

# Stewardship & Engagement Policy

Guiding principles

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# Stewardship policy

## Purpose

Van Lanschot Kempen's Investment Management (VLK Investment Management) mission is long-term stewardship, enabling our clients to preserve and create sustainable wealth with real economic returns. As a steward of our clients' assets we integrate stewardship in every aspect of the investment management process to promote long-term value creation. We apply a four-pillar approach to sustainable value creation across our two main business units, Van Lanschot Kempen Fund Management and Van Lanschot Kempen Fiduciary & Client Solutions. These four pillars are further explained below and on our website:

- Exclusion
- ESG Integration
- Active Ownership, which consists of Engagement and Voting
- Positive Impact

## VLK Investment Management Fund Management

Since 1991, we have been committed to assisting our institutional and retail clients and helping them invest among others in small-cap and high-dividend equities, real estate, credits and alternatives. We see the informed use of voting and engagement as part of our fiduciary duty. This includes the casting of informed votes at Annual General Meetings and special meetings and the engagement with investee companies on aspects related to the strategy, the performance and risks and opportunities of the company, the capital structure, the social and environmental impact, corporate governance and corporate actions such as mergers and acquisitions. All our VLK Investment Management funds in listed equity, fixed income, alternatives and private markets are covered by our policy. In the case of funds-of-funds, we do have a more limited influence on the implementation of the policy by the external managers, but we do assess them on their sustainability policies and implementation and engage with them on our concerns.

## VLK Investment Management Fiduciary & Client Solutions

We also offer tailored solutions to large and smaller clients, pension funds, insurance companies, trustees and family offices. These solutions encompass asset allocation, portfolio construction and analytics, manager research, selection, appointment and monitoring. As a fiduciary manager we believe that our role in the investment value chain is to help our clients to fulfil their stewardship obligations towards their stakeholders. We believe that the consideration of material risks and opportunities is part of the fiduciary duty of institutional investors and help our clients to embed considerations of sustainability into their investment approach. We undertake a thorough sustainability risk scoring due diligence of external managers, which covers the governance of sustainability issues, relevant policies, their implementation and disclosure. We are increasingly seeking evidence from external managers on their sustainability efforts and proactively engage with them.

## Stewardship Commitments

VLK Investment Management is a signatory to the [Dutch Stewardship Code \(2018\)](#) and the [UK Stewardship Code \(2020\)](#) and further adheres to the [Dutch Corporate Governance Code \(2016\)](#), and the [UK Corporate Governance Code \(2018\)](#). VLK Investment Management is a signatory to the [Principles for Responsible Investment \(PRI\)](#) and adheres to all principles, including Principle 2, which states that "we will be active owners and incorporate environmental, social and governance issues in our ownership policies and practices". VLK Investment Management also fulfils its fiduciary role under the OECD Corporate Governance Principle II.F. and actively encourages all investee companies to adhere to the principles of the [United Nations Global Compact \(UNGC\)](#), the [OECD Principles of Corporate Governance](#), the [OECD Guidelines for Multinational Enterprises](#) the [International Corporate Governance Network \(ICGN\) Governance Principles](#), and the [United Nations Guiding Principles on Business and Human Rights \(UNGPR\)](#). We continue to take steps to strengthen our stewardship capabilities in line with the respective Stewardship Codes and annually review this policy.

Other commitments include the continuous promotion and application of corporate sustainability reporting standards. In addition to these main initiatives, VLK Investment Management has identified conventions, treaties and initiatives with which it also strives to comply as part of our responsible investment approach. These can be found in our [Convention Library](#), which is available online.

## Oversight

The Sustainability Investment Council has ultimate responsibility for the drafting and implementation of the responsible investment policies, including the stewardship and engagement policies. The Sustainability Investment Council is Van Lanschot Kempen Investment Management's most senior advisory body on these matters, together with the Sustainability Board and the Green Bond Committee. A member of the Management Board chairs the Sustainability Board, with another Management Board member sitting on the Sustainability Board as a voting member.

## Managing conflicts of interest

VLK Investment Management has policies and procedures in place to manage potential conflicts in a way that safeguards the interests of all clients. Where potential conflicts are identified, we are committed to ensuring that they are effectively and fairly managed and remediated.

Our [Conflict of Interest Policy](#) is available online.

## Exclusion

Not all parties are willing to change, and at VLK Investment Management we avoid companies that display insufficient willingness to adapt on sustainability issues, as well as structurally excluding from our investment universe companies that are involved in the production, trade and maintenance of controversial weapons and tobacco companies. We also exclude companies that are heavily involved in coal mining and tar sands. VLK Investment Management excludes investments in companies that structurally violate our sustainability criteria and demonstrate no willingness to improve their policies and practices.

The exclusion list applies to all actively-managed funds, whether managed internally or externally. Internal investments in excluded companies are blocked in the systems and all external actively-managed funds are assessed for compliance on a quarterly basis. Advanced exclusion criteria apply to all sustainable funds.

Our [Exclusion Policy](#) and [Quarterly List](#) are available online.

## Integration - Identifying & monitoring sustainability issues

At VLK Investment Management, we take a proactive approach towards integrating relevant sustainability factors into investment analysis and decision-making across our investment strategies. We believe that integration can help create more holistic analyses and investment decision processes across asset classes, including equities, credit and alternative investment strategies. VLK Investment Management monitors companies on issues such as their business model for creating long-term value, their strategy, performance, risks, opportunities, capital structure, social and environmental impact, corporate governance and corporate actions such as mergers and acquisitions.

In terms of relevant sustainability factors, we look beyond ESG risk mitigation and proactively consider sustainability outcomes we can contribute to through our investment decisions. VLK's focus areas are the energy and food transitions. We work at enabling these transitions by focusing on carefully selected investment themes: climate and biodiversity and living better for longer. Issues such as biodiversity or inclusiveness are linked to these topics as well.

We prioritize the relevant sustainability factors depending on the asset class, business activities of the companies and geographies of their operations. This assessment also feeds into our engagement issue and target setting, which is done in collaboration between the Sustainability & Impact Investing Team and the Portfolio Managers. In 2022, we rolled out our proprietary Sustainability Risk Score that combines these external ratings with our own views and expertise on the companies involved, making the scores more forward looking and reducing our dependence on external scores. This results in a consistent score for each company across our investment teams, as relevant for the credit team as it is for the equity strategies we manage.

Each quarter, our holdings in internal and external portfolios are screened for compliance with VLK Investment Management's sustainability criteria. These take into account international standards such as the PRI, OECD Guidelines for MNEs, UNGC and the UNGP. VLK Investment Management's sustainability due diligence is built on using data from MSCI ESG Research and Sustainalytics, which are complemented by other third party and in house assessments. The screening process allows us to monitor the sustainability performance of all the companies in our internal and external funds, and to encourage structural engagement on issues which are identified. The output of the screen feeds into quarterly challenging

sessions with fund managers. During the challenging sessions we assess whether the relevant risks and opportunities are sufficiently reflected in the investment decision making process.

## Active Ownership - Engaging with companies, fund manager & stakeholders

Being a long term responsible investor, VLK Investment Management believes that effective shareholder engagement with investee companies contributes to positive change. Hence, Portfolio Managers and the Sustainability & Impact Investing Team collectively engage with companies, fund managers and stakeholders on a wide array of strategic, financial, environmental, social and governance topics to mitigate risks and unlock opportunities. The engagement process is integrated in the work of the investment professionals.

When engaging with investee companies, we are prepared to disclose our full equity holding (long and short) at the request of the company. We aim for an integrated approach of working closely across investment teams, strategies and across markets. To increase focus and efficiency in the engagement process, VLK Investment Management joins collaborative engagement initiatives.

### Engagement Policy

Within VLK Investment Management we have several levels of engagement: we engage with fund managers, with companies we invest in, and with other stakeholders, such as: clients, credit rating agencies, benchmark providers, or peers.

### Engagement Methodology

In order to improve the impact and success rate of our engagement efforts we aim to measure and monitor the progress of our engagements by setting clear goals and timeframes, and by monitoring milestones for in-depth engagements. The engagements are divided into three pillars:

- **Engagement for awareness:** Aims to improve understanding of a certain issue among companies or gather information on a particular company case.
- **Engagement for change:** Aims to set out a specific goal with a specific timeline, while fostering change within a company.
- **Engagement for public policy and collaboration:** Aims to improve the overall landscape of (financial) markets and general level of sustainability performance in particular sectors, markets and geographies<sup>1</sup>

To track the progress of engagements for change we use milestones. Every milestone represents an accomplishment and a step towards reaching a defined SMART (Specific, Measurable, Attainable, Realistic, Timely) goal. The topics cover among others: long-term strategy & risk management; transparency & communication; Governance; Environmental Management, including climate change; and Social & Ethical issues, such as labour rights or living wages.

The aim of the engagement is to create value for the company, shareholders and society. An engagement starts at milestone 1, and VLK Investment Management aims to move every engagement at least one milestone further every six months. Should a company not be willing to move forwards on the engagement (if, for example, it moves from milestone 1 to 2 for a specific period of time), escalation measures are considered, which can include divestment.

### Milestones

1. **Raise concern with the company:** VLK Investment Management identifies the issues and brings it to the attention of the relevant board members or management team of a company
2. **Company acknowledges the issue:** The relevant board member or executive acknowledges the importance of the issue raised to the company or its stakeholders and commits him or herself to resolving the issue
3. **Company initiates action on the issue:** The company developed or improved its approach to deal with the specific issue
4. **Company implements a 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 for ensuring continued implementation.

It will not always be possible to see a direct causality between our engagement and the improved sustainability profile of a company; even if change occurs, it might not be directly as a result of our engagement effort. However, our focus is on achieving the change and not on the attribution of the change.

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<sup>1</sup>We engage with policy makers on changing the sustainability (disclosure) landscape and on systemic issues. The decision to participate in these engagements is taken in the Sustainability & Impact Investing Team and approved by the Sustainability Investment Council whenever necessary.

## Scope of Engagement Activities

### Engagement with companies

VLK Investment Management engages both on our listed equity and corporate bond holdings. Therefore, the scope of this policy is applicable to both asset classes and all VLK Investment Management funds invested in these asset categories. The screening process described in the integration section applies for engagements as well.

The screening highlights which companies fail to comply with the UN Global Compact as well as with other key treaties, conventions and guidelines such UN Guiding Principles for Human Rights and the OECD Responsible Business Conduct Guidelines. We further look at which companies are lagging behind their peers in managing sustainability risks in their sector. Furthermore, the screening highlights companies that are negatively impacting stakeholders or environment through their conduct. The sustainability laggards in the portfolio are discussed in challenging sessions between the portfolio managers and the Sustainability & Impact Investing Team. During these sessions VLK Investment Management can select and prioritize companies for engagement. We focus our engagement on the most material or most salient cases with highest impact on society and environment. This means that we will start dialogue if there is a clear and structural violation of the UN Global Compact principles or OECD Responsible Business Conduct Guidelines and if the company has no clear strategy to mitigate a future breach, which indicates there is a substantial business risk for the company. Furthermore, we prioritise cases where a company is directly causing or contributing to adverse impacts (e.g. human rights violations) and is in the position to influence the situation and remedy negative impacts of its activities on stakeholders.

We also ask companies to use their influence (as much as possible) to prevent or mitigate adverse impacts in cases where they are directly linked to other laggard companies' operations, products or services by their business relationships, even if they have not contributed to those impacts. We assess if there is a realistic chance that the engagement can positively influence the company's operations.

Based on the input from MSCI ESG Research and Sustainalytics complemented by other assessment, the Portfolio Managers and the Sustainable & Impact Investing team define engagement targets. In case the engagement with our investees is not successful we will consider escalation actions which may include:

- Writing a letter to the executive and/or supervisory directors in which we explain the issues of our concern
- Holding additional meetings with the executive and/or supervisory directors, specifically to discuss our concern
- Holding meetings with other stakeholders of listed companies
- Attending the annual general meeting of the company to express our concerns
- Collaborating with other institutional investors on specific issues of concern
- Issuing a public letter to draw attention to our concern more broadly
- Supporting relevant shareholder proposals
- Co-filing shareholder proposals
- Participating in class action
- Selling the shares

### Engagement with Fund Managers

The engagement with external fund managers (including managers of passive fund solutions) is executed by the Manager Research Solutions and the Private Markets Teams (who select external managers) in cooperation with the Sustainability & Impact Investing Team. The focus of this engagement approach is on the fund managers' responsible investment policy, implementation and disclosure, but also covers issues like climate action and labour conditions in the value chain. The aim of the engagement is to encourage best practices. VLK Investment Management also screens the holdings and funds in the external portfolio and discusses possible controversial investments with the fund managers. We encourage the external fund manager (as a direct shareholder) to enter into dialogue with these companies.

### Engagement with other stakeholders

VLK Investment Management would like to inspire all their stakeholders to apply best practices on sustainable investment. We try to encourage our clients and peers to implement a responsible investment policy and to integrate sustainability into the investment process. We also have thematic discussions with NGOs and network organisations, such as the PRI, IIGCC, ICGN and others. Furthermore, we approach credit rating agencies and promote the embedment of sustainability criteria in their rating process of companies and countries. If and when appropriate, we also communicate with the stakeholders of the companies we invest in.

## Collaborative engagement

To increase focus and efficiency in the engagement process, VLK Investment Management joins collaborative engagement initiatives. VLK Investment Management can join engagement through the PRI, Eumedion, the Dutch Corporate Governance Forum or other networks. VLK Investment Management can initiate an engagement, or can join existing engagement initiatives.

In addition, we will collaborate with other asset managers and asset owners with similar engagement objectives. The collaborative engagement initiatives need to be aligned with VLK Investment Management's engagement approach. Moreover, we need to carefully assess the consequences and accompanying responsibilities of joining an initiative. VLK Investment Management formulated guidelines to assess on a case-by-case basis which collaborations fit best with our company values and the engagement targets. For example, climate change has been selected as a focus theme for engagement and, as a result, we joined the Climate Action 100+. On an annual basis, a detailed stewardship and engagement report is published.

## Active Ownership - Voting and reporting

Exercising voting rights is an important instrument of active ownership and engagement. It is central to a well-functioning governance system. VLK Investment Management votes at annual and special meetings at investee companies for all VLK Investment Management listed equity investment funds and discretionary mandates (if instructed by the client to vote) worldwide, unless voting is not feasible or not in the best interest of our clients. Owing a fiduciary duty to our clients, we ensure that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant investment fund or – where applicable – in accordance with the requirements pursuant to the respective discretionary client mandates. VLK Investment Management abstains from voting if the short position in the listed investee company in question is larger than the long position.

We strive to share the rationale for votes against management proposals with the company's board ahead of the meeting. As an escalation of engagement activities, we may choose to exercise our right to submit a request for convening an extraordinary general meeting or for tabling a shareholder resolution at a general meeting. If a resolution is filed or co-filed by VLK Investment Management, we ensure that VLK Investment Management (or a co-filing shareholder) is present at the meeting to explain this resolution.

We use the electronic voting platform of Institutional Shareholder Services, Inc. (ISS), who provides custom research based on our voting policy. Although we use the services of ISS we thoroughly review company meetings individually.

Securities lending programs can reduce the level of voting activity as the exercise of voting rights may be hampered when securities are on loan at the time of a shareholders meeting. VLK Investment Management does not engage in securities lending.

Our [Voting Policy](#) is available online. Our full voting records can be reviewed via the [Van Lanschot Kempenn Voting Dashboard](#) which is updated on an ongoing basis and provides an overview of how VLK Investment Management voted at each meeting on each agenda item.

### **(Co)- Filing Shareholder Proposals**

In case our engagement with the company is not successful and the Sustainability & Impact Investing Team and relevant Portfolio Managers feel that further escalation of our concern is necessary to ensure the company takes action, we can (co)-file a shareholder proposal with other investors. The filing happens with the support of our Corporate Action team and the Sustainability Investment Council receives an update of relevant filings at their next consecutive meeting.

### **Litigation policy**

VLK Investment Management defines a class action as a type of civil lawsuit in which a number of parties who have been harmed by the same (illegal) activity act together as a group, whereby a distinction is made between 'passive filings' (i.e. class actions where a (share of the) recovery is applied for after the conclusion of legal proceedings against or a settlement with the issuer) versus 'active class actions' (i.e. class actions where an active role is taken in the collective legal proceedings against the issuer by initiating, acting as lead plaintiff or taking another active role).

VLK Investment Management has adopted the following class action policy:

- VLK Investment Management engages in passive filing of claims to recover a (share of the) class action recovery as a result of a verdict or a settlement for which its investment funds are eligible. VLK Investment Management has retained a third party for the filing of such claims. VLK Investment Management reserves the right to participate in active class actions.
- Should a class action result in revenues then the net proceeds will be allocated to the investment fund involved in the filing or action. As a result, the investors of the investment fund invested at the moment that the proceeds are allocated will benefit from the class action revenues.

VLK Investment Management may at any time amend this policy and may deviate from the principles set out therein.

### **Disclaimer**

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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. Van Lanschot Kempen may act as a provider of payment, savings and credit products, as an agent for insurance and credit products, and as a provider and/or administrator of investment services.



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