



VAN LANSCHOT KEMPEN RESPONSIBLE BANKING: ALLOCATION OF CLIENT DEPOSITS CERTIFICATION STATEMENT 2018



Forum ETHIBEL is a Belgian association that actively promotes Corporate Social Responsibility (CSR) and Socially Responsible Investing (SRI) to accelerate the transition to a more sustainable society. In this context, Forum ETHIBEL develops products and services **to promote transparent and sustainable behaviour in financial markets**.

A **Forum ETHIBEL certificate** offers the guarantee that the rules imposed by the customer themselves are complied with and offers the advantage to confirm and communicate this to the stakeholders. It concerns the **non-financial criteria** of the organisation, laid down in its specification.

The basis for this consists of:

- Non-financial criteria that are **detailed, clear and publicly** formulated.
- Minimum criteria related to **labour and human rights, environment and armament**.
- A systematic and **periodic check**.

This Forum ETHIBEL certificate therefore tests the vision and values of Van Lanschot Kempen and checks whether it uses the funds entrusted to it strictly according to its own principles of responsible banking.

*To all those interested in Van Lanschot Kempen,
To all (Evi) depositors and investors,
To borrowers,
To the general public,*

Forum ETHIBEL asbl is appointed by **Van Lanschot Kempen** (VLK) to independently audit on conformity with its principles and guidelines on Corporate Social Responsibility (CSR) with regard to its allocation of the funds entrusted to it as well as its lending and investment policies.

The evolution and results of this policy have been reported systematically since 2009. This eighth annual certificate examines whether Van Lanschot Kempen deploys client assets strictly according to its own principles of responsible banking.

Forum ETHIBEL solely acts as auditor and certification institute. A **Forum ETHIBEL** certificate provides evidence that the defined processes are in line with its non-financial criteria and processes as defined by its policies, regulations or otherwise stated specifications.

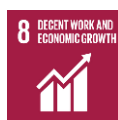
Van Lanschot Kempen

About Van Lanschot Kempen

Van Lanschot Kempen describes itself as a *specialised and independent wealth manager*. Its services are provided to high net-worth individuals, entrepreneurs, associations and foundations. The balance sheet has a high but declining percentage of loans outstanding (from 78% in 2011 to 61% in 2018) and was strengthened during that period: the (Common Equity) Tier 1 ratio rose from 10.9% (in 2011) to 21.4%.

Van Lanschot Kempen adheres to several **external international guidelines**, including the *UN Global Compact* (UNGC), *Principles for Responsible Investment* (PRI), *OECD Guidelines for Multinational Enterprises*, and *Guiding Principles on Business and Human Rights* (UNGP)ⁱ.

Moreover, VLK has announced in 2017 its continued commitment to the **Sustainable Development Goals** (SDGs) of the United Nations. The *wealth manager* has chosen five SDGs to which it aims to focusⁱ.



Corporate Social Responsibility

Van Lanschot Kempen pursues a comprehensive **Corporate Social Responsibility** (CSR) policy, based on a stakeholder dialogue and the **bank's own core values**.

The CSR policy has been worked out in detail on all relevant levels at VLK and continues to be embedded at a high level on the **Management Board**. The policy is formulated and implemented by the **Environmental Social Governance** (ESG) **Council**, the Lending risk policy committee, and line management. The **Corporate Social Responsibility department** provides support and co-ordination as needed.

During 2018, VLK developed a **new set of Key Performance Indicators** (KPIs) in addition to the existing ones. These 59 financial and non-financial KPIs focus on the long-term value creation of the group and in line with both the interests of the stakeholders and VLK itself.

The KPIs are divided in six themes:

- Financial and risk management.
- Ethics and integrity.
- Client relations.
- Responsibility and sustainability.
- Employees.
- Preservation and creation of wealth.

Fifteen of the 59 KPI's are communicated externally.

The *wealth manager* has achieved or exceeded the objective for seven out of these fifteen KPIs in 2018. Four of these KPIs are related to responsibility and sustainability. One refers to financial and risk management and another one to employees. The final KPI is linked to preservation and creation of wealth. These (re)newed KPIs allow Van Lanschot Kempen to challenge itself to continue its efforts in achieving both financial and non-financial criteria.

Another development is that measurement of non-financial KPIs is integrated within the responsible business units wherein the CSR department used to play an important role in previous years. This signals that corporate social responsibility is increasingly embedded within the organisation.

Responsible investment

The responsible investment policies are also derived from the aforementioned international guidelines. Forum ETHIBEL has been monitoring these processes since 2013 (since the financial year 2012) and issues a special certificate in order to assess compliance of VLK / Kempen with its self-imposed policies.

Responsible lending

Van Lanschot Kempen defined its policy of responsible lending to businesses in 2010 and started the implementation of this policy in April 2011. Lenders are screened on involvement in human rights and labour rights violations, environmental violations, corruption, weapons, fur, gambling, pornography, animal testing and nuclear energy.

This policy has been updated in 2018 to ensure alignment with the *OECD Guidelines for Multinational Enterprises* and *UNGP*. This resulted in a more detailed elaboration on the due diligence and engagement process. The policy includes possible measures to fix possible negative environmental and social impacts to relevant stakeholders. VLK has also excluded any lending to companies with a direct link to producing tobacco.

All existing and new corporate loans that run above-average sustainability risks due to the nature of their activities or location, were subjected a responsible lending filter. Depending on the outcome of the filter, an engagement process was initiated in order to gain clarification and make improvements. Over the course of 2018, the screening of loans has been centralised to one department. Prior, this was done by Van Lanschot representative managing the relationship with their clients. The centralisation enables an enhanced and more streamlined process.

Verification and annual audit

Audit framework and process

During the audit, it has been verified whether the funds entrusted to the bank were deployed in line with the responsible lending and investment codes. Compliance with the guidelines has been assessed and the outcomes were evaluated. This certifying statement concerns the full financial year 2018. The audit has been executed in accordance with the stipulations of the agreement.

Audit of corporate lending

The corporate loans portfolio was further reduced in size from €1.8 to €1.5 billion. In absolute terms, the portfolio comprised 2,211 outstanding loans, of which 2,184 were exempt from further investigationⁱ.

After eight years of case-by-case analyses, a total of 144 dossiers were submitted as 'potentially high risk'. Of these, 17 remained at the end of 2018, and Van Lanschot Kempen engaged with the companies concerned. The other 127 cases were either reclassified as low risk, or the credit relationship was terminated.

'Potentially high risk' borrowers are active in 'sensitive sectors' (including clothing, wood, and other manufacturing) and import from or have production facilities in non-Western countries. Possible risks include illegal logging, poor labour conditions, violations of human rights, and severe environmental pollution. Two of the 'potentially high risk' companies concern (indirect) involvement in the weapon sector.

*Audit results of balance sheet**

The balance sheet total was €13.98 billion at the end of 2018. The table (see below) shows the distribution in percent of the balance sheet items, both for the inflow (liabilities) and for the outflow (assets)ⁱ.

Lending is under control. Potential issues were traced, pursued and remedied where needed.

The exact allocation of the item 'liquidity and deposits at banks' could not be ascertained, but VLK does subject its banking relations to an annual verification in order to prevent funds from being allocated to institutions that do not meet the Corporate Social Responsibility requirements. This assessment has been updated in 2018. Summarizing, the policy now requires financial institutions to commit to a minimum 5 out of 9 pre-selected (international) sustainable initiatives¹. In 2018, all 51 institutions were in line with the UN Global Compact and met the minimum ESG rating. 4 out of 51 institutions do not meet these requirements. Therefore an engagement is started with these four institutions. In the meanwhile, it has become clear that, for one institution, most of the (international) initiatives included in VLKs assessment are not applicable due to its nature and local embeddedness. Therefore, VLK has decided to continue its relationship with this institution.

The 'financial instruments' group (19.3%) is diverse. Of this, the largest part has been screened (18.5%). Screening is virtually impossible for 0.53% (trading book). An engagement process has been initiated for 0.26%. The 'Other' balance sheet item consists of buildings, goodwill and tax claims.

	2011	2012	2013	2014	2015	2016	2017	2018
Balance sheet total (billion €)	18,45	17,99	17,67	17,26	15,50	14,88	14,66	13,98
Balance sheet (liabilities)	100%	100%	100%	100%	100%	100%	100%	100%
Savings and deposits	71%	63%	58%	61%	62%	65%	62%	65%
Debt securities	13%	16%	24%	23%	22%	22%	24%	19%
Equity	9%	8%	7%	8%	8%	9%	3%	9%
Due to banks	2%	8%	7%	5%	5%	1%	1%	2%
Other	5%	4%	4%	3%	3%	3%	3%	5%
Balance sheet (assets)	100%	100%	100%	100%	100%	100%	100%	100%
Loans and advances	77,6%	75,1%	70,7%	64%	66%	65%	62%	61%
- private individual loans	[51,1%]	[48,9%]	[47,0%]	[43,8%]	[49,7%]	[49,3%]	[48,9%]	[58,3%]
- corporate loans	[26,4%]	[26,2%]	[23,7%]	[19,9%]	[16,2%]	[15,4%]	[13,2%]	[2,9%]
Cash and cash equivalents and balances at banks	9,2%	11,7%	13,6%	9,3%	7,0%	12,0%	14,0%	14,0%
Financial instruments	7,6%	8,9%	11,4%	22,0%	21,9%	16,8%	17,7%	19,3%
- screened	[5,9%]	[7,8%]	[11,1%]	[21,7%]	[21,7%]	[16,5%]	[17,0%]	[18,5%]
- not screened or non-auditable	[0,4%]	[0,3%]	[0,3%]	[0,24%]	[0,04%]	[0,11%]	[0,34%]	[0,53%]
- not fully in line; engagement	[1,3%]	[0,8%]	[0,1%]	[0,03%]	[0,14%]	[0,22%]	[0,42%]	[0,26%]
Other (cannot be screened)	5,4%	4,4%	4,5%	5,2%	5,2%	6,0%	6,0%	5,6%
Total screened	92,9%	94,5%	95,4%	94,8%	94,7%	93,3%	92,9%	93,9%

* Totals may not add up due to rounding

Conclusion

Based on our assessments we assume that the allocation of the balance sheet has been screened for 93.9% by VLK on the basis of its codes. Strictly speaking, this does not imply that every allocation fully meets all criteria, but it means that social-ethical risks have been properly identified and are being managed accordingly.

Given our knowledge of the screened dossiers, it is our opinion that the codes are virtually fully complied with. Neither the winding down of certain activities, nor the growth in the managed assets influence the 'screenability ceiling' of 95%.

We declare that Van Lanschot Kempen carefully and responsibly details, develops and implements its Corporate Social Responsible lending and investment policies.

Brussels, July 4 2019
Forum ETHIBEL asbl



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General Director



Ro Van den broeck,
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Sustainability explanation ⁱ

- For a further situating of the Van Lanschot Kempen profile, for a historical perspective, results and societal positioning:
Annual Report 2018, in which financial and non-financial information is presented together as a coherent whole, <https://media.vanlanschot.nl/media/pdfs/2018-annual-report-van-lanschot-kempen.pdf>
Corporate Social Responsibility supplement 2018, <https://www.vanlanschotkempen.com/media/3474/2018-csr-supplement-van-lanschot-kempen.pdf>
Certification Statements of Forum ETHIBEL for 2011 (baseline measurement), and for 2012 until 2016, <https://www.vanlanschotkempen.com/responsible/external-assessment>
- **International Guidelines:** UN Global Compact - www.unglobalcompact.org, UN PRI - www.unpri.org, OECD Guidelines for Multinational Enterprises - <http://www.oecd.org/corporate/mne/>, UNGP - www.business-humanrights.org/en/un-guiding-principles
- **Assessing financial institutions:** the UN Global Compact, UN PRI and the OECD Guidelines for Multinational Enterprises are three examples of the nine pre-selected (international) sustainable initiatives.
- **Result corporate lending audit:** Figures of 2017 and 2016 were revised.
2017 counted 2,244 corporate loans of which 2,193 were exempt from the responsible lending policy. 51 items were to be screened of which 19 were identified as 'potentially high risk'.
2016 counted 2,303 corporate loans of which 2,222 were exempt from the responsible lending policy. 81 items were to be screened of which 27 were identified as 'potentially high risk'.
- **Result balance sheet:** From 2017, a value adjustment took place. Fair value hedge accounting is included in Private Banking mortgages instead of Private Banking - other loans. The comparative figures have been adjusted accordingly.
- **SDG selection:** The five selected SDGs are *Affordable and Clean energy* (SDG 7), *decent work and economic growth* (SDG 8), *responsible production and consumption* (SDG 12), *peace, justice and strong institutions* (SDG 16), and *partnerships for the goals* (SDG 17).