

# Exclusion Policy

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## Table of contents

1. Introduction	3
2. Exclusions	4
2.1 Weapons	4
A. Why exclude	4
B. How to exclude	5
2.2 Tobacco	6
A. Why exclude	6
B. How to exclude	7
2.3 Climate related exclusions: coal mining and tar sands	8
A. Why exclude	8
B. How to exclude	8
2.4 Government bond exclusions	8
Why and how to exclude	8
2.5 MSCI Red Flags	9
A. Why exclude	9
B. How to exclude	9
3. Governance & Reporting	10
3.1 Governance	10
3.2 Reporting	10

# 1. Introduction

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

Van Lanschot Kempen adheres to international guidelines and standards and support the OECD Guidelines for Multinational Enterprises, United Nations Global Compact, UN Guiding Principles on Business and Human Rights and the Principles for Responsible Investment. These key norms form the foundation of Van Lanschot Kempen’s ‘Convention Library’, which includes over 100 conventions, treaties and initiatives. Furthermore, Van Lanschot Kempen follows a principle- based framework where relevant.

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

The remainder of this policy is organised into two sections: Exclusions and Governance & Reporting. The exclusions are predominately based on products and services. Furthermore, the (sub)sections elaborate on both the why (reason) and the how behind the exclusions. The final section consists of the governance and reporting of this policy.

## 2. Exclusions

### 2.1 Weapons

#### A. Why exclude

Van Lanschot Kempen wants to preserve and create wealth, in a sustainable way, for its clients and the society it serves. The minimum standard is “to do no harm”. In addition, Van Lanschot Kempen aims to ensure transparency in its investment. Van Lanschot Kempen has therefore formulated a weapon policy outlining in which situations it will not invest in companies with weapon related activities<sup>1</sup>.

#### Weapon Policy

Van Lanschot Kempen will not consider weapon related companies for investment unless:

1. these companies comply with the international weapon related conventions / treaties as mentioned in the Convention Library and
2. these companies operate in compliance with local laws and regulations with regard to the production, storage, trading and use of weapons and
3. the weapons involved are not controversial weapons and
4. the weapons are not being provided to countries (or non-state actors) in the EU and/or on the UN sanction list, government violence against citizens (in fragile or failing states, countries in civil war), terrorist organisations and (organised) crime.

#### 1. International weapon-related conventions and treaties

Van Lanschot Kempen has incorporated specific international weapon related conventions and treaties (see the Convention Library). As a policy, Van Lanschot Kempen will only consider investments in companies that comply with these conventions and treaties. For further guidance, Van Lanschot Kempen can also use other relevant (international) regulations such as, e.g., the Charter of the United Nations, the Common Military List of the European Union and the European sanction list regarding weapons.

#### 2. Local laws and regulations

Van Lanschot Kempen only invests in companies that operate in compliance with local laws and regulations with regard to the production, storage, trading and use of weapons. Production of weapons is defined as the production and assemblage of final products, semi-manufactured products or weapon systems, ammunition, weapon guidance systems and ammunition carriers. Trading of weapons means direct trading between producer and final user of (parts of) weapons, as well as any form of intermediate trade in these (parts of) weapons.

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<sup>1</sup> Please note that index related derivatives can be used for portfolio management purposes and they are out of scope for our exclusion policy.

Furthermore, Van Lanschot Kempen complies with the Dutch Besluit marktmisbruik Wft article 21a<sup>2</sup> (since January 1, 2013). This local law forbids Dutch financial institutions of any direct or indirect support of (foreign) companies (or their majority shareholder) if these companies are producing, selling or distributing cluster ammunition.

### 3. Controversial weapons

In line with international human right law, Van Lanschot Kempen cannot condone controversial weapons. Controversial weapons are weapons of which the effects are disproportional and do not (cannot) distinguish between military and civil targets. Van Lanschot Kempen does not invest in companies that have ties to controversial weapons, defined as cluster munitions, landmines, biological/chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments. Ties include direct (producer, operator), semi-direct (retailer, distributor, supplier, support, services, licensor) and indirect (ownership of and by a company with involvement). In addition, companies involved in the production and/or storage of fissile materials used in/for nuclear weapons are classified as controversial weapons.

In relation to controversial weapons, Van Lanschot Kempen applies a dual use criterion. This criterion is developed to prevent that companies that only develop, produce, test, store, maintain or trade generic parts that can be used in controversial weapons (e.g., steel, electronics, engines, fuel), are considered as being involved in controversial weapons. At the same time the dual use criterion guarantees that companies active in developing, producing, testing, storing, maintain and/or trading essential<sup>3</sup> parts, are flagged as being involved in controversial weapons.

On cluster munitions and ammunition carriers, Van Lanschot Kempen follows a tertiary involvement approach. This means that Van Lanschot Kempen does not invest in ammunition carriers which are involved in cluster munitions, where Van Lanschot Kempen does not make a distinction between carriers specifically versus not specifically built as delivery platform for cluster munitions. However, the ammunition carrier needs to fulfil the following criteria: (1) Van Lanschot Kempen 's data provider has evidence ('documented examples') that the aircraft/ship can be used as a delivery platform for these weapons; and/or (2) the carrier has been tested and certified for the use of these weapons.

### 4. Weapon trade

As a policy, Van Lanschot Kempen will exclude investments in companies that trade weapons and ammunition (both conventional and controversial) if there is a substantial risk that the weapons will be used for violence against civilians (in fragile or failing states, countries that are in civil war), terrorist organisations and (organised) crime. Van Lanschot Kempen follows the EU and/or UN sanction list (via weapon embargos) and data from our data provider regarding countries involved in violence against its citizens.

## B. How to exclude

Van Lanschot Kempen uses data from external data providers for screening of the weapon policy. For the controversial weapons the following screening criteria are being used.

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

<sup>3</sup> Essential parts are parts that are specifically made for controversial weapons and don't have other – generic – applications.

### Screening criteria controversial weapons

Companies which have involvement ties to controversial weapons are excluded. Ties include direct (producer, operator), semi-direct (retailer, distributor, supplier, support, services, licensor) and indirect (ownership of and by a company with involvement).

This applies to:

- Anti-personnel landmines
- Biological / chemical weapons
- Cluster munitions
- Depleted uranium weapons
- Blinding laser weapons
- Incendiary weapons (White Phosphorous)
- Non-detectable fragments

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

Exceptions for exclusion: financial institutions that screen on involvement are not excluded.

### Screening for weapon trade

For the screening for weapon trade Van Lanschot Kempen uses an external data provider. The companies excluded are involved in weapon trade transactions to countries involved in violence against its citizens.

### Removal of companies from the exclusion list

Companies that are no longer involved in the production of controversial weapons nor in weapon trade to certain countries (as mentioned in part 4 above), based on the evidence provided to our data providers, will be reviewed by the Sustainability Centre. The decision to remove the companies from the exclusion list rests with the Sustainability Investment Council of Van Lanschot Kempen.

## 2.2 Tobacco

### A. Why exclude

As Van Lanschot Kempen wants to preserve and create wealth, in a sustainable way, for its clients and the society it serves, the minimum standard is "to do no harm". Next to following international guidelines and standards, Van Lanschot Kempen follows a principles-based framework, which is explained in the next paragraphs. Based on that framework, Van Lanschot Kempen is committed to not investing in companies involved in tobacco products. Overall, tobacco has severe negative impacts on people (deaths and diseases), which are reflected in the first worldwide (legally binding) health treaty for tobacco use reduction and is not essential. In the next section the framework and assessment is being described in more detail.

## B. How to exclude

### Process

Van Lanschot Kempen used a framework with objective criteria to come to tobacco exclusions. This framework consists of five criteria. The product / service needs to be answered positively (1a-5) - in consecutive order - and the product/service has a high negative impact (criteria 1b). For tobacco, the exclusion criteria have been met through to our assessment. The criteria have been formulated below, followed by the assessment for tobacco, leading to an overall conclusion to exclude tobacco.

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

*Tobacco: yes, tobacco products are by definition harmful to people and cause severe negative impact on people due to a high number of deaths (more than 8 million people each year according to the WHO<sup>4</sup>), and diseases (tobacco use is one of the main risk factors for a number of chronic diseases, including cancer, lung diseases, and cardiovascular diseases).*

If the product / service is by definition harmful for people and/or nature / environment and has a high or very high negative impact when used as intended, (1) then the following additional criteria (2-5) need to be also answered with 'yes' to be considered for exclusion.

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

*Tobacco: yes, the product is not essential.*

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

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

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

*Tobacco: yes, no engagement possible on the product towards non-harmful (if used as intended).*

5. The company is directly involved in the product or service via production / manufacturing (>0% revenues) or is significantly (>20% revenues) indirectly involved in the product or service from or via the distribution and/or sale (retailers, suppliers).

*Tobacco: yes for companies directly involved and indirectly involved (meeting the thresholds).*

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<sup>4</sup> Tobacco (who.int)



## 2.3 Climate related exclusions: coal mining and tar sands

### A. Why exclude

As Van Lanschot Kempen is committed to preserving and create wealth, in a sustainable way, for its clients and the society it serves, the minimum standard is “to do no harm”. Van Lanschot Kempen has assessed several activities which are likely to be detrimental to the transition towards a low-carbon economy and to meeting the Paris Agreement goals. Within the transition, Van Lanschot Kempen believes that coal mining and tar sands have the most adverse impact on climate change and environment and can be substituted (oil and gas are still needed in the transition, albeit ideally in diminishing quantities). As part of its climate change policy, Van Lanschot Kempen is therefore committed to not investing in companies with most of their revenues coming from coal mining and/or tar sands. In the paragraphs below, Van Lanschot Kempen refers to these exclusions. The full climate change policy can be found on [Van Lanschot Kempen’s website](#).

### B. How to exclude

#### Climate related exclusions

Van Lanschot Kempen has formulated objectives for 2025 for internal and external fund managers. It will monitor the progress made and will annually review these objectives – as part of the climate change policy review – to assess if these objectives will need to be updated.

#### Coal exclusion

Van Lanschot Kempen will not invest in companies which obtain a significant part of revenues (>20%) from coal mining. Furthermore, we see it as a positive approach if funds have policies to reduce their exposure to thermal coal power generation. For more sustainable funds, we go a step further and exclude companies which obtain some revenues from thermal coal mining. For impact funds, there should be no companies which invest in coal activities. For Kempen funds we follow the same assumptions for coal mining but also exclude pure coal players from power generation (i.e. utilities).

#### Tar sands exclusion

Van Lanschot Kempen will not invest in companies which obtain a significant part of revenues (>20%) from tar sands. Furthermore, we see it as a positive approach if funds have policies to reduce their Arctic oil/gas and/or shale oil/gas extraction. For more sustainable funds, we go a step further and exclude companies which obtain some revenues from tar sands. For impact funds, there are no companies which invest in tar sands activities. For Kempen funds we follow the same assumptions for tar sands, but in the sustainable funds we also exclude Arctic oil/gas and shale oil/gas extraction.

## 2.4 Government bond exclusions

### Why and how to exclude

Van Lanschot Kempen wants to preserve and create wealth in a sustainable manner, for its clients and society. The minimum standard is “to do no harm”. As a minimum, Van Lanschot Kempen does not want to be involved in countries that violate this, as indicated by sanctions. Additionally, countries which are involved in severe adverse human rights issues and not captured by sanctions will be excluded. As climate change is one of Van Lanschot



Kempen's focus areas, it further only considers government bonds of countries which have ratified the Paris Agreement for investments. For the more sustainable investments, Van Lanschot Kempen only invests in governments bonds of countries which do not have adverse environmental impact (including climate change), do not have adverse human and labour rights issues and do not have weak governance/institutions.

## 2.5 MSCI Red Flags

### A. Why exclude

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

### B. How to exclude

All companies that receive a Red Flag from our external data provider MSCI will be added to the exclusion list within three months of the new assessment. Investment teams will have six months to sell their position in the company.

An equivalent screening to MSCI ESG Red Flags can be used by our external managers that use a different data providers (for example Sustainalytics, ISS ESG etc).

## 3. Governance & Reporting

### 3.1 Governance

The Sustainability Centre sets the Exclusion list and Van Lanschot Kempen's Sustainability Investment Council ("Council") approves the list. The Council meets once every two months. The policy will be reviewed annually.

### 3.2 Reporting

After the Exclusion list is approved by the Council, the list is publicly disclosed on the Van Lanschot Kempen website.

The most recent exclusion list can be found here:

[Responsible investment policies & publications | Kempen](#)

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## Additional information

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



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