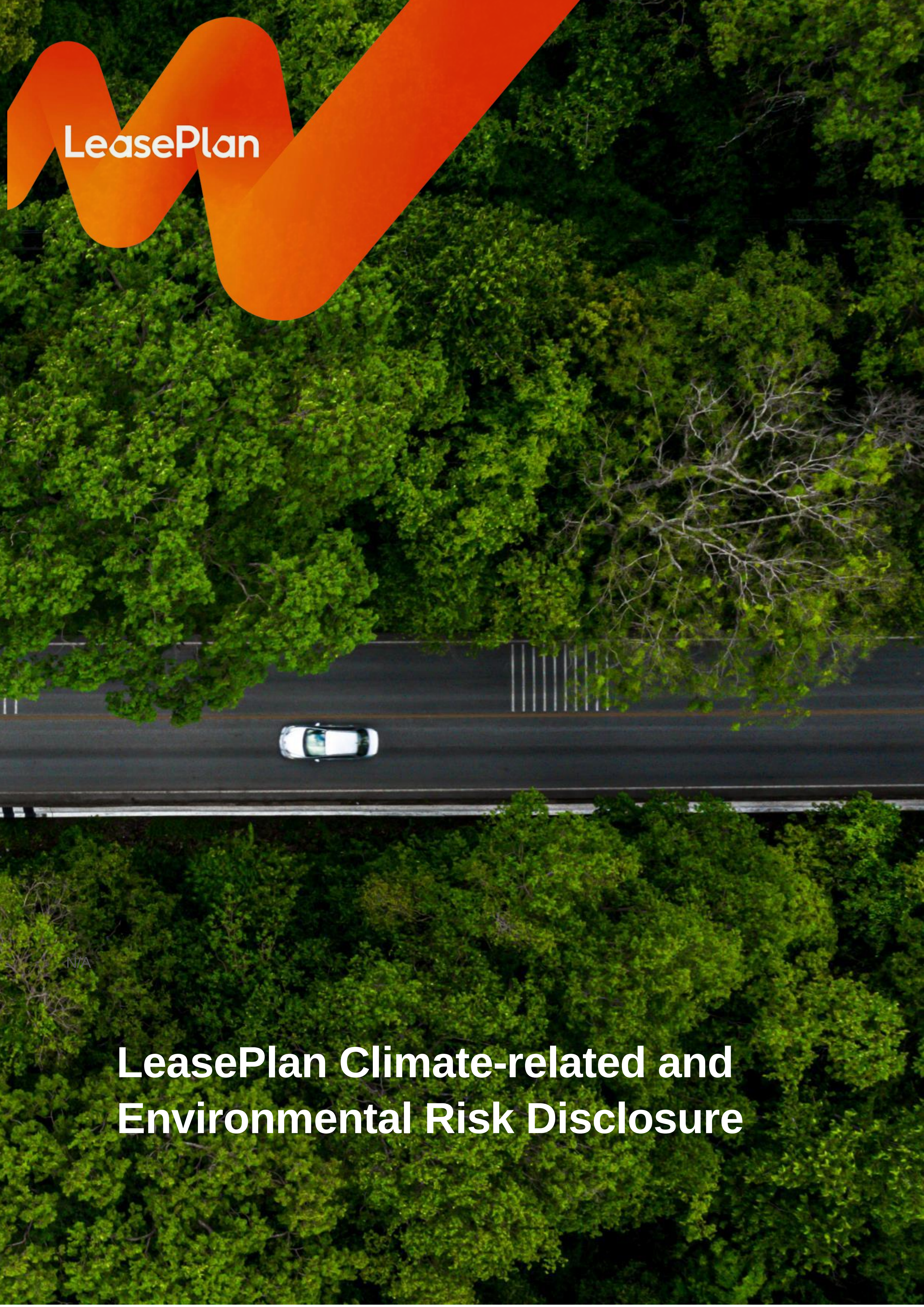

LeasePlan Climate-related and Environmental Risk Disclosure

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Acting responsibly is a shared belief

In September 2023 the parent company of LeasePlan, Ayvens, announced the PowerUp 2026 strategy. This announcement was preceded by a series of significant changes for LeasePlan, but also a new step up for the sustainable strategy. The existing commitments on Science-Based Targets will be continued within the new organisational structure as these are core to our responsibility and commitment to reducing our environmental impact. Fleet and emission targets were made more specific for the 2026 horizon. The transition of the fleet to electric vehicles remains one of the main actions LeasePlan and Ayvens are taking to reduce the Scope 3 emissions, which represent over 99% of total emissions.

This sustainability strategy will be built on the foundations of the internal control framework, which has been strengthened over the past years to better understand and mitigate the Group's climate-related and environmental risks. Climate-related and environmental risks are considered as an integral part of the domains where they might materialise. In 2023 LeasePlan finalised the integration of the supervisory requirements on climate-related and environmental risks in its internal control framework and continues, as in previous years, to disclose on its practices in the C&E Risk Disclosure.

The document below elaborates on the C&E Risk Disclosure for LeasePlan and its efforts in 2023 to further integrate C&E into the Risk Management Framework. The achievements of 2023 build on the work performed in 2022, and are the continuation of LeasePlan's commitment to be compliant with the ECB Guide on Climate-related and Environmental Risks.

Understanding our climate-related & environmental risks and opportunities

As a responsible company, LeasePlan recognises there is only a small window of time to prevent the worst effects of climate change and that bold actions must be taken today. Therefore, we aim to understand and manage the impact of climate-related and environmental (C&E) risks – including both physical and transition risks – on our business environment in the short, medium and long term, and to integrate C&E risks that materially impact the business into our governance, strategy, Risk Management Framework, and metrics and targets. More detail on our activity in each of these areas is provided in the four subsections below.

This C&E Risk Disclosure has been structured according to the supervisory expectations relating to C&E risk management and disclosures as set out within the ECB's 'Guide on climate-related and environmental risks'[1] (hereafter: ECB Guide) and the European Commission's 'Guidelines on non-financial reporting: Supplement on reporting climate-related information'[2], as well as the recommendations set by the Task Force on Climate-related Financial Disclosures (TCFD)[3].

Governance of the potential impact of C&E related risks on LeasePlan's risk categories is aligned to LeasePlan's overall risk governance as it incorporates the responsibilities of the three lines as set out in the European Banking Authority Guidelines on Internal Governance (EBA/GL/2021/05)[4].

[1] Guide on climate-related and environmental risks (europa.eu)

[2] Communication from the Commission — Guidelines on non-financial reporting: Supplement on reporting climate-related information (europa.eu)

[3] Recommendations | Task Force on Climate-related Financial Disclosures (fsb-tcfd.org)

[4] Final report on Guidelines on Internal Governance under CRD.pdf (europa.eu)

I. Governance

In 2023, LeasePlan operationalised the governance structure to ensure its management body is accountable for identifying, evaluating, monitoring and managing C&E risks and opportunities, in line with Expectations 3 and 5 from the ECB Guide. The roles and responsibilities of the various governance bodies involved are formally documented in LeasePlan's C&E Risk Governance Framework, which is linked to all relevant charters, policies and standards (e.g. the Audit Charter or Group Standard on Lease Origination). In November and December 2023, this Governance Framework went through its first annual review. The recommendations coming forth from this annual review will be picked up over the course of 2024 in light of the integration of ALD Automotive | LeasePlan into Ayvens.

Responsibility for providing input to the Group Risk Committee (GRC), Managing Board (MB) and Supervisory Board (SB) is assigned to the C&E Committee (CEC), a sub-committee of the GRC. It facilitates the discussion on C&E risk management between the first and second line based on C&E risk identification and assessment activities as outlined in LeasePlan's internal C&E Risk Driver Identification and Assessment Process.

The CEC consists of the first line risk owners of key risk categories for C&E risks, as well as representatives from Group Risk Management and the Sustainability functions. The CEC is chaired by the Group Risk Management function. The Group Risk Management function and the Sustainability function have dedicated resources (FTEs) for the management of C&E risk within LeasePlan.

Finally, LeasePlan performed its first full internal audit on its C&E risk management practices – thereby confirming the functioning of the three lines.

C&E risk governance summary

Supervisory Board	Responsible for: • Overseeing the delivery and implementation of LeasePlan's sustainability strategy, and the adequate embedding of ESG issues, incl. C&E risks, in the overall business strategy and Risk Management Framework • Approving LeasePlan's risk strategy and Risk Appetite Statement
MB / ExCo	Accountable for: • The development and implementation of LeasePlan's sustainability strategy, and the adequate embedding of ESG issues, inc. C&E risks, in the overall business strategy Responsible for: • The development of LeasePlan's risk strategy and Risk Appetite Statement
Group Risk Committee	Responsible for: • Ensuring adequate consideration of the potential impact of C&E related risks in the annual strategic risk assessment • Ensuring adequate consideration of the potential impact of C&E related risks in the risk strategy, Risk Appetite and capital/liquidity planning • Ensuring adequate consideration of the potential impact of C&E related risks in the policies, standards and tolerance levels for individual risk types • Monitoring and managing the actual risk profile against the Risk Appetite and risk strategy, inc. the potential impact of C&E related risks where relevant • Monitoring existing and emerging risk developments and trends, inc. those related to C&E related risks • Monitoring and ensuring compliance with changes in regulations related to C&E related risks

	• Overseeing adequate consideration of the potential impact of C&E related risks in key (regulatory) processes such as ICAAP, ILAAP, Recovery Plan and Pillar 3 reporting
C&E Committee	Responsible for: • Facilitating the discussion between the first line risk owners and the Group Risk Management function regarding C&E related topics • Defining actions, owners and due dates derived from the items as described in the first bullet, and performing follow-up on these actions • Enabling reporting and escalation on C&E-specific risk indicators to the GRC in line with the responsibilities outlined above and the mandate of the Risk Management function • Enabling reporting and escalation on C&E-specific risk indicators to the ExCo/MB and SB in line with the responsibilities outlined above and the mandate of the Risk Management function • Providing reporting to the Strategy & Transformation team on the outcomes of the assessments of C&E related risks • Designing, discussing and validating the outcomes of the C&E risk identification exercises, including any related issues and follow-up actions. These risk identification exercises include, but are not limited to, the materiality assessment, the C&E RCSAs and the climate stress testing exercises • Monitoring of the C&E related risks, KPIs, KRIs and regulatory updates • Alerting the organisation on C&E related risks, regulatory changes or insights relating to C&E risks; this to ensure the incorporation of C&E considerations in the strategy and asset management policies
ECB C&E Project SteerCo	Responsible for the implementation of C&E risk management within LeasePlan, in line with the ECB's 13 expectations set out in the ECB Guide. The ECB C&E Project closed at end of year 2023 upon completion of the project goals
Sustainability first line risk owner	Responsible for: • Identifying known and emerging C&E related risks • Translating C&E related risks to potential impact of LP risk categories • Alerting first line risk owners of the C&E related risks that may impact their risk category • Supporting first line risk owners with the assessment of the potential impact of C&E related risks to their risk category • Maintaining a registry of C&E related risks and their translation to potential impacts on LeasePlan's risk categories
Other first line risk owners	Responsible for: • Assessing the potential impact of C&E related risks on LP risk categories together with the Sustainability function • Validating the outcomes of C&E related risk impact assessments for their risk category • Determining a risk response (avoid, transfer, accept or mitigate) to the potential impact of C&E related risks for their risk category • When the response is mitigation – defining, implementing and testing the

	effectiveness of controls to mitigate the potential impact of C&E related risks
Strategy & Transformation	Responsible for taking the outcomes of the assessments of C&E related risks into consideration in the continuous strategy development process and strategic planning
Group Risk Management & Compliance Function (second line)	Responsible for: • Challenging the identification of C&E related risks and translation to potential impacts on LP risk categories by the Sustainability function • Challenging the assessment of the potential impact of C&E related risks on LP risk categories by the first line risk owners (incl. chairing and driving the CEC) • Incorporating C&E related risks and their potential impacts on LP risk categories into the risk strategy, Risk Appetite Statement and Risk Taxonomy • Incorporating C&E related risks and their potential impacts on LP risk categories into its stress-testing scenarios • Incorporating C&E related risks and their potential impacts into the Risk Management Framework • Monitoring effectiveness of key controls for C&E related risks and potential impacts • Incorporating reporting on C&E related risks and potential changes in risk profiles into the Integrated Risk Management Reports • Presenting the results and conclusions of the C&E related RCSAs
Group Audit (third line)	Responsible for: the review or audit of the sufficient consideration of the potential impact of C&E related risks on LP risk categories, including the determination of appropriate risk responses, as well as the incorporation into the Risk Appetite Statement, the Risk Taxonomy, the Risk Management Framework and relevant risk policies, standards and procedures

II. Strategy

LeasePlan is committed to actively managing its C&E risks and opportunities, and to implementing mitigating actions where needed. This approach is based on our assessment of LeasePlan's most material C&E related risks. It is also informed by qualitative and quantitative scenario analysis, through which LeasePlan can better determine the potential impacts of its identified C&E risks. This scenario analysis is performed across short-, medium- and long-term time horizons, aligned with TCFD recommendations and in support of future disclosures in line with the expectations of the ECB Guide:

Short term (0-5 years): Accounts for current Risk Management Framework, capital planning and asset lifecycle

Medium term (6-15 years): Accounts for significant policy timeframes, including a variety of climate targets at the 2030 horizon

Long term (16-30 years): Accounts for significant policy timeframes towards the Paris Agreement 2050 deadline for a net zero economy

Identified C&E related risks

The starting point of our C&E risk identification process is a standard subdivision of C&E risk drivers as outlined in the table below. For the analysis of each sub-segment, LeasePlan has identified so-called signposts: macro-indicators that can be used to monitor global or regional C&E trends within a sub-segment. The examples and signposts below are not exhaustive and should be viewed in conjunction with existing risk-related information, such as fleet composition and industry concentrations. Over the course of 2023 environmental risk drivers were examined and added to the C&E risk identification process.

	Segment	Sub-segment	Example	Signposts
Climate-related risk	Transitional risk[5]	Policy	Changes in creditworthiness of clients or residual values of LeasePlan's vehicles due to carbon-adverse policies	CO_2 emissions, CO_2 price, drivetrain projections
		Technology	Changes in market (share) positions due to the (un)availability of EV charging infrastructure	EV charging infrastructure, drivetrain projections
			Changes in market (share) positions due to technological advances from OEMs or competitors	
		Market sentiment	Changes in customer sentiment impact LeasePlan's funding model	Shareholder/ customer behaviour, drivetrain projections
	Physical risk	Acute	Increasing damage and insurance claims due to extreme weather events	Type and severity of extreme weather events

[5] Transition and physical risk: for both climate risk types LeasePlan aligns with the definition provided in the ECB Guide

Environmental risk	Chronic	Reduction in profitability in specific geographical areas due to shifting weather patterns	Type and severity of extreme weather events
	Environmental degradation – physical	Changes in costs or revenues due to pollution, water scarcity, biodiversity loss, deforestation and/or resource scarcity	GDP loss due to loss of ecosystem services
	Environmental degradation – transitional	Changes in the viability of a business model due to environmental policy and regulation, or market sentiment towards environmental degradation	Air pollution standards, customer behaviour

Climate and environmental scenarios

To consistently assess the potential C&E related risks across various future trajectories, LeasePlan uses the most recent Network for Greening the Financial System (NGFS) scenarios to plot potential future pathways. These scenarios are endorsed by the ECB and allow comparability with other institutions. NGFS scenarios provide a common and up-to-date reference point for understanding how the climate crisis and the environmental degradation, or the climate and environmental policy and technology developments, could evolve in different future pathways. They also benefit from well-defined narratives and supporting data, and comprise a '2°C or lower' scenario, as prescribed by the TCFD. Additionally, data from the Internal Energy Agency (IEA) is used to enrich the NGFS scenarios.

To be pertinent for a broad range of physical and transition transmission channels, the NGFS has designed seven scenarios covering four dimensions (*Orderly*, *Disorderly*, *Hot House World*, and *Too Little, Too late*) in its Phase IV publication[6]. These scenarios share similar socio-economic assumptions and assume a continuation of current economic and population trends. LeasePlan has selected three scenarios, which are briefly highlighted below. The selected scenarios adequately reflect the various potential futures LeasePlan could face, while also being considered the most relevant for LeasePlan's business model. Each scenario was chosen to show a range of higher and lower-risk outcomes.

Scenario 1 – Current Policies: With no new policy action, global warming increases to 2.9 degrees Celsius by end of century. In this scenario, operations and supply chains are globally exposed to high physical risks (e.g. hail, flood, wildfire and wind).

Scenario 2 – Delayed Transition: This scenario involves a sudden increase in the intensity of climate policy after 2030, following an initial period during which emissions reduction policies are largely ineffective. Carbon prices remain low until 2030, and then rise steeply towards 2035 and 2050. With implementation of policies to reduce emissions delayed, global warming continues to increase to 1.7 degrees Celsius at end of century.

Scenario 3 – Net Zero 2050: In this scenario, stringent policy changes and innovation accelerate to facilitate rapid decarbonisation. Most of LeasePlan's operating jurisdictions reach net zero by 2050. With effective policies in place to reduce emissions, global warming is limited to 1.40 degrees Celsius by end of century.

Materiality assessment

a. Macro-economic scenario analysis

LeasePlan's annual C&E risk identification process is supported by a macro-economic scenario analysis. This analysis is qualitative and serves as a safety net to ensure LeasePlan does not overlook risk drivers. It narrows down the scope of macro indicators relevant to LeasePlan's business activities, and how they are expected to develop according to the predefined scenarios.

[6] https://www.ngfs.net/en/ngfs-climate-scenarios-phase-iv-november-2023

The LeasePlan Annual Report 2022 contained a summarised description of what this analysis entails. The methodology has been kept the same in 2023.

During the past year, LeasePlan added environmental risk drivers to its C&E related risk assessment process. Examples of these drivers include environmental degradation, biodiversity loss, water scarcity and changing policies on pollution. The subsequent assessment focused on identifying how our customers in e.g. the agricultural industry could be affected by biodiversity loss, or how pollution could impact our ability to attract talent. One of the transmission channels stood out in the macro-analysis: *a reduction in net RMT income due to disruptions in ecosystems-dependent supply chains*. Therefore, this transmission channel was taken up for quantitative assessment (refer to section III – Risk management for the outcomes of this assessment). The other environmental transmission channel analyses, which are deemed less potentially material to LeasePlan's business model, were documented and validated.

The outcomes of the macro-economic scenario analysis are combined with multiple other C&E risk sources, which informs a final longlist of C&E risk transmission channels. This long-list of transmission channels is validated by the Climate & Environment Committee and feeds into the quantitative materiality assessment process. Further information on the materiality assessment process is shown in section III – Risk management.

b. Quantitative materiality assessment of climate-related risks

The quantitative materiality assessment outcomes are expressed in terms of their impact on relevant LeasePlan P&L items and total risk exposure amount (TREA). Each C&E risk driver is assessed using an 'unmanaged' and a 'managed' case[7]. LeasePlan ranks all assessed C&E risk drivers based on the combined impact in the year 2030 under the worst-case scenario. Materiality was assessed with key stakeholders against the risk-bearing capacity and the risk appetite of LeasePlan. The monitoring of these risk drivers includes the insights obtained from this exercise. We use these insights to prioritise the roll out of risk management measures. The tables below provide a description of all shortlisted and assessed transmission channels per risk category.

LeasePlan risk category		Asset risk
Risk area	Transitional risk	Policy, Technology, Market sentiment
Risk description	LeasePlan's earnings could be hit by a decline in residual value of ICE vehicles/non-BEVs as a result of stark policy changes, changes in stakeholder sentiment or rapid technological advances. *This risk focuses on the value of the collateral.* *The repayment capability of clients is covered under the credit risk category.*	
Potential impact (unmanaged)	Sped-up climate-related policy action, on a local, national or supranational level, targeting the automotive sector directly (corporate fleet mandate for leasing companies) or indirectly (such as ICE vehicle bans or increased carbon prices for OEMs) could negatively influence ICE vehicle residual values. This is especially the case if these measures would put pressure on the rate with which the lease market needs to adapt towards EVs. With this risk driver being left unmanaged, LeasePlan could be exposed to greater asset risk and potentially reduced Profit & Loss on Disposal of Vehicles (PLDV). To a similar extent, public opinion on individual transport or specific drivetrains is subject to change and, therefore, uncertain. Shifts in preferences will influence the second-hand market and could put pressure on the earnings model. LeasePlan has predictive and detective models in place to pick up and act on such changes. Rapid technological advances have the potential to impact asset risk, however these advances are being closely followed, and LeasePlan has an open model in bringing new, more efficient and more sustainable drivetrains to the market due to the rapid turnover of its fleet	

[7] The difference between both cases is whether management measures are taken into account in the impact assessment. In the unmanaged case, no management measures are considered but the current strategy and internally available portfolio forecasts – resembling an 'inherent risk' approach. In the managed case, (statistical) management measures are applied to factor in a simulation of LeasePlan's business model – resembling a 'residual risk' approach

	(average contract period of 36 to 60 months).
Likelihood	The results from our quantitative materiality assessment of the transmission channels above are that the potential impacts are likely to be most severe in the medium term in the Delayed Transition scenario given the likely elevated presence of ICE vehicles/non-BEV vehicles in LeasePlan's fleet. LeasePlan has significantly reduced the likelihood of this risk affecting future profits given its forward position, envisaging the end of the ICE vehicle predominance around 2035.
Response/ mitigation	LeasePlan has assessed that its current set of predictive and detective controls, strengthened by our sustainability strategy (transitioning from Driving to Zero to the PowerUp26 Ayvens strategy), as well as the recalculation of science-based targets, give sufficient control over transitional asset risk. Given the importance of this risk driver, LeasePlan has translated this risk driver into adequate (key) risk indicators to continuously follow up on trends, and has included the operational execution of these controls in its internal control frameworks. Examples of these (key) risk indicators are fleet composition, activations per drivetrain and country and the earnings on second-hand vehicles.
Residual risk post-mitigation (managed)	The residual climate risk post-mitigation for this risk category is assessed as within risk-bearing capacity across all scenarios and the short- and medium-term timeframes. Country-by-country differences have been found as the transitional risks do not materialise to the same extent in every country. This is driven by environmental awareness in these countries. This is primarily related to how forward national governments are in implementing climate change policies and facilitating the shift to EV. Also, public opinion plays an important role in the implementation of these legal frameworks. These country variations are flagged for further analysis and followed up together with the local entities.

LeasePlan risk category		**Credit risk**
Risk area	Physical risk/Transitional risk	Technology, Market sentiment
Risk description	1. LeasePlan's customers could be hit by sudden reduced creditworthiness over the contract lifetime due to physical climate-related or environmental shock to their business. Effects would be mostly visible in the liquidity position or payment behaviour of the client. 2. LeasePlan's customers could be hit by ongoing and gradual reduced creditworthiness over the contract lifetime due to climate or environment-related changes (transition risks), affecting their business model and viability. Effects would be mostly visible in increased transition costs, reduced margins, increased direct or indirect costs, or a steady decline in turnover due to the change in customer preferences or increased product prices. This scenario would lead to an overall weakening and deterioration of the LeasePlan portfolio credit quality. *This risk focuses on the credit and repayment aspect of the leasing contract. The value of the collateral is covered under the asset risk category.*	
Potential impact (unmanaged)	The scenario developed for physical climate risk-induced credit risk (1) would lead to unpaid instalments or contract foreclosure, with clients unable to repay the agreed amounts at the agreed frequency. In this scenario, we expect financial impact to be most severe for clients	

	most prone to climate and environmental shocks, in either their business model or their supply chain. In the unmanaged scenario, the impact is aggravated if we have an overexposure in credit risk to such clients. The scenario developed for transitional climate risk-induced credit risk (2) would lead to an overall weakening of the quality of the credit portfolio. Causes of a weakened portfolio can impact both sides of clients' P&L profile. Our scenario takes into account diminishing profitability and/or income due to: i) the transition to a carbon-neutral and environmentally friendly economy (leading to a gradual shift in client preferences) and ii) the increase of costs due to either moving to a more carbon-neutral economy, more strict national or supranational environmental policies or due to insufficient progress in preparing for climate change (e.g. resulting in increased CO_2 prices, costs of pollution, costs of sourcing and using non-sustainable resources). We expect in our scenarios that the potential credit risk is higher over a mid- to long-term time horizon, taking into account the time horizons provided by the NGFS scenarios.
Likelihood	The likelihood of physical climate risk-induced credit risk happening is highest for customers in industries disproportionately affected by an increase in physical climate-related risk (e.g. agriculture), customers in carbon intensive industries, and for less ESG-developed clients (e.g. oil and gas). Because of the wide range of sectors LeasePlan services, the likelihood of one of these sectors being affected, either directly or through knock-on effects, is inherently present.
Response/ mitigation	Lease agreements typically cover a 36-, 48- or 60-month period, reducing our exposure to the long-term effects of this risk. There are no products other than leasing in the LeasePlan credit portfolio. The above goes hand in hand with the regular review of the creditworthiness and, as part of a sound credit management process on a portfolio level, close monitoring of any risk concentration that may occur within its leasing portfolio, on a sectoral, geographical and client basis and at a frequency sufficient to avoid any changes going under the radar. The ESG (including climate-related risks) screening process at the moment of credit approval or renewal was redesigned and implemented with expanded scope during the year. This process is part of the credit risk assessment upon lease origination and upon contract renewal. The combination of these factors means that close monitoring of both short- and medium-term indicators (from payment behaviour to sectoral indicators) provides us with the tooling to adequately mitigate physical or transitional climate-induced credit risk. This is complemented by a tight follow-up procedure on payment behaviour on a client basis. Payment behaviour also acts as an early warning signal on reduced liquidity or future solvency problems.
Residual risk post-mitigation	The residual risk post-mitigation of climate risk for this risk category is assessed as within risk-bearing capacity across all scenarios and timeframes. In the unmanaged case, the impact was assessed as low across all time horizons and scenarios. The explanation can be found in the nature of LeasePlan's financial product, marked by a relatively short financing period compared to mortgages, real estate projects or industrial development projects banks would engage in. This is combined with regular review of the creditworthiness of clients and monitoring of credit quality across the portfolio.

LeasePlan risk category		Strategic risk
Risk area	Transitional risk	Market sentiment, Policy, Technology

Risk description	1. Adverse stakeholder sentiment results in a loss of customers due to LeasePlan not meeting customers' ESG-related expectations or growing anti-car sentiments. 2. Adverse stakeholder sentiment results in a loss of customers due to customers not meeting LeasePlan's ESG-related expectations. 3. Insufficient charging infrastructure could hamper LeasePlan's electrification ambition, as insufficient charging infrastructure slows the uptake of EVs.
Potential impact (unmanaged)	The potential impact is most severe in the medium term in the Current Policies and Delayed Transition scenarios, with LeasePlan being more greatly exposed to increasing stakeholder concern regarding climate change. In the Current Policies and Delayed Transition scenarios we deem the potential impact on LeasePlan to be moderate, stemming from potential differences between LeasePlan's ambitious fleet electrification strategy and our customers' ambitions, with the working assumption for an unmanaged case that LeasePlan would not alter its strategy.
Likelihood	The likelihood of the shift to a more sustainable mindset is close to a certainty. This is apparent among our clients, partners and suppliers. The speed and overall acceptance of such change, however, is gradual, and diverges strongly in the different regions that are relevant for LeasePlan. To assess this, LeasePlan not only uses the NGFS scenarios for general guidance, but also performs assessments at local level. This has resulted in a more nuanced view on the likelihood regarding the transition to a low-carbon economy.
Response/ mitigation	LeasePlan is a frontrunner in providing sustainable mobility and is actively positioning itself as such. In 2017, LeasePlan launched its ambition to reach net-zero tailpipe emissions from its funded fleet by 2030. In 2021, LeasePlan launched its 'Driving to Zero' strategy, thereby addressing a wider range of ESG issues. These two efforts have helped address the most important expectations of our stakeholders. Over the course of 2023 and 2024, these efforts move into the PowerUp26 ALD Automotive | LeasePlan strategy. Regarding any potential increase in anti-car sentiments, LeasePlan monitors stakeholder and customer sentiment through various channels, including its Mobility Insights Report, its annual Net Promoter Score survey, and the materiality assessment that informs the development of its ESG strategy. In addition, the proposal for an EU Alternative Fuels Infrastructure Regulation[8] is a welcome development for ensuring sufficient available charging infrastructure.
Residual risk post-mitigation (managed)	The residual risk post-mitigation of climate risk for this risk category is assessed as within risk-bearing capacity across all scenarios and timeframes. LeasePlan's current business model allows flexibility in adjusting to trends and client preferences, and our sustainability strategy puts us at the forefront of the energy transition.

LeasePlan risk category		**Operational risk**
Risk area	Transitional risk/Environmental risk	Technology, Market sentiment, Water scarcity
Risk description	1. Climate-related severe weather events disrupt or damage LeasePlan operations. 2. Climate-related severe weather events disrupt LeasePlan's outsourced services. 3. Climate-related severe weather events disrupt LeasePlan's supply chain. 4. Ecosystems-dependent supply chains are disrupted due to critical resource scarcity.	

[8] COM(2021) 559 final, European Commission

Potential impact (unmanaged)	Severe weather events (e.g. hail, flood and windstorms) create the risk of disruption to LeasePlan's operations, outsourced services and supply chain. Examples of own operations and outsourced services potentially impacted (e.g. by closures due to severe weather events) are LeasePlan data centres, offices and RMT locations. Examples of potential supply chain impacts are OEM production issues, reduced availability of key components or price increases resulting from such issues. This accounts for both climate-related and environmental drivers of risk. Inherent risk is assessed to be limited overall but most severe in the long-term timeframe and Current Policies scenario. Only a limited proportion of our own operations and outsourced services are in locations where severe weather events are expected to increase in frequency. In addition, supply chain disruptions are likely to limit the supply of new cars/parts, resulting in a corresponding increase in used-car prices, balancing out potential financial impacts on LeasePlan.
Likelihood	The severity and frequency of extreme weather events are highly likely to increase, albeit more in the Current Policies scenario than in the Net Zero 2050 scenario.
Response/ mitigation	Our Business Continuity Plan outlines the management of the potential impacts of operational disruptions. We also purchase insurance against damage to our owned and operated assets, thereby transferring the impact of C&E risk events. Supply chain disruption impacts are mitigated through Service Level Agreements with LeasePlan's suppliers. All key outsourcing providers' own business continuity plans have been assessed in relation to severe weather events.
Residual risk post-mitigation (unmanaged)	The residual risk post-mitigation of climate risk for this risk category is assessed as within risk-bearing capacity across all scenarios and timeframes, as we have a Business Continuity Plan to manage operational disruptions and purchase insurance against damage to our operations. LeasePlan is also able to pass on (most) inflationary costs to its customers.

LeasePlan risk category		**Motor insurance risk**[9]
Risk area	Physical risk	Acute (extreme weather events)
Risk description	1. Severe weather causes damage to LeasePlan vehicles.	
Potential impact	LeasePlan's core assets – its vehicles – may be damaged by severe weather events (e.g. hail, flood or windstorms), resulting in an increase in catastrophe claims and a reduction in insurance profits. In addition, this could lead to LeasePlan's inability to reinsure C&E risk in some countries, further reducing insurance profits. The severity of these events and their potential impacts will increase over time across all scenarios if climate change accelerates. The most severe impact is expected in the long term under the Current Policies scenario, however, overall impacts are expected to be manageable. Given the regional character of extreme weather events, country-by-country differences are to be further monitored and investigated by the respective first line risk owners as outlined in the Governance section.	
Likelihood	The likelihood of severe weather events potentially impacting LeasePlan vehicles is highest in the long term under the Current Policies scenario. However, given the currently used climate projections, the likelihood is expected to increase over time in all three scenarios.	

[9] LeasePlan Corporation as well as LeasePlan Insurance have invested in this topic in light of new Stress Testing requirements and the Own Risk and Solvency Assessment, respectively. Where possible, the approaches taken by LeasePlan Corporation and LeasePlan Insurance have been aligned and results have been compared. Over the course of 2023 this work has continued and communication between the entities on this topic has intensified.

Response/ mitigation	LeasePlan requires all local entities to retain insurance against hail, floods and windstorms, whereby the potential impact of damage to LeasePlan's vehicles as a result of severe weather events is transferred to its insurers.
Residual risk post-mitigation (managed)	The residual risk post-mitigation of climate risk for this risk category is assessed as within risk-bearing capacity across all scenarios and timeframes.

In addition to the C&E risks identified above, LeasePlan has also identified and discussed the opportunities for its business related to the transition to a low-carbon economy. In particular, the company sees the provision of low- and zero-emission vehicles to its customer base as a major business opportunity in response to changing stakeholder sentiments around ICE vehicles and EVs. LeasePlan has proactively captured this opportunity with its ambition to achieve net-zero tailpipe emissions from its funded fleet by 2030 (announced in 2017), as well as by setting science-based targets). In the ALD Automotive | LeasePlan PowerUp26 strategy, which covers the combined ALD Automotive | LeasePlan entities, the sustainability strategy is refined further, including interim targets.

Another opportunity identified through this assessment involves LeasePlan's green funding possibilities. Our Green Finance Framework allows us to attract funding at favourable rates, decreasing our overall funding costs.

III. Risk management

LeasePlan recognises that the climate crisis and thus the uncertainties on climate and environment are a driver of risk and will have an impact on how we run our business and manage risks, both today and in the future. LeasePlan has continued to improve the understanding of C&E risks and to ensure their incorporation into our overall risk management processes.

Identification of C&E risks

LeasePlan uses a variety of measures to identify climate risks, both bottom-up and top-down, using information sourced both internally and externally. The information sourced through these measures is aligned with LeasePlan's Risk Management Framework in terms of structure and terminology. As C&E risk management is a quickly developing and maturing area of expertise, the alignment with the Risk Management Framework enables as many employees as possible to connect with and contribute to this process.

All C&E risk driver identification measures are governed as described in LeasePlan's C&E Risk Governance Framework. Material C&E risk-related matters are discussed in the Climate and Environment Committee (CEC), a delegated subcommittee of the Group Risk Committee (GRC).

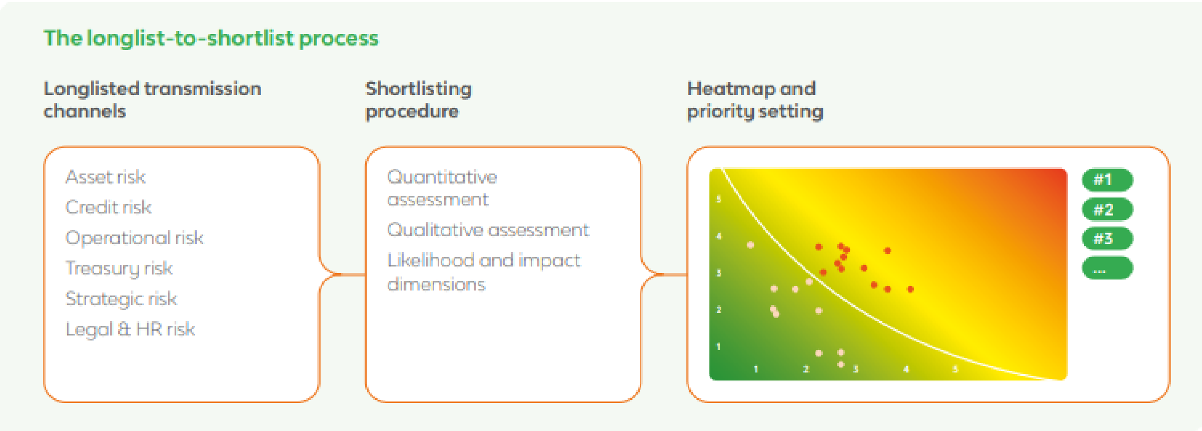
In 2023, LeasePlan continued to develop the steps taken in the year before to better understand the impact of C&E risk drivers on its business environment in the short, medium and long term. LeasePlan linked these with the strategic choices and aimed to translate them into meaningful and more informed business decisions. Key steps in this process included:

a. Review of the longlist of C&E risk drivers

The longlist of C&E transmission channels is reviewed on an annual basis, in alignment with LeasePlan's Risk Taxonomy, to ensure a proper fit with the Risk Management Framework.

Building on the foundations of last year, LeasePlan reassessed the full list of C&E related transmission channels. Several transmission channels were added or altered after discussions with the respective risk owners.

b. Refresh of the shortlisted transmission channels



Based on the final C&E risk longlist, on an annual basis and with a combination of qualitative and quantitative assessments, a refresh of all C&E risk transmission channels is being performed as a first step in identifying a shortlist of the most material C&E risk transmission channels. LeasePlan uses the knowledge obtained through the materiality assessment, climate stress testing and C&E-focused Risk & Control Self-Assessment to revisit the shortlisted transmission channels. These risk assessment exercises give LeasePlan detailed insights into the potential impact and likelihood within a given time horizon (2030). LeasePlan is using the supervisory endorsed NGFS scenarios as the basis for these assessments and to draw pathways on physical and transitional risks.

Assessment of C&E risks

LeasePlan uses a variety of tools to continually assess relevant C&E risks. The outcomes of these assessments drive changes in the longlist and shortlist of the C&E transmission channels. This is a process under the supervision of the CEC and is quality-assured by involving the relevant business experts. Key tools include:

a. *Scanning for regulatory and policy developments on an ongoing basis*

The Regulatory function scans for regulatory developments related to climate change and other relevant factors in the context of C&E risks. This scanning also covers C&E risk-related regulatory developments at European Union (EU) level. The results are presented at CEC meetings, in which Regulatory has a permanent invite.

C&E risk drivers may also stem from policy developments outside the Regulatory scope. For example, local C&E risk-related regulations or policies may not be picked up by the central Regulatory function (as they ought to be picked up by the local entity). Therefore, the CEC regularly reviews local regulatory or policy changes, ECB and EBA communications, working papers, and relevant Industry Outreach sessions.

b. *Analysing and assessing C&E related incidents on an ongoing basis*

Incidents logged and analysed by the LeasePlan entities are also available and analysed at a central level.
The overview of recent relevant incidents is prepared by the second line for discussion by the CEC. The analysis includes an assessment of the root cause and failed controls. Monitoring takes place to detect any potential deterioration of the risk profile or trends which require action, including changes to the current monitoring and control framework.

c. *Portfolio analysis of large client C&E risk assessments on an ongoing basis*

LeasePlan assesses the non-financial corporate clients above a pre-defined exposure threshold on their ESG performance, with a specific focus on climate-related and environmental risks. The assessment aligns with the Lease Origination and Monitoring process and uses a two-tier approach, which in practice is called a simplified due diligence and an enhanced due diligence.
In the simplified due diligence we combine the knowledge of the industry sensitivity together with company-specific externally sourced and validated ratings. Each client we rate is assigned a low, medium or high-risk score and profile. High-risk clients are subject to a more detailed enhanced due diligence. In this step we include additional qualitative criteria, such as a C&E-related controversy screening. The assessment results in an informed recommendation to the relevant Risk Committee, which has the prerogative to define actions and take the overall relationship into consideration.

d. *Analysing the C&E risk-related output of the annual Risk & Control Self-Assessment (RCSA)*

The CEC and the Non-Financial Risk Management (NFRM) team initiate the annual RCSA exercise. The exercise is held company-wide and includes leasing and non-leasing entities. The RCSA follows the company standards as a process but has a specialised focus and is built based on the most relevant transmission channels for the company.

The results of this assessment are reviewed by the local relevant committees. At a corporate level, the results are reviewed and validated by the Climate and Environment Committee. The detailed conclusions of the full exercise are again shared with the entities to strengthen the global Risk Management Framework. By doing so, LeasePlan creates a continues conversation on the climate and environmental topic and the management of related risks.

e. *Performing a materiality assessment on an annual basis*

LeasePlan has developed a detailed model for the relevant transmission channels, with the aim of covering both physical and transitional risks in every risk category taken up in the Risk Taxonomy. The materiality assessment provides insights into the relevance of certain drivers and the effects of the climate crisis on the business model, the operations and reputation of LeasePlan. The process is run on an annual basis. The design allows for tailor-made analysis or ad-hoc investigations. For analysis purposes, we have ensured a close link between the materiality assessment, the C&E RCSA and the climate stress testing.

The materiality assessment exercise as such starts with translating transmission channels into scenarios and macro-economic and internal risk drivers. This is based on the latest available supervisory expectations and guidance, such as the ECB Guide, best practices and NGFS communication. Each transmission channel has being modelled by a joint team of external experts, the Group Risk Management function, the Sustainability function and the respective internal experts and risk owners in the first and second line. The results of the C&E models are validated in detail by the first and second line risk owners, the respective governing body and, finally, the Executive Committee. Updates to the breadth of the materiality assessment and the modelling approach used are subsequently refined on an annual basis. Materiality was assessed with key stakeholders against the risk-bearing capacity of LeasePlan, and where possible the risk appetite within the given risk category. A summary of the results and materiality per risk category is presented in the section II – Strategy.

Management of C&E risks

LeasePlan has developed an extensive toolset to adequately assess C&E-related risks, allowing senior management and risk owners to decide, steer and take informed decisions with regards to C&E-related risks and drivers. To realise this on a day-to-day basis, LeasePlan has fully integrated C&E into the Risk Management Framework. 2023 has meant a new maturity level for this integration process. The management and integration have been built on the cornerstones below.

a. *Setting limits and monitoring risk indicators on an ongoing basis*

   Post assessment exercises, the ongoing monitoring and management of C&E risks have been transposed into meaningful risk indicators and boundaries for these risk indicators in line with the Internal Control Framework. Doing so is a combined task for the first line Sustainability function, first line risk owners and second line ESG risk specialists, in line with their representation in the CEC. The second line Risk function, independently from the first line, performs independent monitoring and escalation when required. This role is aligned with the mandate for the Group Risk function within LeasePlan.

   The purpose of monitoring and assessments is to detect issues and formulate actions. The CEC's role is to follow up on these actions, set priorities, and escalate where appropriate. Also embedded within the Terms of Reference, the second line Risk function can escalate any issue within the Group Risk function independently of the CEC.

b. *Incorporating C&E risks into the Risk Charter, Risk Taxonomy and relevant policies*

   LeasePlan has included ESG risks and related terminology into its Risk Charter and policy landscape.

   Within our Risk Charter, ESG risks are considered as a cause of the risk categories in which they may materialise. The other relevant material risk policies, including the Audit Charter, several risk category-specific policies and the stress testing framework were kept up to date, reflecting current LeasePlan C&E risk management practices.

   LeasePlan has included ESG risks as causes of risk events that could materialise within existing risk categories in its Risk Taxonomy, which is based on the ORX Reference Taxonomy.

   In 2023, this resulted in a common approach and shared understanding on C&E risks, which significantly improves the management of these risks within LeasePlan.

c. *Integrating C&E into the Risk Appetite Statement exercise*

   We consider the outcomes of the previously mentioned assessments in their Risk Appetite exercise and Key Risk Indicator setting. On a yearly basis, built on the Key Risk Assessment and Strategic Risk Assessment, LeasePlan's Executive Committee defines the Risk Appetite for the following year and the related Key Risk Indicators. The results of the quantitative materiality assessment and C&E Risk and Control Self-Assessment are an integral part of the input for all of these exercises. In all relevant workshops that precede the Executive Committee's final assessments, ESG specialists are involved to assure that C&E related risks are well understood and assessed.

d. *Environmental and Social exclusion list*

   From 2023 onwards, LeasePlan has introduced an Environmental and Social exclusion list when accepting external partnerships. This includes not only our clients, but also the external partnerships we have in our supply chain or the network LeasePlan is using in the re-marketing of the assets at the end of their financed period.

e. *Continuously improving the understanding and management of C&E-related risks*

   LeasePlan recognises that it is crucial to continue to enhance its current efforts regarding C&E risk management. Within the first and second lines, we see a clear need to continue to progress on the journey to maintain our progress in managing climate-related and environmental risks. As insights of internal exercises and those of key environmental inputs (IPCC reports, ECB papers, and other scientific resources) advance, the knowledge that supports all of the exercises above needs to evolve with it.

f. *Climate and environment stress testing*

LeasePlan has incorporated C&E risk drivers in the ICAAP processes. The climate stress testing models set up in 2022 were further extended and tested in 2023. The outcomes feed into the normative ICAAP, the economic ICAAP and are used in reverse stress testing.

The climate stress test scenarios align with the logics built up in the materiality assessment, and put changes into a condensed timeframe or increase the developments of the underlying physical or transitional risk drivers in a three-year horizon. The scenarios include the most relevant risk categories.

Metrics and targets

LeasePlan uses a variety of financial and non-financial metrics to track progress on ESG topics.

The ESG-related metrics as disclosed in the Annual Report 2022 have been carried over to Ayvens. We refer to the Ayvens Universal Registration Document for more information on the ESG-related metrics and targets encompassing the Group.

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