

OECD Guidelines for Multinational Enterprises

How we comply

February 2023

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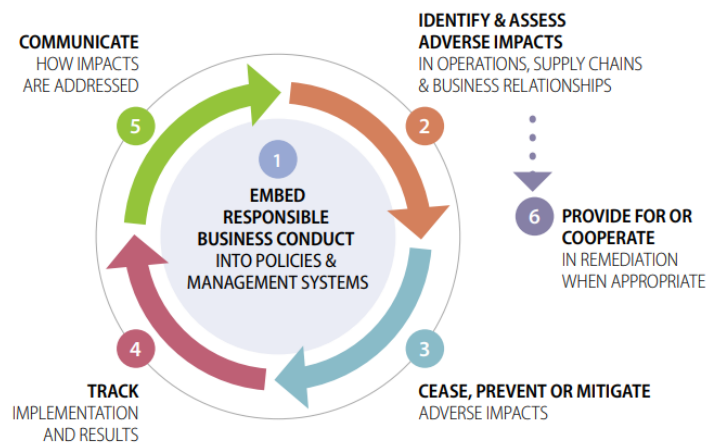
1. Introduction

The OECD Guidelines for Multinational Enterprises (hereafter "OECD GL") are one of four parts of the 1976 OECD Declaration on International Investment and Multinational Enterprises). The Guidelines provide principles and standards of good practice consistent with applicable laws and internationally recognised standards. The Dutch government expects businesses to demonstrate that they observe the OECD Guidelines for Multinational Enterprises (OECD GL). This report explains how Van Lanschot Kempen - through various policies - complies with the OECD GL.

1.1 OECD Guidelines for Multinational Enterprises

The OECD GL are recommendations addressed by (OECD) governments to multinational enterprises operating in or from signatory countries. The Guidelines provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards. They require multinational companies to have (permanent) due diligence processes in place by which they can identify, prevent and mitigate real and potential negative impacts in their operations, their supply chains and other business relationships along the following themes: employment and industrial relations; human rights; environment; combating bribery and corruption; consumer interests; and disclosures. The chart below provides a generic overview of the required due diligence process and the additional measures needed to support it.

Overview of required due diligence process & supporting measures



Source: OECD Due Diligence Guidance for Responsible Business Conduct, 2018, p. 21

In summary, the OECD GL process consists of six steps:

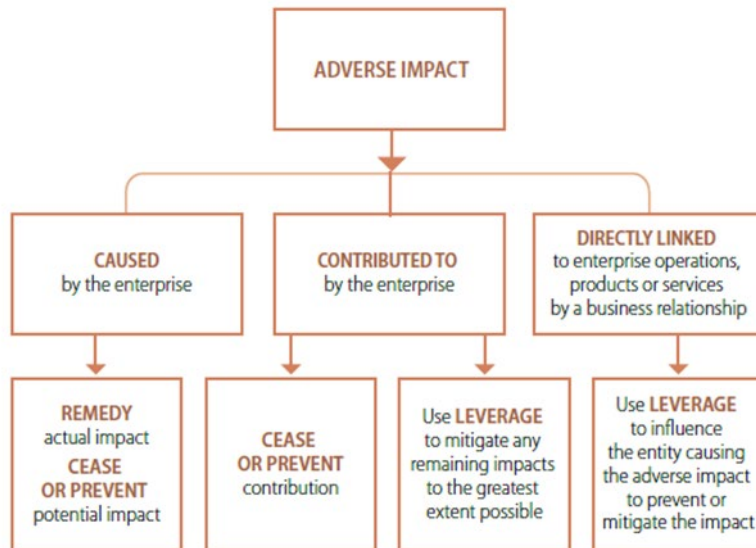
1. Set up policies and management systems for responsible business conduct (RBC);
2. Apply RBC policies: identify, assess and classify adverse impacts;
3. Take action: cease, prevent or mitigate adverse impacts;
4. Monitor: track actions and results;
5. Communicate: disclose e.g. policies and management systems, due diligence results (most significant adverse risks) and mitigation measures that have been taken;
6. Provide for or cooperate in remediation (if relevant); also set up complaint procedures.

Although all six steps are relevant, steps two and three need additional clarification. In step two adverse impacts need to be classified into one of three categories (caused, contributed to, directly linked). Depending on the outcome of this classification, specific actions are required in step 3:

- If the multinational company itself is causing the adverse impact, it should end the impact and assure that remediation takes place.
- If the multinational company is contributing to the adverse impact it should end this contribution and use its leverage to mitigate any remaining adverse impacts.

If a multinational is directly linked to an adverse impact via the operations, products or services of a business relationship, the multinational must seek to use its influence to encourage the other (causing or contributing) entity to prevent, mitigate and end the adverse impact and to provide remediation.

The graph below provides an overview of these three possible actions and some examples



Definitions and examples

Cause

- An enterprise “causes” an adverse impact if the enterprise’s activities on their own are sufficient to result in the adverse impact.
- Example: if an enterprise discriminates against women or racial minorities in its hiring practices or if an enterprise pays a bribe to a foreign public official.

Contribute

- An enterprise “contributes to” an impact if its activities, in combination with the activities of other entities cause the impact, or if the activities of the enterprise cause, facilitate or incentivise another entity to cause an adverse impact. Contribution must be substantial, meaning that it does not include minor or trivial contributions.
- Example: a retailer that sets a very short lead time for delivery of a product despite knowing from similar products in the past that the production time is not feasible, and restricting the use of pre-approved sub-contracting.

Directly linked to

- “Linkage” is defined by the relationship between the adverse impact and the enterprise’s products, services or operations through another entity (i.e. business relationship). “Directly linked” is not defined by direct contractual relationships, for example “direct sourcing”.
- Example: if an enterprise sources cobalt mined using child labour which is then used in its products, the enterprise can be directly linked to the adverse impact (i.e. child labour).

Source: OECD Due Diligence Guidance for Responsible Business Conduct, 2018, pp. 70-72

1.2 The structure of this report

This report aims to explain how Van Lanschot Kempen - through various policies - complies with the OECD GL. After giving an overview of our business and organisation (section 2) we present an assessment of our potential adverse impacts (section 3) and an overview of our policies to identify, prevent and mitigate these (section 4). In section 5 we then explain how these policies make us compliant with the OECD GL.

2. Who we are

To understand how - and to what extent - we currently comply with the OECD GL, it is first necessary to understand our organisation and business.

Our purpose

Our purpose is to preserve and create wealth for our clients and for society in a sustainable way. In this section and the next, you can read about how we fulfil our purpose – guided by our shared values, our sustainably entrepreneurial approach, and our strategic ambition and pillars.

Our licence to operate

Van Lanschot Kempen is the oldest independent financial institution in the Netherlands. Founded in 1737 in ¹⁷³⁷_{SEP}-Hertogenbosch, Van Lanschot Kempen has brought several entities together over time. Our ability to continuously adapt to the changing needs of our clients is what allows us to succeed, now and in the future.

Wealth is not just about financial resources; it encompasses everything that is valuable in life. It's about safeguarding our clients' heritage for generations to come – or starting to build that heritage. It's about pursuing growth or handing over a business that has been built over the years. It's about seizing opportunities and creating peace of mind. In short: it's about security, dreams, ambitions, wishes and decisions – and all of these are specific to each individual.

At Van Lanschot Kempen, we're driven to understand the complete picture for our clients. We use our collective expertise and talents to present them with fitting solutions and products in support of their long-term goals.

Our sustainability approach

Throughout our history, we have evolved and adapted to the changing world around us. We recognise that sustainability is an urgent need: we therefore see both a responsibility and an opportunity to achieve positive impact and returns over the long term for our clients and for society. To keep up the pace, we proactively engage with our clients and the companies in which we invest on their behalf. We aim to hold ourselves to the same standards that we ask from the companies in which we invest. We are sustainable entrepreneurs.

Our shared values

Our values, and the behaviours that come with them, define what we do and how we do it. They unite us. They drive our decision-making process and our Code of Conduct. In 2022, we articulated four values to which we all subscribe:

- Personal: We invest in building long-term relationships. We're driven by our client's interests. We're proactive on their behalf. And our personal approach to the way we work with our clients also extends to the way we work with each other.
- Specialised: We love our craft. We work together with in-depth knowledge of specific sectors and disciplines. We're resourceful. We set the bar for quality high. And we aim to continuously learn and improve.
- Entrepreneurial: We're ambitious and results-focused. We anticipate and see opportunities – always aligned with the interests and goals of our clients. We believe in sustainable solutions. And we actively look for investments and initiatives that contribute to these.
- Decisive: We take a solutions-oriented approach. We aim to keep things as simple as possible. We're clear in our advice and our service offering. And we do what we say we're going to do.

You can read about how we put our values into practice in our daily work in the testimonials from employees throughout this annual report.

Our client segments and business activities

We have a clear focus on our client groups – and those we wish to attract. They include private clients, such as wealthy individuals, entrepreneurs, business professionals, charities, foundations and associations; wholesale and institutional clients, such as pension funds and other (retail) banks; and investment banking clients in our focus sectors (European real estate, life sciences & healthcare, tech & fintech and infrastructure & renewables).

We combine our private banking activities with in-house investment management and investment banking expertise. We are active in several geographies: private banking in the Netherlands, Belgium and Switzerland; investment management in the Netherlands, the UK and western Europe; and investment banking in western Europe and the US.

Our transformation

In 2022, we completed our transformation from a universal bank into a specialist wealth manager. Our organisation is large enough to matter yet small enough to be nimble. We have a clear ambition to be a leading wealth manager in the Benelux region, by focusing on sustainable and profitable growth while maintaining a capital-light balance sheet.

The transition to a unified brand – Van Lanschot Kempen – illustrates our commitment to unlocking our full potential for our clients. We put our entire investment engine to work for all client groups: for example, by offering private clients access to the same in-depth research and tailored services as institutional clients.



Our activities

We perform five different activities:

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

Via these various activities we aim to have a positive (value-creating) impact on our clients and the world around us. At the same time we realise that – even if we comply with all legal obligations – we could potentially find ourselves linked to practices that harm people or the planet. The next section explores our potential negative impact in relation to the various OECD themes.

3. Our potential negative impacts on OECD themes

Over the last years, we have - as part of our group-wide sustainability strategy - consulted many internal and external parties to assess our potential negative impacts. The first part of the table below provides - for each of the OECD themes and our five activities - an overview of potential negative impacts.

Our (potential) negative involvements with OECD themes

OECD themes	Our activities				
	Investor	Lender	Service provider	Employer	Purchaser
1. Employment	DI	DI	NR	Ca / Co / DI	DI
2. Human rights			Ca / Co / DI		
3. Environment			NR	NR	
4. Bribery			Ca / Co / DI		
5. Consumer interests			Ca / Co / DI		

VLK policies to manage our involvement

VLK policies	Details					
Responsible / sustainable invest. policy	§ 4.1.1	Y				
Responsible investment policies for our own liquidity book	§ 4.1.2	Y				
Responsible lending policy	§ 4.2	Y	Y			
Client-related policies	§ 4.3			Y		
Employee-related policies	§ 4.4				Y	
Business partner due diligence policy	§ 4.5					Y
Complaint procedures	§ 4.6	Y	Y	Y	Y	Y

Ca: Cause; Co: Contribute; DI: Directly linked to; NR: Not relevant; Y: Policy in place

The type of our potential negative involvement differs per activity and OECD theme:

- As **investor, lender, purchaser** or we do not expect to cause or contribute to any negative impacts in relation to the various OECD themes. However, via the activities and supply chains of our borrowers, suppliers or investees we could become directly linked to some negative impacts, especially when these supply chains are located in regions with relatively weak regulation and enforcement, e.g. in emerging economies (i.e. non-high-income OECD countries). These impacts will most likely relate to the OECD themes employment, human rights, environment, bribery, and - to a lesser extent - consumer interests.
- As a **service provider** we expect to run a certain risk of causing or contributing to negative impacts in the field of human rights and consumer interests, e.g. if we were to cause client data leakages ourselves, if we were to misuse client data or if we were to provide products and solutions that do not add value to our clients. In the event that our business partners create such impacts, we would be directly linked to these impacts. For the other OECD themes we do not expect negative impacts.
- As an **employer** we see a certain risk of causing or contributing to negative impacts in the field of employment and human rights, e.g. in the event of discrimination, sexual harassment or unhealthy working conditions. If one of our business partners (e.g. a temporary employment agency) were to do this, we would become directly linked to the impact. For other OECD themes we do not expect negative impacts.

As indicated in the lower part of the table, we have specific **policies** in place to identify, prevent and mitigate real and potential negative impacts. These policies, which are further explained in the sections below, follow various international frameworks, e.g. the Principles for Responsible Investments (PRI), UN Global Compact (UN GC), ILO Conventions, the UN Guiding Principles on Business and Human Rights (UN GP) and also the OECD GL. In line with OECD recommendations (OECD, 2018, page 42) our policies focus on the most 'significant' adverse impacts. Significance here is understood as a function of likelihood and severity. Severity of impacts will be judged by their **scale, scope and irremediable character**. Scale refers to the gravity of the adverse impact, scope concerns the reach of the impact (e.g. the number of individuals that are or will be affected) and

irremediable character means any limits on the ability to restore the individuals or environment affected to a situation equivalent to their situation before the adverse impact.

4. Our policies in relation to OECD themes

As indicated in the previous section we have various policies in place that aim to identify, prevent, mitigate and remedy potential and actual negative impacts related to OECD themes:

- Investment-related policies
 - Responsible / sustainable investment policy § 4.1.1
 - Responsible investment policies for our own liquidity book § 4.1.2
- Responsible corporate lending policy § 4.2
- Client-related policies § 4.3
- Various employee-related policies § 4.4
- Business partner due diligence policy § 4.5
- Complaints procedures § 4.6

All these policies go beyond existing laws and regulations and aim to prevent our company becoming involved in unsustainable activities or business behaviour. The policies were signed off by senior management (in most cases by the Management Board) and have been integrated in existing procedures and systems as far as possible.

Below we present our policies and describe how these policies address potential and actual negative impacts. For each policy we also provide examples from recent years and results.

4.1 Investment-related policies

Van Lanschot Kempen has two relevant responsible investment policies: one for client investments and one for our own investment book. Both policies are further described below.

4.1.1 Responsible investment policy for client investments

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

Our policy

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

- Our investment universe and portfolios are periodically screened to identify issuers in breach of international norms (OECD Guidelines, UNGP, UN Global Compact and in the Conventions Library) together with our requirements applicable to controversial sectors or products.
- If the screening – for which we use data from our external research provider MSCI ESG – indicates that companies are involved in controversial weapons (nuclear, biological and chemical weapons, cluster munitions and anti-personnel landmines), tobacco production, receive most of their revenues coming from coal mining and/or tar sands or received a Red Flag from our external data provider MSCI ESG we (aim to) exclude them from our investments¹. The exclusion list is communicated to internal and external fund managers. Internal investment teams will have six months to sell their position in the company after the company has been added to the exclusion list. External active fund managers will be expected to divest from companies on the exclusion list.
- If companies structurally violate international conventions and standards, we may initiate an engagement process.
- Based on our policy, we select the most severe cases for ‘engagement for change’. A case becomes more severe if it negatively impacts a larger group of people (or the environment), if it creates impact that can no longer be remediated and if it is the result of structurally weak company policies or systems.
- Engagements may be carried out by Van Lanschot Kempen alone or (with a view to increasing leverage) in collaboration with other asset managers and asset owners. If the investee company or internal/external fund is not willing to improve, we can exclude them, meaning that we will no longer invest in those companies and funds and will no longer recommend them to our investment advisory clients.

¹ In most cases exclusion is relatively easy for our own (Kempen) funds. However, for funds managed by external parties exclusion can be more difficult; that’s why we added ‘aim to’.

- Last but not least, we engage with clients, sector peers and rating agencies and policy makers around sustainable investment policies and practice.

In addition to engagement, exercising voting rights is another essential element of stewardship. We cast our vote through a proxy voting platform. For further details, see our Proxy Voting Policy on kempen.com/en/asset-management/esg/policies-and-publications and the overview of our votes on vds.issgovernance.com/vds/#/NzcyMA==/.

Why our responsible investment policy for client investments complies with the OECD GL

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

Some engagement examples

Apparel industry

- › Coats Group Plc manufactures and distributes industrial threads to the apparel and footwear industry. As a result of our initial engagement Coats Group has accelerated its approach to living wages. In 2020 the company complemented a global assessment and found that for around 700 employees remuneration was above legal minimum wage but below the living wage. In 2021 all identified employees in four countries were remediated and are now paid a living wage. However at the time transparency on this issue was lacking. In 2022 they improved their transparency on Living Wage with the main highlight that they published a Living Wage policy.

Technology

- › Alphabet is the parent company of Google and YouTube. We had already reached out to Alphabet in 2019 due to concerns about the company's lack of transparency on human rights and the board's lack of oversight of these issues. To advance these discussions, in 2020 we co-filed a resolution for Alphabet's AGM. Since then, the company has developed policies on the issue and established a board-level committee to monitor human rights risks. At the 2022 AGM, we submitted a second resolution along with other shareholders, asking Alphabet to conduct an independent human rights impact assessment. The resolution received strong support from Alphabet's shareholders. We will continue to engage with Alphabet on this issue and monitor the company's progress.
- › More examples can be found at the 2023 Stewardship and Sustainable Investment report

Results of the responsible investment policy for client investments

Exclusion

In 2022, we excluded 177 companies and 24 countries. The full exclusion list can be found here: kempen.com/en/asset-management/responsible-investment/exclusions

Active ownership

In 2022, we carried out a total of 361 engagements with companies and 39 with external fund managers.

- Of the 361 company engagements, we did 165 ourselves. We divide the dialogues with companies into 'engagements for awareness' and 'engagements for change'. With 'engagements for awareness' we aim to raise awareness about a certain issue among our investee companies or to get more information on a particular company. With 'engagements for change' we aim to improve the overall landscape of (financial) markets and general level of ESG performance in particular sectors, markets and geographies. Of the 165 engagements 104 were 'engagements for change' carried out by our portfolio managers and sustainability team. The engagements for change were focused on environmental (53%), governance (39%) and social issues (8%).

- The remainder (196) were carried out in collaboration with other parties (e.g. asset managers or asset owners). 148 of these cases were climate related engagements, done by Climate Action 100+, a group of more than 700 (institutional) investors with over \$68 trillion in assets. Van Lanschot Kempen is a member of Climate Action 100+. Till 2023 Van Lanschot Kempen was a member of the Platform Living Wage Financials (PLWF), an alliance of 19 financial institutions - with over €6.5 trillion in assets - that encourages and monitors investee companies to address the non-payment of living wage in global supply chains. We decided to discontinue our participation in the PLWF to better align our engagement activities with our sustainability focusthemes. In 2022 another 31 engagement cases were done by the PLWF. Last but not least we engaged collaboratively with 13 pharmaceutical companies about equitable vaccine distribution and - together with other investors - 4 large US based tech companies on human rights and data governance.

Most of the companies and fund managers we have approached in recent years were willing to improve policies or portfolios. Only a few were not prepared to do so, to which we will consider excluding them.

In 2022, we voted at 427 meetings or 96% of all votable meetings (2021: 437 meetings, 97%). For more information see our [voting records](#) on our website.

Final note: sustainable investments

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

4.1.2 Responsible investment policies for our own liquidity book

Our own Van Lanschot Kempen liquidity investment portfolio (on our balance sheet) has a relatively low sustainability risk profile. It is chiefly run for liquidity purposes and mainly comprises European government paper and fixed-income securities. We have an extensive sustainability policy for our investment book, backed by concrete internal targets on the level of sustainability bonds in our portfolio and the reduction of GHG-emissions. This policy focusses on transactions that could possibly result in a balance sheet position for Van Lanschot Kempen (the investment portfolio). Transactions that cannot lead to a balance sheet position for Van Lanschot Kempen, such as transactions for our clients, are therefore out of the scope of this policy. Any other client-orientated transactions, such as the loan portfolio (e.g. mortgages) are also out of scope.

Avoid harm

In order to preserve and create wealth sustainably, we aim to avoid harmful consequences from investments made. At the centre of this lies our commitment to several internationally recognised sustainability guidelines and conducts. The most important documents being the OECD Guidelines, United Nations Global Compact (UNGC), UN Guiding Principles on Business and Human Rights (UNGP) and the Principles for Responsible Investment (PRI). An extensive overview over all conventions to which we are committed can be found in the Convention Library.

Our approach

Similarly to our company-wide approach, our approach for achieving the sustainability goals is organised along four pillars:

Pillar 1 - Exclusion & avoidance

In some issuers we do not want to invest due to their activities or conduct, for which we hold Exclusion and Avoidance lists. Companies on these lists are either involved in the production of controversial weapons, such as cluster munitions, anti-personnel mines, nuclear warheads, chemical and biological weapons, derive a significant portion of their revenues from the production or distribution of tobacco, or have been involved in serious controversies (UNGC violations). Furthermore, we exclude pure coal players and players purely involved in tar sands, as these activities have an adverse impact on climate change. We also avoid investments in companies that structurally violate our ESG criteria and demonstrate no willingness to improve their policies and practices. Furthermore, on a comply or explain basis, we do not invest in ESG-laggards: issuers with a CCC or B rating from MSCI ESG.

Pillar 2 - ESG integration

We continuously screen the ESG-performance of our portfolio, to assess if ESG risks and opportunities are integrated sufficiently. We furthermore screen issuers that we are considering to add to our portfolio based on their ESG performance, using measures such as carbon emissions and ESG-ratings. We regularly review the issuers' performance and the overall performance of our portfolio. In this way we ensure that sustainability risks and opportunities are adequately considered in our investment strategy and that ESG metrics are fully integrated into our investment decisions.

To assess whether we are on a pathway towards net-zero emissions by 2050, we track our greenhouse gas emissions intensity (based on revenues). We furthermore assess whether issuers are on track to improving their emissions, using metrics such as carbon emissions 3-year trend and estimations on whether an issuer is aligned with a pathway towards net-zero 2050. We furthermore use ESG scoring data to assess whether we invest in industry leaders and to minimise the negative impact of our portfolio on society and the environment.

Pillar 3 - Active ownership

As a long-term steward of sustainable investment, we believe it is important to engage with our counterparties about sustainability in order to unlock value and reduce risk. We aim to open the conversation about ESG performance and ESG related data disclosures with our stakeholders. We will discuss related sustainability risks, impacts and performance disclosure with the counterparties if needed.

Pillar 4 - Positive impact

We find it important that our portfolio not only avoids harm, but actively supports a sustainable future by allocating capital to projects that do good. We are therefore committed to incrementally increasing the share of green, social and sustainability(-linked) bonds in our portfolio. Looking ahead, there are three broad themes around which our positive impact policy is based, aligned with our firm-wide sustainability focus areas. These are people: helping our society live longer and in better health, planet: helping our environment to recover faster by contributing to energy transition and biodiversity and profit: helping our investee companies to contribute to a smart, circular and inclusive economy. We are committed to making a positive impact in these areas and thus aim to incrementally increase the share of green, social and sustainability(-linked) bonds in the portfolio.

Results of our sustainability investment policies for our own investment book

Our liquidity investment portfolio complies with our sustainability policies. To ensure compliance with our policy and reflection on our portfolio, we use a mixture of widely acknowledged data sources to analyse the ESG performance of our portfolio and screen potentially new issuers we consider adding to our portfolio. Additionally, we set internal targets on the amount of sustainability bonds and the reduction of CO₂ in our portfolio.

4.2 Responsible corporate lending policy

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

Our corporate borrowers

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

Due diligence

In order to be able to identify, prevent, mitigate and remedy potential and actual negative labour, human rights, environmental, corruption or consumer impacts in relation to its corporate lending activities, Van Lanschot Kempen has established an ongoing due diligence process. This process focuses on borrowers (including their suppliers) with a (potential) high risk profile in these sustainability fields. In practice, this means that we focus our additional due diligence particularly on borrowers in potentially high-risk sectors such as agriculture, garments, toys, furniture, other manufacturing, oil/gas and mining. A special risk filter is periodically completed for these borrowers; both before the first disbursement and during the loan period. The filter identifies a borrower as 'potentially high risk' if the borrower has production facilities in regions outside the Netherlands or the Western industrialised world² or has its main suppliers in those regions. Van Lanschot Kempen has set up an engagement track for these borrowers.

Engagement

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

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

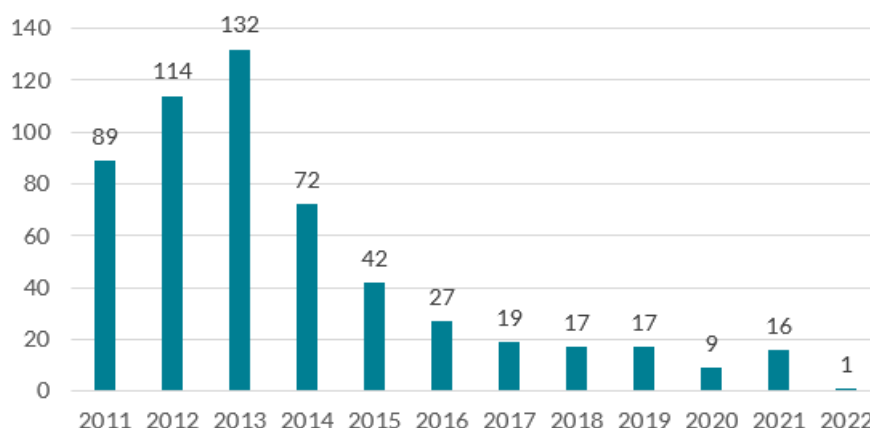
Large and smaller borrowers

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

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

² The Western industrialised world is defined as 34 high-income OECD countries, based on data from the OECD and the [World Bank](#).

Responsible corporate lending policy (# of engagement cases)



Results of our responsible corporate lending policy

Since 2011, Van Lanschot Kempen has used its risk filter to screen all existing and new SME loans. In the initial years, the number of companies with a 'potential high risk' filter outcome grew; however, the number fell after we began our dialogues and asked for additional information. This reduction accelerated after we began running off our corporate loan portfolio in 2013. Over the last ten years, all the borrowers with whom we have engaged have responded, and so far we have had no divestment because of non-compliance with our policy. At the end of 2022, only one of our 2,141 corporate loan clients were designated as "potentially high risk". Most of these potentially high-risk corporate borrowers are businesses in "sensitive sectors" (e.g. clothing and other manufacturing sectors) which import from non-western countries. Compared with last year, the number of remaining potentially high-risk loans/clients decreased from 16 to 1 – mainly because we conducted a more diligent review last year and so did not need to screen some clients again this year.

Examples

The text below provides some real-life examples of potential negative impact lending cases.

Carpets from the East

- As it turned out that one of our clients, a Dutch company importing carpets from India, Pakistan and Nepal, did not disclose any public sustainability information, we asked for further clarification, especially in relation to potential labour issues in the supply chain. From the response we learned that our client was visiting its suppliers on a regular basis. Most comfort however came from our client only importing from SA8000 certified suppliers. SA8000 is an auditable certification standard that encourages organizations to apply socially acceptable practices in the workplace. We issued a positive internal recommendation but also advised our client to disclose more sustainability information via its website.

Wooding trading regulation

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

Cadmium pollution

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

Note on Investment Banking

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

4.3 Client-related policies

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

Our client privacy policy'

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

Van Lanschot Kempen is subject to the General Data Protection Regulation (GDPR), and endorses the Code of Conduct for processing personal data by financial institutions, which goes a step further than the GDPR and takes into account the specific features of the financial sector. Requirements originating from the GDPR and the Code of Conduct are implemented in its own policies on processing personal data and the specific processes and procedures.

To assure compliance with the applicable laws and regulations, Van Lanschot Kempen has created an extensive framework for managing personal data and appointed a Data Protection Officer (DPO). The DPO operates independent and monitors the data privacy rights of (former) clients, prospects and employees. To emphasize the importance of data privacy to our clients, Van Lanschot Kempen adopted "Discretion" as one of the core values of the organisation. We also devote regular attention to building and increasing employee awareness on this issue, including through training and e-learning. In addition, all employees have signed a vow of secrecy and are required to comply with our Code of Conduct. The latter states among other things that employees must respect Chinese walls and clear desk policies and that they are only permitted to share (client) data on a 'need to know' basis.

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

Results of our client privacy policy

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

Our product approval policies

To assure added value for our clients, we apply an approval process for new products and services, as well as periodic review of existing products and services. This is carried out under the PARP and Product Governance Policy. The decisions are taken by Product Boards, in which also members of the Management Board hold positions. And it is not just the product or service itself that is important; our people who provide advice also have a key part to play. They need to have the appropriate knowledge, expertise and integrity to always put their clients' interests first. In line with our general Code of Conduct, this also implies that employees have to look beyond what clients want: if a product does not sit well with a client's objectives and risk appetite, it is up to our employees to point this out clearly even if the client disagrees. Putting clients centre stage also means that we should prevent conflicts of interest, to which end Compliance has designed our policies to prevent such conflicts. These policies comprise a range of organisational measures and rules on conduct, and aim to ensure that Van Lanschot Kempen's interests and those of our clients do not get mixed up.

All our policies are reviewed periodically. Depending on the type of policy, reviews are carried out by the various Risk and Compliance Committees and/or the Management Boards. Group Audit also has a part to play: the Dutch Banking Code requires Van Lanschot Kempen to perform an annual audit of the effectiveness of our PARP and Product Governance Policy and underlying procedures. The results of the review will be incorporated in the management approach if applicable. Effectiveness implies careful consideration of the risks and careful tests of other product aspects, such as our duty of care towards clients.

Results of our product approval policies

Over the last few years, the application of our policies has not identified any salient case in relation to 'consumer interests'.

4.4 Employee-related policies

In 2022 Van Lanschot Kempen employed on average 1,790 full-time equivalents (FTEs). Most of our employees are based in the Netherlands (86%); a fairly small group of employees work in Belgium, the United Kingdom and Switzerland (245 FTE). Although all these countries have relatively strict local labour laws and enforcement regimes, there is still a risk that Van Lanschot Kempen could become involved in negative impacts.

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

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

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

Our employee-related policies

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

An important tool is our [Inclusion and Diversity policy](#). To foster an inclusive workplace where everyone's unique contributions are valued and where we optimise our combined talents, we have identified five pillars that will enable us to continuously work on and realise our ambition.

Pillar 1. Our leadership walks the talk

An inclusive and diverse workplace will only be realised when leadership is truly committed to not just talking the talk, but also walking the walk.

Pillar 2. We attract, hire and retain diverse talent

We want to build the best teams possible and recognise that in order to do so, we need to attract and hire a more diverse pool of candidates. We believe that different profiles add new perspectives to our company and we are committed to putting these

talents on the right spot, and retaining them. We are motivated to ensure equality of opportunity and support the growth of our employees by providing opportunities for development.

Pillar 3. We offer flexible and inclusive labour and working conditions

To give space to our employees to express their personal identities and to meet their individual needs we are committed to offering flexible and inclusive labour and working conditions, thereby stimulating a greater sense of belonging for all of our colleagues.

Pillar 4. We strive for a level playing field

We are intrinsically motivated to achieve equal pay for equal work. We take action to level the playing field, by removing the less visible barriers that (prospective) colleagues encounter.

Pillar 5. We aim to structurally improve our inclusive employer ship

To foster an inclusive workspace we need to ensure that we hear those who experience inappropriate behaviour, that we promote an open dialogue and that we welcome the expertise of others.

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

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

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

Results of our employee-related policies

Where people work together, frictions can always arise, and our confidential counsellors are accordingly contacted a few times each year. Most of the cases brought to them are resolved through internal mediation. The Human Resources department or Management Board have been involved in only a small number of cases.

To date we have not seen any salient cases.

4.5 Business partner due diligence policy

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

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

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

Results of our business partner due diligence policy

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

4.6 Complaints procedures

As Van Lanschot Kempen is of the opinion that all its stakeholders (clients, shareholders, employees, society at large) should be able to report irregularities, it has installed various complaints procedures.

Whistleblower procedure for employees

To ensure that employees can always report (presumed) general, operational or financial irregularities, even if they experience (internal) barriers to doing so, Van Lanschot Kempen has a whistleblower procedure in place. The procedure can be found under ‘Reporting irregularities’ at vanlanschotkempen.com/en/about-us/governance. Examples of potential irregularities include theft, violations of laws and regulations, material and intended violations of internal rules, violations of a pledge of secrecy, irregularities in financial reports, etc. The whistleblower procedure is not intended for issues concerning labour, labour conditions, sexual harassment, violence, bullying, aggression, violence and discrimination. For those topics, employees can contact our Human Resources department or the confidential counsellor.

Complaints procedure for third parties

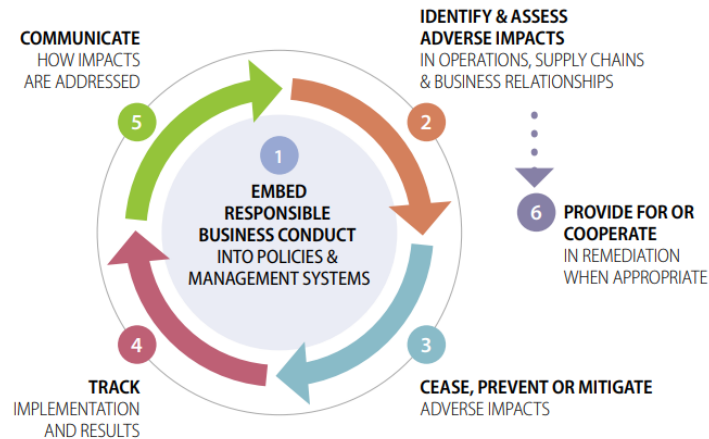
If third parties, e.g. suppliers, intermediaries or NGOs, wish to lodge a complaint they can contact our Compliance Director via our [corporate website](#) (see under ‘Reporting irregularities’). If clients wish to lodge a complaint concerning general, operational or financial irregularities, they can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

5. How we comply with the OECD Guidelines

This last section provides a brief summary of our compliance with the OECD GL.

As described in section 1, the OECD GL require multinational companies to have (permanent) due diligence processes in place by which they can identify, prevent and mitigate real and potential negative impacts within a number of sustainability themes (human rights, environment, consumer interest, etc). These due diligence processes need to cover six steps.

Overview of required due diligence process & supporting measures



Source: OECD Due Diligence Guidance for Responsible Business Conduct, 2018, p. 21

In section 4 of this report we have described the various due diligence processes (policies) by which we manage adverse impacts relating to OECD (and other) sustainability themes. By way of a summary, the table below combines the six OECD steps from section 1 with our due diligence processes from section 4. The table shows - for every individual policy (due diligence process) - where we have published the most relevant documentation (policy text, due diligence results, actions taken, results, etc).

Combination of the six OECD steps from section 1 with our due diligence processes from section 4

OECD requirements (6 steps)	VLK policies for OECD themes	Resp./sust. investment policy	Sust. policy financial institutions	Resp. corp. lending policy	Various client policies	Various employee policies	Business partner DD policy
1. Policy & management system	- Set up, integrate & publish	AR, KW, CW	AR, CW	AR, CW	AR, TR	AR, TR	AR, TR
	- Training	Yes	No need	Yes	Yes	Yes	Yes
2. Application of the policy	- Identify adverse impacts	KW, KAR, CW	AR	AR	AR	AR	AR
	- Categorise	TR	TR	TR	TR	TR	TR
	- Prioritise adverse impacts	KW, KAR, AR	No need	No need	No need	No need	No need
3. Take action on impacts		KW, KAR, AR	AR	AR	AR, TR	TR	AR
4. Track implementation & results		KW, KAR, AR	AR	AR	AR	TR	AR
5. Communicate results	- Due diligence results	KW, KAR, AR	AR	AR	AR	TR	AR
	- Mitigation measures taken	KW, KAR, AR	AR	AR	AR	TR	AR
6. Remediation	- Provide for / cooperate in	Yes	No need	No need	Yes	Yes	No need
	- Complaints procedures				TR		

CW: Corporate website Van Lanschot Kempen KW: Kempen website AR: Annual report VLK TR: This report KAR: Kempen annual responsible investment

Conclusion

On the basis of our descriptions in the sections 1 to 4 and the above summary, we conclude that we comply with the recommendations of the OECD GL.

6. Further reading

www.vanlanschotkempen.com/en

www.vanlanschotkempen.com/en-nl/investment-management

www.evivanlanscot.nl/

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Additional information

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