



VAN LANSCHOT BANKIERS | KEMPEN CAPITAL MANAGEMENT

RESPONSIBLE INVESTMENT: ASSET MANAGEMENT & INVESTMENT ADVICE

CERTIFICATION STATEMENT 2015

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 fourth annual statement of certification and assesses to what extent Van Lanschot complies with its principles for responsible investment in managing its in-house and external funds as well as the assets entrusted to it and in its advisory practices.

*To all stakeholders of Van Lanschot and Kempen Capital Management,
To the investors,
To the general public:*

Forum ETHIBELⁱ was appointed by Van Lanschot Bankiers (VLB) and Kempen Capital Management (KCM) to carry out an independent verification of compliance with their 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-owned businesses, business professionals and associations and foundations. 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.

In delivering its investment services, Van Lanschot works closely with its 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's ESGⁱⁱ policy is based on international guidelines, including *UN Global Compact* (UNGC), *Principles for Responsible Investment* (PRI) and the *Guiding Principles on Business and Human Rights* (UNGPR).ⁱⁱⁱ

Responsible and engaged investment | sustainable 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 more than 100 internationally-accepted minimum standards.^{iv}

Since 2013, KCM has also had three sustainable investment funds: Kempen Global Sustainable Equity Fund, Kempen (Lux) Euro Sustainable Credit Fund, and Kempen (Lux) Sustainable European Small-cap Fund. Sustainable investment is submitted to more stringent exclusion criteria than responsible investment.

Procedures

Screenings are conducted every three months. If a company or investment fund is suspected of not complying (fully) with the criteria referred to above, this will lead to the company or fund being investigated more closely by the *Engagement Working Group* (EWG), which discusses the case with the portfolio manager. Together they assess the ‘materiality’ (the significance for stakeholders and for Van Lanschot itself) of the findings, and the EWG reports the screening results to the ESG Council. The *ESG Council* is ultimately responsible for the ESG policy pursued and may decide either to observe the company or investment fund, or engage with it. If the latter option is chosen, the EWG also monitors progress of the engagement process. If the company or fund in question refuses to cooperate, VLB/KCM may decide to sell the investment and the company or fund will be placed on the Exclusion list or the Avoidance list. VLB/KCM explicitly opts for an engagement approach as this may lead to tangible changes to a 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 through an external digital voting platform or voting at shareholder meetings.

Main developments in 2015

In 2015, VLB/KCM continued their transition from an “ESG overlay” towards full ESG integration, which means responsible investment is increasingly incorporated into investment processes and the selection process for external fund managers. VLB/KCM pursues the dual objective of applying ESG criteria and earning a financial return, as neglect of ESG aspects can increase the risk profile of portfolios.

In 2015, KCM further strengthened its emphasis on long-term and committed shareholding, carrying out its own engagement activities rather than outsourcing them, and collaborating more closely with other investors. The theme-based and collaborative engagement approach increases the influence which can be exerted on investment targets. One example is the debate on climate change. KCM has joined the *Institutional Investors Group on Climate Change* (IIGCC). IIGCC encourages investor collaboration on the issue of climate change. KCM uses the IIGCC platform to increase its own understanding of measuring CO2 emissions, and engage with companies in a dialogue on climate change. In the fourth quarter, the results of two years of responsible investment were evaluated and new goals were defined.

External data providers

Access to high-quality ESG data is essential to the further incorporation of responsible investment into investment processes. Since early 2015, the data provider has been *MSCI ESG Research*.^v 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 investment funds).^{vi}

Reporting

Van Lanschot's 2015 Annual Report^{vii} is the first integrated and consolidated annual report covering the Van Lanschot organisation in its entirety (the Netherlands, Belgium, and Switzerland), including its subsidiary Kempen & Co. and presenting financial and non-financial information as a coherent whole. Since 2009, reports have been compiled in accordance with the GRI guidelines.^{viii} KCM's "Annual Overview 2015-Responsible Investment"^{ix} contains more results and case studies relating to engagement and voting policy.

Framework and progress of the audit

Forum ETHIBEL has conducted annual reviews of the non-financial aspects of the investment processes since the 2012 financial year, and each year has issued a statement of certification 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.

This statement of certification refers to the full 2015 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 means of interviews with the Director Responsible Investment (KCM) and the Manager Corporate Responsibility (VLB).

Perimeter en bevindingen

78% of the total assets under management were screened.

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 and which cannot be screened via MSCI ESG Research;
- Commodities, alternative investments, cash.

Assets under Management (AuM) and screened volume at year end 2015			
	Discretionary management or advice (in € bn)		% screened
Private Banking	2015	17,4 ^x	80%
	2014	16,6	68%
	2013	18,8	60%
	2012	18,7	56%
Asset Management	2015	32,8	76%
	2014	27,5	73%
	2013	24,4	71%
	2012	22,2	42%
Total	2015	50,2	78%
	2014	44,1	71%
	2013	43,2	66%
	2012	40,9	48%

KCM was directly involved in intensive engagement dialogues with 91 companies, and through collective engagement initiatives with another 112 companies. Five engagement cases were closed. At the end of 2015, there were 35 companies on the Exclusion list.

Conclusions

Based on our audits we confirm that Van Lanschot and Kempen Capital Management strictly apply, observe and report their responsible investment policies, in accordance with the guidelines they have imposed upon themselves.

On behalf of Forum ETHIBEL asbl,



Herwig Peeters, General Director
Brussels, 6 September 2016

ⁱ **Forum ETHIBEL** is an independent Belgian association, established in 1992 and recognised as an expert in rating, independent audits and certification of financial and other products and services that meet precise ethical and social criteria, and standards on the environment and sound corporate governance, www.forumethibel.org.

ⁱⁱ **ESG** stands for Environmental, Social and Governance factors (Environment, Social performance and Corporate Governance), the key domains for non-financial analysis of investments.

ⁱⁱⁱ www.unglobalcompact.org; www.unpri.org; www.business-humanrights.org/en/un-guiding-principles

^{iv} **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/responsible/core-banking-activities>).

^v https://www.msci.com/resources/factsheets/MSCI_ESG_Research.pdf

^{vi} **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

^{vii} <https://corporate.vanlanschot.nl/en/financial/financial-results/2015>

^{viii} **GRI**. GRI guidelines promote structured transparency and responsibility, as well as the involvement of stakeholders. VLB believes its "Annual Report 2015" is in accordance with the Comprehensive option of G4. Also refer to: www.globalreporting.org.

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http://www.kempen.nl/uploadedFiles/Kempen/01_Asset_Management/Producten_en_diensten/VerantwoordBeleggen/Annual%20overview%202015_Responsible%20Investment.pdf

^x The new item Assets Under Administration was introduced as from 2015. This encompasses the portfolios which are merely in Van Lanschot's custody. Van Lanschot cannot influence these portfolios and it derives relatively little revenue from its custodial service in respect of these portfolios. These portfolios were therefore transferred from Assets Under Management (AUM) to Assets Under Administration (AUA). The comparison data for 2014 were adjusted accordingly; those for years prior to 2014 were not (Van Lanschot 2015 Annual Report, p. 5).