Annual Stewardship and Sustainable Investment Report 2020

Kempen

ASSET MANAGEMENT APRIL 2021

About Kempen

KEMPEN CAPITAL MANAGEMENT N.V. (hereafter Kempen) is a specialist asset manager focused on niche investment strategies.
Since 1991, we have been committed to assisting our institutional and wholesale clients and help them invest in small-cap and high-dividend equities, real estate, credits and alternatives.

We also offer dedicated tailored solutions to large and small clients, insurance companies, trustees and family offices, encompassing asset allocation, portfolio construction and analytics, and manager selection and monitoring.

We manage a total of €86.2 billion in assets[1], of which €16.6bn is in Investment strategies and €69.6bn in Solutions.

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

"At Kempen we are determined to leverage our influence on sustainability across the value chain, working with clients, managers and companies to help them achieve both financial returns and sustainable impacts"

Narina Mnatsakanian
Executive Director Impact & Sustainable Investment

1 As of end December 2020.

Foreword

In spite of the profound challenges of the past year, or partly perhaps because of them, 2020 was a momentous year for sustainable investment. The amount of sustainability-related funds, data and legislation on the market all grew significantly, and sectors from transport to technology may never be the same again.

The impact of the Covid-19 pandemic amplified the opportunity for companies to build much greater competence in sustainability factors from board diversity to biodiversity. Sustainability is at the heart of Kempen's approach to value creation, and 2020 saw the growing importance of social issues upon which we engaged with companies in the garments, big tech and pharma sectors.

In 2020 therefore it was timely that Van Lanschot Kempen gave sustainability an even greater strategic priority across our entire Group – from asset management through private banking to merchant banking. We build sustainability into everything we do and across every team, from deploying advanced analytics, to operations in our IT and human resources teams.

At Kempen we are determined to leverage our influence on sustainability across the value chain, working with clients, managers and companies to help them achieve both financial returns and sustainable impacts.

In that sense, we are entrepreneurial about sustainability and that is reflected in the contents of this report. It shows how we have helped change corporate behaviour through our active ownership approach, built indexes for clients that tilt capital towards sustainability, and launched products such as our Sustainable High Dividend Fund – which marries a dividend yield with straightforward sustainability criteria.

A CLIMATE OF CHANGE

And while the pandemic was quite rightly on the front pages, we should remember that the climate crisis remains much bigger and an ongoing concern. In 2020, Kempen showed global leadership with our new Climate Policy, through which we have become one of the first asset managers to commit to becoming a net zero investor by 2050. Our policy also sets short-term objectives to align all of our listed investments with Paris Agreement pathways by 2025.

> "In spite of the profound challenges of the past year, or partly perhaps because of them, 2020 was a momentous year for sustainable investment... sectors from transport to technology may never be the same again"

Lars Dijkstra
Chief Investment Officer

We recognise that meeting the goals of the Paris Agreement must be a collaborative effort and in 2020 we also worked closely on initiatives such as the IIGCC Net Zero Investment Framework, to help provide a practical blueprint for asset owners and managers to follow our lead.

We have also, as explained in detail in this report, helped all our clients and stakeholders in 2020 to implement the recent wave of sustainable finance regulation from the EU. We hope policies such as the EU Taxonomy and the Sustainable Finance Disclosure Regulation, as well as the potential convergence in voluntary ESG reporting standards announced at the end of 2020, will prove landmark moments in the transition to more sustainable global capital markets.

Full disclosure by investors must be a foundation stone for more sustainable market behaviour. We were therefore honoured last year to receive the *ICGN Stewardship Disclosure Award* for going the extra mile to adhere to the highest standards of transparency and disclosure.

Time will tell if the markets return 'to normal' in 2021. Already there are signs that the disruptions of 2020 will make climate and non-financial risks much more visible in the markets, shifting the cost of capital for companies and investors like ourselves.

With a newly integrated and fully dedicated Sustainability center across the Van Lanschot Kempen family in 2021, we aim to remain ahead of that curve to attain both our clients and our own financial and sustainability goals.

Lars Dijkstra, Chief Investment Officer and Narina Mnatsakanian, Executive Director Impact & Sustainable Investment

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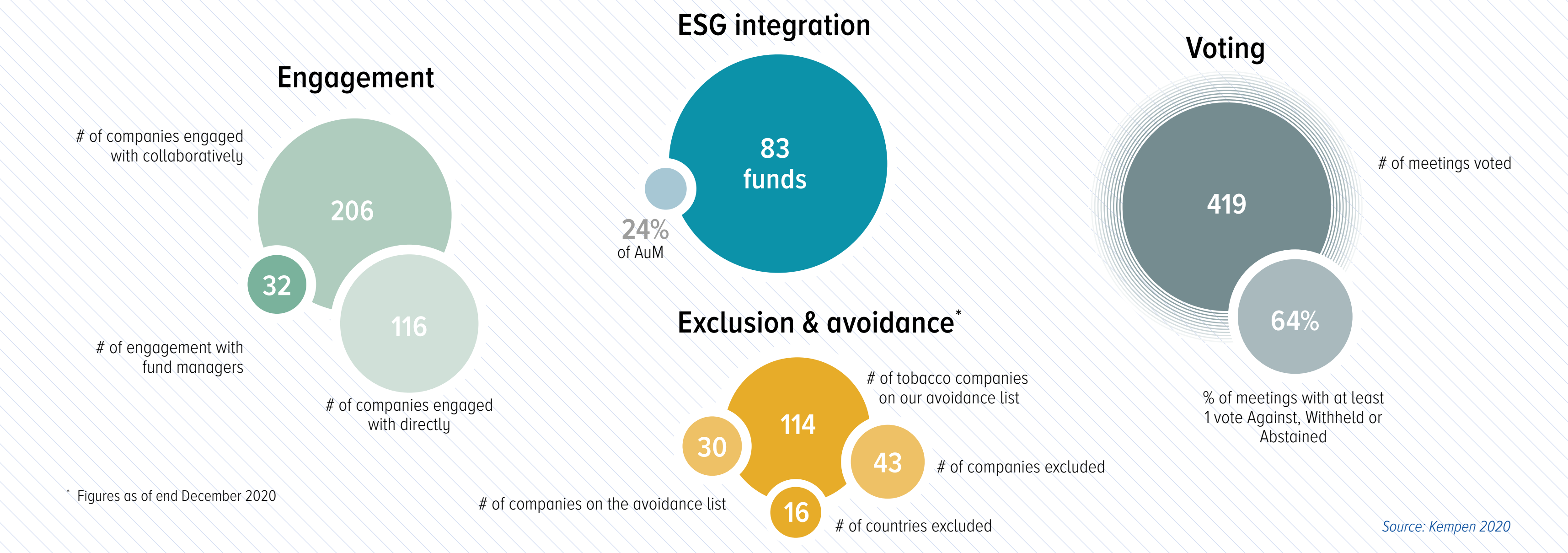
Responsible Investment Dashboards

Responsible Investment Dashboard

FIGURE 1 RESPONSIBLE INVESTMENT DASHBOARD FIGURES PER END 2020



The dashboard shows key numbers and highlights Kempen's exclusion & avoidance, ESG integration, and active ownership (voting and engagement) activities over 2020.

43 companies are on the exclusion list due to their involvement with controversial weapons. We also avoid 114 tobacco companies and 30 companies avoided due to their involvement in significant controversies 16 countries are on our exclusion list for government bonds based on EU and UN sanctions.

We applied our new Sustainability Spectrum[2] scoring methodology to 83 internally- and externally- managed funds, representing 24% of Kempen's AUM. More about the results of the scoring can be found here.

Exclusion List: 43
Tobacco List: 114
Avoidance List: 30

Throughout 2020 we voted at 419 distinct company meetings, with 14% of our votes cast against management. We make use of ISS as a voting platform and votes are based on our custom voting policy[3].

2 We further developed this scoring and raised the minimum requirements for the funds to be able to qualify. Minimum requirements include compliance with OECD Responsible Business Conduct Guidelines such as comply or explain on investing in companies with the highest level of controversies. Furthermore, to be able to receive higher scores funds will need to have a climate policy and have portfolios with a best in class / inclusion policy.

3 Our voting record can be seen here: https://vds.issgovernance.com/vds/#/NzcyMA==/

Summary of our voting activities

TABLE 1 VOTING STATISTICS OVER TIME 2018 - 2020

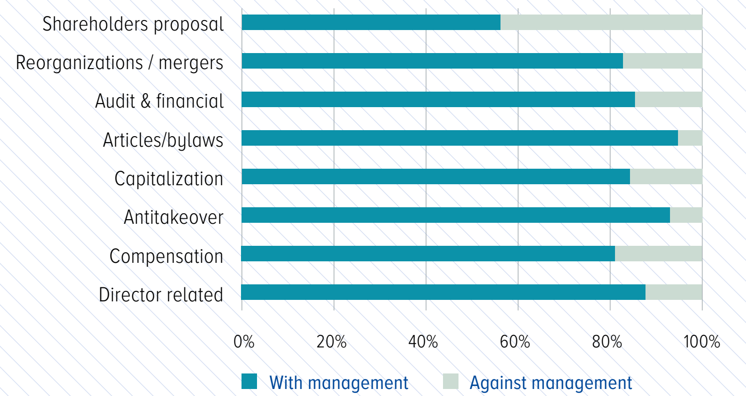
CATEGORY	*2020*	*2019*	*2018*
× Number of votable meetings	435	452	495
× Meetings voted	96.3%	91.6%	93.1%
× Meetings with at least 1 vote Against, Withhold or Abstain	64.4%	45.0%	37.0%
× Votes With Management	86.2%	90.8%	94.0%
× Votes on Shareholder Proposals (as % of total votable items)	2.5%	2.5%	2.4%

Source: Kempen 2020

In 2020 we voted for 71 out of the 145 shareholder proposals tabled at the general meetings.

Of the 71, 8 related to corporate governance (including the gender pay gap), 10 required independent chairperson, 7 focused on climate change, 6 on social proposals, 13 on shareholder rights, and 9 related to political lobbying disclosure.

FIGURE 2 VOTING PER THEME



Source: Kempen 2020

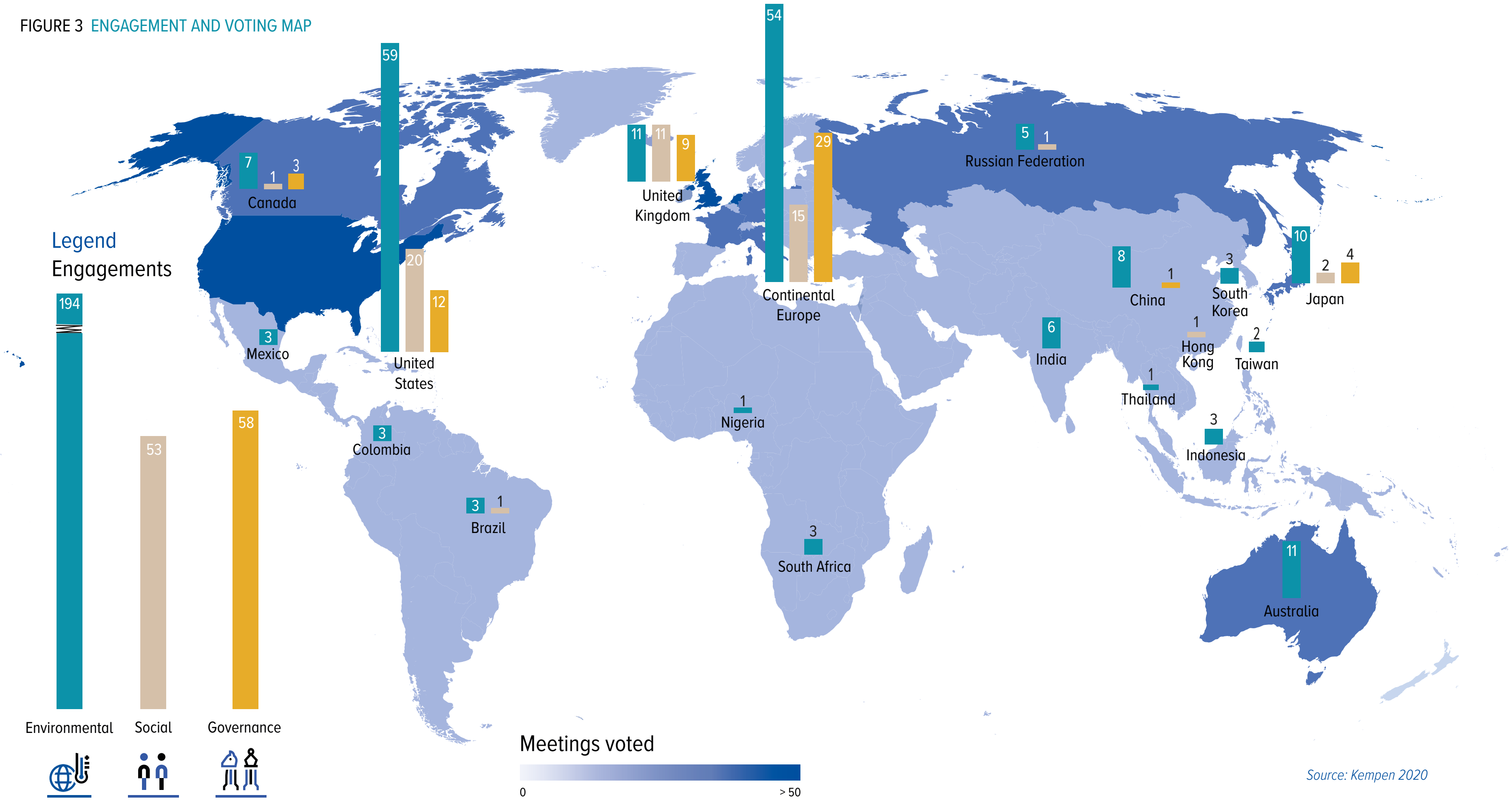
There were 280 meetings (64.4%) where we voted against at least one agenda item, or withheld / abstained on at least one point. We tend to abstain to give the management time to resolve an issue, but on the provision that we will vote against management in the future if no changes are implemented.

Engagement and voting map

In 2020, we engaged directly with 116 companies on environmental, social and governance themes. Of these engagements, 82 were engagements for change carried out by our portfolio managers and responsible investment team. We also engaged with an additional 206 companies in collaboration with peers.

We divide the dialogues with companies into ‘engagements for change’ and ‘engagements for awareness’. The engagements for change were focused mainly on environmental (45%) and governance issues (37%). We also engaged with 41 companies for awareness on general ESG issues, for the most part on governance and often around their AGM agenda items.

FIGURE 3 ENGAGEMENT AND VOTING MAP



Source: Kempen 2020

Our engagements

Our engagement approach

We differentiate between

Engagement for awareness

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

Engagement for change

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

Public policy and collaborative engagements

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

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

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

Engagement milestones overview

Overview of Kempen's milestone methodology

1 **RAISE CONCERN:** Kempen identifies the issue and brings it to the attention of the relevant board members or management team of a company;

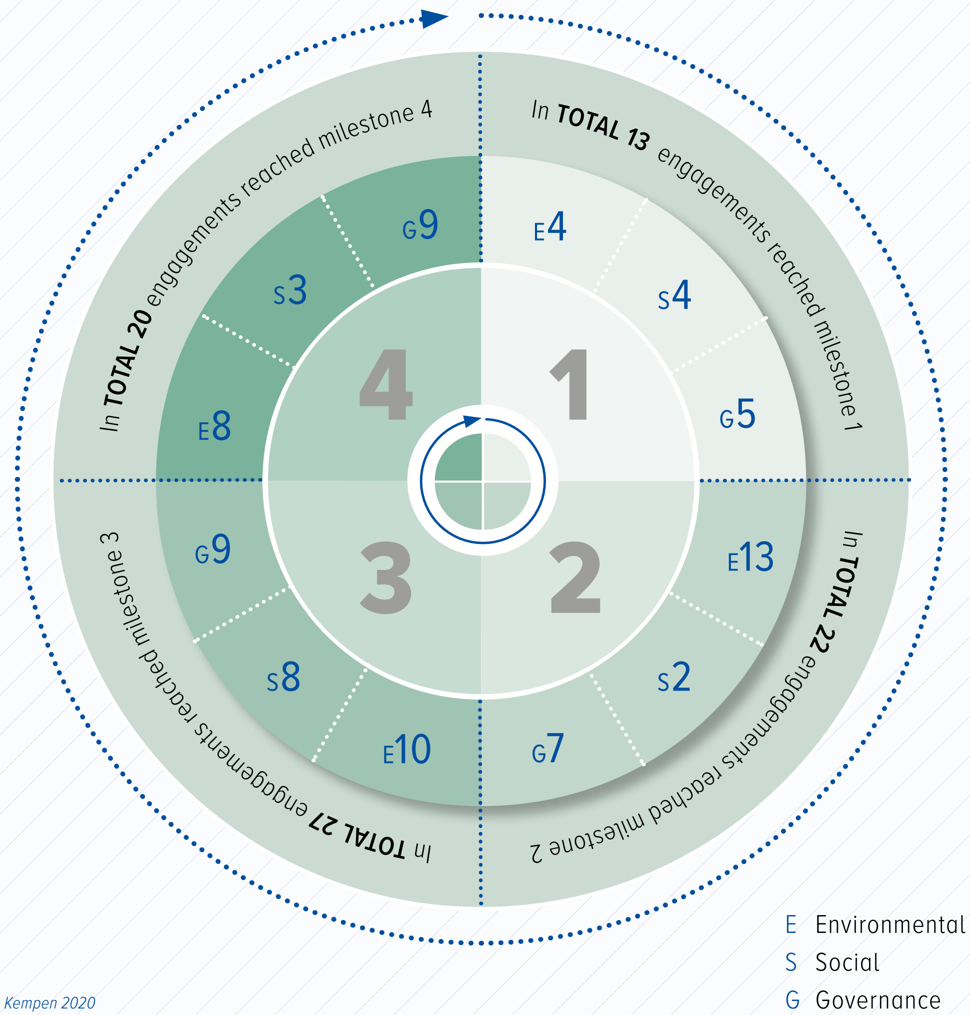
2 **COMPANY ACKNOWLEDGEMENT:** The company acknowledges the importance of the issue raised to the company or its stakeholders and commits to resolving the issue;

3 **COMPANY POLICY:** Company has developed or improved its policy to deal with the specific issue; and

4 **COMPANY IMPLEMENTS PROGRAMME (CLOSING OF THE ENGAGEMENT):** The company can provide clear evidence that the policy or strategy is fully implemented and that there is clear accountability from the top.

This figure displays how the total of 82 engagements are split across four milestones as of the end of 2020. Per each milestone, the breakdown of environmental- (E), social- (S) and governance- (G) related engagements are shown. In total we led 35 direct engagements for change on environmental themes, 17 on social, and 30 on governance-related matters in 2020.

FIGURE 4 SUMMARY OF ALL ENGAGEMENTS FOR CHANGE PER MILESTONE PER END 2020



Source: Kempen 2020

Figure 4, on the previous page, shows how many ‘engagements for change’ progressed on our four milestones approach in 2020 – highlighting the concrete results our engagements delivered during this year.

Most ‘engagements for change’ moved forward one or more milestones in 2020. We engaged more frequently on environmental and governance issues than on social issues. Regarding the former, climate change was by far the most significant topic and we expect more climate change-related engagements going forward, as the sense of urgency and importance of climate issues is rising for all stakeholders. Overall we saw good progress in our dialogues with more than half showing a positive direction of travel. 20 engagements have reached milestone 4 this year, which means engagements were successfully completed, there were two of them that were also initiated at milestone 0 earlier in 2020 - meaning the company successfully implemented policies to fix areas of concern.

Around one in four engagements showed no progress during the year – in some cases because progress has stalled, while in other cases because we are no longer invested in the company. Furthermore, some engagements take more time before company can implement our required ask and engagement is able to reach the next milestone. Only three engagements for change have developed negatively, meaning that the dialogue and expected results from the engagement with the investee company were not satisfactory, in our view.

Milestone progress in 2020

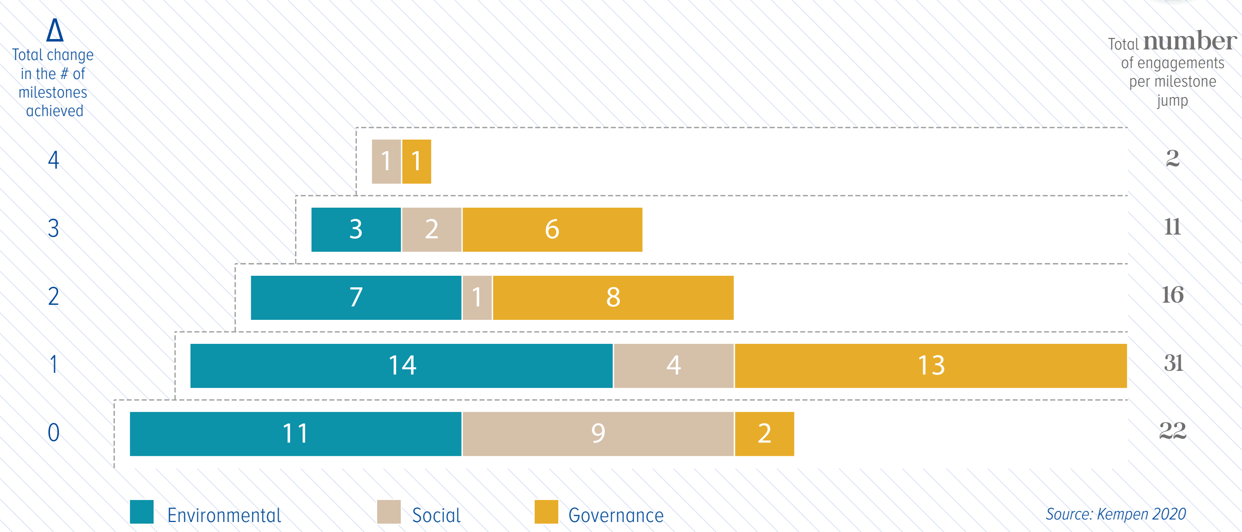
104 Engagement milestones achieved across 82 engagements

In comparison to last year, there was an increase in the total number of engagements as well as in the number milestones reached. This can be attributed to the focus of investment teams on proactive engagements for change.

We commenced or continued a number of climate-related engagement cases. There were also several engagements that we initiated in 2019 and where more progress was achieved in 2020 in terms of company responsiveness and follow up actions.

As the graph and table show, 31 engagements reached one milestone in 2020, 16 progressed two milestones, 11 reached a delta of three milestones. Two engagements were initiated and completed successfully in 2020.

FIGURE 5 NUMBER OF ENGAGEMENTS FOR CHANGE MILESTONES (DELTA) ACHIEVED



Source: Kempen 2020

TABLE 2 # OF MILESTONES ACHIEVED PER END 2019 AND PER END 2020

MILESTONE PROGRESS	0		1		2		3		4		TOTAL	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Environmental	5	11	2	14	9	7	2	3	2	0	**20**	**35**
Social	1	9	3	4	6	1	2	2	0	1	**12**	**17**
Governance	3	2	43	13	6	8	3	6	2	1	**18**	**30**
TOTAL	**8**	**22**	**9**	**31**	**21**	**16**	**7**	**11**	**4**	**2**	**50**	**82**

Source: Kempen 2020

OECD RBC related engagements

For an overview of our most significant 2020 engagements on themes covered by the OECD Responsible Business Conduct (RBC) guidelines, please click here. It covers engagements on both actual and potential adverse impacts and how these are mitigated.

Engagement factsheets

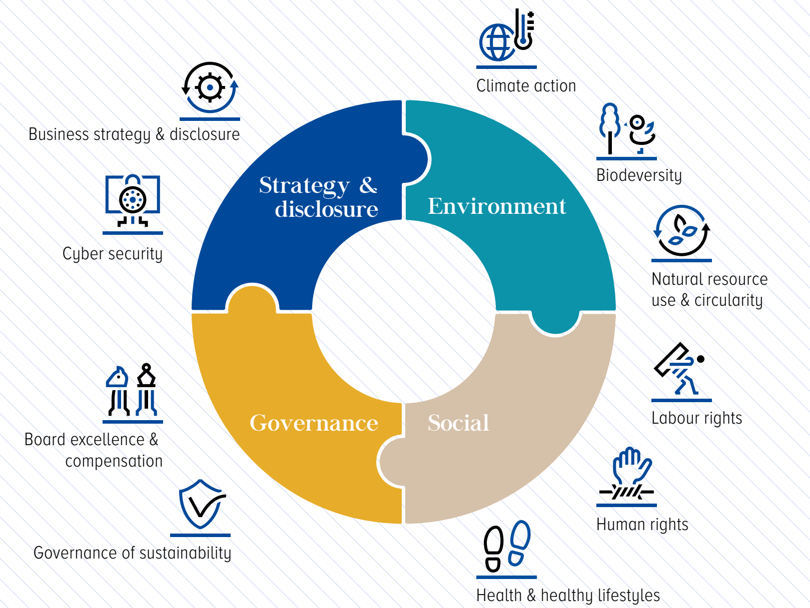
Our ESG engagement factsheets can be viewed here. For this report, we have chosen to highlight the following engagements:

- Alphabet
- Bakkafrost
- Coats
- Equinor
- Roche
- Shell

Engagement themes 2021 - 2023

Looking to the coming years, we will continue to focus our company engagements on constructive dialogues around strategy and disclosure, climate change and other relevant environmental themes, labour and human rights and governance.

FIGURE 6 ENGAGEMENT THEMES 2021-2023



Source: Kempen 2020

Highlights 2020

Highlights 2020

FIGURE 7 HIGHLIGHTS 2020

JANUARI
Global Impact Pool passes €100 million mark

APRIL
Covid-related collaborative engagement with the garment and pharmaceutical sectors'

JUNE
Published ESG & financial performance whitepaper

Vote on co-filed Alphabet proposal on Human Rights Risk Oversight

JULY
Preparation for the implementation of EU regulation

Whitepaper on EU regulation published

AUGUST
New SDG data provider selected and initial data rolled out'

SEPTEMBER
Sustainable Global High Dividend Fund launched

Kempen commits to be a net zero investor by 2050

NOVEMBER
Received the ICGN Stewardship Disclosure Award

Febelfin label awarded to the Global Sustainable Value Creation Fund

DECEMBER
Pensions for Purpose's "Most Read Content" award for Impact whitepaper

Became a founding member Asset Manager Net Zero Alliance

Source: Kempen 2020

ENDORSEMENTS STATEMENTS, CONTRIBUTION TO CONSULTATIONS	*DATE*
× Response to the SEC draft ruling on proxy advise and resubmission thresholds	January
× Investor Statement Calling on Improved Performance on the Corporate Human Rights Benchmark	March
× Investor Statement on Human Rights Due Diligence for Luxury Brands	March
× PRI / ICCR Covid Response Statement	March
× Investor Statement on Coronavirus Response (COVID-19)	April
× ICGN Letter to Corporate Leaders on governance priorities in the 2020 pandemic	May

ENDORSEMENTS STATEMENTS, CONTRIBUTION TO CONSULTATIONS	*DATE*
× Response to the European Commissions' consultation on the review of the Non-Financial Disclosure Directive	May
× IIGCC letter to EU leaders on maintaining focus on the EU Green Deal in the COVID-19 recovery	June
× Contributing to consultations on EU sustainable finance regulation	October
× Human rights and big tech investor expectation statement	October
× Endorsement of the ICGN Stewardship Principles	November

Source: Kempen 2020

Our approach to sustainable investment

At Kempen we have spent years refining our responsible and sustainable investment philosophy and processes to help our clients preserve and grow assets that yield a real economic return alongside a positive societal and environmental impact. We organise our responsible investment efforts across four pillars:

1 Exclusion and avoidance

We believe that, in most cases, sustained and informed engagement is the best way to improve a company. However, there are several instances when Kempen directly excludes or avoids companies, including firms involved in the production of controversial weapons or those where engagement efforts have failed. In 2020 we committed to exclude companies relating to coal and tar sands across all investment strategies within two years.

2 ESG integration

We believe ESG factors are fundamental to understanding the true value of a company or other investable entity, and what material risks and opportunities it faces over the long term. ESG is deeply integrated into the processes of all our portfolio managers and fiduciary advisors and applied across asset classes. In 2020 we have continued to deepen our ESG integration by improving the ESG data including developing a shared understanding across the Group on how different teams can judge the sustainability of each company.

For examples on ESG integration in this report, please see the section on Responding to Covid-19, Meeting the climate challenge, or Aligning to the SDGs.

3 Active ownership

We believe that using our influence to encourage positive strategic, financial, environmental, social, or governance changes at companies is part of being responsible stewards of our clients' capital. This includes direct engagement with companies, engagement as part of a collaboration and exercising our right to vote at shareholder meetings. In 2020 we engaged with 116 companies directly and 206 companies collaboratively, achieving over a hundred engagement milestones in direct engagements. The outcomes of our engagement also feed into our ESG integration processes, helping mitigate portfolio risk and generating alpha.

For examples on Active ownership in this report, please see the section on Responding to Covid-19, or Meeting the climate challenge.

4 Positive impact

We believe that where possible, we should invest in companies whose growth is driven by generating positive real world outcomes, such as contributing to achieving the SDGs. In 2020 we selected a new data provider to track and report coherent, quality metrics on the contributions of some of our equity portfolios to SDGs for the first time. In addition we continue to grow our Global Impact Pool which explicitly invests in companies that also seek tangible social and environmental outcomes next to financial return.

The Sustainability Spectrum

In order to foster a shared understanding of sustainability across the whole of our business we have also developed our Sustainability Spectrum in 2019. The Spectrum, introduced last year, helps all stakeholders to define whether a financial product or service is one that aims to ‘avoid harm’ or whether it is more ambitious in its sustainability goals and wants to benefit stakeholders or invest in solutions.

The five levels of the Sustainability spectrum are:

1. Compliant

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

2. Basic

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

3. Avoid harm

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

4. Do better

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

5. Do good

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

External manager scoring

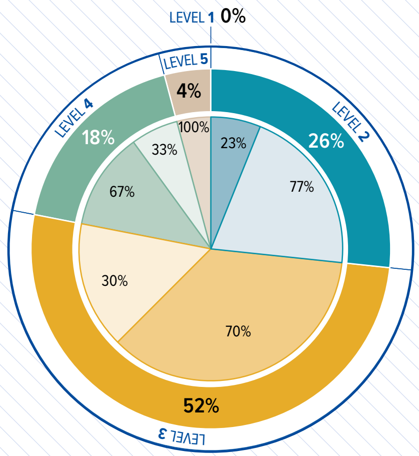
In 2020 we have worked assiduously to ensure all parts of the Group, from private equity to private banking, use the Sustainability Spectrum to score external managers or define client sustainability preferences. As part of this exercise the manager selection and monitoring team mapped the vast majority of the managers we work with, to define where their products are positioned on the Spectrum. In our manager scoring process we make a distinction between the listed and non-listed / alternative investment funds. The manager scoring methodology is aligned on the pillars across asset classes, but the exact scoring elements vary per asset class.

At Kempen we scored 83 listed funds by the end of 2020 based on our updated framework, which represent around 24% of our AuM. Their ESG scores range between 2 and 5. As a percentage of AuM: 2% of the funds scored Basic (score 2); 15% scored Avoid harm (score 3); 7% scored Do better (score 4). Less than one percent of the AUM fell under managers scoring 5 on the Sustainability Spectrum. The distribution of the 83 funds' ESG scores between the five Sustainability levels are: 27% Basic; 52% Avoid harm; 18% Do better; and 4% Do good (score 5).

While quite a few funds still score 2. these are mostly legacy passive funds where we have an advisory mandate and clients are free to choose what they invest in. Where possible we advised our clients to move capital to more sustainable funds that score at least level 3. Most of our institutional clients' capital is already invested in level 3 and 4 funds. While the number of funds and AUM in level five remains low we see increasing interest among clients who want to invest in sustainable solutions to pressing global challenges such as climate change or focus on certain Sustainable Development Goals.

The charts below show a breakdown of our external managers in listed asset classes by scores on the Sustainability Spectrum.

FIGURE 8 SUSTAINABILITY SCORES OF EXTERNAL MANAGERS



% active/passive funds per level

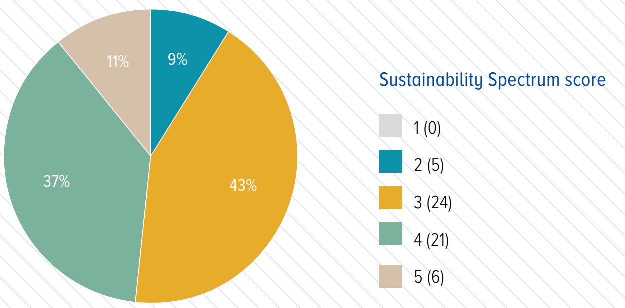
Sustainability Spectrum score		% Active funds	% Passive funds
1	0%	0%	0%
2	26%	23%	77%
3	52%	70%	30%
4	18%	67%	33%
5	4%	100%	0%
total	100%	58%	42%

Source: Kempen 2020

Scoring the funds of funds

In 2020, we have continued to assess funds in private and alternative asset classes (our Kempen Pool solutions). The ESG scores are not completely aligned with the listed asset classes mentioned above, due to differences in every asset class, although they give a good indication about the ESG approach of the funds. In 2020, 56 funds have been assessed on ESG, of which 9% scored Basic; 43% scored Avoid harm; 37% scored Do better; and 11% scored Do good. The Global Impact Pool funds score 5 (Do good), the Private Markets funds scored mainly 3 (Avoid harm) and 4 (Do better) and the majority of Alternative Strategies funds were assessed with a score of 3 (Avoid harm). In 2021, we aim to extend the coverage of the ESG scoring and further align the different asset classes where this is needed.

FIGURE 9 SUSTAINABILITY SCORES OF KEMPEN POOL SOLUTIONS



Source: Kempen 2020

Beyond engaging with investee companies, we also engage with external managers including fixed income and equity managers, hedge funds, and private equity managers on their ESG commitments and performance.

In 2020 we proactively engaged with 32 managers which can be broken down to 22 listed external managers through our manager selection team, two non-listed Real Estate managers, all managers in the Global Impact Pool, and three managers for alternative strategies.

Doing more than 'Avoiding harm'

"The speed at which the sustainability journey of our clients is progressing is incredible. A few years ago 'avoid harm' was the sustainability-benchmark for our approved list and 'do good' solutions were rather limited; yet in 2020 we were creating bespoke 'do good' solutions for our clients"

Wouter van der Stee
Investment Manager
Research & Selection

Going beyond 'avoiding harm'

In 2020 we worked with one of our fiduciary clients - and a major ESG data provider - to develop a bespoke sustainability index for the fund's European equity investments.

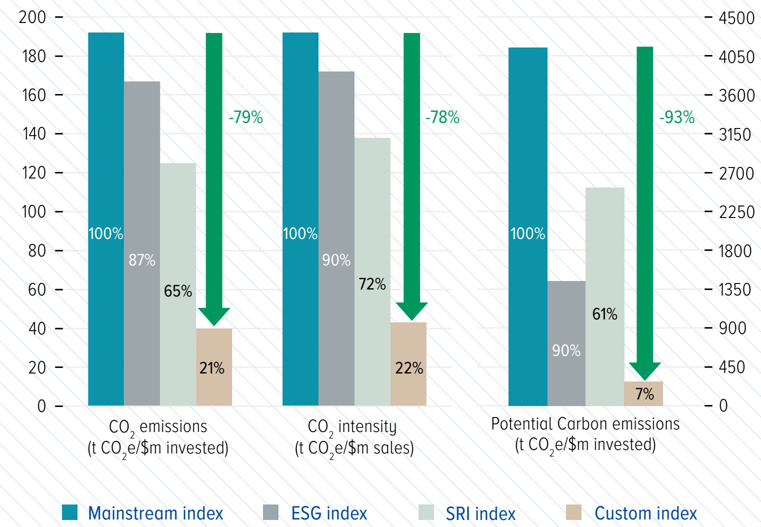
The tailor-made index consists of about 200 companies and tilts towards companies with high ESG ratings, positive contribution to sustainable development goals and has a low carbon footprint. When constructing the index, our client was clear that they wanted the solution to go beyond level 3 on our sustainability spectrum ('avoid harm') – that is, a solution seeking to be best in class, avoid controversial sectors and activities– and actively contribute to achieving three of the sustainable development goals. Specifically those contributing to climate action, health-care, and affordable and sustainable energy. This type of solution didn't exist in the market so we worked with our client and the esg data provider to build one that would meet their requirements.

The index methodology we helped devise with the client seeks to reward companies taking ambitious climate action and excludes 'carbon laggards'. It has resulted in an index with a much lower carbon footprint compared to the mainstream index.

The index methodology furthermore aims to over-weight companies that contribute to the treatment of important illnesses, food security (nutrition) and the prevention of pollution. It also assesses pharmaceutical companies on their pricing policies and whether they were enabling fair access to medicine. The index is still in its early days but encouragingly, 2020 performance was above a mainstream index by quite some margin.

The index is currently applied to the client's European equity holdings and they plan to expand it to cover other regions in their equity allocation as well. Other clients – pension funds and insurance company clients – have followed suite since and also have started to invest in this solution over the course of 2020. We expect to have allocated well over €2bn in these solutions by early 2021.

FIGURE 10 CARBON FOOTPRINT OF A BESPOKE INDEX



- In a custom benchmark, the climate profile can be greatly improved compared to both the mainstream index and the ESG Leaders and SRI index without this leading to a much higher tracking error.
- The tracking error is even lower than the tracking error of the european SRI index. This is because a relatively small group of companies is responsible for most of the CO_2 emissions.

Source: Kempen 2020

Key sustainability trends

Trend 1: The pandemic creates a year like no other

Amid the disruption of 2020, we can reflect on a landmark year that catalysed the mainstreaming and maturing of responsible investment practices and a move towards greater focus on sustainable outcomes. While ESG was once seen as a niche area, now nine in ten companies in the S&P 500 index produce sustainability reports and investors managing over $100 trillion have signed up to the UN-backed Principles for Responsible Investment.

Thus, while the global response to coronavirus dominated markets and everyday life last year, it was not the only significant trend to reflect on. Exactly five years after they were both agreed, there was notable progress in how the markets are aligning with the Paris Climate Accord and the Sustainable Development Goals. There was also significant movement as the EU turned its rhetoric on sustainable finance into regulation.
Here we reflect on how these four trends shaped markets last year, and the following pages show how Kempen responded to these trends.

From apparel to aviation, no sector was insulated from Covid-19.

Early on, there was concern that corporate progress on environmental and social factors would be one of the victims of the pandemic, but in many cases it has been encouraging to see the opposite response. Many of our investee companies and clients were forced to consider the need to build resilience to mitigate and adapt to non-financial shocks.
In the face of the pandemic, the evidence showed that sustainable investments have a greater resilience to external shocks, whether due to, for example, lower exposure to fossil fuels in ESG portfolios, better corporate governance generally, or simply having a longer term outlook. In Q1, as the impact of the pandemic was shaking markets worldwide, one study showed that 88% of sustainable indices were outperforming their non-sustainable counterparts.[4] Later in June, MorningStar found that a sample of 745 sustainable European fund strategies had outperformed non-ESG funds over one, three, five and ten years.[5]

While the human tragedy of the pandemic must be the clear focus, it is notable that Covid-19 has made a compelling case for responsible investment, including the often overlooked ‘S’ element of ESG. Companies had to increasingly think about health and safety of their employees, customers and suppliers. Furthermore, as the pandemic continues companies increasingly realise they need to take measures to boost mental health and well-being of their workers.

4 blackrock
5 https://www.ft.com/content/733ee6ff-446e-4f8b-86b2-19ef42da3824

Trend 2: Responding to climate change

As much of the world was put on hold, climate change never paused. The UN estimated last year that global emissions must fall at least 7.6% every year to 2030[6] to avoid profound and irreversible effects on the planet.

Lockdowns across the world resulted in a reduction in carbon emissions at the start of the pandemic, but these have been steadily climbing up once again when industrial activity returned. A more modal shift may well prove to be the number of commitments to net zero made by both states and corporations in 2020, including the world's largest CO_2 emitter, China. The announcement that the US re-joined the Paris Agreement should also prove significant.

This led the markets to fire the starting gun on the race to net zero in 2020, in large part thanks to initiatives like the Net Zero Investment Framework for investors, launched by the Institutional Investors Group on Climate Change (IIGCC). It is among the first practical blueprints to enable both asset owners and asset managers to access methodologies and metrics required to become 'net zero investors'.

Furthermore, mandatory TCFD reporting is becoming normalised within financial sectors. Economic relief and pandemic recovery programmes will channel vast sums of capital into green projects, while clean energy has never been cheaper, and carbon prices never higher. More corporate behemoths are throwing their weight behind the transition and it is perhaps significant that over 1,000 companies have now committed to tough, science-based targets for emissions reductions.

As the world prepares for the make-or-break UN COP26 climate negotiations in 2021 the private sector provides positive tailwind for these.

6 unenvironment

Trend 3: The EU sustainable finance wave lands

Two years ago, the European Union (EU) embarked upon a major transition towards a lower carbon future, with its Action Plan for Financing Sustainable Growth. In 2020 we saw this work bear fruit as implementation of two key areas – the EU Taxonomy Regulation and the Sustainable Finance Disclosure Regulation (SFDR) – was approaching.

This is forcing many market players in Europe to improve the way they manage and report on sustainability risks and reinforcing the global leadership that Europe is taking on climate and sustainable finance. It is perhaps no surprise that an analysis to determine 'how green' the post-Covid stimulus packages of developed economies was found that the 'Next Generation EU' recovery package is the most environmentally friendly of all.[7]

The approval of the EU taxonomy in particular broke new ground in 2020. In such a large market as the EU, and with such a wide variety of active and passive products, many investors lacked the necessary information to understand whether these financial products had a genuinely positive impact or were 'greenwashing.' The EU taxonomy aims to harmonise understanding and clarify which investments can correctly be described as 'green', 'low-carbon', and 'Paris aligned'.

Despite open questions and some uncertainty around it, the EU's set of sustainable regulation is still some way ahead of other regions, especially the US. In part this is because Europe had $1 trillion of assets under management in sustainable funds, compared with $179 billion in the US according to MorningStar.[8] This macro trend is might shift in the coming years with the impetus of the new US administration that will try and close the gap between the US and Europe.

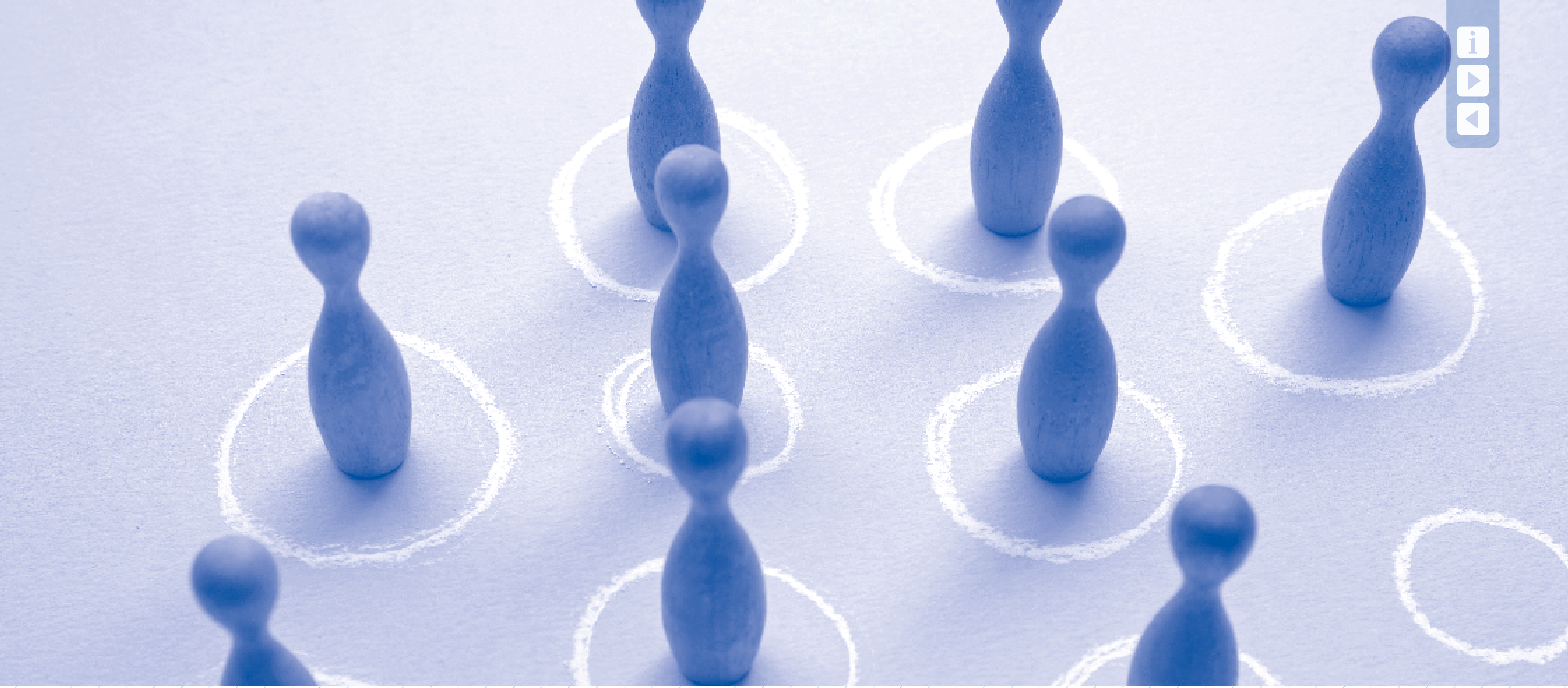
7 Green Stimulus Index report, Dec 2020
8 bloombergquint

Trend 4: Getting granular with the SDGs

Since they were created five years ago, the UN has always trumpeted the SDGs as more of a universal call to action than a precise framework by which their 17 laudable ambitions can be achieved.

What has been encouraging however, particularly in the last year, has been a trend towards more precise disclosure by companies on how they are contributing to the UN goals. This in turn will enable investors like Kempen to eventually benefit from higher quality data on SDG impacts.

Last year marked the start of the UN 'Decade of Action' to deliver the SDGs by 2030. In the wake of the setbacks the Covid-19 crisis has posed to achieving may critical SDGs, better measurement of precisely how companies and investors contribute to relevant SDGs is likely to become increasingly prominent.



Responding to Covid-19

“The pandemic has put our concept of the ‘Real Active’ to the test and seen Kempen ask firms to honour their supply chain agreements and collaborate on areas such as access to medicine and protecting fair labour standards. As business resilience was severely put to the test, we have seen encouraging signs of progress among investee companies”

Eszter Vitorino
Senior Advisor Impact & Sustainable Investment

Protecting the health and wellbeing of our staff and wider community has been our first priority throughout the Covid-19 pandemic, and as we begin to emerge from the crisis we are keen to seize the opportunities to ‘build back better’.

At Kempen, we have found some advantages of working remotely, not least that many managers found that dialogues via video conference worked just as well as face-to-face meetings, helping slash our travel budgets and CO_2 emissions in more than half.

ESG integration

Our portfolio management changed too, with few funds insulated from the crisis. Meanwhile, existing trends accelerated, such as companies aiming to shift their businesses away from fossil fuels and focus more towards leading in the energy transition.

There was also a significant upswing in investments in healthcare and life sciences. Just one example was an investment we made in US life sciences leader Thermo Fisher Scientific, which has been providing instruments and safety supplies around the world to help analyse, diagnose, and protect against the coronavirus. A growth rate pushing 5% and a rapidly improving performance on ESG factors helped convince us to invest in 2020.

Strengthening the 'Real Active' approach

As active owners, Kempen has spent several years actively encouraging the companies in which we invest in to focus on the creation of long-term value for *all* stakeholders, not just shareholders, including customers, employees, suppliers and communities. It is a concept we call the 'Real Active', and it is one that has been especially important in 2020.

Last year for example, we asked investees such as Dutch technology firm TKH Group and financial services provider Intertrust to cancel Financial Year 2019 dividends to shareholders such as ourselves, in order to secure the financial flexibility their company needs to face the uncertainties of the current market.

We have also undertaken several engagements focused on helping all stakeholders through the pandemic. For example, we engaged with pharmaceutical giant Novo Nordisk (see case study) and with Roche, who have been developing Covid diagnostic tools. The engagement discussion with Roche centred around the pharmaceutical firm's lysis buffer solution recipe, which was needed to ramp up testing capacity. We asked the company to collaborate with governments and other key stakeholders in the interest of restoring public health. The company has been responsive to this call to action.

At the beginning of the pandemic we were alarmed by news about a number of companies in the garment and apparel sector that chose to protect their cashflows over honouring commitments to suppliers. The ILO warned of an average 10% drop in global wages for factory workers,[9] with very few safety nets to support them at the beginning of the crisis.

Working with other members of the Platform Living Wage Financials, an award-winning initiative we have co-founded, we wrote to over thirty apparel companies including Abercrombie & Fitch, Coats, H&M and Nike, encouraging them to manage the crisis responsibly across their operations and supply chain. This included not cancelling orders, ensuring suppliers were paid on time (or in advance), and making commitments to protect workers' rights, health and safety.

Engagement from investors like us has been critical in 2020, and collaborative efforts with all key stakeholders will continue to be needed to boost the global recovery.

Although turbulent times still lie ahead, significant progress has been made in many areas and we hope that one positive to emerge from the crisis might be a greater push across global markets to encourage more stakeholder-focused capitalism in 2021.

9 https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_755875/lang--en/index.htm

Keeping healthcare supplies in shape in the crisis

Novo Nordisk, along with other large cap pharmaceutical companies, have an opportunity, and indeed responsibility, to play a critical role in the post-Covid-19 recovery. Already, the company has a very strong commitment to responsible business practice, reflected by our own standards at Kempen and also ESG ratings.

The dangers of the pandemic are not limited to those who contract the virus, there is also the knock-on effect as resources are diverted away from other global health issues towards managing the immediate threat of Covid-19. As one of the world's leading provider of medicines for the treatment of diabetes, there was a concern that Novo Nordisk's supply chain for insulin and other medicines would be significantly impacted, leading to dangerous health outcomes for patients.

As Covid-19 started to have a noticeable impact on global healthcare resourcing, our engagement with Novo Nordisk focused on understanding what the company was doing to ensure the continuity and accessibility of medicines they provide. In early 2020 Novo Nordisk launched its new Defeat Diabetes strategy to reduce the price of human insulin from US$4 to US$3 per vial, helping protect access for uninsured patients around the world.

The company has also worked in collaboration with other partners on the development and wide-scale deployment of antibody testing, and donated among others over 500 tons of ethanol, an essential ingredient of hand sanitizers, to curb the spread of Covid-19.

Meeting the climate challenge

“The ongoing consequences of climate change are like a slow puncture on the economy. At Kempen we go beyond box ticking and take tangible steps - from incentives for green bonds to sector engagement frameworks - to implement our ambitious new climate policy across our investment process”

Danny Dekker
Senior Advisor Impact & Sustainable Investment

Climate change has deep ramifications for human and ecological wellbeing, and the material effects of our changing environment are becoming ever more present in capital markets.

To help us stay ahead of the curve in 2020, we published our new Climate Change Policy, which made us one of the first asset managers to commit to net zero emissions by 2050. Our policy brings together climate-friendly policies in areas from green bonds to coal exemptions and active ownership and sets out short and medium term goals to align our portfolios with the Paris Agreement goals, Dutch Climate Agreement *(Klimaatakkoord)*, and the EU’s net zero ambitions.

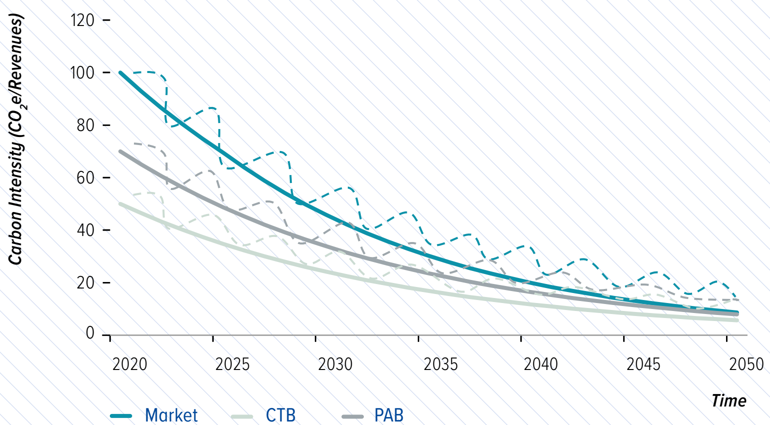
TABLE 3 OUR CLIMATE POLICY GOALS FOR 2025, 2030 AND 2050

2050	**LONG-TERM COMMITMENT**	Kempen will be a net zero investor.
2030	**MID-TERM AMBITION**	All of Kempen’s listed and non-listed investments to align with Paris Agreement pathway and Dutch *Climate Agreement*.
2025	**SHORT-TERM OBJECTIVES**	Aligned with Paris Agreement goals pathway and Dutch *Klimaatakkoord* for all listed investments. All liquid asset classes and funds are committed to the pathway. Internal and external fund managers have aligned listed funds to the pathways, including on carbon intensity metrics. Kempen clients, and Van Lanschot private clients advised and encouraged to do the same.

Source: Kempen 2020

The Policy is already being implemented. For example, two of the new additions to our Sustainable Equity Fund in 2020 were **Rational**, a German manufacturer producing energy efficient cooking appliances, and **Belimo**, which delivers equipment for more energy-efficient real estate. By finding companies and investable entities making a clear contribution to combating climate change we expect our rate of decarbonisation to reflect the pathways of the EU Benchmarks (approximately 7% year-over-year reductions).

FIGURE 11 EU CLIMATE PATHWAYS TO ACHIEVE NET ZERO AMBITIONS



CTB: EU Climate Transition Benchmark
PAB: EU Paris Aligned Benchmark
Market: assumption - 7%, proxy for economy to move in this direction to c. net zero by 2050

Source: Kempen 2020

ACTIVE OWNERSHIP

A focus on transition towards a low carbon economy, especially of the most carbon-intensive companies and sectors, has been a clear focus of our active ownership work in 2020 including our engagements with Shell and Equinor.

We need global collaboration to tackle climate change. To this end we continue to help drive collaborations such as Climate Action 100+, the world's biggest investor-led engagement initiative that seeks to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The CA100+ is currently made of 545 investors with over US$52 trillion AUM. We currently act as lead investors on several engagements in the Climate Action 100+.

We also participated in the creation of the IIGCC Net Zero Investment Framework to help provide a practical blueprint for asset owners and managers to follow our lead on net zero investing, and have published several whitepapers on our latest thinking related to climate risks and opportunities. Our Real Assets team has recently published its thoughts on the importance of using forward-looking ESG data (as well as historic, such as emissions data) to enable better forecasting, helping investees increase their ESG scores and make them much more credible, attractive and investible in the long term.

New fund has ESG at its heart

A new fund launched this year was Kempen's Sustainable Global High Dividend Fund. It offers a diversified portfolio of around 60 listed companies worldwide, with an attractive dividend yield complying with some straightforward sustainability criteria.

The fund has a clear approach to sustainability, like other Kempen funds it excludes companies involved in alcohol, animal welfare and carbon intensive power generation. Alongside its other dividend strategies, managed by experienced senior portfolio managers the fund only invests in those companies driving the transition to a low carbon economy. The approach integrates ESG-related adjustments to margins, growth and the costs of capital. Moreover, as active managers we take responsibility for engaging with the investee companies to make sure they are aligned with our targeted emission reduction pathway and that the companies improve their overall sustainability profile.

NOT A STRAIGHT LINE DOWNWARDS

The fund takes a hard-headed approach. We follow the trajectory of the EU Climate Transition Benchmark which demands 7% year-over-year reductions of emissions. But our active approach means the fund doesn't just buy into companies that are already 'green'. We may buy companies with relatively high emissions now but who we believe have a good plan to transition to a low-carbon model in the years to come. When it comes to climate, our objective is to help reduce the planet's overall CO_2e emissions.

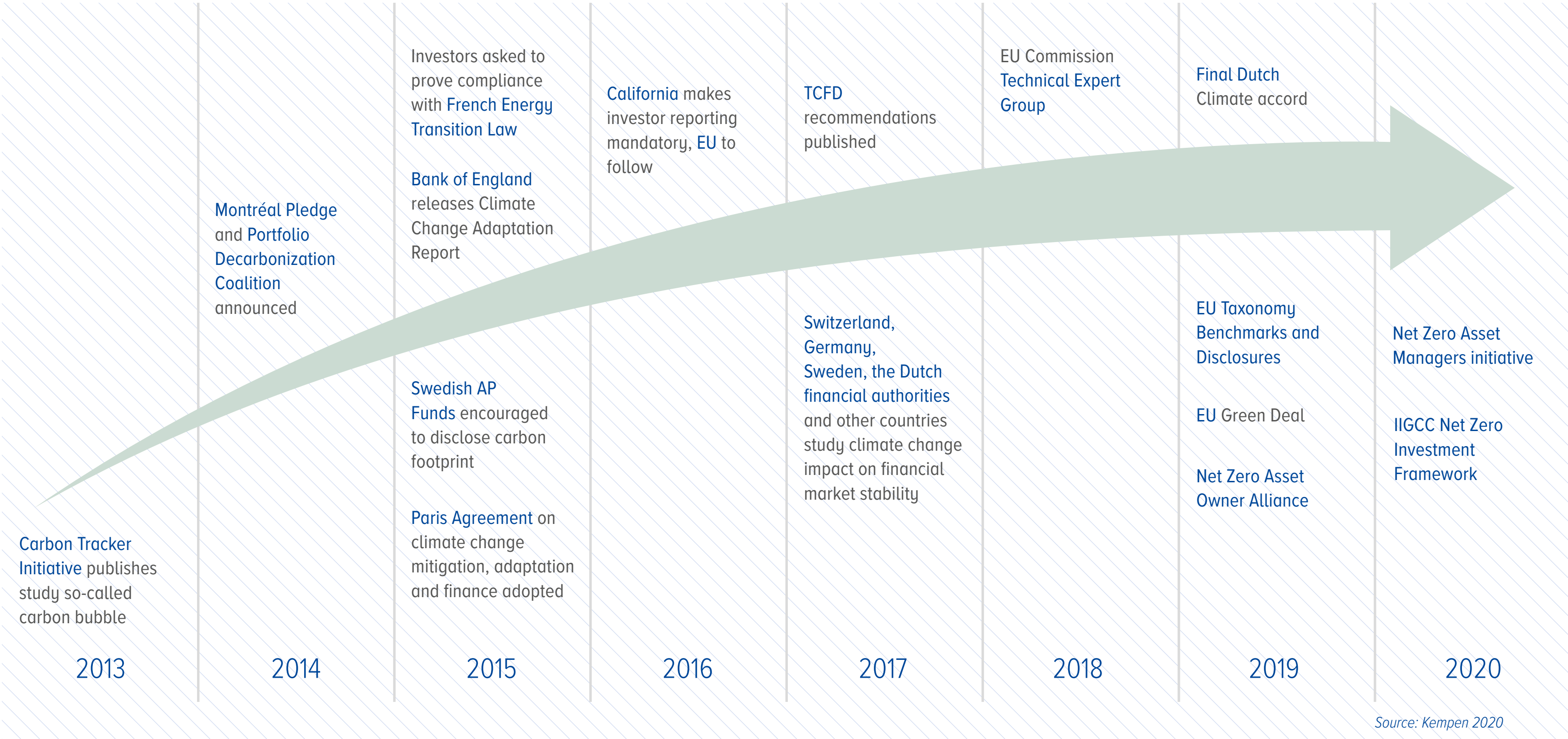
A good example of a holding at launch was Portuguese utilities firm EDP. Portugal's national energy supplier is not a net zero investment right now, but it is a leading generator of wind energy and has a flourishing renewables profile that puts it on a very positive carbon trajectory. The company is also planning to close down its most intensive generation units in the very near term.

Kempen's carbon footprint

We have measured the carbon intensity of our own internally managed funds for six years. Starting from 2017, we have assessed the carbon footprint of our overall assets under management. As illustrated in figure 12, there have been increasing calls for investors to measure the climate impact of their investments. It helps clients and wider stakeholders to compare the carbon footprints of different investment options, and gives investors themselves a baseline from which reductions in carbon impact can be measured. It also provides a base for forward-looking targets and commitments. In 2020, we set long-term commitments to become a net zero investor by 2050, along with intermediate ambitions for 2030, and shorter-term objectives to 2025.

FIGURE 12 AN INDUSTRY IN TRANSITION

GROWING MOMENTUM FOR INVESTORS TO MEASURE THEIR CARBON FOOTPRINT



Source: Kempen 2020

Overall results

Carbon footprint summary

By 2020, Kempen's asset management portfolios have become less carbon intensive. As the coverage of the carbon footprint analysis of our assets grew to EUR 34.2 billion (2019: EUR 27.3 billion), the total financed carbon emissions stayed at the same level (2020 and 2019: 3.4 million tonnes of CO_2e). The lower carbon intensity is reflected in the decrease of the two carbon footprint metrics, carbon emissions per EUR million invested (2020: 100.1) and weighted average carbon intensity (2020: 148.2).

The lower carbon footprint was seen in both our internally-managed Kempen funds and the external funds, also because we see more clients shifting to ESG funds with lower carbon emission footprints. We see that more (institutional) clients are looking for assets with lower carbon intensity in order to align their portfolios with the goals of the Paris Agreement and the Dutch Climate Agreement (*Klimaatakkoord*). We expect that this development will continue going forward with the increasing ESG and climate focus from regulators, and with the introduction of the EU Sustainable Finance regulation in 2021 (SFDR) and 2022 (SFDR Level 2 and EU Taxonomy).

Working with ISS ESG, we calculated our carbon footprint across a range of asset classes from equity to corporate bonds and government bonds. The assessments were made in line with the Greenhouse Gas Protocol's 'ownership principle'. We took into account both direct emissions (scope 1) and indirect emissions that stem from the generation of purchased energy (scope 2).

The results are based on our portfolio as of Q3-2020, and carbon data from 2018. The figures only represent the portion of our assets under management where carbon data was available across listed equites, corporate bonds and government bonds. The coverage of our total AuM was 48%, an increase of 4% compared to last year. In the coming years, we aim to increase the amount of our assets under management included in the footprint.

Table 4 shows the overall carbon footprint and the AuM it covers. Kempen's financed carbon emissions of 3.4 million tonnes and its carbon emissions per one million euro invested is 100.1 tCO_2e, whereas its carbon intensity is 148.2 tCO_2e. Table 5 shows the carbon intensity figure for the internally-managed Kempen funds compared to their benchmark.

TABLE 4 OVERALL RESULTS CARBON FOOTPRINT EMISSIONS[10]

	2020	2019	DIFFERENCE
× AuM Analysed (EUR billion)	34.2	27.3	6.8
× Coverage AuM analysed of total AuM	48%	44%	4%
× Financed carbon emissions (tCO_2e in million)	3.4	3.4	0.0
× Carbon emissions (tCO_2e) per EUR million invested	100.1	124.9	-20%
× Weighted Average Carbon Intensity (tCO_2e/EUR million revenues)	148.2	180.4	-18%

Source: Kempen 2020

- **FINANCED CARBON EMISSIONS:** this measures a portfolio's absolute carbon footprint (in tonnes of CO_2) based on its shareholdings in the underlying companies. The shareholding in each company is taken as part of the enterprise value and multiplied by the carbon footprint of that company.

- **CARBON EMISSIONS PER ONE EURO MILLION INVESTED:** this relative footprint shows how many tonnes of CO_2e an investor is financing in relation to its ownership in a certain company or portfolio. This metric captures the carbon exposure of an investment amount and is measured by dividing the absolute footprint of the portfolio by the total amount invested in the portfolio.

- **WEIGHTED AVERAGE CARBON INTENSITY:** the intensity footprint calculates a portfolio's exposure to the carbon intensity of companies (expressed in tonnes of CO_2e/€ million revenues) multiplied by the percentage of the company in the portfolio.

Table 5 shows the aggregated emissions broken down for all internally-managed Kempen funds.

Overall, the figures show that most of our Kempen funds are less carbon intensive than their benchmark, indicating that the companies in the portfolios have a relatively lower carbon intensity compared to their industry peers. In line with the goals of the Paris Agreement, a lower carbon intensity – besides an absolute carbon level – is required. We encourage companies in their journey towards a lower carbon economy via our active ownership approach.

10 CO_2e emissions include scope 1 and 2. CO_2e data per 2018. AuM data per 30/9/20

TABLE 5 CARBON FOOTPRINT BREAKDOWN FOR ALL LISTED KEMPEN FUNDS

	Carbon emissions (tCO_2e) per EUR million invested	Carbon emissions (tCO_2e) per EUR million invested compared to benchmark	Weighted average carbon intensity (tCO_2e/ EUR million Revenues)	Carbon intensity compared to benchmark
× Kempen (Lux) Euro Credit Fund	73	Lower	129	Lower
× Kempen (Lux) Euro Credit Fund Plus	71	Lower	125	Lower
× Kempen (Lux) Euro Sustainable Credit Fund	87	Lower	141	Lower
× Kempen (Lux) Euro High Yield Fund	321	Higher	264	Higher
× Kempen European High Dividend Fund	167	Higher	236	Higher
× Kempen (Lux) European High Dividend Fund	166	Higher	233	Higher
× Kempen Global High Dividend Fund	232	Higher	357	Higher
× Kempen (Lux) Global High Dividend Fund	234	Higher	360	Higher
× Kempen Sustainable Global High Dividend Fund	68	Lower	97	Lower
× Kempen (Lux) Global Small-cap Fund	79	Lower	115	Lower
× Kempen (Lux) European Sustainable Smallcap Fund	56	Lower	105	Lower
× Kempen Orange Fund N.V.	111	Lower	225	Lower
× Kempen Oranje Participaties	41	Lower	44	Lower
× Kempen Global Sustainable Equity Fund	13	Lower	44	Lower
× Kempen European Sustainabe Value Creation	20	Lower	52	Lower
× Kempen (Lux) Global Sustainabe Value Creation	13	Lower	44	Lower
× Kempen (Lux) Global Property Fund	11	Higher	105	Lower
× Kempen Global Property Fund	11	Higher	105	Lower
× Kempen European Property Fund	4	Lower	73	Lower
× Kempen (Lux) Global Listed Infrastructure Fund	206	Lower	1079	Lower
× Kempen Non-Directional Partnership	58	Lower	103	Lower

* Compared to last year the two carbon metrics of most funds decreased, especially for the weighted average carbon intensity. Which is in line with our climate policy, as the waci is our leading metric. The positive trend is also reflected in the comparison to the benchmark, where most funds have lower figures compared to the benchmark. Where funds have higher figures, the difference is small or most carbon metrics decreased compared to last year.

For Kempen Oranje Participaties the benchmark used is MSCI Europe Small Cap and for Kempen Non-Directional Partnership the benchmark used is MSCI World.

Source: Kempen 2020

Going forward

More and more governments, companies and investors have made commitments to net zero emissions. Following the EU and the UK, China, Japan and South Korea also announced commitments in 2020. And with the Biden administration taking office, the US is back in the Paris Agreement and President Biden has already announced the inclusion of climate-related investments across several Covid-19 stimulus packages.

Moreover, the EU has stepped up its 2030 ambitions, including a 55% emissions reduction in line with its 2050 net zero commitment. Accompanying EU regulation (EU Action Plan on Sustainable Finance) will be implemented in 2021 (SFDR), and will continue into 2022 (SFDR Level 2 and EU Taxonomy) and beyond. This is bolstered by the Dutch Climate Agreement (Klimaatakkord) which requires financial institutions to disclose their carbon footprint from 2020, and to deliver concrete actions at the latest by 2022 to support the Agreement's greenhouse gas reduction goals by 2030. As an active asset manager with focus on long-term value creation, we are well positioned to take up this climate change challenge.

Staying ahead of EU regulation

Staying ahead of EU regulation

"When it comes to the EU's ambition and regulation on sustainable finance, we at Van Lanschot Kempen are determined to forge a path, travel its length and show the way to others"

Johan van der Lugt
Lead Expert ESG Advisory

The European Union's determination to achieve climate neutrality by 2050 and "ultimately put financial and so-called non-financial information on the same footing", according to EU Commissioner Mairead McGuinness,[11] saw a rapidly accelerating amount of new rules and regulations on sustainable finance in 2020. These are of critical importance to Kempen and our clients.

Kempen has been working to not only understand and implement the legislation, but also to ensure our clients get the advice they need to stay ahead of the regulatory curve.

When relevant we also engage with the EU itself to help it improve complex aspects of the legislation wherever we can.

We are proud to take a leadership role in this area, helped by advisors such as Professor Dr Andreas Hoepner who is both academic advisor to Kempen's ESG Council and an independent member of the EU's Technical Expert Group (TEG) on Sustainable Finance.

11 EU Commissioner Mairead McGuinness, Dec 2020

Implementing EU Regulation

Our two key areas of focus throughout the year were the implementation EU Sustainable Finance Disclosure Regulation (SDFR), which means new requirements for Kempen and our clients on how to disclose sustainability risks and the processes used to manage them, and the approval of the EU Taxonomy and its associated ecolabels and climate benchmarks.

At Kempen we believe that to be sustainable, we must define sustainability. We have therefore been vocal supporters of the concept of an EU taxonomy which aims to provide agreed definitions across capital markets on what is 'green' or 'sustainable', and what is not. We have participated in industry-wide consultations and set an example by providing transparent information on our website about our own funds' sustainable investment approaches.

The introduction of our Sustainability Spectrum across all parts of the Van Lanschot Kempen Group has laid the foundations for our alignment with the SFDR. For example, the EU's use of 'principal adverse impacts', that is, activities that do harm and cause sustainability risk, largely matches the definitions and requirements for 'Level 3 - avoid harm' on our Spectrum.
Despite best intentions, the SFDR and EU Taxonomy in their current forms are far from perfect and we also engaged with policymakers to offer our advice and expertise, often in collaboration with national investor associations such as the Dutch Fund and Asset Management Association and Eumedion, the Dutch Corporate Governance Forum.

Keeping clients ahead of the curve

To meet the challenge of translating the details of the regulation and explaining its implications to clients, we have published several advisory notes and whitepapers throughout the year including our much-praised ‘Seven Observations on EU Sustainable Finance Regulation’. We have worked intensively with all types of clients, including private clients and those we provide fiduciary services to.

In the first half of 2020, this included producing an advisory document for our fiduciary clients on the latest ESG policies and frameworks. Not only does this help with digesting the regulation but empowers them to better report to their beneficiaries on sustainable investments.

To draw an example, we worked with one of our fiduciary clients, to help them understand and implement EU regulation and create a custom ESG annual report. The report helped them to both comply with EU directives and also to raise awareness of the fund’s focus on climate and labour themes.

We are also working across markets to show how the current raft of EU legislation links to and builds on other international guidelines, principles and reporting frameworks such as the OECD Guidelines for Multinational Enterprises, SDGs, and Task Force on Climate-related Financial Disclosures (TCFD).

Throughout 2021 and beyond, this will continue to be a key focus for us. As global investors, Kempen and its clients ultimately need comparable ESG information for companies beyond the EU in order to meet sustainable finance ambitions, and we will continue to push for higher standards around the world. In 2021 we also expect to work with regulators to identify ways in which investors can account for biodiversity and water impacts in similar ways to climate.

As long-term stewards we need to identify which companies are managing these risks well and can capture the opportunities and therefore are likely to produce strong returns in a changing investment landscape.

Getting granular with the SDGs

Analysis of the SDGs

Last year marked five years since the UN adopted the 17 goals for a holistic approach to achieving sustainable development. These SDGs are a universal call to action to end poverty, protect the planet, and improve the lives and prospects of everyone, everywhere. A collective effort by the private sector, the financial industry, governments and other actors is essential to achieve them.

All SDGs are equally important, although the 'gap' that needs to be closed on the underlying targets may differ per region or stakeholder group. The SDGs can be broadly grouped into social themes (for example, SDG 1: No Poverty, SDG 3: Good Health and Well-Being, SDG 5: Gender Equality, SDG 8: Decent Work and Economic Growth) and environmental themes (for example SDG 7: Affordable and Clean Energy, SDG 14: Life Below Water, SDG 15: Life on Land). While only SDG 16 and 17 primarily focus on corporate governance issues, good governance is a prerequisite of making meaningful progress on all themes covered by the SDGs. The figure below indicates this split of environmental, social and governance focus.

FIGURE 13 THE SPLIT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE FOCUS.

Source: Kempen 2020

Aligning to the SDGs

Beyond the E, S, and G split, the SDGs can be split into those which are primarily achievable through business conduct (gender equality, decent work and economic growth, optimising material use) and other themes that are more achievable through the provision of products and services (ensuring good health, providing basic services, climate and clean energy).[12] The more 'operational' SDGs are marked with an ● above.

Some research has gone into understanding what are the investible themes among the SDGs. The more investible themes inform the choice for thematic prioritization – these are pictured above as the larger icons. SDGs are interrelated, so selecting one theme will have an impact on others.

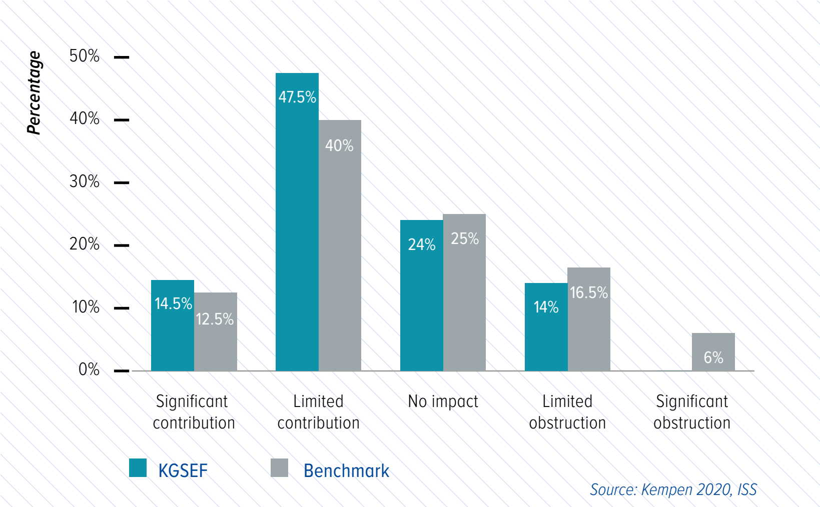
At Kempen, we want to invest in companies that help achieve the SDGs. This, of course, is easier said than done.

Most companies do not have a mature SDG-linked reporting strategy in place and, therefore, the data available to investors is generally of low quality or insufficient quantities.

2020 was a major turning point for Kempen as we started working with a new SDG data provider for listed asset classes – and together looked for meaningful ways to bring the measurement of SDG alignment into the heart of our investment decision-making. This means that funds such as our Global Sustainable Equity Fund allocate scores to companies based on the percentage revenue a company contributes to individual SDGs from their underlying products and services. Looking at revenue percentages derived from products and services that are aligned with the SDGs lends itself as a proxy of SDG contributions in listed asset classes.

As shown in the figure below, the Kempen Global Sustainable Equity Fund's (KGSEF) holdings derive a higher percentage of their revenue from products and services contributing to the SDGs (i.e. healthcare products and services, sustainable energy) than the benchmark and a lower percentage of their revenues obstruct the SDGs (i.e. fossil fuel based products) compared to the benchmark. It also outperformed its benchmark financially. This score means that we have a means to identify engagement opportunities and maximise positive impacts.

FIGURE 14 OVERALL CONTRIBUTION OR OBSTRUCTION OF THE KGSEF AS % OF TOTAL AUM



Using this improved data, we set up an internal impact working group to help different parts of the business collaborate on measuring SDG alignment and positive impact. There has already been considerable success from this

12 This split is not clear-cut, there are of course companies who produce products that enable others to reduce their material input into their respective production processes.

group, such as our Private Markets team publishing their first sustainability report for clients, while other members of the group can share best practice across their various funds and asset classes.

We aim to roll out more SDG assessments across more products and services throughout 2021 and are working on a Kempen-wide policy for SDG alignment, which may then set specific targets.

We have made a baseline assessment of Kempen listed funds based on percentages of revenues investee companies derive from products and service that support or obstruct the achievement of specific SDGs. By linking the SDG alignment to a company's revenues, we can calculate our indicative attribution, resulting in an overall alignment in monetary terms to the social capital-related SDGs[13].

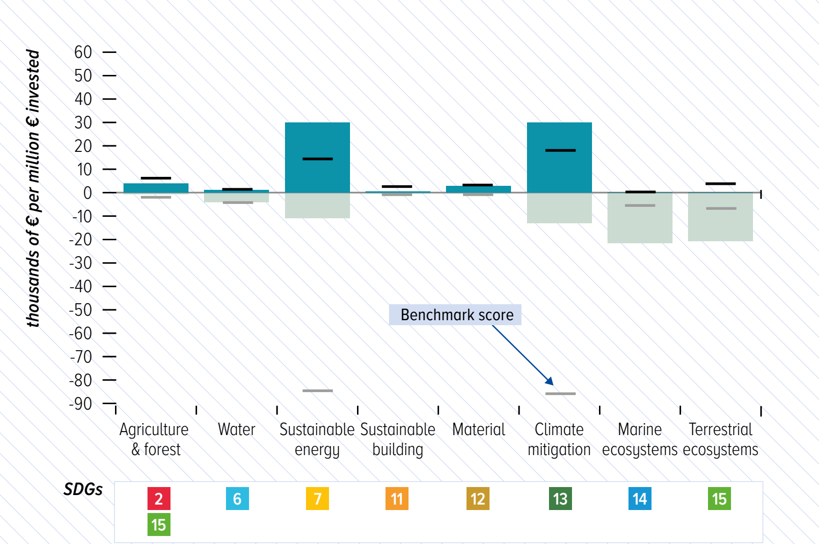
This alignment can be positive, neutral or negative. These values are based on an objective sustainable development taxonomy that classifies products and services according to whether they contribute to sustainable development (such as bio-pesticides and renewable energy) or whether they obstruct sustainable development (such as fossil fuels, soft drinks and marine tailing disposal).[14]

By using data from a new data vendor, we undertook a preliminary first assessment of the alignment of Kempen's sustainable equity funds with sustainable development themes that relate to the SDGs. These funds comprise the Kempen European Sustainable Value Creation Fund, Kempen Global Sustainable Value Creation Fund, Kempen Global Sustainable Equity Fund and Kempen Sustainable European Small-cap Fund, with a total value of €876 million. The alignment of the four sustainable funds in aggregate (€876 million) with environmental themes is estimated at -€2.1 million and with social themes it is estimated at €39.1 million. If the €876 million were to be invested in benchmark funds instead, the alignment with environmental themes would be estimated at -€124 million and on social themes €14.7 million[15]. Our calculations were based on company sales data per investee, indicating which portion of sales could be linked (positively or negatively) to a set of environmental and social themes.

Although we recognise that this aggregation may result in a product or service of an investee being attributed to more than one (natural or social) theme, we do not expect this to materially influence the final outcome of our analysis. The main reason is that our aggregation is conducted both for positive and negative impacts, and consequently smooths out a potential double-counting calculation impact.

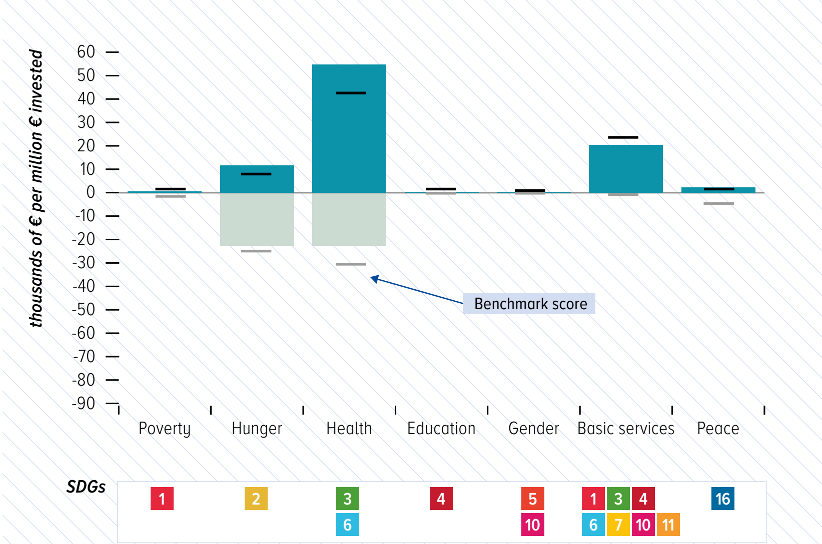
13 Until now, we have not been proactively steering on contributing to the SDGs through our investments in listed asset classes, which is why we use the term "alignment" instead of "contribution" at this stage.
14 This is our initial baseline assessment in which we recognise certain data gaps:
1 The coverage varies per fund;
2 The objective taxonomy is not exhaustive (there is a significant proportion of goods and services that do not currently fall under the aligned or misaligned category);
3 On certain themes, such as climate, corporate disclosure is much more advanced than on other themes. This is reflected in the revenue alignment score;
4 Companies often do not report in sufficient detail about their revenues per products aligned with the SDG themes. Their revenue percentages are therefore estimated.
15 The calculations are based on EUR value of both enterprise value and holding data available as of end 2020.

FIGURE 15 ALIGNMENT OF OUR ASSETS UNDER MANAGEMENT IN KEMPEN SUSTAINABLE EQUITY FUNDS WITH ENVIRONMENTAL THEMES (IN €1,000 PER MILLION EUROS INVESTED)



Source: Kempen 2020

FIGURE 16 ALIGNMENT OF OUR ASSETS UNDER MANAGEMENT IN KEMPEN SUSTAINABLE EQUITY FUNDS WITH SOCIAL THEMES (IN €1,000 PER MILLION EUROS INVESTED)



Source: Kempen 2020

Impact investment

Our impact fund, the Kempen Global Impact Pool (GIP), has also continued to grow over the past year. GIP assets were around US$108m at the end of 2020. In 2020 the GIP team successfully mapped all managers using the twelve dimensions of the Global Impact Investing Network's Impact Measurement project. This process led to some interesting insights and confirmation of our approach; for example, all GIP managers fall into impact category contribute to solutions but the impact they achieve varies from engaging actively to growing new undersupplied capital markets.

Protecting small holder cocoa farmers during the pandemic

Through an Agriculture Debt fund, the Global Impact Pool invests in companies like Ecookim, a cocoa cooperative in Ivory Coast. We help finance the cooperative to meet its working capital needs, and have seen its revenues multiply more than seven-fold since 2012.

The Covid-19 pandemic brought turbulence to commodities including cocoa in 2020, as the market oscillated between stockpiling and fear of a downturn. Global lockdowns also threatened to prevent procedures like due diligence being done, blocking the flow of capital into the sector.

Our SDG-focused investments this year have helped provide capital and technical assistance to maintain cocoa deals being done along the supply chain, ultimately benefiting the small holder farmers like Ecookim at the base of the supply chain.

Using technical assistance to help rehabilitate and rejuvenate cocoa plantations the Agriculture Debt fund has been working through the pandemic with Ecookim, with the aim to train and offer long-term loans for 334 cocoa producers, to revive 1,409 hectares of plantations and to increase their yield by 38%.

Looking ahead to 2021

Looking ahead to 2021

2020 has been an unusual year, with unexpected challenges and opportunities. We have made good progress on our sustainable investment ambitions and are ready to raise the bar even higher in 2021.

In the year ahead, the implementation of the EU Sustainable Finance Disclosure Regulation, EU Taxonomy and our Climate Change Policy will be centre stage. We will also focus on implementing our firm-wide building sustainability ambitions, the growing our newly established Sustainability Centre (and Van Lanschot Kempen's revised) sustainability governance structure. In terms of our focus sustainability themes, we will focus on climate and energy transition, smart and circular economy, and health & wellbeing. Emerging issues such as biodiversity or inclusiveness are linked to these topics.

During 2021 our focus will be on defining new company-wide sustainability KPIs for our sustainability themes and building internal capacity for colleagues to focus on sustainability issues. Furthermore, we will anticipate client needs for more sustainable products and focus on innovation to realise the opportunities that sustainable investing can offer. Our 'Real Active' approach will remain central in achieving our goals.

We believe that as an integrated wealth manager we are in a unique position to create sustainable value for all of our stakeholders.

FIGURE 17 VAN LANSCHOT KEMPEN'S SUSTAINABILITY THEMES

1
Environment & Climate Change
(planet)
Climate change
Biodiversity
Energy transition

2
Live Better For Longer
(people)
Health & Wellbeing
Nutrition
Decent work

3
Smart & Circular Economy
(economy)
Technological development & innovation
Sustainable resource use

Source: Kempen 2020

Appendices

APPENDIX I

Carbon footprint methodology

Investment greenhouse gas accounting enables the quantification and management of greenhouse gas emissions, and is the first step towards understanding an investor's impact on climate change. Measuring the climate impact of an investment portfolio requires several steps. First, it is important to understand what the climate impact of each underlying investment is. Second, it is necessary to define how a company's climate impact is allocated to an investor. The methodology used by ISS-Ethix Climate Solutions has been developed jointly with researchers of the swiss federal institute of technology (ETH) in Zurich and represents the state of the art of such assessments.

OWNERSHIP PRINCIPLE AND ALLOCATION RULES

In line with the greenhouse gas protocol's 'ownership principle', the greenhouse gas accounting approach allocates the emissions to those investors who 'own' and can change them. This is the equity investor, as it owns part of a company and therefore, in theory, part of the company's greenhouse gas emissions. In accordance, the greenhouse gas emissions are proportionally allocated 'per share' to the investor. If an investor owns 0.1% of a company, 0.1% of the company's greenhouse gas emissions have been apportioned. On a fund level, these greenhouse emissions are aggregated based on the respective ownership of each holding. We used the enterprise value instead of the market cap for normalisation, in order to be able to combine corporate bonds and equity holders and their carbon responsibility, and avoid double counting.

INTENSITY METRICS

There are two main metrics used by investors to present the results of a carbon footprint. Each metric serves a different purpose and there is currently no standard that unifies investors´ efforts. The primary intensity metric of emissions per euro invested, attributes an investment's share of emissions to the investor. However, the secondary metrics are provided as well and described on the next page.

Emissions per euro invested:
This metric (figure 11) displays how many tonnes of CO_2e an investor would finance in relation to the respective ownership in a certain company or portfolio. The metric describes the carbon intensity of an investment amount. A company's share of emissions is determined by the value of shares held divided by the company's enterprise value. For this to be accurate, it is important to control for the date of measurement and financial information used.

Weighted Average Carbon Intensity:
This is a metric (figure 12) derived directly from the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which cite it as a key metric for companies to use in their disclosure. The metric calculates a portfolio's exposure to carbon-intensive companies, expressed in tCO_2e/€m revenue. As stated by the TCFD, 'this metric measures exposure to carbon-intensive companies and addresses many of the concerns raised. For example, the metric can be applied across asset classes, is fairly simple to calculate, and

does not use investors' proportional share of total equity and, therefore, is not sensitive to share price movements.' It does however also mean that this cannot be considered a carbon footprint, as it does not take absolute impact into account.

SCOPES AND GREENHOUSE GASES

Greenhouse gas accounting distinguishes between direct emissions from own operations (also known as scope 1 emissions) and indirect emissions. Indirect emissions are usually divided into scope 2 and scope 3 emissions. scope 2 emissions are all indirect emissions that stem from the generation of purchased energy (e.g. purchased electricity and heat) and are apportioned according to the company's consumption. Scope 3 emissions cover all other indirect emissions that occur in the value chain (up- and downstream), such as those from a company's supply chain or product usage.

FIGURE 18 EMISSIONS PER EURO INVESTED

$$\frac{\sum_i^n \frac{\text{Investment into Company}_i}{\text{Enterprise value of Company}_i} \; x \; \text{Total Emissions of Company}_i}{\text{Total investment (Portfolio)}}$$

FIGURE 19 WEIGHTED AVERAGE CARBON INTENSITY

$$\sum_i^n \frac{\text{Investment into Company}_i}{\text{Total investment (Portfolio)}} \; x \; \frac{\text{Total Emissions of Company}_i}{\text{Total Revenue of Company}_i}$$

APPENDIX II

Significant votes

COMPANY NAME	*THEME*	*ITEM*	*MANAGEMENT RECOMMENDATION*	*KEMPEN VOTE*	*OUTCOME / RATIONALE*
Aalberts NV	Governance	Reelect M.C.J. (Martin) van Pernis to Supervisory Board	For	Against	The nominee is overboarded in our view - he chairs two listed company boards and sits on a third one.
AGL Energy Limited	Environment	Approve Coal Closure Dates	Against	For	We appreciate the company's plan of closing its coal plants, but the timeframe for that could more ambitious. Australia will have overcapacity in power generation, so closing them over time should be possible. We continue to engage the company on this issue.
Alphabet, Inc.	Social	Establish a Human Rights Risk Oversight Committee at Board level	Against	For	We have co-filed this shareholder proposal because continued controversies call into question the extent to which the existing board structure provides adequate oversight on risks the company's technologies present to human rights. The proposal gained significant support but did not pass: the 16% support for the resolution translates to roughly 45% of the independent votes. Since then, the company has taken considerable steps to meet our request and has adopted a more proactive stance.
AMG Advanced Metallurgical Group NV	Governance	Remuneration Policy for Management Board and Remuneration Report	For	Against	There is no clear disclosure on the maximum award levels under the LTI plans. The pay magnitude of the existing pay package (9.16x ISS peer median) whereas the policy is not mitigating concerns. The benchmarking exercise raises concerns as the company is aiming to position the package between 50th and 75th percentile whereas the company disclosed peer group median size is 2.0x the size of the company and mainly (70 percent) consist of US companies. The TSR measure under the LTI plan allow for below median vesting.
Amsterdam Commodities NV	Governance	Remuneration Policy	For	For	In the case of Amsterdam Commodities (Acomo), we prefer no targets for STI and to give discretion to the board as Acomo is a trading company. Setting targets might result in taking excessive risk or no risk at all, which might be harmful to the business. Therefore we want the board to decide how the earnings are on a risk adjusted base. Based on the amounts paid we don't believe this results in excessive payments.
Amsterdam Commodities NV	Governance	Approve Envisaged Acquisition of All Shares of The Organic Corporation B.V. and All Membership Interests of Trading Organics USA LLC	For	For	We voted for these proposals due to the compelling strategic rationale where the company demonstrated the strategic fit.
Argo Group International Holdings, Ltd.	Governance	Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against	We voted for as the policy has been adjusted based on our recommendations. The package of former CEO was a practical solution in which it is hard to see a more favourable outcome and is backward looking while the new renumeration metrics are forward looking. We have also followed up with another board member to give input on corporate governance.

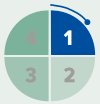
COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME / RATIONALE
AstraZeneca Plc	Governance	Approve Remuneration Policy and Report	For	Against	We found the pay ratio between the CEO and the median pay too high.
BE Semiconductor Industries NV	Governance	Approve Remuneration Policy for Management Board	For	For	The tabled resolution is on the principles and procedures of the remuneration policy, not on the quantum or structure of it. We endorse these principles and procedures, which are required by the Shareholder Rights Directive (SRD II).
Befesa SA	Governance	Approve Long Term Compensation Plan of Directors	For	Against	Non-executive directors are awarded share options or other form of performance-based pay as part of their remuneration. This potentially poses a conflict of interest. Following the AGM, the company committed to review the reward mechanism of the board going forward. Befesa also initiated a materiality survey among stakeholders, which included Kempen, based on which the sustainability report was improved. This resulted in upgrades at 3rd party ESG research providers and the inclusion of Befesa in the Global Challenges Index.
BlackRock, Inc.	Social	Report on the Statement on the Purpose of a Corporation	Against	For	Serving all stakeholders is a challenge and more reporting on governance and actions is warranted
Cineworld Group Plc	Business Strategy	Approve Acquisition of Cineplex Inc	For	Against	The acquisition of Cineplex increases leverage to levels beyond our comfort zone for the Cineworld business.
Equinix Inc	Social	Report on Political Contributions	Against	For	We voted for as additional disclosure of the company's political contributions, including trade association memberships and payments would allow shareholders to better assess related risks.
Equinor ASA	Environment	Instruct Company to Set and Publish Targets Aligned with the Goal of the Paris Climate Agreement to Limit Global Warming	Against	For	We appreciate all efforts Equinor already made with regard to reducing greenhouse gases and by announcing ambitions for 2050. However, we would like to see more detail of how the company has calculated its ambitions, to determine if they are in line with the IPCC below 2 degrees scenario. We still lack the details of their net zero commitments, also mainly related to Scope 3. Since the AGM, the company has taken further steps to set clear and transparent Scope 3 emission reduction targets.
Flow Traders NV	Governance	Approve Remuneration Policy for Management Board	For	For	Voting against implies that important elements of the new proposed remuneration policy. (At least 50% of the total variable remuneration will be paid in shares, at least 60% of the variable remuneration will be deferred over a period of a minimum of three years, cap to Management Board members' variable remuneration at 5.25% of operating profit) will not be implemented as the old policy remains in place which given the record 2020 operating profit is not in the best interest of shareholders.

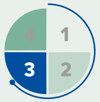
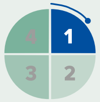
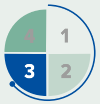
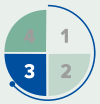
COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME / RATIONALE
Fugro NV	Governance	Board Authority to Issue Shares without Pre-emptive Rights	For	Against	The total proposed issuance without pre-emptive rights represents more than 10 percent of the issued share capital.
Fujitec	Governance	Board Member (Re)-election, Auditor appointment	For	Against	Over the last five years, we constructively engaged with Fujitec to unlock sustainable value for all stakeholders. The current BoD has not been committed to acting in the best interest of shareholders. We voted against the re-election of all directors accordingly, and in favour of the shareholder proposals filed by Oasis. Following the AGM, Fujitec publicly committed to improve on corporate governance and initiated a strategic review. During that process, Kempen has been consulted to share inputs for the strategic review, the outcomes of which were published in early December 2020. Building on this very encouraging step forward, we continue to engage with Fujitec to discuss ongoing efforts to unlock value for all stakeholders.
GlaxoSmithKline Plc	Governance	Approve Remuneration Policy	For	Against	The incumbent US-based Executive Director's pension arrangements subsist at a level significantly higher than that of the wider workforce, and there is no disclosed plan towards alignment over time.
Mercialys SA	Governance	Approve compensation of the CEO / Remuneration policy	For	Against	We voted against due to our high concern on pay-for-performance. The long term incentive opportunity increased significantly without rationale and the criteria were not challenging enough.
Nederlandsche Apparatenfabriek NV	Governance	Approve Remuneration Policy	For	For	Nederlandsche Apparatenfabriek is working on a new remuneration plan. The current plan doesn't have a Long Term Incentive Plan, but the CEO typically invests 100% of their bonus in shares and holds them over the long term. Hence the CEO demonstrates long-term alignment between his and a company's interests.
SBM Offshore NV	Governance	Remuneration Policy for Management Board Members	For	Against	Our concerns over the 2018 remuneration policy remain largely in place. The Restricted Share Unit plan provides guaranteed annual value to executives without the level of certainty being compensated. Although the company has provided additional guidance on the existence of an underpin, the underpin is not concretely defined.
Teradata Corporation	Governance	Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against	We raised our concerns about the executive compensation framework of Teradata multiple times over the past few years with the company. We have not received an appropriate response before the AGM. Later in 2020, the CEO/Chairman left his role and the newly appointed CEO proactively reached out to discuss governance and strategy issues with Kempen.
The Swatch Group AG	Governance	Board Member (Re)-election and CEO Compensation	For	Against	We had concerns about the company's variable remunerations practices and about the board's level if independence and tenure of its members.

COMPANY NAME	THEME	ITEM	MANAGEMENT RECOMMENDATION	KEMPEN VOTE	OUTCOME / RATIONALE
TKH Group NV	Governance	Remuneration Report and Dividend Payment	For	Against	We voted against the remuneration report as the vesting and holding period for performance shares granted under the company's Long Term Incentive Plan is less than 5 years. Abstained on the dividend payment of EUR 1.50 per share to secure the financial flexibility the company needs in the hugely uncertain environment.
Tutor Perini Corpora-tion	Governance	Board Member (Re)-election and Advisory Vote to Ratify Named Executive Officers' Compensation	For	Withhold / Against	We voted against management given poor responsiveness to persistent pay concerns, despite nine consecutive years of failed say-on-pay proposals.
Xcel Energy Inc	Environment	Report on Costs and Benefits of Climate-Related Activities	Against	Abstain	We recognise both the efforts of management in its role in the Energy Transition, including reporting, as well as the request for better transparency on Climate issues and decided to abstain this time.

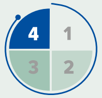
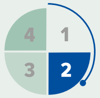
OECD RBC related engagements

This table lists our most significant 2020 engagements on themes covered by the OECD Responsible Business Conduct (RBC) Guidelines. It covers engagements on both actual and potential adverse impacts, and how these are mitigated. We grouped these engagements by broader thematic clusters: engagements related to the Covid-19 pandemic response of investees, and those related to social and environmental themes.

OECD RBC THEME	*COMPANY NAME*	*LOCA-TION*	*SECTOR*	*POTENTIAL/ ACTUAL IMPACT*	*MILESTONE*	*ISSUE*	*ENGAGEMENT RESULTS*
COVID-19	Abercrombie & Fitch Co.	USA	Garment	Potential		Engagement to understand company's response to Covid-19 and the impact on employees, suppliers, and other stakeholders during Covid-19 pandemic.	During the Covid-19 pandemic, A&F closed all its stores worldwide. The company did not cancel orders in production and engaged in dialogue with suppliers on timely payments for orders. Overall, A&F clearly responded to our concerns: acknowledging them and stating that they have policies and programmes in place to effectively protect their employees and engage with suppliers.
COVID-19	Coats Group PLC	UK	Consumer Discretion-ary	Actual		Engagement to understand company's response to Covid-19 and the impact on employees, suppliers, and other stakeholders during Covid-19 pandemic.	Coats took numerous measures to protect its employees during the pandemic and to maintain headcount and liquidity, including dividend cancellations and reduced pay for non-operational staff. The company did not lay off any employees because of the Covid-19 pandemic.
COVID-19	H&M Hennes & Mauritz	Sweden	Garment	Potential	Engagement for Awareness	Engagement to understand company's response to Covid-19 and the impact on employees, suppliers, and other stakeholders during Covid-19 pandemic.	At the beginning of pandemic, with other members of Platform Living Wage Financials, we sent letters and engaged with over 30 garment companies including H&M. In these engagements we set out our expectations and best practices for the Covid-19 response.
SOCIAL ISSUES / HUMAN RIGHTS	Abercrombie & Fitch Co.	USA	Garment	Potential		Continued engagement with A&F on their approach to social issues and payment of living wages in their supply chain.	We engaged with the company on its approach to the payment of living wages. Since the beginning of our engagements, the company has included living wages in its supplier code of conduct. In the past two years the company has significantly improved its transparency, published sustainability strategy and set clear sustainability targets to 2025.The MSCI ESG Data provider has also upgraded company's ESG score from CCC to B.
SOCIAL ISSUES / HUMAN RIGHTS	American Eagle Outfitters, Inc.	USA	Garment	Potential		Continued engagement with AEO on their approach to social issues and payment of living wages in supply chain.	AEO has reaffirmed their commitment to sustainability, published their first sustainability strategy and set sustainability targets. The strategy is currently highly focused on environ-mental issues and in our view the company still needs to add social issues and the topic of living wages in the supply chain more prominently to their sustainability strategy.
SOCIAL ISSUES / HUMAN RIGHTS	Severstal PAO	Russia	Materials	Actual		Severstal is an integrated player in steel. The company faces controversies relating to its occupational health and safety standards.	Severstal has improved its safety standards in accordance with existing relevant best practices and committed to ISO 4500 certifications for all its premises. Currently, 8 enterprises of Severstal are externally certified. The company has improved the safety conditions for workers and reports no new fatalities. Moreover, the company has launched tools to successfully identify and prevent hazards, and involve workers more actively in safety issues. Furthermore, the company paid the same compensation to victims of mining accidents and their families as to rescue workers and their families. In addition, Severstal supported relocation programmes and additional employee training programmes.

OECD RBC THEME	COMPANY NAME	LOCA-TION	SECTOR	POTENTIAL/ ACTUAL IMPACT	MILESTONE	ISSUE	ENGAGEMENT RESULTS
SOCIAL ISSUES / HUMAN RIGHTS	MTN Group	South Africa	Telecoms	Actual		MTN operates in many emerging markets. Human rights due diligence and the protection of digital rights are important topics for the company. Kempen is leading the engagement with MTN as part of the Investor Alliance on Human Rights.	MTN has recently published an updated human rights and digital rights policy. Moreover, MTN also published its first Transparency Report this year, which we welcomed. It was also well received by NGOs and other key stakeholders. With this report, the company has improved its transparency on its approach to human rights due diligence and the handling of user information and government requests. We will continue to engage with the company around how it implements the new policies, including its handling of internet shutdowns.
	Volkswagen	Germany	Automotive	Actual	Engagement for Awareness	Cobalt, together with other conflict minerals, is used in electric car batteries. It is important that companies source their raw materials responsibly.	As the use of Cobalt increases and the issues in cobalt supply chain do not go away, it is important that Volkswagen takes steps to focus on improving working conditions for artisanal cobalt mines and the eradication of child labour. Artisanal mining is dangerous and people often work in poor conditions that are unsafe. Around 70% of global cobalt comes from the Democratic Republic of Congo and artisanal mining constitutes a share of that production. VW did not use cobalt coming out of artisanal mines, but it recently announced a pilot project to improve working conditions for artisanal miners and local communities which we welcomed.
	Coats Group PLC	UK	Consumer Discretion-ary	Potential		Engagement with Coats Group of payment of living wages in its operations.	In 2020 Coats published a first reference to its approach to living wages and conducted a study whether the wages payed in its operations meet the living wage standards. We reassessed the company's approach to payment of living wages using the methodology of the Platform Living Wage Financials (PLWF), which specifically addresses the need for payment of living wages in global supply chains in the apparel and footwear industry. In 2020, Coats' score has improved to 'developing'.
	Nike Inc.	USA	Consumer Discretion-ary	Potential	Engagement for Awareness	Engagement to understand company's response to Covid-19 and the impact on employees, suppliers, and other stakeholders	The company was recognized an industry leader in how it dealt with the pandemic response. Nike is committed to using the power of sport to support their employees, communities and people all over the world impacted by the coronavirus. The company also has a specific webpage listing all measures the company took in response to the pandemic.
	Alphabet	USA	Communi-cation Services	Potential		Alphabet was not open to meet with shareholders to discuss our human rights concerns. As a result in late 2019 Kempen decided to co-file shareholder resolution calling on the company to establish a Human Rights Risk Oversight Committee composed of independent directors with relevant experience.	The proposal gained significant support but did not pass: the 16% support for the resolution translates to roughly 45% of the independent votes. More recently, the company has established a Human Rights Executive Council (HREC) to provide oversight and guidance to our Human Rights Program on global human rights. The Audit and Compliance Committee of the Board of Directors of Alphabet now also reviews major risk exposures, including data privacy and security, civil and human rights, and sustainability. As a result our engagement reached milestone 3 in early 2021.
	BHP	Australia	Mining	Actual		In 2015 the Fundão dam, operated by Samarco, a joint venture between BHP and Vale, collapsed killing 19 people and having a devastating impact on the local environment and its communities. Nearly 5 years down the line, a lot has been done to compensate the victims of the disaster.	The purpose of the engagement is to make sure the issues resulting due to the dam collapse are remediated and communities are adequately compensated. Furthermore, we want BHP to take measures to make sure this doesn't happen again elsewhere. BHP has taken steps to continue remediation for the victims of the disaster. However, nearly 5 years down the line, a lot has been done to fully compensate and resettle those affected by the dam collapse.
	Atlantia	Italy	Infrastruc-ture	Actual		In August 2018, the Genoa Morandi bridge collapsed along a toll way operated by Autostrade per L'Italia (Autostrade) - majority owned subsidiary of Atlantia - leading to 43 deaths. To remediate and prevent future issues, we engaged with the company.	After the incident, Atlantia developed and disclosed a structural plan to prevent future issues of this kind. As a result, the company reports no material accidents. The bridge was finalised in the summer of 2020.

OECD RBC THEME	COMPANY NAME	LOCA-TION	SECTOR	POTENTIAL/ ACTUAL IMPACT	MILESTONE	ISSUE	ENGAGEMENT RESULTS
ENVIRONMENTAL ISSUES / CLIMATE CHANGE	LHC Group	USA	Health Care	Potential	3	Climate change: measure, report, and set targets to reduce carbon intensity.	The company hired a consultant in early 2020 to help them develop their ESG policies and establish a climate roadmap. LHG Group issued their first ESG report in late 2020. The report makes an initial assessment of Scope 1 and 2 emissions.
	Royal Dutch Shell	UK	Energy	Actual and Potential	4	As a global energy company, Shell is one of the largest global greenhouse gas emitting companies in the capital markets, and therefore its carbon emissions reduction plans are important for Kempen.	In 2020, Shell updated its 2017 climate ambition to become a net-zero energy business by 2050 or sooner. The strategy consists of three elements which together include all of scope 3 towards net-zero by 2050 - in line with IPCC 1.5 degrees scenarios.
	Royal Dutch Shell	UK	Energy	Actual	2	Shell Nigeria is involved in environmental pollution - via oil spills - in the Niger delta in Nigeria. The company and its subsidiary in Nigeria, Shell Petroleum Development Company (SDPC), face long-standing controversy over allegations of responsibility for substantial environmental damage to the Niger River Delta, particularly in Ogoniland. SDPC is accused of poor maintenance of its pipe-lines, resulting in significant spills over the course of decades.	Shell has reduced the number of operational oil spills. However, the high number of illegal oil spills remains an issue. For the clean-up of affected areas and remediation, Shell uses best practice. Concretely, the clean-up in Ogoniland and the Bodo community is done via the government organization (Hyprep), including verification by an external party. Shell has taken on the responsibility to fund the clean-up and has a seat in an oversight body. Moreover, we monitor the efficacy of due diligence to prevent and clean up spills using the best available techniques.
	Severstal PAO	Russia	Materials	Actual and Potential	3	Severstal is an integrated player in steel, a sector with one of the highest contributions to man-made greenhouse gas emissions.	In 2020, Severstal has included TCFD reporting in its 2019 annual report. Furthermore, Severstal approved a public goal of reducing greenhouse gas emissions by 3% by 2023 compared with 2020 levels. The company is also working on a long-term climate strategy (expected in 2021). In addition, Severstal is implementing a programme to reduce its environmental impact through a large-scale environmentally-oriented refurbishment of its main assets.
	Equinor ASA	Norway	Energy	Actual and Potential	4	Equinor is one of the largest energy companies and is active worldwide. The company is an important party in the energy transition and to achieve the climate goals of the Paris Agreement.	Equinor has taken numerous steps to support the goals of the Paris Agreement including the introduction of a stress test for climate risks in its portfolio, and a regular review and publica-tion of its climate targets and ambitions. Moreover, the company is actively assessing further measures to drive decarbonisation and industry association memberships that hold an active position on climate and energy policy.
	Volkswagen	Germany	Automotive	Actual	3	Volkswagen has the lowest ESG rating, CCC and a fail status on UN Global Compact norms according to MSCI ESG. We decided that a continued invest-ment in VW would only be justified if the company could demonstrate significant positive cultural change, ensuring ethical conduct of employees going forward.	We entered into dialogue with the company to get a better understanding of the changes it is making. VW showed improvement in its approach: both integrity in its strategy and implemen-tation. The integrity program (Together4Integrity) is one of the most extensive transformation programs of the history of VW. The company reports periodically about its progress. Furthermore, VW has raised its climate ambitions targeting a CO_2e neutral fleet by 2050, full compliance with GHG emission standards based on the Paris Agreement, and a proportion of EVs of 20% by 2025, and to at least 40% by 2030. In line with this, VW targets full CO_2e neutrality for all its production plants. Furthermore, VW is taking steps to improve its govern-ance and sustainability profile.

OECD RBC THEME	*COMPANY NAME*	*LOCATION*	*SECTOR*	*POTENTIAL/ ACTUAL IMPACT*	*MILESTONE*	*ISSUE*	*ENGAGEMENT RESULTS*
ENVIRONMENTAL ISSUES / CLIMATE CHANGE	CEZ as	Czech Republic	Utilities	Actual and Potential		CEZ is an electric utility company that also carries out some mining activities. It uses coal for part of its energy. As long-term investors, we are interested in the sustainable value and performance of CEZ, and we would like to have a better understanding of how CEZ manages the risks and opportunities of climate change.	CEZ has published a coal energy plan showing how the company will decrease its coal mix and carbon emission intensity towards 2040. We welcome this progress and encourage CEZ to implement shorter mid-term targets and publicly commit to no new investments in coal-fired power plants and associated infrastructure. Moreover, CEZ is now reporting to CDP. We encourage the company to report in line with the TCFD recommendations.
	BP PLC	UK	Energy	Actual and Potential		BP is one of the largest energy companies and is active worldwide. The company is an important party in the energy transition and to achieve the climate goals of the Paris Agreement.	BP updated its climate change strategy in 2020. The company is implementing a capital expenditure framework consistent with the Paris Goals. It has put in place metrics and targets to be in line with the Paris Goals, including targets to promote reductions in its operational greenhouse gas emissions (scope 1 and 2). It is also progressing on carbon intensity over time (scope 3). Climate targets are now linked to executive remuneration.
	Siemens Health-ineers	Germany	Health Care	Potential		We believe that both financial and non-financial information is needed to achieve long-term value creation. Therefore ESG integration and reporting on business practices is important. Climate change is one of the most important global ESG topics.	We have engaged with Siemens Healthineers to integrate ESG factors into management incentives and sustainability reporting. The company has made progress on ESG reporting and is committed to prioritizing sustainability KPIs going forward. In early 2021 the company committed to reducing net CO_2 emissions from Scope 1 and 2 to 130 kT in 2025 and become carbon neutral by 2030.
	CNOOC Limited	Hong Kong	Energy	Potential		Climate change strategy. Encourage company to move and follow best in class examples (e.g. Shell).	Climate change risk has been recognised by the Board of CNOOC as a core module for CNOOC's overall risk management framework. Furthermore, the company formulated a "Green Low-Carbon Development Roadmap" and will keep pace with reporting in line with TCFD.
	BHP	Australia	Mining	Potential		BHP is one of the largest global emitters of CO_2.	In 2020, BHP reformed its approach towards climate action and encouraged industry bodies to follow suit. The company set a new target to reduce net operational emissions by 30% from 2020 to 2030, with the long-term target of net zero emissions by 2050. Furthermore, BHP sees energy transition as a core issue.

Colophon

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