

Engagement

a. 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

b. Engagement in 2023

In 2023, we engaged directly with 131 companies on environmental, social and governance themes through our core strategies. This represents nearly 40% of our equity holdings in terms of the number of investee companies. The total number of engagements was 153.¹⁸

Of the total number of engagements, 110 were engagements for change carried out by our portfolio managers and sustainable and impact investing specialists. These were mainly focused on environmental (62 engagements) and governance issues (39).

We also engaged with 41 companies for awareness on general sustainability issues, many of these being governance-related, and often also around their AGM agenda items.

Engagements 2023

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

Numbers of engagements 2023 per theme

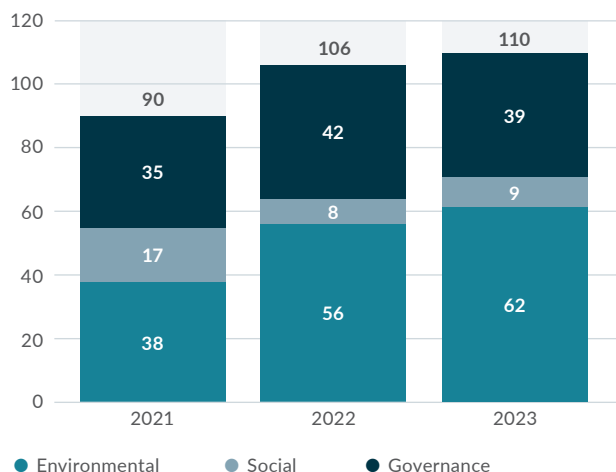
| | Engagements for awareness | Engagements for change |
|---------------|---------------------------|------------------------|
| Environmental | 27 | 62 |
| Social | 3 | 9 |
| Governance | 13 | 39 |
| Total | 43 | 110 |

› In collaboration with other investors, we engaged with an additional 178 companies. For more information on our collaborative engagements, see page 33.

¹⁸ Companies can be engaged with on several themes at once and on both awareness and change issues, thus allowing for some overlap.

The total number of engagements we performed rose again in 2023. Our investment teams increasingly focused on proactive engagements for change on environmental issues.

Engagements for change as at end of 2021, 2022 and 2023



Thematic breakdown of our engagement in 2023

Thematically, the total of 110 of our environmental, social and governance engagements for change can be further broken down into the following categories.

Environmental (62)

- Carbon emissions reduction
- Environmental impacts of products and services
- Waste reduction
- Resource use
- Integrating climate metrics in executive compensation
- Biodiversity

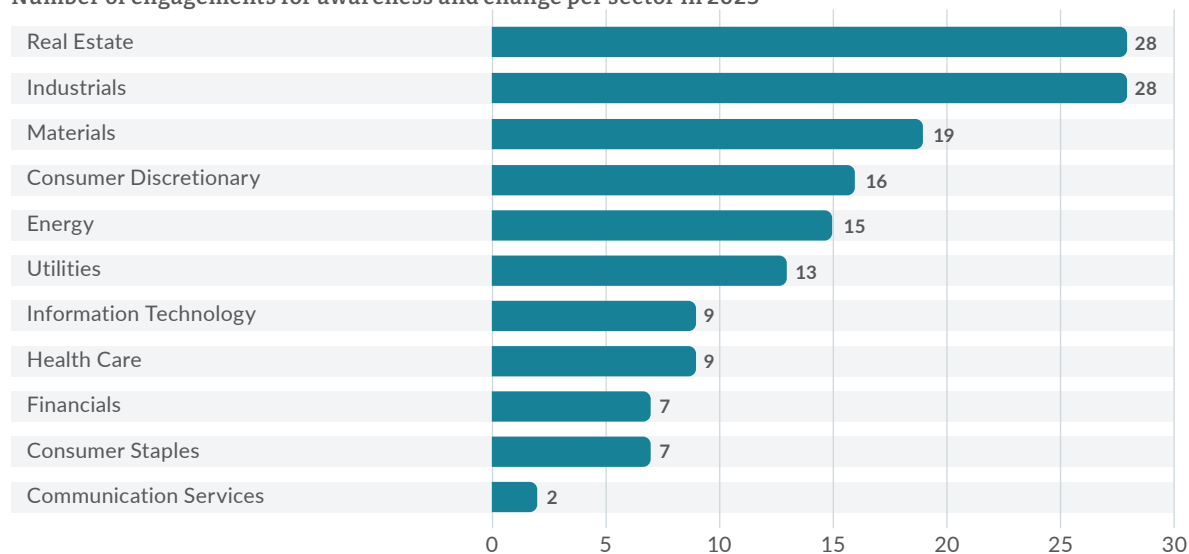
Social (9)

- Living wage
- Decent working conditions
- Product responsibility
- Community relations

Governance (39)

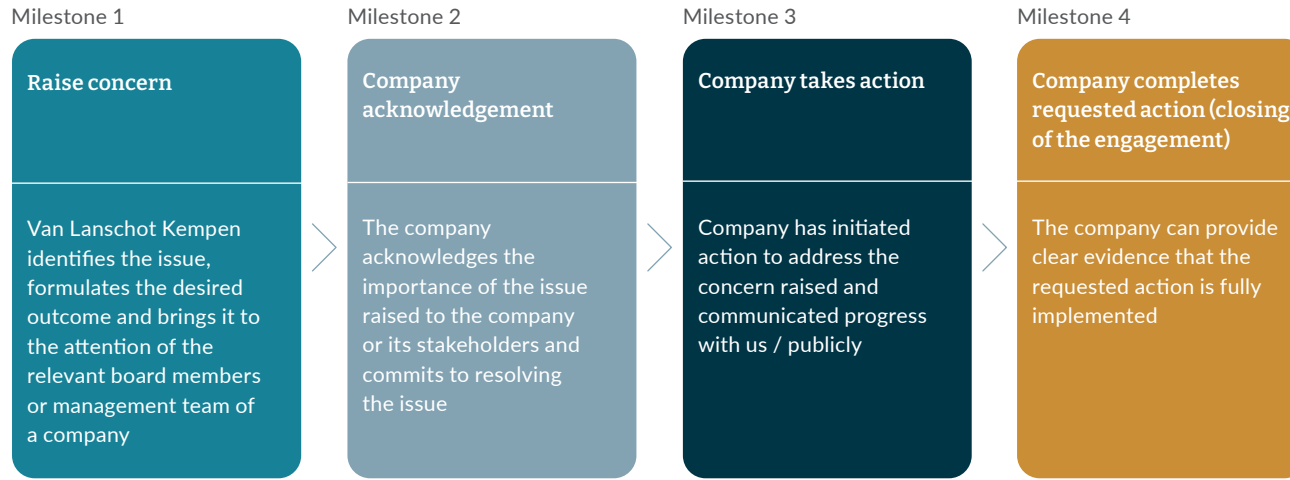
- Management quality
- Remuneration
- Ownership & Shareholder rights

Number of engagements for awareness and change per sector in 2023



c. Our milestone methodology

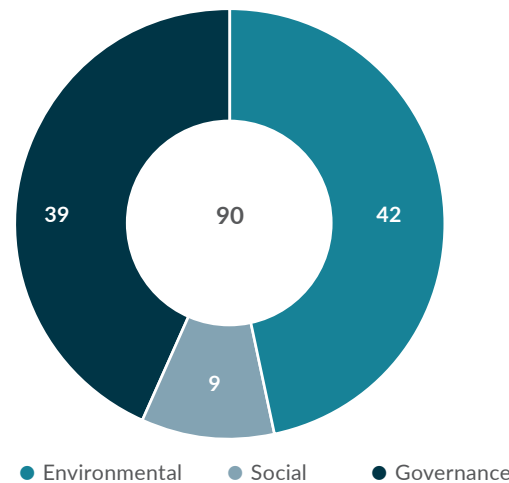
We measure the outcomes and results of our engagements with milestones.



d. 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.

Milestones achieved in environmental, social and governance engagement across all four milestones



The table on the right shows how the total of 110 engagements for change are split across four milestones as at the end of 2023.

We engaged more frequently on environmental and governance issues than on social issues. Our commitment to engage with the highest emitters in all portfolios and our target to achieve a 7% annual emission reduction, and the goals of the Paris Agreement, drove our climate-related engagements. 25 engagements have reached milestone 4 this year, which means these engagements were successfully completed.



Milestones for engagements per theme 2023

| | Milestone | | | | | Total |
|---------------|-----------|-----------|-----------|-----------|------------|-------|
| | 1 | 2 | 3 | 4 | | |
| Environmental | 14 | 21 | 16 | 11 | 62 | |
| Social | 3 | 2 | 3 | 1 | 9 | |
| Governance | 8 | 12 | 6 | 13 | 39 | |
| Total | 25 | 35 | 25 | 25 | 110 | |

e. Engagement milestones progress

The figure below shows how engagements for change progressed across our four milestones in 2023. This year again, close to half of the engagements showed no progress during the year – some we only initiated recently, while in some other cases progress has stalled. Moreover, some engagements take more time before a company can

implement our request for change and the engagement can progress to the next milestone. As the table below shows, 30 engagements reached one milestone in 2023, 18 progressed two milestones, and 8 reached a delta of three milestones, meaning they were initiated and successfully completed in 2023.¹⁹

Milestone progress in 2023

| | Milestone delta (progress) | | | | | Total |
|---------------|----------------------------|-----------|-----------|----------|------------|-------|
| | 0 | 1 | 2 | 3 | | |
| Environmental | 34 | 16 | 10 | 2 | 62 | |
| Social | 3 | 3 | 3 | 0 | 9 | |
| Governance | 17 | 11 | 5 | 6 | 39 | |
| Total | 54 | 30 | 18 | 8 | 110 | |

¹⁹ The number of 90 milestones overall is calculated as follows: progressed from milestone 0 to 1 counts as 1 milestone; progressed to 2 counts as 2 milestones; progressed to 3 counts as 3 milestones; i.e. 30 + (18x2) + (8x3) = 90.

f. Stronger together: collaborative engagements

By participating in collaborative engagement initiatives, we can increase the effectiveness and leverage of our engagement activities. When investors approach a company collectively, the pressure increases and so does the likelihood of success. When we initiate a collaborative engagement or join existing engagement initiatives, such as Climate Action 100+, we typically assess which collaborations fit best with our values and engagement targets on a case-by-case basis. In addition, we collaborate with other asset managers and asset owners with whom our engagement objectives are aligned.

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. 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+, FAIRR, the Access to Medicine Foundation, and the Investor Alliance on Human Rights.

In 2023, we joined Nature Action 100, a newly created collaborative engagement initiative, where we are a participating investor in engagements with Novo Nordisk and Sysco Corporation.

Our [Stewardship and Engagement Policy](#) is available online.

In terms of our involvement in industry initiatives, we are a member of PRI, GIIN (the Global Impact Investing Network), and ICGN (the International Corporate Governance Network). More locally, we are an active member of Dufas and Eumedion in the Netherlands and a signatory to the Dutch and UK Stewardship Codes.

Our main [memberships and collaborative engagements](#).

g. OECD RBC engagements

For an overview of our most significant 2023 engagements on themes covered by the OECD Responsible Business Conduct (RBC) guidelines, please [click here](#). The guidelines cover engagements on both actual and potential adverse impacts of business conduct, and on how these are mitigated.

Just do it?

We have collaborated with other investors in co-signing an investor letter 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 got 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.

Voting

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.

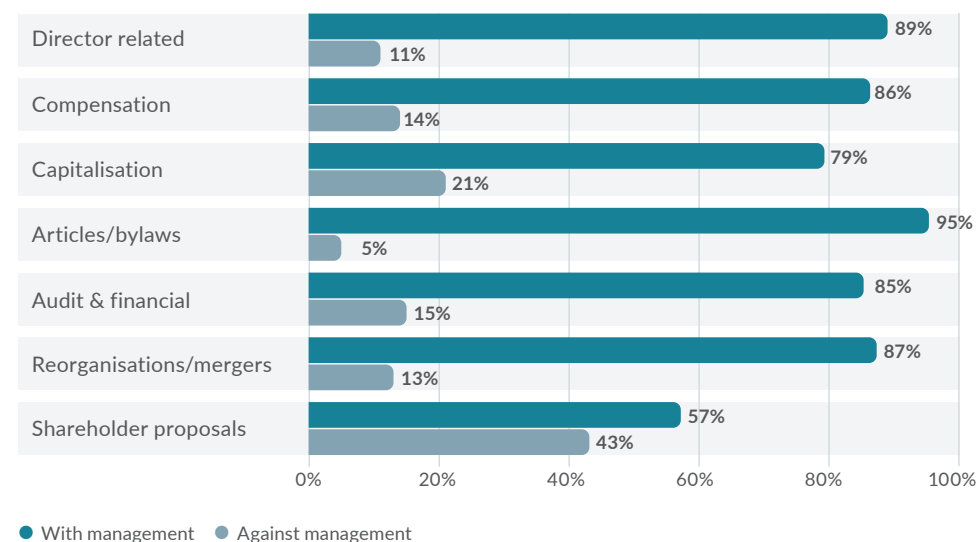
There were 346 meetings (70%) at which we voted against or withheld/abstained on at least one agenda item. We tend to abstain to give a company's management time to resolve an issue, but on the understanding that we will vote against management in future if no changes are implemented. We voted against 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 [here](#).

Voting statistics

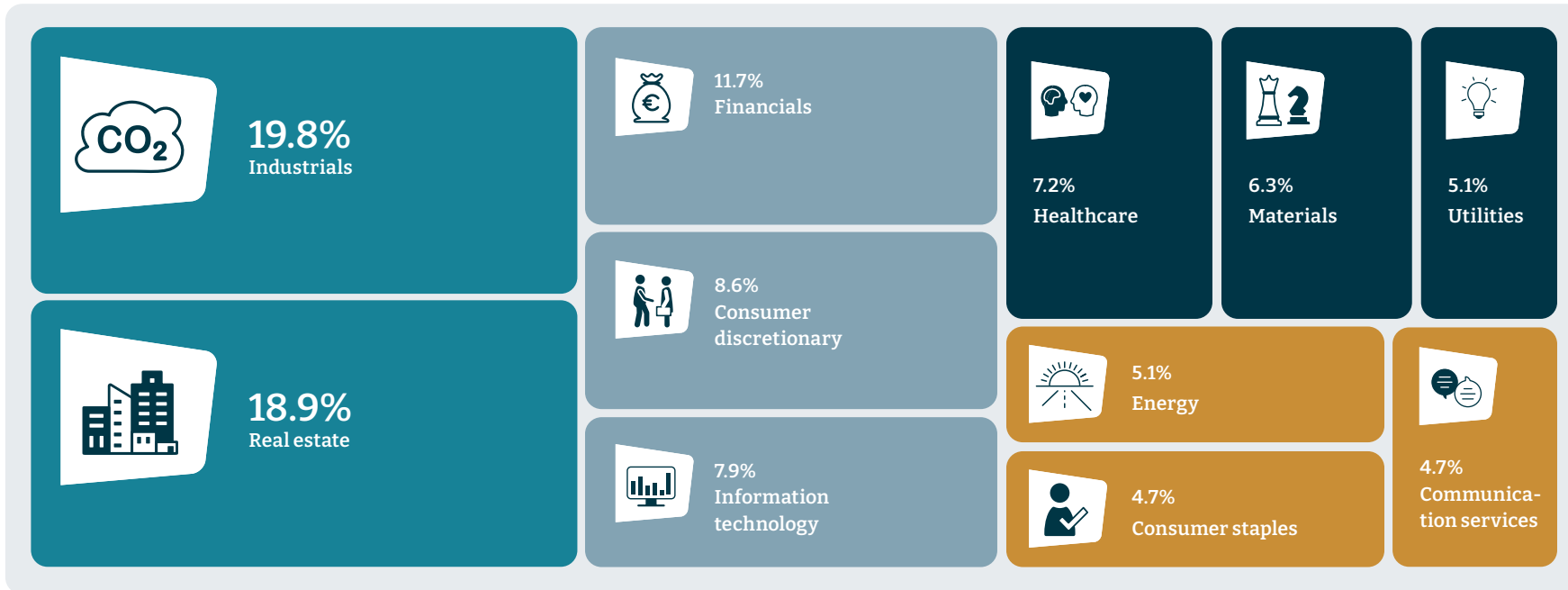
| Category | 2023 | | 2022 | |
|--|--------|----|--------|----|
| | Number | % | Number | % |
| Number of votable meetings | 496 | | 445 | |
| Meetings voted | 468 | 94 | 427 | 96 |
| Meetings with at least 1 vote Against, Withhold or Abstain | 346 | 70 | 325 | 73 |
| Votes with Management | 5,764 | 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



➤ An overview of our most significant votes of 2023 can be found [here](#).

Meetings by sector



* Source: <https://vds.issgovernance.com/vds/#/NzcyMA==/>