



VAN LANSCHOT KEMPEN | KEMPEN RESPONSIBLE INVESTMENT: ASSET MANAGEMENT & INVESTMENT ADVICE CERTIFICATION STATEMENT 2018



Forum ETHIBEL is a Belgian association that actively promotes Corporate Social Responsibility (CSR) and Socially Responsible Investing (SRI) to accelerate the transition to a more sustainable society. In this context, Forum ETHIBEL develops products and services **to promote transparent and sustainable behaviour in financial markets**.

A **Forum ETHIBEL certificate** offers the guarantee that the rules imposed by the customer themselves are complied with and offers the advantage to confirm and communicate this to the stakeholders. It concerns the **non-financial criteria** of the organisation, laid down in its specification.

The basis for this consists of:

- Non-financial criteria that are **detailed, clear and publicly** formulated.
- Minimum criteria related to **labour and human rights, environment and armament**.
- A systematic and **periodic check**.

This Forum ETHIBEL certificate therefore assesses the vision and values of Van Lanschot Kempen / Kempen for the allocation of the assets entrusted to it and checks whether it meets the desired quality requirements. This is to ensure that companies and financial institutions have a positive impact on their environment and society.

*To all stakeholders of Van Lanschot Kempen / Kempen
To the investors,
To the general public,*

Forum ETHIBEL asbl is appointed by **Van Lanschot Kempen (VLK) / Kempen** to carry out an independent verification of compliance with their guidelines on Responsible Investment (RI).

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 seventh annual statement of certification and assesses to what extent Van Lanschot Kempen / Kempen complies with its principles for Responsible Investment: in managing its in-house and external funds, the assets entrusted to it and its advisory practices.

Forum ETHIBEL solely acts as auditor and certification institute. A **Forum ETHIBEL** certificate provides evidence that the defined processes are in line with its non-financial criteria and processes as defined by its policies, regulations or otherwise stated specifications.



Van Lanschot Kempen / Kempen

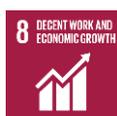
About Van Lanschot Kempen / Kempen

Van Lanschot Kempen describes itself as a *specialised 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, a specialised investment bank and asset manager. Within Kempen, it is responsible for investment advice and asset management.

VLK / Kempen's RI policy is based on international guidelines, including *UN Global Compact* (UNGC), *Principles for Responsible Investment* (PRI), *OECD Guidelines for Multinational Enterprises*, and the *Guiding Principles on Business and Human Rights* (UNGP)ⁱ.

Moreover, VLK / Kempen has announced in 2017 its continued commitment to the **Sustainable Development Goals** (SDGs) of the United Nations. Five SDGs have been chosen to which it aims to focusⁱ.



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 Kempen, VLK incorporates non-financial data into its investment processes and opts for an engagement strategy, backed up by the exclusion of companies and investment funds for which engagement has proved ineffective.

A first step is applying the principles of the **UN Global Compact** that have been translated into easily-applicable screening criteria, based on more than 100 internationally-accepted minimum standards.

Since 2018, VLK/Kempen does no longer measure the screened Assets under Management (AuM) as this does not give any indication on the sustainability content of all screened assets. Instead, a new framework has been developed to measure the sustainability content. The objective is to assign every fund an **ESG-score**ⁱ ranging from 1 (inadequate) to 5 (leading).

In addition, the *asset manager* started in 2017 to measure the **carbon footprint** of its assets with the goal increase the proportion of measured AuM each year. On long-term VLK / Kempen aims to measure the carbon footprint of all Assets under Management. These additional insights can also be taken into account in investment decisions to lower its footprint.

As an active shareholder VLK / Kempen will continue to explicitly opt for an **engagement** approach as this may lead to tangible changes to a company's policy. Next to carrying out its own engagement activities, Kempen collaborates with other investors. A theme-based and collaborative engagement approach increases the influence on a company. A shift is noticeable in engagement based on ESG themes as this is increasingly being carried out by the portfolio managers themselves with a supporting role of the Responsible Investment team.

VLK / Kempen's improved engagement methodology referring to four **milestones** (raise concern, company acknowledgement, company has policy to deal with the issue, and company implements programme) has been further refined. This allows to better define when an engagement case can move towards the next milestone.

Apart from this dialogue, Kempen considers it an essential part of its fiduciary responsibility to **exercise its voting rights** on ESG issues at shareholder meetings of the listed companies: this for its in-house funds and, if requested, for (discretionary) mandates. The process comprises voting by proxy through an external digital platform or voting at shareholder meetings. Executed votes are publicly available on a user-friendly platform¹.

VLK / Kempen also maintains an **exclusion list** existing out of companies involved in the production of controversial weapons which are directly excluded. Companies can also be put on an **avoidance list** - with the objective to avoid investments where possible - when they structurally violate international conventions/standards¹ and have demonstrated no improvement over the last years.

Another new development in 2018 is the setup of an **exclusion criteria framework** in order to determine which products and services should be avoided. This new framework has been applied on tobacco and alcohol. Based on the outcome, it has been decided to put **tobacco** on the sector avoidance list hence excluded from the internal Kempen funds. External active funds are strongly discouraged to invest in tobacco through the engagement with external fund managers.



UN Global Compact



ESG-integration



Engagement



Exclusions

In 2018, Van Lanschot Kempen has been preparing a new step towards sustainable investing which has been announced early 2019. The group has announced that it will **“move from responsible investing towards sustainable investing”**. This is with the conviction to increase their positive contribution.

Kempen has already been providing sustainable investment and impact solutions. As an example, the *asset manager* manages several sustainable investments funds and the fund Global Impact Pool was launched in 2018. This new fund uses the Sustainable Development Goals (SDGs) as a guideline and is focused on investing in impactful companies.

As sustainable investment is submitted to more stringent exclusion criteria than responsible investment, the decision to move towards sustainable investing will provide additional challenges in the upcoming years. A large exercise lies ahead to measure the sustainability of all (external) funds and to develop a roadmap allowing these assets to move from responsible towards sustainable.

Procedures and responsibilities

Screenings are conducted every three months. If a company or investment fund is suspected of not complying (fully) with the defined criteria, this will lead to the company or fund being investigated more closely by the **ESG Council Working Group** (EWG), which discusses the case with the portfolio manager. Together they assess the ‘materiality’ (the significance for stakeholders and for VLK itself) of the findings, and the EWG reports the screening results to the ESG Council.

The **ESG Council** is ultimately responsible for the RI policy 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 / Kempen may decide to sell the investment and the company or fund will be placed on the avoidance list (see Responsible Investment annual report and website).

External data providers

Assessing organizations based on non-financial criteria requires high-quality ESG data which is essential to the further incorporation of Responsible and Sustainable Investment into investment processes. Therefore VLK / Kempen also believes it to be important to review their non-financial data providers¹. Since early 2015, the ESG data provider has been **MSCI ESG Research**. This company has an extensive, high-quality database that enables ESG screenings of both in-house funds and external investment portfolios. VLK / Kempen works with **ISS-Ethix Climate Solutions** to calculate the carbon footprints of investments and **ISS-Oekom** for companies' data with regards to their contribution to the SDGs. VLK / Kempen also uses **Sustainalytics** (for the Kempen funds and some Van Lanschot clients) and **GRESB** (sustainability research for real estate).

Reporting

The "Annual responsible investment report 2018" of Kempen elaborates on the full approach, including theme papers and case studies relating to engagement and voting policy. The performance of the carbon intensity of the Kempen funds (in comparison with corresponding benchmarks) are also described in the report.

In addition, the integrated and consolidated annual report covers the complete Van Lanschot Kempen organisation, including its subsidiary Kempen and presents financial and non-financial information as a coherent whole.

Verification and annual audit

Audit framework and process

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

This includes an audit of all (updated) **policy statements**, including the new ESG charter, management reports, the developments on engagement and the materiality assessments, the relevant reports by the Management Board, the ESG Council and the ESG Council 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. For the previous certification, a technical screening procedure for in-house and external funds was tested. There haven't been any changes since. This also accounts for the internal reporting system for engagement cases with companies.

This statement of certification refers to the financial year 2018. Our audit has been executed in accordance with the stipulations of the agreement. VLK / Kempen provided us with all additional information requested, digitally and by means of interviews with the Director Impact and Responsible Investment and the Senior Responsible Investment Advisor.

Perimeter and findings

As mentioned above, VLK/Kempen does no longer measure the screened AuM and developed a new framework instead to measure the sustainability content. This has the objective to assign every fund an ESG-score ranging from 1 (inadequate) to 5 (leading). At the end of 2018, this has been mapped 53 funds (or 28% AuM of Kempen or 19% on group level). Their **ESG-scores** range between 2 and 4.5. The distribution of the 53 funds' ESG-scores are: 11% embryonic; 53% sufficient; 34% maturing; and 2% leading. The measurement

of funds will continue in 2019 and shall provide needed insights in determining a plan to shift these assets from responsible towards sustainable.

The **carbon footprint** has been measured for 45% of Kempen's total Assets under Management. VLK / Kempen will continue its efforts to increase this coverage which is currently a labour intensive exercise. Most of its internal funds have a lower carbon footprint than their benchmark.

VLK / Kempen was directly involved in intensive **engagement** dialogues with 91 companies, and through collective engagement initiatives with another 208 companies. These engagement cases address environmental (21%), human rights (10%) employee & social (15%), corruption & bribery (0%), and governance (54%) issues. Numerous engagement cases address multiple issues simultaneously.

At the end of 2018, there were 28 companies on the **exclusion list** and 129 companies on the **avoidance list** (of which 105 are tobacco-related companies).

Direct engagement dialogue with companies	Collective engagement with companies	Screening assets against ESG criteria	Screening assets carbon footprint	Companies on the Exclusion list	Companies on the Avoidance list
# 91	# 208	28% of AuM	45% of AuM	# 28	# 129

Conclusion

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

Brussels, July 4, 2019
Forum ETHIBEL asbl



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Sustainability explanation ⁱ

- **Annual Reports:**
Annual Responsible Investment Report 2018: <https://www.kempen.com/en/asset-management/responsible-investment>
Annual Report Van Lanschot Kempen: <https://media.vanlanschot.nl/media/pdfs/2018-annual-report-van-lanschot-kempen.pdf>
- **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>
- **Data providers:** GRESB, Global Real Estate Sustainability Benchmark - www.gresb.com, ISS-Ethix Climate Solutions and ISS-Oekom - www.issgovernance.com, MSCI ESG - www.msci.com, Sustainalytics - www.sustainalytics.com.
- **ESG** stands for Environmental, Social and Governance factors (Environment, Social Performance and Corporate Governance), the key domains for non-financial analysis for investments.
- **International Guidelines:** UN Global Compact - www.unglobalcompact.org, UN PRI - www.unpri.org, OECD Guidelines for Multinational Enterprises - <http://www.oecd.org/corporate/mne/>, UNGP - www.business-humanrights.org/en/un-guiding-principles
- **SDG selection:** The five selected SDGs are *Affordable and Clean energy* (SDG 7), *decent work and economic growth* (SDG 8), *responsible production and consumption* (SDG 12), *peace, justice and strong institutions* (SDG 16), and *partnerships for the goals* (SDG 17).
- **Voting records:** The voting records on annual shareholder meetings can be consulted here. <https://vds.issgovernance.com/vds/#/NzcyMA==/>