Annual Stewardship and Sustainable Investment Report 2021

VAN LANSCHOT KEMPEN

Kempen

FEBRUARY 2022

About Kempen

KEMPEN CAPITAL MANAGEMENT N.V. (hereafter Kempen) is a specialist asset manager focused on investment strategies and fiduciary management.

Since 1991, we have been committed to assisting our institutional and wholesale clients and help them invest in small-cap, high-dividend and sustainable equities, real assets, credits and alternatives. From 2004, we offer dedicated tailored solutions to pension funds, insurance companies, foundations and family offices, encompassing asset allocation, portfolio construction and analytics, and manager selection and monitoring.

In every aspect of our business we focus on delivering stable outperformance in the long run with sustainability criteria fully incorporated into everything we do. We take a highly selective approach and combine this with a collaborative decision-making approach.

We manage a total of €91.3 billion in assets[1], of which €16.6bn is in Investment strategies and €74.7bn in Fiduciary Management.

1 As of end December 2021

Foreword

Megatrends - from COVID to climate change and diversity to digitalisation are inevitably shaping the questions asked by our clients, most notably of course, is whether they can generate financial returns alongside positive outcomes for both people and the planet?

At Kempen, we do our utmost best to find solutions to these challenges. Our mission is to be long-term stewards of capital, enabling our clients to preserve and create sustainable wealth with real economic returns and with positive environmental and social impacts. We want to facilitate our clients with the transition ahead of us. To realize this, 2021 saw us formally adopt sustainability as a top strategic pillar for the entire Van Lanschot Kempen group, with paralleled efforts to dial up our active ownership and ESG integration practices.

The Stewardship and Sustainable Investment report for 2021 details strong performance in these areas. It demonstrates how our investment choices and our direct engagements with over 130 companies are helping to encourage better business behaviour, from the protection of labour rights and more diverse workplaces to reducing environmental harm and creating healthier food products.

Sadly, the world continues to face the effects of the prevailing pandemic, and will continue to do so for years to come. However, the challenges we face continue to focus investors on both the vulnerability and resilience of the financial system. Sustainability factors are now taken into consideration by practically all of the world's biggest investors, and the demand for incorporating sustainability is becoming ubiquitous. We believe we differentiate ourselves in the market as an independent wealth manager through entrepreneurial sustainability and by firmly connecting our ambitions, actions and accountability.

A CLOSE EYE ON CLIMATE

Perhaps most notably in 2021, was the capacity of COP26 to concentrate mainstream attention on climate issues. Pressure has never been higher for market participants to report on and step up their contribution to tackle climate change. Kempen is committed to becoming a net-zero investor and to report transparently on our progress towards this commitment together with the recent slew of EU sustainable finance regulations (such as the landmark Sustainable Finance Disclosure Regulation), which are driving forward this transition in the wider economy.

"As engaged shareholders we want to facilitate our investee companies to change faster and thereby have a bigger impact on the overall energy transition."

Lars Dijkstra
Chief Sustainability Officer

Only time will tell if we have now reached the 'new normal' prophesied at the beginning of the pandemic. One thing remains clear, sustainability risks are certainly much more visible in the markets, and by building portfolios with purpose for our clients, we remain ahead of the curve to deliver against the stringent targets set out by ourselves both financially and in terms of sustainability. For the first time all portfolios we are in direct control of will be managed with dual objectives. No longer do we only focus on the traditional risk/return objectives, we also target to decrease the carbon footprint by 7% annually until 2030. The easy way to get there is to exclude the most polluting companies from our portfolios, however this way we don't maximize our real world impact. As engaged shareholders we want to facilitate these companies to change faster and thereby having a bigger impact on the overall energy transition.

This year's Stewardship and Sustainable Investment report shows how we're doing this, emphasising the ways in which we are collaborating with clients, companies and other investors to make our positive mark on the world. We hope you enjoy reading.

Lars Dijkstra,
Chief Sustainability Officer

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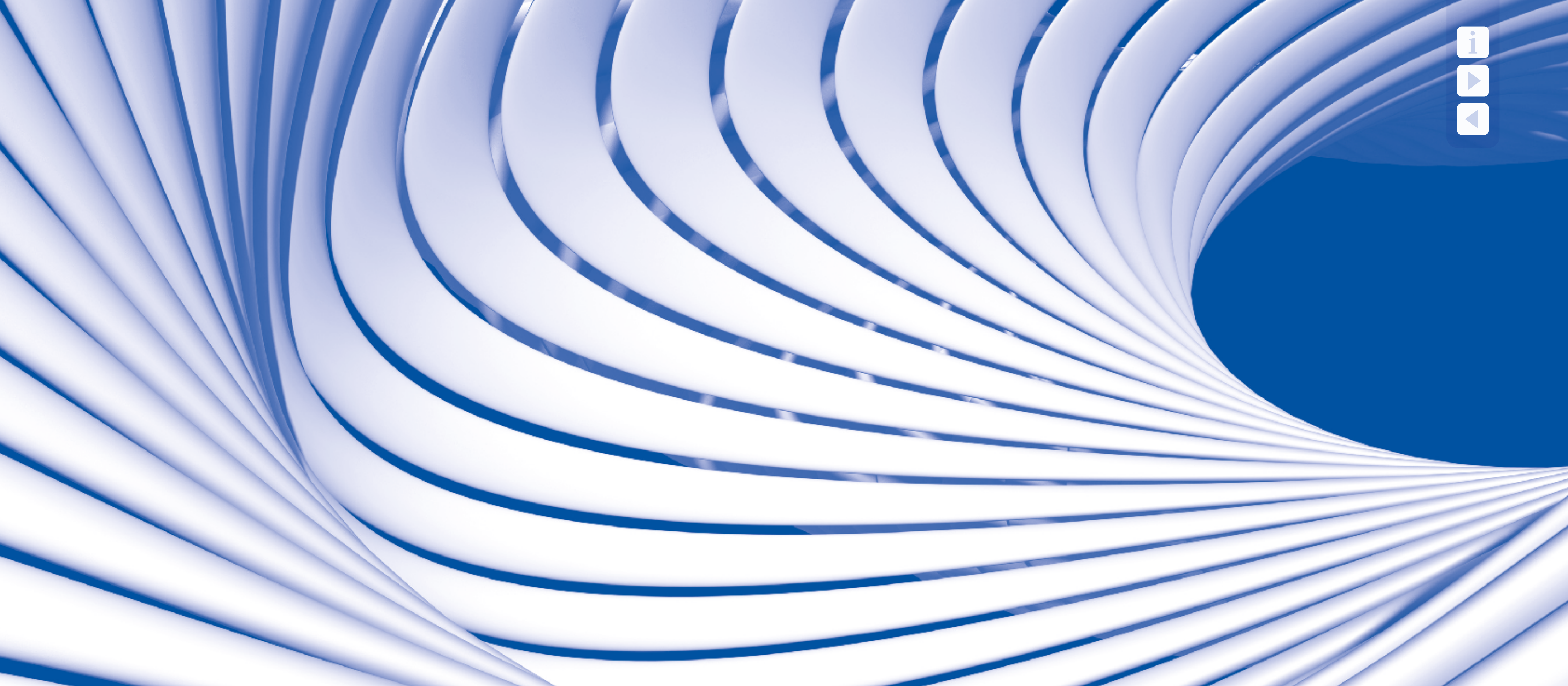
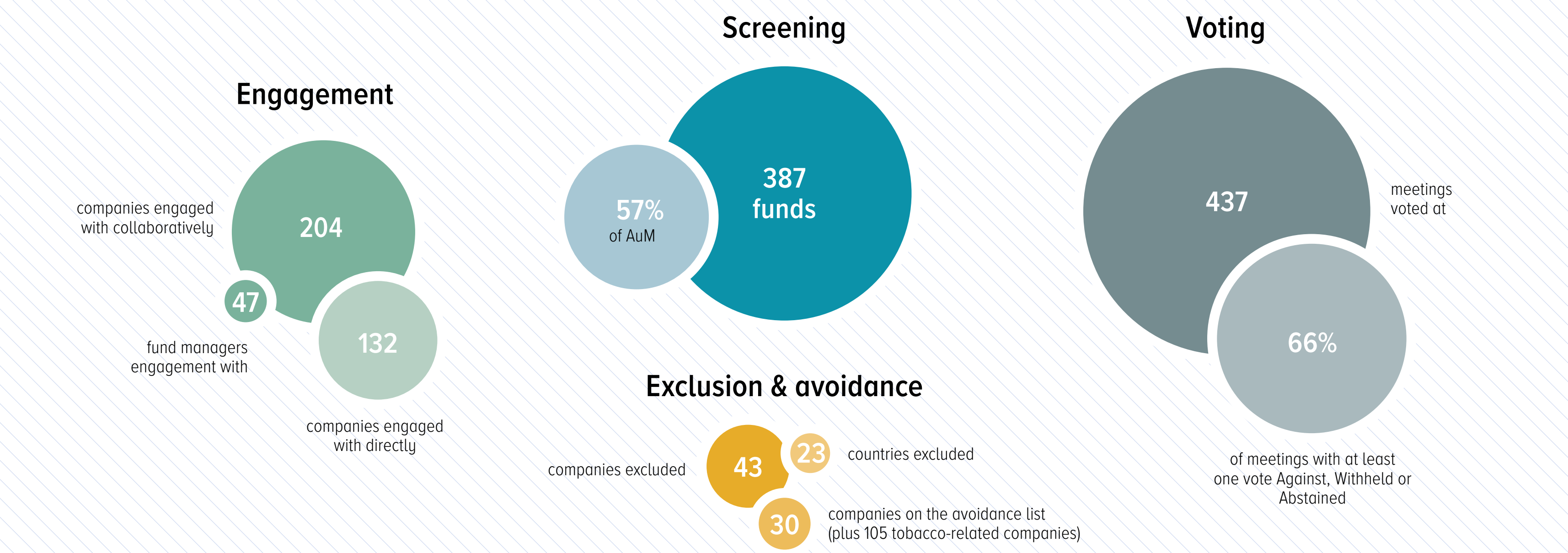


Stewardship Dashboard

Stewardship Dashboard

FIGURE 1 STEWARDSHIP DASHBOARD FIGURES PER END 2021



Source: Kempen 2021

Voting at shareholder meetings of investee companies is a key tool of stewardship and active ownership. Throughout 2021 we voted at 437 distinct company meetings, with 14% of our votes cast against management. We make use of ISS as a voting platform and votes are based on our custom voting policy[2].

The dashboard shows key numbers and highlights Kempen's exclusion & avoidance, ESG integration, and active ownership (voting and engagement) activities over 2021.

43 companies are on the exclusion list due to their involvement with controversial weapons. We also avoid 105 tobacco companies and 30 companies avoided due to their involvement in significant controversies.

We applied our new Sustainability Spectrum scoring methodology to over 380 internally- and externally- managed funds, representing more than 50% of Van Lanschot Kempen's AUM.

Avoidance list Q4 2021 | Tobacco list Q4 2021
Exclusion list Q4 2021 | Government bond exclusion list Q4 2021

2 Our voting record can be seen here.

Summary of our voting activities

FIGURE 2 MEETINS BY SECTOR 2021

Source: issgovernance / Source: Kempen 2021

- There were 298 meetings (66%) where we voted against at least one agenda item, or withheld / abstained on at least one point.
- We tend to abstain from voting to give the management time to resolve an issue, but on the provision that we will vote against management in the future if no changes are implemented.

In 2021 we voted against management on 56 out of the 102 shareholder proposals tabled at the general meetings. Of the 56, 5 related to corporate governance (including the gender pay gap), 5 required independent chairperson, 10 focused on climate change, 12 on social proposals, 19 on shareholder rights, and 5 related to political lobbying disclosure. An overview of our most significant votes of 2021 can be found in appendix I of this report.

TABLE 1 PROPOSAL OVERVIEW 2021

CATEGORY	NUMBER	PERCENTAGE
Total number of votes	5,775	
Number of votes With Management	4,991	86.4%
Number of votes Against Management	788	13.7%
Number of votes on Shareholder Proposals	102	1.8%
Number of votes Against Management on Shareholder Proposals	56	1%

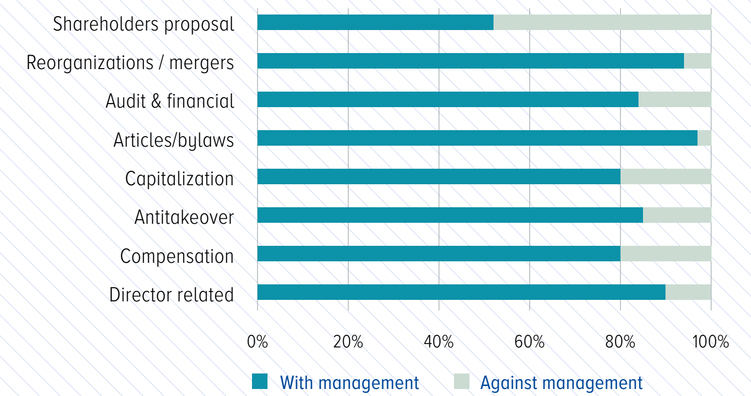
Source: Kempen 2021

TABLE 2: VOTING STATISTICS OVER TIME 2019 – 2021

CATEGORY	2021	2020	2019
Number of votable meetings	453	435	452
Meetings voted	96.5%	96.3%	91.6%
Meetings with at least 1 vote Against, Withhold or Abstain	65.8%	64.4%	45.0%
Votes With Management	86.4%	86.2%	90.8%
Votes on Shareholder Proposals (as % of total votable items)	1.8%	2.5%	2.5%

Source: Kempen 2021

FIGURE 3 BREAKDOWN VOTES AGAINST MANAGEMENT 2021



Source: Kempen 2021

We supported about half of the shareholder proposals and voted against management on average in 14% of the cases. We supported most agenda items on articles and bylaws changes and disagreed with management on compensation, capitalization and auditor rotation in almost one-fifth of the cases.

Engagement & voting map

In 2021, we engaged directly with 132 companies on environmental, social and governance themes through our core strategies. This represents 47% of our equity holdings in terms of number of investees. Of these engagements, 90 were engagements for change carried out by our portfolio managers and sustainability team. We also engaged with an additional 204 companies in collaboration with peers.

We divide the dialogues with companies into 'engagements for change' and 'engagements for awareness'. The engagements for change were focused mainly on environmental (42%) and governance issues (39%). The 'Our engagements' section provides more information on this. We also engaged with 70 companies for awareness on general ESG issues, for the most part on governance and often around their AGM agenda items.

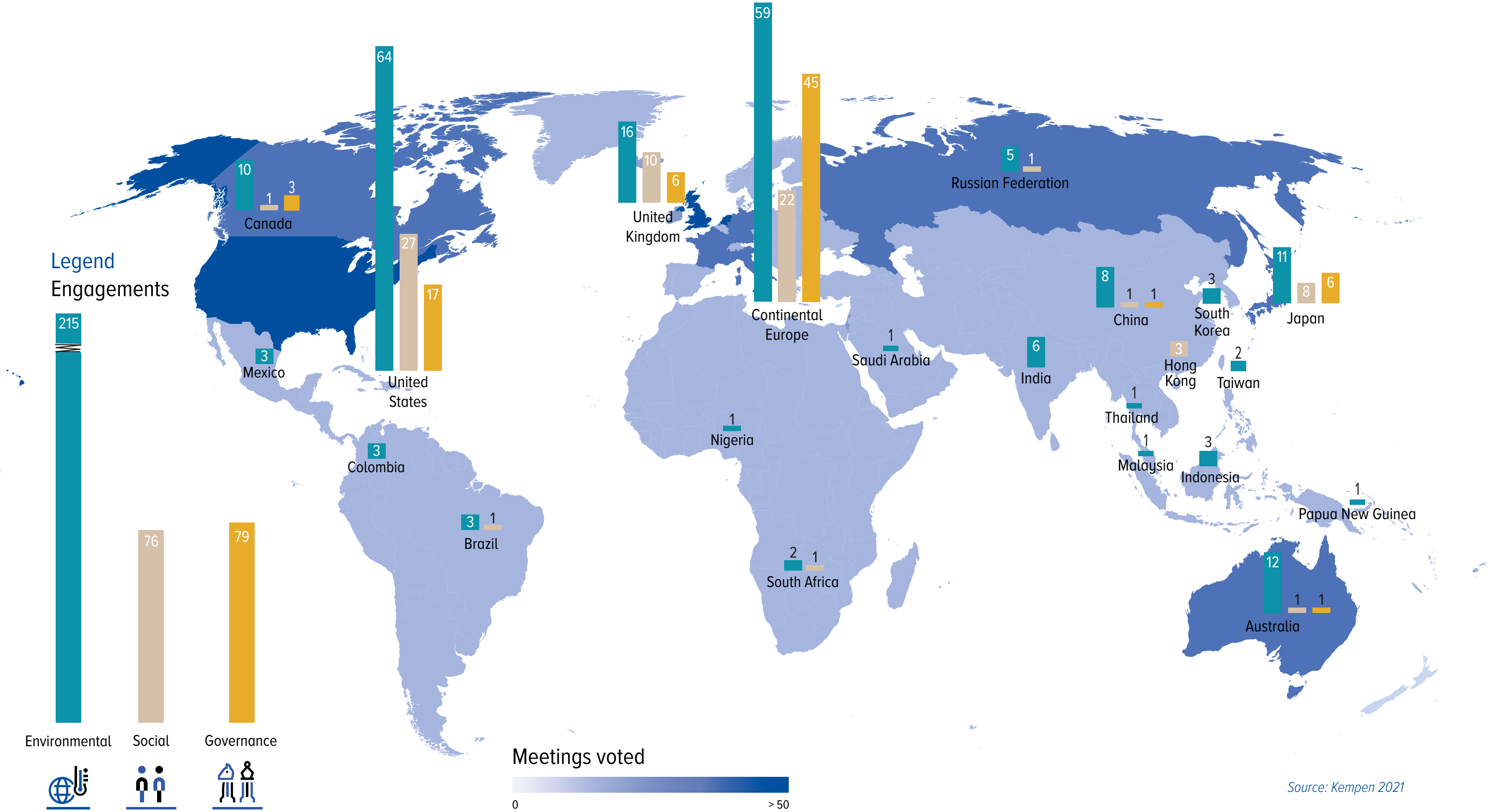
For more information about our engagement approach, please read see page 14.

TABLE 3 DIRECT ENGAGEMENTS 2021 IN %

	ENGAGEMENTS		
	AWARENESS	**CHANGE**	**TOTAL**
× Environmental	15%	23%	**38%**
× Social	5%	10%	**15%**
× Governance	26%	21%	**47%**
TOTAL	**46%**	**54%**	**100%**

Source: Kempen 2021

FIGURE 4 ENGAGEMENT & VOTING MAP 2021



Source: Kempen 2021

To read more about our engagements in 2021, please see page 13.

Our engagements

Our engagement approach

Through our engagements, we seek to encourage positive change at companies. We engage on a broad range of strategic, financial, corporate governance, environmental and social aspects in order to:

- Be informed about corporate strategy, policies and programmes and increase our understanding of a company;
- Ensure that companies' boards and management teams have proper oversight and management of ESG risks, and that companies sufficiently embrace environmental and social opportunities; and
- Encourage companies to adopt corporate governance best practices.

We differentiate between

Engagement for awareness

Aim to raise awareness about a certain issue among our investee companies or to get more information on a particular company

Engagement for change

Have concrete objectives with specific timelines set in advance specifying what we would like to achieve. Progress of these engagements is measured via milestones achieved

Public policy and collaborative engagements

Aim to improve the overall landscape of (financial) markets and general level of ESG performance in particular sectors, markets and geographies

Milestone methodology

Overview of Kempen's milestone methodology

FIGURE 5 MILESTONE METHODOLOGY

1	**Raise concern** Kempen identifies the issue and brings it to the attention of the relevant board members of management team of company.
2	**Company acknowledgement** The company acknowledges the importance of the issue raised and commits to resolving the issue.
3	**Company policy** The company has developed or improved its policy to deal with the specific issue.
4	**Company implements programme** The company can provide clear evidence that the policy or strategy is fully implemented and that there is clear accountability from top management.

ENGAGEMENT MILESTONES OVERVIEW

This figure displays how the total of 90 engagements for change are split across four milestones as per the end of 2021. Per milestone, the breakdown of environmental- (E), social- (S) and governance- (G) related engagements are shown. In total we led 38 direct engagements for change on environmental themes, 16 on social, and 35 on governance-related matters in 2021.

FIGURE 6 MILESTONE STATUS 2021

	1	2	3	4
Total engagements	13	30	33	14
Environmental	6	16	12	4
Social	2	4	9	1
Governance	5	10	11	9
Example of engagement	Biodiversity	Cabot Corp	Mitsui Fudosan	Siemens Healthineers

Source: Kempen 2021

Most 'engagements for change' moved forward one or more milestones in 2021. We engaged more frequently on environmental and governance issues than on social issues. Regarding the former, climate change was by far the most significant topic and we expect more climate change-related engagements going forward, as the sense of urgency and importance of climate issues is rising for all stakeholders. We initiated a sector-wide climate engagement for several strategies, to help advance the commitments and action for limiting climate change. We will continue these engagements in 2022 as well.

Overall, we saw good progress in our dialogues with more than half showing a positive direction of travel. 14 engagements have reached milestone 4 this year, which means engagements were successfully completed.

Milestone progress in 2021

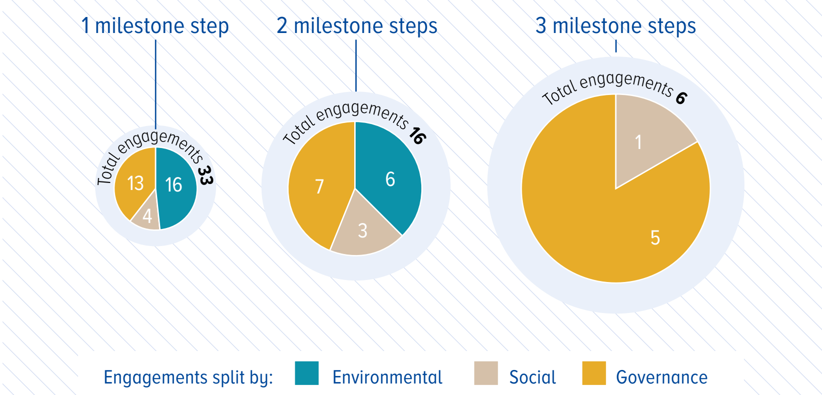
83 Engagement milestones achieved across 90 engagements

Figure 7 shows how many ‘engagements for change’ progressed on our four milestones in 2021 – highlighting the concrete results our engagements delivered during this year.

Around one in three engagements showed no milestone progress during the year. For some companies it takes a longer time to move from milestone 3 (Policy in place) to milestone 4 (Policy is implemented) due to the complexity of rolling out new policies and approaches across the company or in their supply chain. That however does not mean that the companies did not make progress of ‘sub-objectives’ – the overwhelming majority of our engagements were on a positive trajectory. Only three engagements for change have developed negatively, meaning that the dialogue and expected results from the engagement with the investee company were not satisfactory, in our view.

In 2021, 33 engagements progressed one milestone, 16 progressed two milestones and 6 reached three milestones. We have reviewed our milestone approach in 2021 and are now counting milestone progress from milestone 1 onward (instead of milestone 0), as our first step ‘Raise concern with the company’ would simply measure our effort and not be indicative of progress made by the company we engage. Due to our more stringent methodology, from 2021 onward, a total of 3 milestones could be reached.

FIGURE 7 MILESTONE PROGRESS PER END 2021



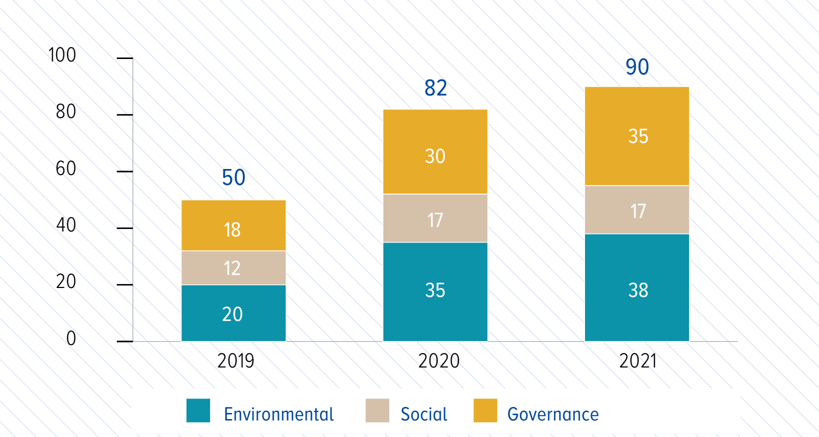
Source: Kempen 2021

Engagement progress since 2019

In comparison to the last couple of years, there was an increase in the total number of engagements. This can be attributed to the focus of investment teams on proactive engagements for change.

We commenced or continued a number of climate-related engagement cases, some of them sector-wide, which we will also continue in 2022.

FIGURE 8 ENGAGEMENTS PER END 2019, 2020 AND 2021



Source: Kempen 2021

OECD RBC engagements

In Appendix II to this report, you can find an overview of our most significant 2021 engagements on themes covered by the OECD Responsible Business Conduct (RBC) guideline. It covers engagements on both actual and potential adverse impacts and how these are mitigated.

Engagement factsheets

Once an engagement for change progresses – or stalls for a longer time – we capture this development in engagement factsheets. Our full list of ESG engagement factsheets can be viewed here. For this report, we have chosen to highlight the following engagements:

- **China Gas Holdings** – a company we engaged with around their health and safety measures related to pipeline explosions they suffered.
- **Malaysia Airports** – who we talked to on their degree of influence with airlines and their emissions reduction measures.
- **BMW** – who we talked to on their scope 3 emissions reduction target and efforts to be Paris aligned.
- **Vesuvius** – a metal flow engineering company who we've also inquired with regarding their climate-related ambitions.
- **MTN** – a South African telecom company on digital rights, freedom of expression and human rights due diligence.
- **Allied Properties** – who we also talked to about their Paris-alignment strategy.
- **Wells Fargo** – a company tied up in fraudulent business practice controversy, and has been working for a few years on changing their corporate culture.

Our main memberships and collaborative engagements are listed here.

Headline 2021

Sustainable investment in a changing world

“Historians may well reflect on 2021 as a watershed year for sustainable investment. In our view, new regulations and demands on investors to focus on real-world impact are not just welcome, but are critical to meet shared sustainability challenges head on.”

Eszter Vitorino
Lead Expert, Sustainability Advisory

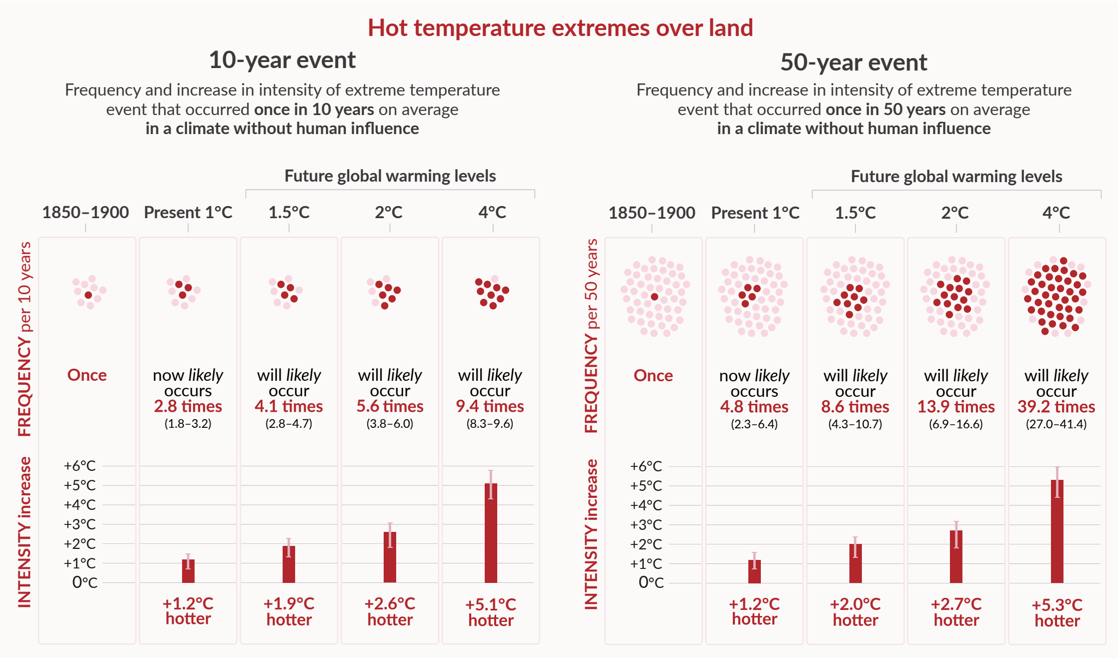
For us at Kempen, the world of sustainable investment orbited around three elements in 2021 – Covid-19, COP26 and regulation. This year, each of the elements made its mark on our work.

Like the rest of the world, all facets of our industry continued to be dominated by Covid-19 and the news rightfully focused on the human tragedy caused by the virus. But behind the headlines, the pandemic has also forced investors and companies to scale up their resilience to systemic shocks, and place greater emphasis on ESG considerations, with inflows to ‘sustainable funds’ attracting a record $4trn in 2021 by one account.

This, in turn, has prompted a healthy debate around the true value of sustainable investment and emphasised the need among investors, and the entities that they invest in, to show that the value created benefits all stakeholders in society.

Meanwhile, the latest assessment report from the IPCC demonstrated without a shadow of a doubt the connection between human activity and unprecedented global warming. The scientists examined five potential scenarios around the warming of the planet and **every single one** suggested that the Earth will reach at least 1.5°C of warming in the next 20 years.

FIGURE 9 IPCC FINDINGS ON HOW THE FREQUENCY OF EXTREME WEATHER MAY INCREASE WITH EACH DEGREE OF WARMING



Source: IPCC Sixth assessment report

This alarming report served as the underlying scientific basis for November's COP26, the Glasgow Climate Change Summit, which saw some notable global commitments to tougher climate targets, reductions in methane emissions and a pledge to end deforestation.

While the summit failed to be the turning point that many had hoped for, for the financial sector and the industries we invest in, it was a watershed moment. The financial sector has both the capital and incentive to enable real change and through the Net Zero Asset Managers Initiative (which Kempen joined in December 2020) and the Glasgow Financial Alliance for Net Zero, there was a headline pledge of $130 trillion of assets committed to reaching net zero by 2050 and fund a just transition.

What's certain is that increased accountability in sustainable investment is here to stay. There were new influential bodies announced in 2021, such as the International Sustainability Standards Board (ISSB), and regulations such as the EU Sustainable Finance Disclosure Regulation (SFDR) which became effective in March 2021 and the EU Taxonomy Regulation that applies from January 2022. Beyond the regulatory agenda, the progressive shift of sustainability issues into the mainstream and increased attention on good practice means all systems in finance need to improve, or risk losing both competitive advantage and public confidence.

As we orbited these three elements, we worked with our clients to advance our sustainable investment and stewardship activities at Kempen. The following sections will explain how we responded to these elements: how we expanded our ambition, how we delivered against our commitments, and what we do to hold ourselves accountable. We'll then have a glance ahead to what's in store for 2022.

Accelerating ambition

Wealth is no longer just about financial assets, but includes the collective values, norms and wisdom of society, and how we use them for good. It means combined wealth creation is no longer the preserve of the few, but a necessity for all.

THE FIFTH A

As sustainable wealth managers offering growth opportunities, we know we need to respond to social, economic and environmental shifts, as well as evolving client needs. With this in mind, the four ambitions of Van Lanschot Kempen, which includes our private banking arm, were joined by a new ambition, a fifth 'A', to underline our commitment to sustainability.

In early 2021, Van Lanschot Kempen adopted sustainability as a strategic ambition group-wide. Since we made this move, we've already seen a huge demand from our private banking clients for more sustainable and impact investment, moving money from regular investment solutions to sustainable solutions such as the Sustainable+ (Duurzaam+ in Dutch) proposition, and our award-winning Global Impact Pool.

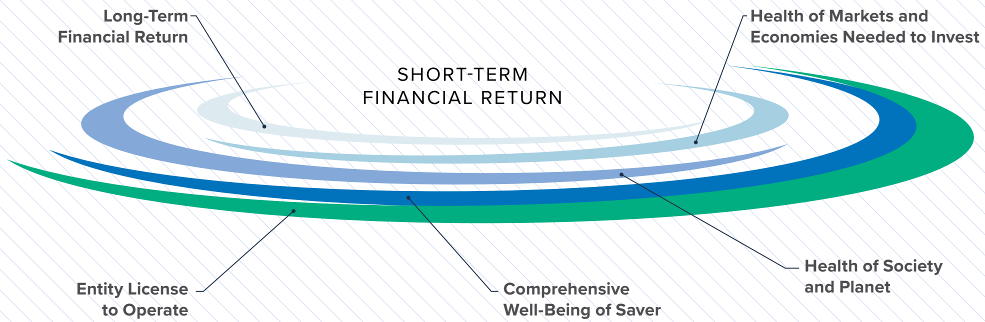
In considering how our investments impacts wider society and the planet, we draw on an analogy from the Kempen-supported initiative FCLTGlobal, which likens sustainable investment to a rippling pond. The concentric ripples express an interdependency, and drive home that creating value means benefitting not just bottom lines, but all stakeholders in society by creating a positive ripple effect.

Van Lanschot Kempen is a specialist, independent wealth manager dedicated to preserve and create wealth, in a sustainable way, for our clients and the society we serve.

Van Lanschot Kempen purpose statement

VAN LANSCHOT KEMPEN

FIGURE 10 THE 'WHY' OF SUSTAINABLE INVESTMENT.



Source: FCLTGlobal

With this Fifth A, in all of our different roles – investor, service provider, lender, employer and purchaser – we set concrete and measurable targets so we can make a meaningful contribution to wealth creation, for people and planet. Our three priority themes are Energy transition & biodiversity, Smart & circular economy and Living better for longer. This involves cultivating and nourishing close relationships and a deep-rooted trust with our clients. It also plays into our Real Active approach, which again this year has enabled us to act as long-term engaged shareholders of our investee companies.

Putting the biodiversity crisis on the same footing as climate

Sustainable investing naturally tilted towards the 'E' this year due to mainstream attention focused on the environment. In our work to make sustainable investment the new normal, we've elevated biodiversity issues into our decision-making. Other areas of natural capital have been a critically underemphasised area up to now.

According to the UN, biodiversity loss is accelerating and threatens to make around one million animal and plant species extinct. Yet biodiversity is a crucial defence in tackling the wider environmental crisis, due to the high potential of carbon dioxide removal by our natural capital.

The UK Dasgupta Report in February 2021 pointed out that *"balance sheets should not just include what a government or business can gain by exploiting nature. They should also include what they will lose."* Correspondingly, as responsible and sustainable investors, we have taken steps this year to integrate the biodiversity challenges into our decision-making.

With our latest Group-wide Biodiversity Policy, published in 2021, we elevate 'natural capital' and recognise that we must reduce the possible negative impacts of our investments on nature. We are also working with partners, including joining the Partnership for Biodiversity Accounting Financials (PBAF) and signing the Finance for Biodiversity Pledge, committing to set concrete targets by 2024.

In a rapidly changing world, our ambition is already translating into good investment practices with the potential to boost the resilience of our portfolios whilst better protecting our fragile ecosystems.

Action: portfolios with purpose

The five levels of the Sustainability spectrum are:

1.

Bare minimum

The solution offered to the client meets legal requirements but there is no proactive consideration of ESG factors beyond this.

2.

Basic

The investment takes minimal steps to go beyond compliance in order to avoid reputational risks.

3.

Responsible

In this approach, the client is an active owner with a clear climate and stewardship policy in place, and the investments take ESG factors into consideration with some balance between risk, return, cost and sustainability. ESG integration is not a primary driver of decision-making but clients invest sustainably and avoid harm. Active ownership approach including engagement and own voting policy is actively encouraged.

4.

Sustainable

In this level client's intention is to benefit stakeholders. The goal is to build a sustainable portfolio for the client. The investment applies an inclusion or a best in class approach with sustainability ambition translated into policy, implementation and reporting. Climate related ambitions are set. Higher thresholds of exclusion in areas such as animal welfare, labour and human rights, and environmental harm are applied. Active ownership including a strong engagement and ambitious voting policy is expected.

5.

Impact

In this level clients' intention is to contribute to solutions to global sustainability challenges such as the Sustainable Development Goals. The investments drive positive real world outcomes on clients' behalf. This tends to be in the form of a thematic or SDG-aligned investment approach, and investee companies are expected to derive a certain proportion of revenues from sustainability solutions.

In a fast-changing world with a closing window of opportunity to prevent irreversible environmental damage, we've made strides in constructing positive impact portfolios.

We have not just strengthened our sustainability ambitions and policies in 2021, we have also made sure our commitments filtered through to our client solutions, products and portfolios. Our four-pillar approach to responsible and sustainable investment is explained in the figure.

Take the Kempen SDG Farmland Fund, for example, which invests in agricultural projects offering attractive returns and contributing to sustainable food production. Concrete KPIs were being set in 2021 to enable institutional investors to contribute directly to SDGs linked to biodiversity and climate concerns over time.

We've also worked with clients to develop bespoke sustainability indices across asset classes and with thematic tilts based on client preferences. These indexes look to reward clients if they hit certain KPIs relating to climate, biodiversity, and by demonstrating bold ambition to face the environmental crisis head on.

A three-year review of our Global Impact Pool this year showed how its investments since 2018 have helped over 350,000 underserved people access healthcare services annually, trained an average of 132,000 smallholders farmers per year, and accumulated avoided emissions equivalent to taking over 13,700 cars off the road for a year.

At Kempen, we organise our responsible investment efforts across four pillars:

- **EXCLUSION AND AVOIDANCE** – Those companies we don't invest in
- **ESG INTEGRATION** – Ensuring sustainability risks and opportunities are adequately considered in our investment analysis and processes
- **ACTIVE OWNERSHIP** – Being responsible stewards of our clients' capital and using our influence to improve corporate behaviour on specific ESG issues
- **POSITIVE IMPACT** – Investing with an objective to achieve positive real world outcomes and impact

Embracing regulation

The EU Sustainable Finance Disclosure Regulation (SFDR), which is to be mirrored in the UK, came into force on 10 March 2021 with the aim to encourage better transparency on sustainability risk. The regulatory requirements and transparency rules are complex but are designed to nudge managers and advisors towards the sustainable new normal so we have been active supporters of its implementation. The introduction of our Sustainability Spectrum across all parts of our Group in the last two years has already laid the foundations for our alignment with the SFDR. For example, the EU's use of 'principal adverse impacts', that is, activities that do harm and cause sustainability risk, largely matches the definitions and requirements for 'Level 3 - responsible' on our Spectrum. At Kempen we believe that to be sustainable, we must define sustainability. We have therefore also been vocal supporters of the EU Taxonomy which aims to provide agreed definitions across capital markets on what is 'green' or 'sustainable', and what is not and will be introduced in early 2022.

Despite best intentions, the EU Taxonomy in its current form is far from perfect and we are part of an ongoing debate about whether sectors like natural gas or agriculture should be badged as 'green', working with partners such as the Dutch Fund and Asset Management Association and Eumedion, the Dutch Corporate Governance Forum. Throughout 2021 we have been engaged to keep clients ahead of the debate both within Europe and beyond, including new influential bodies announced in 2021, such as the International Sustainability Standards Board (ISSB) at COP26.

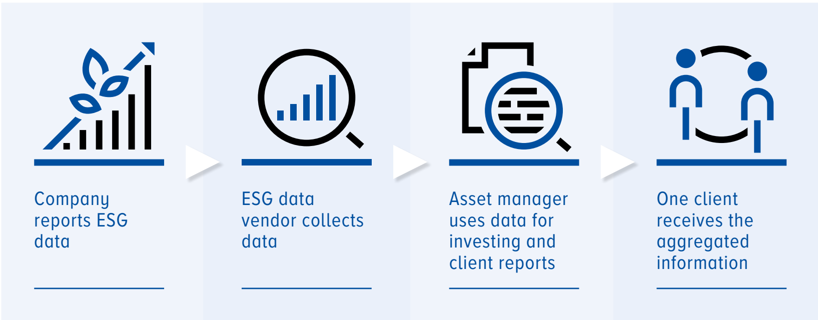
"We share the EU's ambition to drive a more defined and transparent sustainable finance sector. Kempen is determined to not only comply with the latest sustainability disclosure regulations but to show the way and engage with policymakers to improve standards where required."

Johan van der Lugt
Lead Expert, Sustainability Advisory

Data dilemmas

The rapid growth of sustainable investment has led to a boom in the provision of ESG data, with millions of data points from thousands of sources. Shouldn't this help both Kempen act on its ambitions, and also help our clients? The first visual shows how data could help us and our clients meet sustainability targets.

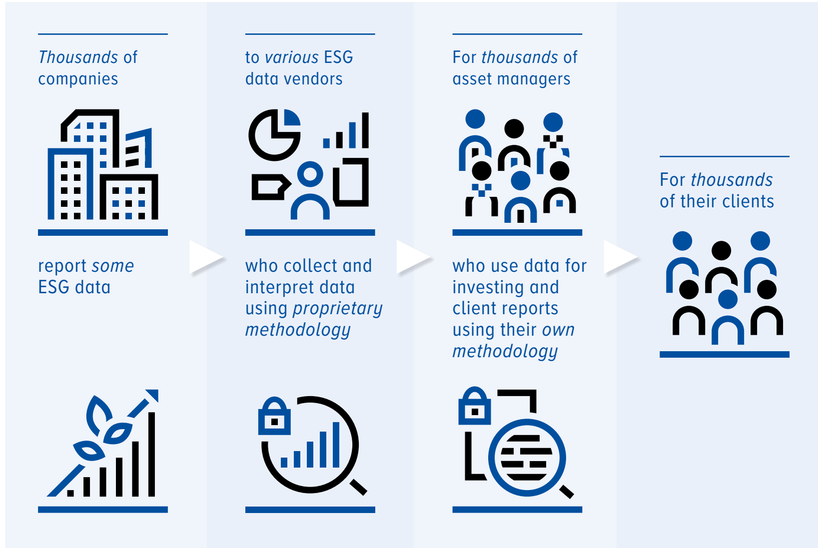
FIGURE 11 ESG DATA IN A PERFECT WORLD



Source: Kempen 2021

But this is not how it works in the real world. In fact, one of the biggest problems that we face is that investee companies report ESG data in different ways, and making sense of this becomes a major barrier to sustainable investment, as shown in the next image. This is what the ESG data arena really looks like and where being an active owner and thoughtful investor makes a difference.

FIGURE 12 ESG DATA IN THE REAL WORLD



Source: Kempen 2021

Across all asset classes, we are keenly aware of ESG data challenges, particularly as it enters our investment processes. In 2021, not only were we able to explain through our investment literature why this is a problem, but have presented some critical tools to overcome certain data issues.

Not every aspect of sustainability can easily be measured into simply comparable sets of numbers. We always recommend a combination of quantitative and fundamental analysis, or bottom-up investment skills, allied with an active management approach.

Cheniere Energy, a US exporter of liquefied natural gas (LNG) is a good example of this issue. At face value, the company is a big polluter, with estimated annual scope 3 emissions at over 40 million tonnes. At Kempen though, our data analysis showed that, through its exports, the company is helping the Chinese economy transition from coal to LNG, meaning it is helping reduce overall emissions globally. This kind of detailed, holistic analysis of ESG data is what has set us apart this year, and substantiates our positive sustainable investment trajectory.

2021 saw the development of the Kempen ESG score which we have started rolling out for the Kempen listed funds. The proprietary score builds on external data providers, with a layer of own assessment and a particular focus on climate and governance issues.

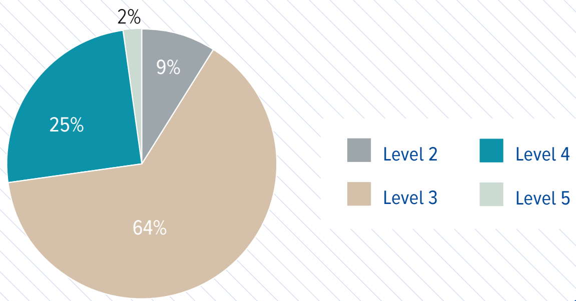
Embedding ESG into manager selection

Our proprietary manager scoring framework has evolved over the last two years, with fund manager products classified according to our Sustainability Spectrum. It means that we can cut through the greenwash and ensure that all managers we work with are applying a best-in-class approach to sustainable investment, and delivering real-world outcomes. For more detail, see our article for PRI here.

In 2021 we have worked assiduously to ensure all parts of the Group, from private equity to private banking, using the Sustainability Spectrum to score external managers or define client sustainability preferences. As part of this exercise, the Manager Research Solutions team mapped the vast majority of the managers we work with, to define where their products are positioned on the Spectrum. In our manager scoring process we make a distinction between the listed and non-listed / alternative investment funds. The manager scoring methodology is aligned on the pillars across asset classes but the exact scoring elements vary per asset class.

We assessed over 387 listed funds in 2021, representing around 57% of our total assets under management, and their ESG scores ranged between levels 2 and 5 on sustainability. The scope of this scoring has been significantly expanded upon, from about 26% in 2020. As a percentage of the covered assets under management, 9% of the funds scored ‘Basic’ (score 2); 64% scored ‘Responsible’ (score 3), 25% scored ‘Sustainable’ (score 4) and 2% scored ‘Impact’ (score 5). During 2021, both the coverage as well as the percentage of our assets that can be classified as sustainable and impact has grown materially (amounting to 27%). For the next few years we have formulated a new KPI and want to grow this with 5%-points annually.
In 2021, the percentage of fund managers on the approved list that met our criteria for responsible, sustainable and impact was 76%.

FIGURE 13 SUSTAINABILITY SCORES OF EXTERNAL MANAGERS



Source: Kempen 2021

Scoring the funds of funds

In 2021, we have continued to assess funds in private and alternative asset classes (our Kempen Pool solutions) and have done so according to the more stringent external manager scoring system. In 2021, 77 funds have been assessed on sustainability, of which 19 % scored Basic; 34 % scored Responsible; 35 % scored Sustainable; and 6 % scored Impact. In the Global Impact Pool all funds score 5 (Impact), the Private Markets funds scored mainly 3 (Responsible) and 4 (Sustainable) and the majority of Alternative Strategies funds were assessed with a score of 2 or 3 (Basic or Responsible). Hedge fund managers are now scored according to the same sustainability criteria as long-only managers, which explains why the score is on average lower than last year.

TABLE 4 SUSTAINABILITY SCORES OF KEMPEN POOL SOLUTIONS

SUSTAINABILITY SPECTRUM SCORE	*1*	*2*	*3*	*4*	*5*	*TOTAL*
× Global Impact Pool	0	0	0	0	100%	**100%**
× Private Markets	0	0	30%	70%	0	**100%**
× Alternative Strategies	3%	47%	47%	3%	0%	**100%**

Source: Kempen 2021

Beyond engaging with investee companies, we also engage with external managers including fixed income and equity managers, hedge funds, and private equity managers on their ESG commitments and performance. In 2021 we proactively engaged with 72 managers which can be broken down to 47 listed external managers through our manager selection team, 2 non-listed Real Estate managers, all 8 managers in in the Global Impact Pool, and 15 managers for alternative strategies.

In 2021 we also continued to evolve the way we evaluate external managers on ESG performance, to ensure they meet our clients' sustainability requirements.

Our Manager Research Solutions team also participates in the PRI Hedge Fund Advisory Committee and has contributed to the Shorting & Responsible Investment publication, which explains that shorting can be used as an alternative to screening and it offers an engagement opportunity with companies to incentivize them to improve their business conduct.

Climate data and additional sustainability disclosures per fund

For each Kempen core strategy fund, we have a fund sustainability policy in place, a quarterly fund factsheet and related engagement factsheets and significant votes. In the past we've presented in our Stewardship report a table showing the total emissions and emissions intensity of listed Kempen funds. Our fund-specific factsheets contain detailed information on both the total emissions and emissions intensity of Listed Kempen funds, together with a number of other sustainability-related disclosure items. You can access the engagement factsheets and other relevant documents in this overview table through the hyperlinks.

TABLE 5 FUND POLICIES, FACTSHEETS, ENGAGEMENTS AND VOTES

STRATEGY SUSTAINABILITY POLICY	*FUND FACTSHEET (INCLUDING ESG AND CARBON DATA)*	*2021 ENGAGEMENT FACTSHEETS*	*2021 EXAMPLES OF SIGNIFICANT VOTES* **APPENDIX I**	*ALL VOTES*
Kempen European High Dividend Sustainability Policy	Kempen European High Dividend Factsheet	× BMW, Shell	ING Group, BP, Equinor, Shell	All votes, please filter by date, fund or company to view a particular vote
Kempen Global High Dividend Sustainability Policy	Kempen Global High Dividend Factsheet	× Atlas Corp, MTN	Gilead Sciences, Merck, Samsung Electronics , AvalonBay Communities, Sumitomo Mitsui Financial Group	
Kempen Sustainable Global High Dividend Sustainability Policy	Kempen Sustainable Global High Dividend Factsheet	× H&M – OECD RBC engagement	Merck	
Kempen (Lux) Global Listed Infrastructure Sustainability Policy	Kempen (Lux) Global Listed Infrastructure Factsheet	× Malaysia Airports × National Grid × Vinci	Atlantia, Eiffage	
Kempen (Lux) Global Small-cap Sustainability Policy	Kempen (Lux) Global Small-cap Factsheet	× Vesuvius × Befesa × Cabot Corporation	Delek, First Solar, Fujitec, Brunswick Corp.	
Kempen (Lux) Sustainable European Small-cap Sustainability Policy	Kempen (Lux) Sustainable European Small-cap Factsheet	× Befesa × Vesuvius × Signify	Euronext, Fabege	
Kempen Orange Fund N.V. Sustainability Policy	Kempen Orange Fund N.V. Factsheet	× Intertrust	Aalberts, Heijmans, Flow Traders, Fugro	
Kempen Oranje Participaties N.V. Sustainability Policy	Kempen Oranje Participaties N.V. Factsheet	× Coats	For Farmers	
Kempen Global Property Fund Sustainability Policy	Kempen (Lux) Global Property Fund Factsheet	× Allied Properties REIT × Realty Income × Mitsui Fudosan	Merlin Properties, NSI NV, Digital Realty Trust	
Kempen European Property Fund N.V. Sustainability Policy	Kempen European Property Fund N.V. Factsheet	× Castellum	Big Yellow Group, Febege	

STRATEGY SUSTAINABILITY POLICY	*FUND FACTSHEET (INCLUDING ESG AND CARBON DATA)*	*2021 ENGAGEMENT FACTSHEETS*	*2021 EXAMPLES OF SIGNIFICANT VOTES* **APPENDIX I**	*ALL VOTES*
Kempen European Sustainable Equity Fund Sustainability Policy	Kempen European Sustainable Equity Fund Factsheet	× Siemens Healthineers × Belimo	Essilor Luxottica, London Stock Exchange Group, NN Group	All votes, please filter by date, fund or company to view a particular vote
Kempen Global Sustainable Equity Fund Sustainability Policy	Kempen Global Sustainable Equity Fund Factsheet	× Alphabet	Alphabet Booking.com Mastercard, Microsoft, TSMC and Valeo	
Kempen (Lux) Euro Credit Fund Sustainability Policy	Kempen (Lux) Euro Credit Fund Factsheet	× CK Infrastructure	N/A	
Kempen (Lux) Euro Credit Fund Plus Sustainability Policy	Kempen (Lux) Euro Credit Fund Plus Factsheet	× Wells Fargo × CEZ	N/A	
Kempen (Lux) Euro High Yield Fund Sustainability Policy	Kempen (Lux) Euro High Yield Fund Factsheet	× VW	N/A	
Kempen (Lux) Euro Sustainable Credit Fund Sustainability Policy	Kempen (Lux) Euro Sustainable Credit Fund Factsheet	× Total Energies	N/A	

Source: Kempen 2021

Regarding the overall result on carbon footprint emissions (AUM analysed, financed carbon emissions, carbon emissions per EUR million invested and Weighted Average Carbon Intensity), the most up to date disclosures are included in the Van Lanschot Kempen Annual Report in the Natural Capital chapter and the Sustainability Supplement.

Similarly, the SDG alignment disclosure, which we have made a head start with in last year's report, are included in the most recent Van Lanschot Kempen Annual report, under the Social Capital and Natural Capital chapters.

Active ownership

As an active owner, we assess the individual activities of high-risk companies through engagement. With specific focus areas for engagements, ranging from board make-up to biodiversity, we lean in to facilitate effective behaviour change in laggard companies.

Kempen has been practising sustainable investment strategies for decades, and in 2021 we sought to share our experiences and expertise. Why now? It is clear that we are facing a climate emergency, and that short-term profit is outweighed by a shared goal, which is to mitigate the catastrophic effects of breakdown. Our Real Assets team published a handbook on collaboration, to offer a 'short cut' to peers so we can work effectively together.

Alongside the focus on climate action and biodiversity, we have been engaging with companies on social issues. Two noteworthy examples are our engagements with Coats and Vinci. Our engagement with Coats has encouraged the apparel company to ensure it is paying a fair living wage to all employees in the markets they operate in. By engaging French infrastructure company Vinci, we've sought to continuously improve operational processes and conditions to prevent labour rights violations in their supply chain in Qatar, by working with NGOs, labour federations and ratings agencies.

Meanwhile, in October our Sustainable Equity team also published a white paper, emphasising the material risks of climate change is having on global markets. It details an investment approach which rewards companies with an acceptable and well-managed direct carbon exposure, and demonstrates how the portfolio can be less than 50% of the intensity of the MSCI World benchmark. The team highlights their engagement with Belimo to demonstrate this.

As a group, this year we engaged directly with 132 companies. This represents 47% of the companies we invest in within our listed equity strategies. To read more about our engagements in 2021, please read the Our engagements section of the report.

In addition to voting for holdings in our core strategies, we have a growing number of mandate clients who also ask us to vote on their behalf, applying our voting policy and giving a quarterly update on our voting decisions. We welcome this development as it fully aligns with our active ownership beliefs.

Closing the ambition gap, from Scoring to Stewardship

There were a number of other initiatives we drove in 2021 which enabled us to accelerated ambition. This section outlines an assortment of these.

Kempen is a long-standing partner of FCLTGlobal (Focusing Capital on the Long Term). In 2021, we actively participated in the FCLT working group communicating climate strategy as well as in another focused on multi-stakeholder capitalism. We assessed that while climate disclosure frameworks trigger climate-related reporting by companies, the information is often not connected to issuers' long-term strategies. We are helping deploy long-term roadmaps and investor dialogue to address this issue.

In 2021, we reported for the first time on the SDG alignment of four of our Kempen funds on both their social and environmental merits. This means that funds such as our Global Sustainable Equity Fund considers the percentage of revenue a company contributes to individual SDGs, both in terms of operations and products and services. This year's SDG alignment is included in the Van Lanschot Kempen Annual report under the Social and Natural Capital chapters.

Our institutional and fiduciary clients also ask us to report on the alignment of their portfolios with their priority themes. We report on this using the ISS SDG Solutions Assessment approach, customised to our clients' needs.

From a governance perspective, we find it very important that companies focus on gender and broader diversity. We tend to vote against directors whose tenure exceeds 12 years, or who we deem based on our scoring system 'overboarded.' We strongly believe that directors serving on an excessive number of boards, or have (Committee) Chair or Executive Director role, need to limit the number of additional board positions to make sure they have sufficient time and capacity to deliver good results in each of their board roles. We have a similar system in place for auditor assessment. We proactively assess every Shareholder Proposal and engage with companies on governance issues and our voting intentions.

We continue to provide input to policymakers on sustainable finance both directly and through industry associations, such as the PRI SDG Advisory Group, EFRAG Expert Reviewer Panel, DUFAS Board, Eumedion Board and co-chairing the ICGN Global Corporate Governance Committee.

Advancing accountability

Back in house, we're also doing our bit to show that we're walking the walk, as well as talking the talk. We enhanced our reporting through Monthly Fund Factsheets, listed in the Fund policies, factsheets, engagements and votes table in the Portfolios with purpose section of this report. For example, our Global Small-cap Fund allows investors a hand in smaller listed companies, following a disciplined end-to-end framework utilising our proprietary in-house stock filters plus high-conviction investment ideas, and delivered 53.1% returns over the year. The new fund factsheets offer a clear overview of our funds' financial and sustainability performance.

Meanwhile, we won a number of awards for our work, including Environmental Finance's IMPACT Award for our Global Impact Pool, a multi-asset impact fund focused around four themes and five Sustainable Development Goals; Basic needs and well-being (SDG 3 and SDG 6), Climate & energy transition (SDG 7), SME Growth and decent work (SDG 8) and Circular economy (SDG 12) across both emerging and developed markets.

For the third year in a row, our UK arm won the Fiduciary Manager of the Year award at Financial News' 20th annual Asset Management Awards Europe. Our proactive, tailored investment approach won us a number of fiduciary mandates and demonstrated our high level of client service.

In Switzerland, the Kempen (Lux) Euro Sustainable Credit Fund was awarded the Best Corporate Bonds fund at the Swiss Sustainable Fund Award 2021 (SSFA), and in Belgium, our Euro Credit Fund Plus won the Best Fund award in the Euro Corporate Bonds category in the annual Fund Awards for the seventh year in a row.

Our 2020 Stewardship and Sustainable Investing report won the Pensions for Purpose Content Award 2021 in the Best ESG / Sustainable Investment Report category:

Though our focus is always forward-looking, recognition of our teams' work is always welcome and demonstrates that we are on the right path when it comes to sustainable investment in our changing world. So where do we go from here?

Looking ahead

Sustainable investment in 2022 and beyond

With COP26 fresh in our memories, many stakeholders and market influencers in the financial sector have made substantial promises around the effect of their activities on climate and biodiversity. The conference was expected to deliver significant pledges to limit global warming but, with a lack of agreement about what this means in practice, COP27 in November 2022 will "revisit and strengthen" targets set during COP26. It is not unreasonable to expect that key focal points in next years' strategies across our holding companies will zoom in on environmental impacts.

We will respond to this throughout the year by sharpening our annualised carbon footprint reduction KPIs as we continue to develop portfolios with purpose and engage with investees and external managers on the issue. Moreover, we will increasingly be setting KPIs on biodiversity, and advancing the smart and circular economy as a key investment theme, as well as the theme of living better for longer.

Meanwhile we will continue to work with clients on other sustainability-related KPIs throughout the process, from investment to engagement. As our ambition accelerates, we'll continue to measure both financial returns as well as those themes which are on the sustainability agenda for our clients.

In short, we see Ambition, Action and Accountability as closely weaved together. As the world changes around us, we must hold fast to these and continue our leadership in the world of sustainable investment.

Appendices

APPENDIX I

Significant Votes

COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME/RATIONALE
Aalberts NV	Governance	Approve Remuneration Report	For	Against	We voted against on two points, namely, lack of (retrospective) disclosure regarding the level of achievement on short-term incentive objectives, and absence of sufficient and adequate responsiveness to last year's AGM vote (21 percent dissent) on remuneration report (due to deviation of reporting requirements stemming from Shareholder Rights Directive II).
Alphabet Inc.	Social	Require Independent Director Nominee with Human and/or Civil Rights Experience	Against	For	We supported a number of shareholder proposals at the Alphabet AGM. We co-filed a shareholder proposal requesting a human rights risk oversight committee last year. We don't necessarily think this needs to be implemented with a specific board member. Also, we think the company made some progress in addressing the topic. We support this year's proposal to stress the topic is still important for us and encourage the company to enter into a public discussion on the topic.
Alphabet Inc.	Governance	Elect Director L. John Doerr, K. Ram Shriram and Robin L. Washington	For	Against	We voted against Compensation Committee members L. John (John) Doerr, Robin Washington, and K. Ram Shriram due to poor stewardship of the company's pay programs as evidenced by recurring and significant executive compensation concerns. Also, John Derr and Ram Shriram are non-executives whose tenure on the board is equal to 12 years or more (i.e. 22 years).
Alphabet Inc.	Governance	Approve Omnibus Stock Plan	For	Against	Using the Equity Plan Scorecard (EPSC), we voted against due to the following key factors: Both the plan cost and three-year average burn rate are excessive. The disclosure of change-in-control ("CIC") vesting treatment is incomplete (or is otherwise considered discretionary). The plan permits liberal recycling of shares and allows for broad discretion to accelerate vesting.
Atlantia SpA	Governance	Approve Second Section of the Remuneration Report	For	Against	We voted against due to the inappropriate termination benefits granted to former GM Guenzi and the lack of clear, ex-post 2020 severance payment information.
AvalonBay Communities, Inc.	Governance	Elect Director Ronald L. Havner, Jr.	For	Against	We voted against as the nominee is overboarded in our view.
Big Yellow Group Plc	Governance	Re-elect Nicholas Vetch as Director	For	Against	We voted against as the nominee is the Chairman of the board, an executive, and has a tenure exceeding 9 years (i.e. 21 years).

COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME/RATIONALE
Booking Holdings Inc.	Environment	Report on Annual Climate Transition	Against	For	We voted for this proposal, as the company's climate transition plan would allow shareholders to better assess the climate change risk management practices of the company.
Booking Holdings Inc.	Environment	Annual Investor Advisory Vote on Climate Plan	Against	For	We voted for this proposal, as an annual advisory vote on the company's climate policies and strategies would allow shareholders to express their opinions on the climate risk management practices of the company.
Booking Holdings Inc.	Governance	Elect Director Bob van Dijk	For	Withhold	We withheld our support as the nominee is significantly overboarded in our view.
Booking Holdings Inc.	Governance	Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against	Initially, the company announced to waive bonuses in 2020, which we think is a normal action as the company received government support and had to lay off employees. However, the board decided to overturn the decision and declared short term bonuses and reset targets/method for the long-term incentive plan. We do not agree on either.
BP Plc	Environment	Approve Shareholder Resolution on Climate Change Targets	Against	For	We supported this resolution. BP has made good steps last year, with their ambition to become net zero by 2050, incl. scope 3 (sell of products). The company has open points in relation to the resolution (also visible in the CA100+ Net Zero Benchmark). Scope 3 is included in the aims and targets, although the coverage does not seem to be complete (50 percent reduction by 2050 instead of 100 percent). Changes to its aims and targets are doable, as they will build off of existing ones.
BP Plc	Governance	Approve Remuneration Report	For	Against	We voted against as the remuneration report shows a high level of concern on the pay-for-performance alignment.
Brunswick Corporation	Governance	Elect Director Nancy E. Cooper	For	Against	We voted against as the nominee is overboarded in our view. Since the AGM, she has stepped down from a board position and is no longer 'overboarded'.
Citigroup Inc.	Social	Report on Lobbying Payments and Policy	Against	For	We voted for the proposal as a report on the congruency of the company's public position with its political partners' lobbying positions would provide shareholders needed information about reputational risks that may arise from publicity around perceived inconsistencies.

COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME/RATIONALE
Citigroup Inc.	Social	Report on Racial Equity Audit	Against	For	We voted for this proposal, as shareholders could benefit from the racial equity audit by allowing them to compare and measure progress on the company's diversity and inclusion initiatives.
CNH Industrial NV	Governance	Approve Remuneration Report	For	Against	We voted against the excessive one-time lump sum award that compensates for the short term incentive for 2020 award as it is without further information. We do acknowledge that the remuneration report is in line with market practice regarding disclosure. Company also provided clear disclosure on the applicable targets during the 2020 performance year and forward-looking targets for the 2021 short-term incentive plan.
Delek	Governance	Dissident Proxy (Gold Proxy Card)	Against	Do Not Vote	We did not vote the Gold Proxy Card as we have more conviction in the current strategic direction as set out by Delek's current management and board. We consider several of CVR's proposals to be short-term oriented and not what we think would be in the best interest of shareholders. Furthermore, we recognize there is a potential conflict of interest, and certain proposals would benefit CVR shareholders, arguably to the detriment of Delek shareholders.
Dexus	Governance	Approve Remuneration Report	For	Against	We voted against due to a misalignment of pay, performance and shareholder outcomes and certain problematic pay practices in connection with the grant of retention rights to executives (including the CEO) which are inconsistent with shareholder interests and outcomes. Bonuses are materially higher than in the prior year and at maximum. The retention rights granted to the non-CEO executives are subject to employment and time-based vesting, with no performance conditions. The CEO's retention rights are subject to non-financial performance measures with unclear performance hurdles, raising concerns for increased certainty of vesting and misalignment of board discretion with shareholder outcomes.
Digital Realty Trust, Inc.	Governance	Elect Director Laurence A. Chapman	For	Against	We voted against Laurence Chapman, Mary Hogan Preusse, William LaPerch and Mark Patterson due to a material governance failure. The company's governing documents restrict shareholder's ability to amend the company bylaws.
Eiffage SA	Governance	Approve Remuneration Policy of Chairman and CEO	For	Against	We voted against the remuneration policy as the company does not maintain a clawback mechanism.

COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME/RATIONALE
Equinor ASA	Environment	Instruct Company to Set Short, Medium, and Long-Term Targets for Greenhouse Gas (GHG) Emissions of the Companys Operations and the Use of Energy Products	Against	For	We supported the resolution filed by Follow This. Equinor published its expected capex (>50%) related to renewable and low carbon activities by 2030. We welcome this. However, it's not clear if the capex will be in line with its intermediate and Paris Agreement goals. We encourage Equinor to enhance its disclosures to be more clear - and ambitious if needed - on how its capex relate to its targets.
EssilorLuxottica SA	Governance	Reelect Leonardo Del Vecchio as Director	For	Against	We voted against as the board member's tenure significantly exceeds our limit of 12 years (i.e. 59 years). The nominee is the board chairman, and was the former CEO until December 2020. Hence, the cooling-off period has not passed yet. Also, the policy on committees' independence could not be applied as the company does not disclose future composition of the Audit, Nomination and Remuneration Committee.
Euronav NV	Governance	Approve Remuneration Policy	For	Against	We voted against as policy is not clear on how at-target performance is rewarded. For example, max. award levels are disclosed, but awarding additional bonuses of up to 100 percent of the base salary is possible. Relative TSR (total shareholder return) measure not accompanied by adequate disclosure. Investors generally expect further disclosure on this metric to assure the rigor and stretch of target setting. Although we recognize the company operates in a cyclical industry, the long-term incentive plan appears rather three one-year incentive plans (measuring annual performance) instead of a 3-year rolling period.
Euronext NV	Governance	Approve Remuneration Report	For	Against	We voted against as the board will grant an additional share award to the CEO in connection with the acquisition of Borsa Italiana, which transaction was not closed at the time of the vote. One-off discretionary awards are generally viewed negatively. The company has not demonstrated that the pay package without this additional award is unacceptable or unfair, or how this award is in the long-term sustainable interest of the company and to assure its viability as per legal requirements. The long-term incentive disclosure is lagging as the company does not disclose achievement and payout of the latest performance cycle (2018-2020) which is in deviation of market practice.
Fabege AB	Governance	Reelect Mats Qviberg as Director	For	Against	We voted against as the nominee is a non-independent director (reclassified due to excessive tenure) and the board is less than 50 percent independent. The nominee is also overboarded in our view.

COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME/RATIONALE
Fabege AB	Governance	Elect Stina Lindh Hok as New Director	For	Against	We voted against the proposal as the nominee is a non-independent director and the board is less than 50 percent independent.
Fabege AB	Governance	Approve Remuneration Report	For	Against	We voted against the proposal as the proposed remuneration report is below par in relation to market standards, particularly with regard to disclosure of performance metrics attached to the major part of variable remuneration.
First Solar, Inc.	Social	Report on Board Diversity	Against	For	We voted for this resolution because the company's board nomination criteria do not specifically ensure that director candidate pools include diverse candidates. This is of heightened concern given that the board currently has no racially or ethnically diverse directors.
Flow Traders NV	Governance	Approve Remuneration Report	For	Against	The 2020 remuneration report lacks details on how management members have performed against their KPI's, the weight of individual KPI's and the relation between the performance and the actual variable compensation package.
ForFarmers NV	Governance	Approve Remuneration Report	For	Against	We voted against the proposal as the delivered performance in our view did not warrant incentive awards. In our view, handover activities from one CFO to the next are covered by base pay and do not require additional incentive pay. Furthermore, the M&A track record of the company at the time did not support incentive awards either.
Fugro NV	Governance	Approve Remuneration Report	For	Against	We voted against the proposal as the company paid a sizeable reward for the short-term incentive component despite reducing the company's workforce by approximately 10 percent, receiving EUR 14.9 million in government support and various capital increases with support of investors.
Fujitec Co., Ltd.	Governance	Elect Director Okada, Takao; Asano, Takashi; Tsuchihata, Masashi; Sugita, Nobuki; Yamazoe, Shigeru; Endo, Kunio; Yamahira, Keiko; Uchiyama, Takakazu	For	Against	We voted against the directors because of insufficient progress on engagement topics to improve on corporate governance and capital allocation.
Gilead Sciences, Inc.	Governance	Elect Director Harish Manwani	For	Against	We voted against the director as we deemed him overboarded.

COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME/RATIONALE
Heijmans NV	Governance	Authorize Board to Exclude Preemptive Rights from Share Issuances	For	Against	We voted against this proposal as it is not in line with commonly used safeguards regarding volume (i.e. the management board would be able to issue share up to 20 percent of the issued share capital).
ING Groep NV	Governance	Approve Increase Maximum Ratio Between Fixed and Variable Components of Remuneration	For	Against	We voted against the proposal as the variable remuneration is capped at more than 100 percent of the fixed salary. We took note of the fact that the total number of staff that may be awarded more than 100 percent variable remuneration (but no more than 200 percent) will constitute no more than 1 percent of ING staff working outside the European Economic Area in a performance year. Increased percentage of variable remuneration will not limit the ability of ING to strengthen its capital base.
LG Corp.	Governance	Approve Spin-Off Agreement	For	Against	We voted against the proposed spin-off, as the proposed transaction lacks a compelling business justification, does not address the most pressing issues related to capital management or the enormous discount to the net asset value at which shares of the parent company trade.
London Stock Exchange Group Plc	Governance	Approve Remuneration Report	For	Abstain	We appreciate the company's growth and management complexity, but would like to see a phasing of the salary increase and whether the acquisition of Refinitiv works out as the CEO has presented (in 2021).
Mastercard Incorporated	Governance	Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against	We voted against this proposal given significant concerns regarding COVID-related compensation adjustments. Performance goals were adjusted for the annual incentive and the 2018 closing-cycle performance shares. Both awards would have been originally earned below target, but the modifications resulted in target payouts. Although some investors have expressed a degree of flexibility regarding adjustments to short-term awards, adjustments to closing-cycle equity awards are not viewed as an appropriate reaction to COVID-related disruptions.
Merck & Co., Inc.	Social	Report on Access to COVID-19 Products	Against	For	We voted for this proposal, as reporting on whether and how public funding would impact the company's pricing and access plans would allow shareholders to better assess the company's management of related risks if its treatments get approved.

COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME/RATIONALE
MERLIN Properties SOCIMI SA	Governance	Authorize Company to Call EGM with 15 Days' Notice	For	Against	Kempen votes against proposals to call an EGM with a notice period of 15 days.
Microsoft Corporation	Social	Report on Gender/Racial Pay Gap	Against	For	We voted for this proposal, as shareholders could benefit from the median pay gap statistics, allowing them to compare and measure the progress of the company's diversity and inclusion initiatives.
Microsoft Corporation	Social	Report on Effectiveness of Workplace Sexual Harassment Policies	Against	For	We voted for the proposal as the company faces potential controversies related to workplace sexual harassment and gender discrimination. Additional information on the effectiveness and implementation of these policies would help shareholders better assess how the company is addressing such risks.
Microsoft Corporation	Social	Report on Lobbying Activities Alignment with Company Policies	Against	For	We voted for the proposal as a report on the congruency of the company's public position with its political partners' lobbying positions would provide shareholders needed information about reputational risks that may arise from publicity around perceived inconsistencies.
NN Group NV	Governance	Approve Increase Maximum Ratio Between Fixed and Variable Components of Remuneration	For	Against	We voted against because the maximum ratio between the fixed and variable component of the annual remuneration exceeds 100 percent (i.e. 200 percent). We do recognize that that the cap is applied to a number of senior staff (working in the NN Investment Partners business outside the EEA, primarily in the US, Asia and the United Kingdom) and aims at attracting, motivating and retaining staff with competitive packages and there are no signs of excessiveness.
NSI NV	Governance	Approve Remuneration Report	For	Against	We voted against as there is no post-vesting holding requirements foreseen for the long-term incentive, under the proposed remuneration report, resulting in a period of less than 5 years for performance shares.
Orange SA	Governance	Approve Remuneration Policy of the Chairman and CEO	For	Against	We voted against the remuneration policy as the company does not maintain a clawback mechanism.
Orange SA	Governance	Authorize Board to Increase Capital	For	Against	Full proposal: Authorize Board to Increase Capital in the Event of Additional Demand Related to Delegation Submitted to Shareholder Vote Under Items 19-24 We voted against this item as the capital increase could be used during a takeover period. We voted against antitakeover mechanisms

COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME/RATIONALE
Power Corporation of Canada	Governance	Elect Director Siim A. Vanaselja	For	Withhold	We voted against as the nominee is overboarded in our view.
Royal Dutch Shell Plc	Environment	Approve the Shell Energy Transition Strategy and Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	For and Against	Abstain	We abstained given the following points. We acknowledge Shell's willingness to set short, mid and long-term targets and commitment to be a net zero emission energy company by 2050. However, we would like to see more clarity around 2030, including absolute emission disclosures, plans for scope 3 drivers, such as how to pivot from high to low carbon products and, finally, Shell's decarbonization strategy and its capex plan (incl. linkage of carbon framework to its carbon targets). As there is no method yet, we see that peers (BP and Equinor) have set upstream absolute targets. Clarity in relation to their reliance on CCS offsets and NBS, where it seems that the uncertainty is quite high as there is no market yet and high ambitions. Based on these considerations, we would signal that Shell has made good steps, important follow-up steps need to be taken, especially towards 2030.
Samsung Electronics Co., Ltd.	Governance	Elect Park Byung-gook, Kim Sun-uk, Kim Jeong as Outside Director	For	Against	We voted against incumbent directors Byung-gook Park, Jeong Kim, and Sun-uk Kim as they have failed collectively to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.
Sempra Energy	Social	Report on Corporate Climate Lobbying Aligned with Paris Agreement	For	For	We voted for the proposal as the company and its shareholders are likely to benefit from a review of how the company and its trade associations' lobbying positions align with Paris Agreement, especially in light of increasing risks to the company related to climate change.
Sumitomo Mitsui Financial Group, Inc.	Governance	Amend Articles to Allow Virtual Only Shareholder Meetings	For	Against	We voted against as Japanese companies are able to hold virtual meetings using temporary regulatory relief (without amending articles) for two years, but the passage of this proposal would authorize the company to hold virtual meetings permanently, without further need to consult shareholders, even after the current health crisis is resolved. The proposed language in the articles fails to specify situations under which virtual meetings will be held, raising concerns that meaningful exchange between the company and shareholders could be hindered, especially in controversial situations such as when shareholder proposals are submitted, a proxy fight is waged, or a corporate scandal occurs.

COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME/RATIONALE
Taiwan Semiconductor Manufacturing Co., Ltd.	Governance	Elect Mark Liu, with Shareholder No. 10758, as Non-independent Director	For	Withhold	We voted to withhold as the Chair is a former executive, and thus labelled 'non-independent'. We are very much in favour of an independent Chair, unless good arguments arise for a former CEO to Chair.
The Southern Company	Governance	Elect Director Thomas A. Fanning	For	Against	We voted against as the nominee serves as combined chair/CEO and the board has not appointed a lead independent director.
Total SE	Environment	Approve the Company's Sustainable Development and Energy Transition	For	Abstain	We recommend to vote to Abstain given the following points. We acknowledge that Total has taken considerable steps towards its net zero emissions commitment by 2050 by setting short, mid and long term goals and curating a detailed Energy Transition Plan. However, we would like to see more clarity around targets set for 2030 and 1.5C scenarios, the company's decarbonization strategy, and its capex plan (incl. linkage of carbon framework to its carbon targets). As there is no method yet, we see that peers (BP and Equinor) have set upstream absolute targets. Compared to Shell, Total is less far on its emission targets, but is more concrete on its product mix and renewables.
TripAdvisor, Inc.	Governance	Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against	We voted against the executive compensation package due to a number of reasons: The company does not maintain a clawback mechanism, the performance level of the STI metrics are not disclosed and the vesting schedules of the equity awards were modified from four years to two years.
Union Pacific Corporation	Environment	Annual Vote and Report on Climate Change	Against	Abstain	We voted to abstain at this time. We support better reporting on addressing climate risks - which would justify a vote FOR. However we find the deadline of 60 days too short for a thought out strategy. We do not want to stand in the way of/discourage good climate resolutions and agree with the principle, but not the deadline, hence being unwilling to vote FOR or AGAINST.
Valeo SA	Governance	Approve Remuneration Policy of Chairman and CEO	For	Against	We voted against the remuneration policy as the company does not maintain a clawback mechanism.
VINCI SA	Governance	Approve Remuneration Policy of Xavier Huillard, Chairman and CEO	For	Against	We voted against the remuneration policy as the company does not maintain a clawback mechanism.

APPENDIX II

OECD RBC related engagements

This table lists our most significant 2021 engagements on themes covered by the OECD Responsible Business Conduct (RBC) Guidelines. It covers engagements on both actual and potential adverse impacts, and how these are mitigated. The table does not provide an exhaustive list of all our engagement on OECD RBC related themes.

OECD RBC THEME	*COMPANY NAME*	*LOCATION*	*SECTOR*	*POTENTIAL / ACTUAL IMPACT*	*MILESTONE*	*ISSUE*	*ENGAGEMENT RESULTS*
SOCIAL ISSUES / HUMAN RIGHTS	**Abercrombie & Fitch Co.**	USA	Garment	Potential	3	Continued engagement with A&F on their approach to social issues and payment of living wages in their supply chain.	We engaged with the company on its approach to the payment of living wages. Since the beginning of our engagements, the company has included living wages in its supplier code of conduct. The company hired a SVP ESG responsible for leading the company's sustainability, community giving, and inclusion and diversity functions as the company looks to broaden these ongoing efforts and embed the ESG strategy into its business operations.
	Atlantia	Italy	Infrastructure	Actual	3	Atlantia is an Italian holding company active in the infrastructure sector, including motorways, airport infrastructure and transport services. In August 2018, the Genoa Morandi bridge collapsed along a toll way operated by Autostrade per L'Italia (Autostrade) - majority owned subsidiary of Atlantia - leading to 43 deaths. To remediate and prevent future issues, we engage with the company.	In the summer of 2020 the bridge has been finalised. Atlantia has a structural plan / program going forward to prevent future issues which can be measured and monitored. This plan / program is publicly disclosed. The company is dependent on the government. Negotiations between the government and the company are still in progress. Atlantia shows that the structural plan / program works (e.g. no material accident at least one year after plan). No material accidents by the company have occurred. The company has published a comprehensive 2021 - 2023 sustainability roadmap covering communities, climate change, governance and other material sustainability themes.
	VINCI SA	France	Construction	Actual	3	Vinci SA is an infrastructure company, also operating in Qatar, mainly on building roads and metros. While they are not directly building the stadiums on the 2022 FIFA world cup, they are involved with associated infrastructure. In 2018, Sherpa, a French NGO, filed a lawsuit due to harsh working conditions of migrant workers (modern slavery). We engaged with the company on its labour measures, with Amnesty International, Sherpa and BW Int to get the full picture on the concerns about Vinci's operations.	To create a full and thorough picture of the allegations in the Gulf, we spoke to all critical stakeholders, including Amnesty International, BWI (an industry-specific labour union federation), Sherpa ESG data provider (MSCI), and the company. Following our engagement with the ESG data provider in September, the controversy rating for Vinci has been upgraded from Watchlist to Pass in October 2021 due to a change in the scale of impact from Extensive to Limited after conducting a further review of the controversy. Vinci committed to continuous improvement of its labour and human rights related processes and conditions (in Qatar and all its operations).

OECD RBC THEME	COMPANY NAME	LOCATION	SECTOR	POTENTIAL / ACTUAL IMPACT	MILESTONE	ISSUE	ENGAGEMENT RESULTS
SOCIAL ISSUES / HUMAN RIGHTS	**Coats Group plc**	United Kingdom	Consumer Discretionary	Potential	3	Coats Group plc is the world's largest manufacturer and distributor of sewing thread and supplies. We stepped into dialogue with the company to better understand its employee engagement across its own operations and supply chains and encourage the company to include living wages into its sustainability strategy.	The company is committed to continuing the work on living wages and annual benchmarking of its workforce using the living wage benchmark. The results will be annually presented to the board and any remedial action taken when necessary. Coats has also taken further significant steps towards its commitment to help promote fair wages with its launch of GSDCost which now includes a fair wage tool. The tool can be used by both brands and their suppliers to improve collaboration and create a more transparent costing method with allowance for a living wage. Introduction of this globalised fair wage tool combines the international standard time for any given style, with detailed factory efficiencies, contracted hours and the fair living wage for the country. This can allow brands and retailers to quickly agree on the fair living wage allowance for different types of garment, in all factories around the world.
	Nike	United States	Consumer Discretionary	Potential	3	Nike is an world's largest athletic apparel company. We are engaging with Nike as part of Platform Living Wage Financials on payment (PLWF). One of the issues we engaged with is the launch of Nike's Converse line of winder footwear made of shearling, which is known to negatively impact animal welfare flag. We are engaging with Nike to better understand their plans around making sure the shearling is sourced responsibly.	Nike has improved in living wage scoring from emerging to maturing approach. The company was recognized an industry leader in how it dealt with the pandemic response. Nike is committed to using the power of sport to support their employees, communities and people all over the world impacted by the coronavirus. The company also has a specific webpage listing all measures the company took in response to the pandemic. We continue the dialogue with the company on the shearling. The company is committed to using wool fiber that is sourced and certified from non-mulesed sheep and we are following up with them on this.
	Alphabet	United States	Communication Services	Potential	3	Alphabet is an American multinational technology conglomerate holding company. We engage with the company based on human rights concerns.	The company has established a Human Rights Executive Council (HREC) to provide oversight and guidance to our Human Rights Program on global human rights. The Audit and Compliance Committee of the Board of Directors of Alphabet now also reviews major risk exposures, including data privacy and security, civil and human rights, and sustainability. The Audit committee's remit of responsibility has been broadened to also cover issues related to sustainability risks.

OECD RBC THEME	COMPANY NAME	LOCATION	SECTOR	POTENTIAL / ACTUAL IMPACT	MILESTONE	ISSUE	ENGAGEMENT RESULTS
SOCIAL ISSUES / HUMAN RIGHTS	**H&M**	Sweden	Apparel	Potential	3	This engagement is part of a broader collaborative engagement with H&M on the living wages.	H&M is one of the leading companies on ensuring living wages are paid throughout their operations and by their suppliers. The continued dialogue aims to ensure that H&M has a process in place to make sure living wages are paid in their supply chain.
	MTN Group	South Africa	Telecoms	Actual	3	MTN operates in many emerging markets. Human rights due diligence and the protection of digital rights are important topics for the company. Kempen is leading the engagement with MTN as part of the Investor Alliance on Human Rights.	MTN has recently published an updated human rights and digital rights policy. Moreover, MTN also published its first Transparency Report this year, which we welcomed. It was also well received by NGOs and other key stakeholders. With this report, the company has improved its transparency on its approach to human rights due diligence and the handling of user information and government requests. In September 2021, Kempen had a follow-up call on the achieved results, despite the big achievements there is still room for improvement. The company will improve its reporting on network shutdown requests with the next transparency report and will take into account the Global Network Initiative standards going forward. Collected user data will be made transparent to MTN users.
	BHP	Australia	Mining	Actual	3	In 2015 the Fundão dam, operated by Samarco, a joint venture between BHP and Vale, collapsed killing 19 people and having a devastating impact on the local environment and its communities. Nearly 5 years down the line, a lot has been done to compensate the victims of the disaster.	BHP has taken a lot of steps to continue remediation. However, despite positive engagement progress in 2020, the UN report came out with quite a bit of criticism about the current progress and remediation on the ground. In 2021, we had a call with the company and they acknowledge the negative findings on the UN report but also highlight that progress of Renova Foundation has been hampered by covid. Around 6,000 people are now working with the foundation. Getting houses rebuilt, environmental damage fixed and finishing bans lifted takes time. On climate, the company is continuing to take steps to implement its climate strategy and work on reduction targets achievement.

OECD RBC THEME	COMPANY NAME	LOCATION	SECTOR	POTENTIAL / ACTUAL IMPACT	MILESTONE	ISSUE	ENGAGEMENT RESULTS
ENVIRONMENTAL ISSUES / CLIMATE CHANGE	**Alliance Pharma PLC**	United Kingdom	Health Care	Potential	2	Alliance Pharma PLC is a pharmaceutical company. We engage with the company on its climate change strategy and its alignment to the Paris climate ambitions, specifically related to measuring and reporting scope 3 emissions and setting carbon targets.	Alliance Pharma PLC is exploring if and how they could become net neutral, aligned with the goals of the Paris agreement (including scope 3). The company has installed an ESG committee in the board since the beginning of the year which means ESG is now a board priority. Alliance Pharma is working on improving disclosure around sustainability in terms of scope and frequency.
	Fagron SA	Belgium	Health Care	Potential	2	Fagron SA focuses on optimizing and innovating pharmaceutical compounding to widen the therapeutic scope of prescribers worldwide. We engage with Fagron SA on climate change policy, carbon emission target setting and allowance for issuance of equity.	The company has had an ESG roadmap and covers Scope 1 and 2 emission reduction targets. The 2022 strategy also covers energy intensity reduction targets, renewable energy use, waste management and emissions to air and soil.
	Iberdrola	Spain	Utilities	Actual and potential	3	Iberdrola is a Spanish multinational electric utility company. We engage with the company on its climate change strategy and its alignment to the Paris climate ambitions.	Iberdrola acknowledged our points on climate change, which provided a good starting point for discussions in 2021. This included inquiring on future use of offsets (to be used only in the event of not achieving 100% mitigation) and remuneration. In February 2021, Iberdrola announced an extended €150 billion investment plan to 2030, and linked 90% of these future investments to alignment with the green investment criteria included in the European Union taxonomy. Iberdrola fulfilled one of our engagement objectives in 2021 by incorporating the 1.5OC IEA scenario into climate scenario planning in its 2020 Sustainability Report.
	National Grid	United Kingdom	Utilities	Actual and potential	2	National Grid is a multinational electricity and gas utility company. We engage with the company on its climate change strategy and its alignment to the Paris climate ambitions.	Discussions took place with the new Chair of the National Grid Board, Paula Reynolds, in June 2021, introducing the Climate Action 100+ group and providing questions related to climate change, for instance on the remuneration and business strategy. Questions were acknowledged and will be brought to the board. Expect updated remuneration to include climate KPIs, however the timeline is unclear.

OECD RBC THEME	COMPANY NAME	LOCATION	SECTOR	POTENTIAL / ACTUAL IMPACT	MILESTONE	ISSUE	ENGAGEMENT RESULTS
ENVIRONMENTAL ISSUES / CLIMATE CHANGE	**Royal Dutch Shell**	Netherlands	Energy	Potential	3	Shell is a multinational oil and gas company. As a global energy company, Shell is one of the largest global greenhouse gas emitting companies in the capital markets, and therefore, its carbon emissions reduction plans are important for Kempen. The engagement is part of a follow-up on Shell's updated climate strategy to become a net-zero energy business by 2050.	In 2021, Shell has published a detailed energy transition strategy which included long term absolute greenhouse gas emissions for all its scopes (scope 1, 2 and 3). Furthermore, it has enhanced its short and intermediate targets (intensity emissions). The company furthermore showed in the transition update decarbonization measures (with six levers including Growing our low-carbon power business) and allocation of capital to support its transition towards low carbon activities. Moreover, Shell commits and continues to report in line with the TCFD recommendations. Finally, Shell increased the weight of energy transition performance metrics in its (long-term) remuneration and is equally weighted (20%) compared to the financial metrics.
	TotalEnergies SE	France	Energy	Actual and potential	3	TotalEnergies is a multinational integrated oil and gas company. We engage with the company on its climate change strategy and its alignment to the Paris climate ambitions.	More extensive breakdowns on capex up to 2025 and decarbonization plans were disclosed throughout the year coinciding with the rebranding to TotalEnergies. In April 2021, we joined as a supporting investor in the Climate Action 100+ collaborative engagement with TotalEnergies and signed the group letter to the board for the AGM. TotalEnergies provided a written response, where they disclosed that the net zero target had been revised to include all worldwide scope 3 emissions, as we had previously engaged on.
	Siemens Healthineers AG	Germany	Health Care	Potential	4	Siemens Healthineers AG is a medical device company. We believe that both financial and non-financial information is needed to come to long-term value creation. Hence ESG integration into business practices and reporting on it is important. Climate change is one of the most important global ESG topics.	In August 2020, the company told us ESG KPIs would be formulated as part of remuneration. Early 2021 Siemens Healthineers published their sustainability targets concerning quality of life, carbon neutrality by 2030 and advancing diversity and inclusion.

OECD RBC THEME	COMPANY NAME	LOCATION	SECTOR	POTENTIAL / ACTUAL IMPACT	MILESTONE	ISSUE	ENGAGEMENT RESULTS
ENVIRONMENTAL ISSUES / CLIMATE CHANGE	**Phillips 66**	United States	Energy	Potential and actual	2	Phillips 66 is multinational energy company. We engage with the company on its climate change strategy and its alignment to the Paris climate ambitions.	In May 2021, we voted for the Follow This shareholder resolution to set emissions reduction targets for all emissions (Scope 1, 2, and 3). This vote was supported by 80.28% of shareholders, which resulted in Phillips 66 announcing plans in October 2021 to reduce GHG emission intensity from its operations and energy products by 2030. The company set targets to reduce scope 1 and 2 by 30% and scope 3 intensity by 15%. In December 2021, Phillips 66 announced that approximately 45% of growth capital in 2022 will support lower-carbon opportunities. Earlier in the year we had engaged on these topics with the company.
	OMV	Austria	Energy	Potential and actual	2	OMV is a multinational integrated oil and gas company. We engage with the company on its climate change strategy and its alignment to the Paris climate ambitions.	In August 2021, OMV has indicated that there will be a strategy update in the coming year where the plan is to announce comprehensive and ambitious, short, mid and long-term Scope 3 emission reduction targets. OMV also indicated that in the future the company will report capex allocations in line with the EU taxonomy regulation.
	Repsol	Spain	Energy	Potential and actual	2	Repsol is a multinational integrated oil and gas company. We engage with the company on its climate change strategy and its alignment to the Paris climate ambitions.	Repsol announced during its Low Carbon Day in October 2021 that it was accelerating reduction pathway plans to net zero and increasing its targeted 2030 renewable and hydrogen capacity. Repsol also gave an indication from its Low Carbon Day that the 1.5OC IEA scenario will be included in reports published in 2022. In November 2021, we discussed the new developments in Repsol's climate strategy with the company, including but not limited to, the low-carbon related capex (increased to 45% capital employed by 2030), scenario planning, and carbon pricing.
	LHC Group	USA	Health Care	Potential	3	We engage with the company on climate change: measure, report, and set targets to reduce carbon intensity.	The company hired a consultant in early 2020 to help them develop their ESG policies and establish a climate roadmap. LHG Group issued their first ESG report in late 2020. The report makes an initial assessment of Scope 1 and 2 emissions. In the call with the company in Q3 2021, IR stated that an ESG council has been established and that at the next meeting carbon targets will be discussed. Science based targets are a few years away. Focus is on scope 1 where emissions come primarily from the fuel consumed as clinicians drive to the homes of patients. These carbon targets will be published in the next sustainability report.

OECD RBC THEME	COMPANY NAME	LOCATION	SECTOR	POTENTIAL / ACTUAL IMPACT	MILESTONE	ISSUE	ENGAGEMENT RESULTS
ENVIRONMENTAL ISSUES / CLIMATE CHANGE	**Volkswagen**	Germany	Automotive	Actual	3	Volkswagen has the lowest ESG rating, CCC and a fail status on UN Global Compact norms according to MSCI ESG. We decided that a continued investment in VW would only be justified if the company could demonstrate significant positive cultural change, ensuring ethical conduct of employees going forward.	We entered into dialogue with the company to get a better understanding of the changes it is making. VW showed improvement in its approach: both integrity in its strategy and implementation. The integrity program (Together4Integrity) is one of the most extensive transformation programs of the history of VW. The company reports periodically about its progress. Volkswagen was upgraded from CCC to B by MSCI ESG and from 41 to 33.6 by Sustainalytics in April 2021. Sustainalytics followed with a further upgrade to 29.6 in September 2021 (Medium risk rating compared to automotive peers). VW's controversy level is category 3 under Sustainalyitcs, and Orange flag under MSCI. Volkswagen Group was reinstated as a participant of the UN Global Compact.
	CEZ as	Czech Republic	Utilities	Actual and Potential	3	CEZ is an electric utility company that also carries out some mining activities. It uses coal for part of its energy. As long-term investors, we are interested in the sustainable value and performance of CEZ, and we would like to have a better understanding of how CEZ manages the risks and opportunities of climate change.	CEZ has set and published short and medium commitments/targets. The company is working on how to verify its targets. We welcome the announcement of CEZ to shorten the timeline of its coal phase plan to 2038. We encourage the company to accelerate the coal phase out further. CEZ has further published a detailed capex plan in 2021 to support its strategy to move to low carbon energy. End 2021, the company committed to TCFD reporting. We welcome this approach and encourage CEZ Group to report in line with the TCFD recommendations in its upcoming annual reporting cycle.
	BP PLC	UK	Energy	Actual and Potential	4	BP is one of the largest energy companies and is active worldwide. The company is an important party in the energy transition and to achieve the climate goals of the Paris Agreement.	BP updated its climate change strategy in 2020. The company is implementing a capital expenditure framework consistent with the Paris Goals. It has put in place metrics and targets to be in line with the Paris Goals, including targets to promote reductions in its operational greenhouse gas emissions (scope 1 and 2). It is also progressing on carbon intensity over time (scope 3). Climate targets are now linked to executive remuneration. We continued our engagement with the company in 2021 to keep track of the progress made on the climate targets.

OECD RBC THEME	COMPANY NAME	LOCATION	SECTOR	POTENTIAL / ACTUAL IMPACT	MILESTONE	ISSUE	ENGAGEMENT RESULTS
ENVIRONMENTAL ISSUES / CLIMATE CHANGE	**BMW**	Germany	Automotive	Actual and potential	N/A	The automotive industry faces increasing transformation pressure from stricter vehicle emissions standards, changing consumer preferences, and product innovation pressures. The EU aims to have a carbon neutral economy by 2050. Automotive is one of the sectors that will need to transform. Although the company has been able to reduce fleet emissions, historically the pace of these reductions has not been sufficient. The company has improved its targets on Scope 1 and 2 emissions and emission reductions in recent years.	We have had several discussion with BMW related to this topic. Having already lowered 'emissions per vehicle produced' by more than 70 percent since 2006, the BMW Group now aims to reduce its emissions (Scope 1 + 2) by a further 80 percent from 2019 levels by 2030. CO_2 emissions will then be less than 10 percent of what they were in 2006. The main lever for this is production, which generates around 90 percent of the company's Scope 1 and Scope 2 emissions. The Climate Action 100+ (Kempen is involved as an investor) assessment shows that BMW meets most criteria regarding Scope 1 & 2 reduction.

Colophon

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