

Exclusion Policy

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1. Introduction

The purpose of Van Lanschot Kempen is to preserve and create wealth for its clients and for society in a sustainable way. The minimum standard is “to do no significant harm”. As part of its sustainability approach, Van Lanschot Kempen does not want to invest in companies and countries involved in activities with severe negative impact on people and/or the environment. The activities can be product / services based or related to conduct.

Van Lanschot Kempen adheres to international guidelines and standards and support the OECD Guidelines for Multinational Enterprises, United Nations Global Compact, UN Guiding Principles on Business and Human Rights and the Principles for Responsible Investment. These key norms form the foundation of Van Lanschot Kempen’s ‘[Convention Library](#)’, which consists of international treaties, conventions and global norms. Furthermore, Van Lanschot Kempen follows a principle- based framework where relevant.

As the exclusions may be part of other Van Lanschot Kempen policies, e.g., on climate change and government bonds, the exclusion texts in this policy are derived from these policies and reference to the specific policy is given. Moreover, this Exclusion policy relates to all fund managers where Van Lanschot Kempen has influence. Additional exclusions may be applied in Van Lanschot Kempen’s solutions but are outside the scope of this policy.

This policy is organised into two sections: Exclusions and Governance & Reporting. The (sub)sections elaborate on both the why (reason) and the how behind the exclusions. The final section consists of the governance and reporting of this policy.

2. Exclusions

2.1 Tobacco

A. Why exclude

Van Lanschot Kempen recognises the potentially harmful outcomes emerging from tobacco production and consumption related to individual and societal health, economics and the environment. Tobacco has severe negative impacts on people (deaths and diseases), which are reflected in the first worldwide (legally binding) health treaty for tobacco use reduction and tobacco product in themselves are not essential.

Van Lanschot Kempen uses a framework with objective criteria to come to product and services exclusions. For tobacco, the exclusion criteria have been met through this framework. The criteria have been formulated below, followed by the assessment for tobacco, leading to an overall conclusion to exclude.

1. Harmful and high negative impact

The product / service has (a) to be, by definition, harmful to people and/or nature / environment; and (b) have a high negative impact on people and/or nature/environment when used as intended.

Tobacco products are by definition harmful to people and cause severe negative impact on people due to a high number of deaths (more than 8 million people each year according to the WHO¹), and diseases (tobacco use is one of the main risk factors for a number of chronic diseases, including cancer, lung diseases, and cardiovascular diseases).

2. Not essential

The product or service is not essential (no harmful effect if the product would no longer be there).

Tobacco is not essential.

3. International treaties / conventions in place

There are international treaties / conventions that prohibit the use of the product / service or aim to significantly reduce the use of it.

There is the first worldwide (legally binding) health treaty for tobacco use reduction, called the WHO Framework Convention on Tobacco Control (WHO FCTC, 2005).

4. Engagement not plausible alternative

Engagement with the company cannot change the situation towards the equivalent of non-harmful product/service (also considering innovation towards non-harmful products) - if used as intended.

Engagement is not possible to move the product towards non-harmful (if used as intended).

5. Involvement in activity

Company directly involved in the product/service via production/manufacturing (>0% revenues) or significantly (>20% revenues) indirectly involved in the product/service via the distribution and/or sale (retailer, supplier).

For companies directly involved and indirectly involved (meeting the thresholds).

¹ Tobacco (who.int)

B. How to exclude

Companies which obtain >0% revenues from the production / manufacturing of tobacco products, which include – amongst others – cigarettes, chewing tobacco, and e-cigarettes, are excluded. Van Lanschot Kempen will not invest in companies which obtain >20% revenues indirectly from tobacco via retail or distribution of tobacco products. Companies with >20% revenues from supplying products essential to the tobacco industry are also excluded.

2.2 Controversial Weapons

A. Why exclude

In line with international human rights law, Van Lanschot Kempen cannot condone controversial weapons. Controversial weapons are weapons of which the effects are disproportional and do not (cannot) distinguish between military and civil targets. Van Lanschot Kempen does not invest in companies that have ties to controversial weapons, defined as cluster munitions, landmines, biological/chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments. In addition, companies involved in the production and/or storage of fissile materials used in/for nuclear weapons are classified as controversial weapons.

In relation to controversial weapons, Van Lanschot Kempen applies a dual use criterion. This criterion is developed to prevent that companies that only develop, produce, test, store, maintain or trade generic parts that can be used in controversial weapons (e.g., steel, electronics, engines, fuel), are considered as being involved in controversial weapons. At the same time the dual use criterion guarantees that companies active in developing, producing, testing, storing, maintain and/or trading essential parts - parts that are specifically made for controversial weapons and don't have other – generic – applications -, are flagged as being involved in controversial weapons.

On cluster munitions and ammunition carriers, Van Lanschot Kempen follows a tertiary involvement approach:

- Van Lanschot Kempen does not invest in ammunition carriers which are involved in cluster munitions.
- Van Lanschot Kempen does not make a distinction between carriers specifically built as delivery platform for cluster munitions versus not specifically built as delivery platform for cluster munitions. However, the ammunition carrier needs to fulfil the following criteria: (1) Van Lanschot Kempen's data provider has evidence ('documented examples') that the aircraft/ship can be used as a delivery platform for these weapons; and/or (2) the carrier has been tested and certified for the use of these weapons.
- Van Lanschot Kempen complies with the Dutch Besluit marktmissbruik Wft article 21a² (since January 1, 2013). This local law forbids Dutch financial institutions of any direct or indirect support of (foreign) companies (or their majority shareholder) if these companies are producing, selling or distributing cluster ammunition.

B. How to exclude

Companies are screened for involvement ties to controversial weapons. Companies with ties are excluded. Ties include direct (producer, operator), semi-direct (retailer, distributor, supplier, support, services, licensor) and indirect (ownership of and by a company with involvement). This applies to anti-personnel landmines, biological /

² Source in Dutch only: <https://wetten.overheid.nl/BWBR0020417/2017-07-12>

chemical weapons, cluster munitions, depleted uranium weapons, blinding laser weapons, incendiary weapons (White Phosphorous), and non-detectable fragments.

On nuclear weapons, companies with direct involvement in nuclear weapon production are excluded. Direct involvement is established if the company is involved in the production and/or storage of fissile materials used in/for nuclear weapons. It includes companies with contracts to operate/manage facilities involved in the manufacture of fissile materials for nuclear weapons. This 'nuclear fissile material production' demonstrates that the company involved has a direct link with the actual nuclear weapon.

Van Lanschot Kempen applies an exception for exclusion: financial institutions that have involvement in controversial weapons through financing are not excluded.

2.3 Weapon Trade

A. Why exclude

As a policy, Van Lanschot Kempen will exclude investments in companies that trade weapons and ammunition (both conventional and controversial) if there is a substantial risk that the weapons will be used for violence against civilians (in fragile or failing states, countries that are in civil war), terrorist organisations and (organised) crime.

B. How to exclude

For the weapon trade screening, Van Lanschot Kempen follows the EU and UN sanction list (via weapon embargos) and data from an external data provider regarding countries involved in violence against its citizens. The companies excluded are involved in weapon trade transactions to the countries flagged by these criteria.

2.4 Conventional weapons – sustainable funds only

A. Why exclude

Van Lanschot Kempen recognises the potential for harmful misuse of conventional weaponry and armaments. Weapons in themselves do harm to individuals, contrasting the 'do good principle'. Conventional weapons do not meet the requirement for inclusion in sustainable funds.

B. How to exclude

For more³ sustainable and impact funds, Van Lanschot Kempen excludes companies which obtain some revenues from conventional weapons. Revenue thresholds are defined as >5% from the production of conventional weapons, and >15% revenues from weapon systems, components and support systems and services. This includes the production and sale of civilian firearms.

³more sustainable funds refer to the Flavour 4 "do better" classification of the Van Lanschot Kempen Sustainability Spectrum, while impact funds refer to Flavour 5 "do good". For further information please refer to: [Integration \(vanlanschotkempen.com\)](https://www.vanlanschotkempen.com)

2.5 Climate related exclusions: coal mining and oil sands

A. Why exclude

Van Lanschot Kempen has assessed several activities which are likely to be detrimental to the transition towards a low-carbon economy and to meeting the Paris Agreement goals. Within the transition, Van Lanschot Kempen believes that thermal coal mining and oil sands have the most adverse impact on climate change and the environment, and can be substituted. As part of its climate change policy, Van Lanschot Kempen is therefore committed to not investing in companies breaching revenue-based thresholds from thermal coal mining and/or oil sands. The full climate change policy can be found on the Van Lanschot Kempen [website](#).

B. How to exclude

Thermal coal exclusion

Van Lanschot Kempen will not invest in companies which obtain a significant part of revenues (>20%) from thermal coal mining. For more sustainable and impact funds, Van Lanschot Kempen excludes companies which obtain >10% revenues from thermal coal mining.

Oil sands exclusion

Van Lanschot Kempen will not invest in companies which obtain a significant part of revenues (>20%) from oil sands. For more sustainable and impact funds, Van Lanschot Kempen excludes companies which obtain >10% revenues from oil sands.

2.6 Government bond exclusions

A. Why exclude

Sovereign entities have an obligation to protect and respect human rights. As a minimum, Van Lanschot Kempen does not want to be involved in countries that violate this obligation.

B. How to exclude

Van Lanschot Kempen will not invest in government bonds from countries:

- that are subject to EU / UN Sanctions through weapon embargos;
- that are involved in severe adverse human rights issues but not captured by sanctions;
- that haven't ratified the Paris Agreement for investments. As climate change is one of Van Lanschot Kempen's focus areas, it only invests in government bonds of countries which have ratified the Paris Agreement.

For more sustainable and impact funds, Van Lanschot Kempen only invests in government bonds of countries which do not have significant adverse environmental impact (including climate change), are not involved in adverse human and labour rights issues and do not have weak governance/institutions. This framework is built upon data from:

- Environmental: SolAbility – Global Sustainable Competitiveness Index
- Social: International Trade Union Confederation (ITUC) – Global Rights Index
- Governance: Economic Intelligence Unit (EIU) – Democracy Index

2.7 MSCI Red Flags

A. Why exclude

There are a number of companies that pose a significant reputational, financial or other risk to Van Lanschot Kempen's investments. This risk can be either from a reputational perspective or from an investment perspective. These are companies that structurally violate international conventions and standards and/or have demonstrated no improvement over the last years. The controversies these companies are involved in are considered very severe.

B. How to exclude

All companies that receive a Red Flag from our external data provider MSCI will be added to the Van Lanschot Kempen exclusion list within three months of the new assessment. Investment teams will have six months to sell their position in the company. An equivalent screening to MSCI ESG Red Flags can be used by our external managers (for example Sustainalytics, ISS ESG).

2.8 Additional sustainability exclusions

In certain cases, the Kempen sustainable funds have stricter revenue thresholds. For specific thresholds, please see the table on page 11. The funds also have an additional overlay of exclusions. These include exclusions related to, but not limited to, adult entertainment, alcohol, animal welfare, arctic drilling, gambling, and fossil fuels (i.e., shale oil/gas). For further details on how this is applied per investment strategy, please refer to the specific fund ESG policies.

3. Governance & Reporting

3.1 Governance

The Sustainable & Impact Investing team sets the Exclusion list and the Van Lanschot Kempen Sustainable Investment Council (“Council”) reviews it. The Council meets at least four times a year. The policy will be reviewed annually.

Implementing the exclusion policy

Van Lanschot Kempen uses data from external data providers for its exclusion policy screening. This screening takes place on a quarterly basis for controversial weapons, conventional weapons, tobacco, climate-related exclusions, and MSCI red flags. For weapon trade and government bonds the screening takes place annually.

Removal of companies from the exclusion list

Companies that are no longer breaching thresholds established by the Van Lanschot Kempen exclusion criteria, based on the evidence provided by our data providers, will be reviewed by the Sustainable & Impact Investing team. The decision to remove the companies from the exclusion list rests with the Council.

3.2 Reporting

After the Exclusion list is approved by the Council, the list is publicly disclosed on the Van Lanschot Kempen website. The most recent exclusion list can be found here: [Exclusion \(vanlanschotkempen.com\)](#)

4. Exclusion criteria overview

Exclusion category	Screening criteria	Thresholds		
		Van Lanschot Kempen group wide	More ⁴ Sustainable & impact funds	Kempen Sustainable funds
Controversial weapons	Any Ties*	Yes	Yes	Yes
Weapon trade	Evidence of weapon trade transactions with government bond exclusion list	Yes	Yes	Yes
Conventional weapons	Revenues from production	Not required	>5%	>5%
	Revenues from weapon systems, components and support systems and services	Not required	>15%	>5%
Tobacco	Producers	Yes	Yes	Yes
	Revenues from retail, distribution	>20%	>20%	>5%
	Revenues from suppliers	>20%	>20%	>20%
Thermal coal mining	Revenues from production	>20%	>10%	>5%
	Power generation based on coal	Not required	Not required	>10%
Oil sands	Revenues from production	>20%	>10%	>5%
	Revenues from facilitating production	Not required	Not required	>25%
Government Bond	EU / UN arms embargoes sanctions, violence against civilians	Yes	Yes	Yes
	Additional criteria environmental, human and labour rights, governance	Not required	Yes	Yes
MSCI Red Flags	Controversy rating	Yes	Yes	Yes
Additional Sustainability exclusions	Adult entertainment, alcohol, animal welfare, arctic drilling, gambling, shale oil & gas	Not required	Not required	Yes

⁴more sustainable funds refer to the Flavour 4 "do better" classification of the Van Lanschot Kempen Sustainability Spectrum, while impact funds refer to Flavour 5 "do good". For further information please refer to: [Integration \(vanlanschotkempen.com\)](https://www.vanlanschotkempen.com/integration)

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Additional information

Van Lanschot Kempen NV has its registered office at Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands, COC no. 16038212 with VAT identification number NL001145770B01, is registered as a bank with the Netherlands Authority for the Financial Markets (AFM) and De Nederlandsche Bank N.V. (DNB) in the Financial Supervision Act (Wft) register. Eventuele klachten kunt u richten aan Van Lanschot Kempen NV of de afdeling Klachtenmanagement van het hoofdkantoor, Postbus 1021, 5200 HC 's-Hertogenbosch.



**VAN LANSCHOT
KEMPEN**

Beethovenstraat 300
1077 WZ Amsterdam
Postbus 75666
1070 AR Amsterdam

T +31 20 348 80 00
vanlanschotkempen.com