



Letter to Larry Fink - Welcome BlackRock

In your annual letter to corporates you argue that the financial world is on the eve of a profound reorientation. We can't tell you how pleased we are that BlackRock, with its leading market position and its undoubted clout, is now joining the movement that has been working for several years to fundamentally change the investment value chain from Salesmanship, which is the principal driver for many asset managers, to Stewardship. The presence of BlackRock in our ranks signifies a tipping point in asset management and we extend to you a warm welcome to the movement!

As you wrote, "we will now assess environmental, social and governance (ESG) metrics with the same rigour as traditional measures such as liquidity and credit risk". Some of us have been advocating this shift to a more long-term approach to investment for decades but we have seen over the past five years many asset managers move forwards, fully integrating ESG-metrics into their daily investment processes in one form or another. It has been very clear for us and them that the future risk and return of companies are critically dependent on good governance, ambitious environmental policies and social considerations.

Our philosophy can be summarized as: only when sustainable wealth creation - what we call "The New Active" – becomes the new normal, will we be able to reduce the risks of value destruction to create truly excellent long-term returns for investors and value for *all* stakeholders (clients, employees, suppliers, communities and society).

How can BlackRock and others join The New Active?

- First and foremost: **align** the interests of portfolio managers with those of asset owners and wealth creators (the companies). For example, by personally co-investing with clients and by making sure the incentive structures of companies are aligned with long-term value creation, not short-term share price movement or fund flows;
- Ensuring that the **incentive structures** of asset managers are based on long-term active stewardship and sustainable capitalism instead of short-term salesmanship;
- Work with **high conviction**. To be able to really create value for all stakeholders, active portfolio managers need to focus on a limited number of companies. Being an active owner with a deep dialogue with company executives requires bandwidth. Creating positive change for all stakeholders means commitment and dedication to dialogue between the core-decision makers on both sides;
- Focus! Make the objective **sustainable wealth creation** and Stewardship instead of minor outperformance of an index or offering the cheapest index fund. Do that well and long-term alpha will inevitably follow.
- Practice **inclusion** with **Stewardship and engagement**. Consider exclusion as a last resort. Creating tailor-made exclusions based on external ESG-ratings without a proven track record is the easy way out. By engaging and really trying to change a company you'll have much more impact.



- Have **long-term commitment** and be an active owner. Engage deeply with companies about their corporate strategy, capital allocation and sustainability risks and opportunities. In our experience, the quality of our arguments are more important than the size of our position. Bigger is not better - better is better.

The financial world is on the eve of a profound reorientation. But let's not waste this revelation by talking, instead let's act. Some of us have already started. We're committed to creating investment alpha **and** sustainable absolute returns for our clients in a fully aligned way. Our industry needs to transition to The New Active: to long-term stewardship by helping both our clients and the companies we invest in focus on sustainable wealth creation.

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Notes to Editors

The 300 Club is a group of leading investment professionals from across the globe, established in 2011 in response to an urgent need to raise uncomfortable and fundamental questions about the very foundations of the investment industry and investing.

Since its launch, the mission of the 300 Club has evolved to concentrate on the purpose of investing and asset management, which is the creation and protection of wealth for asset owners and their beneficiaries. However, we remain on the verge of a catastrophic pensions and savings crisis for multiple generations through a combination of the investment management industry's lack of alignment with asset owners, vagueness about the certainty of many asset owners' future promises, and low contribution rates. The harsh reality is that many beneficiaries will risk retiring only just above the poverty line.

With climate change, geopolitics and macroeconomic factors rapidly changing the investment landscape, the 300 Club believes that we need to continue to challenge and change the mentality of the investment management industry and encourage investment managers to concentrate on the creation of value and wealth for the asset owner.