

# **Dutch Banking Sector Agreement on Human Rights**

*How we comply*



Second Report  
April 2020

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## **More information**

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## 1. Introduction

On 28 October 2016, the Dutch Banking Association (NVB), two government ministries and five civil-society organisations (CSO) signed the *Dutch Banking Sector Agreement on International Responsible Business Conduct regarding Human Rights* (hereafter IMVO covenant<sup>1</sup>). Van Lanschot Kempen also signed the IMVO covenant, as adhering party, together with thirteen other financial institutions<sup>2</sup>. This report explains the objective of the covenant and how we - through our various policies - comply with its requirements. As this 2020 report is an update of our 2019 report, we have kept the same structure as far as possible.

### 1.1. The IMVO covenant

The covenant aims to achieve a material positive impact for people (potentially) facing adverse human rights impacts (related to the activities of clients of the Dutch banking sector) and to search for solutions to address problems that an adhering bank cannot solve by itself. Under the covenant, parties and adhering banks endeavour to cooperate on the basis of 'knowing and showing' because they see the added value of this approach. This joint approach is aimed at bringing about structural change.

The covenant requests banks to comply with the OECD Guidelines for Multinational Enterprises (OECD GL) and the UN Guiding Principles on Business and Human Rights (UNGPs)<sup>3</sup>. See the text boxes below for more details.

All covenant parties realise that it can be challenging for corporations and banks to act in conformity with the OECD GL and the UNGP, for example due to a lack of adequate and easily available information on actual and potential human rights impacts. Other challenges stem from a lack of insight into the value chains of specific high-risk sectors as well as from questions around the use of leverage (to prevent or mitigate adverse human rights impacts). By participating in the covenant and by working together, the parties are committed to supporting the adhering banks in implementing their responsibility to respect human rights and ambitiously strive to overcome such challenges.

When an adhering bank faces an impediment in the implementation of the covenant, a concerted effort by parties and the adhering bank can be initiated to explore what can be done to overcome the impediment and to increase the respect for human rights. This doesn't imply a shift of the responsibilities laid out in the OECD GL and UNGP, but rather an acknowledgement that parties and adhering banks jointly aim to contribute to the protection of and respect for human rights and wish to strengthen each other's efforts in this regard.

Under the covenant the parties will construct a number of tools, which will include a matrix/database that will provide the banks with relevant information on actual and potential human rights impacts, a number of value chain exercises of specific high-risk sectors and a study on how to use or increase leverage to prevent or mitigate adverse human rights impacts.

#### Scope and term

The scope of the IMVO covenant extends to the corporate lending and project finance activities of banks. This scope has been chosen for a number of reasons: 'the global reach of these activities, the actual and potential adverse human rights impacts in this area, the material relevance, the potential of greater leverage and (within legal boundaries) the potential opportunities for action and information exchange in this area' (see official covenant text, page 6).

As the covenant has a term of three years (after publication in the Government Gazette (*Staatscourant*)), it ended on 7 December 2019. Therefore, this document is the final report Van Lanschot Kempen published.

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<sup>1</sup> IMVO: Internationaal Maatschappelijk Verantwoord Ondernemen. Signing parties to the covenant (in addition to the NVB): the Dutch Ministry of Finance, the Dutch Ministry for Foreign Trade and Development Cooperation, the Netherlands Trade Union Confederation (FNV), the National Federation of Christian Trade Unions in the Netherlands (CNV), Oxfam Novib, PAX and Amnesty International Nederland. For the official text of the IMVO covenant see [https://www.imvoconvenanten.nl/banking?sc\\_lang=en](https://www.imvoconvenanten.nl/banking?sc_lang=en)

<sup>2</sup> Adhering parties, in addition to Van Lanschot Kempen: ABN AMRO, ASN Bank, ASR, BNG, FGH Bank, ING Bank, Intesa San Paolo Bank Luxemburg, FMO, NWB, NIBC, Rabobank, Volksbank, Triodosbank.

<sup>3</sup> See <http://mnguidelines.oecd.org> and <https://www.business-humanrights.org/en/un-guiding-principles>.

**UN Guiding Principles on Business and Human Rights (UNGP)**

*The Guiding Principles on Business and Human Rights (UNGP) are an instrument consisting of 31 principles implementing the United Nations 'Protect, Respect and Remedy' framework on this issue of human rights and transnational corporations and other business enterprises. Developed by the Special Representative of the Secretary-General (SRSG) John Ruggie, these Guiding Principles provided the first global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity, and continue to provide the internationally accepted framework for enhancing standards and practice regarding business and human rights. The United Nations Human Rights Council unanimously endorsed the UNGP on 16 June 2011.*

*The UNGP encompass three pillars outlining how states and businesses should implement the framework: 1) the state duty to protect human rights; 2) the corporate responsibility to respect human rights; and 3) access to remedy for victims of business-related abuses.*

**OECD Guidelines for Multinational Enterprises (OECD GL)**

*The OECD GL, which together with the UNGP form the basis for the IMVO covenant, are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards.*

*The Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide, and are supported by a unique implementation mechanism of National Contact Points (NCPs), agencies established by adhering governments to promote and implement the Guidelines. The NCPs assist enterprises and their stakeholders to take appropriate measures to implement the Guidelines and also provide a mediation and conciliation platform for resolving practical issues that may arise.*

*The OECD GL require multinational companies to have (permanent) due diligence processes in place by which they can identify, prevent and mitigate real and potential negative impacts in the fields of (among others) labour and human rights, the environment and anti-corruption. Multinational companies should also have reporting systems in place to account for tracking and communicating on results.*

*If the due diligence shows that the multinational company itself causes or contributes to negative impacts, it should mitigate and end these impacts and assure that remediation takes place. If a negative impact is directly linked to the operations, products or services of a business relation of the multinational company, the latter must seek to use its influence to encourage the other (causing or contributing) entity to prevent, mitigate and end the negative impact and to provide remediation.*

## *1.2. The structure of this report*

After giving an overview of our business and organisation (section 2) we present an assessment of our salient human rights risks (section 3) and an overview of our human rights related policies (section 4). In section 5 we then explain how these policies make us compliant with the requirements of the IMVO covenant. The final section contains an evaluation of our actions in the third and last year of the covenant and also describes our approach going forward.

## 2. A brief introduction to Van Lanschot Kempen and its business

To understand how - and to what extent - we currently comply with the requirements of the IMVO covenant, it is first necessary to understand our organisation and business.

### Our business

Van Lanschot Kempen is a listed, independent and specialist wealth manager. Our focus is on Private Banking, Asset Management and Merchant Banking, and we build on our strong brands Van Lanschot, Evi and Kempen.

The table below provides further details of our clients, our products and services and our regions of activity.



### Our business roles

Based on the above overview, it can be concluded that we fulfil five different business roles:

1. Lender (mortgages and corporate loans to selected groups of clients).
2. Purchaser (procurement for our own organisation).
3. Service provider (to our clients, e.g. in Merchant Banking).
4. Employer (to our employees).
5. Investor (on behalf of clients as well as for our own account).

Via these various business roles we aim to have a positive (value-creating) impact on our clients and the world around us. At the same time we realise that – even if we comply with all legal obligations – we could potentially find ourselves linked to practices that harm people or the planet.

The next section explores our potential negative impact in relation to human rights.

### 3. Our potential negative human rights impacts

Following UNGP, we define international human rights as the rights laid down in the [International Bill of Human Rights](#)<sup>4</sup> and the [eight core ILO conventions](#). In general, these international human rights treaties do not impose direct legal obligations on business enterprises. Only after individual states have translated these treaties into domestic laws, companies have a legal obligation to respect those laws. In addition, Van Lanschot Kempen commits to UN Global Compact.

Nevertheless, we realise that – even if we comply with all applicable national laws – there is still a risk that we harm certain human rights. UNGP requires us to assess such potential negative impacts on human rights and indicate which of these impacts should be classified as most severe (‘salient’); see text box below for more guidance on ‘salience’.

#### **Salient human rights impacts**

*UNGP expects organisations to indicate their salient human rights impacts. These impacts are defined as those that have the most severe potential negative impacts on human rights. ‘Most severe’ means that these impacts would be greatest in terms of 1) scale (the gravity of the impact on a human right) and/or 2) scope (the number of individuals that are or could be affected) and/or 3) remediability (the ease with which impacted rights could be restored). ‘Potential’ means those impacts that have some likelihood of occurring in the future, recognising that these are often, though not limited to, those impacts that have occurred in the past. ‘Negative’ places the focus on the avoidance of harm to human rights, and not on unrelated initiatives to support or promote human rights. ‘Impacts on human rights’ places the focus on risk to people, rather than on risk to the business.*

#### *Differences between salience and materiality*

*The definition of ‘salient’ (based on UNGP) deviates from the term ‘material’ (based on other international standards and initiatives such as the [Global Reporting Initiative, GRI](#)). According to GRI, a topic is deemed to be material if it is important to our stakeholders (i.e. it could significantly influence their assessments and decisions) and if our stakeholders feel that Van Lanschot Kempen could (in relation to the topic) generate significant positive or negative economic, environmental or social impacts. In our most recent materiality analysis (September 2019), human rights were not included as a separate material topic but were embedded in various other material topics, such as e.g. ‘ethics and integrity’ and ‘impact via client assets (investments)’. In addition, human rights were also part of other less material topics, such as ‘impact via lending assets’, ‘impact via our own organisation’ and ‘diverse and inclusive workforce’.*

To determine our potential salient negative human rights impacts we set up an *internal* consultation at the beginning of 2018. In total, we consulted 14 employees, including some managers, well spread over our five different business roles<sup>5</sup>. Each interviewee was presented with 32 specific human rights, printed on small cards. The selected human rights were taken from Annex A of the [UNGP Reporting Framework](#) document (pages 102-108). After these 32 human rights had been briefly introduced, every interviewee was asked to indicate which (three to five) rights they think have the biggest risk of being violated by Van Lanschot Kempen. For every selected human right the interviewee was subsequently asked to further elaborate on 1) the severity of the violation (in line with the UNGP definition: scale, scope and remediability) and 2) the specific involvement of Van Lanschot Kempen (causing, contributing or directly linked to; see below for further explanation). Finally, interviewees were asked what policies and systems Van Lanschot Kempen has in place to identify, prevent and mitigate the selected negative impacts.

The consultation resulted in a list of potential salient human rights impacts, divided over our five business roles. It also provided us with a first assessment of our most likely ‘type of involvement’, as shown in the table below.

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<sup>4</sup> The International Bill of Human Rights consists of the [Universal Declaration of Human Rights](#) and the two covenants by which this declaration was codified in international law: the [International Covenant on Civil and Political Rights](#) and the [International Covenant on Economic, Social and Cultural Rights](#), both of 1966.

<sup>5</sup> We consulted colleagues from HR, Risk Management, Procurement, Compliance, Workers Council, Asset Management and also colleagues in commercial (client-facing) roles.

Our business role	Salient <sup>6</sup> negative human rights impacts			Our type of involvement			Policy
	Type	Specification	Region	Cause	Contribute	Dir. linked	
1. Lender	Labour rights	Various types; also in borrowers' supply chain	Outside HI OECD countries	No	No <sup>7</sup>	Yes	Yes
2. Purchaser	Labour rights	Various types; also in suppliers' supply chain	Outside HI OECD countries	No	No	Yes	Yes
3. Service provider	Client privacy	Data leakages, misuse of client/prospect data	In our countries of operation	Yes	Yes	Yes	Yes
4. Employer	Labour rights	Discrimination, sexual harassment, work/life balance	In our countries of operation	Yes	Yes	Yes	Yes
5. Investor	Labour rights	Various types; also in supply chain of investee	Outside HI OECD countries	No	No	Yes	Yes
	Land rights	Local communities; also in supply chain of investees					

### *Salient negative human rights impacts*

As can be seen from the table, a salient risk to 'labour rights' emerged in four of our five business roles. To ensure that this outcome is interpreted correctly, we think some additional explanation is needed.

For our consultation we used the 32 human rights from the UNGP Reporting Framework document, as we explained above. At least 20 of these 32 rights relate to 'labour'. They range from the right not to be subjected to torture, cruel treatment, punishment, slavery and forced labour, to the right to freedom of movement, privacy, association, non-discrimination, just conditions of work, the right to strike, social security, a family life, health and education. During our consultation, many interviewees selected their salient human rights from this group of 20. At the same time, interviewees were far from unanimous in their selection, meaning that there was not a small group of specific labour related human rights that was selected most. For that reason we decided to stick to the broad term 'labour rights', especially for the business roles of lender, purchaser and investor. For the fourth role, as employer, interviewees were better able to identify specific 'labour rights' and came up with discrimination, sexual harassment and work/life balance.

### *Types of involvements*

According to UNGP there are three different types of involvement: a company can **cause** adverse human rights impacts, **contribute to** adverse impacts or (via its operations, products or services) become **directly linked to** adverse impacts created by business relations.

- As **lender, purchaser** or **investor** we do not expect to cause or contribute to the salient negative impacts we have selected. However, via the activities and supply chains of our borrowers, suppliers or investees we could become directly linked to these impacts, especially when these supply chains are located in regions with relatively weak regulation and enforcement, e.g. in emerging economies (i.e. non-High Income OECD countries).
- As a **service provider** we expect to run a certain risk of causing or contributing to the selected salient impacts, e.g. if we were to cause data leakages ourselves or if we were to misuse client data. In the event that our business partners create such impacts, we would be directly linked to these impacts.
- As an **employer** we see a certain risk of causing or contributing to the selected salient impacts, e.g. in the event of discrimination or sexual harassment. If one of our business partners (e.g. a temporary employment agency) were to do this, we would become directly linked to the impact.

As indicated in the last column in the table, we have **policies and systems** in place (in line with UNGP and OECD GL) to identify, prevent and mitigate the indicated (and other less salient) negative impacts. We also

<sup>6</sup> For a definition of salient, see the text box on page 6.

<sup>7</sup> In line with UNGP we acknowledge that a lender can contribute to negative human rights impacts. However, since the introduction of our CSR corporate lending policy in 2011 we have not identified such cases (see page 10 for further details).

report on these policies (implementation, results, examples of salient impacts). See next sections for details.

Please note that we have not further prioritised the selected potential (salient) negative impacts, mainly because we lack an objective framework to do so. In practise this means that we – via our policies - aim to identify, prevent and mitigate all the selected impacts simultaneously.

#### **Further consultation of external stakeholders during 2018 and 2019**

In July 2018, after we published the first version of our report, we invited a heterogeneous group of clients, industry experts and other stakeholders for a further discussion. The purpose of the meeting was to discuss our compliance with the IMVO covenant and to collect specific suggestions and advices for further improvements. Overall, the group was positive on our IMVO approach and appreciated our report, while also putting forward suggestions.

- Referring to the above table, some NGOs opined that Van Lanschot Kempen should better explain how exactly the list of ‘salient negative human right impacts’ had been established. In addition to that Van Lanschot Kempen was also advised to better define the term ‘labour rights’, as it was felt to be too generic.
- The same NGOs also advised that Van Lanschot Kempen should consider further extending its reporting on engagement cases (number of cases, results, etc), to cover clients as well as third parties.
- Clients highlighted that their bankers had not really informed earlier on the bank’s human rights (and other sustainability) policies. They advised a more proactive approach by bankers. In that regard it was also advised that we spend additional time on educating bankers in sustainability.

All suggestions were discussed in detail during the meeting and Van Lanschot Kempen indicated that it would take these into consideration. At the same time, Van Lanschot Kempen asked the NGOs to be realistic, as its corporate lending book is only small and is highly concentrated in low-risk sectors and regions.

In the weeks after the consultation meeting the dialogue with some NGOs continued, via e-mail and in the second half of 2018 we implemented some of the suggestions from the consultation meeting. We added, for example, some extra explanation of ‘labour rights’ to this report and started to develop the Private Banking Academy: a training course for bankers which includes a sustainability module and will be rolled out as of May 2019.

In July 2019, after we published the second version of our report, we again invited a group industry experts for a discussion. On top of the overall positive feedback a few suggestions for improvement were made.

- Just as in 2018 one of the suggestions was to improve the ‘labour rights’ definition in the salience analysis.
- Another (new) suggestion was to better explain the context of our complaint and whistleblower procedures by adding concrete examples to the text in our report.

Although officially not in scope of the IMVO covenant, a part of the feedback also focused on ‘client investments’.

- It was raised that the availability and quality of human rights data on an investee level (in most cases delivered via external research providers) needs further improvement. Most data vendors only cover *actual* human right violations, which means that Van Lanschot Kempen should do additional research on *potential* human rights risks, e.g. via specific product, sector and regional risk assessments.
- It was also suggested to set up more collaborative human rights engagements, in which asset owners, asset managers and NGOs work together.

After the consultation meeting we received some additional suggestions from NGOs, e.g. to include more actual (recent) engagement cases in our report and to add more references to the rights of vulnerable minority groups (women, children and indigenous people).

#### Our conclusions

In the second half of 2019 we considered the suggestions from the consultations and concluded that, with regard to our business roles 1 to 4 (lender, purchaser, service provider and employer), we have determined

the most relevant salient risks and we are comfortable with the level of detail. We don't expect any benefit from further breaking down 'labour rights'.

However, for the investor role (role 5), which is outside the scope of the IMVO covenant, we think that an additional salience analysis focussing on further breaking down 'labour rights' and 'land rights', can be useful. We also agree that some further efforts to improve available data on investees, and to better investigate *potential risks*, makes sense.

One important reason to spend additional effort on investments (asset management) relates to materiality. Over the last few years we have – as part of our strategy – grown our asset management business (and scaled back our lending activities). If we aim for substantial positive IMVO impacts, asset management is the most logical focus area. Another argument to put additional effort in our role as investor is the two IMVO covenants, for insurance companies and pension funds, that were concluded in 2018<sup>8</sup>. As many of the signatories to these two covenants are also institutional clients of Kempen, the latter will have to assure a smooth implementation of the covenant in their portfolios. Please note that the scope the two new institutional covenants is broader than just human rights. They cover all OECD GL themes, including environment, bribery, corruption and consumer interests.

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<sup>8</sup> More information on these two covenants can be found at <https://www.ser.nl/nl/thema/imvo>.

## 4. Our policies in relation to human rights

As part of the IMVO covenant, we published an overarching human rights statement on our website in early 2018 (see text box below or [www.vanlanschotkempen.com/responsible/policy](http://www.vanlanschotkempen.com/responsible/policy)). As described in this statement, we have various policies in place that aim to identify, prevent, mitigate and remedy potential and actual negative impacts related to human rights. The table below gives an overview.

Our business roles	Applicable policies	In scope IMVO?
1. Lender	CSR corporate lending policy*	Yes
2. Purchaser	Business partner due diligence policy	Yes
3. Service provider	Various client-related policies	Yes
4. Employer	Various employee-related policies	Yes

5a. Investor - for clients	Responsible investment policy	No
5b. Investor - own investment book		
- Participating interests (small companies)	CSR corporate lending policy	No
- Larger corporates and government bonds	Responsible investment policy	No
- Financial institutions (FIs)	CSR policy financial institutions	No

\* CSR: Corporate Social Responsibility

All our policies go beyond existing laws and regulations and aim to prevent our becoming involved in irresponsible activities or business behaviour (including human right issues). The policies were signed off by senior management (in most cases by the Executive Board) and have been integrated in existing procedures and systems as far as possible. As a follow-up to the signing of the IMVO covenant, in 2018 we tightened up the wording of some of our existing policies to bring them fully in line with the covenant and the OECD GL. An example is our responsible lending policy. It was revised in two steps: in April we updated the human rights and labour rights part of the policy and in November we brought the rest of it (e.g. the environment and corruption themes) in line with OECD GL.

### **Van Lanschot Kempen human rights statement**

*As a responsible wealth manager we are committed to respect international human rights\*, at all times and in all the different roles we fulfil: as a lender, investor, service provider, employer and purchaser. To underline our position on international human rights, we are a signatory to the UN Global Compact (UNGC), a global standard for companies to align their strategies and operations with universal principles on human rights, labour, environment and anti-corruption. In addition we also support the UN Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises (OECD GL).*

#### *Our approach*

*As we realise that we can cause, contribute to or be linked to potential adverse human rights impacts via our business relations, we have extensive due diligence procedures and policies in place to identify, prevent, mitigate and remedy potential or actual negative human rights impacts. Our due diligence procedures make use of specific filters, standards and parameters for sectors that are deemed potentially high-risk from a human rights perspective.*

*We have also established specific policies to exclude companies that structurally harm human rights, e.g. manufacturers of controversial weapons. See our [exclusion list](#).*

*In the period ahead we aim – in addition to the disclosure in our annual integrated report – to further improve our reporting on human rights (policies, implementation and results) by using – among others – the UN Guiding Principles Reporting Framework.*

*\* We define international human rights as the rights laid down in the eight core ILO conventions and the International Bill of Human Rights. The latter consists of the Universal Declaration of Human Rights and the two covenants by which this declaration was codified in international law: the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.*

### Most relevant policies for the IMVO covenant

Below we present our policies that are most relevant for the IMVO covenant and describe how these policies address salient human rights impacts. For each policy we also provide examples from recent years and results. The other policies (5a, 5b) are not in scope of the IMVO covenant and are therefore presented in Appendix 1.

#### *4.1. CSR corporate lending policy*

As a responsible wealth manager, Van Lanschot Kempen acknowledges that – together with governments, companies, organisations and individuals – it has a responsibility when it comes to labour rights, human rights, environmental protection, anti-corruption (bribery) and consumer interests. In all its different business roles, Van Lanschot Kempen aims to respect these themes, always and everywhere. Accordingly, Van Lanschot Kempen also expects its corporate borrowers to respect these themes, in addition to respecting local laws.

#### **Our corporate borrowers**

*Van Lanschot Kempen's corporate lending book is highly concentrated. It consists mainly of loans to business professionals in specific sectors (e.g. lawyers, accountants, health care professionals, etc.) and Dutch SMEs which on average have low involvement in labour or human rights issues, environmental issues or corruption cases. The number of borrowers active in manufacturing and/or with production facilities abroad is also small. Most borrowers have their businesses in the Netherlands and are therefore governed by Dutch laws and regulations. These laws are relatively stringent and well enforced.*

#### Due diligence

In order to be able to identify, prevent, mitigate and remedy potential and actual negative labour, human rights, environmental, corruption or consumer impacts in relation to its corporate lending activities, Van Lanschot Kempen has established an ongoing due diligence process. This process focuses on borrowers (including their suppliers) with a (potential) high risk profile in these CSR fields. In practice, this means that we focus our additional due diligence particularly on borrowers in potentially high-risk sectors such as agriculture, garments, toys, furniture, other manufacturing, oil/gas and mining. A special risk filter is periodically completed for these borrowers; both before the first disbursement and during the loan period. The filter identifies a borrower as 'potentially high risk' if the borrower has production facilities in regions outside the Netherlands or the Western industrialised world<sup>9</sup> or has its main suppliers in those regions. Van Lanschot Kempen has set up an engagement track for these borrowers.

#### Engagement

The engagement track for 'potentially high-risk' borrowers aims to create a better overview of their (potential) involvement in labour, human rights, environmental, corruption and consumer interests violations and the content and application of their policies in these fields. The next steps in the process follow the OECD GL, especially on *causing, contributing to* and *directly linked to*.

- If the risk filter indicates that a borrower is *causing* or *contributing to* labour, human rights, environmental, corruption or consumer interest violations, Van Lanschot Kempen is *directly linked to those violations*. As OECD GL prescribes, we will use our leverage to persuade the borrower to cease the abuses and take remediation measures. In addition, we will challenge the borrower on their policies. We expect these policies to comply with the OECD GL and to provide a solid framework to identify, prevent and mitigate actual and potential violations. We will also make the borrower aware of the possibility of embracing various existing codes of conduct, certification possibilities and sustainable supply chain initiatives. If the borrower does not respond to our requests and/or does not improve, we will reconsider the relationship. Terminating the loan contract (as soon as legally possible) is then a potential next step.
- If the 'potentially high-risk' borrower is not involved in violations, but does lack a clear policy, Van Lanschot Kempen will use its leverage to ensure that such a policy (in line with OECD GL) is developed.

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<sup>9</sup> The Western industrialised world is defined as 34 high-income OECD countries, based on data from the [OECD](#) and the [World Bank](#).

### Large and smaller borrowers

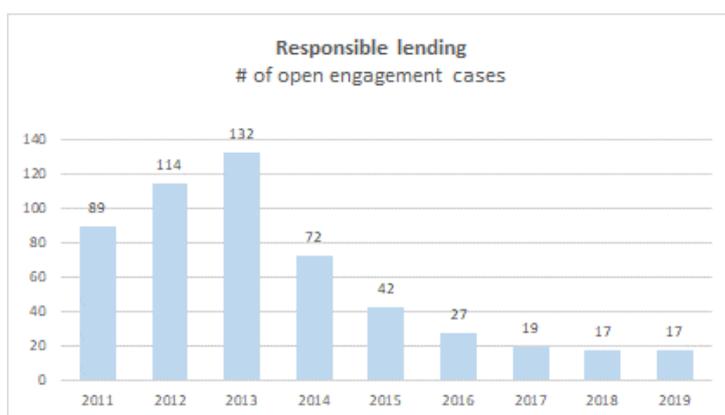
In practice the (policy) requirements which Van Lanschot Kempen imposes on borrowers may depend on the size of the company and are applied on a case-by-case basis; we expect larger companies to have more policies and systems in place than smaller companies.

- **Large, international borrowers** should preferably have policies that are in line with OECD GL. They can indicate how they have translated their policies into responsibilities, (risk) management systems and procedures, including *grievance mechanisms* (for reporting complaints) and *remedy mechanisms* (for compensating for harm or damage caused). In addition these borrowers can indicate how they report on their policies, the implementation and results.
- In most cases, **smaller (family-owned) businesses** will not have the above policies, implementation mechanisms and/or reports in place. This does not mean that these borrowers do not seek to identify, prevent and mitigate their involvement in violations: it is likely that they have implemented precautionary measures but that these have not been accounted for in policies and/or reports. In such cases, Van Lanschot Kempen will request the borrower to provide additional information, indicating its efforts to identify, prevent and mitigate its (potential and actual) involvement in violations. *Grievance* and *remedy mechanisms* will also be taken into account here, especially where borrowers are causing or contributing to negative impacts.

### Results of our responsible corporate lending policy

Since 2011, Van Lanschot Kempen has used its risk filter to screen all existing and new SME loans. In the initial years, the number of companies with a 'potential high risk' filter outcome grew; however, the number fell after we began our dialogues and asked for additional information. This reduction accelerated after we began running off our corporate loan portfolio in 2013. Over the last nine years, all the borrowers with whom we have engaged have responded, and so far we have had no divestment because of non-compliance with our policy. Currently we only have 17 ongoing (open) engagement cases remaining. Most of these are simply triggered by the sector or region in which the borrower is active (e.g. importing various manufactured products from Asian countries).

Over half of the 17 cases concern human rights/labour rights-related risks. Other cases relate to environmental and weapon related themes. In all of them, we have engaged with the borrower on the precise risks in their supply chain and how the borrower might set about mitigating them. Many borrowers appreciated our engagement and have responded by taking the necessary measures. There is a small group for which further improvement is still possible, and we will continue to monitor these borrowers particularly actively.



### Examples

The text box below provides two real-life examples of 'potential high-risk' lending cases in relation to human rights. For each case we make clear how we have engaged with the borrower/prospect. Please note that these cases only relate to 2017 and 2018, as our due diligence process did not flag a new case in 2019.

#### **Wood trading regulation breach**

*During the annual update of the risk filter for a corporate client in 2018, we found that the client had received a warning from a regulator a few years earlier. This information was new to us. It concerned a Dutch wood trade company that imports from Eastern Europe, South America and Asia. As far as we knew, the company had an acceptable sustainability policy, aimed at preventing importing “bad wood”, and it complied with all legal requirements. Further investigation fortunately revealed that it was a relatively light warning due to not completely satisfying some due diligence processes, and was not related to actual import of illegal wood. Despite the reassuring finding, our banker was advised to discuss the case with the client with the aim of helping the client to comply with laws and regulations, and of preventing other warnings (as well as to ensure the right to a fair hearing).*

#### **Cadmium pollution**

*While updating a risk filter for a Dutch trading company (our client) in 2017 it appeared that this company was importing batteries from Asia. Because the production of batteries can have substantial negative environmental and social impacts, our responsible corporate lending policy required an additional assessment of our client and its supply chain. Our assessment revealed that our client was sourcing all its batteries from one Hong Kong-based production company and that the latter held various international social and environmental certificates (e.g. ISO 14001 and SA 8000). In addition, we found that the Hong Kong company only produced the more environmentally friendly rechargeable NiMH batteries, had an internal environmental committee in place and had already received a number of awards. However, we also learned that the Hong Kong company had been involved in a serious negative incident back in 2004, when a number of employees fell ill because of cadmium pollution. It appeared that the company had responded correctly: it provided compensation to sick workers (exceeding the minimum local/Chinese compensation requirements), ceased production of nickel cadmium batteries, and strengthened its environmental health and safety facilities and training. The battery company has not been involved in any further incidents of this sort since 2004. On the basis of our findings, we ultimately issued a positive internal recommendation and continued the relationship with our client.*

#### **Note on Merchant Banking**

*We also apply CSR policies within Merchant Banking. In practice we use the same risk filter as for lending to assess clients (upfront) for potential CSR risks. We will not serve Merchant Banking clients in capital market transactions or with M&A advice if they do not meet our CSR requirements.*

#### **4.2. Business partner due diligence policy**

Since 2009, all purchasing processes above €10,000 in which the group-wide Purchasing, Contract Management & Facilities Service Centre is involved, have been subject to specific CSR monitoring. In 2015 we incorporated our responsible purchasing policy within a broader framework, the business partner due diligence (BPDD) policy, which applies to all our divisions. The BPDD policy ensures that we only work with business partners which meet our integrity and CSR standards. It is used to analyse and manage risks prior to and during collaboration. A supplier’s statement enables us to identify the stability, country, industry, integrity, reputation and other risks associated with a business partner. We do not enter into relationships with business partners that fail to satisfy the BPDD policy.

In 2017, we have embarked on the further development of the parameters and criteria on the basis of which suppliers are assessed. For reasons of consistency, we have been using (parts of) the risk filter of our CSR lending policy for this purpose. This approach has created a more detailed picture, especially of potentially negative issues in the supply chain of our suppliers. In 2018, we set up a supplier portal to automate parts of our BPDD process, and in 2019 this was implemented for most suppliers. In addition to this we also extended our procurement training for Van Lanschot Kempen employees. The internal “Procurement 4 non Procurement” training, which is aimed especially at employees who are regularly involved in procurement, was extended with an additional e-learning training module.

If one of our business partners were to become involved in negative impacts (e.g. environment, labour, human rights, corruption/bribery, taxation or consumer interests) we would expect to become *directly linked to* such an impact. This would most likely be an issue in the supply chain of our suppliers. In that case we would use our leverage to improve the situation. If the supplier showed no willingness to improve the situation, we

would consider ending the contract.

#### Results of our business partner due diligence policy

Based on our BPDD approach, we have to date not identified any supplier that was *causing* negative impacts, *contributing* to such impacts or *directly linked* to them. As a result, we have not yet used any of our leverage instruments.

#### *4.3 Client-related policies*

In general, prospects and clients expect to be treated well by businesses and other organisations, regardless of the topic. For example, they expect businesses to provide correct product information (that is understandable and not misleading) and to apply fair pricing (in line with the real costs incurred). To manage such client-related topics, Van Lanschot Kempen has implemented various policies. Below, we provide an overview of our *client privacy policy* and our *product approval policies*. Referring to the OECD GL these policies address various issues in the field of 'human rights' and 'consumer interests'.

#### Our client privacy policy

When it comes to banking, clients expect their privacy to be guaranteed and their data to be safe with us. They expect us not to use their personal details for purposes other than those for which they provided them. And they expect us to set up solid systems to prevent data attacks, for example through cybercrime. If our systems and policies are not up to standard, we run the risk of *causing* or *contributing* to a negative client privacy impact ourselves. In addition, we could also be *linked to* such an impact. In relation to clients and human rights we have assessed a breach of client privacy as one of the possible most negative impacts.

Van Lanschot Kempen is subject to the Dutch Personal Data Protection Act (*Wet Bescherming Persoonsgegevens* - WBP), and endorses the Code of Conduct for processing personal data by financial institutions, which goes a step further than the WBP and takes into account the specific features of the financial sector. Van Lanschot Kempen has also implemented the General Data Protection Regulation (GDPR) requirements in its own policies on processing personal data and the specific processes and procedures.

To assure compliance with the applicable laws and regulations, Van Lanschot Kempen has created an extensive framework for managing personal data and appointed a specific privacy compliance officer. We also devote regular attention to building and increasing employee awareness on this issue, including through training and e-learning. In addition, all employees have signed a vow of secrecy and are required to comply with our Code of Conduct. The latter states among other things that employees must respect Chinese walls and clear desk policies and that they are only permitted to share (client) data on a 'need to know' basis.

Reporting on this topic within Van Lanschot Kempen is included in compliance reports and is reviewed in internal committees.

#### Results of our clients privacy policy

We have to date not identified any salient case where we were *causing* or *contributing* to violations of client privacy rules. We are also not aware of any salient *linked to* case.

#### *4.4. Employee-related policies*

Van Lanschot Kempen employs 1,560 full-time equivalents (FTEs), including via employment agencies and outsourcing contracts. Most of our employees are based in the Netherlands (90%) and Belgium (8%); a fairly small group of employees work in the United Kingdom, Switzerland, the United States and France. Although all these countries have relatively strict local labour laws and enforcement regimes, there is still a risk that Van Lanschot Kempen could become involved in negative impacts.

We have identified three potential negative impacts relating to the OECD themes 'employment' and 'human rights':

- Discrimination against employees (during recruitment or in the workplace);
- Sexual harassment in the workplace;
- Unhealthy working conditions (work/life balance).

We expect that – if one or more of the above negative impacts should materialise – in most cases we will be *causing* the impact or *contributing to* it. There is also a possibility that we could become *linked to* the impact, for example if a temporary employment agency we work with should discriminate against applicants because of their nationality or sexual preference.

#### Our employee-related policies

Van Lanschot Kempen has developed various policies and systems to identify, prevent, mitigate and remedy potential and actual negative impacts in relation to employees.

The first one is our extensive Code of Conduct for all employees. The code states among other things that employees should always comply with the law and show respect for clients and colleagues. It also explicitly states that every type of *discrimination* is prohibited. Employees who violate the code can be sanctioned, for example through the complaints procedure.

Van Lanschot Kempen also has in place a *sexual harassment* policy which aims to prevent such cases from occurring and – if they do nevertheless occur – to ensure that appropriate actions are taken. All employees (including interns and temporary workers) can take a case to one of the four confidential counsellors. The counsellor will provide initial (emotional) support and accompany the employee through the rest of the process. Together with the employee, the counsellor will investigate and advise on potential next steps, e.g. informal solutions or filing an official complaint with the complaints body, etc. If an official complaint is filed, the Executive Board will ultimately take a decision. The Executive Board can issue an official warning, but can also suspend offenders, relocate them to another department or office or terminate their employment contract.

Individual employees who wish to report *personal labour-related issues* (labour and working conditions, bullying, violence and aggression, discrimination, etc.) can use the complaints procedure. The complaints body consists of four employees. Two of them are appointed by the Executive Board and two by the Works Council. Employees can approach the complaints body via their manager, their Human Resources manager, a specialist complaints manager or one of the four confidential counsellors. The complaints body will investigate the complaint and formulate a recommendation. Based on that recommendation, the Executive Board will take a final decision.

#### Results of our employee-related policies

Where people work together, frictions can always arise, and our confidential counsellors are accordingly contacted a few times each year. Most of the cases brought to them are resolved through internal mediation. The Human Resources department or Executive Board have been involved in only a small number of cases. To date we have not seen any salient cases.

## 5. How we fulfil our responsibilities under the IMVO covenant

As an adhering party to the IMVO covenant, Van Lanschot Kempen has committed to a number of responsibilities (see [https://www.imvoconvenanten.nl/banking?sc\\_lang=en](https://www.imvoconvenanten.nl/banking?sc_lang=en) for more details):

1. Draw up a policy statement on human rights.
2. Publish a statement on salient human rights issues.
3. Establish a human rights due diligence procedure.
4. Use the outcomes of the matrix/database, sector studies and leverage study.
5. Enable remediation in the event of adverse impacts (causing/contributing).
6. Provide reports.
7. Set up complaints and whistleblower mechanisms.

In the following sections we describe how we currently (April 2020) meet these responsibilities.

### 5.1 Policy statement on human rights

Van Lanschot Kempen has published a human rights statement, which can be found in section 4 of this document and on our website ([www.vanlanschotkempen.com/responsible/policy](http://www.vanlanschotkempen.com/responsible/policy)). The statement sets out our commitment to respect human rights in line with the OECD GL and the UNGP. It states that, to the extent that this is relevant in relation to our business, we have put in place specific human rights-related policies and procedures, including a due diligence procedure. The statement also contains information on activities that Van Lanschot Kempen will not finance or invest in.

### 5.2. Publish a statement on salient human rights issues

See section 3 above for our initial statement on salient human rights issues. This has not been adjusted since.

### 5.3 Human rights due diligence procedure

As described in section 4, Van Lanschot Kempen has established specific CSR policies (including due diligence procedures) for activities that potentially entail environmental, social or governance risks.

Below we provide an overview of policy-related requirements from the IMVO covenant, and an explanation of how we comply with those requirements. It should be noted that Van Lanschot Kempen is not involved in project finance.

Requirements under IMVO covenant	VLK as lender	Reference
1. Ascertain that the <u>client</u> processes involve meaningful and effective consultation by their clients with potentially affected groups and other relevant stakeholders. The bank should address the client in case of negligence	Fulfilled	In line with our CSR corporate lending policy we approach our clients, requesting them to engage with their stakeholders / potentially affected parties. See section 4.1 for details.
2. <u>Prospective clients</u> provide the information needed for identifying and assessing actual and potential human rights impacts related to the client or the transaction at hand.	Fulfilled	See our CSR corporate lending policy in section 4.1 which also holds for prospects.
3. FPIC <sup>10</sup> & project finance	N/A	Not relevant. We do not engage in project finance.
4. FPIC & corporate loans: actively encourage clients to carry out FPIC in situations where there is a fair possibility of land rights violations.	N/A	Given the type, size and regional focus of our SME borrowers, there is no risk in the field of land rights. See section 4.1 for details.

<sup>10</sup> FPIC (Free, Prior and Informed Consent) is a process to establish bottom-up participation and consultation of (local) indigenous populations prior to the beginning of a (project) development on ancestral land. For further details see <https://www.un.org/development/desa/indigenouspeoples/publications/2016/10/free-prior-and-informed-consent-an-indigenous-peoples-right-and-a-good-practice-for-local-communities-fao/>.

Requirements under IMVO covenant	VLK as lender	Reference
5. Integrate the findings from the impact assessments across relevant internal functions and processes and take appropriate action.	Fulfilled	See section 4.1 for details. Our CSR corporate lending policy is a joint effort by our business, Risk Management and the CSR Department.
6. Regarding the engagement process with clients:		
6.1 Actively promoting acting in conformity with the UNGP among new and existing clients and promoting acting in conformity with the OECD GL among new and existing clients in OECD member countries;	Fulfilled	UNGP and OECD GL are part of our CSR corporate lending policy, which is actively implemented vis-à-vis our clients.
6.2 Dialogue with new and existing clients on preventing and addressing adverse human rights impacts;	Fulfilled	Dialogue (engagement) with our new and existing clients is part of our CSR corporate lending policy.
6.3 Time-bound improvement plans with new clients and instances resulting in new improvement plans among existing clients on preventing and addressing adverse human rights impacts (unless none are identified);	Fulfilled	Improvement plans are part of our CSR corporate lending policy framework.
6.4 Monitoring the time-bound improvement plans of clients;	Fulfilled	Such monitoring is part of our CSR corporate lending policy framework.
6.5 Seeking ways to increase leverage;	Fulfilled	We join with other parties, including NGOs, to better inform and help our clients with (the implementation of) improvement plans; e.g. Fair Wear Foundation.
6.6 Depending on individual project circumstances, include clauses on respecting human rights in loan contracts;	N/A	We are not involved in project finance. And given the type, size and regional focus of our SME borrowers, there is no need to include human rights clauses in loan contracts.
6.7 If the client is repeatedly not able or willing to comply with the material due diligence requirements, the bank should, after a credible assessment of the potential adverse human rights impacts of doing so, take corrective measures, and as a last resort at the discretion of the bank decide to end the relationship with the client.	Fulfilled	Breaking the relationship in the event of structural non-compliance is part of our CSR corporate lending policy.
7. Where it is necessary to prioritise actions to address actual and potential adverse human rights impacts, the adhering banks should first seek to prevent and mitigate the most severe impacts or where delayed response would make those impacts irremediable.	Fulfilled	Our CSR corporate lending policy aims to address the most severe potential risks first. However, in practise prioritisation seems less relevant as the number of issues / impacts is very low.
8. Tracking and assessing responses.	Fulfilled	Tracking and assessing the responses of our clients is part of our policy.

#### 5.4 Use the outcomes of the matrix/database, sector studies and leverage study

One of the requirements of the IMVO covenant is that Van Lanschot Kempen should use the outcomes and tools that are developed by the parties involved. In this respect we have taken note of the reports published so far: the cocoa value chain analysis, the increasing leverage analysis and the palm oil value chain analysis<sup>11</sup>. Given our typical lending exposure (see section 4.1 for details) the relevance of these reports for Van Lanschot Kempen was limited.

<sup>11</sup> These reports can be found on [https://www.imvoconvenanten.nl/banking/about-this-agreement/publicaties?sc\\_lang=en](https://www.imvoconvenanten.nl/banking/about-this-agreement/publicaties?sc_lang=en).

### 5.5 Enable remediation in case of adverse impacts (causing/contributing)

According to the UNGP, we must have processes in place to provide an effective remedy when we are causing or contributing to negative human rights impacts.

#### Our role as lender, investor or purchaser

Based on the application of our CSR policies so far (see section 4 and appendix 1) we assess the risk that we - in our role as lender, investor or purchaser - will cause or contribute to negative human rights issues, as very low. There is, however, a chance that we could become linked to such impacts. In that case we would engage with the borrower, the investee or the supplier, and use our leverage to encourage them to take their responsibilities in line with the UNGP.

#### Our role as service-provider and employer

Although we have many policies and procedures in place to prevent negative human rights impacts, there is a risk that we could cause or contribute to negative human rights impacts for our clients or employees. Examples include discrimination against certain clients or employees or issues around privacy. In such cases we will mitigate the impact and remediate the harm (or contribute to this remediation). We will also review our policies to see whether these can be reformulated in such a way that similar impacts in the future can be prevented.

The above commitment - to mitigate, to use and increase leverage and to remediate where needed - is in line with the OECD GL, UNGP and ILO, and is also laid down in our public human rights statement (see section 4).

### 5.6 Provide reports

Under the IMVO covenant, Van Lanschot Kempen also has to fulfil a number of reporting requirements:

Reporting requirement	How we comply (reference)
a. Start working (as of 2017) towards a public report in line with the UN Guiding Principles Reporting Framework (including the eight overarching questions of the UN Guiding Principles Reporting Framework);	See Appendix 2 for our third report.
b. Publish detailed information on exposure to economic sectors, in accordance with the NVB Reference for Reporting on Loans, or, if they prefer to do so, a list of enterprises with which the bank has a credit or investment relationship;	See page. 3 of the <a href="#">Appendix to our Pillar III disclosure</a> .
c. Publish a list of the bank's investment universe for asset management using individual listed shares for Dutch clients at least as at 31 December each year, or a published list of listed companies excluded from such investment universe on the basis of Corporate Social Responsibility criteria;	See our <a href="#">exclusion list</a> that mainly focuses on controversial weapons and is applicable to internal Kempen funds and external fund managers. See also our <a href="#">avoidance list</a> that also includes human rights and labour rights cases and is applicable to internal Kempen funds (exclusion) and external funds (engagement).
d. Report annually to the secretariat of the Steering Committee on the activities falling within the scope of its business, starting with the process to provide the information in 2017 and striving for continuous improvement throughout the covenant period. This report will ultimately include meaningful information on the proceedings and results of human rights due diligence and will be ultimately directed towards a practically feasible combination of qualitative and quantitative information based on priorities, including the most severe human rights impacts identified. With regard to these impacts: <ul style="list-style-type: none"> <li>a. The efforts made to prevent and mitigate these adverse human rights impacts, striving to include the use and frequency of screening processes, stages of engagement, deadlines and action plans;</li> <li>b. The number of companies with which high-level engagement on the most severe human rights topics has been completed at head office, with general information on the nature, purpose and results of these</li> </ul>	A first and second report delivered in 2017 and 2018 (all banks together).

<p>interactions;</p> <p>c. Striving towards reporting on the total number of companies with which there has been interaction on human rights topics in line with GRI FS10.</p>	
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### 5.7 Set up complaints and whistleblower mechanisms

The IMVO covenant explicitly requires adhering banks to ensure the existence of

- a. complaints and whistleblower mechanism(s) for own staff, including in subsidiary companies; and
- b. a complaints procedure which is publicly accessible for employees, clients and third parties.

Most of these requirements follow directly from already existing laws and regulations.

#### a. Whistleblower mechanisms

Van Lanschot Kempen has a whistleblower procedure for all its employees. The text of this policy/procedure can be found under 'Reporting irregularities' at <https://www.vanlanschotkempen.com/en/governance>. Other business units have in place similar procedures, appropriate to their respective businesses.

The objective of the whistleblower procedure is to ensure that employees can always report (presumed) general, operational or financial irregularities, even if they experience (internal) barriers to doing so. Examples of potential irregularities include theft, violations of laws and regulations, material and intended violations of internal rules, violations of a pledge of secrecy, irregularities in financial reports, etc. The whistleblower procedure is not intended for issues concerning labour, labour conditions, sexual harassment, violence, bullying, aggression, violence and discrimination. For those topics, employees can contact our Human Resources department or the confidential counsellor.

#### b. A publicly accessible complaints procedure for employees, clients and third parties

If third parties, e.g. suppliers or intermediaries, wish to lodge a complaint they can contact our Compliance Director via our [corporate website](#) (see under 'Reporting irregularities'). If clients wish to lodge a complaint concerning general, operational or financial irregularities, they can use the complaints procedure (also published on our [corporate website](#)).

Although human rights are not explicitly mentioned in the above mechanisms, Van Lanschot Kempen feels that any party wishing to report a human rights-related issue to us has ample opportunities to do so. This, in combination with the fact that the type of business we are in poses a relatively low human rights risk, has led us to conclude that there is no need to adapt the content of our existing complaints and whistleblower mechanisms. However, in 2018 we improved the accessibility/findability of our complaints and whistleblower procedures on the corporate website.

## 6. What's next?

We will continue our work in the field of human rights, even now the IMVO covenant formally ended in December 2019. This means that we, in line with our human rights statement, will continue our efforts to respect international human rights, at all times and in all the different roles we fulfil: as a lender, investor, service provider, employer and purchaser.

Given our wealth management focus, we expect that our main contribution to human rights will be in the field of investing (asset management). That's why we have already started to implement two other IMVO covenants, one for insurance companies and one for pension funds. As we provide (fiduciary) asset management services to many institutional clients, these IMVO covenants are relevant for our clients, and therefore also for us. The scope of these two institutional IMVO covenants is much broader than human rights alone. In line with the OECD Guidelines for Multinational Enterprises (OECD GL) they also cover environmental themes, bribery, corruption and consumer interests.

In February 2020 we already published our first [OECD GL compliance report](#) on our website.

## Appendix 1: Details of our CSR investment policies

As described in section 4, not all of our CSR/human rights-related policies are relevant for the IMVO covenant. This holds especially for our:

- A. Responsible investment policy for client investments;
- B. CSR investment policies for our own investment book.

For the sake of completeness, we nevertheless provide some additional background on these policies below.

### *A. Responsible investment policy for client investments*

Within Van Lanschot Kempen, Kempen Asset Management is responsible for formulating and executing the responsible/sustainable investment policy (screening, exclusion, engagement and voting), also for Van Lanschot Private Banking and Evi. Based on this policy, Asset Management, Private Banking and Evi, invest on behalf of our clients in companies and mutual funds managed by Kempen Asset Management as well as external mutual funds (managed by other financial institutions). These funds can have an active or a passive management approach.

#### Our policy

Regardless of the ownership or type of fund, we (Kempen Asset Management) periodically screen investee companies and funds (managers) on sustainability, and through engagement we aim to create positive change.

- The screening is based on the UN Global Compact Framework<sup>12</sup>, the Principles for Responsible Investments (PRI) and the OECD GL and comprises many sustainability themes and criteria. The frameworks have been translated into an extensive convention list containing international conventions, directives, regulations or standards.
- If the screening – for which we use data from external research providers (MSCI ESG Research as primary research provider and also Sustainalytics (mainly for our own funds and specific clients) – indicates that companies are involved in controversial weapons (nuclear, biological and chemical weapons, cluster munitions and anti-personnel landmines) or tobacco production, we will exclude them from our investments. If companies do not comply with UN Global Compact, we may initiate an engagement process.
- Based on our policy, we select the most severe cases for ‘engagement for change’. A case becomes more severe if it negatively impacts a larger group of people if it creates impact that can no longer be remediated and if it is the result of structurally weak company policies or systems.
- Engagements may be effected by Kempen Asset Management alone or (with a view to increasing leverage) in collaboration with other asset managers and asset owners. If the investee company or internal/external fund is not willing to improve, we can exclude them, meaning that we will no longer invest in those companies and funds and will no longer recommend them to our investment advisory clients.
- Last but not least, we challenge clients, sector peers and rating agencies to pursue responsible investment and other policies.

In addition to engagement, exercising voting rights is another essential element of responsible investment. We cast our vote at the general meetings of Dutch businesses and by proxy in the case of international companies. For further details, see our Proxy Voting Policy on [kempen.com/en/asset-management/responsible-investment](https://www.kempen.com/en/asset-management/responsible-investment).

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<sup>12</sup> The UN Global Compact focuses on four themes: environment, labour conditions, anti-corruption and human rights. For human rights, the UN Global Compact states that businesses should support and respect the protection of internationally proclaimed human rights (principle 1) and make sure they are not complicit in human rights abuses (principle 2).

**Why our responsible investment policy for client investments complies with UNGP and OECD GL**

*Our responsible investment policy for client investments aims to identify potential and actual negative CSR and human rights impacts for a large number of sustainability themes, including those covered by the OECD GL. On the basis of our investment process (we only invest relatively small amounts in large companies), we assess the chances of causing or contributing to a negative human rights impact as low. This means that Van Lanschot Kempen would at most be directly linked to such a negative impact. In that case we would apply an engagement approach, fully in line with UNGP and OECD GL.*

**Voting**

In addition to engagement, exercising voting rights is another essential element of responsible investment. We cast our vote at the general meetings of Dutch businesses and by proxy in the case of international companies.

**Some engagement examples****British threads producer**

*By means of the methodology of the Platform Living Wage Financials (PLWF), we scored a British manufacturer of industrial threads on paying living wages in their global supply chains. Initial scoring showed that the company was still in an embryonic phase. In 2019 we therefore stepped into a dialogue with the company to encourage them to include living wages into their sustainability strategy. It is still too early for engagement results.*

**Asian textiles**

*Our dialogue with Abercrombie & Fitch, a company in our small-cap holdings, is focussing on its labour rights and supply chain practices. We are encouraging the company to sign the second phase of the Bangladesh Accord, and support more potentially life-saving remediation to factories in Bangladesh, as well as to increase the overall transparency of its sustainability actions. The company has already improved its sustainability disclosures via a new website.*

**Automotive**

*Volkswagen was involved in what is known as the 'Diesel scandal' (2015). By means of our dialogue with the company we concluded that it is making cultural and organisational changes. Since then VW has published an updated group compliance plan, including a detailed program to further improve compliance and integrity. We also saw a clear commitment to further improve transparency and discussed possible next steps for further improvements of its governance and sustainability profile.*

More examples can be found at <https://www.kempen.com/en/asset-management/responsible-investment>

**Results of the responsible investment policy for client investments**

In 2019, we carried out a total of 264 engagements with companies and 25 with external fund managers.

- Of the 264 company engagements, we did 84 ourselves. Of these 84 engagements 23 related to employee, social and human rights issues (e.g. labour conditions and living wages in various sectors). Another 36 engagements related to environmental themes.
- The remainder (180) were carried out in collaboration with other parties (e.g. asset managers or asset owners). 148 of these cases were climate related engagements, done by Climate Action 100+, a group of more than 450 (institutional) investors with over \$39 trillion in assets. Kempen Asset Management is a member of Climate Action 100+. Another 32 engagement cases were done by the Platform Living Wage Financials (PLWF), an alliance of 13 financial institutions - with over €2.6 trillion in assets - that encourages and monitors investee companies to address the non-payment of living wage in global supply chains. Kempen Asset Management is a member of PLWF.

Most of the companies and fund managers we have approached in recent years have shown a willingness to improve their policies or portfolios. Only a few were not prepared to do so, to which we responded by excluding them.

### *Voting*

In 2019, we voted at 414 meetings or 92% of all votable meetings (2018: 461 meetings, 93%). For more information see our [voting records](#) on our website.

### Final note: sustainable investments

In addition to our responsible investment policy - which is the basic policy for most of our managed client assets - we have also created a sustainable investment policy. The latter was used among other things to develop the new 'Duurzaam+' sustainable investment option, which was added to our discretionary asset management offering for our Private Banking clients in 2017. For clients who choose this approach we exclude the least sustainable companies ('laggards') and activities (weapons, alcohol, nuclear energy, fossil fuels, adult entertainment, factory farming, etc.) from the portfolio and, where possible, replace them with 'best-in-class' organisations.

### *B. CSR Investment policies for our own investment book*

Our own Van Lanschot Kempen trading and investment portfolio (on our balance sheet) has a relatively low CSR risk profile. It is chiefly run for liquidity purposes and mainly comprises European government paper and fixed-income securities issued by European financial institutions. A small part of the portfolio consists of participating interests: direct minority holdings (in Dutch SMEs) as well as some interests in private equity funds and other holdings.

Although the CSR risk profile of this portfolio is low, we do test it periodically for CSR issues by applying three types of CSR policies:

- For our *investments in large corporates and government bonds* we apply the same criteria as in our responsible investment policy as used for asset management; for details, see section 4.1.
- For *participating interests* (mainly in small companies) we apply the CSR corporate lending policy as described hereafter in section 4.2.
- For *financial institutions* we have developed a separate sustainability policy, which is explained below.

### CSR policy for financial institutions

Our CSR policy for financial institutions was developed in 2012, specifically for assessing the sustainability of financial institutions with which Van Lanschot Kempen has a banking relationship. This policy is intended to prevent client assets from finding their way – through interbank loans, for instance, or (proprietary) investments in securities issued by other banks – to financial institutions with weak or non-existent CSR policies. In March 2018, we refined our CSR policy for financial institutions. Our current policy is summarised below.

### *Policy*

If Van Lanschot Kempen has a current or potential banking relationship with another financial institution, the latter is expected:

1. To have formulated a specific sustainability policy (ensuring that savings money of Van Lanschot Kempen clients is handled in a responsible way) and to be transparent regarding the application and results of this policy;
2. Not to be involved in structural violations of international environmental, social or governance guidelines or to have a low sustainability rating.

To assess the first element (sustainability policy), Van Lanschot Kempen periodically investigates how financial institutions have committed to the following nine international initiatives:

1. UN Global Compact (UNGC);
2. OECD Guidelines for Multinational Enterprises (OECD GL);
3. UNEP Finance Initiative (UNEPFI);
4. Equator Principles (EP);
5. Principles for Responsible Investment (PRI);

6. CSR investment policies and CSR lending policies for sensitive sectors, themes and/or regions;
7. Money laundering policies and policy against financing terrorism (FATF, Wolfsberg, etc.);
8. Eco-efficiency policies (reduction of the ecological footprint of the own organisation and/or clients);
9. Sustainability report in line with GRI (preferably 'comprehensive').

Van Lanschot Kempen expects financial institutions to have adopted/implemented at least 50% of the above initiatives (as far as relevant for the institution<sup>13</sup>), including transparent communication around the initiatives.

With regard to the second element (no structural violations), Van Lanschot Kempen periodically assesses - based on information from research provider MSCI ESG Research - whether a financial institution is involved in structural violations of international environmental, social or governance guidelines and whether it has low scores on sustainability. The relevant tests here will be UN Global Compact compliance (no 'breach' of UNGC allowed) and the ESG Rating (no CCC rating allowed). More precisely, institutions which

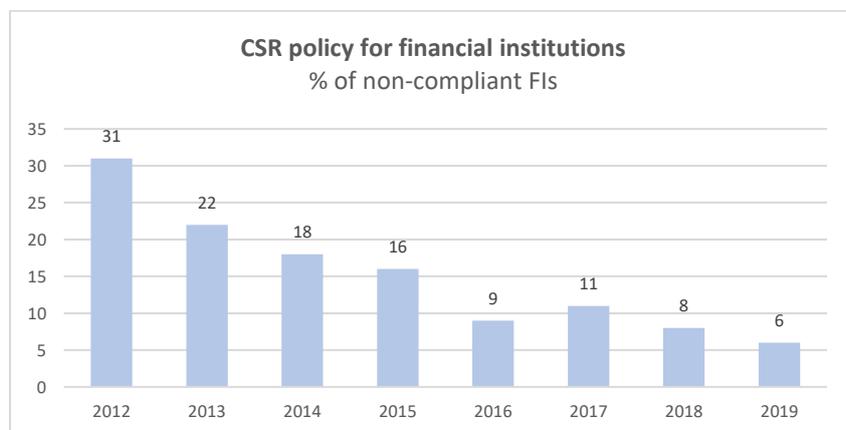
- have implemented fewer than 50% of the initiatives; or
- are in breach of the UN Global Compact; or
- have been assigned a CCC rating (both according to MSCI ESG research);

will be approached by Van Lanschot Kempen (engagement). If the institution is not willing to take steps to improve its current score, Van Lanschot Kempen will reconsider its position and may potentially divest. This will be decided on a case-by-case basis by the Executive Board.

**Why our CSR policy for financial institutions complies with UNGP and OECD GL**  
 Our CSR policy for financial institutions aims to identify potential and actual negative impacts. Based on our activities (we only provide minor credit lines to other financial institutions or invest relatively small amounts in securities issued by large financial institutions), we assess the chances of causing or contributing to a negative impact as low. At the most, Van Lanschot Kempen could be directly linked to such a negative impact. In that case we would apply an engagement approach, fully in line with the OECD GL

#### Results of our CSR policy for financial institutions

Since the start of the policies, all our participating interests and our investments in large companies and governments fully complied with our CSR policies. For our investments in securities issued by financial institutions the situation was slightly different, as not all of these titles fully complied from the start. Since the implementation of the policy in 2012, we have managed to gradually decrease the non-compliance percentage, from 31% in 2012 to 6% in 2019. Only a handful of investments have needed to be sold to achieve this result.



<sup>13</sup> Not all initiatives are relevant for all institutions. For example, smaller banks not involved in project finance are not expected to have signed the Equator Principles. Similarly, regional savings/ mortgages banks that are not involved in any activities with a high ESG risk do not need to develop a responsible lending policy for sensitive sectors, themes or regions.

## Examples

The text box below provides two examples of the application of the CSR policy for financial institutions.

### ***Dialogue with an Australian Bank***

*In 2018, we started a dialogue with an Australian Bank that – based on its public disclosures – appeared to have some CSR policies in place, but did not report in line with GRI and was not a signatory to the PRI or UNGC. We asked the bank to confirm our findings and advised that it sign up to the PRI and UNGC. The bank responded that it was already implementing parts of GRI and was considering PRI and UNGC membership. On the basis of its response we decided to wait another six months to monitor progress, if any. In 2019 the bank became a signatory to UNGC.*

### ***Divesting from a non-compliant Canadian financial institution***

*In the autumn of 2016, Van Lanschot Kempen approached a large Canadian bank that – based on information in the public domain – appeared not to be compliant with our policy. We first verified the information with the bank itself and explained our policy requirements. We also asked the bank to provide us with additional information for our comfort. As the answers we received were not satisfactory, we finally decided to divest.*

## Appendix 2: Our (third) public report in line with the UNGP Reporting Framework

### Introduction

The IMVO covenant states that adhering banks will start working towards reporting in line with the [UN Guiding Principles Framework](#) with effect from 2017. This Framework states that an organisation must *as a minimum* provide information on the following elements of its human rights policy.

#### Part A: Governance of respect for human rights

##### A1. What does the company say publicly about its commitment to respect human rights?

In March 2018, we published - as one of the deliverables within the IMVO covenant - an overarching human rights statement on our corporate website (see: [www.vanlanschotkempen.com/responsible/policy](http://www.vanlanschotkempen.com/responsible/policy) and also section 4 of this document). The statement sets out our commitment to respect human rights, in conformity with OECD Guidelines and UNGP. It states that we have in place – in so far as relevant in relation to our business – specific human rights-related policies and procedures, including a due diligence procedure. The statement also contains information on activities that Van Lanschot Kempen will not finance or invest in. The statement was drafted by our CSR Department, signed off by the Executive Board and communicated internally via our intranet. Further dissemination to other stakeholders was undertaken in 2018 - 2019.

##### A2. How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?

We have implemented our commitment to respect human rights in all relevant policies and procedures. As such we are able - in every role we play - to identify, prevent, mitigate and remedy potential and actual negative human rights impacts. We recently rephrased parts of our policies to ensure full compliance with the IMVO covenant (OECD and UNGP). Most of our policies are implemented via senior committees and in many cases the Executive Board is also involved as well (e.g. the Credit Risk Committee and the Operational Risk and Compliance Committee). Employees can find all relevant policies via the intranet and they can contact the relevant department or committee if they have questions. For our shareholders we publish our corporate [annual report](#) and for our investing clients and other interested parties there is the [annual \(client\) report from Kempen](#). The latter describes, among others, our various ESG investment policies as well as some recent engagement cases, also in the field of human rights and labour rights (e.g. Bayer, Coats Group and Abercrombie & Fitch). Last but not least: if employees, clients or other parties wish to raise an issue in relation to human rights/labour rights, they can make use of [specific complaints procedures](#) accessible via our website.

#### Part B: Defining the focus of reporting

##### B1. State the salient human rights issues associated with the company's activities and business relationships during the reporting period.

In early 2018 we prepared our first selection of salient human rights; see below. Section 3 provides details.

Our business role	Salient <sup>14</sup> negative human rights impacts			Our type of involvement			Policy
	Type	Specification	Region	Cause	Contribute	Dir. linked	
1. Lender	Labour rights	Various types; also in borrowers' supply chain	Outside HI OECD countries	No	No	Yes	Yes
2. Purchaser	Labour rights	Various types; also in suppliers' supply chain	Outside HI OECD countries	No	No	Yes	Yes
3. Service provider	Client privacy	Data leakages, misuse of client/prospect data	In our countries of operation	Yes	Yes	Yes	Yes
4. Employer	Labour rights	Discrimination, sexual harassment, work/life balance	In our countries of operation	Yes	Yes	Yes	Yes

<sup>14</sup> For a definition of salient, see the text box on page 6.

5. Investor	Labour rights	Various types; also in supply chain of investee	Outside HI OECD countries	No	No	Yes	Yes
	Land rights	Local communities; also in supply chain of investees					

**B2. Describe how the salient human rights issues were determined, including any input from stakeholders.**

The first selection of our salient negative human rights impacts was made in the first months of 2018. It was based on our experience over recent years (including discussions with various NGOs, e.g. the Fair Bank Guide), the type of clients we serve, the products and services we provide, and an internal consultation of Van Lanschot Kempen employees in various roles. In 2018 and 2019 we deepened our approach by also consulting clients, other NGOs, shareholders and other parties. For further details, see section 3 of this report.

**B3. If reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made.**

In principle, our reporting is not limited to a specific geography, as we aim to report on all salient impacts, wherever they occur. However, based on our business model and our type of clients and business partners (see also section 2 and 3), we expect that the salient risks will be in the supply chains of our suppliers, borrowers and investees, especially when these supply chains are located in regions with relatively weak regulation and enforcement, e.g. in emerging economies (i.e. non-High Income OECD countries). Closer to home, in the Netherlands and the heart of Europe, we expect fewer salient issues. See section 4 for further explanations (e.g. in relation to our CSR lending policy).

**B4. Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.**

We have not identified any such impacts to date.

*Part C: Management of salient human rights issues*

**C1. Does the company have any specific policies that address its salient human rights issues and, if so, what are they?**

Yes, we have various policies in place to identify, prevent, mitigate and remedy actual and potential negative human rights impacts. See the table below for an overview. Further details on the policies can be found in section A2 above and in section 4 of this document.

Our business roles	Applicable policies	In scope IMVO?
1. Lender	CSR corporate lending policy	Yes
2. Purchaser	Business partner due diligence policy	Yes
3. Service provider	Various client-related policies	Yes
4. Employer	Various employee-related policies	Yes

5a. Investor - for clients	Responsible investment policy	No
5b. Investor - own investment book		
- Participating interests (small companies)	CSR corporate lending policy	No
- Larger corporates and government bonds	Responsible investment policy	No
- Financial institutions (FI)	CSR policy financial institutions	No

**C2. What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?**

In the event that we are causing or contributing to a negative impact, we aim for direct communication with the stakeholders involved ('affected people, on the ground'). We expect this will be possible in our roles as service provider and employer, as we can directly communicate with our clients and employees. However, as a lender, purchaser or investor it will be more difficult to directly approach stakeholders (affected people, on the ground) as in these roles we will most likely not cause or contribute to the negative impact, but (at the most)

be directly linked to it, e.g. via a business partner. Even if it is more difficult in these cases, under our policy we will use our leverage to influence our business partners (e.g. borrowers, suppliers, investee companies, external fund managers, index producers, other banks and asset managers or owners, etc.). For examples of our (individual and collaborative) engagements with various stakeholders in 2019 (and other years), see section 4.

**C3. How does the company identify any changes in the nature of each salient human rights issue over time?**

As part of our policies all (salient) human rights impact we detect – e.g. engagements with borrowers on human rights, complaints by clients regarding privacy, discrimination cases involving employees, etc. – are filed and monitored over time. As a result, we have a good overview of the type and number of cases that have arisen over the years. Overall we see that the number of impacts is very low, as is the severity per case (see details in section 4). Over the years we have not seen any material changes in the type of cases.

**C4. How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?**

As described at A2, human rights are included as a topic in many of our policies. All these policies and systems are reviewed periodically. If such a review indicates that an update of the policy is required, the policy will be updated. The most recent example of this was the IMVO covenant, which resulted in the rewording of several internal policies.

**C5. How does the company know if its efforts to address each salient human rights issue are effective in practice?**

See our answer to C3. In the event we are causing or contributing to a negative impact, e.g. on our own employees or clients, we are able to directly monitor the results of our follow-up actions (mitigation, remediation). In the case of our own employees we can for example use our annual employee engagement scan to verify whether we have addressed a specific case effectively. And in the event of a complaint by a client, we always check afterwards whether the client is satisfied with the solution provided. However, if we are directly linked to the impact, e.g. via a business partner, monitoring will be more difficult – though not impossible, as we can still request our business partners to report on it. See section 4 for further details.

**C6. How does the company enable effective remedy if people are harmed by its actions or decisions in relation to the salient human rights issues?**

Stakeholders have various channels to contact us if they feel their human rights have been harmed by us. For employees, for example, we have a specific complaints procedure in place, and the same holds for clients. All other stakeholders can contact our Compliance director. See section 4 for further details. We see only a small number of cases of misuse of client data and mistreatment of employees each year (bullying, sexual harassment, etc.). All these cases have been settled via internal policies and processes.

## List of abbreviations

BPDD	Business Partner Due Diligence
CSR	Corporate Social Responsibility
EP	Equator Principles
ESG	Environmental, Social and Governance
FATF	Financial Action Task Force on Money Laundering
FPIC	Free, Prior and Informed Consent
GRI	Global Reporting Initiative
HI OECD	High Income OECD (Countries)
ILO	International Labour Organisation
IMVO	Internationaal Maatschappelijk Verantwoord Ondernemen
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PRI	Principles for Responsible Investment
SME	Small and Medium Sized Enterprises
UNEPFI	United Nations Environment Programme – Finance Initiative
UNGC	United Nations Global Compact
UNGP	United Nations Guiding Principles on Business and Human Rights

## Further reading

IMVO covenant (banking)

[https://www.imvoconvenanten.nl/banking?sc\\_lang=en](https://www.imvoconvenanten.nl/banking?sc_lang=en)

Other IMVO covenants

<https://www.rijksoverheid.nl/onderwerpen/internationaal-maatschappelijk-verantwoord-ondernemen-imvo/imvo-convenanten>

OECD Guidelines for Multinational Enterprises

<http://mneguidelines.oecd.org>

United Nations Guiding Principles on Business and Human Rights

<https://www.business-humanrights.org/en/un-guiding-principles>

UNGP Reporting Framework

<https://www.ungpreporting.org/>

Van Lanschot Kempen corporate website

<https://www.vanlanschotkempen.com/responsible>