2021
Annual Report

KEMPEN CAPITAL MANAGEMENT NV
AMSTERDAM

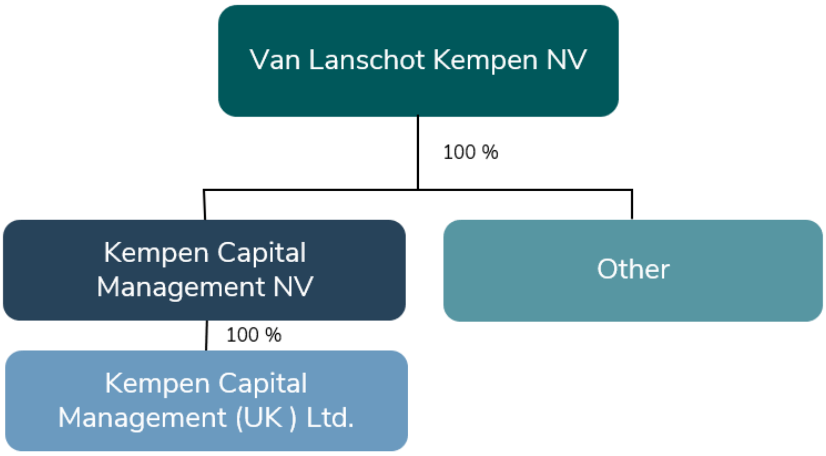
1737
Kempen

Contents

Report of the Management Board

Until 1 July 2021, Kempen Capital Management NV (KCM) was a full subsidiary of Van Lanschot Kempen Wealth Management NV. On 1 July 2021, the former listed company, Van Lanschot Kempen, merged into Van Lanschot Kempen Wealth Management NV as the surviving company. The name of the company was subsequently changed from Van Lanschot Kempen Wealth Management NV to Van Lanschot Kempen NV. KCM is now a full subsidiary of Van Lanschot Kempen NV.

Figure 1: Simplified legal structure (as per 1 July 2021)



KCM is a specialist investment manager with a strong focus on delivering stellar investment returns. Our mission is to preserve and create wealth, in a sustainable way, on behalf of our clients. Clients can rely on KCM to be a long-term steward that takes into account their long-term financial and social goals, and to operate with a strong focus and clear investment outlook. In order to achieve our mission, we seek to be a world-class, specialist investment manager and exceed our clients' expectations. We work to create long-term partnerships built on the key pillars of transparency and trust with our clients and service providers. As part of this, we offer clients access to investments that would usually have a high entry threshold and demand a high degree of expertise and infrastructure, while also adding value in the long term. KCM follows the Code of Conduct of Van Lanschot Kempen NV.

KCM offers two types of solution. Firstly, we offer investment strategies, such as global and European equities (High Dividend Equities, Small-caps, Infrastructure and Sustainable Equity), bonds (Euro Credits), Real Estate and alternative investments (Private Markets, Hedge Funds and Alternative Credit) for institutional and private clients in the form of mandates and investment funds. Secondly, we offer total investment solutions for private clients via Van Lanschot Kempen as well as directly to wholesale & institutional clients. The individual client's objectives or commitments are leading here. In addition, we offer solutions that relieve institutional clients of day-to-day investment management activities. KCM has offices in Amsterdam, London and Paris.

Results

In the reporting year from 1 January through 31 December 2021, we generated a net profit of €27.5 million. Assets under management (AuM) increased by 6.4% from €83.0 billion to €88.3 billion, driven by a net outflow of €1.1 billion and positive market performance of €6.4 billion. Assets under monitoring and guidance increased by almost 10% from €3.2 billion to €3.5 billion, bringing total client assets from €86.2 billion to €91.8 billion. At year-end 2021, KCM's cash position and solvency were strong, and nothing out of the ordinary occurred in our cash flows during the reporting period.

At the beginning of 2021, Van Lanschot Kempen changed its organisational structure by moving from a business line-driven organisation towards an integrated model. This allows the organisation to work across client segments, use a broader range of products and further improve its efficiency. The new organisational structure has led to the company reporting according to client segment from 2021 onwards. As a result of this change to the organisational structure, the service-level agreement (SLA) between KCM and its parent company, Van Lanschot Kempen NV (formerly Van Lanschot Kempen Wealth Management NV), has been terminated. The SLA has been replaced by an internal cost allocation based on the use of services. This has an impact on several parts of KCM's profit and loss account.

Contribution to results

KCM's income is derived from fees on client assets, reflecting capital entrusted to KCM by clients as well as the (absolute) performance of our investment solutions.

Macro-economic environment in 2021

Following a highly volatile 2020 in terms of growth figures, the situation improved in 2021, although the unfolding of the Covid-19 pandemic continued to be a key driver of the economic climate. The arrival of the Delta variant set off fresh waves of infections in the summer and autumn, while the more contagious but less harmful Omicron variant rapidly turned into the dominant strain towards the end of the year.

A vaccination rollout that got off to a flying start, reticence on lockdowns and major fiscal stimulus for households drove strong economic growth in the US in the first six months of 2021. Other contributing factors included the recovery of the labour market and favourable conditions for capital spending, such as reviving corporate earnings and low interest rates. By the second quarter of 2021, US gross domestic product (GDP) had bounced back from the pandemic hammer blow, and the third quarter saw growth return to trend. Government stimulus tailed off and growth was hobbled by shortages in the labour market and supply chains.

The eurozone recovery was more lacklustre, as vaccination campaigns were slow to take off and Covid-19 infection numbers remained high. Lockdowns were needed for longer, and it wasn't until the second quarter of 2021 that (substantial) renewed growth was recorded, after the economy actually shrunk in the first three months of the year. With low case numbers over the summer, vaccinations full-steam ahead and government support for companies, robust growth continued into the third quarter. The final quarter of the year saw a resurgence in infections hit the eurozone economy, which – coupled with supply chain shortages – slowed down economic growth.

In 2021, the Chinese economy, which had been well on the mend by the beginning of the year, fell prey to negative repercussions from monetary tightening and major issues in the real estate sector, causing its economic growth numbers to slow. The country's zero tolerance policy on Covid-19 prompted strict regional lockdowns when the Omicron variant took hold by the end of 2021.

With economies bouncing back more quickly than had been anticipated, consumer demand focused mostly on goods and supply chains partly stalled because of lockdowns, and shortages emerged in a wide range of goods, particularly microchips, in 2021. To make matters worse, transport capacity also fell short, such as containers and freight capacity in ocean shipping, resulting in sharply higher transport prices. Meanwhile, oil production cutbacks by the OPEC countries pushed up oil prices, and even sectors that mostly benefited from reopening economies raised their prices. All these factors combined to send inflation sharply up, to 7.1% in the US and to 5.0% in the eurozone in December 2021.

Commercial developments: investment strategies

Over the course of 2021, the overall AuM development for our investment strategies was flat. The reporting year was strong in terms of market performance, leading to significant positive returns for almost all investment strategies. By the end of the reporting year, our investment strategies totalled €16.3 billion in AuM.

A variety of strategies (Small-caps, Real Estate, Private Markets, Alternative Credit) saw very sound inflow during the year. This was offset by outflow, primarily caused by redemptions from the Euro Credits strategy following the restructuring of the team in October 2020. The Euro High Yield Fund continued to grow thanks to additional inflow. One fiduciary client discontinued its government bond mandate, which also led to outflow.

The pronounced international interest in the Global Small-caps strategy continued in 2021. Additional flows into the fund led to the soft closure of the strategy at the end of Q1, while careful capacity management was implemented. Our Real Estate team also saw a significant increase in AuM, both in the listed real estate funds as well as via new client mandates.

New AuM were also raised with the launch of the Kempen SDG Farmland Fund. This fund was created in cooperation with a launching client, and will enable professional investors to gain exposure to global investments in agricultural land, while providing a significant, tangible contribution to five selected Sustainable Development Goals (SDGs).

KCM received multiple awards in 2021, which we see as confirmation of our strong investment and sustainability proposition. The Kempen Sustainable Global High Dividend Fund was awarded the Belgian Towards Sustainability label, bringing the number of KCM funds entitled to use the Febelfin sustainability label to six, one more than in 2020. The Kempen (Lux) Euro Sustainable Credit Fund was elected Best Corporate Bond Fund at the Swiss Sustainable Fund Awards 2021 (SSFA). The Kempen (Lux) Euro Credit Fund Plus won the title of Best Fund in the category of Euro Corporate Bonds on the Belgian market at the annual Fund Awards held by De Tijd and L'Echo. This marks the seventh year in a row that our investment-grade credit strategy has won this award. In addition, the Kempen Orange Fund received a Gold Morningstar Analyst Rating in the Equities Netherlands category.

Commercial developments: client solutions

AuM in our client solutions business increased significantly during 2021, up by €5.3 billion to €72.0 billion, seeing positive net inflows and a strong market performance during the year. In the Netherlands, there were key wins earlier in the year, such as Cosun Pension Scheme (€1.1 billion). But we saw significant outflow as a result of corporate activity by two clients. Importantly, we successfully launched our asset category solutions in the Netherlands. Two large Dutch pension funds mandated us to provide streamlined access and advice on illiquid asset classes, particularly real estate.

Our fiduciary management business in the UK had an extremely successful year, with a large number of new pension fund clients coming onboard. These included Graphic Packaging, Arjo, Visteon and Laurel & Yates. The net inflow in AuM in the UK amounted to €1.1 billion. As a result, the number of clients in the UK doubled, while in Q4 a further two new clients committed to join in the first half of 2022. In November 2021, the UK pensions regulator announced its authorisation for Clara-Pensions to become the first pension consolidator in the UK. KCM UK has been appointed as Clara-Pensions' fiduciary manager, and our UK fiduciary management team has been instrumental in supporting Clara-Pensions to obtain this authorisation. We are looking forward to welcoming the first pension clients to the Clara-Pensions platform during 2022.

Product development

Kempen Orange Investment Partnership merged with Kempen Non-Directional Partnership in January 2021. The rationale behind this merger was that Kempen Orange Investment Partnership faced structural outflows over the past few years, which were expected to continue. The decline in demand was due to the sub-fund combining both uncorrelated investment strategies (including alternative credit) with more directional (long-short equity) strategies. As market participants increasingly prefer to separate directional equity exposure from their allocations to uncorrelated strategies, it was decided to separate the strategies, resulting in the merger as well as in the introduction of the Long/Short Equity Pool and Diversified Distressed Debt Pool. Both are part of the Kempen Alternative Investment Fund SICAV and were launched on 4 January 2021.

In March 2021, the environmental, social and governance (ESG) disclosures of all the relevant prospectuses were updated in order to comply with the Sustainable Finance Disclosure Regulation (SFDR). All investment funds were categorised as either Article 6, 8 or 9 funds, indicating the level at which sustainability criteria are taken into account as part of the investment process.

The Kempen SDG Farmland Fund was launched on 1 April 2021. This fund invests globally in farmland and agricultural properties, and primarily targets pension funds. The SDGs are an explicit component of the investment strategy: the focus is on investments in sustainable and regenerative agricultural practices in OECD countries, and the fund targets a broad diversification across crop types and crop rotation programmes. Most of the investments are expected to be located in North America, Western Europe and Oceania (Australia and New Zealand). In addition, the Kempen SDG Farmland Fund Feeder was launched: it will invest in the Kempen SDG Farmland Fund, making the strategy accessible to insurance companies and well-informed retail clients as well.

In order to better reflect the investment strategy, the name of the Sustainable Value Creation range that consists of two funds, one domiciled in Luxembourg and the other in the Netherlands, was changed to the Kempen (Lux) Global Sustainable Equity Fund and the Kempen European Sustainable Equity Fund NV respectively.

Three new feeder funds were launched on 1 July 2021: Kempen Oranje Participaties Secundo, Rhône Participatiefonds and Theems Participatiefonds. On 1 October 2021, two additional feeder funds were launched: Berkel Participatiefonds and Rotte Participatiefonds. Through participation in these investment funds, KCM offers those investors subject to corporate income tax the option of investing indirectly in Kempen Oranje Participaties NV, thereby claiming tax exemption under the Participation Exemption (deelnemingsvrijstelling). The master fund, Kempen Oranje Participaties NV, enables investors to invest mainly in small European listed companies. It buys shares in undervalued companies and aims to hold 5% or more of the paid-up nominal capital of each company.

Preparations for a new proposition have been made via the development of Van Lanschot Vermogensfondsen and Van Lanschot Mandaatfondsen. Each Van Lanschot Vermogensfonds invests worldwide in investment institutions and/or in Van Lanschot Mandaatfondsen, which invest directly in shares. These funds are a co-creation aimed at investors with an investment service relationship with Van Lanschot Kempen. The launch of these new funds took place in the second half of 2021.

Lastly, the Kempen European Private Equity Fund II was launched in the second half of 2021. This closed-end sub-fund is the successor to the original Kempen European Private Equity Fund, which is now closed for subscriptions. The Kempen European Private Equity Fund II offers investors the opportunity to obtain exposure to funds managed by private equity general partners and to direct deals, which are in the form of co-investments made with a variety of private equity general partners.

The funds of Hof Hoorneman Fund Management NV were integrated with the funds of Kempen Capital Management NV in 2021. This was executed by way of a subscription in kind in the Kempen (Lux) Global Value Fund, the Kempen (Lux) Euro High Yield Fund, the Kempen European High Dividend Fund NV, the Kempen (Lux) Euro Credit Fund, the Kempen European Property Fund NV and the Kempen Global High Dividend Fund. The following funds have been integrated into KCM's assortment from 1 January 2022: Kempen Umbrella Fund II NV – Phoenix Fund, Houdstermaatschappij BV, DeltaHaven I BV, DeltaHaven IA BV, DeltaHaven III BV, DeltaHaven IV BV, DeltaHaven VI BV, DeltaHaven VII BV, Passade BV, PassadeHaven BV, PassadeHaven II BV and PassadeHaven III BV.

Organisation

The composition of KCM's Management Board did not change in 2021. The Management Board currently has two board members: Erik van Houwelingen (Chair) and Ernst Jansen. The Management Board is responsible for the management of KCM.

Key to the strategy of Van Lanschot Kempen, and therefore also to that of KCM, is the development of a specialist wealth management model targeting private, wholesale, institutional and corporate clients. We have the ability to adapt quickly to changing client needs and market conditions. At the beginning of 2021, Van Lanschot Kempen (including KCM) changed its organisational structure by moving from a traditional business line-driven organisation to an integrated model. Starting in 2021, Van Lanschot Kempen (including KCM) steers and reports on its business according to client segments and no longer according to the traditional business lines.

Sustainable and impact investment

Our sustainable and impact investment policies are informed by our company mission, external laws and regulations, and the international treaties that we and our clients endorse. In 2021, we continued the in-depth analysis and mapping of the EU sustainable finance regulations (SFDR and EU Taxonomy). Our active, engaged ownership approach is shaped in different ways:

- **Integration of environmental, social and governance (ESG) criteria into investment processes** – ESG criteria are part of our funds' investment processes to ensure that sustainable investment risks and opportunities are appropriately reflected in expected returns and contribute to investment decisions.

- **Engagement on controversial issues and exclusion in the absence of a favourable outcome** – We engage with companies involved in serious controversies and assess their alignment with the OECD Responsible Business Conduct approach and other relevant conventions on a case-by-case basis. By setting measurable engagement objectives and determining timelines for their achievement, we have an objective methodology for determining when an engagement is unsuccessful and when divestment should follow. Furthermore, portfolio managers engage with companies on strategic, forward-looking ESG topics that are most material; several of our engagement factsheets can be found on our website: kempen.com/en/asset-management/esg/engagement-factsheets.
- **Positive impact** – In addition to using SDG alignment scores internally for some of our funds, we are working to increase the sustainability credentials of our funds. In 2021, the Kempen SDG Farmland Fund (kempen.com/en/funds/kempen-sdg-farmland-fund-class-a) was launched and the Global Impact Pool (finfiles.kempen.com/nl/pdf/strategy/23/global-impact-pool) saw a stronger performance.
- **Climate change** – In 2020, we set the following targets, as explained in our climate policy:
    - By 2025: align with a Paris Agreement pathway (listed investments);
    - By 2030: align with a Paris Agreement pathway (listed and non-listed investments);
    - By 2050: become a net-zero investor.

  With respect to the 2025 target, we aim to align with the trajectory to achieve the goals of the Paris Agreement and Dutch *Klimaatakkoord* [1]. In Q3 2021, a group-wide biodiversity policy (vanlanschotkempen.com/media/4907/biodiversity-policy-van-lanschot-kempen.pdf) was adopted.
- **Exercising our voting rights** – In 2021, we voted at 437 annual and extraordinary general meetings of shareholders. We voted against, abstained or withheld our vote on proposed agenda items (put forward by both management and shareholders) in 14.27% of cases. The table below shows the full breakdown of votes:

Vote casting in 2021

MEETING OVERVIEW

CATEGORY	NUMBER	PERCENTAGE
Number of votable meetings	453	
Number of meetings voted	437	96.47%
Number of meetings with at least 1 vote Against, Withhold or Abstain	298	65.78%

PROPOSAL OVERVIEW

CATEGORY	NUMBER	PERCENTAGE
Number of votable items	6,107	
Number of items voted	5,775	94.56%
Number of votes For	4,950	85.71%
Number of votes Against	697	12.07%
Number of votes Abstain	64	1.11%
Number of votes Withhold	63	1.09%

For more detailed information on our sustainable investment approach and policies, visit our website: kempen.com/en/asset-management/esg.

1 We use carbon intensity as a metric for arriving at the pathway of net-zero emissions. As we care about the direction of travel and reduction of carbon emissions in the economy, it is possible that the actual reduction trend deviates from the suggested average trend line. The pathway is derived from the pathway of the EU Benchmarks.

Risks and risk management

Internal control, risk management, compliance and internal audit are key to our licence to operate, and as such have our full attention.

The organisation of our risk management framework is based on the three lines of defence principle. The first line of defence is the business, responsible for day-to-day risk management. The second line of defence is provided by departments such as Risk Management and Compliance, which oversee the first line. The Internal Audit department acts as the third line of defence, providing an independent evaluation of the adequacy of the internal management and control systems. This setup creates a clear, balanced and appropriate division of tasks, powers and responsibilities, and ensures independent and effective operation of the risk management function.

Risk and capital framework

KCM conducts periodic value chain risk self-assessments as well as carrying out an annual internal capital adequacy assessment process (ICAAP). Notable steps include:

- Self-assessment of risks;
- Description of the control measures in place to mitigate the risks identified in the self-assessment. We have a low risk appetite, which means we seek to avoid the impact of these risks as far as possible;
- Determination of any additional capital needed to be held as a buffer for the remaining risks;
- Assessment of the adequacy of our liquidity position;
- Development and analysis of stress scenarios covering KCM, also in relation to the group ICAAP.

Our ultimate purpose is to assess both our present and future capital and liquidity adequacy. It is important that we maintain our adequacy, even in difficult market conditions.

Risk management

The Risk Management department is responsible for all second line risk management activities at Van Lanschot Kempen, including KCM. Risk Management supports and advises KCM's Management Board on identifying and managing the risks to which KCM is exposed. The department is organised independently and reports directly to the statutory directors of KCM. The department oversees compliance with the risk policies as adopted by KCM's Management Board and reports to the relevant risk management committees. For KCM, this primarily entails the Compliance and Operational Risk Committee at group level. The department supports the implementation of guidelines, regulations and internal control measures in relation to risk control. It also monitors whether investment management activities are in line with contractual financial guidelines on clients and internal limits, determines whether any breaches have occurred, and reports these to KCM's Management Board and relevant committees.

Compliance

When operating in financial markets, it is of crucial importance that KCM conducts its business activities in accordance with the expectations of its clients, employees and relevant authorities. But also that it does so to the highest ethical standards, in alignment with its values and risk appetite, and within the boundaries of applicable laws, rules, regulations, internal policies, procedures and industry standards as applicable to KCM. This increases the long-term sustainability of our business activities and helps us to fulfil our purpose.

Compliance is firmly embedded across the entire organisation and in the culture at KCM. The strong commitment and proactive involvement of Van Lanschot Kempen's Management Board, as well as group-wide cooperation, ensures compliance throughout Van Lanschot Kempen, taking into account the three lines of defence model.

Van Lanschot Kempen maintains an independent and effective Compliance function, also covering KCM's activities, to identify, assess, monitor and report on compliance risks. Compliance risks entail the failure to comply with applicable laws, rules, regulations, internal policies, procedures and industry standards relevant to KCM. By identifying, assessing, monitoring and reporting on compliance risks, the Compliance department assists KCM's Management Board and the business in understanding the full range of its compliance risks, and maintaining a control framework aimed at effectively mitigating these risks.

The Compliance department is headed up by the Chief Compliance Officer, who reports directly to the Chair of Van Lanschot Kempen's Management Board. Once every four weeks, the Chief Compliance Officer is invited to KCM's Management Board meeting to discuss compliance topics and to reach approval on compliance-related decisions.

In managing compliance risks, Van Lanschot Kempen applies the three lines of defence model. This means that KCM employees are responsible for serving clients but also for assessing client-related risks, adhering to policy requirements and ensuring control effectiveness (first line of defence). The Compliance department (second line of defence) is responsible for putting in place policies and procedures to guide the business, provide training and create awareness, advise the business and management to assess risks, and monitor and report on control effectiveness.

Internal audit

Internal Audit (third line of defence) is responsible for ensuring that the first and second lines of defence work appropriately. All of Van Lanschot Kempen's activities – including those of KCM, as well as those of their domestic and foreign holdings – are included in Internal Audit's scope. Internal Audit tests the design and operational effectiveness of internal risk management and control systems and aims to improve the efficacy of these systems. In doing so, it supports Van Lanschot Kempen's Management Board and Audit and Compliance Committee, as well as KCM's Management Board, in performing their duties. Internal Audit operates independently and reports directly to the Chair of Van Lanschot Kempen's Management Board, the Chair of Van Lanschot Kempen's Supervisory Board's Audit and Compliance Committee, and KCM's Management Board.

Financial and solvency risks

Market risk

KCM's core activity is to manage the assets of its fiduciary clients and fund investors. As such, we are not directly exposed to market risks. However, such risks do affect the wealth preservation and creation of clients and investors, thereby having an indirect impact on KCM's financial results. The wide variety of products and solutions we offer helps to diversify this indirect impact to some extent. Given current levels of market stability, combined with our diversified range of products and solutions, we classify this as a low risk.

Credit risk

KCM does not directly face significant credit or counterparty risks. It does not issue loans and is not a formal counterparty to over-the-counter financial transactions (acting as an agent on behalf of clients who are formal counterparties). Our cash balances are entrusted to reliable parties. Our services involve some credit risk when management fees or performance fees are received from clients. With a varied client base of generally wealthy clients, this risk is considered low.

Liquidity risk

KCM's core activity is to manage the assets of its fiduciary clients and fund investors (and not necessarily its proprietary assets and certainly not as a core activity). We are therefore not directly exposed to liquidity risk, although such risks may indirectly affect our liquidity profile. Our wide range of products and solutions, as well as our diversified client base, significantly cushions these effects. Fees charged to clients are collected periodically and benefit our liquidity profile. Overall, this risk is considered low.

KCM has sufficient qualifying capital and liquidity to meet the prudential capital and liquidity adequacy requirements set by De Nederlandsche Bank (DNB) on an ongoing basis. If the calculation of the capital or liquidity requirement shows that the capital reserves will be inadequate without additional measures, steps will be taken in consultation with Van Lanschot Kempen to increase the amount of capital or liquidity. One possible route would be for any capital or liquidity shortfalls to be made up through capital or liquidity contributions by Van Lanschot Kempen, but other avenues are also possible.

KCM remuneration policy

Employees working for KCM have an employment contract with Van Lanschot Kempen NV, the parent company of KCM. Van Lanschot Kempen NV's variable remuneration policy applies to all employees (including identified staff) of Van Lanschot Kempen NV and its subsidiaries, including KCM. This means that Van Lanschot Kempen NV's remuneration policy applies to all employees working for KCM, on condition that a number of specific additional provisions apply to KCM. These are described in the remuneration policy and are specifically linked to the activities of KCM and the remuneration rules that apply in respect of those activities. Remuneration paid is not attributed to individual investment entities.

General principles of the remuneration policy

Van Lanschot Kempen NV pursues a prudent, sound and sustainable remuneration policy that is in line with the group's strategy, risk appetite, objectives and values. The remuneration policy contributes to sound and effective risk control and does not encourage the taking of more risks than the company considers acceptable. Van Lanschot Kempen NV ensures that the remuneration policy is applied across the group.

The following general remuneration policy principles apply to all employees working at KCM:

- Outperformance against predetermined targets is rewarded;
- A system of differentiated remuneration applies;
- Remuneration is set on a gender-neutral basis;
- An employee's variable remuneration is based on the financial and non-financial performance of Van Lanschot Kempen NV, KCM and the individual employee;
- The assessment of an employee's personal performance is based on both quantitative (financial) and qualitative (non-financial) performance criteria; some departments apply only qualitative criteria;
- At least 50% of the variable remuneration is based on non-financial criteria;
- The performance criteria contain no incentives to take unjustified risks;
- Appropriate account is taken of the interests of clients when striking a balance between the fixed and variable remuneration components; the performance criteria are determined in such a way as to avoid any conflicts of interest that could occur between employees and clients;
- The awarding of variable remuneration is partly related to the long-term objectives of Van Lanschot Kempen;
- When assessing performance on the basis of the set performance criteria, financial performance is adjusted for (estimated) risks and costs of capital;
- Variable remuneration (including the conditional portion) is only awarded or paid if: i) this is reconcilable with Van Lanschot Kempen's financial position and is justified by the performance of Van Lanschot Kempen, KCM and the employee concerned; and ii) Van Lanschot Kempen holds the capital buffers as required by the Dutch Financial Supervision Act (Wft) and implementing regulation;
- None of Van Lanschot Kempen's financial services or other activities, remuneration components or structures could lead to a risk of clients being treated without all due care, and Van Lanschot Kempen has no intention of introducing such activities, components or structures;
- In the event that Van Lanschot Kempen does not make a profit in a given financial year, discretionary bonus pools may be established by Van Lanschot Kempen's Management Board with the approval of its Supervisory Board;
- During the reassessment preceding the payment and receipt of variable remuneration, the total variable remuneration is lowered substantially by applying a reduction or clawback scheme in the event of a weak or negative performance by Van Lanschot Kempen or in the event of incompetent or incorrect conduct on the part of an employee.

A more detailed description of our remuneration policy can be found on our website, kempen.com, including a further description of how the fixed and variable remuneration components are drawn up. The policy also describes the criteria that form the basis for determining the amount of variable remuneration; which non-standard rules apply for employees in control functions; and which parts of the variable remuneration are conditional. The policy also describes the governance in relation to the annual determination of the variable remuneration.

KCM remuneration in 2021

On 31 December 2021, KCM was acting as the manager of 46 alternative investment funds (AIFs) and 36 undertakings for collective investment in transferable securities (UCITS). Total AuM for AIFs amounted to €5,239 million on 31 December 2021, and €11,097 million for UCITS.

The table below contains information on the remuneration of identified staff. KCM's identified staff are employees, including management, whose activities have a material influence on our risk profile or that of the funds we manage, including employees performing senior management, risk-taking or audit functions, as well as employees whose remuneration amounts to at least the same as that of the categories of employees who hold a senior management or risk-taking position.

	SENIOR MANAGEMENT*	OTHER EMPLOYEES	ALL EMPLOYEES
Number of employees (FTE average 2021)	10	170	180
REMUNERATION 2021			
Total fixed remuneration	€ 2,817,811	€22,720,845	€ 25,538,656
Total variable remuneration**	€1,121,192	€6,122,181	€7,243,373

* Erik van Houwelingen and Ernst Jansen are directors of KCM and the allocation is therefore included in the table in the Senior management category.

** In keeping with Dutch laws and regulations, variable remuneration relates to the variable remuneration as recognised in profit or loss.

Out of the 180 FTEs in total, 26.6 work outside the Netherlands.

Outlook

General

The latest Covid-19 strain – Omnicron – has now proved to be more contagious but less damaging than previous variants, allowing governments to lift social restrictions almost completely – an advantage for economic prospects. China is the only exception: a less effective vaccine and limited herd immunity have seen the Chinese authorities continue to take a very tough line on new infections.

Russia's invasion of Ukraine in February 2022 has pushed aside Covid-19 as the main source of uncertainty. Before the start of the war, the economies of both the United States and the eurozone looked poised to accelerate on the back of reopening as well as robust labour markets and a climate conducive to corporate capital spending. The degree to which this positive outlook will be undermined by the war will depend on the length of the conflict and the sanctions now in place. If energy deliveries from Russia stay on an even keel, this might limit the damage somewhat, although reduced availability of other commodities might hobble growth. We assume economic growth in the eurozone to be exceedingly low in the second quarter at least and possibly also into the third quarter. The war is expected to have less of an impact on the US economy.

Things are looking slightly less bright for China, as a number of its major real estate developers have got themselves too deeply into debt. Measures to curb this debt financing have tipped them into acute trouble. The Chinese authorities are generally expected to be able to ward off a financial or banking shock, but the construction industry's sheer size in the country's economy is liable to strongly impede growth. What's more, the outlook for exports has become less favourable: as the US and eurozone countries reopen, their consumers will go back to consuming more services and fewer goods, typically manufactured in Asia.

Inflation trends are hedged with a great deal of uncertainty. The war in Ukraine has sent energy prices up even higher, setting inflation on a further upward course. Nonetheless, we still assume that inflation will start to come down as 2022 progresses. Energy prices, which account for half of inflation in the eurozone, will not continue to rise, as energy producers have scope to increase production, while shortages in supply chains should ease as a result of high capital spending. And yet, inflation is proving more stubborn than had been expected and there are growing signs of wage inflation, particularly in the US. In the eurozone, by contrast, such signs are much less noticeable. US labour shortages might prove temporary and wage pressures might ease when the labour supply picks up, but no-one knows how rapidly this will happen. We consider the risk of persistently high inflation to be greater in the US than it is in the eurozone.

Meanwhile, whereas central banks long assumed that rising inflation would be a passing phenomenon, the US Federal Reserve ("the Fed"), in particular, has made a major monetary policy U-turn, as has the Bank of England. In fact, the UK raised interest rates as early as December 2021, while Federal Reserve Chair Jerome Powell no longer considers inflation to be temporary. And the Fed's tapering policy, which began in November 2021, was accelerated as early as December 2021. In March 2022, the Fed stopped buying assets and first raised interest rates. We predict a series of rate hikes by the Fed as 2022 progresses and expect it to start shrinking its balance sheet from the summer.

In a separate development, the European Central Bank (ECB) also announced an accelerated tapering of its asset purchase programme, which came rather as a surprise given the uncertainty caused by the war in Ukraine. The ECB will stop buying bonds in the third quarter – a logical next step from its perspective, as its growth projections are still pretty favourable and inflation projections have been boosted significantly. The ECB has said that it is looking for a little time between the end to its asset purchase programmes and its first rate hike, without specifying how long exactly that might be. A rate increase might happen by the end of the year, provided there has been an end to the war in Ukraine.

KCM

The strong relative investment performance of our products and solutions, highly motivated employees and personal connection with our clients mean that there are sound prospects for further long-term growth at KCM. Given the prevailing volatility of the financial markets, however, the Management Board is cautious about making any forecasts regarding the results for 2022. At the time of publication, the Management Board does not foresee any material capital-intensive investments, nor does it expect any changes to current funding.

Amsterdam, 7 April 2022

Management Board KCM

W.H. van Houwelingen

E.J.G. Jansen

Consolidated 2021 financial statements

Consolidated balance sheet at 31 December 2021 (before result appropriation)

		31-12-2021 x €1,000	31-12-2020 x €1,000
Assets			
Fixed assets			
Intangible assets	I	**5,050**	**5,836**
Tangible assets	II	**123**	**209**
Current assets			
Receivables from related parties	III	**32,510**	**30,865**
Current receivables, prepayments and accrued income	IV		
Management fees receivable		37,207	33,145
Deferred tax assets		1,218	220
Tax and social insurance premiums		719	275
Other receivables, prepayments and accrued income		1,446	375
		40,590	**34,015**
Cash and cash equivalents	V	**285**	**5,238**
Total Assets		**78,558**	**76,163**
Equity & Liabilities			
Equity	VI		
Paid-up and called-up share capital		92	92
Share premium reserve		6,700	6,700
Currency translation reserve		151	30
Other reserves		23,410	22,607
Undistributed profit		27,509	18,750
		57,862	**48,179**
Provisions	VII		
Deferred tax liabilities		1,230	1,288
Other provisions		523	-
		1,753	**1,288**
Current liabilities, accruals and deferred income	VIII		
Management fees payable		8,777	9,011
Amounts owed to related parties		3,510	7,291
Tax and social insurance premiums		3,968	1,140
Other liabilities, accruals and deferred income		2,688	9,255
		18,943	**26,697**
Total Equity & Liabilities		**78,558**	**76,163**

Consolidated profit and loss account for the year ended 31 December 2021

		2021	***2020***
		x €1,000	*x €1,000*
Income			
Management fees	IX	118,280	105,118
Revaluation results		340	246
Other income	X	11	-2
Total income		**118,631**	**105,362**
Expenses			
Staff costs	XI	41,100	51,050
Amortisation of intangible assets		798	804
Depreciation of tangible asssets		86	456
Other operating expenses	XII	39,723	27,519
Total expenses		**81,707**	**79,828**
Operating result		***36,924***	***25,534***
Interest income		87	151
Interest expenses		3	6
Interest result	XIII	**84**	**145**
Result before tax		***37,008***	***25,679***
Tax	XIV	9,499	6,929
Result after tax		***27,509***	***18,750***

Summary of key accounting policies for the preparation of the consolidated financial statements

General

The object of Kempen Capital Management NV ("KCM" or "the company") is to manage and administer the assets of third parties, to provide advice and to invest in, manage and finance other enterprises and companies. KCM has its registered office at Beethovenstraat 300, 1070 AR Amsterdam, the Netherlands, and is registered under number 33181992 at the Chamber of Commerce.

The company belongs to a group. At the head of this group is Van Lanschot Kempen in 's-Hertogenbosch. The company's annual accounts are included in the consolidated annual accounts of Van Lanschot Kempen in 's-Hertogenbosch.

The consolidated financial statements are prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving).

The accounting principles have remained unchanged from the prior year.

Currency

Items in the consolidated financial statements pertaining to each group company are stated in the currency of the economic environment in which the entity chiefly operates - i.e. the functional currency. Amounts in the consolidated financial statements are stated in euros, i.e. both the functional and reporting currency.

Transactions in foreign currencies in the reporting period are recognised in the consolidated financial statements at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the reporting date. Translation differences arising on the settlement of such transactions are recognised in consolidated profit or loss.

Assets and liabilities of consolidated subsidiaries with a functional currency different from the presentation currency are translated at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at average exchange rates during the financial year. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of these subsidiaries and translated at the closing rate. Any resulting exchange differences are taken directly to the legal reserve for translation differences within equity.

Estimates

In the process of applying the accounting policies, the Management Board of Kempen Capital Management NV uses estimates and assumptions which can have a significant impact on the amounts recognised in the consolidated financial statements. If necessary for the insight as required under Art. 2:360 sub 1 DCC of the Dutch Civil Code, we include the nature of these judgements and estimates as well as their underlying assumptions in the Notes to the relevant consolidated financial statements items.

Intra-group relationships

Kempen Capital Management N.V. has been owned by Van Lanschot Kempen N.V. since January 2020. Kempen Capital Management UK Ltd is a wholly subsidiary of Kempen Capital Management N.V. since 1 October 2020. Van Lanschot Kempen has it registered office at Beethovenstraat 300, Amsterdam. On 1 July 2021, a legal merger took place between Van Lanschot Kempen Wealth Management and Van Lanschot Kempen. As from July 2021 KCM is a 100% subsidiary of Van Lanschot Kempen.

KCM's financial data are fully consolidated in the financial statements of Van Lanschot Kempen. Operationally, KCM is closely associated with Van Lanschot Kempen. Consequently, virtually all expenses disclosed in the consolidated profit and loss account represent amounts charged on by Van Lanschot Kempen.

Consolidation

The financial data of Kempen Capital Management NV and its group companies are consolidated. A group company is a legal entity in which Kempen Capital Management NV is able to exercise decisive control, directly or indirectly, because it holds the majority of the voting rights or is able to control the financial and operational activities in some other way.

Intercompany transactions and the ensuing results and intercompany receivables and payables are eliminated in the consolidation. The accounting policies of group companies and other legal entities included in the consolidation are adjusted where necessary to bring them into line with group accounting policies.

Subsidiaries

Participating interests over which significant influence can be exercised over business and financial policy are valued at net asset value. If the valuation of a participating interest according to the net asset value is negative, it is valued at nil. If and insofar as KCM in this situation fully or partially guarantees the debts of the participating interest, or has the firm intention to enable the participating interest to pay its debts, a provision is formed for this.

The share in the result of these participating interests is recognized as the result of participating interests in which significant influence is exercised on business and financial policy. This result is determined on the basis of the accounting principles applicable at KCM for valuation and determination of the result.

Related parties

As of 1 January 2020, Van Lanschot Kempen qualifies as a related party of KCM and Kempen Capital Management UK Ltd. All related-party transactions take place on an arm's length basis.

Acquisitions and disposals of group companies

The results and identifiable assets and liabilities of an acquired company are recognised in the consolidated financial statements from the acquisition date. The acquisition date is the date from which decisive control can be exercised in the relevant company.

The acquisition cost comprises the amount or the equivalent thereof that is agreed for the acquisition of the relevant company, plus any directly attributable costs. If the acquisition price exceeds the net fair value of the identifiable assets and liabilities, the surplus is capitalised as goodwill under intangible assets. If the acquisition price is below the net fair value of the identifiable assets and liabilities, the difference (negative goodwill) is recognised as an accrued liability.

Since 1 October 2020, Kempen Capital Management UK Ltd has been a wholly owned subsidiary of Kempen Capital Management NV and it is thus fully consolidated in these financial statements.

Cash flow statement

KCM does not prepared a cash flow statements as it is consolidated in the Cash Flow statement of Van Lanschot Kempen which is filed at the trade register and is available on the website.

Accounting policies

General

KCM is an independent wealth manager specialising in the preservation and creation of wealth, in a sustainable way, for both its clients and the society of which it is part.

Assets and liabilities are generally stated at acquisition cost, unless another specific accounting policy is stated. The consolidated balance sheet and consolidated profit and loss account contain references to the Notes.

Intangible assets

Intangible assets with a limited useful life (such as client files) are capitalised at cost of acquisition or manufacture (cost price model). Straight-line amortisation is applied to these assets over their estimated economic life. This is the case if the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount.

With regard to the determination as to whether an intangible fixed asset is subject to an impairment, please see section "Impairments".

Tangible assets

Property and equipment used within KCM is stated at acquisition cost less depreciation, calculated on the basis of the estimated economic life of the asset and taking into account any residual value. Account is taken of impairments expected to be recognised at the reporting date. If the depreciation method, estimated useful life and/or residual value changes over time, these are disclosed as changes in estimates. Decommissioned property and equipment is stated at the lower of cost price or realisable value.

Impairments

KCM considers at every reporting date whether there are indications that a fixed asset may be subject to impairment. If such indications are found, the recoverable amount of the asset is determined. If it is impossible to determine a recoverable amount for the individual asset, the recoverable amount of its cash-generating unit is determined.

Asset impairment exists if the carrying value of the asset is greater than its recoverable amount; the recoverable value is the greater of the fair value less cost to sell and the value in use. An impairment loss is recognised in profit or loss and the carrying value of the asset is reduced simultaneously.

If it is established that an impairment recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset had been reported.

For financial assets recognised at amortised cost, the impairment is measured as the difference between the asset's carrying amount and the best available estimate of future cash flows, discounted at the financial asset's original effective interest rate upon initial recognition.

The impairment loss recognised must be reversed if the reduction of the impairment is related to an objective event after amortisation, up to a maximum of the amount needed to value the asset at amortised cost at the time of the reversal if there had not been an impairment. The reversed loss is recognised in the consolidated profit and loss account.

IFRS 16 Leases

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. In 2021, the amount regarding the short-term lease totalled €493,000.

Receivables

On initial recognition, receivables are valued at the fair value of the consideration. After initial recognition, receivables are carried at amortised cost. If the receipt of a receivable is deferred for reason of an agreed extension of a payment term, its fair value is determined on the basis of the present value of the expected receipts and interest income is taken to the consolidated profit or loss based on the effective rate of interest. Provisions for uncollectable amounts are deducted from the carrying value of the receivable.

Cash and cash equivalents

This item comprises bank balances with a term of less than 12 months. Bank overdrafts are disclosed under amounts owed to credit institutions. Cash and cash equivalents are stated at face value.

Provisions

A provision is a commitment where there is uncertainty regarding its size or moment of settlement. A provision is formed on the consolidated balance sheet if there is a commitment which arose in the past, if it is likely that settlement of the provision would require an outflow of funds and if a reliable estimate can be made. Other provisions are stated at the face value of expenditure necessary to settle obligations, unless stated otherwise. Provisions are discounted only if the time value of the cash or the commitment has a material influence.

Deferred tax is recognised using the temporary differences between the carrying amounts of assets and liabilities for tax reporting purposes and the carrying amounts recognised in these consolidated financial statements. Deferred tax is calculated at the tax rate in force at the end of the financial year, or at rates to be applied in future years, in so far as legally enacted by law. Deferred tax is recognised at nominal values.

Current liabilities, accruals and deferred income

On initial recognition, current liabilities are stated at fair value. After initial recognition, they are carried at amortised cost, being the amount received plus premiums or discounts and less transaction costs. This is typically the face value due to the short term nature.

Income and expenses

Income and expenses are attributed to the financial year to which they relate, regardless of whether they led to receipts and expenditure in that financial year. Losses and risks originating in a financial year are attributed to that financial year.

Management and service fees

The management fee include fees earned for management activities, fiduciary and related activities in which KCM holds or invests assets on behalf of its customers. Service fees are fees with the purpose of covering the operational costs of a fund. These operational costs are for example, but not limited to, audit fees, regulatory costs, registration fees, depositary and administration agent fees.

Other income

Other income comprises results not directly related to the commissions of management fees or services as part of normal – not one-off – business activities.

Staff costs

Wages, salaries and social security contributions are taken to profit or loss in accordance with employment conditions in so far as they are payable to staff or the tax authorities. Pension costs and variable remuneration for the period are charged on to KCM by Van Lanschot Kempen.

Share-based payments

Employees may be eligible to receive remuneration in the form of share-based payments. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the equity instruments are granted. The fair value is determined based on the share price on the grant date, taking into account the discounted value of expected dividends over the vesting period. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, in the period in which the employee's performance criteria are fulfilled, ending on the date on which the employee becomes fully entitled to the award (the vesting date).

Interest result

Interest income and interest expenses are recognised as they accrue using the effective interest rates of the relevant assets and liabilities. Interest expenses are stated while taking account of recognised transaction costs of loans received.

Currency Exchange differences

Currency Exchange differences arising upon the settlement or conversion of monetary items are recognised in the consolidated profit and loss account in the period that they arise. Non monetary assets measured at historical cost in a foreign currency are converted at the exchange rate on the transaction date (historical rate).

Other operating expenses

These are costs charged to the year and that are not directly attributable to the cost of goods or services. Costs are determined on a historical basis and are attributed to the reporting year to which they relate.

Taxation

Tax is calculated on the result before tax in the consolidated profit and loss, factoring in any available, unrecognised tax losses from previous financial years (in as much as these are not included in deferred tax) and tax-exempt profits plus non-deductible costs. For VAT purposes, KCM forms a tax entity with Van Lanschot Kempen. For the purpose of corporate income tax, KCM forms also a tax entity with Van Lanschot Kempen. Settlement takes place between Van Lanschot Kempen and KCM, based on the commercial result.

Article 402

Since the income statement for 2021 of the company is included in the consolidated financial statements, an abridged income statement has been disclosed (in the company financial statements) in accordance with Section 402, Book 2 of the Dutch Civil Code.

Notes to the consolidated balance sheet and profit and loss account

BALANCE SHEET

I Intangible assets

Changes in intangible assets can be broken down as follows:

	2021	2020
	x €1,000	x €1,000
At 1 January	5,836	6,640
Amortisation	-786	-804
At 31 december	**5,050**	**5,836**
Historical cost	9,200	9,200
Accumulated amortisation	4,150	3,364
Net carrying amount at 31 december	**5,050**	**5,836**

Intangible assets represent the fair value of the client portfolios in respect of the acquisition of fiduciary management activities in the United Kingdom (€2,500,000 in 2015) and VermogensParaplu Beheer BV (€6,700,000 in 2017). This value is determined on the basis of the present value of expected future cash flows. The client bases are amortised on a straight-line basis at a rate of 14.2% and 6.7% per annum respectively.

II Tangible assets

Changes in property and equipment can be broken down as follows:

	2021	2020
	x €1,000	x €1,000
At 1 January	209	858
Disposals	-	-194
Depreciation	-86	-455
At 31 december	**123**	**209**
Historical cost	2,322	2,322
Accumulated depreciation	-2,199	-2,113
At end of year	**123**	**209**

At 31 December 2021				*x €1,000*
	Software	**Alterations**	**Communications equipment & inventory**	**Total**
At 1 January 2021	64	121	24	209
Investments	-	-	-	-
Disposals	-	-	-	-
Depreciation	57	14	15	86
At 31 December 2021	**7**	**107**	**9**	**123**

Cumulative				*x €1,000*
	Software	**Alterations**	**Communications equipment & inventory**	**Total**
Acquisition costs	2,021	213	88	2,322
Cumulative depreciation	2,014	106	79	2,199
At 31 December 2021	**7**	**107**	**9**	**123**

Depreciation is applied at the following rates:

- Hardware and software: 20% per annum;
- Alterations: 20% per annum;
- Communications equipment: 20% per annum.

III Receivables from related parties

This item concerns a receivable (Loro accounts, current accounts, payable Tax) from intercompany related party Van Lanschot Kempen with a term of less than one year. There are no relevant contractual terms that could have a material effect on the amounts or the risks of future cash flows. No interest is charged on the balance.

IV Current receivables, prepayments and accrued income

There are no relevant contractual terms that could have a material effect on the amounts or the risks of future cash flows. For information about credit risk, see risk management section.

Management fees receivable

This relates to the balance of management fees receivable and discounts payable involving the same counterparties, which are settled simultaneously but had not yet been settled by 31 December 2021. Management fees receivable have a term of less than one year.

Deferred tax assets

Deferred tax assets have a term of more than one year.

Tax and social insurance premiums

Tax and social incurance premiums have a term of less than one year.

Other receivables, prepayments and accrued income

This item relates mainly to prepaid costs. All other receivables, prepayments and accrued income have a term of less than one year.

V Cash and cash equivalents

This item comprises bank balances with a term of less than 12 months which are readily available to KCM.

VI Equity

Paid-up and called-up share capital

The authorised share capital amounts to €454,000 (2020: €454,000) and is divided into 1,000 (2020: 1,000) ordinary shares, each having a nominal value of €454 (2020: €454). Of this total, 202 (2020: 202) shares have been issued and fully paid up.

Share Premium reserve

The share premium reserve did not change in 2021. The share premium reserve is freely distributable.

Currency Translation reserves

Changes in the currency translation reserve relates to KCM UK and can be broken down as follows:

	2021	***2020***
	x €1,000	*x €1,000*
At start of year	30	-
Currency exchange difference on translation	121	30
At end of year	**151**	**30**

Other reserves

Changes in reserves can be broken down as follows:

	2021	***2020***
	x €1,000	*x €1,000*
At start of year	22,607	21,300
Profit distribution (undistributed profit previous year)	18,750	16,299
Dividend payments	-18,000	-15,000
Share plans	83	-
Differences	30	-
Foreign exchange difference	-60	7
At end of year	**23,410**	**22,607**

Undistributed profit

	2021	**2020**
	x €1,000	*x €1,000*
At start of year	18,750	16,299
Profit distribution	-18,750	-16,299
Result for the financial year	27,509	18,750
At end of year	**27,509**	**18,750**

The undistributed profit for the current financial year amounts to €27,509,122. The Management Board is proposing to distribute a dividend to an amount of €25,000,000, equivalent to €123,762.38 per share. The difference between the result after tax of €27,509,122 and the dividend to be distributed, amounting to €2,509,122, will be added to Other reserves. The annual report does not yet reflect this proposal.

VII Provisions

Change to deferred tax liabilities can be specified as follows:

	2021	**2020**
	x €1,000	*x €1,000*
At start of year	1,288	1,189
True up Intangible assets	-96	99
Rate change	38	-
At end of year	**1,230**	**1,288**

Upon the acquisition of VermogensParaplu Beheer BV, a deferred tax liability of €1,675,000 was recognized in 2017, which is being amortised on a straight-line basis over a period of 15 years. €1,176,000 of the provision can be considered for longer than one year.

Changes in other provisions can be broken down as follows:

	2021	**2020**
	x €1,000	*x €1,000*
At start of year	-	55
Additions	523	-
Release	-	-55
At end of year	**523**	**-**

A provision is a liability of uncertain timing or amount. A provision is included in the statement of financial position if we have an obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made. Provisions are discounted if the time value of money for the liability has a material effect. The provision include provision made for a legal claim.

VIII Current liabilities, accruals and deferred income

All current liabilities, accruals and deferred income have a term of less than one year. There are no relevant contractual terms that could have a material effect on the amounts or the risks of future cash flows.

Management fees payable

This item concerns management fees that had not yet been settled at 31 December 2021 and that cannot be set off against outstanding receivables.

Amounts owed to related parties

This item concerns a current account with related party Van Lanschot Kempen with maturities of less than one year. No interest is charged or credited on the current account balance.

Tax and social insurance premiums

This relates to value added tax payable in respect of the fourth quarter of 2021.

Other liabilities, accruals and deferred income

This relates to accruals, HR and accounts payable to suppliers.

IX Management fees

Management fees increased by 9% in 2021 compared with 2020 and can be broken down as follows:

	2021	2020
	x €1,000	x €1,000
Management fees	103,792	95,104
Service fee income	21,941	16,268
Service fee expenses	-7,453	-6,254
Total management fees	**118,280**	**105,118**

Of the total management fees, €112,608,000 relates to Netherlands (2020: €104,185,000) and €5,672,000 to England (2020: €933,000).

X Other income

Other income comprises other advise fees.

XI Staff costs

	2021	2020
	x €1,000	x €1,000
Salaries	33,011	37,014
Pension costs	3,314	4,717
Social security contributions	2,624	3,415
Other staff costs	2,151	5,904
Total staff costs	**41,100**	**51,050**

Staff costs comprise salaries, market value allowances, expenses, travel allowances, social security costs, employer's pension costs and variable remuneration charged on by Van Lanschot Kempen.

Pension costs allocated to the reporting period are charged on to KCM by Van Lanschot Kempen based on the number of staff employed. Van Lanschot Kempen is responsible for the commitments ensuring from the pension scheme agreed with employees.

In 2021, share-based payments added €83,041 to equity (2020: €0). Of the total expenses arising from share-based payments, €312,250 is included in Salaries and wages (2020: €0).

Employees may be eligible to receive remuneration in the form of share-based payments. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the equity instruments are granted. The fair value is determined based on the share price on the grant date, taking into account the discounted value of expected dividends over the vesting period. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, in the period in which the employee's performance criteria are fulfilled, ending on the date on which the employee becomes fully entitled to the award (the vesting date).

The fair value is determined based on the volume-weighted day price for depositary receipts for Class A ordinary shares on the second trading day after release of Van Lanschot Kempen's annual figures. The fair value is equal to the share price less discounted value of expected dividends during the vesting period.

Conditional depositary receipts for shares will vest if:

I. Van Lanschot Kempen's financial position allows this in the year of vesting;
II. Risks have been reviewed and no material, unforeseen risks have occurred; and
III. The individual has not left the company in the three or four-year period.

Average number of staff

Staff working at KCM are employed by Van Lanschot Kempen. The average number of staff on a full time basis between 1 January and 31 December 2021 was 179 (2020: 264). The decrease in the number of staff compared to 2020 is explained by the change in our organisational structure, this led to a lower average number of staff and a higher allocated internal cost for KCM. The average number of staff working outside the Netherlands was 26.6 (2020: 23.6).

Management Board remuneration

The Management Board of Kempen Capital Management NV comprised two members in the 2021 financial year. Management Board remuneration in 2021 amounted to €141,017, compared with €1,481,555 in 2020 – the decrease can be explained by the change in our organisational structure. The members of the Management Board hold positions within Van Lanschot Kempen and are part of the allocated internal costs for KCM, through which a percentage of the Management Board remuneration is allocated to KCM.

XII Other operating expenses

	2021	***2020***
	x €1,000	*x €1,000*
ICT costs	10,177	8,883
Charged-on overheads	14,464	2,566
News services	4,878	6,808
Accommodation costs	2,803	2,484
Commercial costs	537	991
Consultancy fees	2,886	3,934
Fund costs	3,865	2,494
Office costs	208	412
Administration costs	50	54
Other	-143	-1,106
Total other operating expenses	**39,723**	**27,519**

The charged-on overheads are in line with the explanation given in the staff costs.

The independent auditor's fees related to KCM are disclosed in note 31 of the consolidated financial statements of Van Lanschot Kempen N.V. This is in line with article 2: 382a.3 of the Dutch Civil Code.

XIII Interest result

Total interest income includes €86,610 from group companies (2020: €152,532). Total interest expenses from group companies amounted to €2,165 (2020: €68).

XIV Tax

	2021	2020
	x €1,000	x €1,000
Deferred taxes	-285	225
Income tax expense from previous years	-34	108
Income tax expense from the current financial year	9,818	6,597
	9,499	**6,929**
	%	%
Effective tax rate	26%	27%
Applicable tax rate	25%	25%

The effective rate is higher than 25% because of the non-deductible costs and because of the different tax rates in the UK and France.

The reconciliation between the applicable and effective tax rate is as follows:

	Amounts in €
Profit according to the financial statements	37,008
CIT based on applicable rate CIT 25%	9,252
Tax non-deductible costs	183
Income tax previous years	-34
Change in deferred income tax	-285
Tax rate difference foreign operations	285
Other	97
Corporate income tax payable	9,499
Effective corporate tax rate	26%

XV Contingent liabilities

The off balance sheet liabilities relating to the fiscal unity

For VAT and income tax purposes, KCM forms a tax entity with Van Lanschot Kempen. KCM and Van Lanschot Kempen are both severally and jointly liable for the tax payable by the combination.

Liabilities not recognised in balance sheets:

	31-12-2021	31-12-2020
	x €1,000	x €1,000
Office rental obligations		
< 1 year	319	342
≥ 1 year < 5 years	-	-
≥ 5 years	-	-
Total	**319**	**342**

The remaining term of the rental agreement is eight months in 2022.

Events after the reporting period

There have been no significant events since the reporting date that affect the relevance of information provided in the 2021 financial statements.

Company financial statements 2021

Company balance sheet at 31 December 2021 (before result appropriation)

		31-12-2021	31-12-2020
		x €1,000	x €1,000
Assets			
Fixed assets			
Financial assets	I	**1,828**	**4,959**
Intangible assets		**4,764**	**5,211**
Tangible assets		**118**	**193**
Current assets			
Receivables from related parties		**31,796**	**29,384**
Current receivables, prepayments and accrued income			
Management fees receivable		32,071	32,046
Tax and social insurance premiums		-	211
Other receivables, prepayments and accrued income		1,326	288
		33,397	**32,545**
Cash and cash equivalents		**174**	**3,252**
Total Assets		**72,077**	**75,544**
Equity & Liabilities			
Equity	VI		
Paid-up and called-up share capital		92	92
Share Premium reserve		6,700	6,700
Other reserves		23,410	22,607
Currency translation reserve		151	16
Undistributed profit		27,509	18,750
		57,862	**48,165**
Provisions			
Deferred tax liabilities		1,229	1,303
		1,229	**1,303**
Current liabilities, accruals and deferred income			
Management fees payable		8,692	9,011
Amounts owed to related parties		904	8,008
Tax and social insurance premiums		2,534	967
Other liabilities, accruals and deferred income		855	8,091
		12,986	**26,077**
Total Equity & Liabilities		**72,077**	**75,544**

Company profit and loss account for the year ended 31 December 2021

		2021	2020
		x €1,000	x €1,000
Result from participating interests	I	-3,579	-548
Company result after tax	I	31,088	19,298
Result after tax		***27,509***	***18,750***

Notes to the company balance sheet and profit and loss account

Basis of preparation

General

The company financial statements have been prepared in accordance with the legal requirements as set out in Part 9, Book 2 of the Dutch Civil Code and the authoritative statements in the financial reporting guidelines issued by the Dutch Accounting Standards Board.

The accounting principles are the same for both the company financial statements and the consolidated financial statements. Investments in group companies are recognised at net asset value. For the accounting principles, please refer to the accounting policies of the consolidated financial statements.

Participating interests

Participating interests in which the company is able to exercise a material influence are stated using the net asset value method. If able to exercise 20% or more of the voting rights, the company is assumed to have material influence.

The net asset value is calculated in keeping with the accounting principles governing these financial statements; for participating interests unable to provide sufficient information to align with these principles, use is made of the accounting principles for this participating interest of the consolidated financial statements.

Initial measurement of purchased participating interests is based on the fair value of the identifiable assets and liabilities at the time of purchase. Subsequent measurement will apply the accounting principles informing these statements, drawing on the values at initial recognition.

Notes to individual items in the company financial statements. For the other individual items the disclosure is included as per the consolidated financial statements.

I Financial assets

Participating interests include the following company:

- Kempen Capital Management (UK) Limited, London, in which 100% of paid-up capital is held.

Changes in financial assets break down as follows:

	31-12-2021	***31-12-2020***
	x €1,000	*x €1,000*
At 1 January 2021	4,959	-
Adjustments prior year	-9	-
Purchased participating interests	-	1,595
Capital payment	-	3,848
Result from participating interests	-3,579	-548
Share plans	83	15
Currency translation differences	374	50
At 31 December 2021	**1,828**	**4,959**

VI Equity

Paid-up and called-up share capital

The authorised share capital amounts to €454,000 (2020: €454,000) and is divided into 1,000 (2020: 1,000) shares, each having a nominal value of €454 (2020: €454). Of this total, 202 (2020: 202) shares have been issued and fully paid up.

Share Premium reserve

The share premium reserve did not change in 2021. The premium reserve is freely distributable.

Other reserves

Changes in reserves can be broken down as follows:

	2021	***2020***
	x €1,000	*x €1,000*
At start of year	22,607	21,300
Profit distribution (undistributed profit previous year)	18,750	16,299
Dividend payments	-18,000	-15,000
Share plans	83	-
Differences	30	-
Foreign exchange difference	-60	7
At end of year	**23,410**	**22,607**

Undistributed profit

	2021	***2020***
	x €1,000	*x €1,000*
At start of year	18,750	16,299
Profit distribution	-18,750	-16,299
Result for the financial year	27,509	18,750
At end of year	**27,509**	**18,750**

II Staff

Average number of staff

Staff working at KCM are employed by Van Lanschot Kempen. The average number of staff on a full time basis between 1 January and 31 December 2021 was 154 (2020: 240). The decrease in the number of staff compared to 2020 is explained by the change in our organisational structure, this led to a lower average number of staff and a higher allocated internal cost for KCM. The average number of staff working outside the Netherlands was 1 (2020: 1).

Amsterdam, 7 April 2022

The Management Board,

W.H. van Houwelingen

E.J.G. Jansen

Other information

Profit appropriation

Pursuant to Article 31, paragraph 1 of KCM's Articles of Association, the profit is at the free disposal of the general meeting of shareholders in so far as the reserves are adequate for this purpose.

Independent auditor's report

The independent auditor's report may be found on page 37.

Independent auditor's report

To: the general meeting of Kempen Capital Management N.V.

Report on the financial statements 2021

Our opinion

In our opinion, the financial statements of Kempen Capital Management N.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the Company together with its subsidiaries) as at 31 December 2021, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of Kempen Capital Management N.V., Amsterdam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2021;
- the consolidated and company profit and loss account for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Kempen Capital Management N.V. in accordance with the ‘Wet toezicht accountantsorganisaties’ (Wta, Audit firms supervision act), the ‘Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten’ (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA, Dutch Code of Ethics).

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor’s report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the report of the management board and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the report of the management board and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the management board

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company’s ability to continue as a going concern. Based on the financial reporting framework mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The management board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company’s ability to continue as a going concern.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 7 April 2022

PricewaterhouseCoopers Accountants N.V.

Original has been signed by J. Brouwer RA

Appendix to our auditor's report on the financial statements 2021 of Kempen Capital Management N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the management board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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