



VAN LANSCHOT
KEMPEN

INVESTMENT MANAGEMENT

UK Stewardship Code Report covering 2023



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Message from the Chair

The world is facing tremendous challenges. To me, this means it's become even more important to take major strides, within our own spheres of influence and together with our clients and everyone who works with us and for us. Strides drawing from our own strength and expertise, displaying exactly the type of entrepreneurialism that exemplifies Van Lanschot Kempen and our clients.

Van Lanschot Kempen's mission is to preserve and create wealth for our clients and our society in a sustainable way. This requires that we think across generations and commit to a liveable future by engaging with our clients, with our investees and with each other.

Focusing on areas of expertise

A wonderful thing to look forward to, a liveable future. But what do we need to get there? We note a raft of major changes that are already taking place or have yet to get under way: in energy, food, materials, technology, commodities. As wealth managers, we want to help our clients navigate these transitions. And we do so by focusing on our areas of deepest expertise where we think we can make the biggest difference – the energy and food transitions, in our case.

Concrete steps

In 2023, we took concrete steps in the right direction. In terms of investing – as highlighted in this report – by expanding further our Kempen SDG Farmland Fund, focusing on regenerating agricultural land and so adding real substance to the food transition.

Meanwhile, we've enhanced our ambitions for reducing our own organisation's carbon emissions – to an annual 8% per employee (FTE)¹. And we've planted a carbon sink in the shape of a new reforestation project in collaboration with LandLife Company. Once this new forest has matured, this will help us offset at least a proportion of our emissions. We also continue to invest heavily in sustainability data quality and access, even if we do recognise that it'll be years before we can confidently say we have all the right data from all our partners in the value chain.

Action and dilemmas

Our choice is action rather than inaction, and I see the same choice being made by our clients: pension funds creating impact momentum, private banking clients thinking across generations and looking at sustainable solutions, at impact and at charitable causes. And we're very happy to put our expertise towards helping them and supporting them in navigating the transitions.

But seeking to enhance our ambitions and accelerate the transitions also presents dilemmas. For one thing, we note that a sizeable proportion of our private clients have no pronounced sustainability ambitions. And that many take a very different view of security and defence than they did a few years ago, which also influences their view of investing. Insights change, so we'll do well to keep an eye out for the longer term.

Continuing our dialogue

The way we see it, there's really only one way to resolve this and make progress. To put it simply: that's to keep engaging with our clients and our investees, from an entrepreneurial, active position. Our focus is clear: to make it clearer and easier for our clients to navigate the transitions and create value, not least for future generations.

We look forward to continuing our dialogue with you. Let's make sure we keep reaching out to understand and learn from each other, now and in the future.



Maarten Edixhoven
Chair of the Management Board
Van Lanschot Kempen NV

¹ Per Full Time Equivalent, increased from our previous target of 7%

Scope of this report

For the purposes of this report, we cover the stewardship activities of **Van Lanschot Kempen Investment Management**, including all the client types and geographies described below. This encompasses the funds that are managed directly by our expert teams, as well as our fiduciary management business which involves third-party managers.

Where group activities are included – such as stewardship and sustainable investment activities on behalf of private banking clients, for investment banking clients or at the corporate group level, this is made clear.

The organisational structure of the Van Lanschot Kempen group is detailed below.

Changes in this year's report

Reflecting on the feedback provided by the Financial Reporting Council (FRC) on our previous submissions, we have again taken steps to address this feedback in this year's report. In particular:

- This report covers Van Lanschot Kempen Investment Management across all client types and geographies (Collectively known as “**Investment Management Clients**”) not just for the UK entity.
- We include a greater number of examples from our fiduciary management business.
- In keeping with the current edition of the UK Stewardship Code 2020, and in order to make our report clearer for the reader, we have combined the reporting expectations for each Principle under the headings Context (where relevant), Activity and Outcome.

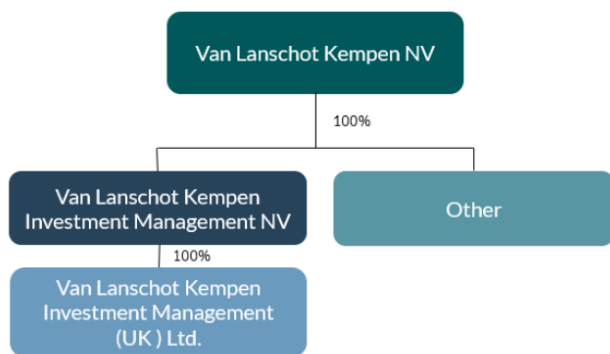
About Van Lanschot Kempen

Van Lanschot Kempen NV is an independent wealth manager – specialising in private banking, investment management and investment banking services – building on a heritage dating back almost three centuries. With our long-term focus and personal approach, we aim to help our clients navigate through the crucial transitions of our time, and to preserve and create wealth for our clients and for society as a whole, in a sustainable way. We focus on both profitable and sustainable growth, with a capital-light balance sheet.

Van Lanschot Kempen NV is a listed public limited company under Dutch law, governed by a two-tier board. The Management Board is responsible for managing the company, while the Supervisory Board oversees the policies pursued by the Management Board, and the general conduct of affairs at the company and its associated business.

Van Lanschot Kempen Investment Management N.V. is a wholly-owned (100%) subsidiary of Van Lanschot Kempen N.V (Van Lanschot Kempen group). A simplified legal structure is illustrated below:

Organisational structure



Through our long-term focus, we aim to create positive financial and non-financial value. Listed on Euronext Amsterdam, Van Lanschot Kempen is the Netherlands' oldest independent financial services company, with a history dating back to 1737. Today, Van Lanschot Kempen is included in the AEX® ESG Index, the Amsterdam MidKap Index and in the MSCI World Small Cap Index, underlining our growth both as an organisation and in terms of sustainability in recent years.

We have a clear focus on our client groups – and those we wish to attract. For investment management, these include wholesale and institutional clients, such as pension funds, insurance companies and banks as distribution partners. We are active primarily in the Netherlands, the UK and western Europe.

About Van Lanschot Kempen Investment Management

Van Lanschot Kempen Investment Management is a specialist asset management company and part of the Van Lanschot Kempen group.

Van Lanschot Kempen Investment Management has its own Management Board, led by Erik van Houwelingen and Ernst Jansen, pictured here). Erik van Houwelingen therefore has a dual role, serving both on the group Management Board as well as on the Board of the Investment Management entity.



Ernst Jansen
Chief Operating Officer



Erik van Houwelingen
Chairman of the Management Board

Our solutions

Investment Strategies

Each investment team focuses on specific segments where we believe our specialist knowledge and approach gives us a competitive edge with a differentiated offering.

Alternative Investment Solutions

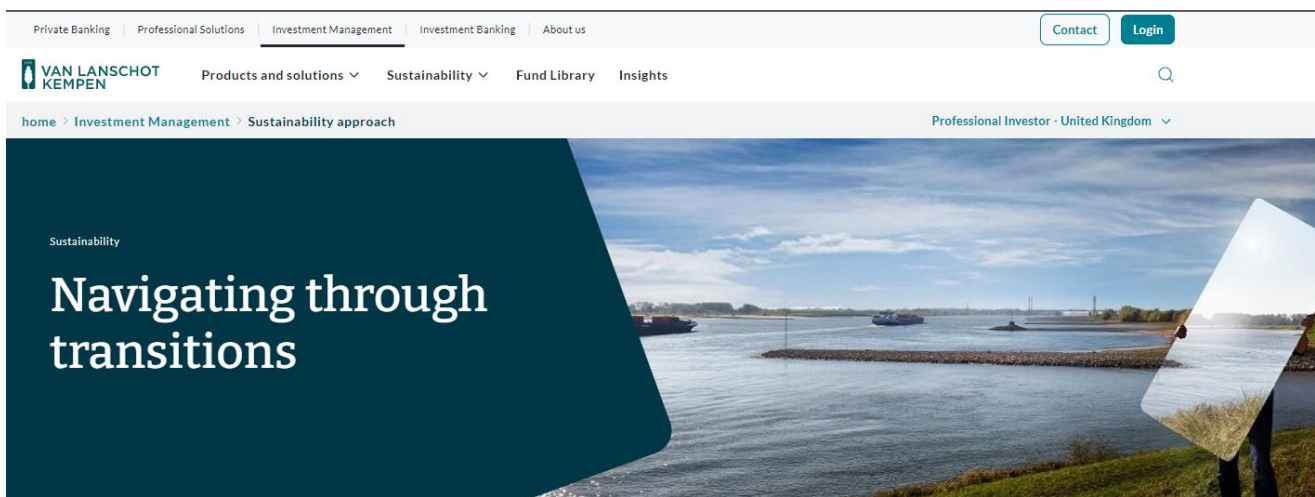
We provide efficient investment access to alternative asset classes through direct investment, or investing with highly rated fund managers.

Fiduciary Management

Specialist fiduciary management targeting better outcomes for pensions, insurance companies, charities, foundations and other asset owners.

Further information: Sustainable Investment Policies & Publications

Read more about our approach, policies, annual reports, commitments and certifications online at <https://www.vanlanschotkempen.com/en-gb/investment-management/sustainability-approach>



Highlights and milestones in 2023

Navigating through transitions

- We are incorporating the implications of the **energy transition** and climate change on asset allocation.
- A new **Living Better For Longer Policy** was published, applicable to all activities across the Van Lanschot Kempen group. In this we outline how in all our different roles – as investors, solutions and service providers, advisers, lenders, purchasers and employers – we strive to make a significant impact on advancing healthy lives. The policy is available on our website². Working conditions have been the subject of our engagements with **Nike** and **Jabil** this year, thus bringing the new policy to life.
- Established an investment framework for **biodiversity** (complementing our climate framework that was published earlier). This stipulates the criteria for our investments, engagements, exclusions, and impact on this theme.
- We applied our extensive expertise in the **real estate sector** (responsible for nearly 40% of global carbon emissions) to quantify the impact of climate change and the energy transition on real estate investment models.
<https://www.vanlanschotkempen.com/en-nl/about-us/newsroom/news-and-press-releases-2023/listed-real-estate-esg-analysis-2023>.
- In 2023 we directly engaged with 131 companies, including **Shell, Nike, BMW, and Lufthansa**.
- 90 engagement milestones were achieved in 2023, across 110 engagements for change.
- We've developed a forward-looking **social investment framework³ for use in real assets investments**, which helps us measure a company's willingness, ability and commitment to improving social resilience. We believe that the social factor, the "S" in ESG, also has long-term financial materiality and should not be overlooked. The policy connects to our living better for longer investment theme.
<https://www.vanlanschotkempen.com/-/media/vlk/vlk-im-documents/news-and-knowledge/whitepapers/investing-with-a-social-purpose.ashx>

Aligning our fiduciary clients' portfolios with their sustainability objectives

In 2023, many of our fiduciary clients again made major strides to better align their investment portfolios with their sustainability objectives. To support them, we continued to develop our services in this area.

When engaging with external fund managers, the focus tends to be on the managers' responsible investment policy, implementation, and disclosure, with the aim of encouraging best practices and contributing towards effective stewardship. We encourage the managers we work with to apply their policies and engage themselves into dialogue with the companies they are investing in. In 2023, we:

- Joining forces with an external asset manager, we worked towards integrating responsible investment (RI) into our benchmark in Real Estate. Clients looking for a more sustainable approach towards investing in listed real estate can now do so by way of a passive fund tracking a benchmark based on a best-in-class selection of companies with high (MSCI) sustainability scores.
- We assessed a range of SDG-tailored indices created over the past few years. Together with our clients, we determined whether these indices have met expectations and what gains they have generated in the sustainability arena.
- In 2023, we advised and supported all our clients in drawing up the required Sustainable Finance Disclosure Regulation (SFDR) reporting.
- We further enhanced our RI reporting for clients in the past year, with greater detail and more metrics being reported, and in a more accessible way. This included minimum reporting standards for external managers on climate, modern slavery, and engagement.
- We integrated more detailed metrics on biodiversity, deforestation, and escalation approaches to engagement (as conducted by the external managers) into our proprietary Sustainability Spectrum scorecard for managers.
- We reassessed over 475 investment funds used by fiduciary management clients based on our Sustainability Spectrum scorecard, and approved 12 new strategies with our highest rating.
- Clients have access to all desired listed equity and fixed income asset classes through vehicles that meet or surpass our sustainability criteria. This includes the launch of a customised Emerging Market Debt fund based on our proprietary sovereign bond policy framework.
- We researched over 300 sustainability focused products across all asset classes, and conducted engagements with over 200 managers on over 600 products on sustainability and stewardship. In Q4 2023 alone, this involved 18 downgrades, 13 upgrades and 26 orange flags in our monitoring of external managers.

² <https://www.vanlanschotkempen.com/en-nl/investment-management/sustainability-approach/sustainable-investment-policies-and-publications>

³ www.vanlanschotkempen.com/-/media/vlk/vlk-im-documents/news-and-knowledge/whitepapers/investing-with-a-social-purpose.ashx

Purpose and Governance

Principle 1 – Purpose, strategy and culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

1.1 Context

Signatories should explain:

- **the purpose of the organisation and an outline of its culture, values, business model and strategy; and**
- **their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why.**

Our Purpose – the Van Lanschot Kempen group

Our purpose is to preserve and create wealth for our clients and for society in a sustainable way. We build close relationships with our clients so that we can guide them in their financial decisions. Only by putting ourselves in their shoes can we use our collective expertise to present them with fitting solutions and products in support of their long-term goals.

Throughout this report, we detail how we fulfil our purpose, guided by our shared values, our sustainable entrepreneurial approach, and our strategic ambition and pillars.

As a group, **Van Lanschot Kempen** is an independent, well-capitalised wealth manager. We have a strong specialist position in our chosen markets, combining private banking, investment management and investment banking. We believe our knowledge, experience, and personal approach, coupled with our unique combination of activities, are what set us apart.

Our sustainability approach

At Van Lanschot Kempen, we see sustainability not only as an urgent need, but also as an unprecedented opportunity to create value over the long term. This is because preserving and creating wealth for generations to come is only possible when we make sure that growth is both profitable and sustainable.

We're focused on helping our clients navigate the energy and food transitions, with an active, engaged approach based on our investment principles. Sustainability is therefore embedded throughout our solutions (see p47 of the 2023 Annual Report for the Van Lanschot Kempen group⁴). We have set clear targets and regularly report on our progress against them, including in this report.

Our values

Our values apply across the Van Lanschot Kempen group and act as a compass that guides us to make choices in our actions: in how we work together, implement our strategy and foster a diverse and inclusive working environment. These values emerged from interviews with employees across the different client segments as well as business and support teams. They have been validated by clients and we discuss them – and the associated behaviours – with colleagues throughout the company.

We subscribe to four shared values:

- **Personal:** We invest in building long-term relationships. We're driven by our clients' interests. We're proactive on their behalf. And our personal approach to the way we work with our clients also extends to the way we work with each other.
- **Specialised:** We love our craft. We work together with in-depth knowledge of specific sectors and disciplines. We're resourceful. We set the bar for quality high. And we aim to continuously learn and improve.
- **Entrepreneurial:** We're ambitious and results-focused. We anticipate and see opportunities – always aligned with the interests and goals of our clients. We believe in sustainable solutions. And we actively look for investments and initiatives that contribute to these.
- **Decisive:** We serve our clients, colleagues, and stakeholders best by taking decisive action, tackling tough situations head-on. We take a solutions-oriented approach. We're clear in our advice and our service offering, and we do what we say we're going to do.

⁴ <https://www.vanlanschotkempen.com/en-nl/about-us/investor-relations/annual-reports>

Our Code of Conduct

In 2023, we updated our **Code of Conduct**⁵, which sets out what we consider the essence of ethical behaviour and what we hold ourselves accountable for, both individually and collectively. As part of the process, we consulted with clients, employees, shareholders, and our internal Works Council in order to take their input into account.

Our revised Code of Conduct is not an exhaustive list of rules, rather it is a set of commitments underpinned by three ethical principles:

- We are respectful towards others
- We act with discretion
- We think across generations

The Code of Conduct applies to all staff and the Van Lanschot Kempen group Management Board expects employees to know the full content of the Code of Conduct and apply the principles. Employees are expected to comply with the letter and the spirit of the Code, exercising common sense in situations that are not explicitly covered by the Code. Each employee makes the difference in maintaining and strengthening our reputation.

Commitments

We've made a commitment to help limit climate change to +1.5°C. For our own operations, we aim to be carbon neutral by 2030; and for our assets under management (AUM), we aim to be carbon neutral by 2050. To this end, we have stepped up our ambitions starting in 2024:

- **Discretionary (AUM) for Private Clients in the Netherlands and Belgium:** We aim to reduce the annual weighted average carbon intensity (WACI) of our discretionary AUM by 7% per year (against a 2019 baseline in the case of most portfolios);
- **Own organisation:** We have increased our target to reduce the annual average carbon intensity per FTE from 7% to 8% per year (against a 2019 baseline).

By signing the Finance for Biodiversity Pledge, we have committed to assessing our biodiversity impact through our investments and financing activities, and to setting targets to increase positive impacts and reduce significant negative impacts.

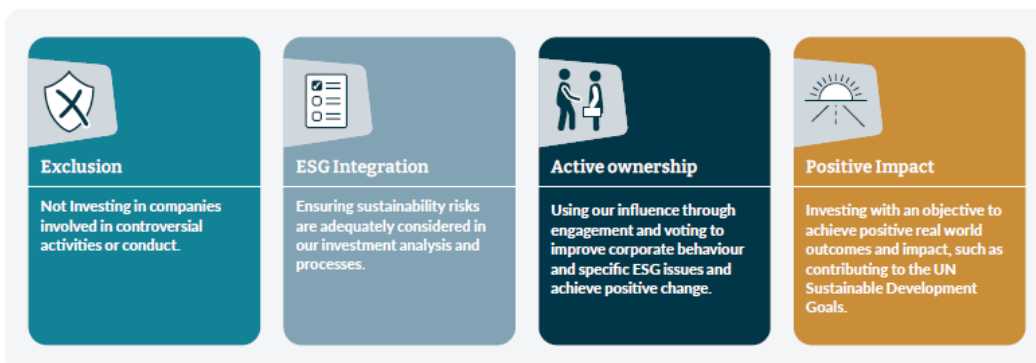
Investment beliefs

At Van Lanschot Kempen we are responsible, long-term stewards of our clients' capital, using our influence to stimulate responsible business conduct. Our 'why' behind this vision lies within our core.

- We believe in investing with a long-term horizon using a dynamic approach. We are fundamental investors. We believe that in the long run, the financial economy reflects the developments of the real economy.
- We believe in sustainable value creation through long-term stewardship.
- We believe in alignment of interest, openness, and partnership with our clients.
- We believe in investing with expertise, focus and conviction.

Tools to guide our decision-making

We organise our sustainable investment efforts around four pillars. These tools allow us to take action on, and bring forward the transitions. Further details on integrating these tools in our investments are included in **Principle 7**.



⁵ <https://www.vanlanschotkempen.com/en-nl/about-us/who-we-are/compliance>

1.2 Activity

Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship.

As a wealth manager, investing is at the core of what we do. We are focused on preserving and growing the capital of our clients in a sustainable way, over the long term. A long-term approach requires both vision and discipline. Which is why our investment engine is active and engaged, investing time in truly understanding what we own.

Energy and Food transitions

Given our size and knowledge, we focus on those areas where we believe we can make the biggest difference. Areas where we have strong expertise and data available that is needed both to drive real progress and to measure it. For us, these are the energy transition and the food transition.

The energy transition needs to speed up the use of renewable energy and decrease the use of fossil fuel. The food transition should transform the food production system into one that works better for both people and planet, leading to more diverse and nutritious food production. Acting on these transitions also involves considering the other major transitions that are closely aligned, most notably the materials transition, which is necessary for the energy transition.

How we performed

In 2023, we continued to put most of our efforts into the energy transition – focusing in particular on our role as active owner, engaging with carbon-intensive companies and quantifying the impact of climate change and the energy transition on real estate investment models.

We have also made strides in the food transition – particularly through the lens of preserving biodiversity and soil health. We did this by, among other things, putting in place an investment framework for biodiversity and engaging with companies on this theme. Please find more details on our approach in **Principle 7.3 ‘Outcome.’**

In addition, we have researched the implications of climate change and the energy transition on asset allocation, in particular the impacts on (long-term) growth and inflation. We find that the energy transition – on a 10-year horizon – will lead to some temporary upward pressure on inflation. This is driven by fossil fuel supply becoming scarcer, carbon emission pricing mechanisms becoming more widely prevalent, and scarcity of commodities (mainly rare-earth elements)⁶ needed for the energy transition and supporting the materials transition.

Our approach to responsible business conduct

Van Lanschot Kempen’s **Responsible Business Conduct Policy** highlights how we adhere to responsible business conduct practices, external guidelines, and commitments, and how we integrate sustainability into our investments through beliefs and four pillars.

Learn more about how we integrate responsible business conduct in our policy on how we comply with the OECD Guidelines for Multinational Enterprises online at <https://www.vanlanschotkempen.com/-/media/files/documents/investment-management/esg/policies/oecd-guidelines.ashx>.

⁶ Lanthanum (La); Cerium (Ce); Praseodymium (Pr); Neodymium (Nd); Promethium (Pm); Samarium (Sm); Europium (Eu); Gadolinium (Gd); Terbium (Tb); Dysprosium (Dy); Holmium (Ho); Erbium (Er); Thulium (Tm); Ytterbium (Yb); Lutetium (Lu); Scandium (Sc); Yttrium (Y). These elements are known as “rare earths” because they are relatively scarce in the earth’s crust and have unique magnetic and optical properties. They are used in various applications, including electronics, magnetic materials, lasers, batteries and more.

1.3 Outcome: Signatories should disclose:

- **how their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making; and**
- **an assessment of how effective they have been in serving the best interests of clients and beneficiaries.**

We believe that if we – together with our stakeholders – contribute to a more sustainable world, everyone will benefit. The financial industry – and Van Lanschot Kempen, as a part of it – has a key role in ensuring that our economies do not operate at a significant environmental and social cost as this fundamentally undermines our success as a society and as a business.

- At year-end 2023, the percentage of assets under management in sustainable and impact investment solutions totalled 23.1%, compared with 20.6% at year-end 2022.
- We've made good progress within our own operations since 2019, having cut our own carbon emissions by 42% per FTE.
- In 2023, we set more ambitious targets to decrease our own carbon footprint and to reduce carbon emissions via our discretionary assets under management, effective from 2024 onwards. For more information, see "Commitments" on the next page.
- In 2023, we also implemented the EU's sustainability regulations, such as the EU taxonomy, the Sustainable Finance Disclosure Regulation (SFDR) and the amendments to the Markets in Financial Instruments Directive (MiFID II) for relevant jurisdictions. Part of the implementation of these regulations involved developing a platform to make external sustainability data available for reporting purposes. In the future, we plan to make more use this data to improve sustainability reporting to clients.
- For our UK clients, the work that we have undertaken in the Netherlands on the European sustainability regulations puts us in a good position to implement the new FCA regulations which were published in November 2023: SDR and Anti-Greenwashing.

Principle 2 – Governance, resources and incentives

Signatories’ governance, resources and incentives support stewardship.

2.1 Activity

Signatories should explain how:

- their governance structures and processes have enabled oversight and accountability for effective stewardship within their organisation and the rationale for their chosen approach;
- they have appropriately resourced stewardship activities, including:
 - their chosen organisational and workforce structures;
 - their seniority, experience, qualifications, training and diversity;
 - their investment in systems, processes, research and analysis;
 - the extent to which service providers were used and the services they provided; and
- performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decision-making.

Stewardship governance at Van Lanschot Kempen

Across the Van Lanschot Kempen group, sustainability is one of our top five strategic priorities. To ensure the effective delivery of our sustainability goals, as well as robust coordination, policy development, and risk management, we have an established sustainability governance structure.

At the heart of this structure lies the **Sustainability Board**, which plays a pivotal role in embedding and integrating sustainability throughout our organisation, and reports to Van Lanschot Kempen’s Management Board.

In addition to the Sustainability Board, we have two established sub-committees that focus on specific areas of sustainability: The Sustainability Investment Council is responsible for overseeing sustainable investments, ensuring alignment between our financial decisions and our commitment to sustainability. The Green Bond Committee actively supports the issuance of green bonds by the group, facilitating financing for environmentally friendly projects.

For the purposes of this report, we focus on the **Sustainability Investment Council**, and how this structure interacts with the various committees, departments and officials involved in sustainability for investment management clients.

In addition, for our UK business, the **Board of Van Lanschot Kempen Investment Management (UK) Ltd** has oversight of stewardship and other matters relevant to our business and UK clients.



Van Lanschot Kempen has an exceptionally structured and very diligent sustainability council process which regularly prioritises stewardship matters into the mind of top executives and subject matter experts, thereby resulting in a timely and forceful approach to stewardship and engagement impact.

Prof. Andreas G. F. Hoepner, Ph.D. | Professor of Operational Risk, Banking & Finance at UCD | Co-Inventor EU Paris-Aligned Benchmarks & EU Taxonomy-Aligning Benchmarks | Head of Data Science Hub, EU PSF2 | SVLabs Co-Lead

Management Board

The **Management Board** is responsible for the overall strategy setting within Van Lanschot Kempen⁷. Whereas the Sustainability Board is accountable for developing, implementing, and embedding our sustainability goals, the Management Board has ultimate approval and steering rights for these goals.

For example, the Management Board approves the non-financial KPIs and adopts the Annual Report. In order to be able to perform their role with regard to sustainability, the members of the Management Board maintain frequent contact with internal and external stakeholders. At least one member of the Management Board attends the annual stakeholder dialogue, which, in addition to clients, employees, and shareholders also includes civil society organisations, peers, and external specialists. The Management Board delegates responsibility for driving and implementing the sustainability strategy for the whole of Van Lanschot Kempen to the Sustainability Board.

Sustainability Board

The **Sustainability Board** drives the sustainability strategy and is accountable for implementing and embedding sustainability at Van Lanschot Kempen. During the bi-monthly meetings, the Board approves sustainability priorities and monitors the implementation of the strategy and these priorities.

The Sustainability Board representatives are appointed by the Management Board, and comprises:

- two Management Board members (including the Chair of the Management Board);
- senior representatives from all relevant business units, including but not limited to
 - Private Clients Netherlands, Private Clients Belgium,
 - Investment Management Clients,
 - Financial Risk Management, 'Strategy, Sustainability & Corporate Development,' IT and Procurement & Facility Management

Each business line representative is responsible for implementation of the sustainability strategy and ambitions within their own line. In addition to implementation, the Sustainability Board members are also responsible for monitoring progress on sustainability targets relevant for their business line with the aim of ultimately meeting them.

With respect to sustainability goals directly relating to sustainable investing in the broad sense, direct accountability and responsibility is delegated to the **Sustainability Investment Council (see below)**. The Sustainability Board will supervise the accountability of the Sustainable Investment Council and, has the option to ask the council to revisit a decision made earlier.

Sustainability Investment Council

The **Sustainability Investment Council** has ultimate responsibility for drafting and implementing the sustainable investment policies. The members of this council are appointed by the Sustainability Board and consist of senior representation of all relevant business units (from: Private Clients Solutions, Institutional Clients Solutions, Investment Strategies, Manager Research Selection, Private Clients Belgium, and Risk Management). The Sustainability Investment Council takes place once every two months.

In addition to senior representation, one external adviser is invited to the Sustainability Investment Council to provide input about external trends and developments, for example on the EU sustainable regulation.

Each business line representative is responsible for the implementation of new sustainability strategies, policies and regulations within their own line. Business line representatives should regularly monitor progress on sustainability targets relevant for their business line with the ultimately aim of meeting the targets.

The Sustainability Investment Council is responsible for combining and aligning the input from different client groups across the Van Lanschot Kempen group on the overall sustainability strategy and priorities, and deliver concrete advice on this to the Sustainability Board.

While Van Lanschot Kempen's sustainability policies serve as a basis for client implementation, individual institutional clients may have their own sustainable investment policies.

The council sets criteria for sustainable investment requirements for all our products and solutions, while taking into account the different client group preferences and possibilities. The council will determine and focus on a smaller number of strategic priorities and getting those implemented across client groups.

⁷ <https://www.vanlanschotkempen.com/en-nl/about-us/who-we-are/management-structure>

Strategy, Sustainability & Corporate Development Team

The Strategy, Sustainability & Corporate Development Team is part of the CEO domain. The team is responsible for several key activities including defining the sustainability strategy and monitoring its execution, advising on embedding the sustainability ambition in the strategy of the business lines and developing the sustainability roadmap for the company including monitors its execution. Additionally, they provide input for corporate reporting, sustainability benchmarks and ratings, and orchestrate the materiality assessment, stakeholder engagement, and sustainability communication. The Strategy, Sustainability and Corporate Development Team is responsible for preparing the Sustainability Board.

Sustainability & Impact Investing Team

The Sustainability & Impact Investing Team is part of Investment Management Clients and focuses on executing and expanding Van Lanschot Kempen's sustainable and impact investing offering. The team is responsible for establishing impact measurement frameworks, ensuring the collection and analysis of relevant data for assessing and reporting on social and environmental outcomes and overseeing compliance with sustainability regulations.

The team advises on embedding sustainable and impact investing in the strategy of the business lines. They drive the active ownership agenda, prepare the Sustainability Investment Council, and provide sustainability content for client reporting and marketing purposes.



Eszter Vitorino

Lead Expert Environment,
Social and Governance
Advisory
Experience since 2008
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Danny Dekker

Lead Expert Sustainability
Experience since 2008
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Johan van der Lugt

Lead Expert Sustainability
Experience since 2000
<https://www.linkedin.com/in/johanvanderlugt/>



Janine Whittington, CFA

Expert Sustainability
Experience since 2017
<https://www.linkedin.com/in/janine-whittington-cfa-0ab1985a/>

ESG Champions

In addition to the regular cadence of board and committee meetings and sustainability action plans, each of our service groups have dedicated 'champions' who take a closer look at the implementation at client level, and tackle any issues arising throughout the year. Members of these groups are expert in their client segments and investment areas, and work directly with the Sustainability & Impact Investing team to ensure our sustainability policies are fully integrated in to day-to-day business activities, including the investment solutions we provide for our clients. Issues can then be addressed via the Sustainability Investment Council, with decisions made in alignment with all client segment needs.

In 2023 examples included how to measure biodiversity in investment portfolios, ideas for using the new client ESG dashboards, and raising the bar on ESG scoring for external managers in our fiduciary client portfolios.



“At Van Lanschot Kempen, we pride ourselves on the personal touch we offer our clients. In stewardship, that translates into the attentive listening we do when a fiduciary client comes to us with their goals.”

Eszter Vitorino, Lead Expert Environment, Social and Governance Advisory

Training on sustainability and stewardship

Embracing sustainability is one of our five key skills (the other four being collaboration, embracing technology, client-centricity, and adaptability) to continue to develop. In 2023, a substantial number of staff across the Van Lanschot Kempen group followed formal training courses aimed at developing new skills. Sustainability and compliance criteria are foundational elements in the majority of these courses.

If we are to achieve our ambitions, then everyone at the firm needs to embrace sustainability as part of their role, not just in the investments we make on behalf of our clients. Across the Van Lanschot Kempen group, the dedicated Sustainable & Impact Investing team organises regular and ad hoc sessions on ESG investment topics, complementary to the regular activities of the team where they work closely with investment teams (for example quarterly ESG portfolio screening of portfolios), client meetings and stewardship and engagement activities. Recent sessions were aimed at colleagues with different levels of knowledge on the topic from basic to more advanced skills.

Additionally, number of educational modules are available via our central e-learning hub, VLK Academy. These include a wide variety of ESG topics, including climate, engagement, impact, and ESG investment topics.

Employees are encouraged to follow individual paths in gaining ESG-specific qualifications and experience, including involvement in academic research, qualifying for the CFA ESG Certificate or similar, along with attending internal sustainability lunches and presentations covering different topics. We were delighted that employees in business development and account management gained the CFA ESG Certificate and see this area of knowledge as central to their role, not purely reserved for investment managers.

Employee development

Career development is an ongoing priority, as we have seen that it's one of the key drivers for employee retention. At the same time, the quality of our workforce has a direct impact on the experience of the clients we serve. In 2023, we continued our programmes to develop our leaders at strategic and operational levels and to support managers in successfully managing their teams.

We have set up a Van Lanschot Kempen Academy for all overarching learning solutions; underneath that umbrella, we have set up specialist academies. In 2023, we made significant progress on deploying our learning platform for relevant educational opportunities, and on improving our mandatory training programmes, such as our code of conduct training. In 2024, we will further develop all academies through content curation and development. This will contribute to our growth and development ambitions in the future.

Whereas in previous years training on ESG and stewardship has taken the form of 'inspiration sessions,' now the focus is more on integrating sustainability into an employee's own role. Sustainability is now embedded in the employee life cycle for all staff, and individuals are encouraged to take ownership, ask the right questions, build sustainability into their risk frameworks, improve communications internally as well as externally.

Performance management and reward programmes

Performance management is measured by several KPIs, a balanced combination of quantitative and qualitative indicators, with stewardship and sustainability integral to investment decision-making.

- **Sustainability performance and innovation:** A combination of quantitative and qualitative factors relevant to the investment team, i.e. whether the investment team selects securities in companies or third-party investment managers. Examples include the level of Morningstar® Sustainability Rating for Funds, the number of active ownership (engagement) cases with concrete results for stakeholders and continuous improvement of the sustainability profile of the fund or investment portfolio in question. For other members in the Investment Management Clients department other qualitative and quantitative sustainability measures are incorporated in to individuals annual objective setting and performance measurement.
- **Financials:** This includes both quantitative and qualitative indicators, including the commercial success of the strategy, achievement of targets (including carbon reduction targets) and whether costs are within predefined budget.
- **Work environment, culture, and talent development:** This includes both quantitative and qualitative indicators. Examples are the development of training and personal development plans for all team members and staff turnover. Training content also covers sustainability and sustainable investing. These sessions are delivered internally, through external training vendors or institutions such as the CFA Institute.

2.2 Outcome

Signatories should disclose:

- **how effective their chosen governance structures and processes have been in supporting stewardship; and**
- **how they may be improved.**

Fiduciary management clients

For our fiduciary management clients, delivering on stewardship responsibilities is primarily the role of our fiduciary management team who work directly with clients to understand clients' challenges and ambitions and then constructing an investment strategy that delivers.

This is across the Netherlands and the UK where we have over 200 investment professionals supporting fiduciary management clients. This includes manager selection which is a key element in the effective stewardship of client assets. This is a team of over 20 experienced investment professionals who research, select and monitor third-party asset managers on behalf of our clients where stewardship and ESG is a major factor in selection and monitoring (as detailed in **Principle 8**).

Case study: UK fiduciary management clients

Each of our fiduciary management clients has a bespoke **Service Matrix**, which forms part of our contractual agreement. Our services are designed to be comprehensive, covering all of the traditional services provided under an investment advisory arrangement, with full implementation and reporting. Our fees are deliberately all-inclusive, although individual client fee arrangements may vary. The exception to our service provision is tax and legal advice where we recommend seeking the services of experts in those field.

As an example, in 2023 we partnered with one of the largest global fixed income investment managers, to design and develop a new and innovative solution – bespoke, segregated LDI that can be used by all clients, of all sizes. This allows every one of our clients to benefit from increased control, flexibility, and more efficient and accurate hedging – free of the issues and limitations of pooled LDI funds. .

A further example is the detailed Stewardship Policy and Sustainable Investment Charter we have developed with **Clara-Pensions**, and are planning for other clients. As Van Lanschot Kempen Investment Management is the fiduciary manager to Clara-Pensions, we were integral in completing the first consolidation transaction in the UK in November 2023⁸. The investments which have been implemented within the Clara-Pensions portfolio align with their Stewardship Charter and are regularly reviewed by the Trustees so that they can deliver a best-in-class sustainability offering to their current and prospective clients.

Extensive stewardship and sustainable investment projects

Some of our largest Dutch pension scheme clients have extensive policies on stewardship and sustainable investment available on their websites. For many of these clients we have written these policies for them, and in 2023 initiated a number of projects to improve the data flows into their ESG and stewardship reporting. Our client PostNL was named the 'most sustainable corporate pension' in the Netherlands in the most recent survey⁹. In a selection of instances, project fees have been agreed with clients for this work.

Another focus for us in 2023 has been on creating clear and balanced ESG dashboards for clients where they can see at a glance a range of KPIs such as carbon footprint of their portfolio, ESG scores.



⁸ <https://clara-pensions.com/news/clara-pensions-announces-uks-first-pension-superfund-transaction/>

⁹ <https://www.pensioenpostnl.nl/nieuws/meest-duurzame-ondernemingspensioenfonds>

Case study: How we can improve

Building on our two existing impact solutions – the Global Impact Pool and our SDG Farmland strategy – in 2023 we worked on finetuning our company-wide definition of impact investing. Our goal is to set up a broadly applicable impact framework across illiquid asset classes such as private debt, real assets, private equity, venture capital and farmland.

These investments come under the umbrella term of 'Alternative Investment Solutions' and are relevant to fiduciary management clients and clients investing in our own funds alike. For fiduciary management clients we manage bespoke portfolios comprised of expert third-party investment managers, and sometimes develop these into pooled vehicles available for other investors also. The Global Impact Pool is one such example where we created this structure in close partnership with one of our fiduciary management clients – a large pension fund based in the Netherlands. Today, the Global Impact Pool's investors include a range of institutional clients looking to make a greater impact with their capital.

With new 2023 guidance from the Global Impact Investing Network on how to help investors achieve impact in public equity investments and new input from the EU Sustainable Finance regulatory framework, we are further improving our perspectives. This input also helps us to draw a clearer line between sustainable and impact funds.

Our goal is to help clients navigate through transitions. For this, our impact investments need to start with a clear theory of change: how do investments set out to address real-world problems and progress the energy and food transitions? We identify three types of investments:

- **Investments that focus on improving the current situation:** making assets greener, companies more sustainable. These we call "improvers." Improving, however, calls for active and explicit input from the manager. This in turn means that active ownership – engagement and voting – are essential for a significant change (delta) to be achieved in greening the asset during the investment period.
- Then there are companies whose **revenues align with the Sustainable Development Goals**. These are the sustainability/SDG-aligned investments.
- The most advanced way to accelerate the transitions is the **positive impact investing approach**, where positive real-world impacts are generated alongside financial returns. In these investment cases, the focus is not on greening the underlying assets, but rather on contributing to impactful solutions. For this type of investment there are some hard requirements: a theory of change, intentionality, additionality (both from the investee and the investor), as well as measurable targets. These investments are predominantly in the illiquid assets space and depend on patient capital to grow and maximise impacts.

While in this latter profound impact is very important, and also somewhat scalable, most of the current economy falls into the improvers and SDG-aligned categories. The art of navigating through transitions through impactful investments is to find the balance in all three approaches so as to maximise overall positive outcomes.

Principle 3 – Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

3.1 Context

Signatories should disclose their conflicts policy and how this has been applied to stewardship.

At Van Lanschot Kempen Investment Management (VLK IM), we are fully committed to professionalism and integrity in conducting our business and in treating our clients fairly. In our activities however, we may face actual and potential Conflicts of Interest, both between ourselves and our clients, and between two different clients.

Our objective is to minimise Conflicts of Interest arising as much as possible. In case these cannot be sufficiently mitigated, the Van Lanschot Kempen group has policies and procedures in place to manage the conflicts in a way that safeguards the interests of all clients (see below).

Investment Management

Our online Statement on Conflicts of Interest Policy summarises Van Lanschot Kempen Investment Management’s approach for managing Conflicts of Interest. It is not intended to provide an exhaustive account of the processes and procedures we adopt in connection with the management of Conflicts of Interest, but is instead intended to be a statement of principles through which VLK Investment Management seeks to manage such potential conflicts. It provides information to illustrate to our clients to understand the key measures we take to safeguard their interests.

<https://www.vanlanschotkempen.com/en-gb/investment-management/compliance-documents-and-mandatory-information>.

Group policy

The policy of the Van Lanschot Kempen group (VLK) for managing Conflicts of Interest, intended to be a statement of principles through which Van Lanschot Kempen seeks to manage such potential conflicts, is available online at

<https://www.vanlanschotkempen.com/en-nl/about-us/who-we-are/compliance>.

Personal Conflicts	Staff personal investments	<p>VLK has a strict policy in place to monitor that all employees personal transactions and outside business interests, are in compliance with the Code of Conduct and Regulations on personal transactions, which includes in its aims the prevention and management of actual and potential Conflicts of Interest.</p> <p>All VLK IM staff personal transactions [except for open-end funds, ETFs and index based products] require pre-clearance by the Compliance department.</p>
	Remuneration	<p>VLK has a remuneration policy where there is no direct link between the remuneration of employees in one business unit and the remuneration of, or revenues generated by, employees engaged in another business unit, where an actual or potential Conflict of Interest may arise in relation to the activities in those business units.</p>
Organisational Conflicts	Commercially sensitive information	<p>Following the Code of Conduct of VLK, all information that employees have access to must be treated prudently. More specifically, where it concerns information on clients, VLKIM or investment funds, the information is to be treated as confidential.</p> <p>Accordingly, where VLK has such confidential information under the terms of a confidentiality agreement, it has a duty to keep that information confidential, except where required by law, regulation or legal process or as requested by any governmental agency or regulatory authority or to prosecute or defend a claim brought by or against VLK.</p>
	Unpublished price-sensitive information	<p>In the VLK Code of Conduct, and the Market Conduct Policy, VLK has established strict policies and procedures with regard to non-public and inside information. VLK established information barriers between departments to further prevent the flow of confidential information.</p>
Products and Services Conflicts	Investment advice	<p>With regards to investment advice of collective investment schemes the advice of VLK is based on an analysis of a substantial number of collective investment schemes. This analysis can include collective investment schemes managed by VLK, but is not limited thereto.</p>

		VLK does not provide the client with a periodic assessment of the suitability of the collective investment schemes VLK has recommended to the client.
	Voting/proxy voting	VLK treats all companies equally in engagement and voting activities, unless instructed otherwise by the client, regardless of whether the sponsor is a VLK client or where companies otherwise have a relationship with VLK, or if it concerns companies where VLK is an interested party (e.g., VLK's listed ultimate parent company and/or any listed investment fund offered by VLK held within clients' portfolios).
Client Vs. Client Conflicts	Aggregation of transactions in investments	Aggregation may result in different outcomes for certain clients, for instance in respect of the size of a client's exposure to such investment, and the price at which an investment may be acquired or disposed of. Depending on the circumstances, aggregation may be advantageous or disadvantageous to the client. VLK has established Trading Principles that provide clear guidelines for aggregation of transactions and the fair treatment of clients in it.
	Purchase of research and trade execution services	Third parties such as brokers may provide investment research and broker services to VLK. VLK covers external investment research costs itself. The supplier of research is not rewarded if it is through the execution of transactions for clients. In selecting a broker for trades, the best execution offered by brokers with regard to a client order always prevails.

3.2 Activity

Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.

We identify and manage potential conflicts in a number of ways:

- Separation and information barriers, restricting access to departments or activities between departments (for example, investment management teams are separated from investment banking teams) by means of a) physical access control with badges, b) ICT access limits, c) Code of Conduct, and d) department-specific policies.
- Segregation of duties for key functions, all of which are subject to monitoring by Group Risk Management, Compliance and Internal Audit, whose departments report directly to the Van Lanschot Kempen Management Board.
- Formal training on Compliance and related topics via online modules, in-person (or online) meetings;
- Periodic reviews conducted by our Compliance teams, including formal challenge sessions, for example during review of departmental policies and procedures.
- Each business line, including Van Lanschot Kempen Investment Management (UK) Ltd (VLK IM UK) for wholesale and institutional clients, maintains a conflict of interest register of actual and potential conflicts and the procedures in place to manage them in accordance with our regulatory obligations. At least annually, the management team of each relevant business line must review their respective registers to ensure they capture all identified conflicts of interest and mitigating measures.

Employees based in the UK are required to complete a quarterly compliance attestation, which includes declaration of any conflicts of interest (such as those in the table above), and adherence to the group Code of Conduct. Employees also undertake training on a regular basis, by way of e-learning and face to face sessions.

Preventing conflicts of interest is an important aspect of day-to-day operations. Staff are reminded to be mindful of this consideration, and always ensure a careful balance between the interests of all stakeholders of Van Lanschot Kempen. This concerns the interests of clients, shareholders, employees, and the society in which Van Lanschot Kempen operates.

If any conflict is identified, it is escalated to the senior management team of the relevant business unit and the Compliance department. Following initial assessment, Compliance (and Legal, as required) will provide advice on mitigating measures that need to be implemented in order to manage the conflict, or alternatively to decline to act (for a specific client).

In 2023, several new conflicts of interests were identified and suitable mitigations put in place. See below.

3.3 Outcome

Signatories should disclose examples of how they have addressed actual or potential conflicts'

During 2023, the period covered by this report, Van Lanschot Kempen Investment Management made the decision to liquidate several internally managed Kempen funds, due to a decline in assets under management (AUM) that impaired the adequate management of the funds.

The decision to close the funds was taken after careful consideration. Our aim was to ensure that all current investors were treated fairly especially in relation the allocation of associated costs. This applied to the liquidation process as well as selling of the funds' investments, and the fair and clear communication and information material for clients regarding the decision to liquidate and what this meant for them. The liquidation plans were presented and challenged in a Product Approval and Review Process Committee, where Compliance, Legal and Risk departments are permanent members.

The fund closures required prescribed information to be presented to regulators and investors, where the key messages had to be very clearly stated. Full details are on our website under the Fund library for each fund (for example Diversified Structured Credit Pool) where the relevant filed closure documents are published.

<https://www.vanlanschotkempen.com/en-nl/investment-management/investment-strategies/fund-library>.

A sample of other examples over 2023 and their mitigating measures are set out below.

Conflicts identified in 2023:	Mitigating measures:
Transfer of illiquid holdings between clients*	Given there was limited demand for units, and excess supply, VLK IM had to prioritise between those clients who wanted to sell. This was undertaken in an objective way by comparing the current asset allocation to the most up-to-date target allocation, and determining need by the difference between the two, only where this is a significant difference. This process was therefore fairly applied across all eligible clients. The buyer, who was seeking this allocation, was able to achieve this, and the transaction was mutually beneficial.
Changing the range and/or specifications of Kempen funds may not be in the best interest of all stakeholders involved	Material changes in existing funds have to be approved by the VLK IM Board and Product Approval and Review Process Committee. Minutes of these meetings are kept.
Setting up a new Kempen investment funds may lead to additional costs and /or suboptimal (fiscal) structures for clients	A new fund has to go through the 'New Product Approval' process in which Conflicts of Interest forms a specific paragraph. The process consists of members from the VLK IM management, Risk and Compliance. Minutes of these meetings are kept.
Within our private real estate funds business, different funds could compete for allocation of the same assets.	There is a pre-existing allocation policy and conflict management for our private markets funds.

*Background: In the period since the end of 2021, an historically significant rise in long-dated gilt yields led to a substantial fall in AUM for all of our UK defined benefit (DB) pension scheme clients, primarily through liability hedging mandates.

Given the relatively uncorrelated performance of the less-liquid assets held within the portfolio, the value of such assets did not fall in the same way; as it was more difficult to reduce any allocation in these assets to keep the portfolio in line with target, they grew as a % of the total portfolio.

This led to a significant overweight in various illiquid asset classes relative to target across a number of existing clients. Many client portfolios became significantly skewed to such assets and this caused issues with liquidity. We therefore needed to seek ways to reduce such allocations for clients where it was in their best interests.

At the same time, we were in the process of onboarding new clients who wished to build an allocation to these illiquid assets. Therefore an opportunity arose to transfer units from existing, overweight clients to the new, underweight clients, to the mutual benefit of all involved.

Recurring conflicts:	Mitigating measures:
Fiduciary management client teams may be inclined to put Kempen funds on the Approved List for fiduciary management clients, even though this may not be in the best interest of the client.	<ul style="list-style-type: none"> – Kempen funds are only added to the Approved List (for fiduciary management clients) when they have successfully passed the New Product Approval process, which includes involvement of Compliance and Risk to determine whether this serves the best interest of the client(s). – In the contractual arrangements for fiduciary clients, we highlight internal fund (ie Kempen fund) selection; the IMA is signed by the client.

Recurring conflicts:	Mitigating measures:
<p>Fiduciary management client teams may be inclined to maintain Kempen funds on the Approved List for fiduciary management clients, even though this may not be in the best interest of the client.</p>	<ul style="list-style-type: none"> (i) Monitoring of these funds is performed by a separate team that is not responsible for the management of these Kempen funds. (ii) There are external alternatives available for categories where the Kempen funds are on the Approved List. (iii) The decision whether or not to select a Kempen fund in client portfolios is taken by the client responsible teams in coordination with their client.

Principle 4 – Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

4.1 Activity

Signatories should explain:

- how they have identified and responded to market-wide and systemic risk(s), as appropriate;
- how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets;
- the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples; and
- how they have aligned their investments accordingly.

Identifying market-wide and systemic risk is a fundamental part of risk management and extends not only to investment management, but the wider Van Lanschot Kempen group and the client segments that sit within this. It is crucial that we maintain and safeguard the integrity of the financial system and conduct our business in keeping with applicable laws and regulations.

As a gatekeeper of the financial system, we contribute to supporting well-functioning financial markets by managing the risks we are exposed to across the business, and in particular in the investment portfolios we manage for clients.

Risk profile and risk appetite

Across the Van Lanschot Kempen group, we seek to achieve a solid risk profile – expressed in transparent risk levels coupled with a robust liquidity and capital position. The risks we face are outlined in the **Annual Report 2023** for Van Lanschot Kempen, on p65 ‘Risk and capital management’¹⁰. More detailed descriptions can be found in the financial statements (p125ff), where these risks are also quantified in terms of their impact on Van Lanschot Kempen's balance sheet.

We evaluate our risk appetite annually, and this is communicated in a risk appetite statement containing both qualitative and quantitative elements. Our risk appetite represents our willingness to accept the risk of particular losses, decreasing buffers and reputational risks, and as such sets our operating boundaries. The statement is prepared by the Group Risk Committee, approved by the Management Board and, lastly, is also subject to the Supervisory Board's approval.

Risk appetite and risk profile in 2023

A risk dashboard and progress report are discussed by the Group Risk Committee every quarter, as well as by the Supervisory Board's Risk and Compliance Committee. Risk taking is inherent to our business model; low risks are not a means to an end. For a number of reasons, it may be appropriate to accept a higher risk – either temporarily or for a prolonged period. We always consider both gross and net – i.e. after mitigating measures – risk positions, paying extra attention to medium and high net risks.

The risk appetite and risk profile in 2023 for individual risk types are shown in this simplified version of the risk dashboard.

Risk dashboard	Low	Limited	Medium	High
Strategic risk		●	●	
Operational risk			● ●	
Compliance risk		●	●	
Sustainability risk		● ●		
Credit risk	●	●		
Market risk		● ●		
Interest rate risk		● ●		
Liquidity risk	● ●			

● Risk appetite ● Risk profile in 2023

¹⁰ Available online at <https://www.vanlanschotkempen.com/en-nl/about-us/investor-relations/annual-reports>

Risk management governance

At the Van Lanschot Kempen group we apply the three lines of defence model for the management of risks:

- The first line of defence is operational management, responsible for day-to-day risk management. This includes the investment portfolio managers in charge of our investment funds, as well as client account management and business development departments, Internal Control and Finance, Reporting & Control.
- The second line of defence is provided by departments such as Financial Risk Management, Non-Financial Risk Management and Compliance, which oversee the first line's risk management activities. Compliance also plays a role in managing sustainability risks, principally in relation to compliance with SFDR, MiFID II and other sustainability-related regulations. This includes all of Van Lanschot Kempen's branch offices and subsidiaries.
- The Internal Audit department acts as the third line of defence, providing an independent evaluation of the adequacy of the internal risk management and control systems. The department reports to the Chair of the Van Lanschot Kempen group Management Board and to the Chair of the Audit Committee.

The three lines of defence model provides the Management Board with a reasonable degree of certainty as to how the internal risk management and control system is functioning, including the effectiveness of the risk management activities of both the first and second lines.

In order to manage our risks, we have risk and compliance policies and frameworks in place as well as a governance structure. The Van Lanschot Kempen group Management Board remains responsible overall, but has delegated the management of specific risks to several committees: the Compliance & Operational Risk Committee, Sustainability Board, Credit Risk Committee, Market Risk Committee and Asset & Liability Committee.

Risk and capital framework for investment management

At Van Lanschot Kempen Investment Management, we conduct periodic value chain risk self-assessments, and carry out an annual internal capital and risk assessment process (ICARAP). Notable steps include:

- Self-assessment of risks;
- Description of the control measures in place to mitigate the risk identified in the self-assessment;
- Determination of any additional capital and/or liquidity needed to be held as a buffer for the remaining risks;
- Development and analysis of stress scenarios covering Van Lanschot Kempen Investment Management;
- Assessment of the adequacy of our liquidity and capital position.

Our ultimate purpose is to assess both our current future capital and liquidity adequacy. It is important that we maintain this adequacy, even in difficult market conditions.

In addition to being subject to oversight, laws, and regulations, we participate in various engagements and dialogues to improve the functioning of the financial markets.

Key risk themes for Van Lanschot Kempen

In addition to the trends and developments that impact our operating environment, as a wealth manager we face specific risks associated with our sector. In 2023, we identified the following key risk themes:

- Interest rate risk: changing client behaviour in response to rising interest rates
- Operational risk: organisational complexity and change management
- Compliance risk: organisational culture and ethical behaviour
- Sustainability risk: climate change and regulation

See "Risk and capital management" in the Annual Report 2023 for Van Lanschot Kempen (p65ff) for more details.

Memberships

As Van Lanschot Kempen we maintain contact with regulators, including De Nederlandsche Bank (DNB), the Dutch Authority for the Financial Markets (AFM), and the UK's Financial Conduct Authority (FCA) as well as with rating agencies.

We also hold memberships of trade associations, such as the Investment Management Association (IMA), and the Dutch Fund and Asset Management Association (DUFAS), representing the general interests of financial institutions and asset managers.

We have no lobbying offices or representatives in London, the Hague or Brussels; neither do we provide donations to support political parties or campaigns.

Van Lanschot Kempen is a member of:

- Dutch Fund and Asset Management Association (DUFAS)
- Eumedion – Dutch Corporate Governance Forum
- Focusing Capital on the Long Term Global (FCLTGlobal)
- Global Real Estate Sustainability Benchmark (GRESB)
- Principles for Responsible Investment (PRI). We are part of several work streams of PRI (and the SDGs, hedge funds and corporate reporting) and actively contribute to the discussions that inform the PRI Secretariat's outputs on the relevant topics.
- PRI Advance
- UN Global Compact
- Institutional Investors Group on Climate Change (IIGCC)
- Climate Action 100+
- Platform for Biodiversity Accounting Financials (PBAF)
- Global Impact Investor Network (GIIN)
- FAIRR Initiative¹¹
- Net Zero Asset Managers Initiative
- DNB Platform voor Duurzame Financiering
- Nature Action 100

Engaging with our own stakeholders

Every year since 2010, the Van Lanschot Kempen group has invited our stakeholders – including clients, employees, shareholders/bondholders, governments/regulators, and business partners – to join a dialogue with us about the most relevant topics of the time.

In November 2023 at our 13th annual stakeholder dialogue event, we engaged in conversation with our stakeholders about the role that Van Lanschot Kempen can play in advancing the food transition. Key takeaways:

- Financing transition initiatives is essential.
- The importance of measuring biodiversity to achieve a clear and comparable picture, both in terms of loss and recovery.
- Behavioural change requires concrete actions and strategies to promote sustainable behaviour.
- Partnerships with other financial institutions and government agencies can help to accelerate the food transition.

Civil society and academics

Across the organisation and in the investment management business we have a number of touchpoints with universities to engage in their research on the long-term value creation of sustainable markets:

- Increasingly, we're talking to civil society representatives in our corporate engagement efforts, to create a fuller picture of the issues at hand. To this end, we have regular contacts with Greenpeace and talked to Amnesty International, and Follow the Money last year. We also have issue-specific discussions with the likes to ISSB, EFRAG, ICGN, GIIN, PRI and others.
- We continue to be an active member of FCLTGlobal (a non-profit organisation that develops actionable research and tools to drive long-term value creation for savers and communities), and the Eumedion Research Committee, which works with universities on specific corporate-governance related research.
- On the civil society front, we engage with those conducting research on the sustainability of the financial sector, such as Eerlijke Bankwijzer (Dutch fair banking guide) or EquiLeap (focusing on diversity and inclusion).
- University students studying for Masters degrees can participate in our traineeship programme where they get first-hand experience and input for their research. We also regularly receive master students on tour, hearing from them about their expectations towards the financial sector and sharing our experience with them,
- Several colleagues are part-time professors at universities and participate in academic research.
- In addition to our regular trainee programmes, in 2023 we launched our Young Private Banking Programme: training our private bankers of the future. Ten highly motivated colleagues started the programme with the goal of growing into fully fledged private bankers or investment advisers in the next two years. They'll do this by learning on the job, with coaching on professional and personal development.

¹¹ The FAIRR Initiative is a collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities brought about by intensive animal agriculture. <https://www.fairr.org/>

Public policy engagement

In the context of increased stewardship and sustainability related regulation, we directly participate in the EU's EFRAG European Sustainability Reporting Standard Expert Working Group, PRI's Corporate Reporting Reference Group to give input both on the European, UK, US and global policy developments through public consultations and joint letters.

In 2023 we participated in several public policy consultations, primarily in collaborative policy engagements organised by Dufas (the Dutch Asset Management Association) and Eumedion (the Dutch Corporate Governance Forum). We also join collaborative engagements or sign on to statements coordinated by PRI if they are aligned with our stewardship priorities. We consider PRI a useful resource and an effective partner that brings asset managers together globally to advocate for sustainable investing.

Our membership in the Global Impact Investing Network, the GIIN, and more specifically, in their Listed Equity Working Group has enabled us to contribute to the 2022 Guidance for Pursuing Impact in Listed Equities publication¹². This research and guidance document can be instrumental for asset managers planning to build impact solutions in the listed equity space.

We also use the IRIS+ impact reporting framework for our Global Impact Pool reporting, which also aligns well with the Impact Management Platform's framework.

In the UK we have contributed to the Department of Work and Pensions (DWP) on their consultation for UK pension schemes. As a fiduciary manager who are stewards and advisers for DB and DC schemes, we believe it is important to engage, collaborate and support future decisions in this area.

4.2 Outcome

Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets

Sustainability risk in investment management

In our assets under management, climate change and nature-related risks are taken into account when investments are made, or investment managers are selected.

As part of our responsible and sustainable investment process, our **Climate Change Policy**¹³ is reviewed and enhanced regularly. In line with the Paris Agreement, we have set targets on reducing the carbon emissions of our investment solutions, enabling us to manage the transition risks related to climate change. This also enhances resilience to physical climate change risks, as the companies in these investment portfolios will also be taking climate risks into account.

Highlights from 2023:

- We have integrated climate change mitigation into our current asset allocation scenarios via GDP assumptions (i.e., scenarios ranging from 1.5°C to 4°C of global heating). And we have incorporated DNB's climate stress test for the equity market into our risk system.
- We further expanded our risk analytics to provide insights into the sustainability profile of our in-house managed listed portfolios. We developed ESG and carbon emissions monitoring tools, which allow us to challenge internal portfolio managers on whether their investment decisions are in line with the investment strategy and whether the portfolio is on track to meet the annual targets to reduce carbon emissions.
- In 2023 we signed the Finance for Biodiversity Pledge and joined the Partnership for Biodiversity Accounting Financials in order to contribute towards encouraging companies and third-party investment managers to disclose more information on exposure to nature-related dependencies.
- In 2023, we joined Nature Action 100, a newly created collaborative engagement initiative, where we are a participating investor in engagements with companies Novo Nordisk and Sysco Corporation.

¹² <https://thegiin.org/research/publication/listed-equities-working-group/>

¹³ <https://www.vanlanschotkempen.com/en-gb/investment-management/sustainability-approach/sustainable-investment-policies-and-publications>

Case study examples for fiduciary management clients

Case study 1: Identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets

The UK pensions market has experienced multiple tail risk events over the last two decades. This can often leave pension schemes feeling underprepared or shocked. Examples of these which were both market-wide and systemic were the COVID-19 crisis in 2020 and the subsequent high inflation and central bank response to raise interest rates. While risk models and metrics assist investors in determining asset allocation, they often fail to capture the forward-looking risk scenarios that may be the most relevant to consider.

In 2023 our UK-based Investment Strategy team looked at several possible global risk events and analysed their impact on UK DB pension schemes if they were to occur. In particular, the research looked at the risks to UK DB pension scheme funding levels associated with market events in order to better prepare clients and their portfolios for potential risks that could have a significant negative impact on outcomes.

This analysis, published in our recent research paper, “Risky Risks,” emphasises the importance of considering individual scheme situations and tailoring risk management approaches accordingly. While certain major market risks may not be significant for some schemes, less obvious events can present significant risks.

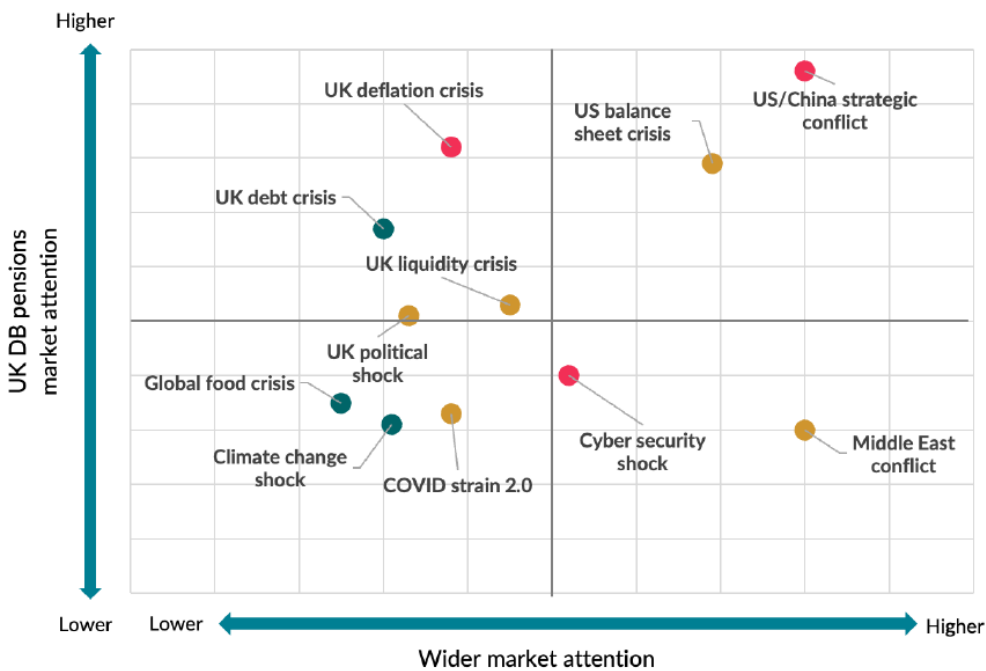
In working with our fiduciary management clients, we aim to act as a partner who communicates risks effectively and can adapt techniques as market conditions evolve. Scenario analysis which draws insights from historical and forward-looking market events, has provided valuable guidance for future risk management.

Risk map & scenarios

We provide a risk map and focus on five historical scenarios and five future risk scenarios that are relevant for UK DB schemes in 2024. We examine the impact on three sample schemes, ranging from a well-funded and ‘de-risked’ scheme to a growth-oriented but less well-funded scheme.

Risk events impact different investors differently. Therefore, the adage ‘it’s already priced in’ is unlikely to be true, particularly as those making such statements are often not investing like a pension fund.

Trustees should take into account that certain risk scenarios may have a lower impact on the portfolio but could coincide with other issues (such as a simultaneous cyber security shock affecting member administration). It is important for trustees to assess how they would manage a ‘dual shock’ situation.



Risk management often centres around diversification

However, this has non-obvious limits for trustees to consider. In high inflation or deflation, are the impact of liability caps and floors successfully accounted for and managed? And then there are the famous known unknowns, for example if there's a conflict between China and the USA do investors flee to the safety of US treasury bills (the long-held assumption)? The unknown unknowns, in Rumsfeld's parlance, are as always beyond the reach of any research paper – but a greater focus on the known unknowns should at least begin to narrow the set of unexpected scenarios for pension schemes.

The research paper¹⁴, “Risky risks” is available online at <https://www.vanlanschotkempen.com/en-gb/investment-management/insights/fiduciary-management-uk/risky-risks>.

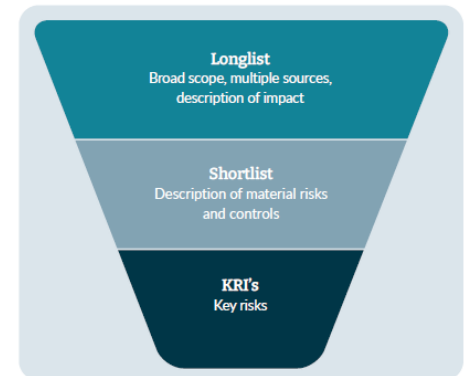
Case study 2: Reviewing the sustainability risk management cycle

In 2023, we walked all our Netherlands-based fiduciary clients through their review of their ESG risk management process on the basis of the guidance issued by De Nederlandsche Bank (DNB). Previously, Van Lanschot Kempen had been involved in the design of DNB's definitive guidance on ESG management, known as the “Guide”¹⁵.

Together with our clients, we go through the ESG risk management process in three steps:

1. Drawing up a longlist of risks. First, we identify the ESG risks based on a variety of external resources (such as MSCI and SFDR) and determine the risk appetite of each fiduciary client based on our integrated risk policy. For every risk, we help highlight its impact on the investment portfolios and assess their materiality.
2. Drawing up a shortlist of risks. For ESG risks classified as material, we offer indicators for the client to measure risks before and after their management, and to compare these with their own RI policies. We also support our clients in designing a normative framework – i.e., a framework that reflects the client's risk appetite – to help prioritise the material risks. This results in consistent risk assessment and an efficient process.
3. Drawing up and monitoring key risk indicators (KRIs). Clients are likely to devote most of their attention to the most significant risks that arise from such prioritisation – the key risk indicators. Every client is free to decide which risks from steps 1 and 2 they wish to include and monitor in their dashboards, based on their own risk appetite. To monitor the KRIs, we have developed a dashboard for their management boards to monitor these risks on a quarterly basis. For an example of one of the KRIs on the dashboard, see the illustration on the next page.

Review of sustainability risk management cycle



¹⁴ This content has been prepared by Van Lanschot Kempen Investment Management (UK) Ltd. (“VLK Investment Management (UK)”) for information purposes only. The information contained is of a general nature and should not be considered as the giving of investment advice by VLK Investment Management (UK) or any of its members, directors, officers, agents, employees or advisers. In particular, this document does not constitute an offer or invitation to enter into a transaction. Neither this document nor anything contained in it shall form the basis of any contract or commitment whatsoever. VLK Investment Management (UK) is authorised and regulated by the Financial Conduct Authority (Firm Reference No. 166063). No part of this document may be used without prior permission from VLK Investment Management (UK) Ltd.

¹⁵ <https://www.dnb.nl/en/general-news/news-2023/new-climate-and-environmental-risk-management-guide-for-the-financial-sector/>

Example dashboard for monitoring key risk indicator (illustration only)

Type of sustainability risk	Sustainability risk	Key risk indicator (KRI)	Metric	KRI risk assessment standard			KRI exposure	
				Low	Medium	High	Today	Previously
Financial	Climate - transition	Percentage exposure to coal	Percentage exposure of investments	< 2%	2-5%	> 5%	0.0%	n/a
	Climate - physical	Portfolio value at risk (VaR)	Millions of euro in % coverage ratio	< 2%	2-5%	> 5%	0.5% DG points	n/a
	Biodiversity loss	Under development	n/a	Under development			Under development	n/a
Non-financial: Reputation	Insufficiently committed to living wage in view of importance of labour theme	Number of engagements in critical sectors: garment and footwear (G&F), food and agriculture	Number of engagements	> 20	5-20	< 5	Number of engagements (2022): 52	n/a
	Involved with carbon-intensive sectors or major climate polluters	Number of investments in fossil fuel reserves	Number of investments	< 50	50-250	> 250	220, 191 after implementation of 2023 RI policy	n/a
Non-financial: Compliance	Non-compliance with sustainability laws and regulations	Engagement and/or regulator instructions	Number of engagements or instructions	0	1 - 2	> 3	No instructions	n/a
Non-financial: Operational	Inadequate ESG risk management cycle	No available indicators, qualitative	Assessment of cycle, IRM or RI policies	Annually	Once every three years	More than three years	Fully in 2023	n/a
Non-financial: Social	Not offering remedy/redress by direct exclusion	Number of engagements in critical sectors: garment and footwear (G&F), food and agriculture	Number of engagements	> 20	5-20	< 5	Number of engagements (2022): 52	n/a

Principle 5 – Review and assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

5.1 Activity

Signatories should explain:

- **how they have reviewed their policies to ensure they enable effective stewardship;**
- **what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and**
- **how they have ensured their stewardship reporting is fair, balanced and understandable.**

Reviewing our policies

Our approach to stewardship and sustainable investment continues to evolve in the context of updated international codes, best practices, or regulatory developments.

While our suite of stewardship and sustainable investment policies are formally reviewed at least once a year, in practice these are living documents that are updated more regularly in keeping with decisions made at the Sustainability Investment Council (see also **Principle 2**).

The proposed updates can be triggered by updated international codes, evolving best practice or regulations. All proposed changes are substantiated and discussed at the Council before proceeding to vote on the updates.

Internal assurance

The Sustainability Investment Council has ultimate responsibility for drafting and implementing the sustainable investment policies, as described in **Principle 2**. This includes representation from across the investment management business as well as an external adviser to bring expert advice on trends and developments as pertaining to, for example, EU sustainability regulatory frameworks.

Each business line representative is responsible for the implementation of new sustainability strategies, policies and regulations within their own line. Business line representatives are accountable for regularly monitoring progress on sustainability targets relevant for their business line, this includes integration of clients' stewardship and sustainable investment considerations into our solutions and investment funds, reporting that is relevant and insightful, and that clients can access the information they need.

This Council is accountable to the group Sustainability Board, which itself is led by the Chair of the Van Lanschot Kempen group Management Board. Part of the Sustainability Board's remit is to monitor the implementation of the group sustainability strategy and how its principles are embedded in the investment management business (as well as other business lines at the firm).

External assurance

The Van Lanschot Kempen group is periodically assessed by various organisations, including:

- MSCI ESG, a rating designed to measure a company's resilience to long-term, industry-material environmental, social and governance (ESG) risks. In 2023 (the most recent measurement), we received an AA rating (on a scale from AAA to CCC), the same as in 2022.
- ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc. We received a B- rating (on a scale from A+ to D-).
- Principles for Responsible Investment (PRI). Our responsible investment process was rated 4 and 5 stars (out of 5) by PRI for the Policy, governance and strategy module, the Confidence-building measures module, five Indirect modules (Listed equity – Passive, Listed equity – Active, Fixed income – Passive, Fixed income – Active, and Real estate) and two Direct modules (Listed equity – Active fundamental and Fixed income – Corporate).
- The Dutch Ministry of Economic Affairs and Climate Policy, which has developed its own tool to measure the transparency of sustainability reporting: the annual Transparency Benchmark (TBM). This was carried out once every two years, but for the final time in 2023. In the reporting year, our 2022 annual report, sustainability supplement and TCFD reporting earned us sixth place in a league table of 491 entrants.

The complete list of our sustainability ratings is available online at <https://www.vanlanschotkempen.com/en-nl/about-us/sustainability/rankings-and-ratings>.

In addition, PwC provides assurance following the Dutch Standard 720 on the Van Lanschot Kempen group Annual Report 2023, which includes our stewardship dashboard, citing our voting and engagements statistics. The Report is available online, along with the Sustainability Supplement that goes deeper into non-financial performance, and the Global Reporting Initiative index. <https://www.vanlanschotkempen.com/en-nl/about-us/investor-relations/annual-reports>.

Stewardship and Sustainable Investment Report 2023

Our Stewardship and Sustainable Investment Report offers clients, shareholders, and other stakeholders a detailed insight of what we have achieved in terms of sustainable themes and activities in 2023. We believe we help our clients in the best possible way by acting as stewards and helping them to allocate their capital to companies or solutions that support the transitions and can make the most of them. <https://www.vanlanschotkempen.com/en-gb/investment-management/sustainability-approach>.

We have been reporting on our stewardship activities for over seven years and after each round we collect input from internal and external stakeholders to ensure continuous improvement. As a result, our report has become shorter, and rich in hyperlinks to other sources of insight or information we publish throughout the year.

We have also made our report fully digital, to reduce the environmental impact of printing it and enabling readers to navigate directly to sections of interest, instead of having to navigate through large PDFs.



5.2 Outcome

Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes.

Reporting to the PRI annually as part of our assessment, and participation in industry associations is a tangible opportunity for us to review and update our stewardship policies and processes. As the expectations and opinions of regulators, our (fiduciary) clients and society on sustainability mature, we continuously adapt our approach and raise the bar on stewardship for ourselves.

In 2023, we tightened our Exclusion Policy, for example in the wording on the screening criteria we use when sourcing data from external providers to identify companies that should be on our Exclusion Lists.

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

Case study example – working with third-party managers

Working with our fiduciary clients, we have spent the past couple of years creating a range of customised indices to serve as benchmarks for equity investments.

Reflecting client sustainability preferences, these indices focus on one or more of the United Nations' Sustainable Development Goals (SDGs). At this point, indices are in place that cover all investment regions, such as global equity portfolios, but also – separately – for underlying regions (Europe, emerging countries).

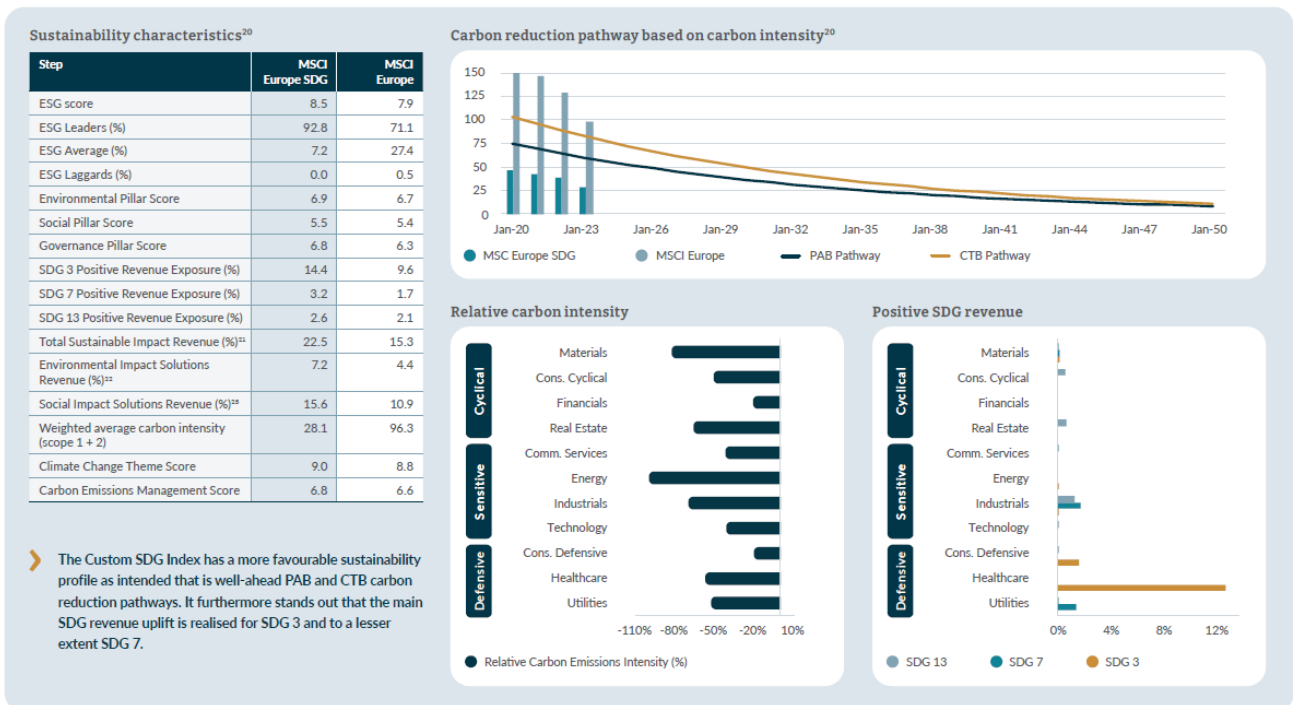
In 2023, three years after the launch of the first tailored index, our clients and Van Lanschot Kempen embarked on a comprehensive assessment of the characteristics of these indices.

This revealed that, in keeping with intentions at their launch, these customised indices contained a significantly higher proportion of ESG leaders (compared to the standard indices) and that their ESG scores were above average. In fact, carbon intensity was significantly lower for these customised indices, particularly in the case of the indices for Europe and the emerging countries. Their contributions to selected SDGs were plainly higher than the standard benchmarks.

In 2024, we are continuing our assessment, asking such questions as “What aspects contributed the expected added value and what do we wish to enhance or change?” and plan to changes the indices' strategies where needed.

An example is illustrated below.

Track Record Evaluation – Sustainability



²⁰ Source: MSCI, Morningstar, Northern Trust & ISS as of 31 May 2023.

²¹ The total of all revenues derived from any of the thirteen social and environmental impact themes

²² The total of all revenues derived from the six environmental impact themes including alternative energy, energy efficiency, green building, pollution prevention, sustainable water, or sustainable agriculture.

²³ The total of all revenues derived from the seven social impact themes including nutrition, sanitation, major diseases treatment, SME finance, education, affordable real estate or connectivity.

Investment Approach

Principle 6 – Client and beneficiary needs

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

6.1 Context

Signatories should disclose:

- **the approximate breakdown of:**
 - **their client base, for example, institutional vs retail, and geographic distribution;**
 - **assets under management across asset classes and geographies;**
- **the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why.**

Client base

As Van Lanschot Kempen Investment Management, we invest responsibly and with conviction.

We are active managers who bring free thinking, resolve and originality to investment decisions. This helps us to reach hard-to-access asset classes that are often missed by our competitors.

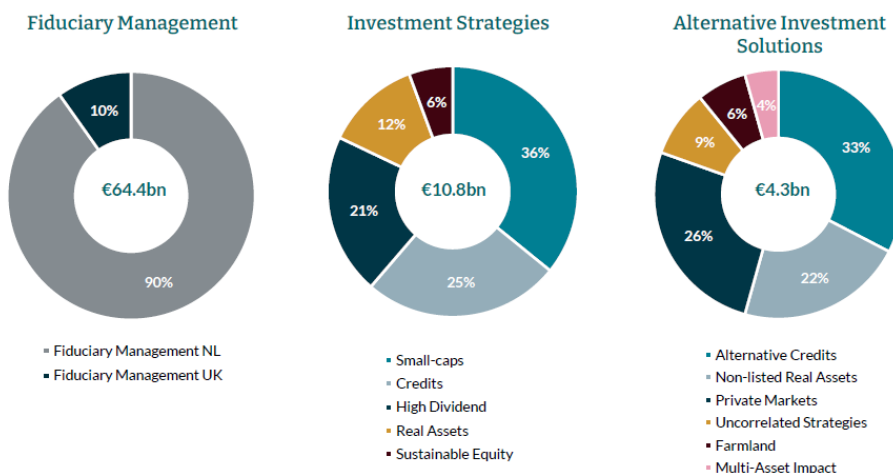
As leading fiduciary managers, we look after large pension portfolios for our Netherlands and UK clients – taking great care to facilitate good outcomes for our clients and wider stakeholders. What’s more, all clients benefit from our fiduciary expertise and investment infrastructure.

Our services are offered to wholesale and institutional clients primarily in Europe and the UK.

Assets under management

At Van Lanschot Kempen Investment Management, we manage a total of €104.7 billion across a range of solutions and investment types designed to serve our clients. Wealth solutions are primarily distributed in the Netherlands through the Van Lanschot Kempen private banking services, and in Belgium via Mercer van Lanschot private banking.

For the purposes of this report, our focus is on the wholesale and institutional clients in the first three categories, Fiduciary Management, Investment Strategies (our own funds) and Alternative Investment Solutions (pools of external managers managed by us on behalf of clients in specialist alternative asset classes).



Source: Van Lanschot Kempen. All AUM figures as at 31 December 2023. Total may deviate due to rounding.

Investment time horizon

Bespoke mandates for fiduciary management clients

Our institutional clients, such as pension schemes, insurance companies and endowments, are by their nature long-term. As a result, they have a considerable advantage over many investors in being able to invest for a longer-time horizon.

As part of our fiduciary management services for these clients, we include careful allocations to third-party investment managers in private market asset classes, only where it fits within their timeframe. For clients with long timeframes, we tend to allocate to assets such as rescue finance or regenerative farmland, where the client's future cashflow requirements can be balanced and planned out in advance.

For pension schemes targeting settlement of scheme liabilities with an insurer by means of a buyout or similar endgame option, their investment time horizon is likely to be shorter. This is particularly the case for our UK client base whose journey plans to the endgame reduced significantly in 2023 following significant increases in interest rates. In these cases, they are likely to be holding less in listed equities and more in government bonds, which diminishes their ability to influence companies via active engagement and stewardship.

Long-term investors in our own funds

Where we invest directly in securities in listed equities or corporate credits, we have learned that to create value over time, conviction and a long-term focus are needed. As part of our investment philosophy, we focus on long-term shareholder engagement through a culture built upon a high performing team environment.

Where we hold securities directly in our funds, we measure investment performance over a minimum three-year period, but depending on the asset class, often hold the securities in our portfolios for a period of 5-10 years.

Our proprietary economic models for assessing the relative attractiveness of the companies we research and invest in incorporates a similarly long-term investment time horizon. Our wholesale clients likewise prefer longer term investments, with clients focused on sustainable wealth management.

6.2 Activity

Signatories should explain:

- **how they have sought and received clients' views and the reason for their chosen approach;**
- **how assets have been managed in alignment with clients' stewardship and investment policies;**
- **what they have communicated to clients about their stewardship and investment activities and outcomes to meet their needs, including the type of information provided, methods and frequency of communication to enable them to fulfil their stewardship reporting requirements.**

Surveying our clients

Our relationship with clients is one of our most important assets. To measure their satisfaction and loyalty, we use the Net Promoter Score (NPS), which provides insight into client loyalty and the number of promoters of the organisation. The score lies within a range of -100 to 100 points. The formula is as follows: $NPS = \% \text{ promoters} - \% \text{ detractors}$. Promoters give the organisation a score of 9 or 10, whereas detractors award a score of between 0 and 6.

The NPS that we measure is also known as the Relationship NPS. We measure this every two years for investment management clients. Satisfaction levels among our investment management clients are high. Our NPS in 2023 exceeded our target of 20 for investment management overall. Clients appreciate our dedicated and approachable team, along with our high-quality service. Among our UK fiduciary management clients, the satisfaction rating was consistently over 9 (out of 10) for rating their quality of customer service and a total NPS score of 57.

A Net Promoter Score (NPS) of over 20 is considered to be very good and, according to the theory, can lead to autonomous growth through word-of-mouth advertising¹⁶.

¹⁶ Source: Market impact survey Van Lanschot Kempen 2013-2023, November 2023. The survey was conducted among a total of 129 respondents.

Managing client assets in alignment with their stewardship and investment policies

We continuously engage our clients to gauge their sustainability preferences and priorities. We encourage them to set clear targets (also in line with the MiFID II regulations), so that they also give us, the asset manager the mandate to use their capital for positive real-world outcomes.

In addition, an important element in our client team structure is the “executive involved”, where a senior member of our management team provides challenge and oversight to the Van Lanschot Kempen team, and as an additional point of escalation for the client in relation to any aspect of our service. The executive involved will meet with the client at least once a year to gauge the quality of our service – this includes stewardship and investment policies.

Taking account of client views

Fiduciary management clients

For fiduciary management clients, partnership is an important element of our client service. At the outset of a new appointment, there is in-depth onboarding process with a focus on establishing trust, a strong cadence of meetings, reporting and communication, and full understanding of the client’s stewardship and investment policies.

Many of the organisations we work with have net zero as part of corporate policies on sustainability, and we see an increasing number of trustees wishing to reflect these in their schemes’ investment principles and in their investment portfolios.

Our extensive experience in going through this with large pension providers such as **Clara-Pensions**, the **AA** and **Uniper** in the UK, and **KLM** and the Dutch Royal Mail (**PostNL**) in the Netherlands, means we are ideally placed to help pension scheme trustees align their portfolios’ net zero trajectory with corporate ambitions.

This typically involves working with trustees and sponsoring company to construct a pathway that delivers on the sponsor’s clearly articulated commitments on sustainability. Often this is around articulation of a goal, agreement with a range of stakeholders and then implementation and alignment.

Case study – improving fiduciary management portfolios in the wake of the LDI crisis

Our UK pension scheme clients’ LDI portfolios had performed strongly in the gilts/LDI crisis of 2022. Through the governance framework we had built with each of our clients we were able to be reactive and implement required trading, maintaining liquidity and avoiding uncontrolled loss of exposure. Each client was also kept up to date with regular communication throughout the crisis. However, this did not mean that we couldn’t improve.

We had already begun our review of LDI providers in our fiduciary management clients’ portfolios before the gilts crisis, but that event underlined the importance of this exercise and the necessity for a ‘gold standard’ approach. In 2023, we partnered with State Street Global Advisors (SSGA), one of the largest global fixed income investment managers to design and develop a new and innovative solution – bespoke, segregated LDI that can be used by all clients, of all sizes. This allows every one of our clients to benefit from increased control, flexibility, and more efficient and accurate hedging – free of the issues and limitations that are sometimes associated with pooled LDI funds. See also **Principle 8.1 ‘Activity.’** In addition, the new solution further reduced fees by around 60% - savings passed entirely to our clients.

With our market leading LDI solution, we have robust controls in place for strategy design and portfolio monitoring with regards to overall liquidity. This is central to our overall approach to Fiduciary Management – it is our core business, and therefore understanding the risks that face our unique client base and protecting our clients against them is as crucial to us as it is to the pension scheme trustees we work with.

We ensure that all client portfolios are sufficiently liquid to withstand severe market stress. When an unexpected shock hits, trustees are therefore able to retain control over their investment strategy and, ultimately, the outcomes delivered to their pension scheme’s members.

Clients investing in our own funds

Evidence from our interaction with clients shows that they are increasingly looking for climate-resilient investment opportunities. The Markets in Financial Instruments Directive (MiFID II) requires financial institutions – like Van Lanschot Kempen – to ask clients about their sustainability preferences and take them into account.

This exercise is undertaken regularly and give us insights into client preferences. The outcomes of these surveys and consultants show that different client groups are approaching this at a different pace.

In 2023, we reached out to most of our clients to ask them about their sustainability preferences. An e-learning course on sustainability preferences and disclosures was introduced for client-facing employees to support these efforts. In addition, we further revised our processes in order to monitor whether clients' portfolios adhere to their preferences and to meet sustainability reporting requirements – in accordance with amendments to MiFID II and the SFDR respectively.

By the end of the 2023, we had identified and categorised the sustainability preferences of most of our clients into three standard profiles:

- Neutral;
- Committed;
- Very committed.

In accordance with the SFDR, we offer an increasing minimum share of sustainable investments and use additional/stricter exclusion criteria. In 2023, we also provided virtually all our clients with insights into the sustainability profile of their portfolios, in accordance with the SFDR post-contractual reporting requirements.

See also below under **Principle 6.3 Outcome**, on how we applied a clearer definition of 'sustainable investment' into our own funds, for the benefit of our clients.

Policy in action – Defining sustainable investments in our own funds

European sustainability regulations play an important role in how we assess, integrate and report on sustainable investments. In 2023, as part of the European Sustainable Financial Disclosure Regulation ("SFDR")¹⁷ and MiFID II regulations¹⁸, we made further progress on updating our reporting and obtaining and processing data.

We have established and enhanced our definition of sustainable investments and this now allows us to follow a rule based and data-driven process to determine whether an individual investment can be regarded as a sustainable investment within the meaning of SFDR. This activity was driven to an extent by clients seeking clarity on the investments in our own funds, as well as developments in the regulatory framework.

How do we determine if an investment passes the sustainability contribution test? Here we look at three criteria:

- Firstly, we include the reported or estimated EU taxonomy alignment, thus gauging how far the company's activities are aligned with a net-zero trajectory by 2050 and the broader environmental goals.
- Secondly, we consider the sustainable impact revenue contribution, thus establishing if the revenues from the company's products or services are targeting one or more environmental or social impact objectives.
- And thirdly, we look at the contribution to one or more of the Sustainable Development Goal (SDG) themes. For this, we calculate the share of net sales generated by a company by products or services that have a contributing impact to the achievement of an SDG objective, minus the share that has an obstructing (negative) impact. We also map the sustainable impact revenue contribution and the SDG thematic contribution to our transition themes and sustainability themes.

Considering these criteria, we find that in a universe consisting of listed companies ranging from large caps to small caps in both developed and emerging countries, about 45% can be considered as sustainable investments. This calculation has led us to set higher targets for the percentage of committed sustainable investments for our own funds (see below under 'Outcome' in this Principle).

Evidently, the regulatory agenda for sustainable finance continues to evolve. In 2023, we provided input to legislative consultations through our membership of DUFAS, Eumedion, and other organisations. We expect to see the supervisory authorities paying continued attention to sustainability and impact claims. More changes to the SFDR will unfold over the next several years, following ongoing consultations and the further development of the European Securities and Markets Authority (ESMA) roadmap.

¹⁷ SFDR (Sustainable Finance Disclosure Regulation): SFDR was introduced by the European Union (EU), with the aim to promote sustainability and transparency in the financial sector.

¹⁸ MiFID II (Markets in Financial Instruments Directive II): a regulatory framework introduced by the EU to regulate financial markets and enhance investor protection.

See also below under **Principle 6.3 Outcome**, on how we applied this clearer definition of 'sustainable investment' into our own funds, for the benefit of our clients.

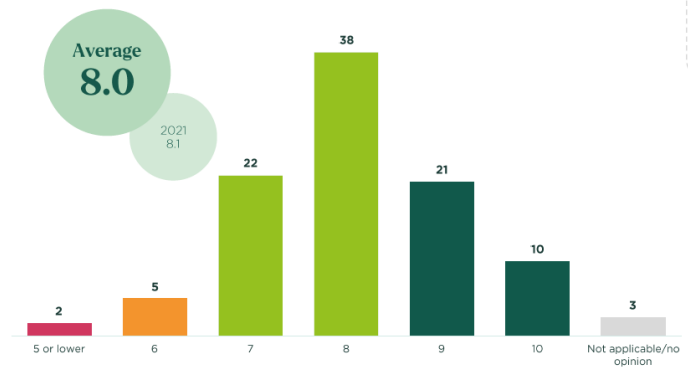
Communications to clients

In 2023, we implemented the EU's sustainability regulations, such as the EU taxonomy, the Sustainable Finance Disclosure Regulation (SFDR) and the amendments to the Markets in Financial Instruments Directive (MiFID II).

Part of the implementation of these regulations involved developing a platform to make external sustainability data available for reporting purposes. In the future, we will use this data to provide our clients with more insights.

As an example, the platform calculates principal adverse impact indicators for all the listed strategies in our own funds and provides the percentage of EU taxonomy-aligned sustainable investments.

In our client satisfaction surveys, respondents have a positive rating of 8.0 for communication and information provided by us.



Source: Van Lanschot Kempen, 2023 survey. "How satisfied are you with how Van Lanschot Kempen Investment Management communicates and provides information?"

Road to net zero – Van Lanschot Kempen Investment conference

In the UK, the Van Lanschot Kempen Investment Management team holds a UK investment conference on an annual basis for current and prospective clients, as well as other industry participants in the UK fiduciary market.

In 2023, the conference covered a number of themes, including the keynote presentation which created lengthy debate. The topic was 'on the road to net zero,' and how this is best achieved in the corporate bond space, which has proved more challenging than listed equities. This was a joint session presented by both our team and representatives from **Insight Investment Management**.

Key to this was establishing a framework on how to assess companies and how to rank them on net zero readiness. The chart below shows the rankings based on the Institutional Investors Group on Climate Change (IIGCC) and the six criteria on which companies are ranked. This is a framework and methodology which the Van Lanschot Kempen team now uses for corporate credit, and is exploring expanding across all asset classes in order to rank where client portfolios are on the road to net zero.



- 1 Ambition
- 2 Targets
- 3 Emissions performance
- 4 Disclosure
- 5 Decarbonisation strategy
- 6 Capital allocation alignment

Policy in action – Improved reporting for fiduciary management clients

In 2023, we increased the level of both quantitative and qualitative climate information provided to clients under the annual Taskforce on Climate-related Financial Disclosures (TCFD), in line with increasing regulatory requirements. Furthermore, we believe this puts us in a good position to implement TFND¹⁹ reporting, relating to nature and biodiversity, when required.

This included portfolio-coverage, absolute emissions, weight average carbon intensity (WACI), carbon footprint, implied temperature rise (ITR) and Climate Value-at-Risk (CVaR) under a range of different temperature scenarios. These metrics are readily available for clients.

We source the majority of data from MSCI which provides us with a depth of coverage and tools to enable the required analysis. Additional data is also taken from ISS ESG analytics.

At this stage, our analysis covers equities and Investment Grade Credit, however, we are exploring incorporating government bonds, in line with the Ascor Project, which would significantly increase the level of coverage in client portfolios.

We are experienced in drafting TCFD reports for our fiduciary management clients and our responsibilities lie primarily in producing all the required quantitative measures and therefore clients can focus their time on enhancing a strong narrative on reporting versus objectives. We recognise this requires a collaborative approach and experience of working across a range of different clients with considerable pension assets, who have delivered TCFD reports. Furthermore, we believe this puts us in a good position to implement TFND²⁰ reporting, relating to nature and biodiversity, when required.

Regular ESG reporting for fiduciary management clients

For fiduciary management clients where we manage a multi-asset portfolio for pension schemes, insurance companies and other long-term investors, clients receive a comprehensive suite of ESG reporting, as set out below.

Our approach to reporting, like our portfolio construction, is to be bespoke to each client, and many of our clients already have a range of bespoke ESG reporting elements.

Name of report	Description
Quarterly Investment Report	Containing a wide range of ESG data and commentary, including UN Global Compact Screening, MSCI ESG Ratings, exposure statistics to certain sectors (e.g., coal mining), carbon emissions and intensity (WACI).
Supplementary Quarterly Report	Customised to each client.
Annual Implementation Statement	Complying with the Statement of Investment Principles, includes details of engagement activities and voting records.
TCFD Report	Annual report complying with the Taskforce for Climate-related Financial Disclosure (TCFD), includes climate scenario analysis and implied temperature alignment.
ESG Newsletter "Sustainability in Action"	Covering a variety of topics across investment. Available online at https://www.vanlanschotkempen.com/en-gb/investment-management/insights .
Annual Stewardship & Sustainable Investment Report	Comprehensive information on Van Lanschot Kempen's ESG focus areas, engagements, and the progress we have made in the reporting year.

¹⁹ The Taskforce on Nature-related Financial Disclosures <https://tnfd.global/>

²⁰ The Taskforce on Nature-related Financial Disclosures <https://tnfd.global/>

Policy in action – investors in our own funds

Clients receive a wide range of communications; each fund has its own sustainability policy, prospectus, and fund factsheet, updated monthly, on the website.

- The fund sustainability policy covers the exclusion and avoidance approach, ESG integration, voting and engagement, and includes sustainability-related disclosures under SFDR.
- The monthly factsheets cover the carbon intensity of the fund (relative to benchmarks) and the sustainability rating of the fund, among other information online at <https://www.vanlanschotkempen.com/en-nl/investment-management>.
- Each fund's investment team provides a quarterly update to clients. These also cover stewardship updates, most notably on engagements and voting (after the voting season).
- Our Annual Stewardship & Sustainable Investment Report (also referred to above) aims to cover all client and service types. This includes a summary of our engagements relating to the OECD Guidelines for Multinational Enterprises and a summary of our most significant votes.
- Clients in segregated mandates in our strategies (for example, Global Small-cap equities) received tailored reports covering exclusion, avoidance, integration, voting, engagements, carbon intensity metrics and SDG alignment, relative to the benchmark.

All our ESG related publications – including our Annual Stewardship and Sustainable Investment Report – are available online at <https://www.vanlanschotkempen.com/en-gb/investment-management/insights>.

6.3 Outcome

Signatories should explain:

- **how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries;**
- **how they have taken account of the views of clients and what actions they have taken as a result;**
- **where they have not managed assets in alignment with their clients' stewardship and investment policies, and the reason for this.**

Reflecting on our clients' views

Stewardship and sustainable investment are topics of conversation with our clients, and we regularly seek out, and hear feedback on how we are managing client investments to align with their own views and policies, as described in the previous section on client surveys.

On climate change specifically, we are encouraged that our global net zero objective is in line with many of our clients' own commitments to achieving net zero emissions. We also believe that our 2025 target is market-leading amongst our peer group of fiduciary managers, particularly in the UK.

Climate change is a focus area for the Van Lanschot Kempen group, and we have ambitious short and medium-term targets as steps on our way to becoming a net-zero investor. These apply across all of our investments:

- - 2050: Net zero.
- - 2030: Aligned with a Paris Agreement 1.5°C pathway (listed and non-listed investments).
- - 2025: Aligned with a Paris Agreement 1.5°C pathway (listed investments).

As advocates of effective stewardship on climate change, we welcome clients who help to push our ambitions further. Our ambition over 2024/25 is to work with external managers in the industry to expand coverage across all listed assets.

For details on our progress towards net zero in our own funds, please see **Principle 7.2**.

Policy in action – fiduciary management clients & local impact

More and more of our Dutch pension fund clients want to see the real-world impact of the social benefits they are looking to achieve via their investments.

In 2023, we and a number of interested parties ran an impact investing exercise. The first point we investigated is what contribution the fiduciary client wants and can achieve, in addressing social issues, i.e., solutions that will simply not happen without their contribution. This is known as “intentionality” and “additionality.”

What our clients are looking to contribute to typically depends on the social themes and/or UN Sustainable Development Goals (SDGs) they have selected as reflecting their values. Examples would be SDG themes such as healthy food, health care, employment, sustainable energy, or affordable housing. To flesh this out, we advise our clients on their selection of external impact managers that can help them achieve this, and review options in various regions – close to home or worldwide – and what type of investment best fits the goal.



Setting higher goals in our own investment funds

In 2023, we committed to a higher minimum percentage of sustainable investments for several of our funds individually, consequently increasing their sustainability profiles. As a result, the larger part of our investment funds now have a variant with a higher degree of commitment to sustainable investments. Please see below for an overview. We call these “Article 8+” funds, a step up on the sustainability ladder from the regular Article 8 funds²¹.

Please find more information on the sustainability-related disclosures of our funds online at <https://www.vanlanschotkempen.com/en-gb/investment-management/investment-strategies/fund-library>.

In addition, our two Article 9 funds, Global Impact Pool, and SDG Farmland Fund, have clear impact ambitions and are fully invested in sustainable investments. We are continuously monitoring the SFDR regulation and evaluating whether we can further increase our ambition levels and the target for the percentage of sustainable investments in our strategies.

We were delighted that our sustainable funds maintained their high sustainability ratings from external rating agencies, including Morningstar’s Sustainability Globes, and we again increased the number of funds with the international sustainability labels **Towards Sustainability** from the Federation of the Belgian Financial Sector (Febelfin) and **ISR**. The French ISR label (in English SRI) recognises investment funds and real estate funds that implement a robust socially responsible investing methodology, resulting in measurable and tangible outcomes. We now have six funds carrying the Febelfin Label and five funds with the ISR label.

In addition, we have been awarded five out of five stars by the UN Principles for Responsible Investment for our responsible investment process in 2023.

²¹ We have qualified our investment funds according to the criteria as established in the Article 8 of the SFDR. This means that these funds aim to promote sustainable characteristics without having sustainability goals as its main objective. Conversely, Article 9 funds do have a sustainable objective. Article 8+ is a term Van Lanschot Kempenn Investment Management uses internally.

Classification of Kempen investment strategies and funds

Investment Strategy	Article 6*	Article 8*	Article 8+ (partially sustainable investments)*	Article 9*
Private Markets	Kempen Private Equity Fund I + II	Kempen Private Markets Fund		Kempen SDG Farmland Fund
	Kempen North American Private Equity Fund			
Multi Asset				Global Impact Pool
Sustainable Equities			Kempen Global Sustainable Equity Fund	
			Kempen European Sustainable Equity Fund	
Small-caps			Kempen Global Small-cap Fund	
			Kempen Sustainable European Small-cap Fund	
	De Zonnewijser (and feeders)	Kempen Oranje Participaties (and feeders)		
High dividend		Kempen Orange Fund		
		Kempen Global High Dividend Fund	Kempen Sustainable Global High Dividend Fund	
		Kempen European High Dividend Fund		
Euro Credit		Kempen Global Value Fund		
		Kempen Euro Credit Fund	Kempen Euro Sustainable Credit Fund	
			Kempen Euro High Yield Fund	
Real Estate				Kempen (Lux) Global Property Fund
				Kempen European Property Fund
		Kempen Private Real Estate Pool		
Listed Infrastructure		Kempen Global Listed Infrastructure Fund		
Alternative Credit	Diversified Distressed Debt Pool			
	Diversified Structured Credit Pool			
	Kempen Alternative Fixed Income Solution			
		Kempen European Direct Lending Pool		

* We have qualified our investment funds according to the criteria as established by SFDR. Article 8 funds aim to promote sustainable characteristics without having sustainability goals as its main objective. Conversely, Article 9 funds do have a sustainable objective. Our "Article 8+" funds do not have a sustainable objective but do have a raised minimum percentage of sustainable investments. This percentage varies per fund. Please find more information in the sustainability-related disclosures of our funds, available online at <https://www.vanlanschotkempen.com/en-gb/investment-management/investment-strategies/fund-library>.

This symbol indicates that the fund has moved to a higher minimum percentage of sustainable investments in 2023. →

Understanding our clients' views – UK fiduciary management case study

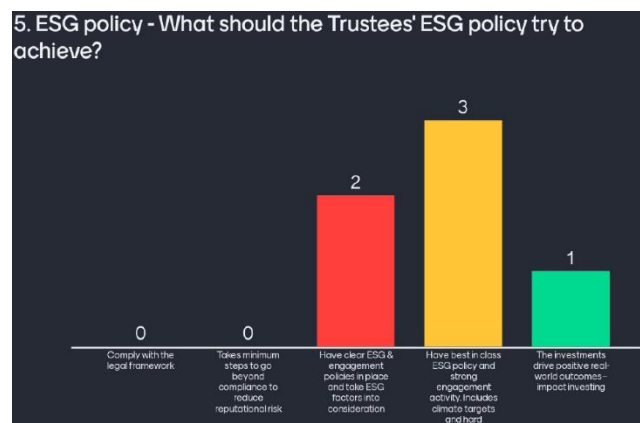
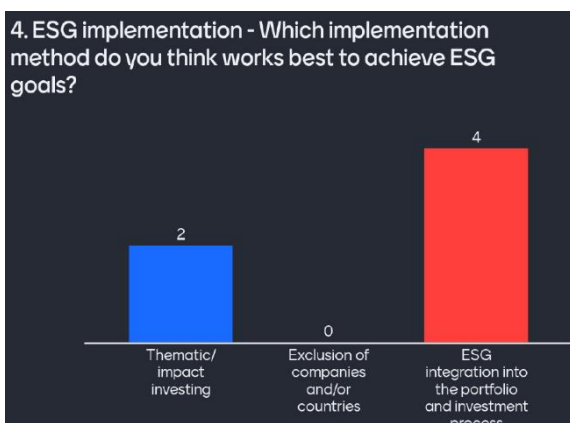
We provide annual training on sustainability to our clients and try and better understand their needs and requirements so that our portfolios are aligned with the ESG goals we want to achieve.

An example of this for UK fiduciary management clients was a recent training programme which included a live, but anonymous digital survey to allow individual pension scheme trustees to voice their views and provide us with feedback on how they want stewardship undertaken in their portfolio.

Below are two examples of questions which created lively debate and, following conversation, it was agreed that the mandate given to us when constructing portfolios would be that:

- ESG is integrated in to the portfolio and investment process; and
- over time they would like to see gradual improvement in the funds used which are recognised as having highest quality ESG policies, showed by engagement activities, climate targets and a clear exclusion policy.

Not all of these conclusions from this survey were in line with our original view for the client's investment portfolio, but we are now looking to incorporate the client's ambitions into the portfolio to reflect the desire and mandate that has been expressed by the client.



Principle 7 - Stewardship, investment and ESG integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

7.1 Context

Signatories should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding and exiting. This should include ESG issues of importance to them.

Prioritising issues

Focused approach to navigating transitions

We see major societal changes happening in our time, partly as a result of our decades-long production and consumption behaviour. Our goal, as an independent, specialist wealth manager, is to guide our clients through the transitions towards the more sustainable economy that these changes involve.

We believe that we can serve our clients in the best possible way by acting as stewards and helping our clients to allocate their capital to companies or solutions that support the transitions and can make the most of them. In this way we aim to add value to our investments and the transitions themselves.

As a wealth manager, investing is at the core of what we do. We focus on preserving and growing the capital of our clients in a sustainable way, over the long term. A long-term approach requires both vision and discipline. Which is why our investment engine is active and engaged, investing time in truly understanding what we own.

Energy and Food transitions

Given our size and knowledge, we focus on those areas where we believe we can make the biggest difference. Areas where we have strong expertise and data available that is needed both to drive real progress and to measure it. For us, these are the energy transition and the food transition.

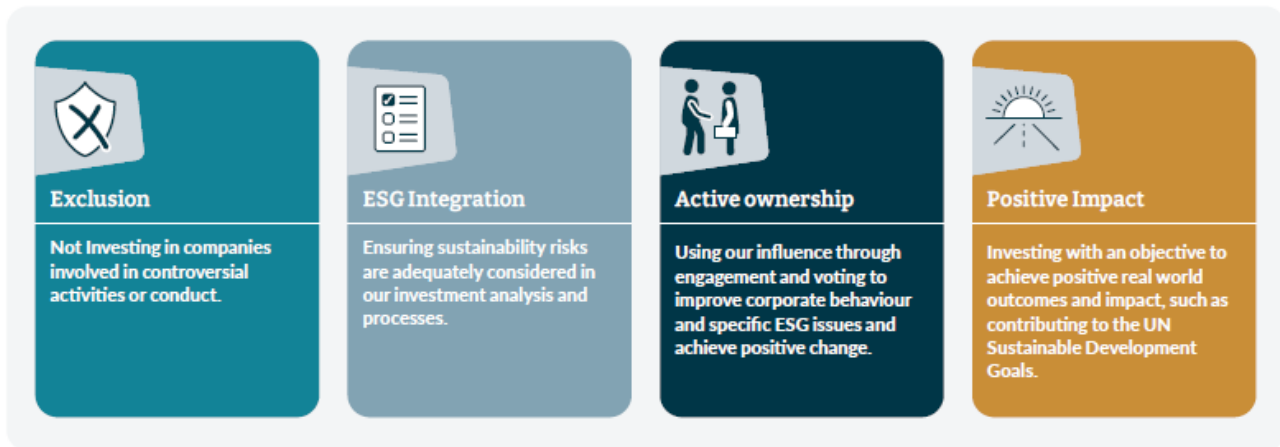
The energy transition needs to speed up the use of renewable energy and decrease the use of fossil fuel. The food transition should transform the food production system into one that works better for both people and planet, leading to more diverse and nutritious food production. Acting on these transitions also involves considering the other major transitions that are closely aligned, most notably the materials transition, which is necessary for the energy transition.

Definitions:

- **Energy transition:** This refers to the global shift from traditional, fossil fuel-based energy systems to cleaner, more sustainable sources of energy. It involves the adoption of renewable energy technologies such as solar, wind, hydro, and geothermal power, as well as the improvement of energy efficiency and conservation practices. The goal of the energy transition is to reduce greenhouse gas emissions, mitigate climate change, and create a more sustainable and resilient energy system.
- **Food transition:** Also known as the sustainable food transition, this is aimed at transforming the way we produce, distribute, and consume food. It involves shifting from conventional agricultural practices that rely heavily on synthetic fertilisers, pesticides, and intensive livestock farming towards more sustainable and regenerative practices. The goal of the food transition is to protect ecosystems, ensure food security, promote biodiversity, and improve the health and well-being of both humans and the planet.

Tools to guide our decision-making

We organise our sustainable investment efforts around four pillars. These tools allow us to take action on, and bring forward the transitions.



Exclusion

We are active investors and active owners. To drive the sustainability performance of a company, we prefer inclusion over exclusion. However, exclusion is a vital part of our sustainability approach. Our minimum standard is ‘to do no significant harm’: we do not want to invest in companies and countries involved in activities with severely negative impacts on people and/or the environment. These activities may be product/service-based or related to conduct.

There are 287 companies currently on our exclusion list due to their involvement in controversial weapons, their negative impact on people and/or the environment, or because of tobacco-related activities. We also do not invest in countries involved in particularly severe violations and/or under EU/UN sanctions (24 countries on exclusion list in Q4 2023).

The exclusion list is based on our adherence to international guidelines and standards, and our support for the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact, the UN Guiding Principles on Business and Human Rights, and the Principles for Responsible Investment. These key standards form the foundation of our convention library, which includes 22 conventions, treaties and initiatives.

Our **Exclusion Policy** and **Exclusion list Q4 2023** are available online at <https://www.vanlanschotkempen.com/en-gb/investment-management/sustainability-approach/exclusion>.

ESG Integration and scoring

Details of our Sustainability Spectrum methodology for third-party managers is provided in Principle 8.

In our investment process for the Kempen investment funds, we employ a proprietary Sustainability Risk scoring approach. This score combines external ratings with our own perspectives and knowledge about the firms in which we invest. Scores become more forward-looking and consistent as a result, also allowing us to absorb the results of our engagements with firms more swiftly. In addition, we put extra focus on carbon emissions and corporate governance. This links directly to our own net zero goals²².

- **How it works:** External risk ratings are used as default and combined with our own views on companies based on in-depth assessment, engagement, and proprietary research. Our view can indicate likely improvements or deteriorations in sustainability status that are not (yet) reflected in the default scores.
- **Focus:** Given the importance of carbon emissions and corporate governance, the team uses a more extensive combination of external data for a refined custom scoring framework for these issues. The framework reflects the targets the company has set, the way these are managed and how management is incentivised to reach them.
- **The benefits:** The Sustainability Risk Score can ‘correct’ external ESG data. Quick integration of the outcomes of engagement in the score. This makes the score more forward looking. Resulting scores are absolute and can be used as a comparison of risk between companies. Score gives a consistent view of how exclusion and engagement thresholds are set.

²² <https://www.vanlanschotkempen.com/-/media/files/documents/investment-management/esg/policies/climate-change-policy.ashx>

Active ownership: engagement and voting

We are active investors and active owners. To drive the sustainability performance of a company, we prefer inclusion over exclusion. Engagement and voting are crucial to encourage positive change at the companies we invest in and achieve real world change.

We engage on a broad range of strategic, financial, corporate governance, environmental and social aspects, while differentiating between:

- Engagement for awareness to raise awareness about a certain issue among companies.
- Engagement for change when we have concrete objectives with specific timelines set in advance, specifying what we would like to achieve. Progress is measured via milestones achieved.
- Public policy and collaborative engagements.

Full details of our engagement activity in 2023 are included in **Principle 9**.

Voting at shareholder meetings of investee companies is a key tool in stewardship and active ownership. In 2023, we voted at 468 company meetings, with 15% of our votes cast against management. We typically vote against management when we have concerns about board nominees due to their age, tenure, and lack of diversity, or if we have concerns about executive remuneration. We will sometimes abstain to give management time to resolve an issue, but on the understanding that we will vote against management in future if no changes are implemented. Our criteria can be found in our **Voting Policy**²³.

Positive impact

Impact investing finances solutions and opportunities that address and contribute directly to solving global problems. At Van Lanschot Kempen, we believe that investing for impact is not only the right thing to do, but also the smart thing to do. By directing capital towards innovative and impactful businesses and real assets, we aim to generate both financial returns and meaningful social and environmental outcomes for our clients.

7.2 Activity

Signatories should explain

- **how integration of stewardship and investment has differed for funds, asset classes and geographies**
- **processes they have used to:**
 - **integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries; and**
 - **ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues.**

Integrating stewardship and investment

There are several nuances on how stewardship and investment across different types of funds and geographies should be approached to ensure effective progress in one's sustainability ambitions.

Understandably, significant equity ownership across listed and non-listed assets are where one has the greatest access and influence for change over management. On the listed side, corporates are subject to greater regulatory scrutiny whereas uniformity and reporting norms are less well-understood or available in the non-listed space.

While fixed income does not come with ownership and thereon an a platform where one is able to exert their influence through voting, we see significant scope for fixed income investors to engage with underlying companies. Indeed, our Kempen fund credit investment team engages with companies and issuers on a regular basis on stewardship and other matters.

Between regions, developed markets typically provide greater scope for engaging on environmental and biodiversity matters whereas greater amount of resources are spent on social and governance matters when engaging and integrating stewardship requirements in emerging markets. This can take the form of better disclosures and more transparent reporting

²³ <https://www.vanlanschotkempen.com/-/media/files/documents/investment-management/esg/policies/voting-policy.ashx>

with science-based targets for achieving climate ambitions in developed markets while influencing composition of management boards and remuneration packages across emerging markets.

Energy transition – aiming for our reduction targets

In accordance with the Paris Agreement, we want to help limit climate change to +1.5°C compared with pre-industrial levels. For this reason, we aim to be a net-zero investor by 2050 by aligning our assets under management (AUM) with a long-term carbon intensity pathway of minus 7% a year on average, in terms of weighted average carbon intensity (WACI)²⁴. The WACI measures a portfolio's exposure to carbon-intensive issuers and serves as a proxy for a portfolio's exposure to climate transition risks.

To deliver on this aim, we have again directed a substantial part of our voting and engagement efforts towards climate-related issues. Our investment teams have engaged with the most carbon-intensive companies following the WACI metric, which account in aggregate for at least 50% of the carbon intensity of their respective portfolios.

Policy in action - WACI engagement examples in our Kempen equity funds

An example of such an engagement is our dialogue with the German cement company **Heidelberg Materials** on the inclusion of CO₂e-reduction milestones in the long-term incentive plans (LTIP) for its management and personnel. This implies that the company's senior management should be accountable for whatever carbon reductions are accomplished.

The cement industry contributes approximately 7% of global industrial carbon emissions, with Scope 1 emissions accounting for the largest part of total emissions in the industry. Including reduction targets in the LTIP would ensure that the adopted milestones are taken seriously. No changes had been achieved by the end of 2023, but the company is working on a new remuneration system and has agreed to put this on the agenda of its annual general meeting in 2024.

In 2022, we approached the German aviation group **Lufthansa**, to discuss its decarbonisation plans, how to make progress towards its 2030 carbon reduction targets and verification of its targets by the Science Based Targets Initiative (SBTi). In May 2023 we saw Lufthansa take a tangible step towards decarbonisation, with its the reduction roadmap to 2030 being validated by the SBTi. The company has also introduced 'Rail & Fly' tickets within Germany.

Policy in action – Measuring the carbon intensity of our funds

With the aim of a 7% annual carbon emission reduction in our own funds' investment portfolios, we use the full suite of responsible investment tools: tightening exclusion rules, reflecting carbon metrics in the proprietary Sustainability Risk Score, as well as voting and engagement.

The investment teams have engaged with the most carbon intense companies following the WACI (weighted average carbon intensity) metric, representing (at least) 50% of the carbon intensity of the respective portfolios. The table below shows the aggregated emissions broken down for all internally-managed Kempen funds over 2023.

Overall, the figures show that most Van Lanschot Kempen funds are less carbon intensive than similar benchmarks, indicating that the companies in the portfolios have a relatively lower carbon intensity compared to their industry peers. In line with the goals of the Paris Agreement, a lower carbon intensity – besides an absolute carbon level – is required.

²⁴ The target of -7% applies to our in-house Kempen funds and the 'Active' and 'Sustainable' proposition managed by investment management, and offered as a service within the Private Bank.

Carbon footprint breakdown for all listed Kempen Funds

	Carbon emissions (tCO ₂ e) per EURm invested	Carbon emissions (tCO ₂ e) per EURm invested compared to similar benchmark	Weighted average carbon intensity (tCO ₂ e) EURm Revenues)	Carbon intensity compared to similar benchmark
Kempen (Lux) Euro Credit Fund	59	lower	83	lower
Kempen (Lux) Euro Sustainable Credit Fund	41	lower	58	lower
Kempen (Lux) Euro High Yield Fund	99	lower	100	lower
Kempen European High Dividend Fund	104	lower	70	lower
Kempen (Lux) European High Dividend Fund	105	lower	70	lower
Kempen Global High Dividend Fund	116	lower	123	lower
Kempen (Lux) Global High Dividend Fund	117	lower	123	lower
Kempen Sustainable Global High Dividend Fund	75	lower	49	lower
Kempen (Lux) Global Value Fund	183	higher	82	lower
Kempen (Lux) Global Small-cap Fund	103	lower	96	lower
Kempen (Lux) Sustainable European Small-cap Fund	66	lower	60	lower
Kempen Orange Fund	34	N/A	43	N/A
Kempen Orange Participaties	34	N/A	32	N/A
Kempen (Lux) European Sustainable Equity Fund	7	lower	15	lower
Kempen (Lux) Global Sustainable Equity Fund	4	lower	14	lower
Kempen (Lux) Global Property Fund	9	lower	48	lower
Kempen Global Property Fund	9	lower	48	lower
Kempen (Lux) European Property Fund	6	lower	40	lower
Kempen (Lux) Global Listed Infrastructure Fund	416	lower	983	higher

The table contains preliminary portfolio data from end of 2023 based upon ISS ESG data that can be compared to carbon data for benchmarks that are relatively similar to the funds. The numbers may differ from the data disclosed under SFRDR Annex IV covering 2023, that originate from MSCI datapoints. We refer to annex IV as published on the document section of the fund information on our website for the 2023 figures, based on MSCI datapoints.

Policy in action – reflecting megatrends in fiduciary management client portfolios

Our integrated ESG approach seeks to both limit risk and identify opportunities. While our ESG opportunity identification is multi-faceted, a good example comes in the form of thematic investments made into specified megatrends.

Megatrends are long-term global forces that cause structural shifts in society and the economy, driven by deep changes in patterns of consumption, production, and business models. At Van Lanschot Kempen we have identified three megatrends we seek to capitalise on: transition to a sustainable economy, technological innovation, and socio-demographic changes (urbanisation, ageing, growth).

Thematic investments seek to capitalise on these megatrends by providing capital towards businesses that are well-aligned to these megatrends. For example, we have identified "sustainable food supply" as a thematic investment, itself a sub-theme of the "sustainable economy" and "technological innovation" megatrend.

For example, to target our theme of "sustainable food supply", we added to our client portfolios the **BNP Paribas SMaRT Food Fund**, which aims to invest in sustainable food supply chain companies – we believe this allocation presents an (ESG) opportunity to address global challenges while delivering returns for investors. This Fund seeks to invest in sustainable food supply chain companies, particularly those that are accelerating the transition towards a sustainable economy. As an SFDR Article 9 Fund, it explicitly allocates towards companies that are best placed to address global agricultural challenges.

We believe this allocation presents an (ESG) opportunity to capitalise on a long-term (mega)trend which simultaneously addresses global challenges while delivering returns for investors.

Other examples include:

- Clean energy: RobecoSAM Smart Energy Fund; iShares Global Clean Energy ETF; iShares Electric Vehicles and Driving Technology ETF.
- Clean water: iShares Global Water ETF.
- Sustainable, healthy living: iShares Ageing Population ETF; iShares Innovative Healthcare ETF.
- Automation and robotics: iShares Automation & Robotics ETF; iShares Digitalisation ETF.
- Digital security: iShares Digital Security ETF"

All of our investments must conform to our Sustainable Investment Charter. This includes strict exclusion lists, ESG integration, engagement and voting policies, and net zero commitments.

This means that, beyond our thematic allocations, all our portfolios conform to Van Lanschot Kempen's minimum ESG standards.

Policy in action – sovereign policy for fiduciary management clients

Rather than using sovereign ESG ratings by external agencies, since these can be biased towards wealthy countries, less transparent and are not controversy-based, we have developed our own policy in recent years.

Our policy is based on independent ESG and sustainability risk indicators, including scores and ratings from reputable think tanks, Non-Governmental Organisations, and academia. These are for example publications from Yale University, the International Trade Union Confederation and country scores of Freedom House on press freedom and democracy. The country policy looks beyond sovereign issuers and considers the influence of sovereign in State-Owned Enterprises (SOEs).

Over 2023, we transitioned the majority of our UK fiduciary management clients who were invested in emerging markets debt from a passive fund which tracked the JP Morgan emerging market debt benchmark to a proprietary ESG-screened emerging market debt index to reflect the sovereign policy we have created.

This is index bespoke for our clients and in our view helps to protect our clients' investment portfolios from short term reputation risk, and in the long term we believe will produce better risk-adjusted returns for our clients. The aim is to avoid significant drawdowns – or decline in value – such as that demonstrated by Russian sovereign bonds following the start of the war in Ukraine and their subsequent removal from the global index.

7.3 Outcome

Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries

Food transition through the lens of biodiversity

2023 saw the important topic of food systems – what we eat, how food is produced and grown, and how it is shipped – finally becoming a focus of international sustainability discussions.

COP28, held in Dubai in November 2023, opened with a declaration on sustainable agriculture, which was signed by over 130 countries, and a whole day was devoted to food and agriculture. In the final agreement document, sustainable agriculture was named as being part of the considerations and responses to the crises of climate change and biodiversity loss.

At Van Lanschot Kempen, we acknowledge that society's current consumption pattern and rising living standards have resulted in a food production system that is depleting natural resources and polluting the environment. We are dedicated to playing a role in transforming the food production system into one that works better for the people and planet. We do this by enabling our clients to invest in new opportunities and helping them understand the impact and dependencies on nature and biodiversity in their portfolios.

Healthy food and biodiversity

We see the preservation and enhancement of biodiversity and soil health as vital elements to contribute to a cleaner environment and the production of more nutritious and healthy food.

The intensification of agriculture in recent decades has played a critical role in increasing biodiversity loss. We aim to limit and reverse this loss, primarily by advancing the food transition and by focusing on halting deforestation in accordance with our biodiversity policy.

In 2023, a biodiversity framework was put in place for the Kempen funds that stipulates the criteria for our investments, engagement, exclusion, and impact.

A living soil

Through our SDG Farmland Fund, we can contribute directly towards the food transition. The strategy invests in agricultural land with the aim to shift from a conventional to a regenerative farming system, also working towards solving the issues of healthy food production and biodiversity loss. This fund invests in agricultural land, with a focus on improving soil quality and "bringing life back into the soil," leading to healthier soil and more nutritious crops.

For more information on the farmland strategy, please see online at <https://www.vanlanschotkempen.com/en-gb/investment-management/insights/alternative-focus/farmland>.

Engagement on biodiversity

We also aim to contribute to the goal of preserving biodiversity by our actions as active owners. In 2023, we had several individual engagements on this topic with large food-producing corporations. For example, we encouraged **Danone** to increase its focus on plant-based protein products and the ability to recycle its packaging. See also **Principle 12.2 'Activity'** on working with external managers on their engagements with Danone.

Another example is our engagement with **TotalEnergies**, in collaboration with other Dutch asset managers, on their East African Crude Oil Pipeline Project. This project is likely to significantly impact unique and fragile ecosystems in Uganda and Tanzania. In response, the company indicated that it is exploring options to limit this impact and develop biodiversity offsetting plans. We will continue to follow this project closely.

Looking ahead

In 2024, we aim to bring further focus into our ambition to help clients navigate transitions. With many changes and transitions taking place in a world in turmoil, we think it is important for us, as a specialist wealth manager, to centre our attention, research, and actions on the transitions where we have the most expertise and can act to do good. We will put our efforts into enabling and furthering the energy and food transitions, investing with conviction, and using and combining the tools of engagement, voting, integration and exclusion to make better investment decisions and provide better advice for the benefit of our clients.

This will entail focusing on continuing to reduce the emissions of our assets under management: as per our KPI, we aim to reduce the annual weighted average carbon intensity (WACI) of our discretionary by 7%²⁵. In addition, we seek to increase the percentage of AUM invested in sustainable and/or impact wealth management solutions by at least 3% annually.

With climate change, the energy transition and the food transition being deeply interrelated with biodiversity, we will increase the number of strategic engagements with companies on this theme. We will also be engaging more with companies on circularity and labour rights-related controversies: our focus on energy and food transitions does not have to preclude aligning our investments to related transitions, such as the materials transition.

As well as an increased emphasis on focused engagements, we will also work on expanding our research into the impact of the transitions on asset allocation. Our extensive in-house expertise in real estate will enable us to do this for this sector in 2024.

Our voting approach is becoming increasingly emphatic on supporting climate-related shareholder proposals. We have adopted an additional voting policy focused on shareholder proposals which means we go further in scrutinising whether the management of our investee companies is taking sufficient action on climate change mitigation.

Last but not least, as mentioned earlier in this report, we will focus more on impact and transition investing, as described in **Principle 2.2 'Outcome'**, so as to contribute to more sustainable outcomes through our investments. We will do this both by enabling companies to green their assets and by investing in companies already offering sustainable products and services. This will be reflected in our 2024 efforts to build a broader impact investing framework and in a broadening of our impact proposition both in terms of advice to clients as well as implementation options.

²⁵ Against a 2019 baseline

Principle 8 – Monitoring managers and service providers

Signatories monitor and hold to account managers and/or service providers.

8.1 Activity

Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs

Monitoring service providers in data

We have an ongoing dialogue with service providers such as MSCI, Sustainalytics and ISS.

Over 2023 we took the decision that MSCI would be our primary provider of ESG data. We felt MSCI had depth in their data offering, and also rapidly improving analytics. We have worked with the team at MSCI who have assisted with climate VaR calculation, implied temperature rise, and Scope 3 data.

In 2023 we also undertook an extensive SFDR and TCFD process evaluation including data governance, increasing coverage, process optimisation and new regulatory requirements both announced and anticipated. This is part of our move from focusing primarily on regulatory reporting to helping our clients understand their investments through reporting on portfolio ESG insights, Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs). We believe this puts us in a good position to implement TFND²⁶ reporting, relating to nature and biodiversity, when required.

For an example of how we've improved the data flows and used this in client reporting for fiduciary clients, please see **Principle 4**, 'Case study 2: Reviewing the sustainability risk management cycle'.

Working with external managers

Our Sustainability Spectrum methodology, shown in the figure below, helps determine at what level of sustainability an investment solution as provided by an investment manager, stands.

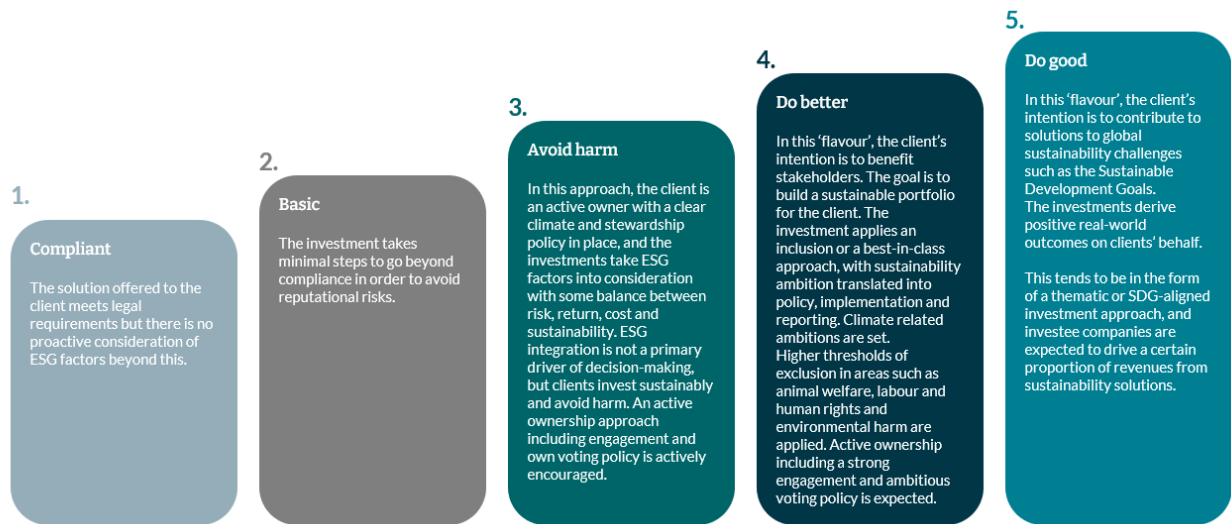
In 2023, we applied our proprietary Sustainability Spectrum scoring methodology to over 475 (2022: 385) internally and externally managed funds, representing in total over 60% of Van Lanschot Kempen Investment Management's assets under management.

As part of this exercise the manager selection and monitoring team mapped the greater majority of the managers we work with, to define where their products are positioned on the Sustainability Spectrum.

The scoring methodology is reviewed and improved every year and subsequently made more ambitious (see below for improvements to our detailed framework).

Currently the minimum standard for our operations and investments remains 'avoid harm' on our Sustainability Spectrum and, as an organisation, our aim is to reach beyond this to make sure society and the environment can benefit, and that we enable an accelerated transition towards a sustainable economy.

²⁶ The Taskforce on Nature-related Financial Disclosures <https://tnfd.global/>



The pie charts included under **Principle 8.3 'Outcome'** show a breakdown of our Assets under Management in listed asset classes by the five scores on the Sustainability Spectrum. Their sustainability scores range from "Basic" to "Do good," however, we do not actively offer managers in flavours 1 and 2 actively to our clients. Flavour 1, "Compliant" is therefore absent from the pie charts.

A closer look at monitoring the managers

The selection of managers represents only around half of the work undertaken by our Manager Research Solutions team, and in our view constitutes only half, at best, of the added value potential. The remainder is focused on monitoring the managers in our clients' portfolios, and on our Approved List. The Manager Research Solutions team is responsible for selection, monitoring and de-selection of all investment manager and we subject every fund manager – internal or external – to the same rigorous selection and monitoring process.

The Manager Research Solutions team continuously monitors all managers with findings presented to the investment committees described above on a quarterly basis using a 'traffic light model' (red/amber/green), aligned to the topics – Organisation, Strategy, Portfolio, Performance, ESG and Operations - covered in the due diligence process. Passive funds are also subject to detailed quarterly monitoring. There are three reasons for this:

- reassurance on the quality of the manager,
- assessment of how well the investment strategy of the manager is suited to adding value in the prevailing investment environment,
- ensuring that the strategy i.e., the active choice that leads to the selection of a passive index, as implemented by the manager still fits the client's (potentially changing) requirements while taking into account the overall portfolio context.

Where there are issues flagged as part of the monitoring, the Manager Research Solutions team will engage with the manager in order to understand the issues and whether this is likely to be a fundamental point that will impact the researcher's investment thesis. This could be a result of changes at the firm and personnel, investment process or performance.

If a decision is taken to de-select the manager, it is agreed and ratified by the investment committee and communicated to the client team. This will then result in changes to client portfolios in order to reflect the firm's updated views on these investment managers while accounting for timing, transaction costs and other nuances.

Detailed framework for assessing sustainability

The areas in green show the six areas of focus which are assessed when deciding where each manager and strategy lies on our Sustainability Spectrum. The areas in grey are those which have been developed in addition to the existing framework within the last year under each heading.

1. Commitment to RI	SBTi objectives	4. Evidence & Transparency	Firm-wide engagement reports
	Policy on Arctic drilling/ Shale oil		Impact of investments on biodiversity
	Commitment to biodiversity		Periodic fund specific voting report
	Policy on Deforestation & Food transition		
2. ESG Integration	Portfolio construction tilted towards higher ESG & SDG ratings	5. Exclusions	Conventional weapons, MSCI red flags (or equivalent recognised alternative)
	Incorporate climate metrics with decarbonization objective into investment process		Lower (ESG) rated firms
	Target allocation to Green, Social, Sustainable or ESG-labelled bonds		
3. Active Ownership	Engage on climate risk and (energy transition) opportunities	6. Impact	Utilize Impact Management Project framework or equivalent alternative
	Engage on biodiversity risk and (food transition) opportunities		Ability to report realized impact in detail for each portfolio holding
	Litigation part of escalation when engagement efforts inadequate		

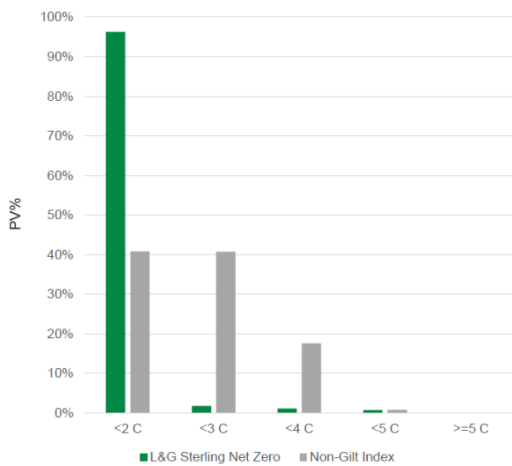
Case study – Net Zero Sterling Investment Grade Corporate Credit

Sterling Investment Grade Credit is a core asset class for UK pension schemes, and these assets typically comprise a greater proportion of a pension’s investment portfolio as schemes approach buyout. We therefore partnered with an external manager who are often identified as market leaders on the ESG front in UK.

The manager launched their net zero strategy with us as seed investors and, as illustrated below, shows a remarkable improvement in climate metrics versus the broader index. In addition, this new strategy integrates our Exclusion Policy resulting in the fund being classified as a ‘Do better’ strategy. As a result, we were able to move our clients’ investments to the new strategy, and added the fund to our Approved List.

As with all our clients’ investments, we are actively monitoring how the portfolio is developing over time while engaging on further enhancements to the strategy, reporting and monitoring how the companies within the portfolio continue to deliver on their current objectives.

Temperature breakdown²



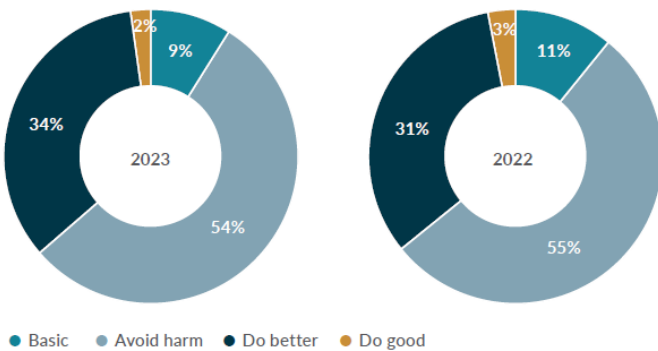
	Fund	Benchmark	Relative
Temperature alignment	1.63	1.90	-0.27
WACI ¹	54	76	-22

8.2 Outcome

Signatories should explain the action they have taken where signatories' expectations of their managers and/or service providers have not been met

Out of the 475 listed funds that we had scored by the end of 2023, as a percentage of scored AUM, 9% of the funds scored “Basic”, 54% scored “Avoid harm”, 34% scored “Do better” and 2% of the AUM fell under managers scoring “Do good” on the Sustainability Spectrum²⁷.

Sustainability scores of external managers

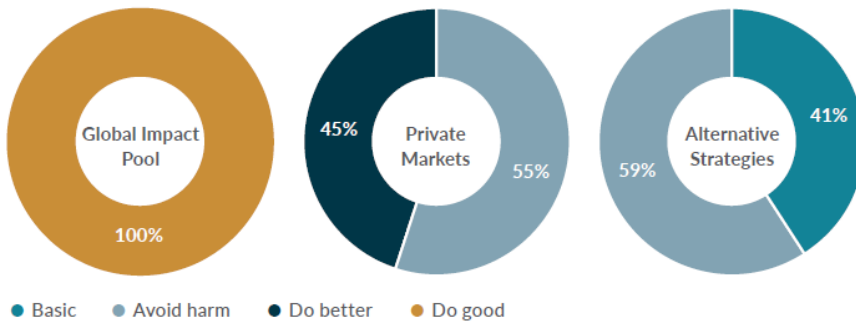


²⁷ Close to 1% could not be scored due to absent data.

Scoring funds of funds

In 2023, we continued to assess funds in private and listed alternative asset classes (our Kempen Pool solutions). 78 funds of funds have been assessed on sustainability, of which 10 scored “Basic”, 35 scored “Avoid harm”, 20 scored “Do better” and 13 scored “Do good”.

Sustainability scores of Kempen Pool solutions



Engagement with external managers

Sustainability scoring of external managers leads to engagement in many cases.

We either ask further questions aimed at clarification or engage the manager on their sustainability approach across fixed income and equity managers, hedge funds and private equity managers.

In 2023, we proactively engaged with 40 managers through our manager selection team, including 17 private markets managers, all 13 managers in the Kempen Global Impact Pool and 10 hedge fund managers.

Our Manager Research Solutions team engages with external managers on compliance with our exclusion list, and on alignment with our sustainability ambitions and those of our clients. Engagement topics include inquiries into the managers’ own engagement and exclusion policies, and the impact management framework they use.

We take the time to talk with the external managers, to understand their commitments and their policies around sustainability integration or stewardship, thus working towards the goal of aligning these policies with ours and those of our clients.

For further details and case studies on our engagements with external managers, please also see **Principle 9** (engagements carried out by managers on our clients’ behalf) and **Principle 12** (examples of external managers exercising rights and responsibilities on our clients’ behalf).

Case study example – Portfolio construction using external managers

We incorporate ESG risk models by looking through portfolios to understand holdings and exposure in the portfolio. This includes scenario testing using Climate Value at Risk (CVaR) and implied temperature rise (ITR).

ESG is both risk and opportunity. Therefore we also consider the long-term themes which are likely to drive the economy and markets. This includes the climate, materials, and food transitions. We tilt the portfolio where we see opportunities to take advantage of these themes.

Case study example – scoring client portfolios

As part of an ESG training session for a UK fiduciary management client, we set out how the funds in their investment portfolio scored on our Sustainability Spectrum. This is set out below.

ESG category	Compliant	Basic	Avoid harm	Do better	Do good
Meaning	Meets minimum legal and compliance requirements	Takes minimum steps to go beyond compliance to reduce reputational risk	Clear ESG & engagement policies in place and take ESG factors into consideration for investments.	Best in class ESG policy and strong engagement activity. Includes climate targets and hard exclusions	Investments contribute to solutions for global sustainability challenges – a positive real-world impact
Funds	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> L&G Defensive Synthetic Equity Fund iShares Core Corporate Bond Diversified Distressed Debt 	<ul style="list-style-type: none"> SSGA World TPI Climate Transition Index Equities Diversified Structured Credit GAM Star Cat Bond Partners Group Private Loans IFM Global Infrastructure Fund Insight MBAM Funds Macquarie Infrastructure Debt Fund Insight GBP Liquidity Funds State Street LDI 	<ul style="list-style-type: none"> Norther Trust Emerging Markets SDG Screened Low Carbon Index Fund M&G UK Residential Property Fund UBS Triton Property Fund 	<ul style="list-style-type: none"> None

One of the key takeaways from the meeting was the client’s desire to reduce the number of funds which are rated “Basic.” In particular, our client’s preference is that all their funds be rated “Avoid harm” or higher. This is one of the actions the client team is working on in 2024.

In addition, the client would like to see the following trend analysis added to annual reporting:

- How the definition of each category has increased in rigour each year (the bar rising); and
- A gradual move towards the majority of the funds they are invested in falling under the “Do better” category.

Case study example – working with an external manager on improving the solution

As part of our external manager monitoring, we noted that **Insight’s** Buy-and-Maintain (B&M) credit fund held Volkswagen (VW) bonds, which had a ‘red flag’ controversy rating from MSCI ESG. VW had been under scrutiny after concerns over the use of forced labour at their factory in Urumq, China. Our policy is to not purchase bonds or equities of corporates with MSCI ESG red flags.

We engaged with Insight on how they would remedy the situation, to which they set out a clear structure, timeframe, and actions for the engagement with VW. Over the next few months and quarters, we received detailed updates including actions from management disclosing how they sought to comfort investors and address the situation. The engagement culminated positively with MSCI reversing the Red Flag given to VW²⁸.

Below is a screenshot from our internal monitoring systems which flags the exposure with commentary provided to internal as well as external stakeholders on the drivers behind the ratings.

	2023Q1	2023Q2	2023Q3	2023Q4
Organisation	●	●	●	●
Strategy	●	●	●	●
Portfolio	●	●	●	●
Performance	●	●	●	●
ESG	●	●	●	●
Operations	●	●	●	●

²⁸ <https://www.volkswagen-group.com/en/esg-controversies-15846>

Engagement

Principle 9 – Engagement

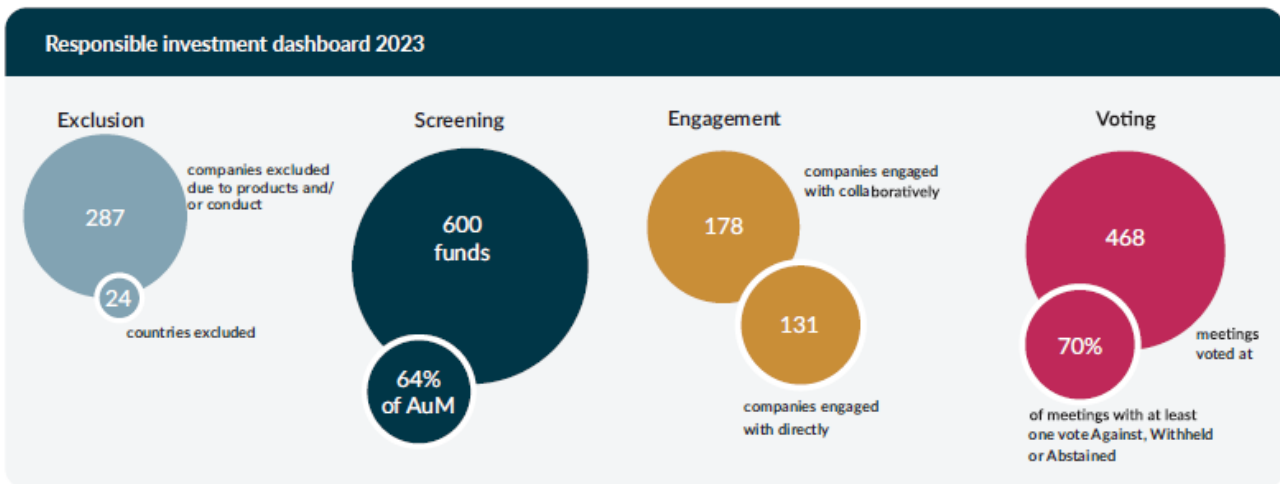
Signatories engage with issuers to maintain or enhance the value of assets.

9.1 Activity

Signatories should explain

- how they have selected and prioritised engagement (for example, key issues and/or size of holding)
- how they have developed well-informed and precise objectives for engagement with examples;
- what methods of engagement and the extent to which they have been used;
- the reasons for their chosen approach, with reference to their disclosure under Context for Principle 1 and 6; and
- how engagement has differed for funds, assets or geographies.

The dashboard below shows our activities in the areas of exclusion, ESG integration and manager screening, and active ownership (voting and engagement) in 2023.



Our approach to engagement

Through our engagements, we seek to encourage positive change at companies. We engage on a broad range of strategic, financial, corporate governance, environmental and social aspects in order to:

- Be informed about corporate strategy, policies and programmes and increase our understanding of a company;
- Ensure that companies' boards and management teams have proper oversight and management of sustainability risks, and that companies sufficiently embrace environmental and social opportunities; and
- Encourage companies to adopt corporate governance best practices.

We differentiate between:

- Engagement for awareness: Aim to raise awareness about certain issues among our investee companies or to get more information on a particular company.
- Engagement for change: Have concrete objectives with specific timelines set in advance specifying what we would like to achieve. The progress of these engagements is measured via milestones achieved in a four-stage process.
- Public policy and collaborative engagements: Aim to improve the overall landscape of (financial) markets and the general level of sustainability performance in particular sectors, markets, and geographies.

We measure the outcomes and results of our engagements with milestones.



Engagement milestones in 2023

In 2023, we achieved 90 engagement milestones across 110 engagements for change, principally in the environmental and governance areas, highlighting the concrete results our engagement delivered during this year.

We proactively enter into company dialogues and through our engagements seek to encourage positive change at companies. In 2023, we engaged directly with 131 companies on environmental, social and governance themes. The total number of engagements was 153²⁹. Of this total, 110 were engagements for change carried out by our portfolio managers and the sustainable & impact investing team. Over half of these engagements concerned environmental issues, followed by governance, while a smaller number of engagements concerned social issues.

Engagements 2023

	Engagements		
	Awareness	Change	Total
Number of companies (unique)	41	103	131
Number of engagements	43	110	153

The number for companies engaged for awareness and change do not add up to the total number, since we remove duplicates. Some companies are engaged both on awareness and change. In collaboration with peers, we engaged with an additional 178 companies.

Numbers of engagements 2023 per theme

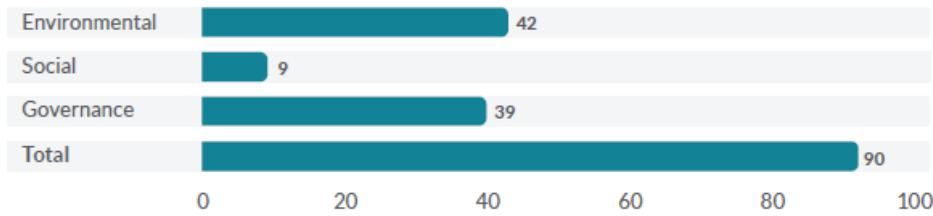
	Engagements for awareness	Engagements for change
Environmental	27	62
Social	3	9
Governance	13	39
Total	43	110

²⁹ Companies can be engaged with on several themes at once and on both awareness and change issues, thus allowing for some overlap.

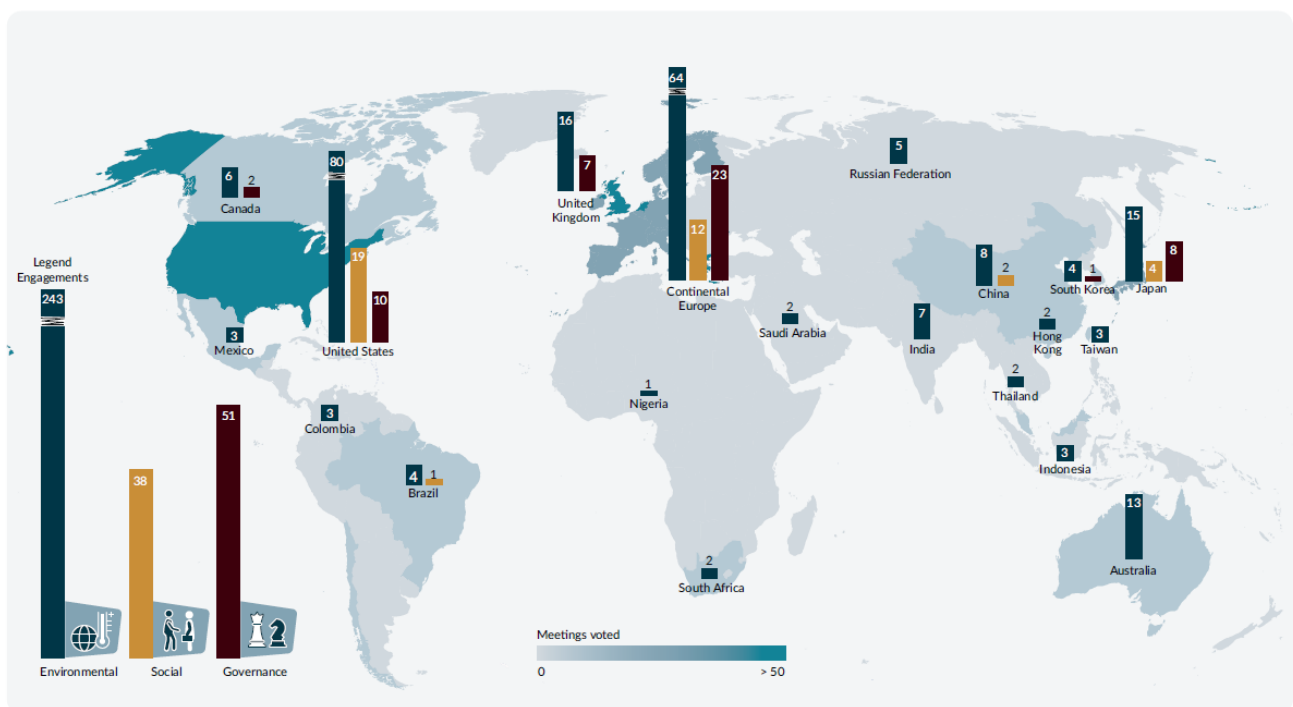
90 milestones achieved

We measure the outcomes and results of our engagements with milestones, in a four-stage process. In 2023 we achieved 90 engagement milestones across 110 engagements for change, a significant increase from 2022 (78 milestones across 106 engagements).

Milestones achieved in 2023 in environmental, social and governance engagement



Voting and Engagement Map 2023
Engagement one-on-one and collaborative



9.6 Outcome

Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf

Policy in action – engagement with companies in our own funds

Engagement on corporate governance – Milestone 4

In the small-cap equity investment sphere, we have both the opportunity and the responsibility to engage with our investee companies to ensure long-term results. More than in the mid- and large-cap sphere, our portfolio managers can act as advisers to a company, contributing their best knowledge and helping to improve on ESG aspects for long-term success.

From 2022–2023 we engaged extensively on the governance aspect of ESG with **Ushio**, a Japan-based global technology leader in industrial lighting applications. As one of the company’s significant shareholders, Van Lanschot Kempen Investment Management aimed for improvement of governance and strategy at the company. Specifically, we asked for an improved return on equity target, a continuous share buyback plan, better reconciliation of capital allocation with strategic priorities and a clear performance-based remuneration policy. In its 2025 mid-term plan, Ushio announced several improvements that

exactly matched the objectives of our engagements. As a result, we were able to successfully close our dialogue with the company in 2023.

Engagements on several ESG issues – Milestones 3 and 4

Real-world results in the highly polluting real estate sector are achieved when companies accelerate their efforts towards climate neutrality and/or good governance. With this in mind, our Real Estate team regularly discusses the need to speed up sustainability efforts with their investee companies.

In 2023, we had active engagements with 30 companies in the sector. Among these was **American Homes**, which we asked to report on Scope 1–3 emissions. The company has since greatly improved its reporting, which is now also externally verified. It has also launched a renewable energy programme.

Alongside engagements with numerous companies on climate issues, we also engage on social issues. For example, we asked **Sun Communities** about employee, tenant and community wellbeing, housing affordability and waste issues.

We also engaged with **TAG Immobilien** (a German residential housing company) on improving capital allocation and strengthening its governance structure. This has had a positive outcome, with the company announcing significant enhancements to its corporate governance, in both its management and supervisory boards. And in capital allocation likewise: TAG has taken measures to preserve capital and improve its balance sheet metrics. All these decisions align with our recommendations.

Case study – engaging beyond companies

Human rights violations, inhumane treatment, modern slavery: there have been numerous concerns and allegations regarding the plight of migrants working in Qatar in the years leading up to the World Cup in late 2022.

French construction company **Vinci**, which was constructing a metro line in the capital Doha, was in the spotlight for potentially being involved in the controversies. To adequately assess the situation, we not only spoke to the company in which we invest, but also gathered information from independent human rights organisations on the ground. A full case study is available online in our 'Sustainability in action' publication, available online at <https://www.vanlanschotkempen.com/en-gb/investment-management/insights/rethinking-sustainability/engaging-beyond-companies>.

Please also see Principle 12 for examples of external managers' engagements on our behalf.

Case study – buy and maintain credit for lower risk portfolios

Effective management through the gilts crisis of 2022 has meant that several of our UK fiduciary management clients' pension scheme portfolios are better funded today, and are therefore looking at their endgame options. As many of our clients move towards the end of their journey plan, Buy and Maintain Investment Grade Credit constitutes a growing element in their lower risk investment portfolios, and is considered 'insurer friendly' as these credit holdings align closely with insurers' portfolios in pensions endgame solutions such as buyout.

We have actively engaged with **Insight Investment Management** who are our preferred manager in this asset class, in order to ensure that climate risks are integrated into their portfolio, and that clients can invest in these funds knowing that their net zero ambitions are well served. The key piece was to establish a framework on how to assess companies and how to rank them on net zero readiness which we based on the guidance provided by the Institutional Investors Group on Climate Change (IIGCC) and the six criteria on which companies are ranked.

This is a framework and methodology which the Van Lanschot Kempen team now uses across corporate credit, and is also exploring expanding across all asset classes in order to rank where client portfolios are on the road to net zero.

Case study – integration of net zero ambition into private infrastructure

We engaged with **JP Morgan** - one of the leading infrastructure investment managers in the industry - on their Infrastructure Investment Fund - which is among the more mature and well-diversified strategies in the asset class. The drivers behind the engagement were

- infrastructure has historically been a carbon emission heavy sector;
- the portfolio, being a fully-diversified infrastructure portfolio, has exposure to carbon emission-heavy companies, and;
- the context of increasing numbers of carbon emission-light or net zero aligned infrastructure funds in the market.

A diversified client base across US, Europe and rest of the world does mean that there is greater scope for misalignment amongst investors where US clients focus more keenly on the social agenda whereas European clients place greater emphasis on the climate agenda. Infrastructure investment by its nature has a long-term approach, arguably requiring more

time for top-line change than other asset classes. What cannot be ignored is that infrastructure investments are pivotal in the transitions and the climate change risks facing these assets are significant.

We take confidence in the study of these risks conducted by JP Morgan with focus on transition plans and implementation deadlines tailored to each underlying asset to prevent any existing assets becoming stranded assets. JP Morgan is also a firm believer in the transition of assets as there is arguably a greater impact in the transition of existing assets versus investing in a standalone carve-out of suitable assets as these will likely not have the required scale to replace the incumbent assets.

Overall, we are confident with JP Morgan's approach of driving the transition to net-zero at an asset level and their understanding of the climate risks at stake. We would like to see more concrete investment strategy level KPIs and will continue to engage with them on this front going forward.

Case study – integration of ESG indices for synthetic equity exposure

In 2023, we revisited analysis originally conducted in 2021, on anticipated increase in volatility in equity markets and how we could offer clients exposure to equities but with reduced volatility and limited drawdown risk.

In 2021 we engaged with **Legal & General Investment Management (LGIM)** to launch a pooled fund offering without leverage and provides clients with the aforementioned exposure to developed market equities. What this entails under the surface from a sustainability perspective is exposure through futures on the S&P 500 and Euro Stoxx 50 which results in indirect exposure to certain companies and industries that do not cater to our strict sustainability criteria. The key driver for designing this solution as such is the liquidity of these indices and not compromising on the investment thesis for our clients.

Our most recent analysis of liquid ESG futures such as in the S&P 500 ESG and the Stoxx Europe 600 ESG-X indices was prompted by, among other factors, our broader climate ambitions to reduce our carbon footprint and move towards a net-zero portfolio.

What we found was that only a tiny proportion of the ESG indices were traded when compared to the standard non-ESG screened indices. On the S&P 500 Index this is 0.025% of contracts and 0.02% of exposure and on the European indices this is 1% of contracts and 0.4% of exposure.

The substantially lower liquidity would likely lead to an implicit six-fold cost increase and is not something that we should look to implement immediately. However, the liquidity of these indices has improved over the last two years and we plan to re-evaluate the feasibility of switching to ESG-screened indices soon.

Principle 10 – Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

10.1 Activity

Signatories should disclose what collaborative engagements they have participated in and why, including those undertaken directly or by others on their behalf

Collaborative engagement

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

To increase focus and efficiency in the engagement process, Van Lanschot Kempen Investment Management joins collaborative engagement initiatives, for example through the PRI, Eumedion, the Dutch Corporate Governance Forum or other networks.

In addition, we collaborate with other asset managers and asset owners with similar engagement objectives. The collaborative engagement initiatives need to be aligned with our engagement approach. Moreover, we need to carefully assess the consequences and accompanying responsibilities of joining an initiative.

We have established guidelines to assess on a case by case basis which collaboration fits best with our company values and the engagement targets. For example, climate change has been selected as a focus theme for engagement and, as a result, we joined the Climate Action 100+. Clients are informed about the main engagement developments on a quarterly basis. On an annual basis, a more detailed stewardship and engagement report is published.

In view of the tangible impacts and growing risks associated with climate change, our engagements on environmental issues have prioritised **climate**. This covers additional emissions disclosures, emission mitigation efforts and the development of cleaner technologies. We expect companies to be aligned with the Paris Agreement and to have set emission reduction targets.

Our engagements with **Danone** are covered in **Principles 7.3 ‘Outcome’** and **12.2 ‘Activity’** and the progress and outcomes to date are also covered extensively by **Climate Action 100+** online at <https://www.climateaction100.org/news/how-investor-engagement-improved-climate-lobbying-disclosure-at-danone/>.

To stay stronger together, in 2023 we as Van Lanschot Kempen, joined the newly created collaborative engagement initiative **Nature Action 100**. The initiative engages companies in key sectors that are deemed to be systemically important in starting to reverse nature and biodiversity loss by 2030. We are now part of the engagement teams focusing on the companies Novo Nordisk and Sysco Corporation.

10.2 Outcome

Signatories should describe the outcomes of collaborative engagement

In 2023, together with peers, we participated in collaborative engagements with 178 companies. We are a member of several initiatives, most notably IIGCC, Climate Action 100+, the FAIRR Initiative³⁰, the Access to Medicine Foundation, and the Investor Alliance on Human Rights.

Many of the external managers we work with in our fiduciary management portfolios are also members of these organisations; for example Northern Trust and BNP Paribas are members of Climate Action 100+ and report on their engagement efforts in their own stewardship reports.

³⁰ The FAIRR Initiative is a collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities brought about by intensive animal agriculture. <https://www.fairr.org/>

Case study – Engagement on a just transition – Milestone 2

BMW Group has been continuing to focus on carbon emissions reduction. The company has made progress in this area by setting long-term targets. As BMW transitions to lower emissions, it's important for it to consider the social impact of these changes.

At the beginning of 2023, we began our engagement with BMW, discussing the “just transition” approach. This approach focuses on assessing and addressing the social impact of meeting climate goals, including the effects of the transition on key stakeholders, such as employees, communities, and labour conditions in the supply chain.

Now that many companies have established net-zero goals, companies, governments, investors and other organisations are focusing increasingly on the potential social impact of the energy transition. In October 2023, the Climate Action 100+ (CA100+) assessment introduced a just transition indicator, which evaluates companies' commitments, plans, and progress towards a just transition. Currently, BMW Group does not meet the CA100+ just transition criteria, so our engagement, alongside our peers in CA100+ will aim to encourage the company to provide more disclosure regarding their commitment to a just transition. Through this collaborative approach and from a range of different asset owners, our intention is that we will be able to change the behaviour of a larger international firm like BMW Group.

This engagement is continuing into 2023 and beyond.

Case study – collaborating with external managers for impact

In 2023, the **Global Impact Pool** not only celebrated its fifth anniversary, but the investment team received a positive rating from **BlueMark**, a leading independent organisation which examines how impact investors approach and gauge impact while integrating it into their investment process.

On each of the eight BlueMark evaluation criteria, the Global Impact Pool achieved either the top score or a close second.

With the confirmation that the investment process provides a good foundation for realising impact, the investment team running the Global Impact Pool can continue to build on the solid basis set up in previous years. A well-diversified portfolio and an interesting selection of investment opportunities are already available.

Additionally, 2023 brought developments, such as a co-investment along with one of the external managers in the Global Impact Pool, LeapFrog. Together we invested in the Indian health app HealthifyMe, which provides health analytics and advice to 30 million users in Asia, a significant proportion of whom live in rural areas or smaller cities. In another record-breaking year for world temperatures, global populations in 2023 experienced extreme heat, droughts, and floods first hand. There are climate change mitigation, adaptation, pollution prevention and healthcare related solutions ready for scaling: the more capital you have, the more impact you can make.

OECD RBC engagements

For an overview of our most significant 2023 engagements on themes covered by the OECD Responsible Business Conduct (RBC) guidelines, please see online at <https://www.vanlanschotkempen.com/-/media/files/documents/investment-management/esg/esg-data/oecd-engagements.ashx>.

The guidelines cover engagements on both actual and potential adverse impacts of business conduct, and on how these are mitigated.

Principle 11 – Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

11.1 Activity

Signatories should explain:

- **how they have selected and prioritised issues, and developed well-informed objectives for escalation**
- **when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples; and**
- **how escalation has differed for funds, assets or geographies.**

In **Principle 9** we cover our approach to prioritising engagement topics, and measuring progress.

Our first milestone of an engagement for change is to raise awareness with the company. Milestone 2 is reached when the company acknowledges the concern. At Milestone 3 the company is taking action to address our concern and at Milestone 4 we complete the engagement as the company has delivered on our ask.

Escalating engagement with companies

We assess if there is a realistic chance that the engagement can positively influence the company's operations. Based on the input from MSCI ESG Research and Sustainalytics complemented by other assessments, the portfolio managers and the responsible investment department define engagement targets. In case the engagement with our investees is not successful we will consider escalation actions which may include:

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

We also ask companies to use their influence (as much as possible) to prevent or mitigate adverse impacts in cases where they are directly linked to other laggard companies' operations, products or services by their business relationships, even if they have not contributed to those impacts.

Consistent approach across sectors and geographies

Our escalation is sector and geography agnostic. By having a consistent process and methodology our investee companies know what they can expect from us.

Our escalation strategies take into account the leverage we have as an investment manager. We are more likely to escalate an engagement directly in cases where we own a larger proportion of outstanding shares and our voice can influence the decision of management.

In the case of larger companies, we would escalate and engage in collaboration with peers, such as via **Climate Action 100+** or the **PRI** (further information under **Principle 10**). The same logic of leverage applies across asset classes and with external managers. We give more detail on this in our answer under **Principle 8**.

11.2 Outcome

Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf.

All our stewardship and sustainable investment activities are undertaken in-house. Where we collaborate with peers this is undertaken through established frameworks including the PRI, Climate Action 100+ and similar.

Climate policy and achieving net zero targets was no less important this year as it was last year. For obvious reasons, this was certainly the case with the big oil and gas companies, which we cover in more detail below. What was also notable however, was that in the United States almost twice as many 'anti Sustainability' (climate, human rights etc.) shareholder resolutions were put to a vote as opposed to in 2022.

Policy in action – escalation following extended engagement

Good governance issues also stood out in 2023. In general, we pay close attention to issues around management quality, remuneration, diversity and inclusion and board independence. For example, in the reporting year 2023, we voted in favour of a proposal to split the roles of chairman of the board and CEO at the AGM of **Salesforce**.

Fujitec

Another example of engagement work and voting with regards to sound governance is Japan's **Fujitec**, which had long-standing governance issues, and with whom we have had long-standing engagement. Our Global Small-cap equity investment team first invested in Fujitec in 2014.

Twice in 2022, we took the unusual step of publicly expressing our concerns about the corporate governance at the escalator and elevator manufacturer through public letters. Among other things, we called for the appointment of independent board members and an improvement in capital allocation. <https://www.vanlanschotkempen.com/en-gb/investment-management/insights/news/kempen-capital-management-disapproves-recent-board-decisions-at-fujitec>

Last year we voted against the board's reappointment at the shareholder meeting, due to signs of managerial and financial misconduct. Although the reappointment of CEO Takakazu Uchiyama did not gain a majority at the time, the other board members allowed him to retain his position.

In February 2023, however, an activist fund and major shareholder called for a new vote at an extraordinary shareholder meeting, with more success this time. Following the February meeting, a new board of directors was installed, mostly made up of independent members - directors who did not come directly from within the company's own ranks.

"An independent board of directors gives greater assurance that the interests of shareholders are not forgotten and that there is sufficient knowledge and expertise present to run the company well," says **Jan Willem Berghuis**, managing director of the Kempen Small Cap Equity strategy.

"We supported the appointment of the new board and our conversations with them have given us confidence that Fujitec will now make the governance and capital allocation improvements that the company needs."

"It's safe to say that our highly active engagement with the company has been a success. Over the last year, we have spoken to many stakeholders and written public letters. As a consequence, we're starting to see tangible results. In this year's general shareholder's meeting in June, Uchiyama, the ousted CEO who still holds 10% of Fujitec's shares, submitted a resolution for the appointment of yet another new board. This proposal however garnered relatively few votes, meaning that the new board (appointed in February) has made a good start and came out strongly."

Nike

We have collaborated with other investors in co-signing a joint investor letter³¹ urging **Nike** to address outstanding wage payment issues at one of the company's suppliers – Ramatex Group. Together with nearly 70 other investors, Van Lanschot Kempen took Nike to task over this in a public letter.

Ramatex had been embroiled in a dispute over non-payment of wages and severance pay to the employees of two sub-suppliers in Cambodia and Thailand during the Covid-19 pandemic. Nike claimed that it was not aware that Ramatex outsourced production and that it had no direct relationship with the sub-suppliers. This raised questions about how much visibility Nike has over its supply chain.

We voted for the shareholder proposal at the company's AGM in September 2023 regarding a request to Report on Effectiveness of Supply Chain Management on Equity Goals and Human Rights Commitments. We supported the proposal as additional information regarding the processes the company uses to assess human rights impacts in its operations and supply chain would allow shareholders to better gauge how well the company is managing human rights related risks.

Policy in action – escalation in collaboration with FollowThis

We take the main oil and gas firms' climate policies and their responses to our engagement during the year into account when deciding on how to vote. When voting, we are more critical of firms that lag behind and/or are unwilling to engage in dialogue and set concrete targets for reducing emissions. If a promising dialogue does emerge, we can adjust our vote accordingly.

Shell

Shell is still on the razor's edge in this regard. We supported the climate resolution by NGO **FollowThis**³², which called for Shell to accelerate the transition. However, we abstained on Shell's own climate plan. Unlike most European competitors, the company has no clear strategy for achieving net zero and has set very limited interim targets. But Shell does appear to have become more receptive to dialogue and also increasingly aware of climate risks to its own operations, both for its upstream production, as well as refining and sales (downstream). Therefore, we did not vote against their climate plan, instead choosing to abstain.

TotalEnergies

Goals and a strategy are essential, but they do not get you all the way. France's **TotalEnergies** does have a plan to get to net zero by 2050, but appears to lack any real commitment. The company is investing in renewables, but still significantly more in gas. We therefore voted with FollowThis's successful resolution calling to phase out the latter investments and accelerate the transition. This resolution achieved over 30% of the vote, sharply higher than the 17% that the previous FollowThis proposal achieved, in 2021.

BP

One company that is more on track is **BP**. The British multinational has clear reduction targets for 2030 and 2050 and a vision of how they can make the transition. Both 2050 and 2030 targets call for reductions in both Scope 1, 2 and 3 emissions. Investments lag a little behind that, but the company is open to engagement. We abstained on the FollowThis resolution in this case, to make the conversation with BP easier and keep the lines of communication open.

³¹ Further details online at <https://www.iccr.org/reports/joint-investor-letter-to-nike-on-outstanding-wage-payments/>

³² FollowThis is a grassroots non-profit organisation with over 10,000 members, based in Amsterdam. <https://www.follow-this.org/>

Exercising Rights and Responsibilities

Principle 12 – Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

12.1 Context

Signatories should explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets or geographies

In addition, for listed equity assets, signatories should:

- disclose their voting policy, including any house policies and the extent to which funds set their own policies;
- state the extent to which they use default recommendations of proxy advisors;
- report the extent to which clients may override a house policy;
- disclose their policy on allowing clients to direct voting in segregated and pooled accounts; and
- state what approach they have taken to stock lending, recalling lent stock for voting and how they seek to mitigate 'empty voting'.

Voting Policy

Our **Voting Policy** is available online³³ and is aligned across all listed equity funds, in all geographies. We believe we can raise the bar in geographies with less mature corporate governance codes by stating our expectations and voting in alignment with the Corporate Governance Code of the ICGN³⁴.

Exercising voting rights is an important instrument of engagement and stewardship and is central to a well-functioning governance system. This policy is reviewed annually. It provides non-comprehensive guidelines for voting, which we complement with our own in-depth assessment of the meetings' agenda items.

Our full Voting Policy includes detailed guidelines on the following:

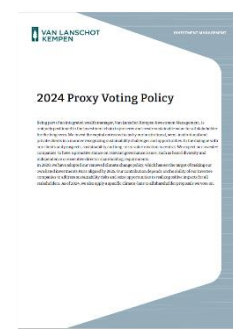
- Accountability and transparency
- Board structure, diversity, tenure, and independence
- Remuneration
- Capital structure
- Organisational restructuring, mergers, and acquisitions
- Shareholder rights
- Votes on shareholder resolutions
- Workplace diversity, equity and inclusion and other social matters
- Operations in zones of conflict
- Payments to governments & political contributions
- Environment

In the context of our net zero targets, as laid out in our **Climate Change Policy**, in 2024 we are also applying a climate-specific lens to all shareholder proposals we vote on.

Policy in action – our own funds

We vote at annual and extraordinary meetings at investee companies globally for all investment funds and discretionary mandates (if instructed by the client to vote), unless voting is not feasible or not in the best interest of our clients. Proposals on issues not covered in our Voting Policy are assessed on a case by-case basis.

Owing a fiduciary duty to our clients, we ensure that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant investment fund or – where applicable – in accordance with the requirements pursuant to the respective discretionary (or segregated) client mandates.



³³<https://www.vanlanschotkempen.com/en-gb/investment-management/sustainability-approach/sustainable-investment-policies-and-publications>

³⁴International Corporate Governance Network <https://www.icgn.org/>

Voting and engagement are considered essential components in our active ownership approach. Our Portfolio Managers and the Sustainability and Impact Investing team collectively engage with companies on a wide array of strategic, financial, environmental, social and governance (or sustainability) topics to mitigate sustainability related risks and unlock opportunities. We aim for an integrated approach of working closely across investment teams and strategies.

We make use of **Institutional Shareholder Services (ISS)** as a voting platform, and our voting is based on our voting policy, which sets out our expectations regarding themes such as board diversity, meaningfully structured remuneration and good governance. We review company meetings individually and in depth, and make our own decisions rather than always following the default recommendation. ISS is a member of the Best Practice Principles Group (BPPG)³⁵. Our voting records are published in full online at <https://vds.issgovernance.com/vds/#/NzcyMA==/>.

The custodian bank for our funds feeds our positions through Broadridge to ISS. In the ISS platform, for each company at each meeting see an overview of the number of shares / % of all outstanding shares per company.

We can always choose to vote part or all of the shares across our strategies. Each fund receives a separate ballot, getting full oversight of what funds votes for what shares. In the majority of the cases, Portfolio Managers vote all votable shares, unless share-blocking applies. In some cases, we vote through a proxy card, outside of the electronic system, where market conditions do not permit voting through the ISS proxy voting platform. Our proxy voting platform also clearly indicates the voting rights associated with our shareholding, per company, per meeting.

Client-specific voting policies

Where clients are invested in pooled vehicles, there is limited scope to provide customised voting. However, we find that many of our clients' wishes are aligned with our own policies. Where we manage segregated mandates we can vote differently in line with our clients' views.

If clients ask us to, we will vote on their behalf following our voting policy. Should the client have a preference for applying their own policy, that is also possible through our proxy voting provider. In some cases, the client asks a third party to vote on their behalf. In this case, we set up a weekly vote feed where Portfolio Managers compare how they vote according to the Van Lanschot Kempen voting policy and how this differs from the third party vote instructions. If any material differences occur, we flag this with the client periodically. This applies to listed equity assets, but also our other strategies.

Policy in action – working with external managers

Where we ask our external managers to vote on our behalf, we communicate our expectations with them, share our own voting policy and, where relevant, review their voting records to ensure alignment with our own voting principles.

Proxy voting is part of our proprietary ESG scoring framework for third-party managers. We review the quality and detail in the policy, in some cases implementation of the policy to assess how well it aligns with our own voting policy and corporate governance principles, which are aligned with the ICGN Global Governance Code.

Securities lending

As detailed in our **Voting Policy**, Van Lanschot Kempen Investment Management does not engage in securities lending in the context of our own investment funds, without exception. Securities lending programmes can reduce the level of voting activity as the exercise of voting rights may be hampered when securities are on loan at the time of a shareholders meeting.

Policy in action – working with external managers

As a general principle, we ask the external managers we work with not to engage in securities lending; our preference is to work with the manager to create a fund or solution that incorporates all of our sustainable investment policies, including on securities lending. This has been very successful with third-party managers in Emerging Markets Equity, for example.

Where clients have equity investments in passively managed vehicles such as iShares or Exchange Traded Funds (ETFs), there can be a degree of securities lending in those vehicles. One initiative we have been exploring with these managers is potential innovation around the time of shareholder meetings, and whether recalling lent securities during that period would allow for the exercise of voting. We anticipate being able to report further on this topic in the future.

Securities lending is therefore part of our formal investment due diligence for third-party investment managers, including verifying the managers' collateral, recall and related processes. We regularly ask managers about their voting rationale on significant agenda items, including shareholder proposals, in order to gain insights into the motivations behind their decisions, and how the manager's corporate governance and stewardship beliefs and policies are implemented.

³⁵ <https://bppgrp.info/>

See below for an indication of the research questions asked in this process (for illustration only).

Fund	1. Securities lending activity							a) Does the prospectus allow the use of derivatives? (yes/no)
	If 1b) is answered with "yes", please indicate:							
	a) Does the prospectus allow securities lending? (yes/no)	b) Did the fund engage in securities lending during 2021? (yes/no)	i) % of revenues received from securities lending program in 2021 distributed to the fund? (For example, 80% of total revenues received from securities lending program distributed to fund/ 20% to security lending agent)	ii) Actual average on-loan balance over 2021 (in %)	iii) Theoretical maximum on-loan balance over 2021 (in %)	iv) Actual maximum on-loan balance during the year (in %)	v) Net return impact in bps from securities lending over 2021	
Partners Group Blue Triangles Private Markets Mandate - EUR Partners Group Private Loans SICAV								

12.2 Activity

For listed equity assets, signatories should

- disclose the proportion of shares that were voted in the past year and why;
- provide a link to their voting records, including votes withheld if applicable;
- explain their rationale for some or all voting decisions, particularly where:
 - there was a vote against the board;
 - there were votes against shareholder resolutions;
 - a vote was withheld;
 - the vote was not in line with voting policy.
- explain the extent to which voting decisions were executed by another entity, and how they have monitored any voting on their behalf; and
- explain how they have monitored what shares and voting rights they have.

For fixed income assets, signatories should explain their approach to:

- seeking amendments to terms and conditions in indentures or contracts;
- seeking access to information provided in trust deeds;
- impairment rights; and
- reviewing prospectus and transaction documents.

Listed equity assets

Voting activity in 2023

Voting at shareholder meetings of investee companies is a key tool in stewardship and active ownership. In 2023, we voted at 468 different company meetings, with 15% of our votes cast against management.

We make use of Institutional Shareholder Services (ISS) as a voting platform and votes are based on our custom voting policy.

- There were 346 meetings (70%) at which we voted **against** or **withheld/abstained** on at least one agenda item. We tend to abstain to give a company's management time to resolve an issue, but on the understanding that we will vote against management in future if no changes are implemented.
- We voted **against** management in 124 of the 287 shareholder proposals tabled at general meetings in 2023. Of these 124 votes, 46 were related to corporate governance, three called for gender pay gap disclosure, six called for an independent chair, 29 focused on climate change and circularity, 30 were votes on social proposals around labour and human rights, and 13 related to political lobbying disclosure.

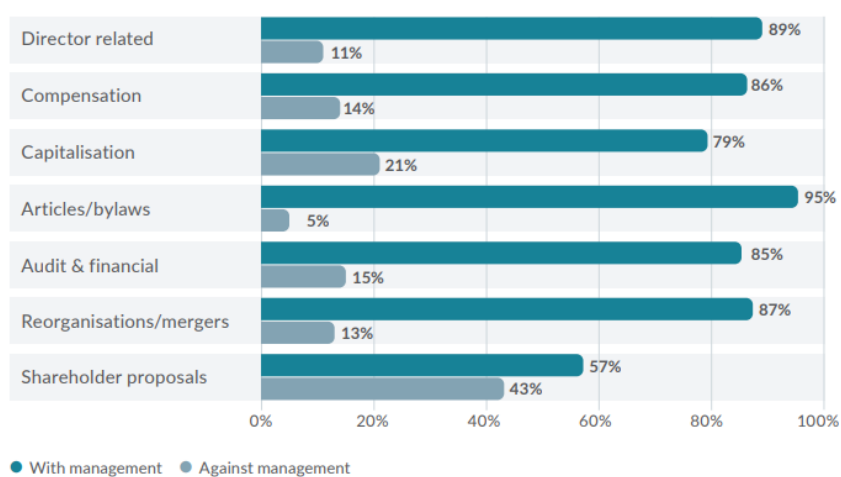
Our voting is based on our voting policy, which stipulates our expectations regarding themes such as board diversity, meaningfully structured remuneration and good governance.

Our voting records are published in full online at <https://vds.issgovernance.com/vds/#/NzcyMA==/>.

Voting statistics 2023 and 2022

Category	2023		2022	
	Number	%	Number	%
Number of votable meetings	496		445	
Meetings voted	468	94	427	96
Meetings with at least 1 vote Against, Withhold or Abstain	346	70	325	73
Votes with Management	5,764	85	5,231	85
Votes against Management	1,057	15	942	15
Votes on Shareholder Proposals	265	4	191	3
Votes against management on shareholders proposals	124	2	91	20

Breakdown of votes with and against management



Policy in action – working with external managers

Case study – external managers exercising rights on our behalf

Our Manager Research team worked with one of the global equity managers in our client's investment portfolio. Our client, a large industry pension scheme based in the Netherlands, has an extensive stewardship policy, and asked us to advocate for them with respect to a number of holdings in the portfolios. These holdings are listed equity securities in companies that are listed on various stock exchanges, and selected by the external managers we recommended to our client.

In listed global equities, the external investment manager undertook the following engagements, being a selection of the holdings in question:

Category	Context & Activity	Outcome
Governance	<ul style="list-style-type: none"> – In early 2022, the external manager in question expressed concern about the fact that Deloitte & Touche had been involved as external auditor for Deere & Co. for 113 years. – Our client, the pension fund, believes that independence is an essential characteristic of a reliable and credible audit. Such a long-standing relationship could jeopardise this independence. – In the company's shareholders' meeting, the external manager requested a plan for changing auditors. Deere & Co understood the concerns, but believed that the benefits of a long-term partnership outweighed the need to change auditors. 	<ul style="list-style-type: none"> – Due to the lack of results and persistent concerns, the external manager put forward a recommendation in 2023 to vote against the chairman of the audit committee and against the approval of the external auditor Deloitte & Touche. – The company's Audit Review Committee approved the selection of Deloitte & Touche LLP to serve as the independent registered public accounting firm for fiscal year 2024. – The engagement is ongoing.
Environment	<ul style="list-style-type: none"> – Danone, a French food and beverage company, announced climate goals aligned with the Paris Agreement at the end of 2022. – During discussions with Danone, the external manager, on behalf of our client, emphasised the need for transparency on how these new goals and associated strategies are reflected in the financial reporting. 	<ul style="list-style-type: none"> – Unfortunately, the subsequent annual report of Danone lacked information on how the company and the auditor considered the climate goals in preparing the financial statements. – As a result, it was recommended to vote against the financial statements during the general shareholders' meeting in April 2023. – The engagement is ongoing.
Environment	<ul style="list-style-type: none"> – LyondellBasell, a Dutch chemical company, has been actively engaged in discussions since 2017 to improve climate policies and reduce the environmental impact of its operations. – These discussions have yielded results. In 2019, the company published its first TCFD report. In 2021, Scope 3 emissions were made public, and by the end of 2022, LyondellBasell had established a concrete target for Scope 3 emissions reduction. 	<ul style="list-style-type: none"> – In 2023, further talks were held to address sustainability risks within the company. Thorough analyses were conducted to accurately assess both climate risks and physical transition risks. – LyondellBasell acknowledges that their current approach is still evolving, but they are determined to further quantify the potential financial impact of these risks. – The engagement is ongoing.

Listed fixed income assets

We review the terms and conditions in indentures and contracts prior to investing in a company's credit securities. Should we consider the terms and conditions to be punitive in any way, we generally refrain from investing in that company's bonds.

With regard to green bonds, we consider the use of proceeds and look-back period for eligible investment. For sustainability-linked bonds, we review the timing and magnitude of any step-up in coupons in the event of not meeting key performance indicators. We provide feedback to syndicates with the aim of effecting changes in the indenture and contracts.

Case study –exercising our rights in listed Euro Credit

Stewardship is relevant for us as credit investors with respect to the Kempen funds. Companies need access to the credit market for funding and as such, credit investors can have significant influence.

We see it as our duty as active investors to help companies navigate the transition to a more sustainable economy. It is our belief that in the end, companies that take ESG risks and opportunities seriously will be the winners of the future.

Our ESG approach is a key differentiator. ESG is integrated in our fundamental analysis of companies, taking a forward looking approach and considering both ESG risks and opportunities. Also, we actively engage with some of the companies that face higher ESG risks in our opinion. Our experience has shown that credit investors can have an edge here, because we can also engage with non-listed companies. Furthermore, weak ESG ratings lead to higher financing costs than peers. As credit investors we can have a positive impact through engagement.

Terms and conditions in indentures and contracts

We review the terms and conditions in indentures and contracts prior to investing in a company's credit securities. Should we consider the terms and conditions to be punitive in any way, we generally refrain from investing in that company's bonds. We provide feedback to syndicates with the aim of effecting changes in the indenture and contracts, if considered necessary.

- A recent example was the inclusion of a carve out **exit put option** in the indenture of bonds issued in April 2024 by chemicals distributor **Brentagg Finance BV** at par, compared to put options for asset sales that are typically at 101. This exit put option does not provide sufficient protection in a declining interest rate environment.
- With regard to **green bonds**, we consider the use of proceeds and look-back period for eligible investment. For example, corrugated packaging company **DS Smith** issued green bonds in July 2023. Proceeds were earmarked for partially refinancing existing projects and the look-back period was up to three years. Accordingly, we have not factored in any "greenium" when considering the relative value of the new bonds.

For sustainability-linked bonds, we review the timing and magnitude of any step-up in coupons in the event of not meeting key performance indicators. Key performance indicators on sustainability-linked bonds need to be sufficiently ambitious, in order to avoid any greenwashing by applying lower targets. When companies issue sustainability-linked bonds, we also consider the key performance indicators pertaining to outstanding sustainability linked-bonds.

- This led to the identification of a relative value opportunity relating to **Enel SpA** bonds, with two different target dates and decarbonisation targets. Enel was unable to meet the CO₂ intensity target of 148g/kWhe as specified in the indenture of its 2030 bond on 31 December 2023, which led to a 25 basis point increase in the coupon. The indenture of Enel's 2029 bond has a CO₂ intensity target of 140g/kWhe with the target date at 31 December 2024. The spread differential between the 2030 and 2029 bond increased from less than 10 basis points to around 25 basis points, rendering the 2030 bond relatively more attractive.

Policy in action – working with external managers

Case study – external managers exercising rights on our behalf in Alternative Credit

At Van Lanschot Kempen, we provide a range of solutions – bespoke portfolios or pooled funds – in Alternative Fixed Income, comprising strategies across distressed debt, structured credit and direct lending. These tend to be diversified portfolios of ‘underlying’ funds run by third-party investment managers, managed by a dedicated Van Lanschot Kempen team in asset classes that can be challenging to access for many asset owners, with the appropriate levels of governance, monitoring and oversight.

One such example, the **Kempen European Direct Lending Pool**, is a diversified portfolio of mainly senior secured loans issued by mainly medium-sized companies in Europe (often as a means to financing their future growth). The structure is a pool of customised single-investor Direct Lending funds (each investing in a selection of the issued loans). This structure means that the Van Lanschot Kempen investment team can not only influence the investment policy of each of these funds, but also set sustainability guidelines.

The Van Lanschot Kempen investment team engages with the Fund’s managers to promote the use of sustainability-linked loans where relevant. These are loans which establish that borrowers will be rewarded (and could be penalised) in terms of a pre-determined margin discount, if certain pre-determined KPIs on environmental and social aspects are achieved. This is also serves as an incentive to for investee companies to improve the quality of reporting of ESG standards.

ESG risks form a crucial part of the pre- and post-investment due diligence that our team carries out. ESG risks that are not properly included in the initial credit analysis can potentially have a material impact on the return, especially due to the illiquid nature of the loans.

In Direct Lending, the relationship between the lender and the borrower is usually direct and the loan terms and conditions are bespoke. Concrete agreement on ESG objectives as part of the loan agreement are becoming increasingly common and we have engaged with our managers to promote such loans (one of the managers even has a minimum allocation required as per our customised investment guidelines).

The promotion of sustainable investments is achieved through the consistent implementation of our ESG policy with each of the EDLP managers selected, which includes the below binding elements. Manager selection level:

- Managers must be PRI Signatories,
- Managers must have an ESG policy that includes commitment /references to the UNGC principles,
- Managers must have an engagement policy
- Managers must meet our minimum standard on ESG reporting and provide Quarterly/Annual fund specific engagement report
- The underlying fund must comply with Van Lanschot Kempen’s Exclusion List
- The underlying fund must qualify itself as an Article 8 as per SFDR
- The underlying fund achieve a minimum of “3 Avoid harm” on Van Lanschot Kempen internal ESG scoring framework, the Sustainability Spectrum (as described under **Principle 8**).

In 2023, we worked with the managers to further improve and standardise ESG reporting; collect more CO₂ footprint data, significantly increase the sustainability link in the loan and report on selected Principal Adverse Indicators (PAIs) as part of our Article 8 SFDR alignment.

12.3 Outcome

For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months

An overview of our most significant votes in listed equity assets is available online using the below link. We include both the vote rationale as well as the outcome, and link to our engagements efforts, where applicable.

<https://www.vanlanschotkempen.com/-/media/files/documents/investment-management/esg/esg-data/significant-votes.ashx>

About this report

About this report

Contact details

This report was prepared by Van Lanschot Kempen Investment Management in April 2024 covering the calendar year 2023 (the reporting year). For further information about this report and our approach to stewardship and sustainable investment, please contact:

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Our regulators

Van Lanschot Kempen Investment Management N.V. (VLK IM) is a limited liability company incorporated in the Netherlands with number FC032822, and licensed as a manager of various investment institutions under UCITS and AIFMD, and to provide investment services. As such, VLK IM is subject to supervision by the Netherlands Authority for the Financial Markets (AFM). Its registered office is at Beethovenstraat 300, 1077 WZ Amsterdam, The Netherlands, Tel: +31 (0)20 348 8000.

Van Lanschot Kempen Investment Management (UK) Limited is registered in England & Wales with registration number 02833264. Registered office at 20 Gracechurch Street, London EC3V 0BG, Tel: +44 (0)20 3636 9400. Authorised and regulated by the Financial Conduct Authority (FCA) with reference number 166063.

Our parent company **Van Lanschot Kempen N.V.** is a public limited liability company incorporated in the Netherlands with number 16038212, supervised by both the AFM and the Dutch central bank (DNB). Registered office at Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands, Tel: +31 (0)20 354 45 90.

Report creation and review

This document is subject to the established procedures for creating regulatory submissions and marketing literature. The creation process is efficient with clear roles and responsibilities for everyone involved.

- Formal reviews are conducted in keeping with the established procedures and focus on overall content, alignment with stewardship and sustainable investment policies, and approval for distribution (or request to make changes before further review).
- Use of Artificial Intelligence: Generative AI tools have been developed by the company for employee use. Generative AI was used sparingly in the creation of this report, and limited to operational efficiency, for example, first drafts of summaries or creating bullet points from a paragraph, and subsequently reviewed as described above.

SRD II disclosures

The Shareholders Rights Directive (EU) 2017/828 (“SRD II”) includes a requirement for asset managers to disclose and make publicly available their policies on how they engage with the companies they invest in and how their strategies create long-term value.

Van Lanschot Kempen complies with SRD II, as set out in our **Stewardship & Engagement Policy**³⁶ and this **UK Stewardship Code report**. Van Lanschot Kempen either invests in funds and/or outsources the investment management to external asset managers. As a result, the firm uses its influence where appropriate. Van Lanschot Kempen believes that its adherence to the Stewardship & Engagement Policy and the UK Stewardship Code meets the objectives of the SRD II’s Engagement Policy as they work towards a common goal.

³⁶ Available online at <https://www.vanlanschotkempen.com/en-nl/investment-management/sustainability-approach/sustainable-investment-policies-and-publications>

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