VAN LANSCHOT KEMPEN

CSR POLICY FOR FINANCIAL INSTITUTIONS

April 2018

Introduction

As part of its service, Van Lanschot Kempen has banking relationships with other financial institutions. To prevent our clients' assets (deposits, savings) from ending up with financial institutions that fail to meet our minimum corporate social responsibility requirements, in April 2012 we drew up a specific policy, which was further fine-tuned in April 2018. The following describes the scope and the substance of our current policy.

Scope

This policy focuses on transactions with financial institutions that may or may not result in a balance sheet position for Van Lanschot Kempen. Examples include credit facilities drawn from other banks or our own investments in financial instruments issued by other financial institutions. This policy does not include transactions with financial institutions that cannot or will not translate into a balance sheet position, such as settling securities transactions for our clients.

Policy

If we enter into a transaction with a financial institution and if this transaction could lead to a balance sheet position for us, this counterparty:

1. Must have a corporate social responsibility policy in place and be transparent about its application and outcomes;
2. Must not be involved in any structural violations of international environmental, social and governance (ESG) guidelines.

To assess the first of these requirements – i.e. the CSR policy in place – we investigate to what extent the financial institution's policy has committed it to the following nine (international) initiatives/possibilities in this area.

1. The UN Global Compact
2. The OECD Guidelines for Multinational Enterprises
3. The United Nations Environment Programme Finance Initiative
4. The Equator Principles
5. The UN PRI
6. CSR investment and/or lending policies for sensitive sectors/themes and/or regions
7. Policies on anti-money laundering, terrorism finance (FATF, Wolfsberg, etc.)
8. Policies aimed at reducing their own environmental footprint and/or that of clients
9. A sustainability report that meets the international integrated reporting guidelines in keeping with the GRI framework (preferably GRI Comprehensive)

We expect financial counterparties to have implemented at least 50% of initiatives/opportunities[1] relevant to them and to report transparently about these.

On the second requirement, we use information provided by research provider MSCI ESG Research to establish whether the financial institution is involved in structural violations of international ESG guidelines and/or if it has low sustainability scores. Criteria used: compliance with the UN Global Compact (no breach of UNGCs) and the overall ESG rating (no CCC rating).

Engagement and exclusion

Van Lanschot Kempen periodically screens financial counterparties. We will directly engage institutions that:

- Have implemented less than 50% of the initiatives/possibilities; or
- Do not comply with the UN Global Compact; or
- Have a CCC rating.

[1] Not all initiatives and possibilities are relevant to all institutions. Small banks that do not engage in project finance, for instance, are not expected to be Equator Principles signatories. And regional savings and mortgage banks that are not active in high-risk ESG operations and only furnish local mortgages are not required to have in place credit policies for sensitive sectors, themes and/or regions.

If, following engagement, they do not improve the existing situation, these institutions may still be excluded, and the investment may be sold off or the credit facility ended.

In closing

Van Lanschot Kempen feels that this policy meets the OECD Guidelines for Multinational Enterprises[2] (see text below for more details).

OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

The OECD Guidelines specify that:

- Multinational enterprises have in place a due diligence process to help identify, prevent and mitigate actual and potential adverse impacts in areas such as human rights, labour rights, environment and anti-corruption, and account for how these impacts are addressed;
- If their due diligence reveals that they themselves cause or contribute to such negative impacts, enterprises must reduce/eliminate these negative impacts and implement remedies;
- If they are, in OECD parlance, directly linked to these negative impacts through their operations, products or services by a business relationship, businesses should use their leverage to get the entity causing an adverse impact (the business contact in many cases) to mitigate/eliminate the adverse impacts and take remedial action.

How we meet the OECD Guidelines:

- Through its due diligence policy for financial institutions, Van Lanschot Kempen feels it can identify both the actual and the potential adverse impacts in areas such as human rights and labour rights, the environment and anti-corruption;
- Given the nature of our operations (we only take out minor credit lines on other institutions or invest relatively small amounts in securities issued by relatively large financial institutions), we consider the chances of us causing or contributing to a negative impact as very small indeed (nil);
- At worst, Van Lanschot Kempen could be directly caught up in an adverse effect, in which case we pursue an engagement approach in keeping with the OECD Guidelines.

[2] For the OECD Guidelines, go to mneguidelines.oecd.org/guidelines.