



VAN LANSCHOT KEMPEN | KEMPEN CAPITAL MANAGEMENT

RESPONSIBLE INVESTMENT: ASSET MANAGEMENT & INVESTMENT ADVICE CERTIFICATION STATEMENT 2016

Van Lanschot Kempen 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 fifth annual statement of certification and assesses to what extent Van Lanschot Kempen / Kempen Capital Management 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 Kempen / Kempen Capital Management,
To the investors,
To the general public:*

Forum ETHIBELⁱ was appointed by Van Lanschot Kempen (VLK) / Kempen Capital Management (KCM) to carry out an independent verification of compliance with their guidelines on Responsible Investment (RI).

About Van Lanschot Kempen / Kempen Capital Management

Van Lanschot Kempen 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 Kempen 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.

VLK/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 Kempen has formulated an investment process which complies with its desire to invest responsibly. Together with KCM, VLK 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



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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, VLK/KCM may decide to sell the investment and the company or fund will be placed on the Exclusion list or the Avoidance list (see annual report).

VLK/KCM explicitly opts for an engagement approach as this may lead to tangible changes to a company's policy. Next to carrying out its own engagement activities, KCM collaborates with other investors. The theme-based and collaborative engagement approach increases the influence.

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. In 2016, KCM approved a new voting policy to strengthen its fiduciary duty with respect to ESG.

Other developments in 2016

In 2016, VLK/KCM continued their transition towards full ESG integration, which means responsible investment is increasingly incorporated into investment processes and the selection process for external fund managers. VLK/KCM pursues the dual objective of applying ESG criteria and earning a financial return, as disregarding ESG aspects can increase the risk profile of portfolios.

In 2016, VLK/KCM signed the 'Sustainable Development Goals Investing (SDGI) Agenda'. This is an initiative of the Dutch financial sector aimed at maximising the realisation of the SDGs^{vi}.

KCM has reconfirmed its membership of 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 addition, VLK/KCM became member of the *Global Impact Investing Network* (GIIN). GIIN^{vii} is a non-profit organisation dedicated to increasing the scale and effectiveness of impact investing around the world.

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*.^{viii} This company has an extensive, high-quality database that enables ESG screenings of both in-house funds and external investment portfolios. As of 2016, MSCI became the data provider for calculation of the carbon footprints of investment funds. VLK/KCM also appeals to *Actiam* (sustainability research for small caps), *GRESB* (sustainability research for real estate) and *Sustainalytics* (via an acquisition of the private bank Staalbankiers).^{ix}

Reporting

The “Annual responsible investment report 2017”^x of KCM describes the full approach, including theme papers and case studies relating to engagement and voting policy. In addition, the second integrated and consolidated annual report covers the complete Van Lanschot Kempen organisation, including its subsidiary Kempen & Co. and presents financial and non-financial information as a coherent whole^{xi}.

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 2016 financial year. Our audit has been executed in accordance with the stipulations of the agreement. KCM and VLK provided us with all additional information requested, digitally and by means of interviews with the *Director Responsible Investment* (KCM) and the Manager Corporate Responsibility (VLK).

Perimeter and findings

82% 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 and alternative investments.

Assets under Management (AuM) and screened volume at year end 2016			
	Discretionary management or advice (in € bn)		% screened
Private Banking	2016	18,9	75%
	2015	16,7	79%
	2014	16,6	68%
	2013	18,8	60%
	2012	18,7	56%
Evi	2016	0,8	100%
	2015	0,7	100%
Asset Management	2016	37,8	85%
	2015	32,8	76%
	2014	27,5	73%
	2013	24,4	71%
	2012	22,2	42%
Total	2016	57,5	82%
	2015	50,3	78%
	2014	44,1	71%
	2013	43,2	66%
	2012	40,9	48%

KCM was directly involved in intensive engagement dialogues with 75 companies, and through collective engagement initiatives with another 105 companies. At the end of 2016, there were 34 companies on the Exclusion list and 21 companies on the avoidance 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.

Brussels, September 13, 2017
On behalf of Forum ETHIBEL asbl,



Kenny FREDERICKX,
Director



Herwig PEETERS,
Product Development & audit

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- 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 for 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.sdgi-nl.org>
- ^{vi} <https://sustainabledevelopment.un.org>
- ^{vii} <https://theqiin.org>
- ^{viii} https://www.msci.com/resources/factsheets/MSCI_ESG_Research.pdf
- ^{ix} **Actiam**, <https://www.actiam.nl> | **GRESB**, Global Real Estate Sustainability Benchmark, www.gresb.com | **Sustainalytics**, www.sustainalytics.com
- ^x <https://www.kempen.com/-/media/KCM-Homepage-documents/ESG/Kempen-Jaarsverslag2017.pdf>
- ^{xi} <https://media.vanlanschot.nl/media/pdfs/van-lanschot-2016-annual-report.pdf>