VAN LANSCHOT KEMPEN

Stewardship and Sustainable Investment Report 2023

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. But also in terms of lending: our innovative Van Lanschot Kempen mortgage helps make sustainable living attractive, with mortgage rates that come down if clients make their properties sustainable. To this end, we offer access to external sustainability experts to guide our clients.

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%

About Van Lanschot Kempen

Van Lanschot Kempen is an independent, specialist wealth manager active in private banking, investment management and investment banking, with the aim of preserving and creating wealth, in a sustainable way, for both its clients and the society of which it is part.

Through our long-term focus, we create positive financial and nonfinancial value. Listed at Euronext Amsterdam, Van Lanschot Kempen is the Netherlands' oldest independent financial services company, with a history dating back to 1737.

Wealth is not just about financial resources. It's about safeguarding our clients' heritage for generations to come – or starting to build that heritage. It's about pursuing growth or handing over a business that has been built over the years. It's about seizing opportunities and creating peace of mind. In short: it's about security, dreams, ambitions, wishes and decisions – and all of these are specific to each individual.

At Van Lanschot Kempen, we're driven to understand the complete picture for our clients. We use our collective expertise and talents to present them with fitting solutions and products in support of their long-term goals.

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Our approach to sustainable investing

Focused approach to navigating transitions

We see major societal changes happening in our times, 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 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.[2]

[2] Please see the glossary at the end of this report for an explanation of the terms used.

We believe that an actively managed investment portfolio creates the most value for our clients in the long term – whether in financial, environmental, social or governance terms.

We engage with fund managers and investee companies on a broad range of topics, including social and environmental issues, and we exercise our voting rights at annual general meetings. If fund managers or investees are not willing to comply with our minimum standards, we may choose to divest.

We work at enabling these transitions by focusing on carefully selected investment themes: climate and biodiversity and living better for longer. These themes provide the building blocks that bring the energy and food transitions to life.

The focus of this report is on our approach to sustainable investments and our efforts to guide our clients through the energy and food transitions. Where we say Van Lanschot Kempen or use the pronoun 'we', it refers to the Van Lanschot Kempen organisation and its employees. Where necessary, we specifically clarify that it pertains exclusively to Van Lanschot Kempen Investment Management (IM), the management company of the Kempen funds mentioned in this report.

Source of all data in this report: Van Lanschot Kempen as of 31 December 2023, unless indicated otherwise.

Progress in a nutshell

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 on pages 9 and 10.

Lastly, 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)[3] needed for the energy transition and supporting the materials transition.

[3] 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.

Highlights 2023

Our priority is helping our clients navigate through transitions. What actions did we take in 2023?[4]

We've used 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.

An investment framework for biodiversity was put in place in 2023 (complementing our climate framework that was published earlier). This stipulates the criteria for our investments, engagements, exclusions and impact on this theme.

In 2023 we engaged with 131 companies, including Shell, Nike, BMW and Lufthansa.

90 engagement milestones were achieved in 2023, across 110 engagements for change.

We've taken steps to assess the implications of the energy transition and climate change on asset allocation.

A new living better for longer policy was published in 2023. In this we outline how in all our different roles – as investor, solutions and service provider, adviser, lender, purchaser and employer – we strive to make a significant impact on advancing healthy lives. The policy is available on our website[5] (please see full link below). Working conditions have been the subject of our engagements with Nike and Jabil this year, thus bringing the new policy to life.

We've developed a forward-looking social investment framework[6] 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.

[4] Here we mostly refer to Van Lanschot Kempen Investment Management.
[5] www.vanlanschotkempen.com/en-nl/investment-management/sustainability-approach/sustainable-investment-policies-and-publications
[6] www.vanlanschotkempen.com/-/media/vlk/vlk-im-documents/news-and-knowledge/whitepapers/investing-with-a-social-purpose.ashx

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).[7] 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.

WACI- engagement examples

An example of such an engagement is our dialogue with the German cement company Heidelberg Materials on the inclusion of CO_2e-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.

Staying in the region, we approached the German aviation group Lufthansa in 2022, 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.

For more details of our engagements with the top 50% of companies in emission terms (following the WACI metric), please see section 'Investment Strategies'.

[7] The target of -7% applies to our in-house Kempen funds and the 'Active' and 'Sustainable' proposition within the Private Bank - wealth management.

Quantifying the impact on the real estate sector

Another focal point of our work was the real estate sector, where we are building on the extensive expertise within our long-established investment team that manages successful investment strategies in both listed and non-listed real estate. Here, we have worked on quantifying the impact of climate change and the energy transition on real estate investment models.

Since this sector is responsible for nearly 40% of global carbon dioxide emissions, its ongoing transition towards net-zero brings both transition risks and opportunities.[8] This is driven by regulatory shifts, market changes, and evolving client demands.

With regulatory measures aimed at sustainability increasing worldwide, companies face a growing risk of being subjected to financial penalties for excessive carbon emissions. Conversely, companies that successfully make the transition to sustainable practices can enhance the value of their properties and ensure their long-term viability. Sustainability is also of growing importance for tenants, many of whom are willing to pay higher rents for sustainable housing, while owners can reduce operational costs by implementing measures such as installing solar panels.

The aim of our work is to further quantify the energy transition in the real estate investment process. We apply our environmental pathway framework to the (listed) real estate universe to capture the preparedness of companies for the energy transition. Moreover, we are examining how to include (existing and anticipated) carbon pricing as well.

[8] Listed Real Estate ESG Analysis 2023 (vanlanschotkempen.com) + World Energy Outlook 2021 – Analysis - IEA.

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.

Van Lanschot Kempen acknowledges 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.

Mountaintop, Brisbane area, NSW Australia

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 page 21.

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.

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.

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.

Mountaintop, Brisbane area, NSW Australia

Defining sustainable investments

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")[9] and MiFID II regulations[10], 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.

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

a) 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.
b) 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.
c) 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 page 26 of this report).

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.

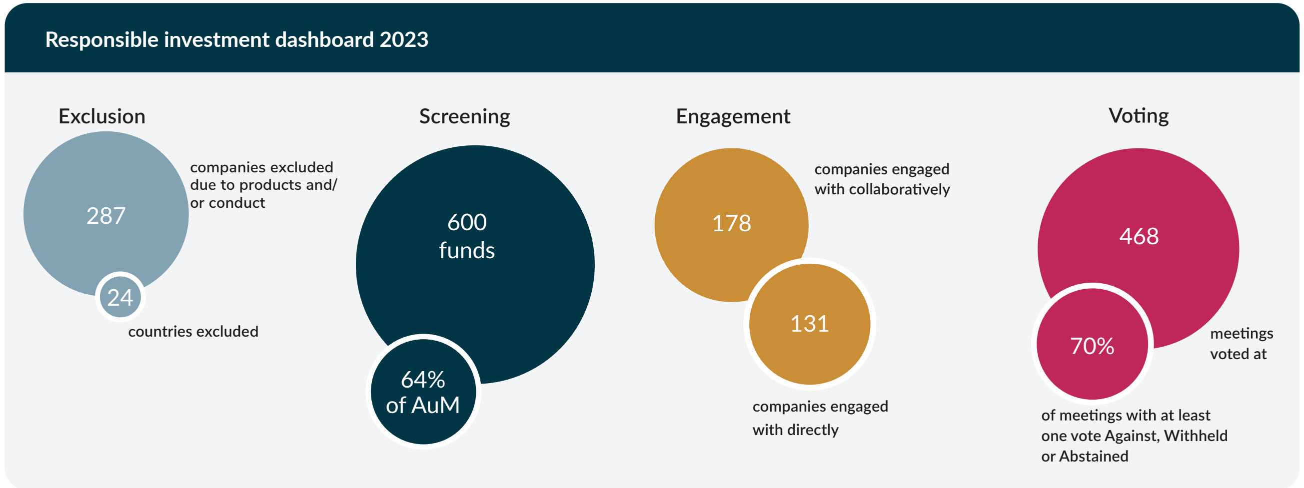
How do we organise sustainability at Van Lanschot Kempen? Please find more information on our website.

[9] 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. Please see the glossary for more information.

[10] MiFID II (Markets in Financial Instruments Directive II): a regulatory framework introduced by the EU to regulate financial markets and enhance investor protection. Please see glossary for more information.

Dashboard 2023

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



Tools for our sustainable investment efforts

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

Exclusion

Not Investing in companies involved in controversial activities or conduct.

ESG Integration

Ensuring sustainability risks are adequately considered in our investment analysis and processes.

Active ownership

Using our influence through engagement and voting to improve corporate behaviour and specific ESG issues and achieve positive change.

Positive Impact

Investing with an objective to achieve positive real world outcomes and impact, such as contributing to the UN Sustainable Development Goals.

Source of all data in this report: Van Lanschot Kempen as of 31 December 2023, unless indicated otherwise.

a. Our tools - 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.

Exclusion policy
Exclusion list Q4 2023

b. Our tools - ESG Integration and Screening

i. Manager scoring

Our Sustainability Spectrum methodology, shown in the figure below, helps determine at what level of sustainability an investment solution stands. In 2023, we applied our proprietary Sustainability Spectrum scoring methodology to over 600 (2022: 385) internally and externally managed funds, representing in total 64% of Van Lanschot Kempen's AuM.

As part of this exercise the manager selection and monitoring team mapped the vast 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.

The five flavours of the Sustainability Spectrum

1. Compliant

The solution offered to the client meets legal requirements but there is no proactive consideration of ESG factors beyond this.

2. Basic

The investment takes minimal steps to go beyond compliance in order to avoid reputational risks.

3. Avoid harm

In this approach, the client is an active owner with a clear climate and stewardship policy in place, and the investments take ESG factors into consideration with some balance between risk, return, cost and sustainability. ESG integration is not a primary driver of decision-making but clients invest sustainably and avoid harm. An active ownership approach including engagement and own voting policy is actively encouraged.

4. Do better

In this flavour the client's intention is to benefit stake-holders. The goal is to build a sustainable portfolio for the client. The investment applies an inclusion or a best in class approach, with sustainability ambition translated into policy, implementation and reporting. Climate related ambitions are set. Higher thresholds of exclusion in areas such as animal welfare, labour and human rights and environmental harm are applied. Active ownership including a strong engagement and ambi-tious voting policy is expected.

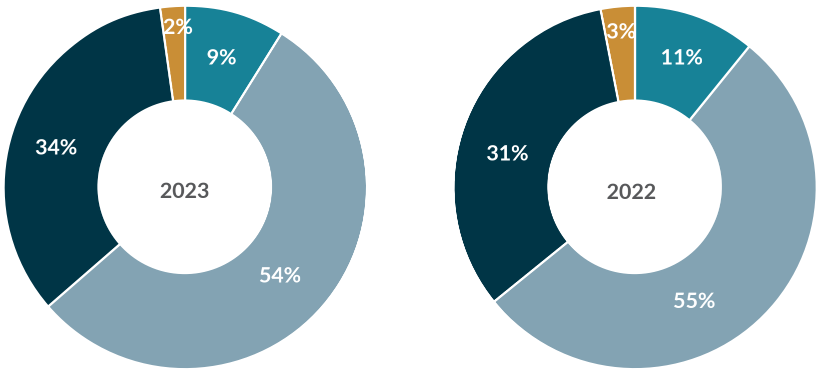
5. Do good

In this 'flavour' client's intention is to contribute to solutions to global sustainability challenges such as the Sustainable Develop-ment Goals. The investments derive positive real world outcomes on clients' behalf. This tends to be in the form of a thematic or SDG-aligned investment approach, and investee companies are expected to drive a certain proportion of revenues from sustainability solutions.

The pie charts below 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.

Out of the 600 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 Spectrum.[11]

Sustainability scores of external managers



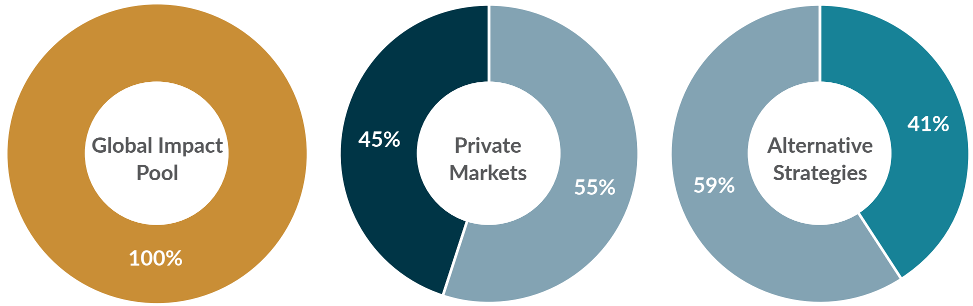
ii. Scoring funds of funds

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”.

[11] Close to 1% could not be scored due to absent data.

As expected, the Kempen Global Impact Pool funds all scored “Do good”, the Kempen private markets funds scored mainly “Avoid harm” and “Do better”. The listed alternative strategies (hedge funds) emerged with scores of “Basic“ and “Avoid harm” – an apparent disparity that was not unexpected, as it has historically been more challenging for listed alternatives to apply sustainability in a similar way to the traditional listed funds. See below for more detail on how we engage with external managers.

Sustainability scores of Kempen Pool solutions



iii. 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.

c. Our tools - active ownership: engagement

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 153.[12] 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.

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 peers, we engaged with an additional 178 companies.

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

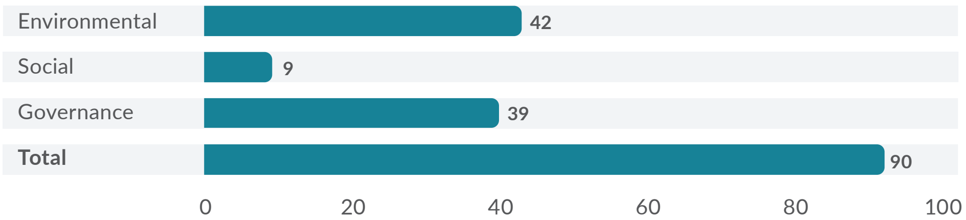
We engage on a broad range of strategic, financial, corporate governance, environmental and social aspects, while differentiating between:

- 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.

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



Please see the section 'Investment Management - Strategies' for an explanation of our milestone methodology and detailed information on our engagements and milestones achieved.

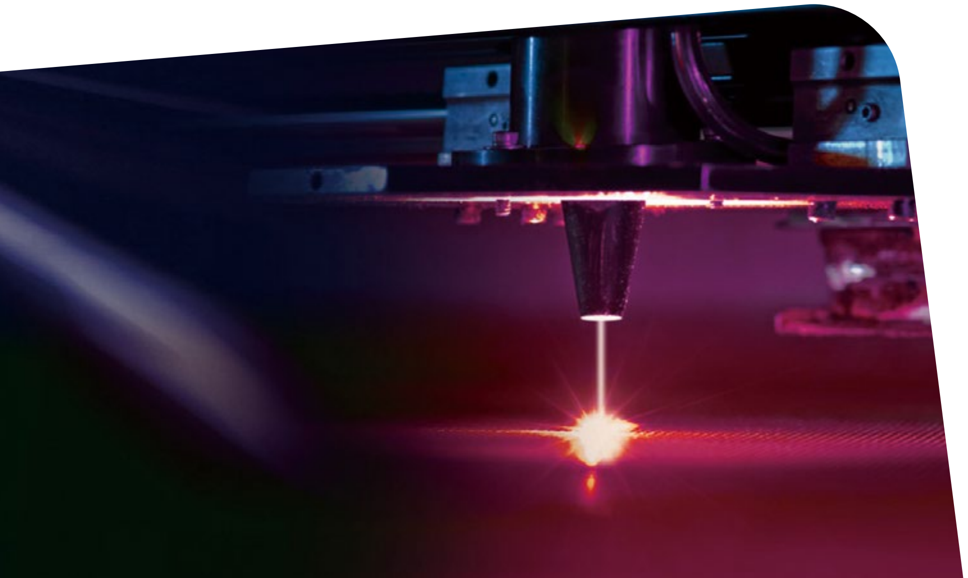
Engagement cases

USHIO

E, S, G
Engagement on corporate governance – Milestone 4

In the small-cap 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.



E, S, G
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.

JABIL

E, S, G

Engagement on Labour rights – Milestone 3

Does Jabil, a US electronic equipment and parts manufacturer, have insight into its suppliers and the working conditions in its production facilities? We engaged the company on this issue in 2023, our aim being to understand the extent to which Jabil has control of its supply chain and to communicate how important it is that it does. Sustainable operations and robust control of supply chains reduce the risks of controversies and reputational damage, and thus also of worsening company results.

Our engagement conversations revealed that Jabil had screened not less than 95% of its production locations by the summer of 2023 and had checked the rest by the end of 2023. We encouraged the company to further increase its ambitions with the Responsible Business Alliance, a collaboration between electronics companies specifically focusing on sustainability in supply chains. One way of doing this is to enhance its supervision of and working conditions at suppliers and plants Jabil works with further. The company has committed to decide on this issue in 2024 and we will be monitoring this closely.

BMW GROUP

ROLLS-ROYCE MOTOR CARS LTD

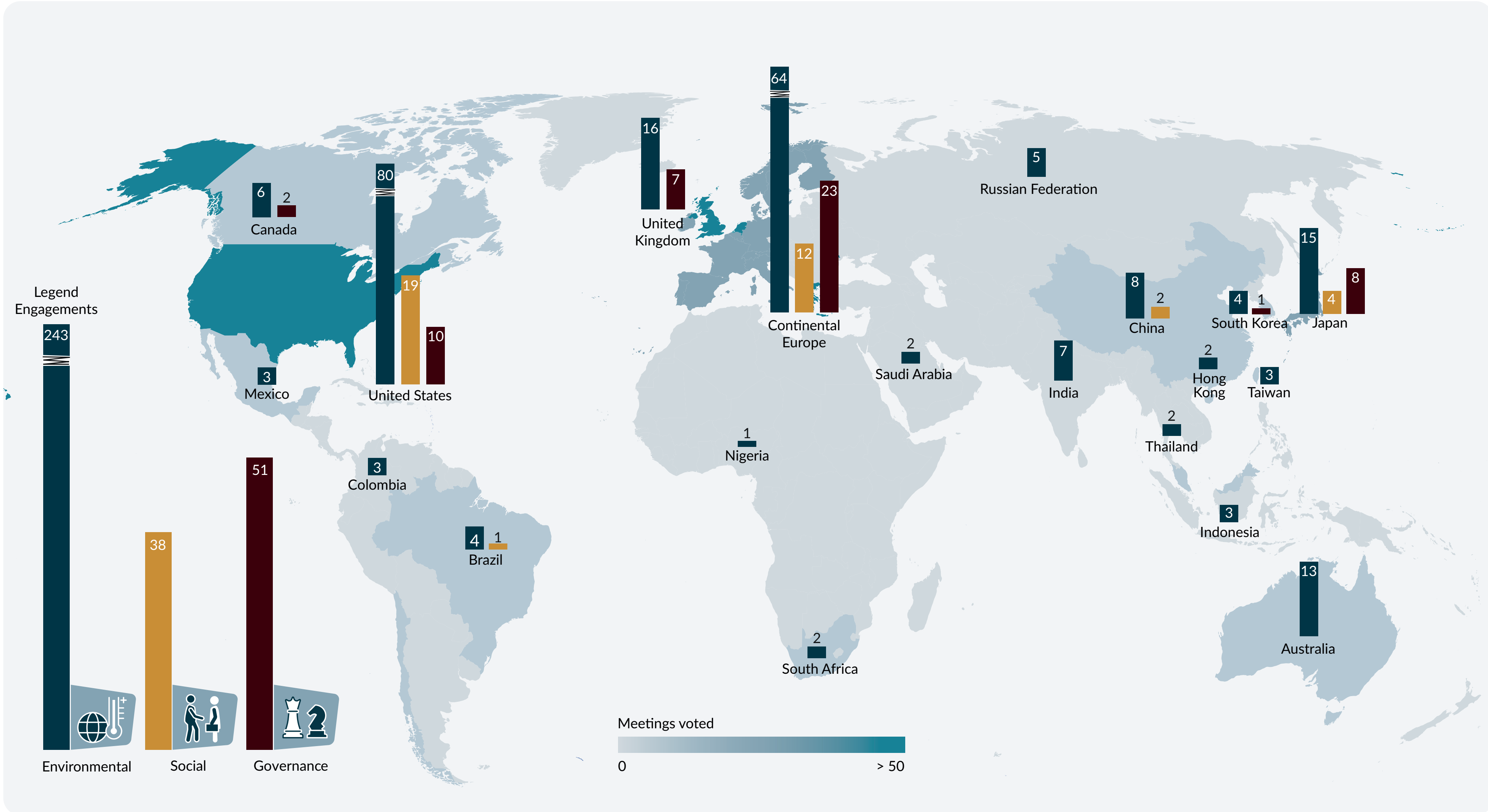
E, S, G

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 will aim to encourage the company to provide more disclosure regarding their commitment to a just transition.

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



d. Our tools - active ownership: voting

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 full voting policy.

Please see 'Investment Management – strategies' on page 34 for more detail on how we voted at shareholder meetings in 2023.

What about animal welfare?

At the annual general meeting of the McDonald's Corporation, we voted for a shareholders proposal asking for additional disclosure on how animal welfare is measured. This would make it easier for shareholders to assess the effectiveness of the company's animal welfare efforts and management of related risks. With 38.6% of the votes, this shareholder's proposal did not pass, but the votes in favour were considerably high and we expect the company to release a statement addressing this issue.

Top-league 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. How did our top impact strategies fare in 2023?

Kempen SDG Farmland – Investing in the food transition

Our SDG Farmland strategy (AuM: committed capital €445million, total capital called: €383 million, as at December 31, 2023) is a natural capital solution that offers investors access to sustainable real assets and measurable impact. The agricultural sector can play a central role in helping to solve many of the problems currently facing our society: sufficient and healthy food production, deteriorating soil quality, biodiversity loss and global warming. Intensive modern farming practices have played a big part in creating these problems, while regenerative farming can offer comprehensive solutions to the issues that agriculture faces. Our Farmland strategy invests in agricultural land and is committed to promoting regenerative agricultural practices, including improving biodiversity and reducing greenhouse gas emissions.

In 2023, we completed a baseline measurement of existing assets, adding more measurability to our solid KPI framework in our reporting. We also published our first annual sustainability report, describing our sustainability goals, which range from alignment with the Sustainable Development Goals (SDGs) to practical targets for each farm in our portfolio. We have assessed all key performance indicators (KPIs), which will serve as a basis for future improvements. In addition, we finalised the sustainability strategies for the farms we acquired last year, setting the stage for the implementation of our regenerative agriculture framework.

Kempen Global Impact Pool – technology-driven impact

The Global Impact Pool (GIP) (AuM 215 million, as at December 31, 2023) celebrated its fifth anniversary in 2023. The pool invests in funds or companies that seek to contribute to at least one of the four selected focus themes: basic needs and wellbeing; climate and energy; circular economy, and small and medium-sized enterprise development and decent work. All of these are aligned with the energy, food and materials transitions. The investments vary from companies working on accessible health care and clean energy generation to a company developing aircraft engines powered by hydrogen.

A common denominator is that technology plays an important role in many of the GIP's investee companies. Technology is often necessary for the development of new products and services that contribute to solving a specific problem. But it can also play a crucial role in achieving impact on a larger scale, through the use of smarter, online solutions that enable businesses to reach a large number of people.

In its anniversary year, the GIP received a positive rating from BlueMark, a leading independent organisation which examines how impact investors approach and gauge impact when integrating it into their investment process. 2023 also brought new collaborations, for example with the Indian health app HealthifyMe, which provides health analytics and advice to 30 million users in Asia.

Building a framework for meaningful impact investing

Building on our two existing impact solutions – the Global Impact Pool and our SDG Farmland strategy – in 2023 we worked on fine-tuning 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.

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.

1. 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.
2. Then there are companies whose revenues align with the Sustainable Development Goals. These are the sustainability/SDG-aligned investments.
3. 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.

Looking ahead

We face a large number of environmental, social and political challenges. In this context, the expectations of society, regulators and clients – as well as of the younger generations – towards the asset management industry are growing. We put our long-term efforts into meeting these expectations – and making sure we do so while achieving positive financial investment results.

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 AuM by 7%.[13] 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.

And, last but not least, as mentioned earlier in this report, we will focus more on impact and transition investing, as described on page 22, 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 (advisory) impact proposition.

[13] Against a 2019 baseline.

2 Investment Strategies

Highlights 2023

In 2023, we further improved our fund offering by expanding our sustainability labels and enhancing the sustainability profile of our investment strategies. We also continued our path towards net-zero carbon emissions by engaging with companies representing 50% of the carbon intensity of each strategy.

We have committed to a higher minimum percentage of sustainable investments for several of our funds individually, thus increasing their sustainability profiles. Each of our Kempen investment strategies now has a variant involving a higher degree of commitment to sustainable investments than in previous years. Please find more information on page 25 and in the sustainability-related disclosures of our funds in our fund library.

Our centralised sustainability data platform proved its usefulness in reporting data required by SFDR regulation to our clients. As an example, the platform calculates principle adverse impact indicators for all our listed strategies and provides the percentage of EU taxonomy-aligned sustainable investments.

Our portfolio managers engaged with 131 companies in 2023. Our focus again was on carbon intensity, engaging with companies responsible for 50% of each portfolio's carbon emissions. On average, we see these companies target carbon emission reductions of over 5% towards 2025 .

Our sustainable funds maintained their high sustainability ratings from external rating agencies, including Morningstar's Sustainability Globes. We again increased the number of funds with the international sustainability labels Towards Sustainability (now six funds) and ISR (five funds).[14]

[14] Towards Sustainability Initiative | Towards Sustainability Label ISR - Pour des placements durables et responsables (lelabelisr.fr).

Engaging with the big polluters – the outcomes

In the past two years, we have been engaging with companies representing 50% of the carbon intensity of the portfolios we manage.[15] In our dialogue with these companies, we aim for them to set targets for carbon reductions and act to implement these. For this, we use our carbon score engagement framework, which is based on measuring, disclosing, setting targets and aligning carbon reduction with the company's remuneration system.

The picture below shows some of our efforts between 2022 – 2023, while appendix I has a list of all the 78 companies we engaged with in during that period and the engagement topics per company. The list represents a snapshot of our engagement activities between 2022 –2023 and may not be representative of our portfolio holdings at the moment of publication of this report.

To calculate the annual (past and projected) carbon reduction of these companies in the 2022–25 period, we have used the most recent reduction targets that these companies have communicated to us. We assume no reduction for companies that have not set targets. Based on this calculation, these most carbon-intensive companies are on a 5% annual reduction pathway. This is below our aim of an annual 7% reduction. We believe our continued engagement – by Van Lanschot Kempen and other investors, particularly with companies that have not set targets, should get these companies onto our targeted 7% reduction pathway.

In our view, this actual planned reductions of these companies' emissions is a more meaningful contribution to global carbon reduction than reducing the exposure to these companies in our portfolios. However, our carbon score engagement framework puts more pressure on companies which do not have a reduction target, as not having a target can result in lower exposure or even sale from our portfolios.

Impression of our engagements in 2022-2023 with companies representing 50% of the carbon intensity of the portfolios we manage

Company name	Engagement topics 2022-2023						
	Implementation of policy	Disclosure	Target setting	External verification	SBTI alignment	Remuneration alignment	Projected reduction from 2022 to 2025
A2A SpA							-6%
Aalberts NV							0%
Aedifica SA		√	√	√	√	√	-4%
Alexandria Real Estate Equities, Inc.		√	√			√	-4%
APA Group	√					√	-5%
ArcelorMittal SA		√				√	0%
Befesa SA	√	√		√			-6%

Please see Appendix I for full list of companies engaged and engagement topics.

15 50% of the weighted average carbon intensity (WACI) of the portfolios we manage. The metric used is tonnes CO_2e (Scope 1 and 2) / revenues.

Setting higher goals

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 page 27 for an overview. We call these "Article 8+" funds, a step up on the sustainability ladder from the regular Article 8 funds.[16] Please find more information on the sustainability-related disclosures of our funds in our 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.[17]

[16] 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 Kempen Investment Management uses internally. Please see the glossary for an explanation of terms and names used.

[17] The PRI is a UN-supported network of investors, working to promote sustainable investment through the incorporation of environmental, social and governance factors into investment decision-making. Please see the glossary for an explanation of terms and names used.

Classification Kempen investment strategies

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 Oranje Participaties (and feeders)	Kempen Sustainable European Small-cap Fund	
	De Zonnewijser (and feeders)	Kempen Orange Fund		
High dividend		Kempen Global High Dividend Fund	Kempen Sustainable Global High Dividend Fund	
		Kempen European High Dividend Fund		
		Kempen Global Value Fund		
Euro Credit		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 sustinability-related disclosures of our funds.

→ indicates that this fund has moved to a higher minimum percentage of sustainable investments in 2023

Carbon intensity of our funds

With the aim of a 7% annual carbon emission reduction in our portfolios, we use all the suite of responsible investing tools: tightening exclusion rules, reflecting carbon metrics in the 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.

Carbon footprint breakdown for all listed Kempen Funds

	Carbon emissions (tCO_2e) per EURm invested	Carbon emissions (tCO_2e) per EURm invested compared to similar benchmark	Weighted average carbon intensity (tCO_2e) 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.

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

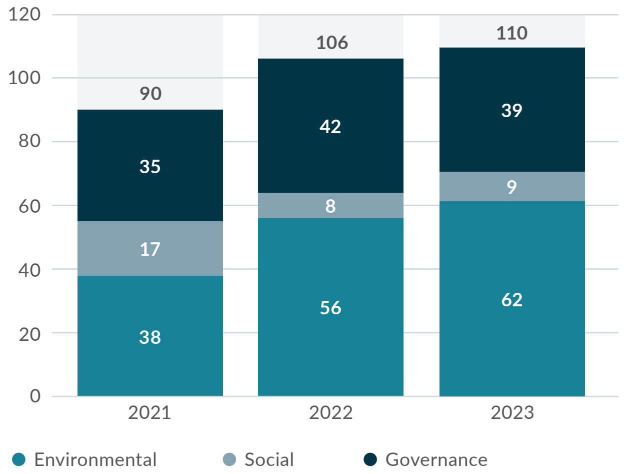
	Engagements for awareness	Engagements for change
Environmental	27	62
Social	3	9
Governance	13	39
Total	**43**	**110**

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

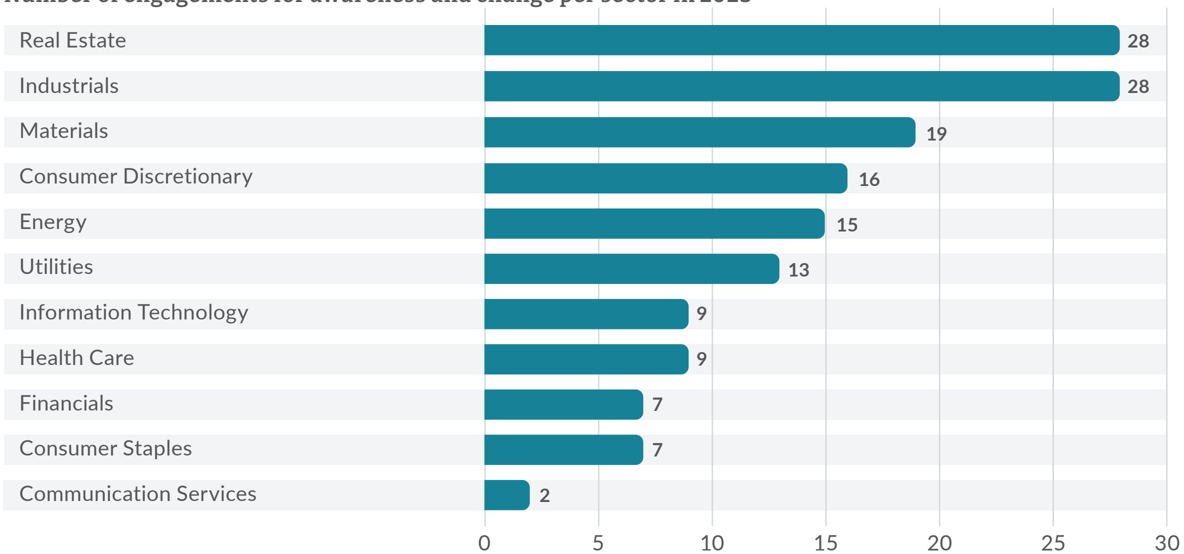
[18] Companies can be engaged with on several themes at once and on both awareness and change issues, thus allowing for some overlap.

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



Number of engagements for awareness and change per sector in 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

c. Our milestone methodology

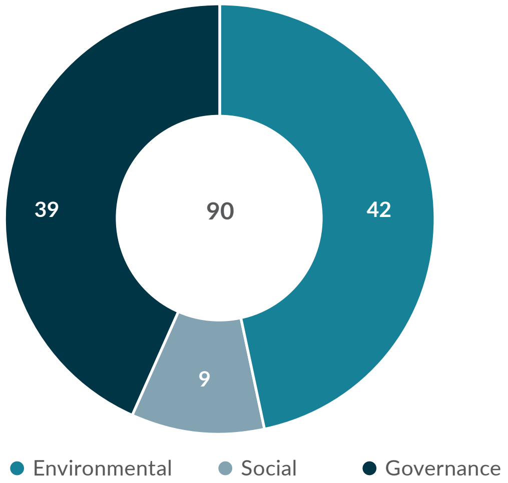
We measure the outcomes and results of our engagements with milestones.

Milestone 1	Milestone 2	Milestone 3	Milestone 4
Raise concern	**Company acknowledgement**	**Company takes action**	**Company completes requested action (closing of the engagement)**
Van Lanschot Kempen identifies the issue, formulates the desired outcome and brings it to the attention of the relevant board members or management team of a company	The company acknowledges the importance of the issue raised to the company or its stakeholders and commits to resolving the issue	Company has initiated action to address the concern raised and communicated progress with us / publicly	The company can provide clear evidence that the requested action is fully implemented

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				
	1	2	3	4	Total
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)				
	0	1	2	3	Total
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+, FAIIR, 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.

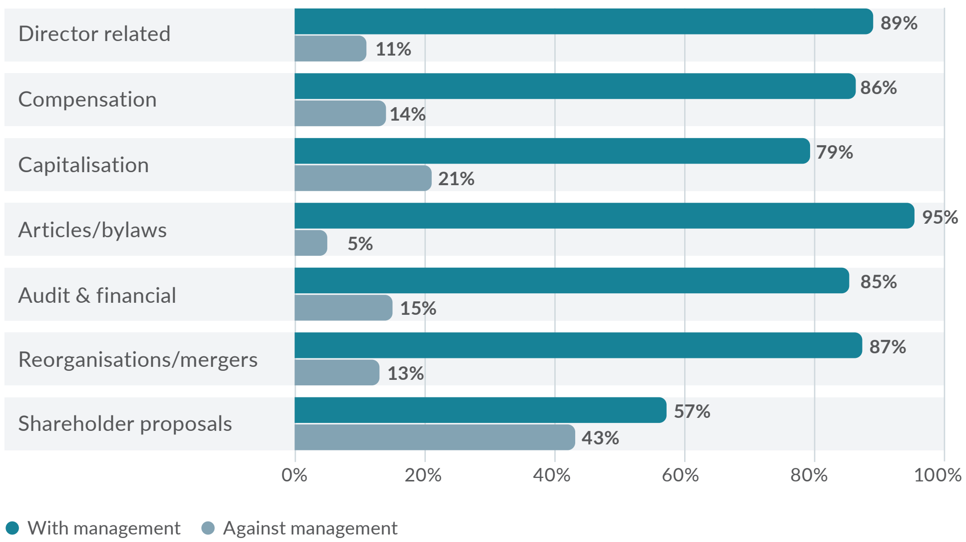
There were 346 meetings (70%) at which we voted against or withheld/abstained on at least one agenda item. We tend to abstain to give a company's management time to resolve an issue, but on the understanding that we will vote against management in future if no changes are implemented. We voted against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

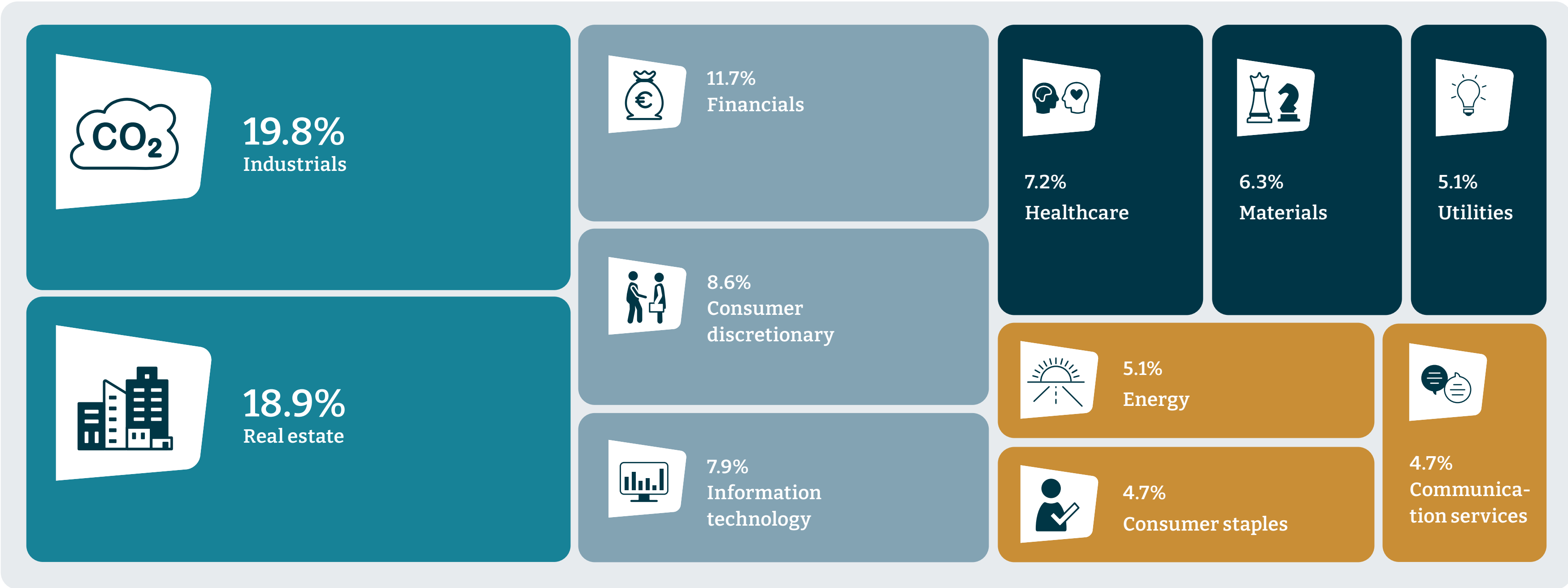
Category	2023		2022	
	Number	%	Number	%
Number of votable meetings	496		445	
Meetings voted	468	94	427	96
Meetings with at least 1 vote Against, Withhold or Abstain	346	70	325	73
Votes with Management	5,764	85	5,231	85
Votes against Management	1,057	15	942	15
Votes on Shareholder Proposals	265	4	191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

Looking back and ahead

In 2023, we continued to monitor and improve the companies we invest in using our Sustainability Risk Score and carrying out corresponding engagements. We have found that our clients appreciate our integrated sustainability approach, which in many cases fits their sustainable requirements.

As a firm, and along with our stakeholders, we recognise our contribution to the successful functioning of financial markets around the world. As we look at delivering strong investment performance, we continue to support our clients by providing transparency both in regulatory terms but also by helping them to navigate the most significant transitions facing humanity, most notably the energy and food transitions.

In 2024, we will further build out our reporting capabilities, to give clients and prospects insight into our sustainability integration and active ownership efforts. As the real economy deals with the consequences of extreme weather events, biodiversity loss and, in some cases, eroding social foundations, engaging on climate, biodiversity, labour rights and governance issues will remain a top priority.

In our investment process for the Kempen investment funds, we employ a proprietary Sustainability Risk Score 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. Please find more details on our website.

3 Fiduciary Management

Highlights

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.

Joining forces with an external asset manager, we worked towards integrating responsible investment (RI) into our benchmark for the real estate asset class. 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.

Assessing SDG-tailored indices

Working together with our fiduciary clients, we 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. What's more, 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 benchmark's.

In 2024, we will continue our assessment, asking such questions as "What aspects contributed the expected added value and what do we wish to enhance or change?" We'll be changing the indices' strategies where needed.

Please find an example of an index assessment in Appendix II.

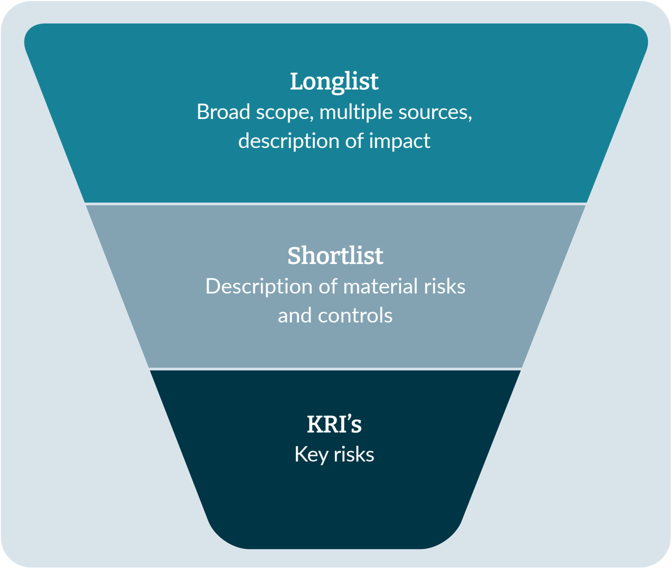
Reviewing the sustainability risk management cycle

In 2023, we walked all our 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".

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 figure on the next page.

Review of sustainability risk management cycle



Example dashboard for monitoring key risk indicator

Type of sustainability risk	Sustainability risk	Key risk indicator (KRI)	Metric	KRI risk assessment standard			KRI exposure	
				Low	Medium	High	Today	Previ-ously
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

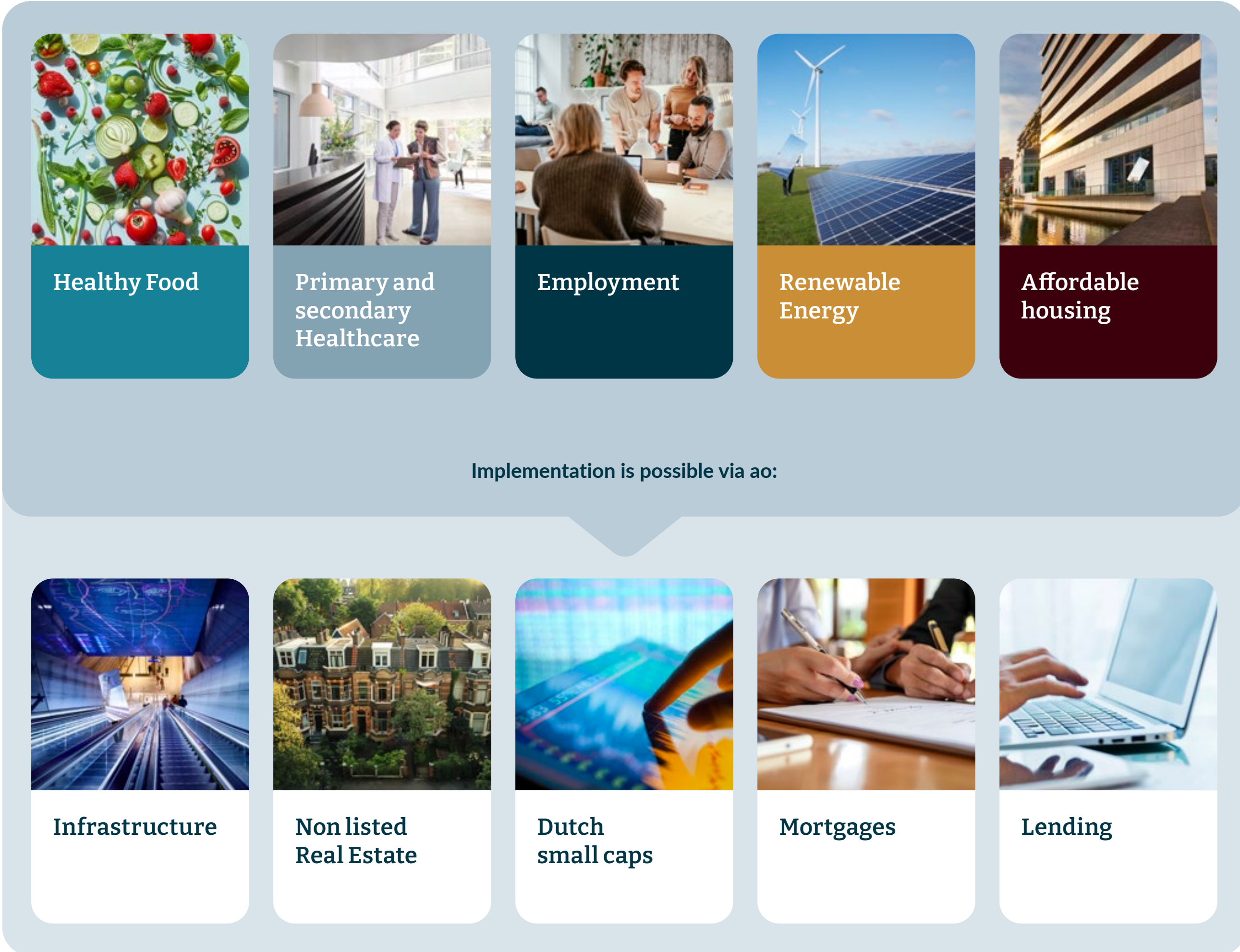
For illustrative purposes only.

Advising on social impact

More and more 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 is able to make to 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.

Local impact: investing in relatable theme’s:



4 Private Banking: wealth management

Highlights 2023

Wealth, including client investments, can make a difference in the world, today and tomorrow. Which is why all our wealth propositions take account of both financial and social returns. In 2023, we again aimed to offer the most appropriate types of sustainable investments to our clients and to meet their wishes in this area as best we could.

We've recorded the sustainability preferences of all our clients and have then broken these down into three possible sustainability profiles: "Neutral", "Committed" and "Strongly committed".

We launched two new index funds in 2023 for the North America and Pacific regions. The launch of these new funds, coupled with higher requirements in terms of sustainability and charges, means that there is now a sustainable index fund in place for all equities regions, with similar features. These regional funds match the sustainability aspirations of the "strongly committed" sustainability profile and the sustainable proposition.

In the fixed income arena, we've also added a new, more sustainable investment solution for emerging markets, designed by State Street and based on a new country policy enhanced in 2022. In keeping with this policy, we do not invest in countries on which the UN or the EU have imposed sanctions for reasons of peace and security, human rights or compliance with international law, democracy or the rule of law. In addition, we only invest in countries that are signatories of the Paris Agreement.

In 2023 we introduced the concept of 'wealth management with personal signature'. This allows clients to incorporate their unique investment beliefs into their investment portfolio. In addition to a core portfolio of globally diversified investments, the personal signature can include investments unconnected to listed markets, alternative, unlisted investments, as well as impact investments. Examples of the latter include investments in solar and wind energy, projects providing access to affordable healthcare and sustainable agriculture.

Our Sustainable proposition portfolio had a carbon emission that was over 50% lower than the broad market in 2023.

Neutral, committed or strongly committed

In 2023, we reached out to most of our clients to ask them about their sustainability preferences. Clients who have opted for discretionary management or investment advice were asked by their private banker about their sustainability preferences. As well as their investment goals and risk profiles, we now also keep track of sustainability profiles for all our client accounts. By the end of 2023, we had identified and categorised the sustainability preferences of most of our clients into three profiles: 1. Neutral; 2. Committed; 3. Strongly committed.

We're looking to meet the sustainability wishes of our clients as best we can and help them navigate the transitions to a more sustainable world. By sounding them out on their sustainability preferences, we also gain more insight into our clients' wishes and preferences in our capacity as their wealth manager. This also informs our investment advice and the options presented to clients in selected investment products. What's more, client preferences are hugely important for the further development of our product offering.

As it turned out, some clients had very strong preferences for sustainable investing and were clearly in the "committed" or "strongly committed" profiles. Others took a rather more neutral view of sustainability and ended up in the "neutral" category after talking to their bankers and completing a questionnaire.

The investment concepts that match the neutral profile do not invest in a specifically sustainable manner, although these too observe Van Lanschot Kempen's standard exclusion policy – ensuring that we don't invest in companies involved in the production or sale of tobacco or controversial weapons. And even for our neutral profile clients, we pursue engagement policies that see us engage fund managers or company management to encourage improvement in their sustainability performance.

We continue to talk to our clients about their sustainability preferences, and we also like to keep them informed of developments and trends in sustainable investing. We help them find their way in the transitions that are currently taking place in both energy and food. And this means that as a specialist wealth manager – for future generations, too – we're looking to invest in these transitions' "winners", i.e. those players that are contributing to the changes needed and that should continue to do well going forward.

We aspire to keep enhancing the sustainability level of Van Lanschot Kempen's service and to continue increasing transparency.

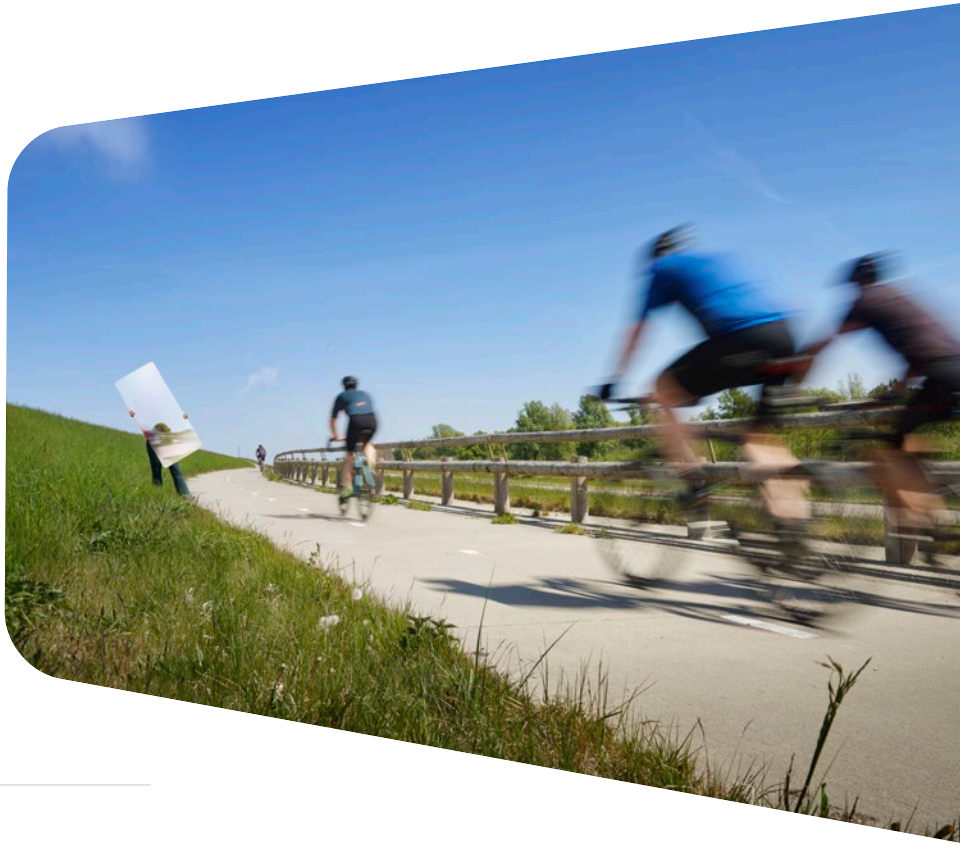
For more information about our sustainability profiles, see Duurzaamheidsprofielen (vanlanschotkempen.com).

Sustainable discretionary management proposition in 2023

Lower emissions, higher sustainability scores

In 2023, equities included in our Sustainable discretionary management proposition had carbon emissions that were more than 50% below the broader market. These selected companies are leading the way on carbon emission reductions, as the chart below shows. In addition:

- 98% of selected companies in the equity portfolio have comparable or higher sustainability scores (MSCI ESG scores) than the broader market.
- The section of the portfolio invested in bonds, has specifically created room for impact funds. These invest in green bonds, social bonds and bonds issued by development banks.
- Investee companies have 92% more than average positive impact on the UN's Sustainable Development Goals (SDGs). We focus mainly on the climate and biodiversity and living better for longer themes.
- In 2023, Van Lanschot Kempen again engaged with investee companies to encourage them to bring about sustainable change. For examples, see page 17.



Comparison of direct CO_2 emissions included companies (equities) with broad market

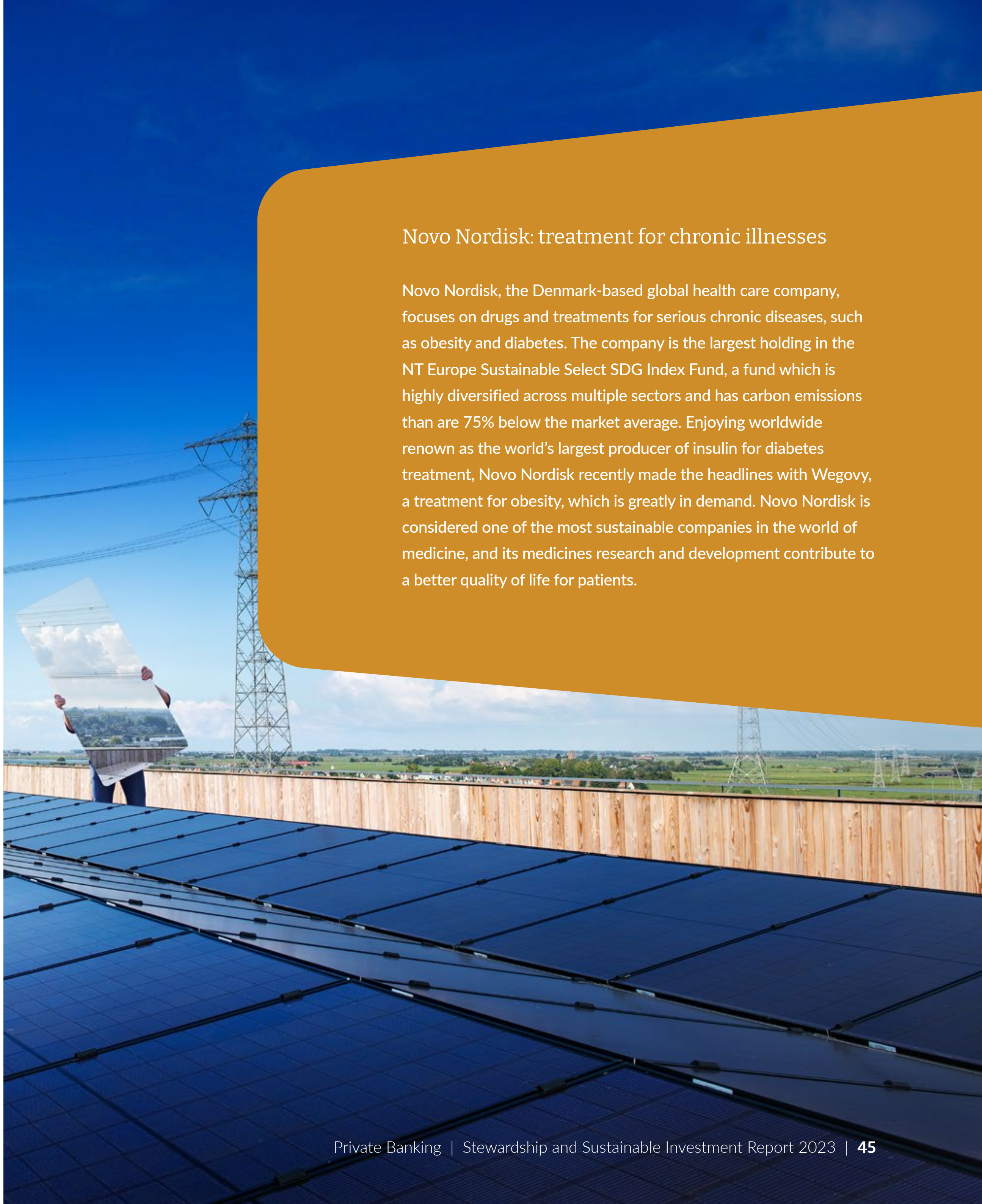
Source: Van Lanschot, ISS ESG South Pole. Portfolio composition of Sustainable neutral Q3 2023 with a size of €1 million, annual (direct) scope 1 and 2 carbon emissions of selected companies (equities) in tons per million euros invested. The general equity market is represented by an equity benchmark. The ambition relates to the general equity benchmark with an accelerated reduction in CO_2 emissions of the Climate Transition Benchmark.

Sustainable index funds in all regions

We use investment funds to help construct our sustainable wealth management concept. In 2023, sustainable index funds were launched for the North America and Pacific regions. The launch of these new funds means that there are now sustainable index funds in place for all equities regions. Similar funds were already available for Europe and the emerging countries. These SDG index funds are underpinned by similar sustainability features:

- **Exclusion**
  Immediate exclusions apply to producers of alcohol, coal and/or companies involved in gambling, corruption, environmental offences or human rights violations.[24] Relatively high carbon emitters are also ruled out. This involves excluding the top 20% highest emitters in the universe with a 30% exclusion limit per sector. As a result, the Co_2 emissions in the North American Fund are 80% lower than the general market while in the Pacific Fund the Co_2 emissions are 69% lower.
- **Integration**
  We only invest in the top 50% most sustainable companies in any sector.
- **Active ownership**
  Fund managers pursue voting and engagement policies.
- **Impact**
  Companies whose products or services make a positive contribution to the Sustainable Development Goals (SDGs) are more heavily weighted in the portfolio.

[24] This means that more exclusion criteria apply than for the standard Van Lanschot Kempen exclusion list.



Novo Nordisk: treatment for chronic illnesses

Novo Nordisk, the Denmark-based global health care company, focuses on drugs and treatments for serious chronic diseases, such as obesity and diabetes. The company is the largest holding in the NT Europe Sustainable Select SDG Index Fund, a fund which is highly diversified across multiple sectors and has carbon emissions than are 75% below the market average. Enjoying worldwide renown as the world's largest producer of insulin for diabetes treatment, Novo Nordisk recently made the headlines with Wegovy, a treatment for obesity, which is greatly in demand. Novo Nordisk is considered one of the most sustainable companies in the world of medicine, and its medicines research and development contribute to a better quality of life for patients.

Hans Snijder, managing director Dutch Heart Foundation

Translating as “Everything starts with the heart”, Alles start met het hart is the Dutch Heart Foundation’s new banner. It encapsulates everything the foundation stands for, from funding specialist research to responsible investing, its director Hans Snijder tells us.

Hartstichting

The Dutch Heart Foundation is a client in the Van Lanschot Kempen Professional Solutions offering.

Starting with the heart

Hans Snijder is a man in a hurry. Today, there are around 1.7 million cardiovascular patients in the Netherlands, out of a total population of 18 million, and this will surge to 2.7 million over the next decade if nothing changes. As things stand, one in three adults will develop a cardiovascular issue in the course of their lives. That needs to change and fast, says Snijder, who stepped up to the helm of the Dutch Heart Foundation early in 2022. “Our mission – ‘A healthy heart, now and later’ – must be achieved quickly, as our health care system, which many cardiovascular patients rely on, is grinding to a halt. And that’s what our donors likewise expect from us: we have no choice but to achieve our mission.”

It’s a matter of extreme urgency, obviously, but one which at the same time requires a degree of caution. “The Dutch Heart Foundation deeply feels the responsibility to act today, as well as to achieve and secure gains for the next generation. And that’s essentially what sustainability and responsible investing are all about for us: a keen awareness of the future. This applies to our view of investing, to the way we work and, of course, to the research we finance. Our research can make the difference between life and death, and it doesn’t just cost money – it requires time. And that’s another reason we have to look ahead.”

From robotic heart to six-minute zones

The Dutch Heart Foundation funds a wide range of research, including a study into what’s known as the “hybrid heart”, a soft robotic heart that might meet the demand for artificial hearts in the future. And research into more rapid recognition of the type of stroke that has occurred, facilitating better and more immediate treatment.

Another example is the foundation’s involvement – financial and otherwise – in the development of wearable tech able to detect cardiac arrest and alert the emergency services. “It isn’t that long ago that people in the Netherlands seldom survived a cardiac arrest. These days, if you happen to have your cardiac arrest when out and about, the chances are a lot better that you’ll be back at your dining table that same evening,” Snijder tells us. ‘’And that’s because of the automated external defibrillators (AEDs) you find all across the country, making it possible for anyone experiencing a cardiac arrest out in the street to be resuscitated within the space of six minutes – and all thanks to the Heart Foundation. But we can only pull this off when there are people around, witnesses who call the emergency services. But what if you have a cardiac arrest in the privacy of your own home and there aren't any witnesses, maybe because you live alone? That's what these wearables are being developed for: they can alert the emergency services."

Environmental levers or Dutch uncle

Donors are kept informed of every move the foundation makes, as it's very keen to show what's being done with their money. Research results are showcased, as is their translation to patient care and the outcome of prevention campaigns.

"A really big challenge" is how Snijder describes the latter two activities. "I mean, if we tell people it's a good idea to stop smoking and take the stairs rather than the lift, not everyone will immediately think 'Wow, that's such a good idea, I should really do that'. We try to avoid preaching prevention like a Dutch uncle, but to achieve results by working environmental levers, for instance by lobbying for an end to cigarette sales in supermarkets. This can play a much bigger part in prevention and makes what we do very visible indeed. Incidentally, part of our strategy is of course to factor in diversity – such as gender and cultural backgrounds – in everything we do."

And there are other ways to work environmental levers. "At present, the first thing you see when you walk into a block of flats is the lift and it can take a real effort to find the stairs. We want to flip this on its head, and we're already in talks about this with a big construction company."

Practise what you preach

How the Heart Foundation invests should be just as easy to explain to donors. ''We're honour-bound to act wisely when handling the money people have entrusted to us. You'd think it would be easy: lock in the highest possible returns so as to achieve more with our money. But that ignores our duty of care and any awareness of the longer term. The reputation we've built is a key asset, so our vision, our strategy should also be guiding us in how we invest: definitely not in companies with links to the tobacco industry, for instance. Practise what you preach is our guiding principle."

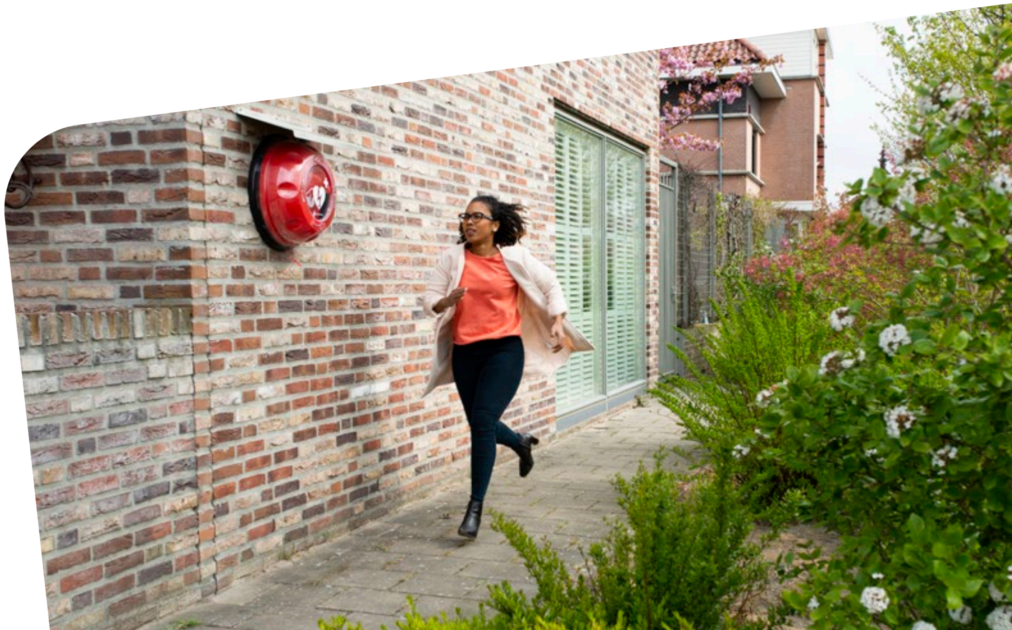
To serve its Dutch Heart Foundation client, Van Lanschot Kempen has commissioned the services of independent sustainability consultants Sustainalytics. Between them, they've drawn up an investment guide as to what Van Lanschot Kempen may and may not invest in on behalf of the Heart Foundation, i.e. both absolute and relative exclusion criteria. Van Lanschot Kempen then constructs the portfolio, with Sustainalytics checking and reporting on whether or not the investments meet the Heart Foundation's responsible investment criteria.

No box-ticking but convictions

The Heart Foundation's wealth, which stems exclusively from donations, needs to grow steadily through investment, with returns at levels that enable it to easily finance regular research far into the future.

Snijder comments: "Our basic premise is this: our investments reflect our strategy and we proceed with caution. In time, for instance, we'd like to take a closer look at impact investing, but that, too, will have to be set up in a responsible way, keeping a keen eye on our returns and reputation.

"The Dutch Heart Foundation isn't interested in ticking boxes. Everything we do is intrinsically motivated and it shows in how we work and the way our organisation is set up. Making healthy and sustainable choices, and the debate on what these involve, are deeply ingrained. Sustainable investing is no bureaucratic operation to us – in this and every other field, we seek to communicate our convictions and draw on them to make the world a little bit better."



Glossary

Additionality
A term used in impact investing to describe the positive outcomes that may not otherwise occur without the value of engagement or capital investment. It refers to whether a positive external outcome, such as increased access to healthcare services, would have happened without the investors' involvement.

Best-in-class
Assets or investments that are the best performers among their peer group in terms of environmental, social and/or governance factors.

Article 6, 8 and 9 funds
These are the three classifications that are applied to all investment products sold within the EU under the EU's Sustainable Finance Disclosure Regulation (see below), in effect since 2022. They compel asset managers to reveal the differing levels of sustainability integration that an investment strategy contains. The regulation aims to create a more transparent playing field, partly to prevent greenwashing – where some financial firms claim that their products are sustainable when they are not. We have qualified our investment funds according to the criteria as established in the articles of the SFDR. Article 8 funds aim to promote sustainable characteristics without having sustainability goals as their main objective. Conversely, Article 9 funds do have a sustainable objective. Please find more information in the sustainability-related disclosures of our funds in our fund library.

Carbon dioxide equivalent (CO_2e)
A unit to express the impact of a greenhouse gas (GHG), expressed as the amount of CO_2 with an equivalent impact on global warming. The amount of CO_2 is commonly expressed as tonnes, also known as metric tonnes, each equivalent to 1,000kg.

Controversial weapons
Weapons that have a disproportionate and indiscriminate impact on civilians, sometimes years after a conflict has ended, are generally considered controversial. This usually includes anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium and white phosphorus munitions. Most weapons commonly considered controversial are subject to international treaties such as the Convention on Cluster Munitions and the Anti-Personnel Mine Ban Convention.

Corporate governance
Procedures and processes by which an organisation is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation and identifies procedures for decision making.

Divestment
In the context of investments, ceasing to hold an investment (i.e. selling the investment) on the basis of environmental, social and/or governance considerations.

Do no significant harm (DNSH)
The "do no significant harm" principle was introduced by the EU Sustainable Finance Disclosure Regulation (SFDR), which classifies an investment as sustainable if it contributes to an environmental and social objective and does not significantly harm any other environmental or social objective.

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.

Engagement
The practice of seeking to influence the behaviour of a company in which a fund is invested in order to improve its environmental, social and governance practices. This includes, for example, engaging with a company's board of directors in order to improve that company's labour practices.

Environmental, social and governance (ESG)
The three central factors commonly used when assessing the sustainability of a business's activities or an investment.

ESG integration
This is generally understood to mean the inclusion of environmental, social and governance risk factors within financial analysis and decision-making, alongside financial risk factors, for the purposes of judging the fair value of a particular investment and enhancing investment performance. It may also include the monitoring and reporting of such risks within a portfolio.

EU taxonomy alignment
The EU taxonomy is a classification system that sets out a list of environmentally sustainable economic activities. The taxonomy forms part of the EU's plan to scale up sustainable investment and implement the European Green Deal.

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.

Global Compact (United Nations Global Compact)
A corporate sustainability initiative asking companies to align strategies and operations with universal principles on human rights, labour practices, environmental concerns and anti-corruption, while taking actions that advance societal goals.

Green bond
A fixed income instrument in which the proceeds raised from sale are used to fund green projects.

Impact

This refers to the effects a company's activities may have on the environment and/or society. It can also refer to the effects ESG issues may have on a company's bottom line, i.e. business impact.

Impact investing

Investments made in order to deliberately create social good. For example, investing in a for-profit company which makes affordable water purifiers for the developing world.

Intentionality

Impact investments intentionally contribute to social and environmental solutions. This differentiates them from other strategies such as ESG investing, responsible Investing, and screening strategies.

Just transition

A concept that involves greening the economy – to make the transition from fossil fuels to renewable energy – in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no-one behind. The perception of what a just transition involves can vary between countries and regions.

Materials transition

This aims at reducing the consumption of finite resources and minimising waste generation throughout the product lifecycle. It involves shifting from a linear "take-make-dispose" model to a circular approach in which materials are reused, recycled, or repurposed to create a closed-loop system. The goal of the materials transition is to conserve resources, minimise environmental impacts and promote more sustainable and efficient use of materials in various industries.

Markets in Financial Instruments Directive II (MiFID II)

A regulatory framework introduced by the EU to regulate financial markets and enhance investor protection. It sets out rules and requirements for investment firms, trading venues, and other market participants operating within the EU. MiFID II aims to improve transparency, increase investor protection and enhance the functioning of financial markets. It covers various aspects, including reporting and disclosure requirements, transaction reporting, investor classification, and best execution.

Net zero

A situation in which global greenhouse gas emissions from human activity are in balance with emissions reductions. At net zero, CO2 emissions are still generated but an equal amount of CO2 is removed from the atmosphere as is released into it, resulting in zero increase in net emissions. This can be achieved by reducing emissions while offsetting any that remain through activities such as reforestation or carbon capture.

Paris Agreement

An international agreement signed in December 2015 with the objective of combatting climate change and accelerating the investments needed for a sustainable low-carbon future. The central aim is to keep global temperature rise well below 2 degrees Celsius (above pre-industrial levels) and to pursue efforts to limit this to no more than 1.5 degrees.

Principal adverse impact (PAI)

The negative impact of an investment decision on sustainability factors. This term was introduced by the EU Sustainable Finance Disclosure Regulation (SFDR). Financial market participants and advisers need to disclose in what ways their advice or their products take PAI indicators into account.

Proxy voting

Entitled shareowners delegate their proxy votes to others who vote on their behalf. Proxy voting allows shareowners to exercise their right to vote their proxies without committing the time involved to actually attend company annual meeting.

Science Based Targets initiative (SBTi)

A collaborative effort that helps companies set greenhouse gas emissions reduction targets aligned with the goals of the Paris Agreement. Companies that commit to setting science-based targets undergo a rigorous process of target setting and validation. The SBTi provides resources and support to companies throughout the process.

Scope 1, Scope 2, Scope 3 emissions

Greenhouse gas (GHG) emissions are typically split into three categories. Scope 1 emissions are direct emissions from sources owned or controlled by an entity. Scope 2 emissions are indirect emissions, generated by purchased energy. Scope 3 emissions are indirect emissions, not included in Scope 2, that occur in the value chain of the entity. These include both "upstream" and "downstream" emissions.

Stewardship

The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Sustainable investment

An investment approach that considers environmental, social and/or governance (ESG) factors in portfolio selection and management.

Sustainable Finance Disclosure Regulation (SFDR)

A regulation introduced by the European Union (EU) that aims to promote sustainability in the financial sector. It requires financial market participants, such as asset managers, investment firms, and insurance companies, to disclose information about their sustainability practices and the environmental, social and governance (ESG) factors considered in their investment decision-making processes. The SFDR aims to provide transparency to investors, particularly by introducing classifications that are applicable to all investment products sold within the EU. These are "Article 6, 8 and 9" funds. The SFDR compels asset managers to reveal the differing levels of sustainability integration that an investment strategy contains. See ''Article 6, 8 and 9 funds" in this glossary for more information.

Sustainability risks

Risks to the value of an asset stemming from environmental, social and/or governance issues. For example, the price of an equity could fall due to fines levelled against the issuer for environmental damage.

United Nations Principles for Responsible Investment (UN PRI)

A UN-affiliated organisation that promotes responsible investment through a set of six investment principles that form the basis for actions to integrate responsible investment into investment decisions, and that set a global standard for responsible investing.

Appendices

Appendix I

Engagements in 2022-2023 with companies representing 50% of the carbon intensity of the portfolios we manage

Company name	Engagement topics 2022-2023						
	Implementation of policy	Disclosure	Target setting	External verification	SBTI alignment	Remuneration alignment	Projected reduction from 2022 to 2025
A2A SpA							-6%
Aalberts NV							0%
Aedifica SA		√	√	√	√	√	-4%
Alexandria Real Estate Equities, Inc.		√	√			√	-4%
APA Group	√					√	-5%
ArcelorMittal SA		√				√	0%
Befesa SA	√	√		√			-6%
Bekaert SA				√	√	√	-7%
Cabot Corporation		√					-7%
Canadian Apartment Properties Real Estate Investment Trust		√	√		√	√	-3%
China Sanjiang Fine Chemicals Co., Ltd.	√	√	√	√	√	√	
CK Infrastructure							
Coats Group plc							-4%
Compagnie Generale des Etablissements Michelin SCA						√	-1%
Corbion NV				√	√		-5%
CRH Plc		√					-4%
Croda International plc							-3%

Company name	Engagement topics 2022-2023						
	Implementation of policy	Disclosure	Target setting	External verification	SBTI alignment	Remuneration alignment	Projected reduction from 2022 to 2025
Deutsche Lufthansa AG	√		√				
EDP-Energias de Portugal SA		√	√		√	√	-31%
Electricite de France SA	√						-5%
Enel SpA					√		-12%
Enexis Holding NV					√		
ENGIE SA			√				0%
Eni SpA	√	√	√				-8%
EnQuest PLC		√	√			√	
Fufeng Group Limited							
Genel Energy Plc							
Hang Lung Properties Limited							-2%
Healthpeak Properties, Inc.		√	√				-2%
HeidelbergCement AG	√		√			√	-4%
Highwoods Properties, Inc.						√	0%
Holcim Ltd.	√	√	√	√	√		0%
International Consolidated Airlines Group SA		√				√	0%
Invitation Homes, Inc.		√	√		√	√	0%
Japan Hotel REIT Investment Corp.		√	√				-1%
Kardex Holding AG		√	√	√			0%
Keppel DC REIT		√					-7%
Kerry Group plc	√	√	√			√	-2%
Kinder Morgan, Inc.					√		0%
LEG Immobilien SE			√				-14%
Lonza Group AG	√	√		√	√		-6%
Luxfer Holdings PLC		√		√	√		0%
LyondellBasell Industries NV							-6%
Mowi ASA		√	√		√		-4%

Company name	Engagement topics 2022-2023						
	Implementation of policy	Disclosure	Target setting	External verification	SBTI alignment	Remuneration alignment	Projected reduction from 2022 to 2025
National Grid Plc							-9%
Novozymes A/S			√				-5%
OMV AG	√			√	√		-1%
PPL Corporation		√	√			√	-3%
Public Service Enterprise Group Incorporated	√		√				-13%
Repsol SA		√					-4%
Rio Tinto Plc	√	√	√		√		-7%
Royal Vopak NV	√	√	√		√	√	-3%
RWE AG		√					-11%
SBM Offshore NV			√				-13%
Shell Plc							-9%
Sun Communities, Inc.	√	√					-8%
Taiwan Semiconductor Manufacturing Co., Ltd.	√	√	√	√		√	-3%
Tate & Lyle plc	√		√		√		-4%
TenneT Holding BV		√					-8%
ThyssenKrupp AG		√					
Tidewater Inc.							
Titan Cement International SA							-3%
TotalEnergies SE		√					-2%
Tronox Holdings Plc							-15%
Valaris Limited		√	√	√	√	√	-2%
Vattenfall AB	√						-3%
Vesuvius PLC				√			-3%
Vicinity Centres		√	√			√	-13%
Vonovia SE							-2%
W. P. Carey Inc.	√	√		√	√		0%

Company name	Engagement topics 2022-2023						
	Implementation of policy	Disclosure	Target setting	External verification	SBTI alignment	Remuneration alignment	Projected reduction from 2022 to 2025
WEC Energy Group, Inc.	√	√	√	√	√	√	
West Fraser Timber Co. Ltd.							-6%
Xinyi Glass Holdings Ltd.		√	√			√	
Southern Co							-1%
Nextera Energy		√					-6%
American Electric Power							-6%
Entergy Corp							-4%
Xcel Energy							-11%

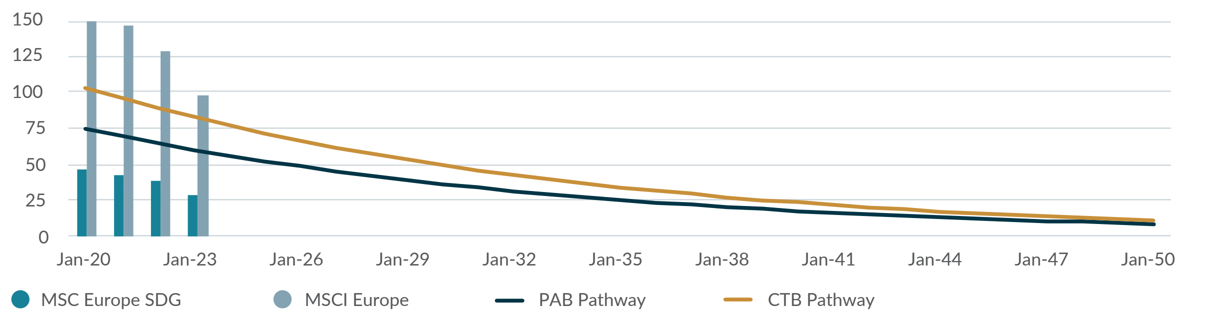
Appendix II: Track Record Evaluation – Sustainability

Sustainability characteristics[20]

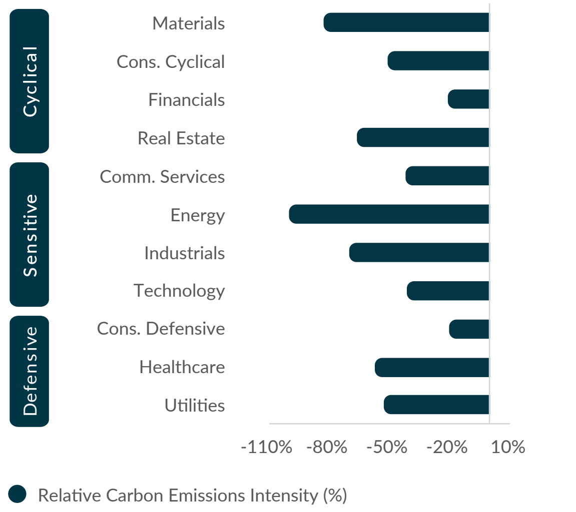
Step	MSCI Europe SDG	MSCI Europe
ESG score	8.5	7.9
ESG Leaders (%)	92.8	71.1
ESG Average (%)	7.2	27.4
ESG Laggards (%)	0.0	0.5
Environmental Pillar Score	6.9	6.7
Social Pillar Score	5.5	5.4
Governance Pillar Score	6.8	6.3
SDG 3 Positive Revenue Exposure (%)	14.4	9.6
SDG 7 Positive Revenue Exposure (%)	3.2	1.7
SDG 13 Positive Revenue Exposure (%)	2.6	2.1
Total Sustainable Impact Revenue (%)[21]	22.5	15.3
Environmental Impact Solutions Revenue (%)[22]	7.2	4.4
Social Impact Solutions Revenue (%)[23]	15.6	10.9
Weighted average carbon intensity (scope 1 + 2)	28.1	96.3
Climate Change Theme Score	9.0	8.8
Carbon Emissions Management Score	6.8	6.6

The Custom SDG Index has a more favourable sustainability profile as intended that is well-ahead PAB and CTB carbon reduction pathways. It furthermore stands out that the main SDG revenue uplift is realised for SDG 3 and to a lesser extent SDG 7.

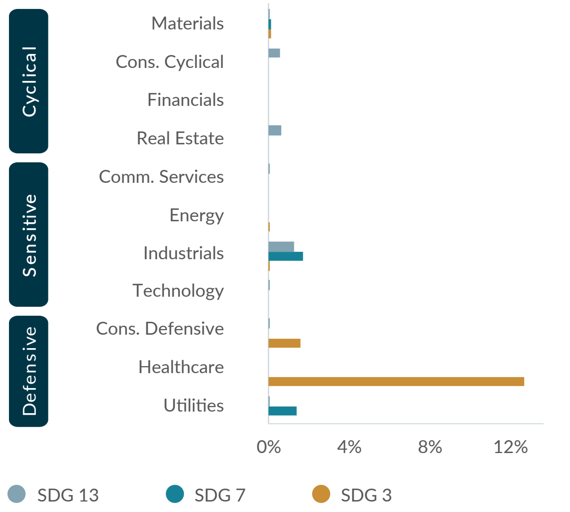
Carbon reduction pathway based on carbon intensity[20]



Relative carbon intensity



Positive SDG revenue



[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.

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