

Annual Report 2010

# Sustainability Report



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# 1. Introduction

In 2005, the Secretary General of the United Nations invited some of the largest institutional investors worldwide to develop an international framework that supports investors in their policies with regard to ESG (Environmental, Social and Governance) criteria. This resulted in the Principles for Responsible Investments (PRI).

Kempen Capital Management (KCM) signed up to the PRI in 2008. It has since launched a sustainable investment solution based on engagement, both with companies and the investment funds in which it invests. KCM is the asset manager of F. Van Lanschot Bankiers N.V. (Van Lanschot). Van Lanschot signed up to the PRI in 2009 and in doing so displayed its commitment to cooperating with KCM on the development of an ESG solution for its clients.

As a signatory of the PRI, KCM is committed to reporting its progress in implementing the PRI. We are delighted to present this annual report which demonstrates how we have contributed to a more sustainable investment policy.

In 2008, KCM also signed up to the United Nations Global Compact, and we express our continued support for the ten universal principles of the UN Global Compact in respect of human rights, labour standards, the environment and anti-corruption.

With a view to pursuing its engagement policy properly, KCM has established a partnership with GES Investment Services (GES), a leading Swedish research and service provider for responsible investors, to provide sustainable investment solutions. GES screens the investment funds for their compliance with the UN Global Compact criteria and, together with KCM, enters into dialogue with the fund managers.

To evaluate the outcome of the engagement process, KCM has set up an ESG Council. In addition to KCM and Van Lanschot employees, the Council comprises representatives from GES and ECCE (European Centre for Corporate Engagement, University of Maastricht).

In this report we will describe our engagement process in

detail. KCM is convinced that engagement is the most effective way to actively monitor and manage our investments in accordance with ESG criteria. We will also report on a range of ESG issues that have been identified and pro-actively solved with various fund managers. We have made good progress in the engagement process both with fund managers and with individual cases, which gives us the confidence to continue pursuing our sustainable investment goals.

Although we focus on engagement as our primary tool for providing sustainable investment solutions, we also foresee that we will occasionally have to conclude that the outlook for a positive outcome to the engagement process is poor. In such cases, we may decide to add these companies to an exclusion list which KCM applies to the selection of externally-managed funds. This list is communicated to the investment funds in which KCM invests and is included in this report.

Engagement is an ongoing process. We are aware that it can take considerable time to obtain the desired results. It is therefore an essential part of any engagement strategy to disclose the results achieved.

KCM reports the results of the assessment of its engagement activities to its clients on a quarterly basis. In this annual report, we will highlight the progress made on our engagement strategy during the past year and how we have contributed to a more sustainable investment portfolio for our clients.

In 2010, we subjected a higher number of investment funds to engagement. We screen those active equity and real estate funds in which our clients currently invest and also review all active equity investment funds on our approved list.

We have also developed a sustainable investment approach for our investments in listed real estate. Originally, GES screened our investment funds that invest in listed real estate for 'incidents' with respect to the Environment, Human Rights and Corporate Governance. However, for the European property sector there is only a small risk of an incident

## Introduction

occurring, let alone advice being issued for portfolio exclusion. We therefore raised the bar and now focus in more depth and on a regular basis on how property companies are performing in terms of the Environment, Human Rights and Corporate Governance. Within the Environment, special attention is paid to climate change, in addition to water and waste management. We engage companies regularly about their weaknesses and especially 'the bottom 10%'. This report contains more information on our approach.

In 2010 KCM also adopted a voting policy, which can be found on our website.

The guidelines for responsible investment for charities and foundations (*Handreiking Verantwoord Vermogensbeheer Fondsenwervende Instellingen*), published in 2010, lists the 'responsible' issues that the board of such an institution should take into consideration when defining its investment policy. In this annual report, we demonstrate that our sustainable engagement policy covers the relevant items mentioned in these guidelines. Our engagement framework supports all general criteria and the majority of the supplementary criteria.

In 2011, we will apply sustainable criteria to our own credit funds and start reviewing external credit funds, thereby expanding the application of these criteria to include fixed income.

*Erik Luttenberg*  
COO Kempen Capital Management  
Chairman ESG Council

*Paul Gerla*  
CEO Kempen Capital Management

## 2. ESG Process

### ► An integrated process

We believe that the way investment results are achieved have to be aligned with sustainability criteria. KCM integrates environmental, social and corporate governance into its investment process. By signing up to the UN PRI and Global Compact, we underline our ambition to pursue an active and involved relationship with our investment funds with respect to ESG. The process involves the screening of equities and real estate funds.

Our proposition is based on specialisation and active dialogue.

### ► Active ownership through our specialised engagement manager policy

KCM has opted for the most far-reaching and intensive implementation of sustainable investment. Engagement is based on a dialogue to initiate change in organisations. This approach highlights our conviction that active engagement improves the application of ESG criteria by the fund managers.

A partnership with GES, an independent engagement manager, offers the opportunity to bring about change in companies. This enables KCM to contribute actively to improve corporate governance and increasing awareness of sustainability.

### Objective and professional screening

The assessment of sustainability criteria by GES is objective and independent. GES screens the funds and reports back to KCM and the underlying fund manager. KCM's products are assessed in the same manner as those of external fund managers.

### Dialogue contributes to improved sustainability

As KCM has established a partnership with GES, KCM is actively involved in a constructive dialogue with the fund managers in which we invest on behalf of our clients. Together with KCM, GES holds frequent engagement meetings with fund managers, who in turn speak to the management of the companies in which they invest. The fund managers can exert influence on the companies due to the large positions they hold. The goal of these meetings is to improve corporate governance and increase awareness of sustainable investment.

### ► KCM's sustainable investment solution

#### Independent engagement manager fully embedded in sustainable solution

KCM believes in focus. We concentrate first and foremost on the financial returns of our mutual funds and client solutions. To give sustainable investment a central and solid foundation, we have opted for the process of engagement with the fund manager, whereby financial criteria have the highest priority. To maintain this focus and ensure that our sustainable assessment is validated by an independent party, KCM has teamed up with GES, an external engagement manager.

Although the selection of fund managers is mainly based on financial criteria, ESG criteria are an integral part of the selection process. Prior to approval of a newly-selected fund, we verify whether the fund manager portfolio is open to discussion on (potential) ESG issues and whether the current portfolio contains excluded companies. GES continuously assesses these managers according to sustainability criteria and reports back to KCM and its fund managers.

## ESG Process

### Engagement Manager: the best results in the long term

As an independent engagement manager, GES brings expertise to KCM thanks to its access to extensive databases, its ability to keep a close track of trends/events in the market and report on these issues. As with sustainable investments, ethical views will also be subject to change (e.g. the disaster in Japan will most likely change our view on nuclear energy). The criteria for exclusion of certain investments today may not be the same as tomorrow. This is where GES ensures that we are at the forefront of the most recent developments. In the case of changing ethical views on specific topics, this will be extensively discussed in the ESG Council.

We are convinced that focus on engagement in the long term will lead to the best results for our clients. However the impact of engagement for some companies is limited. Take defence companies, for instance; they are highly dependent and closely linked to their national defence organisations. The general outlook for engagement is therefore limited. KCM has therefore decided to draft an exclusion list for those companies that are expected to have limited success on engagement. These companies can be classified as companies involved in cluster munitions, anti-personnel mines and/or nuclear weapons and are listed below.

- Alliant Techsystems
- GenCorp US
- General Dynamics
- Hanwha Corp
- L-3 Communications
- Lockheed Martin
- Poongsan Corp
- Raytheon
- Singapore Technologies
- Textron

KCM will review the criteria for engagement and exclusion annually. The potential impact on the exclusion list will be examined and, if necessary, the list will be updated and communicated to the fund managers and will be published on our website.

### Screening results

KCM, supported by GES, distinguishes three types of screening results: Evaluate, Engage and Exclude Issues.

- Evaluations are reports from the media, a non-governmental organisation or an ongoing official investigation signalling potential violations of global norms by a company. A legal investigation is ongoing and no other information is available. The type of incident can be described as less severe or probable.
- Engage issues are cases with systematic incidents or an isolated incident that has severe consequences for the environment or humans. GES has been able to verify the existence of the violation through reports from two or more independent credible sources. GES feels that there is a reasonable chance of effective company engagement.
- Exclude issues are cases with business ideas/operations in violation of international norms, which are deemed to be impossible to influence. Cases with poor or no progress and/or poor or no response from the company within a timescale of two (2) years will also be excluded. All the reporting criteria are fulfilled, ranging from official sources, company admittance or triangulation from three or more credible independent sources.

Fund managers are expected to follow up on Engage and Exclude Issues within six (6) months and Evaluate within twelve (12) months after formal notice to the fund manager.

Funds that choose to maintain investments in companies on our exclusion list will ultimately lose their eligibility for KCM and Van Lanschot client portfolios. The results of the engagement meetings will be monitored on a quarterly basis by the KCM ESG Council that advises KCM's investment committee.

► **Environmental, social and governance guidelines**

KCM endeavours to use internationally-accepted standards as the basis for engagement efforts. In that respect, the UN Global Compact offers a globally-recognised framework for environmental, social and governance policies and practices. It consists of ten business principles derived from various UN conventions and treaties. The focus of the UN Global Compact is to provide guidelines for corporate conduct and not necessarily for investment. We have therefore extended the list of UN conventions and treaties from those that form the Global Compact to a more comprehensive set of guidelines that is relevant for global investment. Please refer to [www.kempen.nl/sustainability](http://www.kempen.nl/sustainability) for the complete list of conventions.

**Our engagement framework provides guidelines for the following issues.**

**Human Rights**

Companies should support and respect the protection of internationally-proclaimed human rights and make sure that they are not complicit in human rights abuses. A range of conventions defines civil, political, economic, social and cultural rights and the rights of children, indigenous people, migrant workers and refugees. In addition, these conventions provide guidance for the elimination of racial discrimination and discrimination against women. A number of human rights treaties is specific to the protection of victims of international armed conflicts and as such provides indirect guidance for a definition of inhumane weapons.

**Labour Standards**

Various conventions issued by the International Labour Organization (ILO) outline that companies should not be complicit in any form of forced labour, child labour or discrimination in respect of employment. Furthermore, companies should uphold the freedom of association and the effective recognition of the right to collective bargaining. The ILO has also provided principles for health and safety measures as well as hours of work.

**Environment**

The development of international environmental standards finds its roots in the Declaration on the Human Environment of 1972. Since then many specific treaties have been agreed upon to outline best practice in order to protect biological diversity and to prevent climate change and air pollution. Additional conventions govern the movement of hazardous waste, hazardous chemicals and pesticides in international trade as well as dealing with persistent organic pollutants and specifically oil pollution.

Companies should support a precautionary approach to environmental challenges and encourage the development and diffusion of environmentally friendly technologies.

**Anti-Corruption**

The OECD Anti-Bribery Convention establishes legally-binding standards against bribery of public officials in international transactions. Companies should work against corruption in all its forms, including extortion and bribery.

**Inhumane weapons**

The Geneva Convention has set the standards for humanitarian treatment of victims of war. It also provides indirect guidance for the definition of inhumane weapons. More explicit conventions have been agreed upon to prohibit the use, production and stockpiling of chemical weapons, anti-personnel mines, cluster munitions and the non-proliferation of nuclear weapons.

In our engagement activities, we have experienced complexity arising from the fact that certain conventions are not globally accepted. In particular, the United States has opted out of specific weapons-related conventions. KCM bases its engagement activities on the conventions that the Dutch government has ratified, which includes the Mine Ban Treaty of 1997 and the Convention against Cluster Munitions of 2008.

**Pornography**

Human rights conventions indirectly provide guidelines for protection against sexual abuse. It could be considered as a

specific form of forced labour or inhumane and degrading treatment. Equally, abuse is considered a violation of the conventions on discrimination against women and the rights of the child. In addition, there is a specific protocol against child pornography and child prostitution. Just as companies should respect human rights in general, they should not be complicit in sexual abuse.

### **Animal welfare, including the production of fur**

The European Convention for the Protection of Animals kept for Farming Purposes provides guidelines for keeping, care and housing of animals that are kept for the production of food, wool, skin or fur. KCM does not exclude companies producing or trading fur, but our engagement efforts are aimed at ensuring that companies and their suppliers adhere to these guidelines.

### **Nuclear energy**

The International Atomic Energy Agency (IAEA) was established within the United Nations organisation and made responsible for international activities concerned with the peaceful use of atomic energy. The IAEA guards best practice in the field with specific guidelines for the safety of radioactive waste management.

KCM does not categorically exclude companies whose business is related to the production of nuclear energy from investments. Our engagement efforts are directed at adherence to the standards set by the IAEA.

### **Tobacco**

The World Health Organization (WHO) Framework Convention on Tobacco Control governs the production, sale, distribution, advertisement, and taxation of tobacco. KCM does not exclude tobacco companies from investments. However, we focus our engagement efforts on the provisions of the Convention on Tobacco Control that ultimately aim to limit the use of tobacco worldwide. A specific issue within these provisions is related to the marketing practices of tobacco companies.

### **KCM policy supports the VFI Guidelines**

The guidelines for responsible investment for Dutch charities and foundations (*Handreiking Verantwoord Vermogensbeheer Fondsenwervende Instellingen*), published in 2010, lists the 'responsible' issues that the board of such an institution should take into consideration when defining its investment policy.

### **The guidelines distinguish between general and supplementary criteria.**

It is expected that the board of trustees expresses a clear view on the general criteria. In addition, the guidelines list a number of supplementary criteria for the board to consider.

#### **The general criteria are**

- Violations of human rights
- Child labour
- Forced labour
- Freedom of association and the effective recognition of the right to collective bargaining
- Discrimination
- Corruption
- Protection of nature, environment and climate
- Production and supply of weapons systems

#### **The supplementary criteria include**

- Production of nuclear energy
- Production of pornography
- Production of fur
- Factory farming
- Preservation of biodiversity
- Use of animal testing
- Responsible chain management

For the full list please refer to the VFI Guidelines published on the VFI website [www.vfi.nl](http://www.vfi.nl).

Our engagement framework covers all general criteria and the majority of the supplementary criteria. Furthermore, our framework is dynamic and follows international developments. If the UN or an equivalent international body sets



new standards, KCM will incorporate these. This means that the list of supplementary criteria is likely to grow over time.

**Developments within KCM's Real Estate Funds**

During the past year, sustainable investment was also applied to the listed real estate funds. In conjunction with GES, all holdings in the portfolios and benchmarks were examined on the basis of specific sustainability criteria. While for the other KCM funds sustainability risk assessment concentrates primarily on the fields of human rights, child labour and weaponry, the focus in the real estate market is on 'green' property, i.e. applying climate change criteria. Climate change criteria include energy efficiency, water efficiency and waste reduction. The risk rating examines both the preparedness and performance of sustainability measures; for example, it inspects the policy towards greenhouse gases as well as the actual greenhouse gas emissions. The demand for sustainable real estate investment comes primarily from the tightening of regulations, efficiency of resources and corporate image.

With respect to the real estate universe, the sustainability risk assessment shows that the universe generally has a rather high risk rating, implying that most European companies are lagging behind on sustainable policies and performance. At company level, Unibail-Rodamco scored top with a neutral

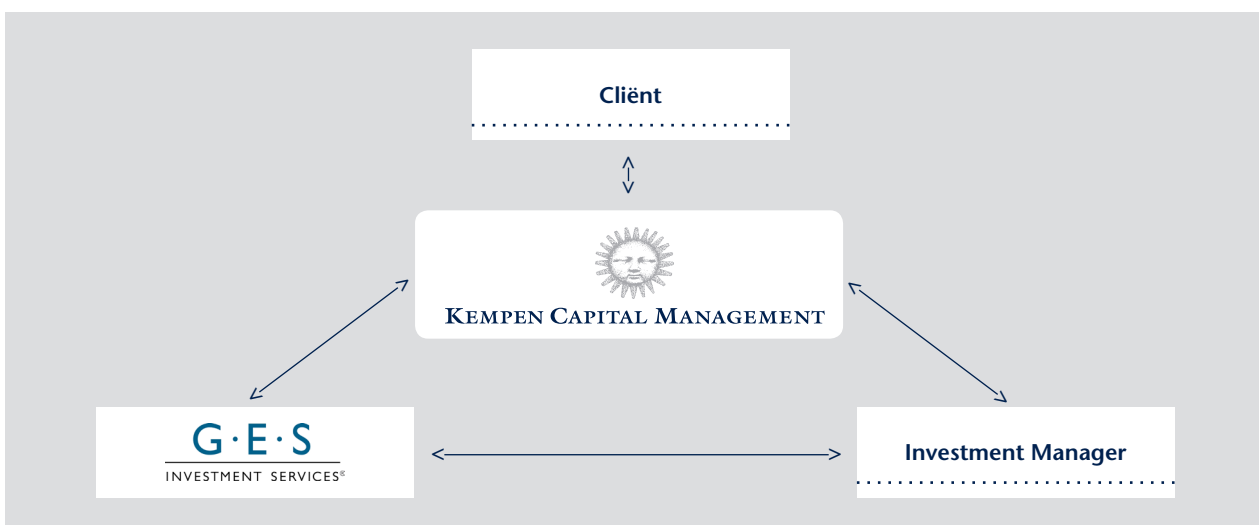
rating, while several companies have very low ratings as they do not report on sustainability measures. The results indicate that there is still room for a great deal of improvement on both reporting and performance measures. The focus of engagement will therefore lie primarily on improving reporting on sustainability policies and performance, followed by the actual 'greening' of the existing and development portfolios. Due to the growing popularity and demand for sustainable investment in real estate, combined with our engagement efforts, we expect several companies to significantly increase their risk ratings in the near future.

► **The selection process**

The figure below shows how the selection procedure works. KCM selects external fund managers and the engagement manager subsequently assesses the fund managers according to sustainability criteria based on international norms and values, as described above, and reports the results to KCM.

**Engagement by Kempen Capital Management focuses on equity and real estate mutual funds**

Equities are the asset class most suited to the application of sustainability criteria. The shareholder owns a part of the organisation and is therefore ultimately responsible for the company. Moreover, shareholders can use their voting rights.



## ESG Process

Furthermore, investors in equity mutual funds have the option to exert influence through dialogue with fund managers. The fund managers are active as shareholders and frequently contact the management of companies.

### **ESG Council**

The ESG Council has been set up to monitor the results of this process and keep up with trends in this area of expertise. This council is responsible for monitoring the engagement results of GES. The Council consists of members of GES, ECCE and internal specialists from KCM and Van Lanschot. ECCE is a research consortium established by experts from the University of Maastricht and the RSM Erasmus University.

### **Internal specialists**

The KCM specialists are Erik Luttenberg (Chairman), Karen McGrath, Reinoud van Ieperen Bokhorst, Ulrike Beyrich, Almar Rietberg and Bas Haasnoot. The specialist from Van Lanschot is Hans Kempen.

### 3. Fund managers screened and engaged

In 2010, investment funds that are part of client portfolios at Van Lanschot and KCM were screened at each quarter end. By the fourth quarter, the list of funds to be screened comprised 29 investment funds. With that, all actively managed equity funds and actively managed listed real estate funds are screened. Passively managed equity funds –also known as index trackers- are not included the screening.

**Engagement meetings were held with internal KCM portfolio managers and with the following external asset managers in relation to the investment funds between brackets:**

- NWQ Investment Management (Nuveen NWQ Large-Cap Value Fund)
- SKAGEN AS (Skagen Global, Skagen Kon-Tiki)
- Waddell & Reed and Pictet Funds S.A. (Pictet – US Equity Growth Selection)
- Fidelity International (Fidelity Funds - South East Asia Fund)
- Kepler Asset Management (SSgA Global Advantage Funds - Major Markets High Value, SSgA Global Advantage Funds – Emerging Markets High Value)
- Morgan Stanley Investment Management/Invesco Asset Management (Invesco Japanese Value Equity Fund)
- TT International (TT European Equity Fund)
- Cohen & Steers (C&S Asia Pacific Real Estate Securities Fund, C&S European Real Estate Securities Fund and C&S Global Real Estate Securities Fund)
- Cullen Capital Management (Pioneer Funds- North American Basic Value Fund)
- Comgest Far East Limited (Comgest Panda)
- Comgest Asset Management International (Comgest Growth Emerging Markets)
- Calamos Investments (Calamos Global Funds – U.S. Growth Fund)]
- Montanaro Asset Management Limited (Montanaro European Smaller Companies Fund)
- Acadian Asset Management (RIC-OMIGSA European Equity Fund, RIC-OMIGSA Global Equity Fund)

- Edinburgh Partners (EP European Opportunities Fund)
- Edinburgh Partners (EP Global Opportunities Fund)
- Aberdeen Asset Management (Aberdeen Global – Asia Pacific Equity Fund)

Our general conclusion from the engagement we had in 2009 and 2010 is that fund management organisations are willing to cooperate with our efforts to engage on ESG issues. However, differences of opinion do arise. In two such cases, fundamental differences have led us to divesting from specific funds. In one other case, we found the fund manager willing to launch a separate fund catering to ESG views prevalent in Europe.

## Fund managers screened and engaged

### ► Positive engagement results

In our 2009 Annual Sustainability Report, we highlighted Engage (referred to as an Observation at the time) cases relating to Unilever, ENI and Ericsson.

Norms area	Company	Action
Labour Rights	Unilever	Agreement with union

Unilever has been associated with a labour rights issue at one of their factories in Pakistan. In 2009, the portfolio managers of our internally-managed high dividend equity fund engaged with Unilever on this topic. We also discussed the issue with external fund managers at Cullen Capital Management, Edinburgh Partners and TT International, who in turn expressed their concerns about the issue to Unilever.

We are very pleased that Unilever and IUF international union have reached an agreement under which Unilever will make significant changes to their employment model at the specific factory. This agreement means that the labour rights issue has been resolved and fair treatment of Unilever employees in Pakistan is assured. Although it is impossible to prove a direct link between the agreement with the union and the dialogue with investors, we believe the resolution is supported by the engagement efforts of investors including Cullen Capital Management, Edinburgh Partners, Kempen Capital Management and TT International.

Norms area	Company	Action
Environment	ENI	Clean-up activities

Italian oil company ENI was the subject of discussions with Edinburgh Partners in 2009. The company is associated with a large oil spill in Nigeria. Since then, ENI subsidiary NAOC has responded in an appropriate way and has completed all requested clean-up activities. Furthermore, in the course of the research conducted for this case, GES found evidence that ENI has put solid oil spill prevention policies in place and that it publishes performance data on its management and prevention of oil spills. Involvement in local development projects and initiatives on human rights and environment as well as an attempt to address the issues of oil revenues and transparency further demonstrate the company's responsible approach.

Norms area	Company	Action
Labour Rights	Ericsson	Improved supply chain control

Ericsson has been associated with poor working conditions at suppliers. GES engaged with Ericsson on this topic, also on our behalf. The company has responded appropriately to a specific situation in Bangladesh and has also intensified monitoring of suppliers globally. Investor engagement and media exposure have brought about a positive change within the company. Ericsson's reporting on supply chain monitoring could improve further, however. GES will therefore continue its dialogue with Ericsson, focusing on its control over operations in high-risk countries and its outsourcing policy.

## Fund managers screened and engaged

### NWQ Investment Management

Issue	Action
Incorporate ESG into Investment Process	Launch of new fund

A year ago, senior management of NWQ visited us in our offices and informed us of their concern that regulatory requirements would complicate corporate engagement by investment managers registered in the US. They understood our position with respect to their investment in Lockheed Martin that is associated with the production of cluster munitions, but felt they could not sell the position for the NWQ Large-Cap Value Fund domiciled in Ireland as long as it was held by the sister fund incorporated in the US.

In the course of 2010, NWQ developed a new NWQ Large-Cap Value ESG Fund that was launched in December 2010. The fund will invest according to the investment process of the flagship NWQ Large-Cap Value Fund, while taking into account ESG issues brought forward by investors. For KCM this means that the new fund will not invest in companies on our Exclude List, provided that we motivate our exclusion decision based on international norms and conventions.

We are very pleased with the positive response of NWQ and the efforts made to establish the NWQ Large-Cap Value ESG Fund. We view it as a success for our approach to engagement with investment managers and early 2011 we will switch existing positions from the NWQ Large-Cap Value Fund to the new fund. In addition, we will seek to increase investments in the NWQ Large-Cap Value ESG Fund for portfolios investing in US equities.

### Update on ongoing engagement

### Kempen Capital Management

Norms area	Company	Action
Environment	Listed European Real Estate	Incorporate environmental performance into investment process
Environment	BP Plc	Divested
Human Rights	Royal Dutch Shell	Engaged
Labour Rights	Mattel	Divested
Labour Rights	Barry Callebaut AG	Engaged

The equity portfolios of Kempen European Property Fund, Kempen Global High Dividend Fund, Kempen European High Dividend Fund and Kempen European Smallcap Fund have been screened by GES and several engagement activities have been undertaken.

The most prominent new initiative by the fund managers of the Kempen European Property funds is to incorporate the environmental performance of property companies into their investment process. None of the listed European property companies are associated with violations of international conventions and the general screening by GES is therefore unlikely to result in engagement issues. However, since buildings account for 25-40% of energy usage and 30-40% of green house gas emissions, property companies have a significant impact on global climate change. KCM believes that the international trend is towards energy-efficient

## Fund managers screened and engaged

buildings. Companies that pro-actively respond to this trend will not only be better for the environment, but will also enjoy a substantial competitive advantage and thus make for a better investment. The companies are rated according to two criteria: preparedness and performance. Preparedness is measured by explicit targets stated by the company. Performance measures whether and to what extent the company reaches its goals. Amongst other things, CO2 emissions are taken into account.

The fund managers of Kempen European High Dividend Fund and Kempen Global High Dividend Fund spent considerable time in discussions with oil majors Royal Dutch Shell about oil pollution in Nigeria, and BP Plc about the oil spill in the Gulf of Mexico. The fund managers expressed their concerns about both issues and encouraged both companies to take adequate measures to clean up the affected sites and prevent future spills. The funds have maintained their investments in Royal Dutch Shell because the manager believes the company is serious about its remediation activities, although it is constrained by a challenging safety situation in the affected area. The investment in BP has been sold from the portfolios because of unresolved ESG issues but also because the company has stopped paying a dividend. Finally, the fund managers expressed their concerns about poor working conditions at a Chinese supplier to Mattel. Shares in the company have been sold but since Mattel remains a potential investment for the fund, the portfolio managers have continued their dialogue with the company and urged improvements in the supply chain management.

Kempen European Small Cap Fun fund managers have expressed their concerns about reported child labour in the cocoa industry to Swiss chocolate producer Barry Callebaut AG. The company showed that it is supporting numerous international programmes throughout West Africa aimed at improving social conditions in cocoa communities, including the prevention of child labour. Amongst other things, the company is involved in the International Cocoa Initiative, the World Cocoa Foundation and the Cocoa Livelihoods Program. Kempen European Small Cap Fund has maintained the investment in Barry Callebaut AG because the manager is of the opinion that the company does all that can be reasonably expected from a cocoa producer. At the same time, the manager will continue to monitor the company's activities with respect to the aforementioned programmes and encourage other initiatives to prevent the use of child labour in the supply chain.

### SKAGEN AS

Norms area	Company	Action
Corruption	ABB Ltd	Engaged
Labour Rights	Grupo Mexico	Engaged
Labour Rights	Nestle SA	Engaged
Labour Rights	Kraft Foods	Divested

We discussed ABB Ltd, associated with several cases of corruption and Grupo Mexico, associated with labour rights issues in Mexico. Furthermore, we encouraged the fund manager to express concerns about the use of child labour in the cocoa industry to Kraft Foods and Nestle SA. In the course of the year, SKAGEN sold its position from Kraft Foods.

SKAGEN has developed an internal ESG policy and guidelines but has chosen to publish only a summary of it on the website. The investment process has a preference for unpopular companies that have become undervalued because of controversial issues that the manager believes will be resolved in the medium term. In some cases, those controversies may include the viola-

## Fund managers screened and engaged

tion of international conventions. As part of the investment process the manager is in active dialogue with the companies to improve on the issues. We have requested SKAGEN to be more transparent with respect to their ESG policy and guidelines.

### Waddell & Reed, Pictet Funds

Norms area	Company	Action
Labour Rights	Wal-Mart	None
Labour Rights	Apple	None
Environment	Target	None

We discussed Wal-Mart, associated with violations of labour standards in various countries, Apple, associated with inadequate working conditions at a supplier and Target, associated with the illegal disposal of hazardous waste in the US.

US Equity Growth Selection fund that invests in these companies is sub-advised by independent asset manager Waddell & Reed. During discussions, it appeared that Waddell & Reed was not willing to take our concerns into consideration because in their view they are only accountable to Pictet S.A. Pictet S.A., on the other hand, is unwilling to include ESG criteria in the investment mandate given to Waddell & Reed. Since Pictet S.A. is a signatory of the UN PRI, we expect there will be an opening to 'incorporate ESG issues into our ownership policies and practices' (Principle 2). We are therefore continuing to encourage Pictet to include ESG criteria in the Waddell & Reed mandate.

### Fidelity International

Norms area	Company	Action
Environment	PTT Public Plc	Review
Labour Rights	Wintek	Divested

We have discussed PTT Public Plc, associated with an oil spill in Australia, and Wintek, associated with poor labour practices in China. Wintek was divested for financial reasons and Fidelity is considering reviewing the incident at PTT.

Fidelity has recently incorporated ESG information and scores into its analytical tools. The position of Head of ESG has recently been created in the investment department. The Head of ESG will work with analysts to engage with companies. These activities will not be limited to portfolio holdings but will also encompass a wide range of other companies considered to be potential future investments. Being one of the largest asset managers globally, the firm is likely to have the best access to companies and is well-positioned to have a positive impact on corporate social responsibility.

## Fund managers screened and engaged

### Kepler Asset Management

Norms area	Company	Action
Human Rights	Alstom SA	Engaged
Human Rights	Eutelsat SA	Engaged
Environment	Rio Tinto	Engaged
Environment	Rosneft	Engaged
Environment	PTT Public Plc	Engaged
Inhumane Weapons	Singapore Technologies Engineering	Divested

We discussed Alstom SA, associated with human rights violations in Sudan, Eutelsat SA, associated with human rights violations in China, Rio Tinto, associated with environmental damage in Indonesia, Rosneft, associated with environmental damage in Russia and PTT (see above).

Kepler will contact the companies to discuss the issues we have raised. The fund manager does not have prior experience assessing ESG issues. However, a number of years ago he did sell Singapore Technologies Engineering due to its involvement in controversial weapons. We will monitor the way Kepler further incorporates ESG issues in his investment process and are pleased to see that he actively engages with companies on the issues we present.

### Morgan Stanley Investment Management and Invesco Asset Management

Norms area	Company	Action
Labour Rights	Toyota Motor Corp	Engaged
Labour Rights	Nissan Motor Company	Engaged

The Tokyo-based investment team of Morgan Stanley Asset Management has been acquired by Invesco Asset Management. We have therefore held separate discussions with the two investment management companies about the objectives of our engagement initiative.

We discussed Toyota Motor Corp, associated with labour rights issues in The Philippines, and Nissan Motor Company, associated with a violation of the UN arms embargo with respect to Sudan. The portfolio managers brought up these issues in their dialogue with the company. Toyota is unable to provide greater transparency because of a pending legal process in The Philippines. The issue at Nissan pertains to a joint venture with a Chinese car manufacturer. The fund manager is convinced that Nissan has increased its control over the activities of the joint venture to prevent future violations of the arms embargo. However, he will continue to monitor the issue and discuss progress with Nissan management.



## Fund managers screened and engaged

### TT International

Norms area	Company	Action
Environment	Alstom SA	Engaged
Environment	Rio Tinto	Engaged

In 2009 we agreed to share information with regards to Alstom SA and Rio Tinto (see above). The fund manager has been open with us about the dialogue with both companies. His conclusion is that both companies are acting responsibly with respect to the identified issues. While we do not fully agree with the manager, we see it as positive that the fund manager continues to express his concerns to the companies and asks for progress reports. No new controversial issues were identified at portfolio companies during 2010.

### Cohen & Steers

Norms area	Company	Action
Environment	Listed Global Real Estate	Support EPF sustainability initiative

We discussed ESG issues related to the European Property sector. As with the portfolio managers of KCM's European Property funds, the portfolio managers at Cohen & Steers are incorporating ESG issues into their analysis of property companies. Cohen & Steers shared ESG information with us on Unibail-Rodamco, WDP, Corio, Quintain Estates and Silic. Furthermore, Cohen & Steers is supporting sustainability initiatives in the real estate sector through their membership of the European Property Federation (EPF). Among other things, the Federation concerns itself with accounting standards, consumer protection, energy use, environmental impact and health and safety issues.

### Cullen Capital Management

Norms area	Company	Action
Corruption	ABB Ltd	Engaged
Labour Rights	Kraft Foods	Engaged
Labour Rights	Nestle SA	Engaged
Environment	Unilever	Engaged
Inhumane Weapons	Raytheon	Divested

We continued our engagement with respect to ABB, Kraft Foods, Nestle and Unilever (see above). The portfolio manager assessed each case carefully and contacted all four companies. The dialogue is ongoing and we are pleased that Cullen Capital Management is putting forward the issues we consider to be important to company management. We are convinced that working together will increase the effectiveness of company engagement.

## Fund managers screened and engaged

In the first half of 2010, Cullen Capital Management made an investment in Raytheon. The company is associated with the production of cluster munitions and for that reason it was put on our Exclude List in 2009. With the aid of our input, the portfolio manager made an independent assessment of the issue and arrived at similar conclusions. Cullen Capital Management has subsequently sold the position in Raytheon and informed the company that the divestment was driven by concerns about its involvement in cluster munitions.

### Comgest S.A. and Comgest Asset Management International (Comgest)

Norms area	Company	Action
Labour Rights	Rushydro	Divested

In 2009 we discussed Rushydro, associated with a labour rights violation in Russia. Comgest raised the issue with the company but failed to receive satisfactory answers. The portfolio manager has become uncomfortable with corporate governance practices at Rushydro in general and has decided to sell the investment.

We are very pleased to see that Comgest became a signatory of the UN PRI in 2010. Since the Comgest funds have not invested in controversial companies during the year, we believe that ESG factors are indirectly taken into account in the investment process with a focus on the longer term. We continue to encourage Comgest to formulate an explicit ESG policy.

### Calamos Investments

Norms area	Company	Action
Environment	Barrick Gold	Engaged
Human Rights	Sterlite	Engaged

We continued our engagement with respect to Barrick Gold, associated with environmental damage in Papua New Guinea. Calamos sent a letter encouraging the company and asking it to abandon the practice of disposing of waste tailings directly into local rivers. The manager received a response and believes the company will act responsibly to reduce the future impact on the environment. We recommend continued engagement and monitoring of the issue.

We also discussed Sterlite, associated with environmental and human rights violations in India. For financial reasons, the fund manager had already sold the Sterlite shares he held. We were very pleased that Calamos was nonetheless willing to take up the issue with the company. Subsequent to the discussions with Calamos, Sterlite appointed a new global Corporate Social Responsibility (CSR) Officer which is potentially a positive sign of improvements at company level.

## Fund managers screened and engaged

### Montanaro Asset Management (Montanaro)

Screening of the Montanaro European Smaller Companies Fund did not bring forward a single company associated to a violation of our ESG guidelines. This is testament to the fact that the approach of the fund manager to sustainability resembles the approach KCM takes. Several years ago Montanaro began to include ESG criteria in the investment process and the firm is a signatory to the UNPRI. The firm does not have specialised ESG funds, but all companies in which it invests have to comply with a set of criteria related to Health and Safety conditions, Pollution, Energy Usage, Waste Management, Human Rights etc. In most cases companies are not excluded but invited to reach better standards of social responsibility.

### Acadian Asset Management (Acadian)

Issue	Action
Incorporate ESG into quantitative Investment Process	Discussion with manager

Acadian applies a quantitative investment strategy selecting stocks based on model-driven return forecasts. The investment process does not involve company meetings and therefore does not lend itself to company engagement. Acadian is exploring other ways of incorporating ESG factors into its investment process, including the development of ESG factors with predictive power for future share price performance.

As one of the very few quantitative investment managers that has signed up to the UN PRI, Acadian is very open about the challenges of incorporating ESG issues into its investment process and the progress it is making. The firm currently does not exclude any companies from its investment universe. We are very pleased to have an open dialogue with Acadian and the manager has agreed to notify us as soon as the investment process leads them to invest in a company featured on our exclude list. Should such a situation occur, the only option we have is to advise our clients to sell the fund. We are hopeful that further incorporation of ESG factors into the investment models will bias the funds against investing in companies on our Exclude list.

### Edinburgh Partners – European Opportunity Fund

Norms area	Company	Action
Environment	ENI	Engaged
Human Rights	Royal Dutch Shell	Engaged
Environment	Unilever	Review
Governance	BBVA	Engaged
Governance	Gerresheimer	Engaged
Governance	Kabel Deutschland	Engaged
Governance	Nokia	Engaged
Governance	Solvay	Engaged
Governance	United Internet	Divested

## Fund managers screened and engaged

We were impressed with the engagement initiatives deployed by the portfolio managers and analysts at Edinburgh Partners over the course of an intense debate concerning an investment by the Edinburgh Partners - Global Opportunities Fund. In spite of the unfortunate outcome of that debate, which we describe in more detail below, we are maintaining the Edinburgh Partners European Opportunities Fund on our Approved List. We discussed oil company ENI, whereby engagement by Edinburgh Partners supported the completion of environmental clean-up activities of an oil spill in Nigeria. In addition to the engagement with ENI, to which our request was added, Edinburgh Partners also expressed concerns about the oil pollution in Nigeria to Royal Dutch Shell. Moreover, the fund manager covered various Corporate Governance issues in meetings with BBVA, Gerresheimer, Kabel Deutschland, Nokia, Solvay and United Internet. Finally, at our suggestion, Edinburgh Partners will include Unilever in its engagement activities and express concerns about deforestation relating to palm oil production in Indonesia.

### ► Negative engagement results; two funds removed from the approved list

#### Edinburgh Partners - Global Opportunities Fund

Norms area	Company	Action
Inhumane Weapons	General Dynamics	Engaged but still held by fund

In 2009 and 2010, Edinburgh Partners Global Opportunities Fund (EP Global Fund) was invested in US defence contractor General Dynamics (GD). GD is associated with the production of cluster munitions and was even openly marketing a range of cluster munitions on its website. KCM believes that the prospect of successful company engagement is very limited and decided in 2009 to exclude GD from client portfolios. In the period between September 2009 and October 2010, we held multiple meetings, conference calls and E-mail exchanges with Edinburgh Partners. Through meetings with GD representatives, Edinburgh Partners informed the company of the concerns regarding its involvement with controversial weapons and advised halting the marketing of cluster munitions. Potentially in response to this advice, the company has removed cluster munitions from its website. However, the company did not want to publicly state that it will not produce cluster munitions in future. Edinburgh Partners is of the opinion that removing cluster munitions from the website and a private statement that there is currently no production of cluster munitions is enough to justify a continuation of the investment in GD. While KCM is pleased with the positive effect of the engagement efforts, we feel that a public statement is required to ensure that the company will not be involved in the future production of cluster munitions. We therefore decided to maintain GD on our Exclude List.

KCM and Edinburgh Partners jointly concluded that there is a fundamental difference of opinion with regards to GD. We have taken the decision to remove the EP Global Fund from our Approved List of investment funds and the fund has subsequently been sold from client portfolios.

## Fund managers screened and engaged

### Aberdeen Asset Management

Norms area	Company	Action
Inhumane Weapons	Singapore Technologies	Engaged but still held by fund

In 2009 and 2010, Aberdeen Global – Asia Pacific Equity Fund (Aberdeen Asia Fund) was invested in the Asian conglomerate Singapore Technologies Engineering (STE). One of STE's subsidiaries is associated with the production and stockpiling of anti-personnel landmines and cluster munitions. For this reason, and because the prospect of results from engagement is very limited, in 2009 we decided to exclude STE from our client portfolios. In the second half of 2009 and the first half of 2010, we discussed the issue extensively with Aberdeen Asset Management (Aberdeen) in multiple meetings. Aberdeen acknowledges that STE has the technological capabilities to produce landmines and cluster munitions. However, Aberdeen disputes the materiality of the issue because (a) STE claims the production facilities for landmines and cluster munitions are currently not used and (b) the government of Singapore has banned the export of controversial weapons including landmines and cluster munitions. Furthermore, based on its dialogue with the company, Aberdeen is under the impression that STE management would prefer to divest from controversial activities but that it will take an unpredictable period of time to do so because of other stakeholders. Aberdeen thus decided not to sell its investment in STE.

KCM and Aberdeen jointly concluded that there is a fundamental difference of opinion with regards to STE. We therefore attempted to find a pragmatic solution. However, Aberdeen has been unable to launch a separate Asian Equity fund excluding STE. We therefore decided to remove the Aberdeen Asia Fund from our Approved List of investment funds and the fund has subsequently been sold from client portfolios.

## 4. Individual Cases

This section highlights a number of engagement cases as an illustration of the type of cases we encountered and the progress that has been made.

From the 4th Quarter of 2010 onwards, GES amended the classification of open cases involving individual companies. In the new model, a distinction is made between Evaluate, Engage and Exclude cases.

As mentioned in Chapter two, GES distinguishes between three types of open cases: Evaluate, Engage and Exclude. Other types of cases are:

**Closed:** cases where the issue has been solved by the company or the issue is not verifiable;

**Divested:** cases where the fund manager has decided to divest the company.

### ► Examples of closed cases

#### UNILEVER NV

Domicile	Sector	Country	Area	Status
Netherlands	Food & Beverage	Pakistan		

<b>Incident</b>	Association with labour rights violations.
<b>Process Goal</b>	To secure that the company acts responsibly with regard to the alleged incident in Pakistan and ensure that internationally proclaimed human rights are respected within Unilever's sphere of influence.
<b>Conclusion</b>	The company has reached an agreement with the union to improve employment conditions at the factory and will also give 200 of the contracted labour permanent contracts.

**BERKSHIRE HATHAWAY INC**

Domicile	Sector	Country	Area	Status
United States	Personal & Household Goods	Honduras		

**Incident** Association with labour rights violations in Honduras.

**Process Goal** Berkshire Hathaway's subsidiary, Russell Corp, should discontinue its practice of violating labour rights in its Honduran operations, and instead collaborate and engage in dialogue with the local unions. The company's management of labour rights should align with the ILO conventions.

**Conclusion** The company has implemented remedial steps recommended by the Fair Labor Association (FLA), and assured to respect the right to unionize at its Honduran factories. The company has also committed to open a new unionized factory in Honduras, rehire and compensate the 1,200 wrongfully dismissed workers.

**ERICSSON**

Domicile	Sector	Country	Area	Status
Sweden	Technology	Bangladesh		

**Incident** Association with poor working conditions at suppliers.

**Process Goal** Ensure that company acts responsible to the alleged incident in Bangladesh and that internationally proclaimed human rights are respected.

**Conclusion** The company has responded promptly to the situation in Bangladesh and implemented a global Supplier Code of Conduct (S-CoC) Program.

**Legend**

**Problem areas:**



Environment



Labour Rights



Human Rights



Corruption



Weapons

**Status:**



Excellent progress



Good progress



Standard progress



Poor progress



No progress

## Individual Cases

### RIO TINTO PLC REG

Domicile	Sector	Country	Area	Status
Australia	Basic materials	China		

<b>Incident</b>	Association with bribery and commercial espionage.
<b>Process Goal</b>	Ensure that Rio Tinto has in place robust systems for the management of bribery issues, such as standards for acceptable conduct and assessment of bribery risk.
<b>Conclusion</b>	The incident was primarily the act of individuals and the company has reacted responsibly to what happened and has taken measures to address any corporate weaknesses.

### ► Examples of engage cases

### ROYAL DUTCH SHELL

Domicile	Sector	Country	Area	Status
Netherlands	Oil & Gas	Nigeria		

<b>Incident</b>	Association with human rights violations resulting from pollution and environmental damage.
<b>Process Goal</b>	Royal Dutch Shell must ensure that it operates in the Niger Delta according to internationally recognised and practised environmental standards. The company should accept its share of responsibility for the negative impacts from years of oil exploration operations in the region, and conduct an environmental audit of impacted operational locations to ascertain programmes required to restore and rehabilitate the environment. The company should also take a proactive approach to address critical community needs and maintain trust.
<b>Conclusion</b>	In November 2010, Friends of the Earth Netherlands released a report on Shell's practices in Nigeria concluding that Shell has conducted its petroleum operations in Nigeria far below commonly accepted international standards. Amnesty also remains dissatisfied with the company's response and a court in the Hague has decided to hear a human rights case regarding Shell Nigeria.



## Individual Cases

### TOYOTA MOTOR CORP

Domicile	Sector	Country	Area	Status
Japan	Automobiles & Parts	Philippines		

<b>Incident</b>	Association with anti-union practices.
<b>Process Goal</b>	Toyota should adopt a labour rights policy including the right to freedom of association and the right to collective bargaining that is in accordance with ILO core conventions 87 and 98. Also the situation in the Philippines should be solved in a constructive way were all partners are satisfied. The company's management of labour rights should that aligns with ILO core conventions 87 and 98.
<b>Conclusion</b>	The company has made some improvements in its labour policy and has participated in workshops to find solutions to the situation. A new ILO case was recently filed after alleged threats against union members.

### NESTLE

Domicile	Sector	Country	Area	Status
Switzerland	Food & Beverage	Ghana		

<b>Incident</b>	Association with child labour in cocoa harvesting.
<b>Process Goal</b>	Nestlé must demonstrate on how its corporate policy addressing labour rights, including child labour, will be enforced with programs to ensure compliance with the standards in its cocoa supply chain. Further Nestlé must demonstrate and report on a regular basis on how the company is working towards the development and purchase of certified cacao especially.
<b>Conclusion</b>	The company admits the problem but is involved in several initiatives to improve the conditions. The criticism remains due to the lack of progress to improve the overall situation.

### Legend

#### Problem areas:



Environment



Labour Rights



Human Rights



Corruption



Weapons

#### Status:



Excellent progress



Good progress



Standard progress



Poor progress



No progress

**BARRICK GOLD CORP**

Domicile	Sector	Country	Area	Status
Canada	Basic Materials	Papua New Guinea		

**Incident** Association with environmental impact in mining project.

**Process Goal** Barrick Gold should implement internationally accepted standards for tailings management and commit to remediating the rivers and catchments impacted by riverine tailings deposition. The details of the remediation should be documented in the decommissioning plan for the Porgera mine.

**Conclusion** The company defends its practices regarding tailings management at the mine and believes the impacts on the environment are acceptable.

► Examples of exclude cases

**GENERAL DYNAMICS**

Domicile	Sector	Country	Area	Status
United States	Weapons	United States		

**Incident** Association with marketing of cluster munitions.

**Process Goal** The company must discontinue its marketing of cluster munitions and its components that are banned by the Convention on Cluster Munitions. The company must also implement a corporate policy which prevents it from engaging in future activities that would be considered a violation of the convention.

**Conclusion** The company has stated that it is currently not manufacturing cluster munitions but cannot comment on potential development of new cluster munitions. The company can only assure that they will comply with the US cluster munitions policy. Marketed cluster munitions on the company website are in the process of being removed.

**LOCKHEED MARTIN CORP.**

Domicile	Sector	Country	Area	Status
United States	Weapons	United States		

**Incident** Association with manufacture and marketing of cluster munitions.

**Process Goal** The company must discontinue its development, manufacturing and marketing of weapon systems used for dispensing cluster munitions as well as components for cluster munitions that are banned by the Convention on Cluster Munitions. The company must also implement a corporate policy which prevents it from engaging in any future activities that would be considered a violation of the convention.

**Conclusion** The company has removed the marketing of cluster munitions from its website. No corporate policy adopted.

► Examples of divested cases

**VEOLIA ENVIRONNEMENT**

Domicile	Sector	Country	Area	Status
France	Transportation	Occupied Palestinian Territory		

**Incident** Association with support of illegal occupation through rail project.

**Process Goal** Veolia should implement a due diligence process that systematically investigates different human rights and other CSR related issues before entering contracts and new markets.

**Conclusion** Investigating status due to different official interpretations of the relevant international norms. Awaiting outcome of a French lawsuit regarding the project.

**Legend**

**Problem areas:**



Environment



Labour Rights



Human Rights



Corruption



Weapons

**Status:**



Excellent progress



Good progress



Standard progress



Poor progress



No progress

## Individual Cases

### HSBC HOLDINGS

Domicile	Sector	Country	Area	Status
United Kingdom	Financial Services	United States		

<b>Incident</b>	Association with discrimination.
<b>Process Goal</b>	HSBC Holdings should prevent the practise of discrimination in its loan process, and instead demonstrate a proper due dilligence in its lending practises. The company's management of mortgage loans should align with international law on discrimination.
<b>Conclusion</b>	The company denies the allegations of discriminatory practices. Ongoing lawsuit.

## 5. Corporate Governance and Voting

The Dutch Corporate Governance Code, in which the principles for ethical company management and best practices were laid down by the Tabaksblat Committee, came into effect on 1 January 2004. The Code comprises 21 principles which are worked out in more detail in 113 best practices. KCM has responded positively to the Code. KCM believes that the Code can contribute to restoring faith in the capital markets and can therefore also lead to a higher shareholder value. The Code lays down a number of provisions on the responsibilities held by institutional investors.

Kempen Capital Management (KCM) has adopted voting policies and procedures that serve as a guideline for our voting decisions. The execution of voting rights is an important part of a well-functioning corporate-governance system. KCM takes its fiduciary responsibility by voting at shareholder meetings for its own funds and for discretionary mandates at the client's request. The overriding principle behind KCM's governance activity, including voting and engagement, is to protect shareholder value and enhance our clients' returns. KCM aims to have progressive, open and transparent voting practices for clients. KCM adheres to the Dutch Corporate Governance Code and the Stewardship Code and strives to align itself with initiatives such as Eumedion best practices.

### Voting policy

.....

In exercising voting authority, we endeavour to implement best practices and follow the relevant applicable regulatory and legislative requirements, both in the Netherlands and other jurisdictions in which we are regulated.

### Voting process

.....

Our voting process consists of

- Proxy voting;
- Active voting;
- Handling share blocking and securities lending.

Voting records are retained for all votes cast with accompanying explanations as appropriate.

When evaluating corporate governance and voting issues, the overriding principle is the fiduciary duty to our clients. For mandates, KCM exercises voting rights according to the proxy voting agreement in place with the client.

KCM will continue to integrate its voting procedures in a way that best serves the interests of our clients and funds, taking into account ESG issues and developing regulations and standards of the countries and sectors in which we operate. Ultimately, each vote must reflect the specific situation at stake, and these vary broadly. Therefore, portfolio managers and analysts have discretion to exercise proxy votes in the best interests of each client portfolio they manage. For more information on Corporate Governance, please refer to our website [www.kempen.nl](http://www.kempen.nl).

## 6. Key Figures

	2010	2009
Number of meetings ESG Council	4	4
Number of asset managers engaged	18	11
Number of engagement meetings	56	11
Number of engage issues	38	76
Number of exclude issues	7	13
Number of closed cases	22	11
Number of excluded companies	10	10
Asset Under Management KCM (Sustainable, in mln) <sup>1</sup>	3598	2559
Asset Under Management Total Funds <sup>2</sup>	31,844	21,472
% coverage active equity funds <sup>3</sup>	100%	100%
% coverage active real estate funds <sup>4</sup>	100%	100%
% coverage internal funds <sup>5</sup>	63%	55%
% coverage total funds <sup>6</sup>	40%	46%

<sup>1</sup> Assets Under Management that are part of the Sustainable Investment Solution

<sup>2</sup> The total assets of both internal and external investment funds that are part of the Sustainable Investment Solution

<sup>3</sup> All selected active equity funds are part of the Sustainable Investment Solution

<sup>4</sup> All selected active real estate funds are part of the Sustainable Investment Solution

<sup>5</sup> % of internal funds that are part of the Sustainable Investment Solution

<sup>6</sup> % of total selected funds that are part of the Sustainable Investment Solution. The percentage for 2010 decreased compared to 2009 due to the addition of the number of selected funds in other asset classes.

## Appendix: GES Convention List

### ► Labour

ILO- Abolition of forced labour Convention, 1957  
ILO - Discrimination (Employment and Occupation) Convention, 1958  
ILO - Equal Remuneration Convention, 1951  
ILO- Forced Labour Convention, 1930  
ILO- Freedom of Association and Protection of the Right to Organise Conventions, 1948  
ILO- Hours of work Convention, 1930  
ILO- Minimum Wage Fixing Convention, 1970  
ILO- Minimum Age Convention, 1973  
ILO- Occupational Safety and Health Convention, 1981  
ILO- Prevention of Major Industrial Accidents Conventions, 1993  
ILO- Equal Remuneration Convention, 1951  
ILO- Right to Organize and Collective Bargaining Convention, 1949  
ILO- Worst Forms of Child Labour Convention, 1999  
ILO- Hours of Work (Industry) Convention, 1919.  
ILO- Termination of Employment Convention, 1982.

### ► Human Rights

ILO- Indigenous and Tribal Peoples Convention, 1989  
Basic Principles on the Use of Force and Firearms by Law Enforcement Officials, 1990  
Code of Conduct for Law Enforcement Officials, 1979  
Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, 1984  
Convention on the Rights of the Child, 1989  
General Assembly Resolution 1803 (XVII) of 14 December 1962, "Permanent Sovereignty over Natural Resources"  
Geneva Convention relative to the Treatment of Prisoners of War, 1949  
Geneva Convention relative to the Protection of Civilian Persons in Time of War, 1949  
International Covenant on Civil and Political Rights, 1966  
International Covenant on Economic, Social and Cultural Rights, 1966.  
Convention on the Elimination of all Forms of Racial Discrimination, 1965  
Convention on the Elimination of all Forms of Discrimination against Women, 1979  
International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, 1990  
UN Convention relating to the Status of Refugees, 1951  
First Additional Protocol to the Geneva Convention, relating to the Protection of Victims of International Armed Conflicts, 1977.  
(both for Human Rights and Inhumane Weapons)  
The Hague Convention, 1907  
UN Declaration on the Rights of Indigenous Peoples, 2007

## Appendix

### ► Corruption and bribery

United Nations Convention against Corruption, 2003  
OECD Anti-bribery Convention, 1997

### ► Environment

Basel Convention on the Control of Transboundary Movements of Hazardous Wastes, 1989.  
Convention for the Protection of the Marine Environment of the North-East Atlantic, 1998  
Convention on Biological Diversity, 1992  
The Stockholm Convention on Persistent Organic Pollutants, 2001  
The Cartagena Protocol on Bio safety, 2000  
Kyoto Protocol to the United Nations Framework Convention on Climate Change, 1997  
The Montreal Protocol on Substance that Deplete the Ozone Layer, 1987  
The United Nations Framework Convention on Climate Change, 1992  
Vienna Convention for the Protection of the Ozone Layer, 1985  
International Convention on Oil Pollution Preparedness, Response and Cooperation, 1990  
UN Rotterdam Convention on the Prio Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade, 2004  
UN Stockholm Declaration on the Human Environment, 1972  
UN Convention on the Law of the Sea, 1982  
The Convention on Long-range Transboundary Air Pollution, 1979  
Convention on the Protection and Use of Transboundary Watercourses and International Lakes, 1992

### ► Arms/Weapons

The 1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer or Anti-Personnel Mines and on Their Destruction  
Treaty on the Non-Proliferation of Nuclear Weapons, 1968  
Convention on the Prohibition of Development, Production, Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction, 1972  
Convention on Certain Conventional Weapons (CCW), 1980  
Chemical Weapons Convention (CWC), 1993  
Convention on Cluster Munitions, 2008  
Geneva Convention relative to the Treatment of Prisoners of War, 1949  
Geneva Convention relative to the Protection of Civilian Persons in Time of War, 1949  
First Additional Protocol to the Geneva Convention, relating to the Protection of Victims of International Armed Conflicts, 1977 (also under norm area Human Rights)



► **Pornography**

Optional Protocol to the Convention on the Rights of the Child on the sale of children, child pornography and child prostitution, 2000

► **Nuclear energy**

Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management, 1997

► **Animal welfare (including fur)**

European Convention on the Protection of animals Kept for Farming Purposes, 1976

► **Tobacco**

The WHO Framework Convention on Tobacco Control and the Tobacco Industry, 2003

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