



VAN LANSCHOT BANKIERS | KEMPEN CAPITAL MANAGEMENT

RESPONSIBLE INVESTMENT: ASSET MANAGEMENT & INVESTMENT ADVICE 2014 STATEMENT OF CERTIFICATION

Van Lanschot has set out a policy on Responsible Investment. Since 2009, the evolution and results of this policy have been reported systematically. This report is the third annual certificate and it examines the way in which Van Lanschot manages its in-house funds and all other funds entrusted strictly in accordance with its own responsible investment principles.

*To all those interested in Van Lanschot and Kempen Capital Management,
To the investors,
To the public:*

Forum ETHIBEL¹ was appointed to independently audit Van Lanschot Bankiers (VLB) and Kempen Capital Management (KCM) on conformity with its principles and guidelines on Responsible Investment (RI).

About Van Lanschot Bankiers & Kempen Capital Management

Van Lanschot describes itself as a specialist and independent wealth manager. Its Private Banking services are primarily aimed at high net-worth individuals, entrepreneurs, family businesses, business professionals and foundations and associations. Its Asset Management services provide highly-respected investment strategies, fiduciary asset management and total solutions to Dutch and international institutional investors, such as pension funds and insurers. Its Merchant Banking business provides specialist services to institutional investors, businesses, financial institutions and government bodies.

Van Lanschot works closely together with subsidiary Kempen & Co, a specialist investment bank and asset manager. Within Kempen & Co, Kempen Capital Management (KCM) is responsible for investment advice and asset management.

VLB/KCM complies with eleven external international guidelines governing responsible investment and business, including the UN Global Compact (UNGC), Principles for Responsible Investment (PRI) and the principles of the International Labour Organization (ILO)ⁱⁱ.

Responsible and engaged investment

Since 2009, Van Lanschot has formulated an investment process which complies with its desire to invest responsibly. Together with KCM, VLB incorporates non-financial data into its investment processes and expressly opts for an engagement strategy, backed up by the exclusion of companies and investment funds for which engagement has proved ineffective.

The expertise of an independent ESG research provider is used to screen companies and investment funds. To this end, the principles of the UN Global Compact have been translated into easily-applicable screening criteria, based on nearly 60 internationally-accepted minimum standardsⁱⁱⁱ.

Procedures

Screenings are conducted quarterly. If there is any indication that a company or investment fund does not (entirely) comply with the mentioned criteria, then the Engagement Working Group (EWG) is informed.



This assesses the ‘materiality’ (the significance for stakeholders and for Van Lanschot itself) of the findings and reports the screening results to the ESG Council. The ESG Council is responsible for the pursued ESG policy^{iv} and may decide to observe the company or investment or turn to engagement. If it decides on the latter, the EWG also monitors the progress of the engagement process. If the company or fund in question refuses to cooperate, Van Lanschot may decide to sell the investment and the company or fund will be placed on the exclusion list. VLB/KCM explicitly opts for an engagement approach as this may lead to tangible changes to the company’s policy.

Apart from this dialogue, KCM considers it an essential part of its fiduciary responsibility to exercise its voting rights on ESG issues at shareholder meetings of the listed companies that form part of its in-house funds and, if requested, for (discretionary) mandates. The voting process comprises voting by proxy (“proxy voting”) through an external digital voting platform or voting at shareholder meetings.

Main developments in 2014

In 2014, VLB/KCM decided to develop from an “ESG overlay” towards full ESG integration. This translates into responsible investment increasingly being incorporated into investment processes and the selection process for external fund managers. VLB/KCM aims for the application of ESG criteria to go hand-in-hand with the objective of earning a financial return. After all, neglect of ESG aspects can increase the risk profile of portfolios. One example of this further ESG integration is government bonds. The screening method for this asset class was altered in 2014 and now better matches the engagement approach for equities. Specific ESG information is included in the existing country valuation process.

In various alliances, VLB/KCM also discussed themes such as the weight of environmental indicators in assessing a country’s creditworthiness, applying a long-term focus to investments, engaged shareholdership, the role of financial institutions in combating climate change and making the palm oil sector more sustainable.

External data providers

Access to high-quality ESG data is essential to the further incorporation of responsible investment into investment processes. Up to the end of 2014, use was made of data provided by GES Investment Services (GES)^v. Following extensive market research, a new provider was selected at the start of 2015: MSCI ESG Research^{vi}. This company has an extensive, high-quality database that enables ESG screenings of both in-house funds and external investment portfolios. In addition to MSCI ESG Research, VLB/KCM uses Actiam (sustainability research for small caps), ECCE (research into engagement strategies), GRESB (sustainability research for real estate) and Trucost (calculation of the carbon footprints of funds)^{vii}.

Reporting

Van Lanschot’s “Maatschappelijk Jaarverslag 2014”^{viii} is a consolidated report on Van Lanschot as a whole (the Netherlands, Belgium, Switzerland), including its subsidiary Kempen & Co. It provides more details on the structure, screening criteria, efforts and results. Since 2009, this report has been compiled in accordance with the GRI guidelines^{ix}. KCM’s “2014 Annual Overview - Responsible Investment”^x contains more results and case studies relating to engagement and voting policy.

Framework and progress of the audit

Since the 2012 financial year, Forum ETHIBEL has reviewed the non-financial aspects of the investment processes and issued a certificate to confirm compliance with the defined policy.

This includes an audit of all (updated) policy statements, including the new ESG charter, management reports, the guidelines on engagement and the materiality assessments, the relevant reports by the Management

Board, the ESG Council and the Engagement Working Group. In order to assess the quality of the decisions, the internal ESG reports on the exclusion lists, engagement cases and tracking systems were reviewed. The technical screening procedure for lists of advised assets and in-house and external funds was tested live. The functioning of the databanks for real estate was demonstrated.

This statement of certification refers to the full 2014 financial year. Our audit has been executed in accordance with the stipulations of the agreement. KCM and VLB provided us with all additional information requested, digitally and by way of interviews with the Director Responsible Investment (KCM) and the Manager Corporate Responsibility (VLB).

Scope and findings

72% of the total assets under management were screened (2013: 66% | 2012: 48%).

The asset classes not screened are:

- All non-listed real estate funds;
- All external equity and real estate investment funds not included in the discretionary investment portfolios or on lists of advised assets;
- All individual equities and corporate bonds not included on the lists of advised assets or screened equity and real estate funds;
- Commodities, alternative investments, cash.

Assets under Management (AuM) and screened volume at year end 2014			
Discretionary management or advice (in bn €)			% screened
Private Banking	2014	19.4	71%
	2013	18.8	60%
	2012	18.7	56%
Asset Management	2014	27.5	73%
	2013	24.4	71%
	2012	22.2	42%
Total	2014	46.9	72%
	2013	43.2	66%
	2012	40.9	48%

As of the end of 2014, 18 companies were on the observation list (2013: 12). Intensive engagement dialogue was being conducted with 30 companies, spread across 13 fund managers. Five engagement cases had been closed. A single new company had been excluded due to involvement in the manufacture of cluster ammunition. As of the end of 2014, 25 companies were included on the exclusion list. The ESG Council also decided to terminate an engagement process that had been ongoing for ten years. Walmart was subsequently removed from the advisory list.

Conclusions

KCM and VLB have made a quantum leap towards full ESG integration. This is expected to increase the impact, engagement and focus of their responsible investment policy. The challenge is to increase the percentage of screened assets.

Forum ETHIBEL considers the consistency between goals and achievements to be excellent. Based on our audits we confirm that Van Lanschot and Kempen Capital Management strictly apply, observe and report their responsible investment policies, such in accordance with the self-imposed guidelines formulated.

On behalf of Forum ETHIBEL asbl,



Herwig Peeters, Managing Director
Brussels, 3 July 2015

ⁱ **Forum ETHIBEL** is an independent Belgian association, founded in 1992 and recognised as an expert in rating, independent audits and certification of products and services that meet ESG and ethical standards, www.forumethibel.org.

ⁱⁱ www.unglobalcompact.org; www.unpri.org; www.ilo.org.

ⁱⁱⁱ **Convention library**: this registers international treaties and conventions governing human rights, labour rights (including child labour), the environment, anti-corruption and bribery, weapons, pornography, nuclear energy, animal welfare (including fur) and tobacco (<https://corporate.vanlanschot.nl/vo-bancaire-kernactiviteiten>).

^{iv} **ESG** stands for Environmental, Social and Governance factors. These are considered the three main areas for extra-financial analyses of investments.

^v **GES**, GES Investment Services, a Swedish consultant specialised in responsible investments in accordance with the engagement strategy.

^{vi} https://www.msci.com/resources/factsheets/MSCI_ESG_Research.pdf

^{vii} **Actiam**, <https://www.actiam.nl> | ECCE, European Centre for Corporate Engagement, www.corporate-engagement.com | **GRESB**, Global Real Estate Sustainability Benchmark, www.gresb.com | **Trucost**, www.trucost.com

^{viii} <http://vanlanschot.info/downloads/van-lanschot-maatschappelijk-jaaverslag-2014.pdf>

^{ix} **GRI**. GRI guidelines promote structured transparency and responsibility, as well as the involvement of interested parties. VLB believes its "Maatschappelijk Jaaverslag 2014" is in accordance with the Comprehensive option of G4. Please also see: www.globalreporting.org.

^x www.kempen.nl/uploadedFiles/Kempen/01_Asset_Management/Producten_en_diensten/VerantwoordBeleggen/Jaoverzicht%202014_Verantwoord%20Beleggen.pdf