



VAN LANSCHOT BANKIERS | KEMPEN CAPITAL MANAGEMENT

RESPONSIBLE INVESTMENT: ASSET MANAGEMENT & INVESTMENT ADVICE STATEMENT OF CERTIFICATION 2013

Van Lanschot has set out a policy on Responsible Investment. Since 2009, the evolution and results of this policy have been reported systematically. This report is the second annual certificate and it examines the way in which Van Lanschot manages its in-house funds and all other funds entrusted strictly in accordance with its own responsible investment principles.

*To all those interested in Van Lanschot and Kempen Capital Management,
To the investors,
To the public:*



Forum ETHIBEL vzwⁱ was appointed to independently audit Van Lanschot Bankiers (VLB) on the conformity on its principles and guidelines on Responsible Investment (RI).

About Van Lanschot Bankiers & Kempen Capital Management

Van Lanschot describes itself as the oldest and largest independent private bank in the Benelux, with 34 branches and client reception locations in the Netherlands, Belgium and Switzerland and, through its subsidiary Kempen & Co, also in Edinburgh (UK) and New York.

Van Lanschot's services are primarily aimed at high net-worth individuals, entrepreneurs and foundations and associations. Van Lanschot focuses on onshore private banking and operates from a client relationship approach, not from a product approach. For its investment services Van Lanschot works closely together with subsidiary Kempen & Co, a specialised investment bank and asset manager. Within Kempen & Co, Kempen Capital Management (KCM) is responsible for investment advice and asset management.

Van Lanschot has signed three international guidelines on responsible investment and corporate responsibility: UN Global Compact (UNGC), Principles for Responsible Investment (PRI) and the principles of the International Labour Organization (ILO)ⁱⁱ.

Responsible and engaged investments

Van Lanschot has formulated an investment process which complies with its desire to invest responsibly. The responsible investment policy was formulated in 2009 and is gradually being implemented. To achieve this VLB uses the expertise of an independent consultant, GES Investments Services (GES)ⁱⁱⁱ, who screens companies and investment funds. To this end, GES has translated the UN Global Compact framework into easily manageable screening criteria, based on almost 60 internationally accepted minimal standards. This screening covers the following themes: human rights, labour rights, the environment, tackling corruption and bribery, weapons, pornography, nuclear energy, animal welfare (including fur) and tobacco.

GES conducts a quarterly screening and informs VLB and KCM on the results. If there is any indication that a company or investment fund does not (entirely) comply with the mentioned criteria, it will be discussed at KCM's ESG Councilⁱⁱⁱ. This council consists of KCM investment specialists and two external consultants, GES^{iv} and ECCE^v. In 2013, a Chief Invest-



ment Officer (CIO) joined the ESG Council. At the same time a Director Responsible Investment was appointed, who is responsible for the implementation, co-ordination and communication of the ESG policy. An Engagement Working Group, responsible for monitoring the engagement files, was also formed. KCM uses a thematic engagement approach.

The ESG Council holds the responsibility for formulating and implementing the responsible investment policy and deals with specific cases from the daily investment practice on a quarterly basis. If the ESG Council decides to enter into an engagement process it means that Van Lanschot/KCM (mostly together with GES) will attempt to realise improvements through an active dialogue with a company or fund manager. In case the company or fund manager in question is not willing to cooperate, Van Lanschot may decide to exclude the company or fund from the investment portfolio and add it to the exclusion list. In case of a successful dialogue resulting in improvements related to sustainability, there is no need for exclusion. VLB/KCM explicitly opts for an engagement approach, because this may lead to concrete changes in the company policy.

Apart from this dialogue, KCM considers it an essential part of its fiduciary responsibility to exercise its voting rights on ESG issues at shareholder meetings of the listed companies that form part of its in-house funds and, if requested, for (discretionary) mandates. The voting process comprises voting by proxy ("proxy voting") through an external digital voting platform or by voting at shareholder meetings.

The screening applies not only to actively managed equity investment funds, but also to actively managed real estate funds. An in-house model analyses to what extent real estate companies are prepared for climate change and the promotion of sustainability. According to VLB/KCM a great deal more could be achieved through engagement.

In 2013, fifteen government issuers were 'approved', which means that they meet with the more stringent ESG guidelines laid down in international conventions and treaties. According to VLB/KCM, it is not useful/realistic to enter into an engagement process with governments. Unlike equities, countries are not added to an exclusion list.

Perimeter of the screening

In 2013, the following asset classes were subjected to a screening in accordance with the investment guidelines. In this way, 66% of the total assets under management were screened.

- All equity and real estate in-house funds (selected and managed by Kempen)
- All actively managed equity and real estate investment funds (also external funds), under discretionary management
- All (active) equity and real estate investment funds (including external funds), under advice
- All individual American and European equities, on the list of advised assets
- All passive equity funds
- Fifteen (main European) government bonds
- Kempen Euro Credit Fund and most of the external corporate bond funds

The other asset classes that were not screened in 2013 are:

- All passive real estate funds
- All external equity and real estate investment funds not included in the discretionary management portfolios or on lists of advised assets
- All individual equities and corporate bonds not included on the lists of advised assets or screened equity and real estate funds

- Government bonds other than the aforementioned fifteen issuers
- Commodities, alternative investments, liquidities

In October 2013 two funds were introduced which, apart from engagement, also apply exclusions based on negative criteria: Kempen Global Sustainable Equity Fund and Kempen Sustainable Lux Euro Credit Fund.

Reporting

Van Lanschot's "Maatschappelijk Jaarverslag 2013" provides more details about the organisation, screening criteria, efforts and results of the responsible investment policy:

<https://www.vanlanschot.nl/vanlanschot/over-van-lanschot/mvo/maatschappelijk-jaarverslagen.html>.

Since 2009, VLB has reported in accordance with GRI-guidelines^{vi}. KCM's "Jaaroverzicht 2013 Verantwoord beleggen" also provides a lot of information: www.kempen.nl/asset-management/verantwoord-beleggen. This link provides information about the results and case studies on engagement and the voting policy.

Framework and progress of the audit

Forum ETHIBEL has reviewed the non-financial aspects of the investment process since the financial year 2012 and has drawn up a certificate to confirm compliance with the defined policy.

This includes an audit of all written policies and management reports, including the updated terms of the essential conventions and the screening criteria, the guidelines on engagement, the relevant reports of the Management Board and the ESG Council and the advices of the Corporate Responsibility department. In order to assess the quality of the decisions, the reports on the exclusion lists and engagement cases and the voting process were reviewed. The services of GES were also reviewed with regard formats and software platform and, at random, also with respect to topicality of data and conformity with engagement and voting procedures.

This statement of certification refers to the full financial year 2013. Our audit has been executed in accordance with the stipulations of the agreement. KCM and VLB provided us with all additional information requested, digitally and by way of interviews with the ESG Officer (KCM) and with the Manager Corporate Responsibility (VLB).

Results and observations

Assets under management (AUM) and volume screened at year-end 2013			
	Discretionary management or advice (x € 1 billion €)	Screened	%
Van Lanschot Bankiers (VLB)	18.918	11.281	60%
- Discretionary management	7.521	4.048	54%
- Advise mandates	11.397	7.233	63%
Kempen Capital Management (KCM)	24.400		
- Discretionary management	24.400	17.321	71%
Groep Van Lanschot (VLB + KCM)	43.300	28.600	66%

On a group level total assets (Private Banking and Asset Management) amount to € 43.3 bln. At year-end 2013, 66% of these assets were screened. This is a major improvement compared to 2012, when 48% of the total volume was screened.

By focusing more on the engagement policy (thematic approach) the number of investment funds covered by the engagement policy decreased from 27 to 11 (2013 versus 2012); the number of companies directly approached decreased from 38 to 29. Moreover, 24 companies were excluded due to their involvement with controversial weapons.

The positive rise of the screening percentage from 48% to 66% does not mean that this trajectory can continue in terms of screening activities.

We would like to reiterate that there are limitations inherently linked to these procedures. This because it is impossible, or at least very difficult, to screen certain assets, such as hedge funds, commodities and liquidities. The progress in relation to some of the data is sometimes hard to establish, for example in the case of advice mandates, where the customer himself ultimately decides on the assets to be included in the portfolio. Of course, the advice list itself is screened. Therefore, a screening of the all assets up to 100% is not possible.

Conclusions

KCM and VLB have made structural efforts to reinforce the responsible investment policy in the organisation, which is shown in the positive results. They have worked hard to create awareness amongst their employees. Responsible investment is also on the agenda of the quarterly meetings with customers. We believe that the introduction of a thematic engagement policy enables an increasing influence on companies and other market participants in terms of responsible investing

The transparency and the periodical reports to customers and the public has continued to improve and can be called excellent.

Forum ETHIBEL considers the consistency between goals and achievements as excellent. Based on our audits we confirm that Van Lanschot and Kempen Capital Management strictly apply, observe and report their responsible investment policies, such in accordance with the self-imposed guidelines formulated.

Forum ETHIBEL asbl,



Herwig Peeters, Managing Director
Brussel, 30 June 2014

ⁱ **Forum Ethibel** is a Belgian independent association, created in 1992 and recognized as an expert in rating, independent audits and certification of products and services that meet ESG and ethical standards (www.forumethibel.org)

ⁱⁱ www.unglobalcompact.org; www.unpri.org; www.ilo.org.

ⁱⁱⁱ ESG stands for Environmental, Social and Governance factors (Environment, Social performance and Corporate Governance). These are considered the three main areas for extra-financial analyses of investments

^{iv} **GES**. GES Investment Services, a Swedish consultant specialized in responsible investments in accordance with the engagement strategy, www.ges-invest.com.

^v **GRI**. GRI guidelines promote structured transparency and responsibility, as well as involvement of interested parties. VLB mentions that the "Maatschappelijk Jaarverslag" complies with level B+ of the G3.1 guidelines. This is also confirmed by GRI (a certificate was awarded). Also refer to: www.globalreporting.org.