Turning hidden treasures into solid growth

Kempen Capital Management NV

2020 ANNUAL REPORT

AMSTERDAM

Kempen

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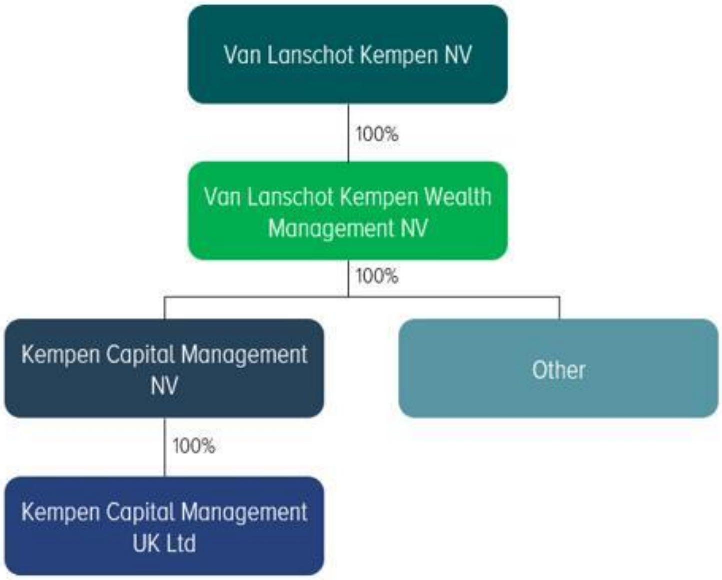
Report of the Management Board

Kempen Capital Management NV (KCM) is a full subsidiary of Van Lanschot Kempen Wealth Management NV (VLKWM), which is in turn a full subsidiary of Van Lanschot Kempen NV (VLK). KCM is a specialist asset manager with a strong focus on delivering stellar investment returns for our clients.

Figure 1: Simplified legal structure



KCM's mission is to retain and accrue wealth on behalf of its clients. Clients can rely on KCM to be a long-term steward that takes into account their financial and social long-term goals and to operate with a strong focus and clear investment outlook. In order to be able to achieve its mission, KCM seeks to be a world-class specialist asset manager and exceed its clients' expectations. It works to create long-term partnerships built on the key pillars of transparency and trust with its clients and service providers. As part of this, KCM offers clients access to investments which normally have a high entry threshold and demand a high degree of expertise and infrastructure, while also adding value in the long term.

KCM offers two types of capabilities. Firstly investment strategies, such as Global and European equities (high dividend equities, small-caps, infrastructure and sustainable value creation and impact), bonds (credits), real estate equities and alternative investments (private markets, hedge funds and alternative credit) for institutional and private investors in the shape of mandates and investment funds. Secondly, KCM offers Client Solutions: total investment solutions for private investors via VLK and directly to institutional investors. The individual client's objectives or commitments are leading here. In addition, KCM offers solutions that relieve institutional clients of day-to-day asset management activities. KCM has offices in Amsterdam, London and Paris.

Results

In the reporting period from 1 January through 31 December 2020, we generated a profit of €18.7 million. Assets under management (AuM) increased by 13.6% to €83.0 billion from €73.1 billion, the net outcome of deposits (+8.2%) and price effects (+5.4%). Assets under monitoring and guidance increased slightly to €3.2 billion from €3.1 billion, bringing the total invested capital for which KCM provides services to €86.2 billion from €76.1 billion. At the reporting date, KCM's cash position and solvency were as strong as ever, and nothing out of the ordinary occurred in our cash flows in the period.

Contribution to results

KCM's income derives from fees on AuM, reflecting capital entrusted to KCM by investors as well as the (absolute) performance of our investment products.

Macro-economic environment in 2020

The coronavirus and, in economic terms, the rapid and dramatic policy responses to the pandemic dominated the whole of 2020. The first reports of a new virus in China emerged around the turn of the year. Although it was initially assumed it would be confined to Northeast Asia, as happened with the SARS virus in 2002-2003, the coronavirus (COVID-19) quickly evolved into a pandemic via Italy, other parts of Europe and the United States (US). The speed with which the virus spread, the enormous pressure on healthcare services and the high mortality rate among patients prompted governments to take draconian measures. Strict lockdowns were imposed in order to limit social interaction as much as possible. Whole sections of economic life were brought to a halt as a result. A contraction occurred as early as the first quarter of 2020, primarily in China, but the economic losses were mainly visible in the second quarter. The economic contraction in the first half of 2020 ranged from 10% in the US and Netherlands to 11.5% in Germany and as high as 20% in France, Italy and Spain. The damage was less severe in Japan, South Korea and Taiwan as they got the virus under control more quickly. Countries in Southeast Asia and also South America were hit hard, however.

Central banks and governments were quick to act and did so on a massive scale. The Federal Reserve System ('Fed') slashed interest rates to zero, while many emerging markets followed suit and also cut interest rates. All the major central banks announced new bond-buying programmes and often also other programmes to help shore up the financial markets. Unemployment rocketed in the US, but households were amply compensated via direct cheques from the government and higher benefits. In Europe support was mainly given to businesses so that employees could retain their jobs.

A rapid V-shaped recovery followed in the summer of 2020, fuelled not only by the widespread support but especially also the easing of lockdowns. The US, Eurozone and Japanese economies grew by an estimated average of 5.8%, 8.4% and 3.7% respectively in the third quarter of 2020. This went only a small way towards repairing the damage caused by the coronavirus pandemic, however. Underutilisation of the economy's manufacturing capacity and high unemployment served to keep inflation low.

In the meantime, pharmaceutical companies were hard at work developing vaccines. News that the vaccines of two major pharmaceutical companies had efficacy rates of about 90% triggered a relief rally on the equity markets. Yet the onset of winter saw the number of new cases rise once more. The emergence of even more contagious mutations led to lockdowns being tightened again. This caused another economic slowdown, albeit a much smaller one than earlier in 2020.

The Democrats won the US presidential elections in November. This increased the chances of further fiscal stimulation, and that was exactly what happened at the end of the year. This additional package of measures was needed to prevent benefit payments from plummeting or even being withdrawn entirely at the start of 2021.

A Brexit deal was struck in the final few days of 2020. The outcome is a fairly hard variant involving the tariff-free trading of goods but with more administrative obstacles and almost nothing agreed on the service sector. Yet overall there was still relief at a deal having been agreed at all.

Commercial developments: investment strategies

Over 2020 as a whole we recorded a decline from the investment strategies of €0.6 billion, based on AuM. Following the initial downturn, predominantly driven by the impact of COVID-19 on the global markets, we have seen most niche strategies recover gradually throughout the remainder of 2020, with markets continuing to climb and eventually even surpassing their 2019 end-of-year levels.

The restructuring of the Euro Credit and Euro High Yield Team did not trigger any significant outflow in 2020. The assets managed by the Euro High Yield strategy broke through the all-important €200 million barrier, making it even more attractive to institutional investors. A sustainable version of Kempen Global High Dividend was launched in September with initial AuM of approximately €80 million. At the end of the year Kempen Global Smallcap Fund passed the €1 billion mark, six-and-a-half years after the fund's inception. There is a great deal of international interest in this strategy.

By the end of the reporting period, our investment strategies totalled €16.3 billion in AuM.

KCM received multiple awards in 2020. We see this external recognition as confirmation of our vision on specialist services. Some examples:

- In March 2020, KCM won three awards at the annual Morningstar Awards ceremony. Two awards were at firm level: Best Fund House All Asset Categories and Best Fund House Fixed Income, while Kempen Orange Fund won the award for Best Equity Fund in the Netherlands;
- Also in March 2020, Kempen (Lux) Euro Credit Fund Plus won the title of Best Fund in the category of Euro Corporate Bonds on the Belgian market at the annual Fund Awards held by De Tijd and L'Echo. This marks the sixth time in a row that this fund has won this award;
- In May 2020, KCM won nine prizes at the annual Refinitiv Lipper Fund Awards the Netherlands, including the awards for Best Fund House Overall (small) and Best Fund House Bonds (small);
- The Diversified Structured Credit Pool was awarded the best Fixed Income/Credit FoHF over one year in June 2020 by the Hedge Fund Review at the annual European Performance Awards.
- Every year, KCM submits its report on the incorporation of ESG (Environmental, Social and Governance) factors into the responsible investment process to the PRI. In August 2020, the PRI awarded KCM an 'A+' and 'A' for the year.
- In November, KCM won the category of Asset Managers < $60 billion AuM at the ICGN Global Stewardship Disclosure Awards. This is recognition of KCM's stewardship initiatives in innovation and excellence, such as engagement policies and disclosures in the Annual Stewardship and Responsible Investment Report.
- Five KCM funds are now entitled to use the Febelfin sustainability label, one more than in 2019. The label guarantees that the funds invest in a sustainable and socially-responsible manner.

Commercial developments: client solutions

The Fiduciary Management activities based in the Netherlands and the United Kingdom had another commercially successful year in 2020, seeing an increase in AuM of €6.6 billion. Het nederlandsepensioenfonds (Hnpf), for which KCM also acts as fiduciary manager, had an excellent year, with Stichting Pensioenfonds Randstad (€1.3 billion), Stichting Pensioenfonds OWASE (€1 billion) and Sweco Nederland (€1.1 billion) joining as new clients. KCM helped Stichting Pensioenfonds Randstad as a client by transferring the pension scheme to Hnpf. The UK Fiduciary Management Team also had an excellent year, welcoming the National Centre for Social Research Retirement Benefits Scheme, Cullum Detuners Limited Retirement Benefits Scheme and Pauls Malt Pension And Life Assurance Scheme as new clients, as well as seeing the Oxford University Press Group Pension Scheme committing to join in the first half of 2021.

In November 2020, KCM won the 'Fiduciary Manager of the Year' award for the second year in a row at the Financial News' European Asset Management Awards 2020.

Product development

In 2020 we introduced eight new investment funds: Kempen Sustainable Global High Dividend Fund, Long/Short Equity Pool, Diversified Distressed Debt Pool, European Direct Lending Pool (Master), two feeder funds in Kempen Oranje Participaties NV and two open architecture mandate investment funds within the BestSelect solution.

Kempen Sustainable Global High Dividend Fund was launched in September 2020. This fund offers both a diversified portfolio of companies worldwide with an attractive dividend yield and complies with strict sustainability criteria that minimise or exclude investments in companies involved in controversial activities, such as alcohol, coal production and adult entertainment, or have exposure to severe ESG controversies.

In November 2020, a solution was launched for indirect investment in a diversified portfolio of mainly senior secured loans issued primarily by European borrowers: the European Direct Lending Pool (Master). The fund will invest in a pool of – mostly illiquid and closed-end – Private Debt investment funds managed by direct lending managers. These direct lending managers provide senior secured loans to medium-sized companies across a wide range of industries in order to provide them with new capital for acquisitions, growth or refinancing.

The Long/Short Equity Pool and Diversified Distressed Debt Pool were made available at the end of 2020. The Long/Short Equity Pool invests primarily in investments that operate as long/short equity funds and mainly focus on the global equity markets (and their derivative markets) with an emphasis on developed markets in the US, Europe and Asia. The Diversified Distressed Debt Pool consists of a concentrated pool of participations in investment vehicles that operate as opportunistic credit funds and will primarily focus on the (sub-investment grade) global credit markets (and their derivative markets), with an emphasis on developed markets in the US, Europe and Asia. The first trading day for these funds was 4 January 2021.

Two new feeder funds were launched in 2020: Tiber Participatiefonds and Dommel Participantiefonds. Through participation in these investment funds, KCM offers those investors subject to corporate income tax the option of investing indirectly in Kempen Oranje Participaties NV and thereby claiming tax exemption under the Participation Exemption (deelnemingsvrijstelling). The master fund, Kempen Oranje Participaties NV, enables investors to invest mainly in small European listed companies. It buys shares in undervalued companies and aims to hold 5% or more of the paid-up nominal capital of each company.

In 2019, a new open-architecture platform for asset management clients of VLKWM was introduced: BestSelect Funds. For each investment strategy within BestSelect, mandates are awarded to external investment managers in order to achieve a more cost-efficient and sustainable proposition. Two investment funds were launched within this new umbrella fund in 2020: BestSelect-AB European Equity and BestSelect-Quoniam Global Corporate Bond.

There were also a number of investment fund closures. In June 2020, the strategic decision to discontinue the active government bond funds was announced. The current market climate of extremely low interest rates has led to a drop in investor interest in these low-yield funds. As a result, both of these funds contain limited AuM. In this context, Kempen (Lux) Income Fund and Kempen (Lux) Euro Government Fund were dissolved by the end of August 2020. A further three sub-funds within VermogensParapluFonds were closed in 2020. In September it was announced that Kempen Orange Investment Partnership was to be merged with the Kempen Non-Directional Partnership. This is due to the likelihood of the structural outflow from Kempen Orange Investment Partnership accelerating in the foreseeable future as a result of some of the key existing investors looking for an alternative solution. The merger took place at the start of January 2021.

By the end of December 2020, preparations were under way to launch an additional investment strategy managed by the Private Markets Team: Kempen SDG Farmland Fund. This fund will make global investments in farmland for which the focus is on sustainable and regenerative agriculture practices.

Organisation

Four of the changes described in the 2019 annual report (the departure of Leni Boeren and Erik Luttenberg, the plan to transfer the London-based activities to KCM UK Ltd and implementation of the Agile organisation) were carried out in 2020. After Leni Boeren stepped down from the post of CEO of KCM on 12 March 2020, her duties were temporarily taken over by Constant Korthout, CFRO of VLK. In 2020, Ernst Jansen was appointed Chief Operating Officer and statutory director of KCM. The recruitment process for the CEO role progressed as anticipated. As of 15 November 2020, Erik van Houwelingen became chair of the Board of KCM and joined the

Executive Board of VLK. He succeeds Leni Boeren in these roles. Following the appointment of Erik van Houwelingen, Constant Korthout stepped down from the board of KCM.

As announced in the 2019 annual report, the plan to transfer the Londen-based activities to KCM UK Ltd has been implemented. Up to 1 October 2020, KCM conducted its investment activities (including Fiduciary Management) in the UK through a branch. KCM wished to further underline its long-term commitment to the UK market (including its clients, business relations and employees), particularly in a post-Brexit environment, and therefore launched an initiative in 2019 to transfer its business activities in the UK to an FCA-regulated 100% subsidiary of KCM called KCM UK as of 1 October 2020. After receiving all the relevant approvals from the FCA, the business, including clients, employees and suppliers, transferred to KCM UK as of that date. In light of the Brexit developments, KCM believes that a distinct UK business will allow KCM to operate under any applicable regulatory environment following Brexit. As was the case before the transfer, KCM UK will continue to make use of the infrastructure and resources in Amsterdam to enhance its business.

KCM is a full subsidiary of VLKWM, which is in turn a full subsidiary of VLK. Key to the strategy of VLK, and therefore also to that of KCM, is the development of a fully-integrated wealth management model that enables VLK, including KCM, to serve the entire spectrum of client groups, ranging from private clients to institutional investors and corporates, and the ability to adapt quickly to changing client needs and market conditions. At the beginning of 2021, VLK (including KCM) fundamentally changed its organisational structure by moving from a traditional business line-driven organisation towards a function-based model. In line with its new organisational structure, starting in 2021 VLK (including KCM) will steer and report on its business according to client groups and no longer according to the traditional business lines.

Naturally, one of the biggest challenges in 2020 has been responding to the COVID-19 pandemic and the restrictions relating to it. Everyday life changed for our clients, our employees and all our stakeholders. The financial markets showed a sharp initial decline – followed by a swift recovery in the second half of the year – which impacted the value of our clients' investment portfolios. Dealing with the pandemic meant changing the way we serve our clients and adjustments in our way of working for our employees. Our focus was on maintaining regular contact with our clients, offering them the right advice to respond to the impact of the virus on the financial markets, and on looking after our employees through difficult circumstances.

From an organisational perspective, KCM dealt with the challenges presented by COVID-19 as follows:

- In February 2020, anticipating the impact of the virus, we started preparations by trialling working from home and introducing the concept of working in clusters;
- Our employees have primarily been working from home since the first lockdown in March 2020. In order to ensure continued engagement, we've been organising virtual town halls, team meetings, Friday afternoon drinks and other online events to keep people updated and motivated. VLK's Executive Board frequently appears in videos on our intranet, from professionally recorded videos to informal vlogs, to speak directly to employees.

Preventing cybercrime remains one of our key focus areas. We are aware of the risks concerning information security and cybercrime, and we have further invested in technological and process-related measures to mitigate them. In addition to awareness programmes and staff training, we continue to develop intelligent solutions and to work closely with industry partners. We use intelligent systems to analyse the transactions in our systems and search for fraudulent activities. As part of a multi-year programme, we are gradually stepping up security measures to keep pace with the increasing cyberthreats. In addition to technological defence measures, the emphasis is on security awareness and responsiveness. Although an increase in cyberthreats was observed, no major incidents were reported.

Sustainable & impact investment

Our sustainable & impact investment policies are informed by our company mission, laws and regulations, as well as the international treaties we and our clients endorse. In 2020, we conducted an in-depth analysis and mapping of the EU sustainable finance regulation (SFDR and Taxonomy regulation). Our engaged, active ownership approach is shaped in different ways:

- Integration of ESG criteria into the investment processes – ESG factors are part of our funds' investment processes to ensure that sustainable investment risks and opportunities are appropriately reflected in expected returns and contribute to the investment decisions;
- Engagement on controversial issues and exclusion in the absence of a favourable outcome – we engage with companies involved in severe controversies and assess them case-by-case on their alignment with the OECD Responsible Business Conduct approach. By setting measurable engagement objectives and determining timelines for their achievement, we have an objective methodology for determining when an engagement is unsuccessful and where divestment follows. Furthermore, portfolio managers engage with companies on strategic forward-looking ESG topics that are most material;
- Positive impact – a firm-wide SDG data provider was selected in 2020. An initial assessment was performed of how investments are aligned with the SDGs. The Global Impact Pool continued to make investments in line with its mission to achieve positive social and environmental outcomes. The annual GIP report was published in June 2020;
- Climate change – in 2020 we set the following objectives:
    - 2050: Net zero investor
    - 2030: Aligned with a Paris Agreement pathway (listed and non-listed investments)
    - 2025: Aligned with a Paris Agreement pathway (listed investments)

  With respect to the 2025 objective, we aim to be aligned with a path to achieving the Paris Agreement and Dutch Klimaatakkoord goals[1];
- Exercising our voting rights – in 2020 we voted at 419 Annual and Special General Meetings of Shareholders (AGMs). We voted against/withheld proposed agenda items (put forward by both management and shareholders) in 12.10% of the cases. Please see the table below for the full breakdown of votes.

Table 1: Vote Cast Statistics 2020

Meeting Overview

Category	Number	Percentage
Number of votable meetings	435	
Number of meetings voted	419	96.32%
Number of meetings with at least 1 vote Against, Withhold or Abstain	280	64.37%

Proposal Overview

Category	Number	Percentage
Number of votable items	5,631	
Number of items voted	5,429	96.41%
Number of votes FOR	4,614	84.99%
Number of votes AGAINST	657	12.10%
Number of votes ABSTAIN	100	1.84%
Number of votes WITHHOLD	68	1.25%

For more detailed information on our sustainable investment approach and policies please visit our website, or see the bank-wide Sustainability KPIs in the VLK annual report or read KCM's Stewardship and Responsible Investment Report, which received the ICGN Stewardship Disclosure award in 2020.

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

DUFAS Asset Manager Code of Conduct

On 1 October 2014, the Dutch Fund and Asset Management Association (DUFAS) published a code of conduct (the Code) that explains what clients can expect of their asset managers. This Code applies to all DUFAS members. As a DUFAS member and co-author of the Code, KCM applies this Code and reports on how it has applied its principles. This annual report contains our report on application of the Code in 2020.

General principles

1. Asset managers should act in the interests of their clients. At KCM, our clients' objectives are always the starting point for the type of asset management to be provided.
2. Asset managers should know their clients. KCM has an extensive customer due diligence process in place at the start of a client relationship. After onboarding it is KCM practice to be in regular touch with clients, their advisers and ALM consultants with respect to our clients' financial positions. This includes assessing or reconfirming objectives and risk appetite.
3. Asset managers should conduct business fairly. The agreements we make with clients and the guidelines we agree with them are laid down in contracts. Our clients receive very frequent, unambiguous reports on these. Our investment fund clients can of course access the prospectuses, key investor information and recent annual reports on our website. Monthly reports on portfolio activity and investment results are also compiled for most investment funds.
4. Asset managers should act ethically. Acting ethically must be in the DNA of all KCM employees. Pre-employment screening is conducted before employees start working at KCM. All VLKWM employees must attend an in-house ethics course as part of compulsory training under the law – on such matters as AML, privacy and anti-bribery – and the Compliance department ensures that they do so. Moreover, we believe it is important to have an open office culture – one in which people can challenge each other on their conduct, and in which people can make mistakes and be encouraged to talk about them. Lastly, regular awareness sessions are held on compliance-related issues.
5. Asset managers should manage conflicts of interest. With a view to managing such potential conflicts, we first make unambiguous agreements with our clients, a point we have made above. KCM and its employees also invest in KCM's own investment funds, and this is the ultimate expression of interests coinciding. Equal mandates receive equal treatment at KCM. To this end, a central trading unit has been set up to execute buy and sell transactions and this unit executes transactions (where possible combined) for and on behalf of all our clients. This has been laid down in an order-processing policy document that is available to clients.
6. Asset managers should act professionally and prudently. Our investment funds and services are generally not complicated; we ensure that those that are complicated are only sold to professional and/or well-informed parties that possess the requisite knowledge. Moreover, our employees attend training courses that deal with specialist aspects – e.g. via CFA/VBA – as well as with more conduct-related aspects.
7. Asset managers should communicate clearly and unambiguously. We provide our mandate clients with reports on an individual basis. The content and frequency of these reports is laid down in the contract between the two parties. Our investment fund clients have access to the detailed, clear and often monthly reports published on our website.
8. Asset managers should be open about their remuneration policies. We are transparent about our remuneration policies. A summary of our policies can be found on our website and in this annual report. For further information on remuneration, go to www.kempen.com/en/asset-management.
9. Asset managers should be transparent about fees. We provide clear information about costs and are always open about the fees our clients pay.
10. Asset managers should comply with the DUFAS codes of conduct. We comply with the DUFAS Fund Governance Code and the DUFAS Principles of Fiduciary Management. To meet the requirements of the Fund Governance Code, we have appointed a custodian for all of our regulated KCM investment funds. In addition, we have in place a Supervisory Committee for a number of investment funds incorporated in the Netherlands. This type of supervision is particularly aimed at investment funds i) that are accessible to investors from outside Lanschot Kempen, and/or ii) whose investment policies KCM carries out. This Supervisory Committee's regulations are published on our website. KCM is co-author of the Principles of Fiduciary Management and complies with these principles.

Risks and risk management

Risk management

Internal control, risk management, compliance and audit are key to our organisation and have our full attention.

Framework and capital

KCM conducts annual risk self-assessments through risk-oriented analyses such as the risk appetite statement, the risk heat map and the internal capital adequacy assessment process (ICAAP). Notable steps include:

- A risk self-assessment;
- A description of the control measures in place to mitigate the risks identified in the risk assessment. We have a low risk appetite, which means we seek to avoid the impact of these risks as far as possible;
- A determination of any additional capital that needs to be held as a buffer for the remaining risks;
- As well as assessing the impact of a scenario actually materialising, we also factor in the likelihood that it will do so, which might lead to differences between expected losses and losses actually recorded;
- KCM ICAAP focuses on developing and analysing stress scenarios covering KCM and also relates these to the VLK ICAAP.

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

Risk management department

Our Risk Management department supports and advises the KCM Management Board on identifying and managing the risks to which KCM is exposed. The department is organised independently and reports to the statutory directors of KCM. The department oversees compliance with the risk policies as adopted by the risk management committees and also reports to the relevant risk management committees. For KCM this entails primarily the KCM Risk Committee, but also the Compliance and Operational Risk Committee at VLK Group level. It also supports implementation of guidelines, regulations and internal control measures in relation to risk control.

Compliance department

Compliance is an integral part of all VLK's business activities. It is present at every level and in all parts of the organisation, and every employee has tasks and responsibilities within the domain of compliance. Compliance supports the KCM Management Board and the business in operating in compliance with regulatory requirements and expectations by designing the organisation's compliance programme. One of the core elements of the compliance programme is dedicated to managing compliance risks. By identifying, assessing, monitoring and reporting on compliance risks, the Compliance Team assists the KCM Management Board and the business in understanding the full range of its compliance risk exposure and maintaining a control framework aimed at effectively mitigating these risks. The Compliance Team also develops the policy framework that sets out how to translate applicable laws, rules and regulations into policies, procedures and internal guidelines. It provides advice on these policies, practices and guidelines and monitors compliance. The Compliance training programme, as a further element of VLK's overall compliance programme, aims to ensure good compliance awareness and understanding of the regulatory obligations among our employees. Compliance is an independent function and reports directly to the Chairman of VLK's Executive Board and the KCM Management Board. It also reports to the VLK Supervisory Board's Audit and Compliance Committee (ACC).

Internal audit department

Group Audit is tasked with VLK's internal audit function and conducts independent and objective audits. All of VLK's activities – i.e. VLK, VLKWM and KCM, as well as their domestic and foreign holdings – are included in Group Audit's remit. Group Audit tests the design and operational effectiveness of internal risk management and control systems, and aims to improve the efficacy of these systems, and in doing so it supports VLK's Executive Board and VLK's Audit and Compliance Committee as well as the KCM Management Board in performing their duties. Group Audit operates independently and reports directly to the Chairman of VLK's Executive Board and the KCM Management Board and is accountable to VLK Supervisory Board's Audit and Compliance Committee.

Financial and solvency risks

Market risk

KCM's core activity is to manage the assets of its fiduciary clients and fund investors (and not necessarily its proprietary assets and certainly not as a core activity). As such, KCM is not directly exposed to market risks. However, market risks do affect the wealth preservation and wealth creation of clients and investors and thus have an indirect impact on KCM's financial results. The wide variety of products and services KCM offers helps to diversify this indirect impact somewhat. This is consequently classed as a medium risk.

Credit risk

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

Liquidity risk

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

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

KCM remuneration policy: general principles

Introduction

Employees working for KCM have an employment contract with VLKWM, the parent company of KCM. VLKWM is a subsidiary of VLK. All legal entities, companies and branches forming part of VLK are collectively referred to in the remainder of this report as 'VLK'.

The variable remuneration policy of VLK applies for employees (including identified staff) of VLKWM and its subsidiaries, including KCM. This means that the VLK remuneration policy applies for KCM, with the proviso that a number of specific additional provisions apply for KCM; these are described in the remuneration policy and are specifically linked to the activities of KCM and the remuneration rules that apply in respect of those activities. Our remuneration policy applies to all employees working for KCM. Remuneration paid is not attributed to individual investment entities.

KCM remuneration policy: general principles

VLK pursues a prudent, sound and sustainable remuneration policy that is in line with the group's strategy, risk appetite, objectives and values. The remuneration policy is in line with and contributes to sound and effective risk control and does not encourage the taking of more risks than VLK considers acceptable. VLK ensures that the remuneration policy is applied across the group.
The following general remuneration policy principles apply for all employees working at KCM:

- Outperformance is rewarded;
- A system of differentiated remuneration applies;
- Remuneration is set on a gender-neutral basis;
- An employee's variable remuneration is based on the performance of VLK, KCM and the individual employee;

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

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

KCM remuneration in 2020 financial year

At 31 December 2020, KCM was acting as the manager of 28 alternative investment funds (AIFs) and 34 undertakings for collective investment in transferable securities (UCITS). Total AuM for AIFs amounted to € 3,482 million on 31 December 2020, and € 9,380 million for UCITS.

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

	Senior management*	Other employees	All employees
Number of employees (in FTEs, average for financial year 2020)	4	260	264
Remuneration 2020			
Total fixed remuneration	€ 2,244,557	€29,724,146	€ 31,968,703
Total variable remuneration**	€ 731,034	€4,573,945	€ 5,304,979

* Mr W.H. van Houwelingen is a director of KCM and therefore included in the table in the 'Senior management' category. He is not a member of KCM's identified staff.

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

Pursuant to Section 1:120, subsection 2(a) of the Wft, we report that no individual received remuneration exceeding €1 million in 2020.

Outlook

General

With the coronavirus pandemic continuing to rage unabated, the outlook remains extremely uncertain. In the short term, the stricter lockdowns will have a negative impact on the global economy. The Eurozone economy is likely to contract again in the first quarter of 2021. This could also be the case in the US. In Asia, where the virus is better under control, China has already fully recovered and South Korea, Taiwan and to a lesser extent Japan are profiting from the revival in industry. We believe the economic situation will improve in the course of the first half of the year. The coronavirus pandemic will slow as a result of the lockdowns, the advent of spring in the northern hemisphere and the vaccination programmes. The easing of lockdowns and ongoing monetary and fiscal stimulation could generate a robust recovery. With inflation still at low levels, the Fed and European Central Bank have the option of extending their bond-buying programmes. The second-round effects of the recession, such as mass redundancies and bankruptcies, could be averted by the continued fiscal support. The prospect of an improvement in fact makes it easier for governments to continue the support programmes for a little longer.

The US presidential elections ultimately not only yielded a Democrat president but also a Democrat victory in the House of Representatives and Senate. Sizeable fiscal stimulation packages have since been approved: first a package worth 900 billion US dollars at the end of 2020, with a further package worth 1,900 billion US dollars in March 2021. These have caused the outlook for US growth to improve greatly.

KCM

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

Amsterdam, 8 April 2021

The Management Board[2],

W.H. van Houwelingen (as of 15 November 2020)

E.J.G. Jansen (as of 22 May 2020)

2 C.T.L. Korthout (as of 12 March 2020 until 15 November 2020), H.Th. Luttenberg (until 1 May 2020) and L.M.T. Boeren (until 12 March 2020)

Consolidated 2020 Financial Statements

Consolidated Balance sheet at 31 December (before result appropriation)

		31-12-2020	***31-12-2019***
		x €1,000	*x €1,000*
Assets			
Fixed assets			
Intangible assets	I	**5.836**	**6.640**
Tangible assets	II	**209**	**858**
Current assets			
Receivables from related parties	III	**30.865**	**30.375**
Current receivables, prepayments and accrued income	IV		
Management fees receivable		33.145	28.816
Deferred tax assets		220	-
Tax and social insurance premiums		275	68
Other receivables, prepayments and accrued income		375	831
		34.015	**29.715**
Cash and cash equivalents	V	**5.238**	**2.987**
		76.163	**70.575**
Equity & Liabilities			
Equity	VI		
Paid-up and called-up share capital		92	92
Premium reserve		6.700	6.700
Translation reserve		30	-
Other reserves		22.607	21.300
Undistributed profit		18.750	16.299
		48.179	**44.391**
Provisions	VII		
Deferred tax liabilities		1.288	1.189
Other provisions		-	55
		1.288	**1.244**
Current liabilities, accruals and deferred income	VIII		
Management fees payable		9.011	3.752
Amounts owed to related parties		7.291	15.804
Tax and social insurance premiums		1.140	1.318
Other liabilities, accruals and deferred income		9.255	4.066
		26.697	**24.939**
		76.163	**70.575**

Consolidated Profit and loss account for the year ended 31 December

		2020	2019
		x €1,000	*x €1,000*
Income			
Management fees	IX	105.118	101.057
Consultancy fees	X	-	893
Other income	XI	244	46
Total income		**105.362**	**101.996**
Expenses			
Staff costs	XII	51.050	49.583
Amortisation of intangible assets	I	804	804
Depreciation of tangible asssets	II	456	569
Other operating expenses	XIII	27.519	29.217
Total expenses		**79.828**	**80.172**
Operating result		***25.534***	***21.824***
Interest income		151	62
Interest expenses		6	11
Interest result		**145**	**51**
Result before tax		***25.679***	***21.875***
Tax	XIV	6.929	5.576
Result after tax		***18.750***	***16.299***

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

General

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

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

The accounting principles have remained unchanged from prior year, with the exception of changes in accounting policies and estimates, if applicable, as presented in the relevant sections.

Currency

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

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

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

Estimates

In the process of applying the accounting policies, the Board of Kempen Capital Management NV uses estimates and assumptions which can have a significant impact on the amounts recognised in the financial statements. If necessary for the insight as required under Article 362, clause 1, Book 2 of the Dutch Civil Code, we will include the nature of these judgements and estimates as well as their underlying assumptions in the Notes to the relevant financial statements items.

Intra-group relationships

Kempen Capital Management N.V. has been owned by Van Lanschot Kempen Wealth Management N.V. (VLKWM) since January 2020. Kempen Capital Management UK Ltd is a wholly subsidiary of Kempen Capital Management N.V. since 1 October 2020. VLKWM has it registered office in Beethovenstraat 300, Amsterdam.

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

Consolidation

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

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

Related parties

As of 1 January 2020 VLKWM qualifies as a related party of KCM, Van Lanschot Bankiers België and Kempen Capital Management UK Ltd . All related-party transactions take place on market terms.

Acquisitions and disposals of group companies

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

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

Kempen Capital Management UK Ltd. is since 1 October 2020 wholly subsidiary of Kempen Capital Management NV and is fully consolidated in this financials statements.

Cash flow statement

The whole of KCM's capital is provided indirectly by VLKWM at 's-Hertogenbosch, which draws up a cash flow statement that is included in financial statements filed with the trade register in the Netherlands. The annual report is downloadable from www.vanlanschotkempen.nl. In accordance with Article 360.104 of the Dutch Accounting Standards, a cash flow statement has not been prepared for KCM.

Accounting policies

General

Assets and liabilities are generally stated at cost of acquisition. If no specific accounting policy is stated, assets and liabilities are stated at acquisition cost. The balance sheet and profit and loss account contain references to the Notes.

Intangible assets

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

Property and equipment

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

Impairments

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

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

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

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

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

IFRS 16 Leases

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. The rent regarding the short-term lease was €127k.

Receivables

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

Cash and cash equivalents

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

Provisions

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

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

Current liabilities, accruals and deferred income

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

Income and expenses

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

Management and consultancy fees

Fees comprise the revenues from services less discounts, if applicable, and tax levied on these revenues. These are disclosed in proportion to performance, based on the services provided until the reporting date relative to the total of services to be provided.

Other income

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

Staff costs

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

Interest result

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

Exchange differences

Exchange differences arising upon the settlement or conversion of monetary items are recognised in the profit and loss account in the period that they arise.

Other costs

These are costs charged to the year and that are not directly attributable to the cost of goods or services.

Taxation

Tax is calculated on the result before tax in profit and loss, factoring in any available, unrecognised tax losses from previous financial years (in as much as not included in deferred tax) and tax-exempt profits plus non-deductible costs. For VAT purposes, KCM forms a tax entity with Kempen & Co NV. For the purpose of corporation tax, KCM forms a tax entity with Van Lanschot Kempen NV. Settlement takes place between Van Lanschot Kempen NV and KCM, based on the commercial result. This worked out as a nearly full corporate tax charge in 2020.

Notes to the balance sheet and profit and loss account

BALANCE SHEET

I Intangible assets

Movements in intangible assets can be broken down as follows:

	2020	***2019***
	x €1,000	*x €1,000*
At start of year	9.200	9.200
Accumulated amortisation	2.560	1.756
Carrying amount	**6.640**	**7.444**
Movements during year		
Investments	-	-
Amortisation	804	804
At end of year	**5.836**	**6.640**

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

II Tangible assets

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

	2020	***2019***
	x €1,000	*x €1,000*
At start of year	3.695	2.548
Accumulated depreciation	2.837	2.268
Carrying amount	**858**	**280**
Movements during year		
Investments	-	1.147
Disposals	193	-
Depreciation	456	569
At end of year	**209**	**858**

At 31 December 2020							*x €1,000*
	Hardware	**Software**	**Alterations**	**Communications equipment**	**Inventory**	**Right-of-use - buildings**	**Total**
At 1 January 2020	17	123	135	11	29	543	858
Investments	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	193	193
Depreciation	17	59	14	4	13	350	456
At 31 December 2020	**-**	**64**	**121**	**8**	**16**	**-**	**209**

Cumulative							*x €1,000*
	Hardware	**Software**	**Alterations**	**Communications equipment**	**Inventory**	**Right-of-use - buildings**	**Total**
Acquisition costs	363	2.021	213	26	62	-	2.685
Cumulative depreciation	363	1.957	92	19	46	-	2.475
At 31 December 2020	**-**	**64**	**121**	**8**	**16**	**-**	**209**

Depreciation is applied at the following rates:

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

III Receivables from related parties

This item concerns a receivable from related partie VLKWM with a term of less than one year. There are no relevant contract terms that could have a material effect on the amounts or the risks of future cash flows.

IV Current receivables, prepayments and accrued income

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

Management fees receivable

This relates to the balance of management fees receivable and discounts payable involving the same counterparties, which are settled simultaneously but had not yet been settled at 31 December 2020. Management fees receivable have a term of less than one year.

Other receivables, prepayments and accrued income

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

V Cash and cash equivalents

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

VI Equity

Paid-up and called-up share capital

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

Premium reserve

The premium reserve did not change in 2020. The premium reserve is freely distributable.

Translation reserves

Movements in translation reserves can be broken down as follows:

	2020	***2019***
	x €1,000	*x €1,000*
At start of year	-	-
Change translation reserve	30	-
At end of year	**30**	**-**

Other reserves

Movements in reserves can be broken down as follows:

	2020	***2019***
	x €1,000	*x €1,000*
At start of year	21.300	19.557
Profit distribution (undistributed profit previous year)	16.299	11.739
Dividend payments	-15.000	-10.000
Difference previous years	-	4
FX difference	7	-
At end of year	**22.607**	**21.300**

Undistributed profit

	2020	***2019***
	x €1,000	*x €1,000*
At start of year	16.299	11.739
Dividend payment	-15.000	-10.000
Addition to Other reserves	-1.299	-1.739
Result for the financial year	18.750	16.299
At end of year	**18.750**	**16.299**

The undistributed profit for the current financial year amounts to €18,743,943. The Management Board is proposing to distribute a dividend to an amount of €18,000,000, equivalent to €89,108.91 per share. The difference between the result after tax of €18,743,943 and the dividend to be distributed, amounting to €743,943, will be added to Other reserves. The annual report does not yet reflect this proposal.

VII Provisions

Movement in the deferred tax liabilities can be specified as follows:

	2020	2019
	x €1,000	x €1,000
At start of year	1.189	1.281
Change	99	-92
At end of year	**1.288**	**1.189**

Upon the acquisition of VermogensParaplu Beheer BV, a deferred tax liability of €1,675 was incurred in 2017, which is being amortised on a straight-line basis over a period of 15 years.

Movements in other provisions can be broken down as follows:

	2020	2019
	x €1,000	x €1,000
At start of year	55	-
Additions	-	55
Release	-55	-
At end of year	**-**	**55**

Compared with 2019, provisions decreased by €55,000, release took place in 2020.

VIII Current liabilities, accruals and deferred income

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

Management fees payable

This item concerns management fees that had not yet been settled at 31 December 2020 and that cannot be set off against outstanding receivables.

Amounts owed to related parties

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

Amounts owed in respect of tax and social insurance premiums

This relates to value added tax payable in respect of the fourth quarter of 2020.

Other liabilities, accruals and deferred income

This relates to accruals and accounts payable to suppliers.

IX Management fees

Management fees increased by 4% in 2020 compared with 2019 and can be broken down as follows:

	2020	2019
	x €1,000	x €1,000
Management fees	95.104	91.858
Service fee income	16.268	14.632
Service fee expenses	-6.254	-5.561
Performance fees	-	128
Total management fees	**105.118**	**101.057**

X Consultancy fees

Consultancy fees relate mainly to services provided for the benefit of clients of VLKWM.

XI Other income

Other income mainly comprises positive currency, revaluation results and result of majority interests.

XII Staff costs

	2020	2019
	x €1,000	x €1,000
Salaries	37.014	36.839
Pension costs	4.717	3.912
Social security contributions	3.415	3.379
Other staff costs	5.904	5.453
Total staff costs	**51.050**	**49.583**

Staff costs comprise salaries, market value allowances, expenses, travel allowances, social security costs, employer's pension costs and variable remuneration charged on by VLKWM. Variable remuneration accounted for 14% of salary costs (2019: 16%).

Pension costs allocated to the reporting period are charged on to KCM by the group head based on the number of staff employed. VLKWM is responsible for the commitments ensuing from the pension scheme agreed with employees.

Average number of staff

Staff working at KCM are employed by VLKWM. The average number of staff on full time basis between 1 January and 31 December 2020 was 264 (2019: 265). The average number of staff working outside the Netherlands was 23.6 (2019: 21.5).

Management Board remuneration

The Management Board of Kempen Capital Management NV comprised two members in the 2020 financial year. The departure of Ms Boeren and Mr Luttenberg and the endorsement of Mr van Houwelingen and Mr Jansen did not affect the total number of members in the Management Board in the year under review compared with the previous financial year.

The Management board remuneration of Kempen Capital Management NV is comprised in line with the Van Lanschot Kempen pillar 3 disclosures*.

The Management Board remuneration for the 2020 financial year amounted to €1,481,555, compared with €1,634,943 in 2019.

* As of 2019 the disclosure of Management Board remuneration of Kempen Capital Management NV has been brought in line with VLKWM pillar 3 disclosures.

XIII Other operating expenses

	2020	***2019***
	x €1,000	*x €1,000*
ICT costs	8.883	9.515
Charged-on overheads	2.566	2.663
News services	6.808	6.555
Accommodation costs	2.484	3.108
Commercial costs	991	2.180
Consultancy fees	3.934	2.425
Fund costs	2.494	3.013
Office costs	412	360
Administration costs	54	149
Other	-1.106	-751
Total other operating expenses	**27.519**	**29.217**

For more detailed information about the audit fees, references is made to note 31 ‘Other administrative expenses’ in the consolidated financial statements of VLKWM in ’s-Hertogenbosch, the Netherlands.

XIV Taxation

	2020	2019
	x €1,000	x €1,000
Deferred taxes	225	-
Income tax expense from previous years	108	7
Income tax expense from the current financial year	6.597	5.568
	6.929	**5.576**
	%	%
Effective tax rate	27%	25%
Applicable tax rate	25%	25%

The effective rate is higher than 25% because the taxes in previous years and the rate for the deferred taxes in The Netherlands has been changed. This change has been booked via inome tax.

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

	Amounts in €
Profit according to the financial statements	25.679
CIT based on applicable rate CIT 25%	6.420
Tax non-deductible costs	95
Amortization of goodwill	0
Income tax previous years	103
Change in deferred income tax	225
Tax rate difference foreign operations	86
Profits from foreign operations	0
Other	0
Corporate income tax payable	6.929
Effective corporate tax rate	27,0%

XV Off-balance-sheet assets and liabilities

Off-balance-sheet assets comprise rents:

	31-12-2020	31-12-2019
	x €1,000	x €1,000
Office rental obligations		
< 1 year	342	-
≥ 1 year < 5 years	-	-
≥ 5 years	-	-
Total	**342**	**-**

The remaining term of the rental agreement is eight months.

Events after the reporting period

In order to further simplify the group structure, we are exploring the possibilities of a legal merger between Van Lanschot Kempen and VLKWM. Such a legal merger will be subject to approval from the regulators and the general meetings of these companies. This possible merger will have no effect for KCM NV howsoever.

Company financial statements 2020

Company balance sheet at 31 December 2020 (before result appropriation)

		31-12-2020	31-12-2019
		x €1,000	x €1,000
Assets			
Fixed assets			
Financial assets	I	**4.959**	
Intangible assets		**5.211**	**6.640**
Tangible assets		**193**	**858**
Current assets			
Receivables from related parties		**29.384**	**30.375**
Current receivables, prepayments and accrued income			
Management fees receivable		32.046	28.816
Tax and social insurance premiums		211	68
Other receivables, prepayments and accrued income		288	831
		32.545	**29.715**
Cash and cash equivalents		**3.252**	**2.987**
		75.544	**70.575**
Equity & Liabilities			
Equity	VI		
Paid-up and called-up share capital		92	92
Premium reserve		6.700	6.700
Other reserves		22.607	21.300
Exchange differenes		16	-
Undistributed profit		18.750	16.299
		48.165	**44.391**
Provisions			
Deferred tax liabilities		1.303	1.189
Other provisions		-	55
		1.303	**1.244**
Current liabilities, accruals and deferred income			
Management fees payable		9.011	3.752
Amounts owed to related parties		8.008	15.804
Tax and social insurance premiums		967	1.318
Other liabilities, accruals and deferred income		8.091	4.066
		26.077	**24.939**
		75.544	**70.575**

Company profit and loss account for the year ended 31 December 2020

		2020	***2019***
		x €1,000	*x €1,000*
Result from participating interests	I	-548	-
Company result after tax	I	19.298	16.299
Result after tax		***18.750***	***16.299***

Notes to the company balance sheet and profit and loss account

Basis of preparation

General

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

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

Participating interests

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

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

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

Notes to individual items in the company financial statements

I Financial assets

Participating interests include the following company:

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

Movements in financial assets break down as follows:

	31-12-2020	***31-12-2019***
	x €1,000	*x €1,000*
Purchased participating interests	1.595	-
Capital payment	3.848	
Result from participating interests	- 548	-
Share plans	15	
Translation differences	50	-
At end of year	**4.959**	**-**

Purchase of group companies in 2020

On 1 April 2020, Kempen Capital Management NV acquired all the shares of Kempen Capital Management (UK) Limited, an asset management firm in London. The acquisition involved an equity transaction leading to decisive control against book value at the moment of transfer.

The acquisition price was €1.6 million.

VI Equity

Paid-up and called-up share capital

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

Premium reserve

The premium reserve did not change in 2020. The premium reserve is freely distributable.

Other reserves

Movements in reserves can be broken down as follows:

	31-12-2020	***31-12-2019***
	x €1,000	*x €1,000*
At start of year	21.300	19.557
Profit distribution (undistributed profit previous year)	16.299	11.739
Dividend payments	-15.000	-10.000
Difference previous years	-	4
FX difference	7	-
At end of year	**22.607**	**21.300**

Undistributed profit

	31-12-2020	***31-12-2019***
	x €1,000	*x €1,000*
At start of year	16.299	11.739
Dividend payment	-15.000	-10.000
Addition to Other reserves	-1.299	-1.739
Result for the financial year	18.750	16.299
At end of year	**18.750**	**16.299**

Amsterdam, 8 April 2021

The Management Board,

W.H. van Houwelingen (as of 15 November 2020)

E.J.G. Jansen (as of 22 May 2020)

Other information

Profit appropriation

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

Independent Auditor’s report

Independent auditor’s report may be found on page 38.

Independent auditor's report

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

Report on the financial statements 2020

Our opinion

In our opinion, the financial statements of Kempen Capital Management N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Kempen Capital Management N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The financial statements comprise:
- the consolidated and company balance sheet at 31 December 2020;
- the consolidated and company profit and loss account for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

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

The basis for our opinion

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

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

Independence

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

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- the report of the management board;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the management board

The management board is responsible for:

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

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

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error.

They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

Rotterdam, 8 April 2021
PricewaterhouseCoopers Accountants N.V.

A. van der Spek RA

Appendix to our auditor's report on the financial statements 2020 of Kempen Capital Management N.V.

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

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

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

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

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

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Asset Management

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