's exclusion policy [here](#).

In addition, customers can opt for sustainable accent funds.

See [here](#) for Argenta's achievements in 2022.

## Sustainable banking

Argenta considers it important that customers understand their bank products and can properly estimate what they need in order to improve their financial health. By being accessible and lowering thresholds, Argenta is financially inclusive. Internet banking and the mobile app are free and make it even simpler to manage banking affairs online or by mobile phone. In addition, Argenta is also nearby at all times due to its extensive branch network.

See [here](#) for Argenta's achievements in 2022.

## Employees

Argenta can only grow by letting its people - its talents - grow. Conversely, the talents can grow only if the organisation grows. We therefore invest in committed employees who are ambassadors for Argenta. We demonstrate the same commitment as we expect from them by supporting, strengthening, involving and inspiring employees. By this means, we deliver strong results and generate added value together.

You will find more information on how we approach our employees [here](#).

## Focus on sustainability

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As a financial institution, we bear responsibility towards people, the environment and society. This produces stable and better operating results, happy employees and a healthy society. We are convinced of this at Argenta. If we want to achieve greater financial resilience, we have to focus fully on the three pillars or 'ESG dimensions of sustainability': ecology (E), society (S) and good management and responsible entrepreneurship (G for 'governance').

## Our sustainability ambitions

- Argenta wants to be close to its employees and customers, because it is their commitment that makes our organisation strong. By taking care of them, we build long-term relationships. That's why we aim for an NPS (Net Promotor Score) of 50 and want at least 80% of our employees to be engaged. (SDG 8)
- Argenta wants to be close by with a simple offering. Argenta wants to lower thresholds financially and be digitally inclusive. By ensuring customers' financial health, we contribute to their financial resilience. That's why Argenta wants to be able to reach more customers every year and further stimulate the use of the mobile app. We are committed to safe service delivery. (SDG 12)
- As a financial institution, we can make a difference through the cash flows we manage for our customers. Argenta has chosen to use these funds responsibly and to generate a positive impact for society. That's why Argenta wants to make its investment offering for its customers fully sustainable. Argenta expects all its partners and suppliers to subscribe to the same sustainability principles. (SDG 11, 12)
- Argenta is keen to reduce its ecological footprint, because banking and insurance should not cost the earth. That's why we're focusing on a lower footprint at the head office, but also we also want to reduce our impact via the product range. (SDG 13)

- Sustainability is a fundamental part of what Argenta stands for, what it does and how it does it. It is inextricably linked with ethics and integrity. That's why Argenta makes major efforts to implement integrity among its employees and to ensure cybersecurity awareness for customers and employees. (SDG 16)

Our sustainability ambitions, set out in the Sustainability Charter, are the foundation of our sustainability policy. The concrete steps with which we aim to make a targeted impact are set forth in the 2020-2023 Sustainability Action Plan. A new 2023-2026 Sustainability Action Plan is to be drawn up in 2023.

The United Nations' sustainable development goals (SDGs) form a general reference framework for reporting on our impact.

The biggest sustainability challenges stem from the rapidly changing landscape in which we find ourselves. The bar is being set constantly higher and higher: more legal requirements, a greater need for transparency towards customers, employees, investors and the regulator. However, changing climatic conditions also pose challenges for financial institutions, which increases the need for an adequate sustainability and climate policy even further.

Find more information about our sustainability policy [here](#).

## Environmen

**Banking and insurance should not cost the earth**

Argenta itself also wants to make contributions towards a climate-neutral society by exercising awareness when dealing with capital flows and business activities.

That's the focus of Argenta's climate policy.

### What we ourselves do

A good climate policy begins at home. Argenta wants to reduce by 2023 the ecological footprint of its headquarters in Belgium and the branches in the Netherlands and Luxembourg by 50% compared to the initial measurements in 2017. Argenta wants to be climate-neutral by 2030. We have therefore renovated our head office to become a sustainable, energy-efficient office building. We are fully committed to sustainable mobility for our workers and are reducing our consumption of paper. In 2022, our total ecological footprint came to 1,453 tonnes, which is a drop of -43%

compared to 2017. The ecological footprint per employee is 1.32 tonnes. We have seen an increase of 16% compared to 2021, however, but this is because of the fact that there was a significant fall in the work carried out at head office and in commuting between home and the workplace due to the covid-19 pandemic in 2021 and 2020.

Progress in 2022:

- In 2022, approximately 58% of employees came to work in a sustainable way. During Mobility Week, Argenta sent its employees #well on their way with a healthy breakfast and a free bicycle repair service for anyone who came to work in a sustainable way. From 2023 onwards, Argenta employees will receive a monthly mobility budget with which they can purchase a sustainable car or bicycle, or pay part of their mortgage or rental.
- Argenta also requires suppliers and partners to be accountable. All suppliers have to sign Argenta's sustainability charter and sustainability is one of the deciding factors in the purchasing process. Argenta focuses on environmentally friendly solutions such as green ICT and the circular economy.
- We invest as much as possible in sustainable companies which support the energy transition or local projects with a social impact through our own



investment portfolios (of the bank and insurance companies). We apply an exclusion policy against unethical companies and industries.

- Argenta has created a **Green Bond Framework** with the aim of issuing green bonds so as to stimulate the growth of sustainable mortgages. The first green bond issues for institutional investors in 2022 were worth a good EUR 1.1 billion.



**“As a result of the issues under Argenta’s Green Bond Framework, Argenta can continue to contribute to the greening of the housing market and sustainable mobility.”**

Geert Ameloot

### **What we do for our customers**

By making our business activities sustainable, we are able to make a positive impact not only for our customers, but also for the environment and our society.

Argenta has been mapping the ecological footprint of its investments for a few years now. With regard to 2021, the average ecological footprint per fund decreased

from 102 to 72 tons of CO2 per million euros invested. Investments in renewable energy led to a saving 2.9 tonnes of CO2 emissions per EUR million invested.

**Discover the ecological footprint of our investment funds [here](#).**

Argenta supports customers who want to make sustainable renovations or to buy a home with a favourable EPC rating (Energy Performance Certificate). By this means, we reinforce the transition to sustainable residential property. Similarly, we promote sustainable mobility with rate discounts for bicycle loans and loans for hybrid or electric vehicles.

From 2003 onwards, Argenta will report on the emissions from its business activities, so-called “financed emissions”. This should help us to define concrete reduction goals.

### **Taxonomy reporting**

As from 1 January 2022, Argenta has to provide information about the sustainable character of its business activities in compliance with the Taxonomy Regulation.

This regulation provides for a classification of

ecologically sustainable activities in accordance with six set environmental objectives:

- Climate change mitigation;
- Climate change adaptation;
- The sustainable use and protection of water and marine resources;
- The transition to a circular economy;
- Pollution prevention and control;
- The protection and restoration of biodiversity and ecosystems.

In accordance with the requirements described in Article 10 of Article 8 Disclosures Delegated Act, the Argenta Bank- en Verzekeringsgroep is required to report on the Taxonomy-eligibility of its business activities in 2021.

Around three quarters of Argenta Spaarbank's activities are eligible to be considered sustainable in accordance with the Taxonomy-eligibility definition. For the insurance activities, more than one third of the investments where the risk is not borne by the policy-holders is eligible.

You will find more information on the Taxonomy-eligibility [here](#).

## Society

**Every euro is valuable. Argenta makes the difference by sustainably managing its customers' cash flows. We invest in local, tangible projects. We have an exclusion policy towards unethical companies and industries.**

Argenta wants to make a positive contribution to social challenges by:

- Being financially sound as a company with its eyes on the long term
- Investing on the basis of sustainable principles
- Making sustainability the deciding factor in selecting partners and suppliers
- Focusing together on the good cause

We apply the same exclusion investment principles as we use for customers' investment funds to the investment portfolios of both our bank and our insurance company. To make our social impact even more tangible, we invest in sustainable and local projects. A share of the funds from our customers' savings and payment accounts is invested in loans to

and bonds issued by local government institutions, such as towns and municipalities, or in local infrastructure projects.

Argenta has already invested more than EUR 1 billion in the local economy. These investments have helped to breathe life into projects in social housing, care for the elderly, student housing, facilities for people with disabilities, green energy projects and more. And we will not deviate from that path.

In addition, investments were made in the past year in the fast-growing market for sustainable bonds, and around 10% of the total portfolio of debt instruments fits into the green, social or sustainable investment framework. In the coming years, Argenta will make efforts to increase this share further.

Steps have also been taken in the area of risk analysis, and the sustainability profile of the company is taken into account in every investment decision. Among other things, we use external ESG data providers, analyse climate and sustainability risks and focus in our equity portfolio on companies which can support the sustainable transition.

This thorough focus on sustainability paid off in 2022 and ensures that the branch 21 life insurance products under management start the year 2023 with an SFDR

article 8 classification, by which sustainability has been established as a fundamental pillar of Argenta's investment policy. This trend is to be vigorously continued in 2023. Transition risk indicators were added to Argenta's risk framework in 2022.

Find out more about our efforts on behalf of society [here](#).

## Sustainability reporting

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Since 2012, Argenta has reported on its sustainable activities in the integrated [Activities and Sustainability Report](#), which, together with a number of material ESG topics, is audited by the company auditor. The sustainability reporting is linked to the [United Nations' Sustainable Development Goals](#) ('SDGs') and is based on the [GRI reporting standards](#) ('Core' option).

The legal framework for climate and sustainability reporting has changed considerably over the past years.

- **EU Taxonomy:** Annual reporting of taxonomy-eligibility and alignment (e.g. green asset ratio) of our balance sheet at the consolidated level. This comprises the share of Argenta investments in ecologically sustainable projects, see the definition of Taxonomy. The Taxonomy reporting forms part of the annual Activities and Sustainability Report. The

EU Taxonomy is taking effect gradually, starting on 1 January 2021.

You will find Argenta Bank- en Verzekeringsgroep's Taxonomy-eligibility reporting for 2022 [here](#).

- **CSRD (Corporate Sustainability Reporting Directive):** New annual disclosure requirements relating to sustainability, building on the NFRD (Non-Financial Reporting Directive) and based on the ESRS, including a large number of generic and sector-specific reporting requirements relating to ecology/the climate, but also social and governance disclosure requirements. The CSRD comes into force as from 1 January 2025 for the activities of the 2024 financial year. The climate-related reporting requirements will be integrated in the climate report.
- **Pillar III:** Annual disclosure requirements relating to climate and sustainability for the activities of Argenta Spaarbank. The quantitative reporting requirements will be included in full in the separate Pillar III reporting, the qualitative reporting requirements will be incorporated in this climate report (see summary table in annex). You will find the Pillar III report for 2022 [here](#).
- **TCFD (Task Force for Climate-related Financial Disclosures):** This is an international framework

for climate-related reporting. Although it is neither mandatory nor a legal framework, this is generally accepted in the sector as an effective approach to map companies' climate change efforts. You will find an overview with the TCFD reporting requirements in the annex to this climate report.

- **SFDR (Sustainable Finance Disclosure Regulation):** This is another framework for sustainability-related reporting in the context of investments. Specific qualitative information has to be published in respect of our investment activities as from 1 January 2023. From 30 June 2023 onwards, quantitative information will also have to be provided on a periodic basis.

# Risk management

## Risk management framework

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In the financial world, the policy on climate risk and sustainability is constantly developing. An appropriate risk management process is therefore needed. Thorough, professional risk management is a prerequisite for sustainable, profitable growth. Argenta recognises this and therefore sees risk management as one of its core activities.

The risk management framework is constantly being updated and adapted in response to new regulations, the evolution of market standards, daily experience and changes in Argenta's activities. Some of the changes are a direct consequence of sustainable choices made by Argenta. To earn the trust of all stakeholders, we have to demonstrate that adequate risk management procedures are in place. The stakeholders are our customers, investors, branch managers, regulators and rating agencies, as well as directors, managers and employees.

## Organisation of the risk management function

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The Board of Directors and the Executive Committee take the lead in achieving a healthy risk culture across the entire organisation. The Board of Directors has

ultimate responsibility here for good risk management within the organisation. To exercise this responsibility, the Board directs the Executive Committee, in particular the CEO and CRO, to make sufficient human and other resources available in order to regulate risk management.

The risk management function at Argenta is centrally organised at Argenta Bank- en Verzekeringsgroep (BVg) level, with the exception of the risk management function of the asset managers, which is decentrally organised in the relevant management companies, and local aspects at Argenta in the Netherlands. The central risk management function ensures a group-wide, holistic perspective on financial and non-financial risks in order to ensure that the risk strategy is complied with. This framework defines the entire spectrum of building blocks, practices and processes according to which Argenta applies its risk management model.

The group risk management function is carried out centrally by the Risk & Validation department (focus on financial risks) and the Non-Financial Risk Management & Supervisory Office (focus on non-financial risks), with a functional line to decentral risk management at the NL Branch Office, AAM and Arvestar (asset management

companies)

The risk management policy is formally issued by the Board of Directors. It defines the risk appetite, risk tolerance and risk policy for the various operational and business activities. Here, the Board keeps a close watch to ensure that Argenta's strategic, capital and financial planning are aligned. The Board is closely involved in supervising the development of Argenta's risk profile and the management of all significant risks and is advised in this by the Risk Committee and the Audit Committee. The Board is also supported in the performance of this supervisory role by the independent Risk Management function, which together with Compliance and the Actuarial function makes up the second-line control function within the "3 lines of defence" model of governance.

The Risk Management Charter sets forth the status of the independent Risk Management function and also addresses rights and prerogatives, tools, tasks and responsibilities and also reporting requirements.

The Risk Management function ensures that all material risks are identified and managed within the risk appetite set by the Board. An important guideline in risk management is thus formed by Argenta's risk mapping: this is an identification of all relevant financial and non-

financial risks to Argenta which are assigned to the operational business activities and independent control functions in the context of the "3 lines of defence" model. This risk mapping is updated annually and appropriate ownership of the risks is assigned. Argenta has opted to make a clear distinction in the risk mapping, approved by the Board of Directors on the advice of the Risk Committee, between (i) climate and sustainability (ESG) as a financial risk and (ii) brand and sustainability as a non-financial risk. The risks from the risk mapping are included in the Risk Appetite Framework (RAF), where a risk profile is drawn up and reported on for each risk type.

- **Environmental, Social and Governance (ESG) risk** was defined as the change of impact as a consequence of events or circumstances in the area of the environment (E), society (S) or good governance (G) which, in the event that they arise, may cause a real or potential significant negative effect on the value of the assets and liabilities. This has been identified as a financial risk because of its strong link to a number of other linked and already recognised financial risks, mainly market, credit, liquidity and underwriting risks. For example, climate risk can have a crucial impact on the credit quality of counterparties via transition risk due to changes in technology or legislation. Consequently, these risks are monitored

in the credit, insurance and proprietary investments portfolio as well as in the investment funds.

- **Brand and sustainability risk** involves the likelihood of an impact as a direct or indirect consequence of strategic and operational decisions, their implementation and/or the internal and external influences on them. It has been identified as a non-financial risk and linked to brand risk. Argenta monitors a number of material ESG topics in order systematically to improve its performance in the fields of ecological, social and administrative policy.

Each of the associated risks forms the basis of a separate policy, for each of which the committee and consultation structure is also stated. By this means, the risk in question is managed on the strategic, tactical and operational level. The aim, composition, decision-making powers and frequency of meetings is determined in detail for every committee and policy body in the Governance Memorandum.

## Climate risk

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### Risk identification

To be able to tailor the strategy to climate challenges, the climate risks and opportunities have to be mapped so that their impact on the business model is well understood. Following an initial qualitative study in

2021, further efforts were made in 2022 to perform quantitative analyses on the basis of newly generated data.

The focus here included:

- Exposure to physical climate risks in the short, medium and long term;
- Exposure to transition risks in the short, medium and long term;
- Assessing the impact on the business context (regulatory matters and competitive landscape, socio-demographic, technological, macro-economic and geopolitical contexts);
- The various stress test scenarios;
- An estimate of the materiality and risk concentrations within the various business activities: retail mortgages (Belgium and the Netherlands), non-retail investments, insurance activities, asset management and wholesale funding.

Likewise, an additional and more extensive materiality analysis was conducted in which the materiality of the various business lines was also evaluated from the point of view of other environmental risks, social risk and governance risk, in addition to transition and physical risk.

This analysis reveals the material impact to be expected in our mortgage loan portfolios in Belgium and the Netherlands, which are sensitive to the transitional effects of climate change, but also to physical climate risks. The mortgage portfolios represent the largest share of our business activities, and we therefore have to consider the impact to be material.

A material impact on the non-retail investment portfolios is also to be expected for transition, physical and social and governance risks. For the funds, a material impact can be expected for transition risks. In addition, the General Non-life and Health portfolio is sensitive to physical risks.

We provide below a summary overview of the key findings from the materiality assessment based on a thorough analysis of the portfolios' materiality, insights into pockets of risk, the monitoring of risk metrics and the results of stress test analyses. Argenta considers a climate change and sustainability risk (ESG) to be material if the stress test impact is greater than €1 million.



	Climate risk - transition risk		Climate risk - physical risk		Other environmental risks		Social risks		Governance risks	
	KRIs available	Final assessment	KRIs available	Final assessment	KRIs available	Final assessment	KRIs available	Final assessment	KRIs available	Final assessment
Mortgages BE	x	Material	x	Material		Immaterieel		Immaterieel		n.a.
Mortgages NL Aspa	x	Material	x	Material		Immaterieel		Immaterieel		n.a.
Mortgages NL Aras	x	Immaterieel	x	Immaterieel		Immaterieel		Immaterieel		n.a.
Instalment loan (LOA)		Immaterieel		Immaterieel		Immaterieel		Immaterieel		n.a.
Investment ptf Aspa	x	Material	x	Material	x	Immaterieel	x	Immaterieel	x	Immaterieel
Investment ptf Aras	x	Material	x	Immaterieel	x	Immaterieel	x	Immaterieel	x	Immaterieel
Insurance Non-life		Immaterieel	x	Material		Immaterieel		Immaterieel		n.a.
Insurance Life		Immaterieel		Immaterieel		n.a.		Immaterieel		n.a.
Insurance Health		Immaterieel	x	Material		n.a.		Immaterieel		n.a.
Wholesale funding & liquidity	x	Material		Immaterieel		Immaterieel		Immaterieel		Immaterieel
Funds (Argenta AAM & Arvestar)	x	Material		Immaterieel		Immaterieel		Immaterieel		Immaterieel

Argenta has also integrated climate-specific scenarios into its internal stress framework for both the bank and the insurance company and taken part in the ECB's climate stress test analysis. When these stress tests were conducted, a fairly limited financial impact on Argenta's business model was ultimately demonstrated.

The ECB also conducted thematic research into the climate action plan in 2022. The research confirmed Argenta's good progress, but also emphasised the importance of reliable climate-related data which would enable Argenta to define concrete ambitions and measurable KPIs.

The regulator therefore expects that Argenta – together with the other European banks – will be fully compliant with the ECB's 13 expectations relating to climate change and environmental risks by the end of 2024.

**“Argenta will also take the initiative in 2023 to give priority to strategic climate ambitions and to translate them into KPIs at the group, business line and product level within the framework of the 2023-2026 Sustainability Action Plan.**

**With reinforced governance and adequate risk management, we consider that we can achieve the right progress to reach our goals.”**

## **Risk management**

Climate risk was included in Argenta's risk mapping for the first time in 2021. The risk mapping is updated every year in compliance with the internal governance. Climate and sustainability (ESG) risk is a financial risk and is defined as follows:

**“Chance of impact as a direct or indirect consequence of events or circumstances in the area of the climate and environment (E), society (S) or governance (G) which may negatively influence the financial performance (e.g. value, liquidity) of assets and liabilities”.**

- Climate and environmental risk (E): chance of financial losses as a direct or indirect consequence of the negative impact of climatic and environmental factors on the financial risks associated with counterparties, investments and insurance contracts. Climate and environmental factors are aspects relating to global warming, biodiversity, energy consumption, environmental pollution and waste management. We distinguish here between physical risk and transition risk. Physical risk refers to the direct physical effects of the environment and climate on counterparties, investments and insurance contracts. Transition risk refers to the risks associated with the timing and speed of the transition to a more sustainable economy in the area of the environment and climate, and its impact on the counterparties, investments and insurance contracts.
- Social risk (S): chance of financial losses as a direct or indirect consequence of the negative impact of social factors on the financial risks associated with counterparties and insurance contracts. Social factors are associated with the rights, welfare and interests of people and communities and comprise such factors as equality/inequality, health, inclusion, employment relationships, occupational health and safety, human capital and communities.
- Governance risk (G): chance of financial losses as a direct or indirect consequence of the negative impact of governance factors on the financial risks associated with counterparties and investments. Governance factors relate to management practices, including leadership, remuneration of directors, audits, internal controls, tax evasion, independence of the Board of Directors, rights of shareholders, bribery and corruption, and also the way in which companies or entities include environmental and social factors into their policy and procedures.

The Board of Directors has defined the following risk appetite statement from these:

**“Argenta strives to manage appropriately and proactively climate and sustainability risk (ESG) in the associated risks and activities with a view to achieving responsibly the business objectives of the various business activities, in accordance with Argenta’s sustainability policy and purpose.”**

A risk profile was developed in the Risk Appetite Framework (RAF) on the basis of specific risk indicators.

New risk indicators were identified in 2022 relating to both the key performance indicators (KPI) and the key risk indicators (KRI)<sup>3</sup> for the retail mortgage portfolios in Belgium and the Netherlands and the non-retail investment portfolios of the bank and the insurance company. These climate risk indicators are defined in the relevant policies, discussed in the responsible committees and reported to the Board's Risk Committee in dashboards including the quarterly RAF dashboard. The climate risk monitoring dashboard has to be developed further in 2023 to guarantee an aggregated picture of the climate risks.

### Climate action plan

In 2021, Argenta rolled out a climate action plan in response to the publication of the ECB guidelines on climate and environmental risks. The action plan is made of 13 expectations which were proposed by the regulator.

The regulator is closely following the execution of the action plan by evaluating the implementation at regular intervals. In 2022, Argenta was subject to a thorough assessment or 'deep dive' concerning its strategy,

governance and risk management. This thematic review included:

- A progress report describing the framework and progress of the 13 expectations;
- A workshop at which the effectiveness of Argenta's climate risk management in the mortgage and investment portfolios was explained;
- An evaluation of Argenta's stress test framework.

The regulator then granted a positive evaluation of the substantial progress which Argenta was making. Not only the risk management framework but also the linking of climate risk to the other risk factors, the broad focus on all business activities and the monitoring within the "3 lines of defence" model were seen as positive.

### Climate risk policy

Another important milestone was reached in 2022 with the preparation of the company-wide climate risk policy, which received the final approval of the Board of Directors in January 2023.

3 • The relevant KPIs and KRIs are based on the expectations of transparency arising from various European regulations and organisations, such as the European Green Deal (i.e. carbon transition), the EBA and EIOPA linked reporting expectations (i.e. emission volumes and transition pathways, temperature alignment, physical risk, green asset ratio), the ECB Climate Risk Guide and TCFD disclosures (i.e. focus on business strategy/business model, governance and risk appetite, risk management and reporting), UNPRI/GRI/SFDR (i.e. sustainable investments), the EU Taxonomy (i.e. GAR, taxonomy-eligibility and taxonomy alignment).



“In 2022, Argenta increased its climate risk-related efforts, which were designated by the Executive Board as an absolute risk priority. Together with all departments involved, we worked hard to develop a robust policy that would enable appropriate monitoring and management of climate risk.”

Gert Wauters

### Stress tests

Climate risk was integrated into the risk management framework by means of stress tests. The business plan forms the central anchor point in the stress-test planning. ICAAP, ILAAP, the recovery plan, FLAOR (“Forward Looking Assessment of Own Risks”) and ALM stress test among others start from base case business plan scenarios. In 2022, the existing stress test scenarios were supplemented with climate-specific scenarios. An internal climate stress-test scenario has been developed and applied, based on publicly available information (including Network for Greening the Financial System, NFGS) and Argenta’s own internal analyses. For Argenta Spaarbank, a climate stress test scenario

was incorporated in ICAAP, inspired by the “Disorderly Scenario” proposed by the ECB and the NGFS (Network for Greening the Financial System). A climate stress test scenario was also incorporated into ORSA. In addition, Argenta performed the calculations for the ECB climate risk stress test in the first half of 2022. The calculations of the ECB climate risk stress tests were thoroughly prepared with all departments concerned so as to identify and resolve data and methodological gaps in a timely manner. In 2023, Argenta will concentrate on making further improvements to the stress tests, including focussing more on risk segmentation and risk identification.

You will find more information about the various scenarios in [appendix I.IV](#).

### Risk management processes

To be able to manage climate risks adequately, it is important to put robust processes in place. Such processes have been provided in the following areas among others:

#### Investment activities:

- With the investment exclusion policy, Argenta aims to limit the negative impact in the areas of ecological, social and governance aspects as much as possible. The exclusion policy is based on international

initiatives and standards such as the Principles of the UN Global Compact. Argenta excludes controversial sectors and activities, and companies which are criticised because of ESG-related controversies (e.g. violations of human rights or labour rights, unethical business practices etc.). You will find more information about Argenta's exclusion policy here.

- The Investment Exclusion Committee was put in place as a formal body to manage the exclusion lists on a six-monthly basis. The process of how these exclusion lists are arrived at was worked out in detail.
- Investment analyses were performed at the level of individual counterparties on the basis of ESG information and scores which were supplied through an external ESG data provider - where the possible impact of ESG factors on credit quality is analysed.
- Climate risk is identified and monitored by a combined portfolio score: Carbon Transition Score (RAF limit) and by the Environmental score (in the area, for example, of water consumption, waste management, topics related to the circular economy, RAF indicator); Financial Risk policy - transition risk.
- To map the top 20 highest-polluting companies (in the context of Pillar 3 reporting, among other things), we use "Carbon Majors", published by the Climate Accountability Institute.
- Argenta applies the PCAF methodology (Partnership for Carbon Accounting Financials) if no accurate

information is available about companies' emissions of GHG (greenhouse gases). This makes it possible to generate theoretical estimates.

#### **Other relevant processes relate to:**

- The identification and monitoring by EPC scores (KWh/m<sup>2</sup>) of production and home loans portfolios (RAF indicator) as well as monitoring pockets of risk (EPC vs LTV, EPC vs DSTI/LTI) and follow-up (% EPC labels D or lower); Retail Credit Risk policy - transition risk
- The definition of materiality assessments (qualitative and quantitative) for the various business lines, giving attention to the identification of pockets of risk through climate and climate-related factors
- The identification and monitoring of the temperature alignment process inspired by the IEA NZE2050 scenario on the basis of sector-related emission pathways, with monitoring of factors such as carbon emission intensity, taxonomy alignment. This process which is to be developed further in the context of transition risk monitoring
- The identification of physical risk, relating to both the mortgage portfolio and the investment portfolio. This monitoring will also be developed further in 2023.
- The analysis and monitoring of the degree of taxonomy alignment of counterparties and portfolios (in the context of determining the level of greenness

and the extent of contribution to the EU's climate targets (2023)

- The reporting of RAF limits and indicators, particularly in the context of keeping pockets of risk under control and monitoring them
- The definition and calculation of climate scenarios within ICAAP/ORSA and within the stress test framework

### Importance of reliable data

Accurate and reliable data are needed in order to understand climate risks well and manage them adequately. This is also essential if we want to satisfy all the sustainability reporting requirements. For this reason, Argenta makes great efforts both to access data and to improve its quality:

- We use external ESG data providers (Vigeo Eiris - Moody's) in order to consult climate- and ESG-related information, to identify controversial companies or companies which are criticised because of controversies or to obtain information about physical climate risks.
- To calculate the emissions which we generate through our financing activities, we use the PCAF methodology if we do not have individual data.

- We use publicly available flood data to map physical climate risks.
- The size and frequency of claims is monitored in the insurance portfolio, information which is further enriched with specialised catnat model calculations.
- Desktop valuations are used based on statistical models are used to value our mortgages. For mortgages in Belgium, this is done with the help of Rock Estate. Calcasa Portfolio Services is called on for mortgages in the Netherlands.
- Obtaining and supplementing EPC data and energy scores for the mortgage portfolios is another key data gathering process.

## Brand and sustainability risk

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### Risk identification

Argenta wants to have credibility as a sustainable organisation. This means that we want to implement a strong internal ESG policy. Credibility is an important condition for Argenta to be distinctive for its customers.

By identifying brand and sustainability risk as a non-financial risk, we are in a position to make a critical scrutiny of this credibility. Furthermore, we can monitor important social and governance-related risks which may arise from our business.

Brand and sustainability risk (RAF limit) is monitored together with other non-financial risk topics such as compliance, legal and regulatory, human resources, sourcing, process, fraud, strategic & change, data management, information security & cybersecurity, IT and business continuity risk.

We look at a variety of risk indicators to monitor sustainability risk, including:

- Corporate governance: focusing on topics such as ESG governance and performance targets, environmental policy, whistle-blower policy, tax transparency, anti-discrimination policy, GHG reduction programmes, lobbying practices, prevention of money laundering and corruption policy etc.
- Human capital: focusing on topics such as diversity policy, gender pay, employee turnover, human capital development, training etc.
- ESG integration: focusing on topics such as socially responsible investment policy, financial inclusion etc.
- Data privacy & security: focusing on topics such as privacy and cybersecurity
- Product governance: focusing on the topics of responsible marketing and product policy, access to basic service, quality and security, etc.
- Business ethics: focusing on topics such as the code of conduct, prevention of money laundering and corruption, compliance etc.

We measure our performance using an independent ESG risk rating. Sustainalytics is one of the largest ESG rating agencies in the world and offers useful insights into the most material ESG risks and companies' management capability in managing these risks with its ESG risk rating methodology.

Argenta's ambition is to be at least in the top 10% of the most sustainable companies in its peer group – see Sustainalytics' Global Standards Screening universe.

Sustainalytics performed a new ESG rating analysis at the end of 2022 and a strong score was achieved. According to this score, Argenta is in the top 4% most sustainable companies in its peer group.

### **Risk management**

Brand and sustainability risk is included in Argenta's risk mapping. The risk mapping is updated every year in compliance with the internal governance. Climate and sustainability risk is a non-financial risk and is defined as follows:

**“The chance of impact as a direct or indirect consequence of how Argenta positions itself (in terms of reputation) as a brand and on sustainability issues and how its value proposition (straightforward, price-conscious, a trusted partner and sustainable) is perceived by its stakeholders”.**



The Board of Directors has defined the following risk appetite statement from these:

**Brand risk:** Argenta wants the perceptions which stakeholders (employees, potential employees, consultants, branch managers, suppliers, regulators, third parties etc.) have of the company to reflect Argenta's values and to be known as a sustainable, secure bank and insurer.

**Sustainability risk:** We want to be sustainable in everything we do. Caring lies at the heart of the organisation at Argenta. Caring that binds together and offers individuality. By consciously embedding it, we focus on satisfied customers, happy employees and healthy long-term business results, and this is also demonstrably recognised externally. Taking responsibility is an integral part of our long-term vision. A quality that Argenta will uphold for many generations to come.

## Risk indicators & targets

High-level ambitions were defined in 2022. These ambitions will have to be further refined and validated as concrete, measurable goals in the course of 2023. Climate risks are monitored using specific risk indicators.

### High-level ambitions

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#### General ambitions

Ambitie	KPI	31/12/2022
<b>Argenta wants to be distinctive as a sustainable organisation</b>  Argenta Purpose	Argenta wants to focus on the financial resilience of customers, of Argenta as a company and in the society– Argenta’s purpose	To be elaborated further in 2023
<b>Argenta wants to be credible as a sustainable organisation</b>  Objective of sustainability action plan 2020-2023 – ‘Ethics and integrity’ pillar Monitoring through brand and sustainability risk	Argenta wants to be in the top 10% of the most sustainable companies in its peer group, in accordance with Sustainalytics’ ESG risk rating  Argenta wants at least 50% of its customers to associate the Argenta brand with sustainability	Top 4%  55%
<b>Argenta wants to reduce its ecological footprint</b>  Objective of sustainability action plan 2020-2023 – ‘Ecology’ pillar’	Argenta wants to focus on a smaller ecological footprint for its head office activities. Argenta wants to reduce the ecological footprint by 50% by 2023 compared to the initial measurements in 2017. Argenta wants to have a climate-neutral head office in 2030.	-43%

<p><b>Argenta wants to be close to customers and employees</b></p> <p>Objective of sustainability action plan 2020-2023 – ‘Customers and employees’ pillar’</p>	<p>Argenta wants to focus on an NPS of 50 for customers and employees and want at least 80% of its employees to be engaged.</p>	<p>NPS of customers: 43 NPS of employees: 34 Engagement of employees: 93%</p>
<p><b>Argenta wants to generate a positive impact for society</b></p> <p>Objective of sustainability action plan 2020-2023 – ‘Society’ pillar</p>	<p>Argenta wants to make its investment offering for its customers 100% sustainable by 2023.</p>	<p>100% of Argenta funds aligned with article 8 or article 9 see Sustainable Finance Disclosure Regulation (SFDR) effective from 01/01/2023</p>

## Ambitions for business activities

Ambition	KPI	31/12/2022
<p><b>Argenta wants to focus on sustainable living</b></p> <p>Mortgages and insurance (BE)</p>	<p>Argenta wants to have a fully sustainable mortgage portfolio by 2050</p> <p>KPIs to be refined further</p>	<p>To be developed further in 2023</p>
<p><b>Argenta wants to focus on sustainable mobility</b></p> <p>Consumer loans and insurance</p>	<p>Argenta wants to finance sustainable vehicles only by 2040 (&lt; 50 g CO2/km)</p> <p>KPIs to be refined further</p>	<p>To be developed further in 2023</p>
<p><b>Argenta wants to make sustainable investments</b></p> <p>Its own investment portfolios, bank and insurer</p>	<p>Argenta’s own investment portfolios:</p> <ul style="list-style-type: none"> <li>- Investing in local projects</li> <li>- Integrating ESG in investment decisions and monitoring</li> <li>- Supporting the transition to a climate-neutral economy</li> </ul> <p>KPIs to be refined further</p>	<p>To be developed further in 2023</p>

<b>Argenta wants to make sustainable investments</b>	Argenta wants to offer its customers sustainable investment solutions, with a product range (to be defined further) of compliance with article 8 or article 9 of the SFDR legislation as a minimum	Arvestar: 51.31% - weighted AUM AAM: 96.11% - weighted AUM in Argenta responsible funds
Asset management activities	<ul style="list-style-type: none"> <li>- Minimum objective for sustainable exposures in Art 8 funds: &gt; 20%</li> <li>- Minimum objective for sustainable exposures in Art 9 funds: &gt; 80%</li> </ul>	

## Climate risk indicators

The following climate risk indicators are reported every quarter in the RAF dashboard, or via specific dashboards within the comitology: the Kreco or credit risk dashboard and the ALCO dashboard.

It should be mentioned here that the EPC data was provided to a significant extent through the use of proxy values, because the actual EPC values are not (yet) known. Meanwhile, work is continuing capturing the (real) EPC values better so as to improve the quality of the EPC data for both the Belgian and the Dutch credit portfolios.

Business activities	Risk indicator	Detail	31/12/2022	31/12/2021
<b>Retail credit risk for mortgages BE</b>				
Target ratio (evolving) <= 281	Average EPC score of mortgage production	RAF indicator Average Kwh/m2 of production	319	308 (06/2022)
Ambition (evolving) <= 352	Average EPC score of mortgage portfolio	RAF indicator Average Kwh/m2 of portfolio	344	346 (06/2022)

<b>Retail credit risk for mortgages NL (Argenta Spaarbank)</b>				
Target ratio (evolving) <= 216	Average EPC score of mortgage production	RAF indicator Average KWh/m2 of production YtD	201	207 (06/2022)
Target ratio (evolving) <= 226	Average EPC score of mortgage portfolio	RAF indicator Average KWh/m2 of portfolio	215	218 (06/2022)
<b>Retail credit risk for mortgages NL – Argenta Assuranties</b>				
Target ratio (evolving) <= 216	Average EPC score of mortgage production	RAF indicator Average KWh/m2 of mortgage production	248	219 (06/2022)
Target ratio (evolving) <= 226	Average EPC score of mortgage portfolio	RAF indicator Average KWh/m2 of mortgage portfolio	226	226 (06/2022)
<b>Non-retail credit risk for Argenta Spaarbank</b>				
Target ratio: < 2.0	Average carbon transition score (*)	RAF limit Average carbon transition score, portfolio average (score 1 to 4)	2,37	2,33
Target ratio: > 50	Average environmental score (**)	RAF indicator In terms of environmental factors: portfolio average (score 1 to 100)	54,46	54,42

<b>Non-retail credit risk for Argenta Assuranties</b>				
Target ratio: < 2.0	Average carbon transition score (*)	RAF limit Average carbon transition score, portfolio average (score 1 to 4)	2,35	2,29
Target ratio: > 50	Average environmental score (**)	RAF indicator In terms of environmental factors: portfolio average (score 1 to 100)	51,79	53,15
<b>Funds (AAM &amp; Arvestar)</b>				
	SFDR article 8	Operational limit % sustainable assets SFDR article 8 funds (as at 31/12/2022): i.e. Investments in companies which create a positive impact in terms of SDGs or Taxonomy-alignment, minimum 20%	Arvestar: 51.31% weighted AUM  AAM: 96% weighted AUM in Argenta responsible funds	N.a.
	SFDR article 9	% sustainable assets SFDR article 9 funds (as at 31/12/2022): i.e. investments in companies which create a positive impact in terms of SDGs or Taxonomy-alignment, minimum 80%	N.a.	N.a.

- (\*) this is an indicator or score on a portfolio basis which states how strongly the companies in our portfolio are performing in terms of evolution towards a low-carbon economy. It takes into account not only the current emissions profile (CO2 emissions) but also the transition profile (risks and opportunities of the above-mentioned transition). The metric is calculated as the weighted average score across all counterparties at the portfolio level (1 to 4: 1 = strongest score)
- (\*\*) this is an indicator or score on a portfolio basis which evaluates how strongly the portfolio companies are performing in terms of environmental aspects, on a broader basis than climate and emissions. Factors such as the availability and quality of a strategy for environmental topics, performance in terms of the handling of raw materials, energy, waste management, pollution, biodiversity, transport and the circular economy are taken into account. This metric is also calculated as the weighted average score across all counterparties at the portfolio level (1 to 100: 100 = strongest score)

## Other risk indicators

The indicators below are reported in various monitoring dashboards within the comitology. Kreco dashboard (credit risk committee, retail) and Alco dashboard, VRC dashboard (insurance risk committee) or sustainability reporting on Investment Consultation, Investment Consultation for own funds.

Business	Indicator	Detail	31/12/2022	31/12/2021
<b>Retail credit risk for mortgages BE</b>				
	LTV/EPC production risk	High loan to value (LTV) in combination with low EPC (EPC D or lower): in % of production YtD	11,22%	11,04% (06/2022)
	DSTI/EPC production risk	High Debt Service to Income (DSTI) <sup>7</sup> in combination with low EPC: in % of production YtD	1,79%	1,55% (06/2022)
	LTV/EPC portfolio risk	High Loan to Value (LTV) in combination with low EPC: in % of portfolio	3,23%	2,77% (06/2022)
	DSTI/EPC portfolio risk	High Debt Service to Income (DSTI) in combination with low EPC: in % of portfolio	2.40%	2.51% (06/2022)
	Flood risk (acute) (***)	High flood risk (acute, in terms of river flooding), % of portfolio	3,51%	n.a.
	Flood risk (chronic) (***)	High flood risk (chronic, in terms of rising sea level), % of portfolio	0,37%	n.a.

<b>Retail credit risk for mortgages NL Argenta Spaarbank</b>				
	LTV/EPC production risk	High Loan to Value (LTV) in combination with low EPC: in % of production YtD	7,10%	6,96% (06/2022)
	LTI/EPC production risk	High Loan to Income (LTI) <sup>7</sup> in combination with low EPC: in % of production YtD	4,71%	5,62% (06/2022)
	LTV/EPC portfolio risk	High Loan to Value (LTV) in combination with low EPC: in % of portfolio	1,10%	1,10% (06/2022)
	LTI/EPC portfolio risk	High Loan to Income (LTI) in combination with low EPC: in % of portfolio	3.36%	3,65% (06/2022)
	Flood risk (acute) (****)	High flood risk (acute, in terms of river flooding), % of portfolio	0,54%	n.a.
	Flood risk (chronic) (****)	High flood risk (chronic, in terms of rising sea level), % of portfolio	0,51%	n.a.
<b>Retail credit risk for mortgages NL Argenta Assuranties</b>				
	LTV/EPC production risk	High Loan to Value (LTV) in combination with lower EPC (EPC D or lower): in % of production YtD limited to credit increases in 2022 – and based on limited amounts	6,99%	0,95% (06/2022)
	LTI/EPC production risk	High Loan to Income (LTI in combination with lower EPC) <sup>8</sup> : in % of production YtD limited to credit increases in 2022	4,52%	7,27% (06/2022)
	LTV/EPC portfolio risk	High Loan to Value (LTV) in combination with weak EPC: in % of portfolio	0,16%	0,23% (06/2022)



	LTI/EPC portfolio risk	High Loan to Income (LTI) in combination with weak EPC: in % of portfolio	0,94%	1,01% (06/2022)
	Flood risk (acute) (****)	High flood risk (acute, in terms of river flooding), % of portfolio	0,54%	n.a.
	Flood risk (chronic) (****)	High flood risk (chronic, in terms of rising sea level), % of portfolio, Aspa figures (no separate analysis for Aras)	0,51%	n.a.
<b>Non-retail credit risk for Argenta Spaarbank</b>				
	Exposure to transition risk	Portfolio pocket of risk with weak (>3) carbon transition profile score (% of corporates)	5,38%	n.a.
	Exposure to transition risk	Portfolio pocket of risk with weak E (environmental) scores (% of corporates)	9,56%	n.a.
	Exposure to acute physical risk	% of corporate portfolio, contained in EBA Pillar 3, template 5	4,38%	n.a.
	Exposure to chronic physical risk	% of corporate portfolio, contained in EBA Pillar 3, template 5	5,75%	n.a.
	Exposure to top 20 most carbon emitting companies	In EUR mill. Top 20 according to Climate Accountability Institute	0	0
	Exposure in GHG-sensitive sectors	According to ECB classification, in % of total investment portfolio	39,6%	42,4%
	Exposure in energy and fossil fuel	In percent of investment portfolio	5,7%	4,8%
	Exposure in ESG instruments	Green, Social, Sustainable, Sustainability-linked, % of portfolio	10,2%	3,46%

	Volume committed to sell Exceedances Exclusion policy	In EUR mill	0	10
<b>Non-retail credit risk for Argenta Assuranties</b>				
	Exposure to transition risk	Portfolio pocket of risk with weak (>3) carbon transition profile score (% of corporates)	2,47%	n.a.
	Exposure to transition risk	Portfolio pocket of risk with weak E (environmental) score (% of corporates)	11,70%	n.a.
	Exposure to top 20 most carbon emitting companies	In EUR mill. Top 20 according to Climate Accountability Institute	0	0
	Exposure in GHG-sensitive sectors	According to ECB classification (22 sectors), in % of total investment portfolio	49%	48,5%
	Exposure in energy and fossil fuel	In percent of investment portfolio	9,3%	7,2%
	Exposure in ESG instruments	Green, Social, Sustainable, Sustainability-linked, % of portfolio	11,7%	2,01%
	Volume committed to sell Exceedances Exclusion policy	In EUR mill	0	8

Wholesale funding & liquidity				
	Volume of green bonds issued under the <a href="#">Green Bond Framework</a>	In EUR mill Issued by Aspa	1.100	n.a.
	Annual energy consumption of the green eligible assets under the <a href="#">Green Bond Framework</a>	In KWh/m2 - Belgian mortgages - Dutch mortgages	60 98	60 103
	Annual energy reduction and/or avoided CO2 emissions of the green eligible assets under the <a href="#">Green Bond Framework</a>	In tonnes - Belgian mortgages - Dutch mortgages	19.105 25.617	18.878 16.590

(\*\*\*) A high acute risk indicates zones where were recently under water or for which models demonstrate that they flood every 100 years or oftener. A high chronic flood risk indicates zones which, as the sea level rises, have a chance of flooding of more than once every 100 years on the basis of the climate projections for 2050.

(\*\*\*\*) A high acute risk indicates zones for which it is estimated that they will flood every 30 years or oftener based on current probabilities. A high acute risk indicates zones for which it is estimated that they will flood every 30 years or oftener based on projected probabilities for 2050.

## Indicators under development

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Argenta will continue to work on the reporting requirements in the context of the EU Taxonomy in 2023. Indicators such as the Green Asset Ratio (GAR), Taxonomy Eligibility and Alignment, but also Financed Emissions, will be integrated in the risk monitoring framework. A further initiative will also be taken with regard to the monitoring of acute and chronic climate risks in the context of physical climate risk analysis.



# Annex

## TCFD Disclosures

Topic	Detail	Section
<b>Governance</b>		
a. Supervision by the Board of Directors of climate-related risks and opportunities	Process and frequency of the Board and/or related bodies	Governance Risk management Annex I.II
	Integration of climate-related risks in the context of business strategy, action plans, risk management, annual budgets and investments, business plans etc.	Governance
	Oversight and monitoring of KPIs and KRIs	Governance
b. Responsibility of management in relation to climate-related risks and opportunities	Organisation and responsibility of management with regard to climate-related risks	Governance Risk management Annex I.II
	Description of governance structure	Governance Risk management Annex I.I Annex I.II
	Description of provision of information on process management	Governance Risk management
	Risk monitoring process	Governance Risk management

Strategy		
a. Identification of climate-related risks and opportunities in the short, medium and long term	Description of short, medium and long-term horizon	Risk management Climate risk
	Description of the material risks which may manifest themselves in the short, medium and long term	Risk management Climate risk Annex I.III Annex I.IV
	Description of the process for defining risks and opportunities	Risk management Climate risk
	Description of the risks and opportunities per sector and/or region	Risk management Climate risk
	Description of the significant credit risk concentrations relating to carbon-intensive investments as well as the transition and physical risks associated with lending activities	Risk management Climate risk
b. Impact of climate-related risks on the business model, strategy and financial planning	Description of the impact on products and services, value and supply chains, investments in R&D, operational activities, acquisitions or divestments, access to funding	Risk management Climate risk
	Description of how climate risks are incorporated into financial planning, how risks and opportunities are prioritised and according to what time dimension	Risk management Climate risk
	Description of the impact on financial performance and position, and to what extent different scenarios are outlined	Climate risk
	Description of future plans for reducing flue gas emissions	Strategy Environment
	Description of the impact of climate-related risks and opportunities on the insurer	Climate risk
	Description of the impact on investment products and investment strategies	Climate risk

c. Robustness of the strategy and business mode in respect of the various climate scenarios	Description of the robustness in respect of the climate scenarios	Climate risk I.IV Stress tests
	Description of the robustness in respect of the climate scenarios, specifically for the insurer	Climate risk I.IV Stress tests
<b>Risk management</b>		
a. Business processes to identify and assess climate-related risks	Description of processes to identify and analyse climate-related risks	Risk management Climate risk
	Description of existing and future statutory environmental regulations to be observed	N.A.
	Description of risk classification frameworks used	Risk management Climate risk
	Description of processes to evaluate the impact of climate-related risks	Risk management Climate risk
	Description of climate-related risks specifically for the financial sector	Climate risk Annex I.III
	Description of climate-related risks for the insurer	Climate risk Annex I.III
	Description of climate-related risks of investee companies	Climate risk Annex I.III
b. Business processes for the management of climate-related risks	Description of decision-making methods regarding the management of climate-related risks	Risk management
	Description of the process for prioritising climate-related risks	Risk management
	Description of criteria for managing climate-related risks compared to product development and price-setting	Risk management
	Description of criteria for managing climate risks with respect to investments	Risk management

c. Integration of business processes to identify, assess and manage climate-related risks in the general risk policy	Description of mode of integration	Risk management
<b>Metrics and targets</b>		
a. Metrics for identifying climate-related risks and opportunities associated with the business strategy and risk policy	Description of the methods used to measure and manage climate-related risks and opportunities	Risk metrics & targets
	Description of integration into the remuneration policy	Remuneration policy
	Description of income from sustainable products	N.A.
	Trend analysis for past criteria	N.A.
	Description of criteria for the assessment of climate-related risks to the banking activities	Risk metrics & targets
	Description of risk exposure to the real estate portfolio	Risk metrics & targets
	Description of criteria in investment products	Risk metrics & targets
b. Scope 1, 2 and 3 greenhouse gas emissions	Description of scope 1, 2 and 3 emissions	N.A.
	Description of emissions caused by loans and other banking activities	N.A.
	Description of emissions caused by the insurer	N.A.
	Description of emissions caused by investment products	Environment
c. Targets related to managing climate-related risks and opportunities	Description of the most important climate-related targets	Risk metrics & targets
	Description of time period and KPIs	Risk metrics & targets
	Description of interim targets	Risk metrics & targets
	Description of methodology	Risk metrics & targets



## Pillar 3 – qualitative description in context of climate-related risks

In accordance with article 449a CRR

Topic	Information	Section
<b>Business context and strategy</b>	Description of business strategy for the integration of ecological factors regarding the business environment and model, strategy and financial planning	Strategy Sustainability ambitions
	Description of goals for assessing short-, medium- and long-term climate-related risks	Risk identification
	Description of current measures for achieving the environmental goals and Taxonomy activities	Strategy
	Description of policy regarding counterparties' environmental strategy	Sustainability ambitions Climate risk
<b>Governance</b>	Description of responsibility for management relating to risk policy and the implementation of goals, strategy and policy	Governance Annex I.I
	Description of management integration of short-, medium- and long-term environmental effects	Climate risk
	Description of committee roles, tasks and responsibilities	Governance Risk management
	Description of quantity and manner of sustainability reporting	Sustainability reporting
	Description of the remuneration policy relating to climate-related targets	Remuneration policy

<b>Risk management</b>	Description of the integration of short-, medium- and long-term effects into the risk policy	Annex I.III Risk management Climate risk
	Description of definition, methodology and standards on which risk management is based	Risk management
	Description of processes to identify, measure and monitor activities and exposures which are sensitive to climate risk	Climate risk
	Description of activities and allocations to reduce climate risk	Climate risk
	Description of the implementation of tools to identify, measure and manage climate-related risks	Climate risk
	Description of impact and results of implemented resources on climate-related risks	Climate risk
	Description of data availability, quality and accuracy and actions to improve these	Climate risk
	Description of climate-related risk limits and procedures if these limits are exceeded	Climate risk Risk metrics & targets
	Description of relationship between climate-related risks and credit, liquidity, financial, market, operational and reputational risk	Climate risk Annex I.III

## Pillar 3 – qualitative description in context of social risks

In accordance with article 449a CRR

Topic	Information	Section
<b>Business context and strategy</b>	Description of business strategy for the integration of social factors and risks regarding the business environment and model, strategy and financial planning	Strategy
	Description of goals for assessing short-, medium- and long-term socially risks	Strategy Brand and sustainability risk
	Description of policy relating to counterparties and their commitment to avoiding socially undesirable side effects	Sustainability ambitions Brand and sustainability risk
<b>Governance</b>	Description of responsibilities for management relating to risk policy and the implementation of goals, strategy and policy relating to	Brand and sustainability risk
	(i) Social efforts	
	(ii) Relationship with employees and labour rights	
	(iii) Relationship with customers, their protection and product responsibilities	
	(iv) Human rights	
	Description of measures to integrate social factors and risks into the internal governance, tasks and responsibilities and the evaluation processes	Brand and sustainability risk
	Description of reporting efforts relating to social risks	Sustainability reporting
	Description of the remuneration policy relating to climate-related targets	Remuneration policy

<b>Risk management</b>	Description of definitions, methodology and standards on which risk management is based	Brand and sustainability risk
	Description of processes to identify, measure and monitor activities and exposures relating to social risks	Brand and sustainability risk
	Description of activities and allocations to reduce social risks	Brand and sustainability risk
	Description of the implementation of tools to identify, measure and manage social risks	Brand and sustainability risk
	Description of social risk limits and procedures if these limits are exceeded	Brand and sustainability risk
	Description of relationship between social risks and credit, liquidity, financial, market, operational and reputational risk	Brand and sustainability risk

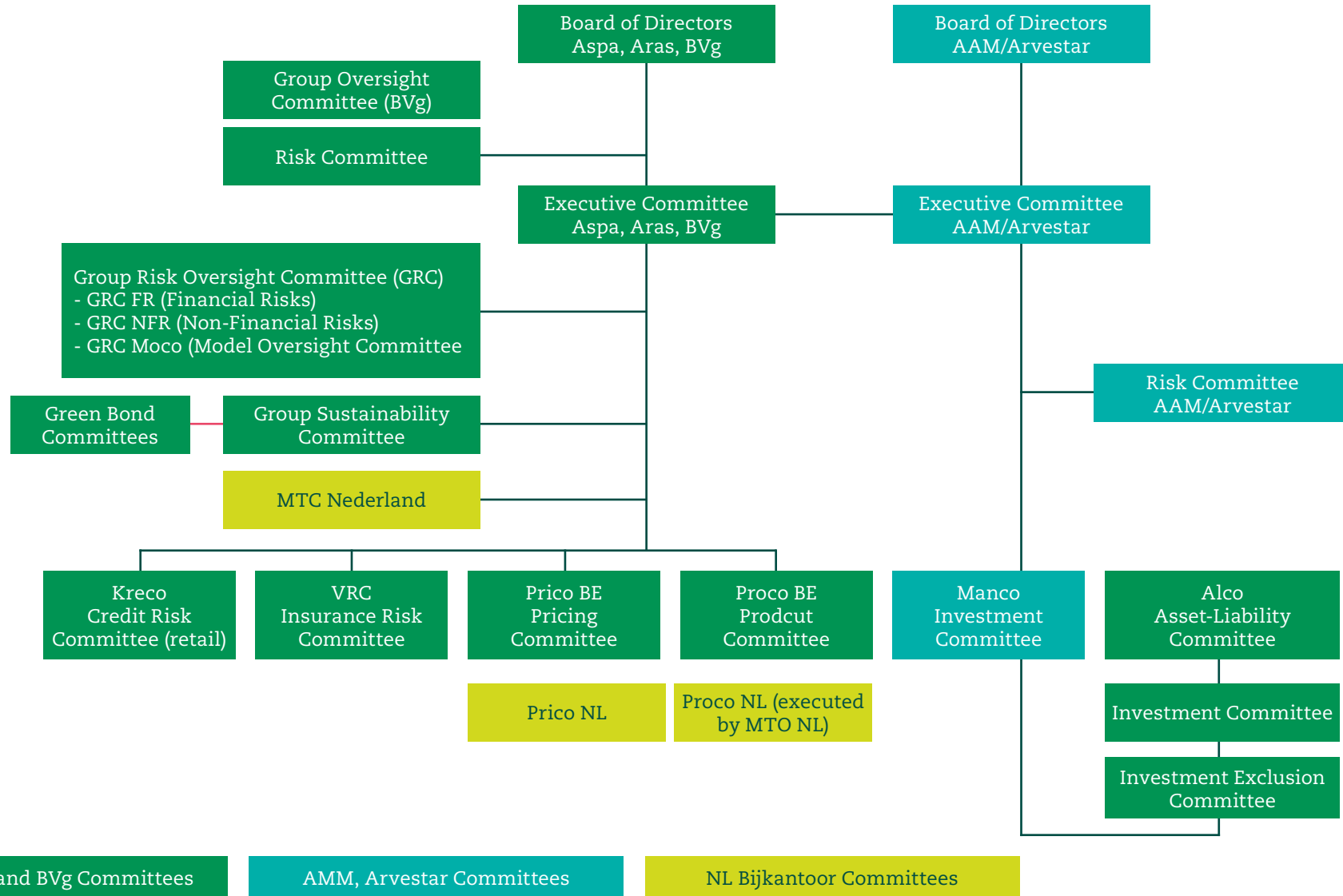
## Pillar 3 – qualitative description in context of governance risks

In accordance with article 449a CRR

Topic	Information	Section
<b>Governance</b>	Description of the governance policy in the context of relationships with counterparties, the management organisation, roles, tasks and responsibilities of committees relating to economic, ecological and social risks.	Governance
	Description of the responsibilities relating to counterparties in the context of non-financial reporting	Strategy
	Description of the integration of governance considerations in relation to the governance performance of counterparties	Risk management
	<ul style="list-style-type: none"> <li>a. Ethical considerations</li> <li>b. Strategy and risk management</li> <li>c. Inclusiveness</li> <li>d. Conflicts of interest</li> <li>e. Internal communication relating to controversies</li> </ul>	
<b>Risk management</b>	Description of the integration of risk management in relation to the governance performance of counterparties	Risk management
	<ul style="list-style-type: none"> <li>a. Ethical considerations</li> <li>a. Strategy and risk management</li> <li>b. Inclusiveness</li> <li>c. Conflicts of interest</li> <li>d. Internal communication relating to controversies</li> </ul>	

## I.I. Governance organisation chart

Governance bodies where climate and sustainability risks arise



## I.II. Frequency of meetings and responsibilities of governance entities

Governance entities which monitor sustainability and climate risks (board level)	Responsibilities	Evaluation indicators used	Number of meetings in 2022
Board of Directors (RvB)	To confirm and approve sustainability policy To approve policies: climate and sustainability risk, financial risks, non-financial risks, retail credit risks		7
Risk Committee (RC)	To monitor financial and non-financial RAF dashboard To approve risk mapping and appetite statements To monitor progress of climate implementation plan To monitor results of climate risk stress tests	Carbon transition score Environmental risk score EPC score Brand and sustainability score Results of scenario analyses	6
Group Supervisory Committee (GTC)	To monitor ICAAP on the level of Argenta Bank- en Verzekeringsgroep.		1
Group Risk Committee (GRC)	To discuss financial and non-financial RAF dashboard To discuss results of stress tests, ICAAP and ORSA To monitor status of climate implementation plan	Carbon transition score Environmental risk score EPC score Brand and sustainability score Results of scenario analyses	7
Executive Committee (EC)	To set sustainability policy To approve risk mapping and risk appetite statements To approve policies To approve climate action plans and assessment letters		11

Group Sustainability Committee (GDC)	To shape general sustainability policy; to translate sustainability policy into various business activities in concrete form; to discuss progress within various departments		4
Investment exclusion consultation (IEC)	To approve, advise on and implement consistent exclusion policy regarding investments	Management of exclusion lists	4
Insurance Risk Committee (VRC)	To monitor climate risks in the insurance portfolio/ reinsurance	Flood sensitivity	14
Green Bond Consultation (GBO)	To manage the Green Bond Framework		3
Credit risk committee (KRC)	To monitor climate KRIs within the retail portfolio To propose the climate risk management framework in the retail credit risk management policy.	EPC values and pockets of risk	6
Asset & Liability Committee (Alco)	To monitor climate KRIs within the investment portfolios. To propose the climate risk management framework in the financial policies.	Carbon transition score Environmental risk score Exclusion lists	12



### I.III. Climate risk identification in the short, medium and long term

Risk type	Subtype	Climate risk	Risk description	Time frame (term)	Significance
<b>Transitional risk</b>	<b>Legal</b>	Increasing prices of gas, electricity etc.	E.g.: impact of energy price increases on families' financial health	ST	Limited
		Increased legislation on emission reporting	E.g.: risk for the financial sector of more legislation relating to scope 1, 2, and 3 emissions	ST/MT	Material
		Regulation and supervision of the financial sector	E.g.: possible requirement of having sustainability reports, climate reports etc. audited	ST/MT	Material
		Regulation for existing products	E.g.: requirement to change product characteristics	ST/MT	
	<b>Technology</b>	Unsuccessful investments in new technologies by portfolio companies	E.g.: credit risk: stranded assets, companies in difficulties	MT/LT	Material
		Shift to low emission technologies	E.g.: credit risk: energy-intensive companies perform poorly, companies get into difficulties	MT/LT	Material
		Costs associated with green technologies	E.g.: credit risk: decreasing profitability of companies with weak transition profile	MT/LT	Material

<b>Transitional risk</b>	<b>Market</b>	Uncertainty in market signals	E.g.: market and liquidity risk: rising credit spreads at companies which are viewed as risky by the markets	ST/MT	Limited
		Increased costs of raw materials	E.g.: credit risk: retail customers facing payment problems, companies depending on raw materials are less creditworthy	ST/MT	Material
		Change in consumer behaviour	E.g.: price impact on homes with a weak EPC rating; weakly positioned companies lose market share and creditworthiness drops	ST/MT	Material
	<b>Reputation</b>	Negative publicity because of activities which damage the environment	E.g.: credit risk: stranded assets of involved companies	ST/MT	Limited
		Increased pressure from stakeholders or negative feedback from stakeholders	E.g.: market risk: pressure on share prices	ST/MT	Limited

<b>Physical risk</b>	<b>Acute</b>	Increasing chance of and impact from forest fires	E.g.: companies with (production) facilities in affected areas have difficulties	ST/MT	Limited
		Increasing intensity of extreme weather conditions	E.g.: credit risk: deteriorating creditworthiness of agricultural and food industry companies whose business model depends on weather conditions; more claims in insurance activities	ST/MT	Material
		Drought	E.g.: credit risk: deteriorating creditworthiness of companies; falling home values due to soil problems	ST/MT	Limited
		Floods	E.g.: Risk of falling real estate prices if too high a percentage of mortgages is on homes in flood areas; increasing claims in insurance sector	ST/MT	Material
		Heatwaves	E.g.: credit risk: deteriorating creditworthiness of companies operating in affected countries	ST/MT	Material

<b>Physical risk</b>	<b>Chronic</b>	Extreme changes in precipitation and weather patterns	E.g.: rising claims on insurance, increasing reinsurance premiums	MT/LT	Material
		Deforestation	E.g.: detrimental impact on biodiversity, balance disturbed, leading to physical risks	MT/LT	Limited
		Rising temperatures	E.g.: farms/agricultural companies and food industry run into problems	MT/LT	Material
		Rising sea level	E.g.: credit risk: decrease in value of real estate in sensitive areas because of increasing flooding	MT/LT	Limited
		Soil erosion	E.g.: land movement, companies with (production) facilities in sensitive areas encounter problems	MT/LT	Limited
		Water shortage	E.g.: credit risk: water-intensive companies see a fall in profitability	MT/LT	Limited

## I.IV. Stress tests

Scenario	Description	Impact
<b>ICAAP climate risk</b>	Calculation based on NGFS Disorderly Scenario: mixed scenario with impact on the investment portfolio and the mortgage portfolio.	Limited impact, and compensatory effect by trend in interest rates
<b>ILAAP climate scenario</b>	Ad hoc ESG Nature catastrophe stress test	No impact on AER and NSFR, and limited fall in LCR
<b>ILAAP climate scenario</b>	Calculation based on NGFS Disorderly Scenario: mixed scenario with impact on the investment portfolio and the mortgage portfolio; focus on transition risks.	LCR will rise initially due to trend in interest rates and cash collateral inflow, then fall
<b>ORSA climate scenario</b>	Calculation based on NGFS Disorderly Scenario: mixed scenario with impact on the investment portfolio, the mortgage portfolio and insurance business (non-life, health, reinsurance); both transition risk and physical risk are taken into account	Solvency: limited impact – P&L: significant impact Life and Non-life
<b>ECB climate scenarios</b>	Transition risk (short- and long-term) and physical risk (drought, heat)	Limited impact on impairments

