VAN LANSCHOT KEMPEN

INVESTMENT MANAGEMENT

Stewardship and Sustainable Investment Report 2024

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Engaging in dialogue in a changing world

The world is undergoing faster and more abrupt changes than we've previously been accustomed to. We face a vastly changing political world order, and growing division over sustainability, all while witnessing extreme weather conditions and their disastrous consequences. The goals of the Paris Agreement now appear to be moving further and further out of reach.

Against this backdrop, we keep our cool as wealth managers and investors, by sticking to what we believe in: selecting companies based on a long-term vision, companies that are agile, and that we believe will come out as the winners of the future. Our gauge? How the companies navigate changes and handle the transitions and sustainability challenges we've identified, such as climate change.

We also choose to engage in dialogue. Instead of avoiding or ignoring these changes, we actively discuss them with our clients, our investee companies and fund managers. Ultimately, our goal is to help our clients navigate the transitions of our time, by working together, by sharing insights, and by producing solutions that will also benefit future generations.

Real-world goals

We're active investors, and we trust in responsible stewardship and engagement with investee companies. Leading by example, we take the steps we'd like to see others take, by integrating sustainability in all our activities, and by setting real-world goals.

What does this mean in concrete terms? We're talking about our ambition to cut our own organisation's direct carbon emissions by 8% a year, and those of our discretionary AuM by 7% annually. And about our goal to reduce the carbon footprint of the mortgages we extend by an annual 9.5% per square metre. All of this should add up to us being a net-zero wealth manager by 2050. Meanwhile, we're looking forward to moving into our new office in Amsterdam in 2027, which is being refurbished to the highest sustainability standards.

Knowledge and understanding

We achieve our ambitions together with our clients. In these changing times, we want to stay close to our clients, and we engage with them on any issues we flag. For example: how do the developments in the United States relate to sustainability; what is the best possible pace of transition; and the governance burden caused by regulation.

We leverage our knowledge and understanding to help move our clients forward, enabling them to take considered decisions about their wealth, both now and in the future. The financial services industry doesn't merely have the capital to advance transitions and offer opportunities; its stewardship role also entails an obligation to highlight potential risks to clients, such as sustainability risks if transitions aren't factored in. These are risks that could have serious financial repercussions: such as the value of property in areas prone to flooding and wildfires.

Measurable truth

This report provides a review of the steps we've undertaken as our clients' investment manager in the field of responsible investing in 2024. It also covers the activities we engage in – driven by our own goals - to meet the growing demand for impact investments, and within fields in which we have extensive knowledge and expertise. These include regenerative agriculture: an area to which we bring our passion for entrepreneurship, our expertise and our belief in real-world solutions.

In addition, we've made significant progress in making our impact concrete and measurable. This is not at all easy – how do we measure a contribution towards improving biodiversity, or the protection of human or labour rights?

It is possible, though, and we're doing better all the time. After all, measurable facts help us and our clients set measurable goals, taking engagement and debate to a significantly higher level.

And this leads us right back to where we started: we attach great importance to engaging in solid dialogue with our clients and other stakeholders. Understanding and helping each other – that's how we support our clients in creating and preserving their wealth, now and in the future.

Maarten Edixhoven
Chair of the Management Board of Van Lanschot Kempen

Erik van Houwelingen
Member of the Management Board of
Van Lanschot Kempen
CEO of Van Lanschot Kempen Investment Management

About Van Lanschot Kempen Investment Management

There's a saying in Dutch, Kom verder, which has many meanings including 'moving forward together'. But it's more than a phrase to us. It's our company philosophy and how we work with clients to deliver the right investment solutions for them.

Van Lanschot Kempen is the oldest independent financial institution in the Netherlands. Our heritage is important to us. But we're more focused on where we're headed.

We're not all things to all people. Instead, we do a few things really well. Like fiduciary management and high-conviction, active investment strategies that focus on where we can add the most value.

Van Lanschot Kempen Investment Management NV is the in-house investment management entity of Van Lanschot Kempen NV, through which we manage the portfolios of our clients and deploy the activities described in our Stewardship and engagement policy and in this report.

Listed at Euronext Amsterdam, Van Lanschot Kempen has a history dating back to 1737. As an independent specialist wealth manager active in private banking, investment management and investment banking , Van Lanschot Kempen is 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.

Highlights 2024

We engaged directly with 106 companies and voted at 432 shareholder meetings. Together with peers, we participated in collaborative engagements with 272 companies.

We consider the theme of biodiversity by carefully choosing where to invest. In line with our commitment to the Finance for Biodiversity Pledge, we have set a key performance indicator (KPI) for our biodiversity engagements.

We refined our transition and impact investing framework, embedding it deeper into the manager due diligence, and entered a partnership with Collective Action.

Van Lanschot Kempen's impact funds and solutions have been listed in the FT interactive impact investing listing, raising broader awareness of our solutions

Our Infrastructure team designed a Social Engagement Framework which enables companies, civil society organisations, and investors to jointly address social issues. Tackling the 'S' in ESG, can enhance the sustainability profile of infrastructure companies.

For our institutional clients, our fiduciary management team embarked on a thorough evaluation of key risk indicators, which measure the financial and non-financial ESG risks to client portfolios.

For our private clients, we worked on the decarbonisation of the sustainability profile 'Strongly committed' and the Sustainable discretionary management proposition. By mid-2025, both will be fossil-free.

In 2024, several Van Lanschot Kempen funds increased their sustainable investment commitments, with more than half of these funds doubling their sustainable investment commitment.

Focused steps forward

Our beliefs

As an independent, specialist wealth manager, our purpose is to preserve and create wealth for our clients and society in a sustainable way. Our purpose and ethical principles underline our sustainability beliefs:

- We help our clients to navigate the important transitions of our times by collaborating, sharing insights and developing solutions for future generations;
- We are active investors with a strong belief in responsible ownership through dialogue. We act as long-term stewards by engaging with companies to encourage progress on their own sustainability targets and drive sustainability performance;
- We lead by example, integrating sustainability into all our roles and expertise.

Investing is at the core of what we do. This report highlights our stewardship activities in 2024, our approach to sustainable investments and how we are guiding our clients through the important transitions of our time.

For an overview of our group Sustainability targets and performance, please refer to our Annual Report.

Together, yet distinct

We organise our sustainability-related efforts across four pillars: exclusion, ESG integration, active ownership and positive impact.[1] These 'tools' allow us to take action and accelerate the transitions. See pages 9-21 for an in-depth explanation and a report on how our sustainability-related instruments contributed in 2024.

All investments in our three different client groups covered in this report (clients invested in our investment strategies, institutional fiduciary management clients and private clients) are subject to a minimum standard of sustainability and exclusion thresholds. Our various types of clients and offerings mean that our goals for sustainable investments, as well as the tools that we can apply, differ slightly. Below we describe the difference in our approach.

Investment strategies

We have full control over the policies for the assets under management (AuM) in our own Van Lanschot Kempen investment funds and strategies, and we can therefore apply the full spectrum of our sustainability instruments. We aim to be a net-zero investor by 2050 by aligning our AuM with a long-term carbon intensity reduction pathway of 7% a year on average, in terms of weighted average carbon intensity (WACI).[2] The goal is to limit global warming to +1.5°C as specified in the Paris Agreement.

Our investment teams are deeply committed to embedding sustainability throughout the investment process, engaging with investee companies on a range of topics, and voting at company meetings.

For investors wishing to make positive impact, we offer two impact solutions aligned with SFDR Article 9[3]: Kempen SDG Farmland Fund and Global Impact Pool.

1 These efforts relate to the portfolios we manage for our clients. Source of all data in this report is Van Lanschot Kempen as of 31 December 2024, unless indicated otherwise.

2 WACI measures a portfolio's exposure to carbon-intensive issuers and serves as a proxy for a portfolio's exposure to climate transition risks. Our current WACI target is focused on Scope 1 & 2 emissions. Scope 1 emissions are direct emissions from sources owned or controlled by the company. Scope 2 are indirect emissions for the generation of purchased energy. Scope 3 emissions are all indirect emissions that occur in the value chain of the reporting company.

3 SFDR (Sustainable Finance Disclosure Regulation) was introduced by the European Union (EU with the aim to promote sustainability and transparency in the financial sector. Please see the glossary at the end of this report for more information

Private banking

In the investment concepts for our private clients, we take into account both financial and sustainability factors. We do this by, among other things, excluding certain investments, engaging with companies in which we invest, and using a best-in-class approach.[4] All active discretionary investment propositions for our private clients comply with Van Lanschot Kempen's standard Exclusion Policy.

However, our clients themselves determine the sustainability profile of their investments. To this end, we ask about their sustainability preferences and establish a sustainability profile accordingly. We tailor our investment offerings to align with both their risk/return profile and their sustainability profile.

Fiduciary Management & other institutional clients

In our fiduciary offering (€73.4 billion AuM) we assist institutional clients with their investment decisions and sustainability policies, as well as their implementation and reporting processes. We provide expert advice and leverage our sustainability expertise to guide their investment choices. Ultimately, clients are responsible for selecting the sustainability tools they wish to apply to their investments and we guide them through this process.

The Van Lanschot Kempen Exclusion Policy serves as the policy foundation for all our clients, on which they can expand if desired. We engage with the external managers included in our clients' portfolios, and our fiduciary clients benefit from the engagements conducted by Van Lanschot Kempen's investment teams.

Themes and transitions 2024

Across all client groups, we work on enabling the transitions by focusing on three themes where we believe we can achieve the biggest results, based on our scale, activities and specialist knowledge: climate, biodiversity and inclusion & diversity.[5] These themes provide the building blocks that bring the transitions to life.

In 2024, we assessed the risks and opportunities that transitions have to offer to investors. In three reports, we focused on three transitions:

1. **Food transition:** looking in more detail at what is needed to strengthen the transformation of the food production cycle into a more sustainable system, where food is produced in a healthy and sustainable way;
2. **Energy transition:** exploring how investors can help to accelerate the energy transition to bring climate goals within reach;
3. **Materials transition:** looking into the role investors can play in bringing about a more circular economy, with reduced levels of waste.

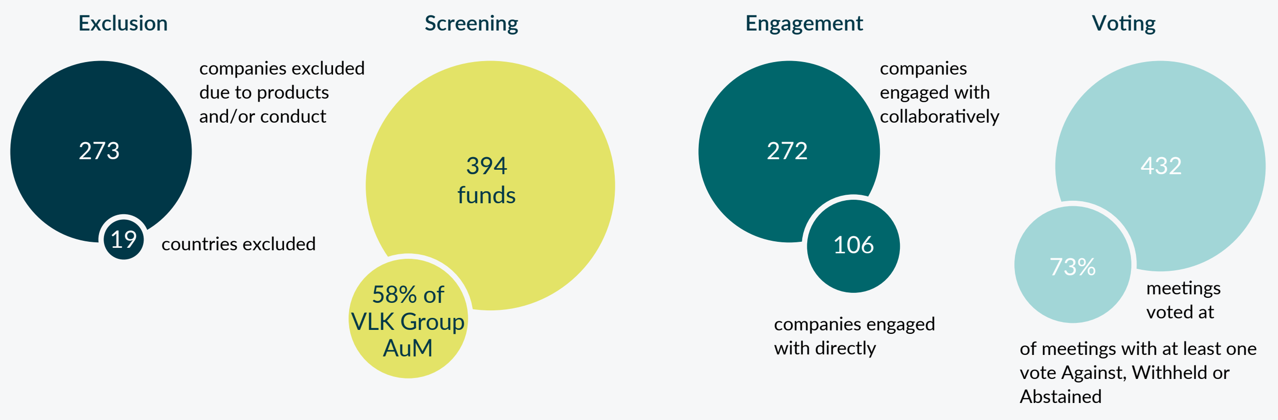
Our research on the transitions informs our investment process and our client advice. It helps us focus on relevant sustainability data points from our internal sustainability data engine and to integrate these throughout our investment process. This foundation means we're better equipped to track progress and report on it, for example in the fields of reducing carbon emissions and engagements with investee companies.

This research is also instrumental in providing more clarity for our clients on the need for and scope of these transitions – and in advising them on making sustainable and impactful investments.

4 Best-in-class investment means selection of companies for investment that are frontrunners in meeting environmental, social and governance (ESG) criteria in their particular universe, asset class or category.
5 The theme of inclusion & diversity was added at the beginning of 2024, replacing the theme of living better for longer, based on our actual activities as Van Lanschot Kempen.

2024 in a nutshell

Responsible investment dashboard 2024



Tools for our sustainable investment efforts

We organise our sustainable investment efforts across four pillars. This allows us to take action on and accelerate 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

Please see next pages for an account of how these tools contributed in 2024.

Exclusion

Exclusion is a vital part of our sustainability approach in all our client groups. While for our Van Lanschot Kempen strategies we are active owners, and prefer inclusion over exclusion to drive the sustainability performance of a company, our minimum standard is to 'do no significant harm'. This means 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 273 companies currently on our Exclusion List due to their involvement in controversial weapons or tobacco-related activities (among other areas), or their negative impact on people and/or the environment. We also do not invest in countries under EU/UN arms embargo sanctions (19 countries on the Exclusion List at the end of 2024).

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.

We use the same Exclusion List for our private clients and institutional clients as a basis for our offering.

- Exclusion Policy
- Exclusion List end of 2024

Scoring Coty

The case of Coty – a French beauty company – illustrates our scoring method. We noticed that Coty's ESG policies, in particular its goals for using recycled materials, looked less ambitious when compared with their peers. We overwrote the default score and started an engagement with the company on the theme of biodiversity and recycling.

It's important to note that the sustainability scores ensuing from the Sustainability Risk Score approach have a direct impact on the valuation scores we calculate.

ESG integration & screening

Sustainability Risk Score for individual companies

In our investment process for the Kempen investment funds, we employ a proprietary Sustainability Risk Score approach for individual companies. This score combines external ratings – used as default – with our own perspectives and in-depth knowledge about the firms in which we invest. These scores become forward-looking by allowing for a swift integration of the outcome of our own engagement and research: our view can indicate likely improvements or deteriorations in sustainability status that are not (yet) reflected in the default scores.

In the score, we put extra focus on carbon emissions and corporate governance, using a more extensive combination of external data and resulting in a custom scoring framework for these issues. The framework reflects the targets the company has set, the way these are managed, and how management is incentivised to reach them.

The benefits:
- Our Sustainability Risk Score can correct external ESG data;
- Quick integration of the outcomes of engagement in the score, making it more forward-looking;
- Resulting scores are absolute and can be used to compare risk between companies;
- Scores give a consistent view of how certain exclusion and engagement thresholds are set.

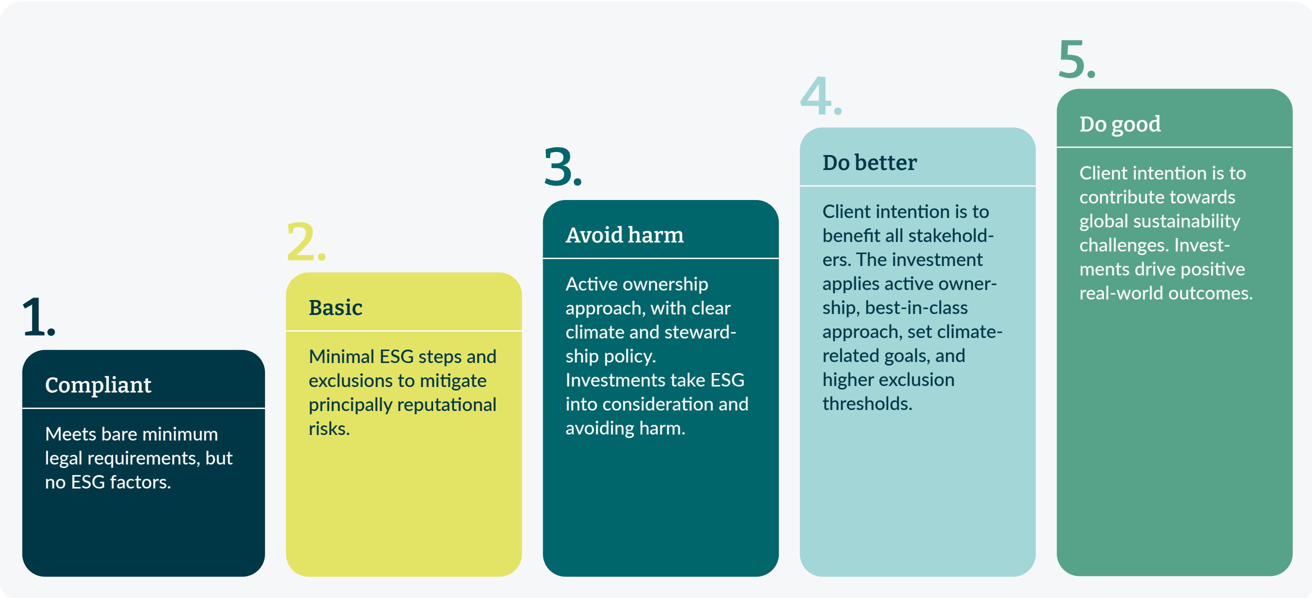
Scoring of internal and external funds

To determine at which level of sustainability an investment solution stands, we apply our proprietary Sustainability Spectrum methodology, shown in the figure below. In 2024, we scored over 390 (2023: 600)[6] internally and externally managed investment funds, representing in total 58% of Van Lanschot Kempen Group AuM (2023: 64%).

As part of this exercise our Manager Research Solutions team (MRS) 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.

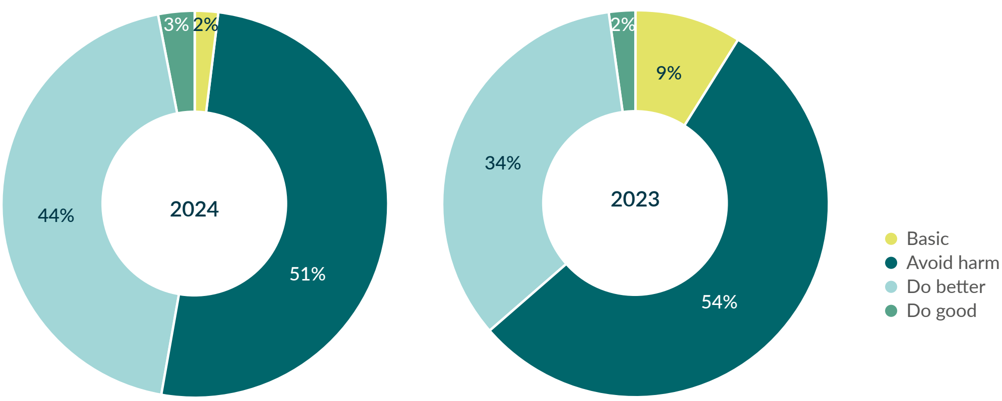
The scoring of funds and solutions enables us to assess the sustainability of funds which we may propose to our private and institutional clients, and to provide a proxy for the sustainability of private clients' overall portfolios.

The five flavours of the Sustainability Spectrum



The pie charts below show a breakdown of our AuM by the five scores on our sustainability spectrum. We score and assign each fund a rating from 1 to 5, and only those investment managers who meet our minimum rating of '3. Avoid harm' are offered to clients. A small number of clients is however still invested in funds with a 'Basic' score (2% of scored AuM). 'Rating 1. Compliant' is therefore absent from the pie charts. Out of the 394 funds which we had scored by the end of 2024, as a percentage of scored AuM, 2% scored 'Basic' and 51% scored 'Avoid harm'. 44% of the screened assets were invested in 'Do Better' sustainable investment solutions and 3% in 'Do Good' solutions.

Sustainability scores of external managers



6 The difference is explained by an adjusted terminology: counting on fund level instead of share classes.

Active ownership: engagement

Engagement with individual companies in 2024

Our investment teams proactively enter into dialogue with companies in order to encourage positive change. In 2024, we engaged directly with 106 companies on environmental, social and governance themes. The total number of engagements was 121.[7]

Of this total, 88 were engagements for change carried out by our portfolio managers and our Sustainable & Impact Investing team. Close to half of these engagements concerned environmental issues, followed equally by engagements on governance and social issues. For examples of our engagements, please see page 15.

Engagements 2024 companies

Companies	Engagements		
	Awareness	Change	Total
Number of companies (unique)	32	78	106
Number of engagements	33	88	121

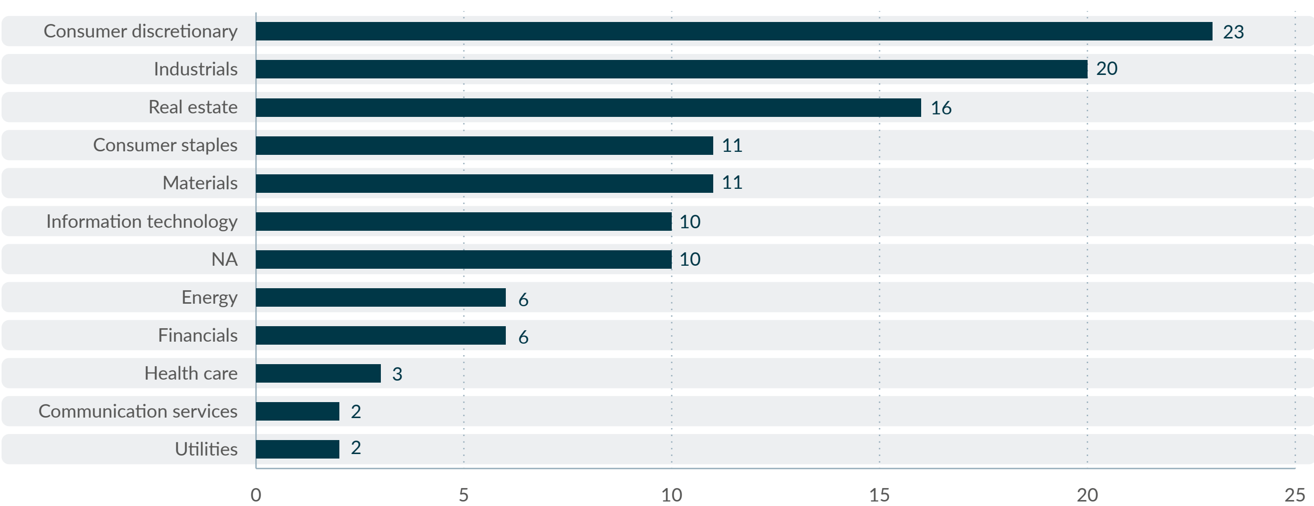
Engagements 2024 per theme

Theme	Engagements		
	Awareness	Change	Total
Environmental	11	42	53
Social	14	23	37
Governance	8	23	31
Total	33	88	121

We engage 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;
- Encourage companies to adopt corporate governance best practices; and
- Set more ambitious environmental and/or social targets.

Number of engagements for awareness and change per sector in 2024



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

Stronger together: collaborative engagements

In 2024, together with peers, we participated in collaborative engagements with 272 companies (2023: 178).[8] Approaching a company collectively means that the pressure on them to change or improve increases and therefore also the likelihood of success.

Given both the growing risks associated with climate change and our thematic focus, the majority of our collective engagements were focused on climate issues. 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.

Notable engagements with Climate Action 100+ included interactions with Shell (see page 15 for more details), BP and Volvo, where our Credit team took the lead in the engagement.

On the theme of biodiversity, we were a participating investor in engagements by Nature Action 100 with the companies Sysco and Novo Nordisk. We also participated in a biodiversity-related engagement with Unilever through the Dutch investor organisation Eumedion.

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.

By participating in collaborative engagement initiatives, we can increase the effectiveness and leverage of our engagement activities. When we initiate a collaborative engagement or join existing engagement initiatives, 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. We are a member of several initiatives, most notably IIGCC Climate Action 100+, Nature Action 100 and the Platform Living Wage Financials.

Engagement with external managers

We also engage with external fund managers who manage solutions in which our private banking or institutional clients can invest. We engage with managers on their sustainability approach in fixed income and equity, hedge funds, and private equity.

In 2024, we proactively engaged with 38 different managers, covering 162 funds (as some engagements cover complete fund ranges) through our Manager Research Solution team (MRS). We also discussed impact data delivery with all 10 managers in the Kempen Global Impact Pool.

The engagement activities which the Manager Research Solutions (MRS) team undertake have been largely centred around the upcoming fund naming guidelines of the European Securities and Markets Authority (ESMA). The ESMA guidelines aim for transparency and consistency in requirements for funds whose names include sustainability terms (such as ‘sustainable’, ‘ESG’ or ‘climate’).

Funds within the scope of these guidelines are, among other things, required to adhere to exclusion criteria outlined in the Paris-Aligned Benchmark (PAB). The team engaged with about 100 funds which fall into our category 4 ‘Do better’, to make sure that these funds will become compliant with the Paris-Aligned Benchmark (PAB) exclusions or remove reference to sustainability in their names.

The outcome of our engagement efforts has been that a large majority of funds that we currently rate as category 4 ‘Do better’ will indeed comply with the PAB exclusions, either by the nature of the investment universe or through additional criteria which will be added by the managers.

We also engaged with a smaller number of funds which fall into our category 3 ‘Avoid harm’, but whose names contain sustainability-related words. The outcome of this exercise was that most of these funds will remove reference to sustainability in their names and will remain in category 3 ‘Avoid harm’.

› For examples of our engagement, please see page 16.

8 The significant increase in the course of 2024 can be attributed to our participation in Nature Action 100.

Engagement measurement

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

Milestone 1

Raise Concern

Van Lanschot Kempen identifies issues, formulates the desired outcome and informs management at the company of the concern

Milestone 2

Company Acknowledgement

The Company acknowledges the importance of the issue and commits to resolving the issue

Milestone 3

The Company takes action

The company initiates steps to address the issue and is communicating progress either directly with VLK or via public channels

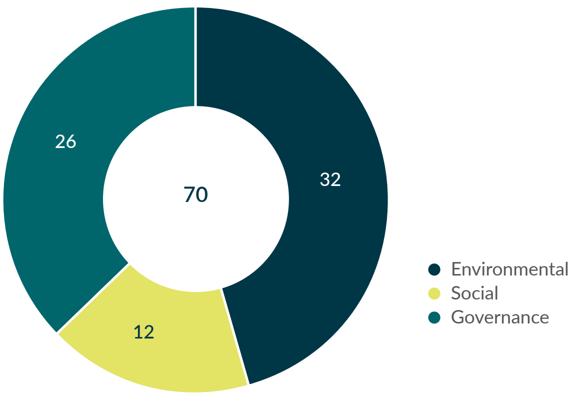
Milestone 4

The Company resolves the issue

The company can provide clear evidence that the steps taken have resolved the issue and that the requested action is completed

In 2024, we achieved 70 engagement milestones across 88 engagements for change highlighting the concrete results our engagement delivered during the year.

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



The table below shows how the total engagements for change are split across the four milestones as at the end of 2024. In this past year, 23 engagements reached milestone 4, which means these engagements were completed successfully.

Milestones for engagements (2024)

Theme(s)	Milestone				
	1	2	3	4	Total
Environmental	8	11	12	11	42
Social	12	3	5	3	23
Governance	3	5	6	9	23
Total	**23**	**19**	**23**	**23**	**88**

Milestone progress

The figure below shows how engagements for change progressed across our four milestones in 2024. A little less than half of the engagements showed no progress during the year – some we only initiated recently, while in other cases progress has stalled. In addition, some engagements take more time before a company can implement our request for change and the engagement can progress to the next milestone.

Milestones progress in 2024

Theme(s)	Milestone delta (progress)				
	0	1	2	3	Total
Environmental	17	19	5	1	42
Social	15	5	2	1	23
Governance	9	5	6	3	23
Total	**41**	**29**	**13**	**5**	**88**

As the table above shows, 29 engagements reached one milestone in 2024, 13 progressed two milestones, and 5 reached a delta of three milestones.

The number of 70 milestones reached overall is calculated as follows: progressed by 1 counts as 1 milestone, progressed by 2 counts as 2 milestones; progressed by 3 counts as 3 milestones. So, an engagement that was at milestone 2 at the beginning of 2024 and milestone 4 at the end of 2024 counts as 2 milestones achieved for the year. For 2024 this means: 29 + (13x2) + (5x3) = 70

› Our Stewardship and engagement policy is available online.

Engagement examples with individual companies

AngloAmerican

Biodiversity commitment in a high-impact sector

Within the mining industry, which is notorious for its adverse impacts on biodiversity, climate and external stakeholders, Anglo American stands out as a frontrunner in the area of carbon reduction and biodiversity measures. The company accounts their fully renewable electrical supply across all their South American operations as an important example of being serious about sustainability.

The company is also actively seeking to mitigate adverse impacts on biodiversity brought upon surrounding areas by their mining operations and has set a goal to deliver a net positive impact on biodiversity by 2030. Our extensive engagement with Anglo American in 2024 focused on understanding their measurements and benchmarks with regard to their biodiversity goals.

We discussed the challenges of measuring biodiversity in detail, collecting data and drawing up science-based metrics. We also discussed their water use and their land rehabilitation efforts. For 2025, the company is aiming to fully align their practices with industry standards related to waste products. They have also set the goal of a 50% reduction in the use of fresh ground water but acknowledged our concern that this would not be enough for the NPI target to be met. We are continuing our engagement with the aim of further encouraging current sustainability efforts and monitoring the development of the company towards their goal of a net positive impact on biodiversity.

A much-discussed climate strategy

We have engaged with Shell on their climate goals and strategy through direct conversations with management and collaboration with groups such as the Dutch Climate Coalition and Climate Action 100+. In 2024, we challenged the company on the dilution of their mid-term emission goals, which raised doubts about their 2050 net-zero target.

As part of a collaborative engagement, Shell explained this decision, citing the uncertainty of the transition's pace. Due to their weakened goals, we abstained from voting on Shell's climate strategy at their annual general meeting. We supported an alternative resolution brought forward by the NGO FollowThis.

In multiple conversations with their management we also discussed the impact of geopolitical and local changes, such as the election of the new US president and the dismissal of a ruling against Shell by the Dutch climate action group Milieudefensie. Shell indicated no change in their strategy, with the development of liquefied natural gas (LNG) remaining their main focus going forward. The company says LNG will be vital in powering the transition. We will continue to engage with Shell on their sustainability standards and goals.

Action on a just transition

BMW Group has made progress in decarbonisation by setting long-term carbon reduction targets, increasing electric vehicle (EV) sales, improving efficiency and reducing supply chain emissions. As they transition, it's important to consider the social impact on stakeholders such as employees and communities dependent on carbon-intensive activities. This should be part of the company's just transition approach.[9]

We began engaging with BMW in 2023, discussing their just transition and how this considers the social impact of climate goals. In 2024, we saw progress when their annual report stated that they are actively facilitating a socially responsible transformation for their employees, as part of their integrative just transition approach. This involves training and education activities for employees, helping them adapt to more sustainable business activities.

The 2023 Climate Action 100+ (CA100+) assessment included a just transition indicator, which evaluates companies' efforts to mitigate adverse social impacts on stakeholders. Many companies, including BMW Group, did not meet the CA100+ just transition indicator criteria (as of May 2023). We continue our engagement to encourage the company to disclose more detail on their commitments and plans for a just transition.

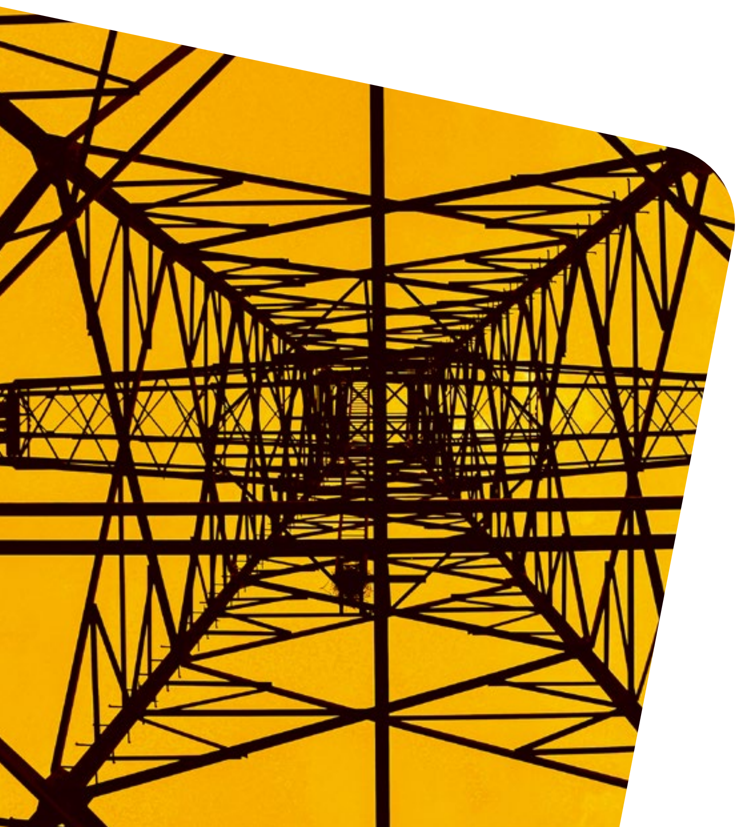
9 The concept of a just transition is described as 'greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind' (www.ilo.org)

The green outpost

The US hotel sector is one of the biggest laggards when it comes to its willingness to decarbonise and setting sustainability targets. However, the DiamondRock group has been pursuing climate initiatives voluntarily and has asked us for advice. In our engagement with them, we worked along the lines of our environmental framework, and provided management with concrete and relevant steps to set their goals, work towards these goals, and demonstrate commitment and accountability.

The effort has paid off: DiamondRock is now committed to reducing Scope 1, 2 and 3 carbon emissions by 50% by 2030, compared with their base year 2019. This will be verified externally. Not a small feat, since Scope 3 involves indirect emissions in the company's value chain and thus would entail, for example, sourcing sustainable material for construction projects, steel procurement, as well as products used in the hotels and more.

In addition, DiamondRock has introduced ESG targets set as part of the remuneration schemes of its management, and is discussing ambitious targets that would align with the goal of limiting global warming to 1.5°C. The company has also set targets for improving biodiversity on its hotel grounds and for reductions in energy and water usage. It also has plans to identify further opportunities for improvements, such as optimising air conditioning systems, procuring more green energy and improving lighting options.



Engagement examples with external managers

Advancing sustainability in mortgage portfolios

Making homes more sustainable is a key societal issue, and mortgage providers can play a crucial role. We engaged with mortgage portfolio managers on various environmental and governance issues to better understand the challenges these specific managers are facing.

In late 2024, we engaged with DMFCO Asset Management and inquired about measuring concrete sustainability results and the carbon footprint of their portfolios. DMFCO predominantly focuses on removing barriers for consumers to engage in energy saving measures (ESMs). Consequently, the percentage of ESMs within their mortgage portfolios is one of DMFCO's most important key performance indicators (KPIs) related to sustainable goals.

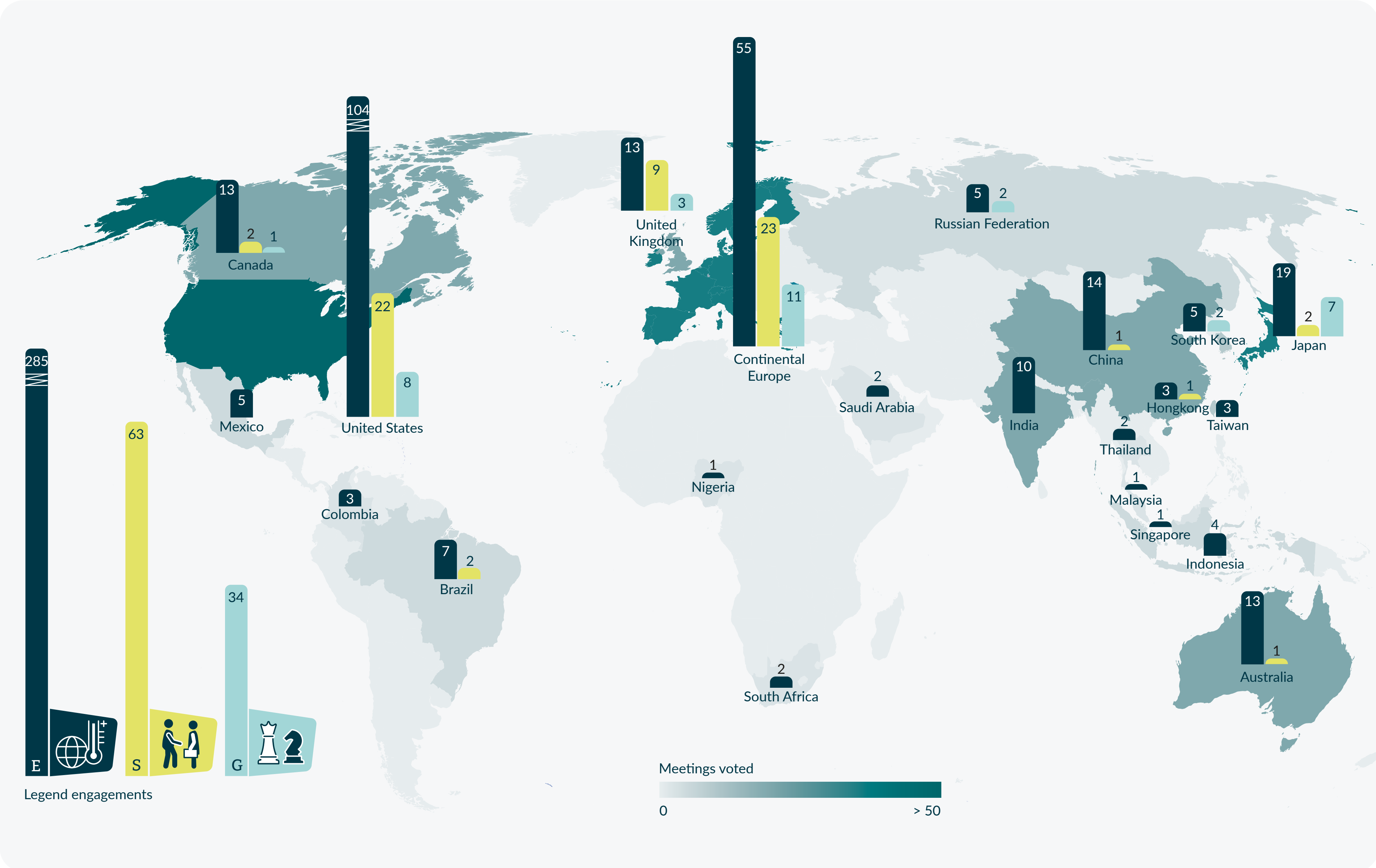
Additionally, DMFCO is exploring measures to raise homeowners' awareness of biodiversity protection and energy use, collaborating with a partner company for education. During earlier due diligence we noted the absence of an engagement policy. We were delighted to see that DMFCO followed up on this quickly and now has a policy in place. This allows them to engage in more focused discussions with service partners. The steps taken by the company are encouraging and we will continue discussions on their progress towards their own sustainability goals.

Paris-Aligned Benchmark exclusion alignment

In 2024, our Manager Research Solutions team engaged with multiple managers on the topic of Paris-Aligned Benchmark (PAB) exclusions for funds that have names alluding to ESG or sustainability themes. We found most of the funds fully compliant with the upcoming new guidelines in relation to PAB exclusions. However, a handful of funds will need to upgrade their exclusion policies to stay compliant going forward.

For example, two of Northern Trust's ESG index funds included companies with significant exposure to oil sands activities which were on the Van Lanschot Kempen's exclusion list. We engaged with the manager, prompting them to remove several companies from the fund, and they have upgraded their screening criteria to avoid overlap with our Exclusion List.

Voting and Engagement Map 2024 | Engagement one-on-one and collaborative



Active ownership: voting

Voting at shareholder meetings of investee companies is a key tool in stewardship and active ownership. In 2024, we voted at 432 different company meetings, with 14% of our votes cast against management. We use Institutional Shareholder Services (ISS) as a voting platform and votes are based on our custom voting policy.

There were 334 meetings (73%) at which we voted against or withheld/abstained on at least one agenda item. We tend to abstain in order to give a company's management time to resolve an issue, but on the understanding that we will vote against management in the future if no changes are implemented.

We voted against management on 123 of the 242 shareholder proposals tabled at general meetings in 2024. Of these 123 votes, 12 were related to corporate governance, 7 called for gender pay gap disclosure, 6 called for an independent chair, 23 focused on climate change and circularity, 10 were votes on social proposals around labour and human rights, and 11 related to political lobbying disclosure. The remaining 54 votes were primarily concerned with the election of directors, company governance, and routine or non-routine business matters.

We vote based on our voting policy, which stipulates our expectations regarding (amongst others) good governance, such as board diversity and meaningfully structured remuneration.

> Our voting records are published in full here.

Big Oil, big votes

Big oil companies are typically a key target audience of our engagement and voting efforts. Throughout the year, we engage with these companies to drive positive change. Then, during the proxy season, we can put our words into action and make our voice heard on issues that are important to us.

In our Van Lanschot Kempen funds with sustainable investment targets there has been very limited to no exposure to oil and gas companies. Where other funds do have exposure to this sector, the investments are mainly in companies willing to be part of the energy transition. We engage with these companies and provide transparency on progress through reports and milestones.

If no progress is made, we can escalate our engagements and ultimately divest. By way of example, the Kempen strategies are no longer invested in Exxon Mobil, which has refused to develop credible climate plans, or to address issues raised in engagements (individual and collective), and has disregarded dissenting votes in recent years.

> Please see this article for more on **how we voted at other oil & gas companies' AGMs in 2024**. Our ongoing engagement with Shell is described on page 15.

Voting statistics

Category	2024		2023	
	Number	%	Number	%
Number of votable meetings	460		496	
Meeting voted	432	94	468	94
Meetings with at least 1 vote Against, Withhold or Abstain	334	73	346	70
Votes with management	5,551	86	5,764	85
Votes against management	950	15	1,057	15
Votes on shareholder proposals	222	3	265	4
Votes against management on shareholders proposals	123	50	124	20

Examples of relevant votes supporting shareholder proposals in 2024

Kinder Morgan
Greenhouse gas disclosures

The Home Depot
Biodiversity risk assessment

PepsiCo
Biodiversity loss risk reporting;
Assessment on safety of non-sugar sweeteners

Royal Bank of Canada
Report on clean energy and circularity loans

BlackRock
Disclose proxy voting record on climate

Amazon
Report on plastic pollution reduction;
Board committee on AI

McDonalds
Adopt antibiotics policy

NextEra Energy
Report on climate lobbying

Meta
Disclosure of voting results based on class of shares

Alphabe
Report on child safety and AI-generated misinformation

Citigroup, JP Morgan, BlackRock
Require independent Board Chair

Multiple
Reduce ownership threshold to call special meeting; hold AGMs in person

Main themes

Diversity, Equity and Inclusion (DE&I), occupational health and safety (OHS), human rights, political spending, animal welfare.

Positive Impact

Impact investing finances solutions and opportunities that address and contribute directly to solving global challenges. 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.

Transition and impact framework

In order to be able to serve our institutional and private clients in the best possible way, in 2024 we refined our transition and impact framework. This now allows us to differentiate more clearly between several types of sustainable and impactful investments: impactful transition investing; SDG aligned investing[10] and positive impact investing (see the graphic below).

This robust framework allows us to better score the investments and solutions we research for our clients, and to use a structured approach in serving our clients. It ensures consistency and clarity in the terminology used and lets us keep a firm eye on truly impactful solutions. We have also formalised the integration of impact throughout all the dimensions of our due diligence i.e. organisation, strategy, portfolio and track record.

Transition and impact framework

Added value of the investor ↑		
	Transition Investing in companies that are actively working towards more sustainable business practices.	**Positive Impact** Additional contribution to solutions for societal issues
	Traditional Avoiding the largest sustainability risks	**Sustainable** Selecting investments that contribute to specific sustainability goals/performance (e.g. SDGs)

Current sustainability performance of the investment →

10 SDG-aligned investing refers to investing in ways that make a positive contribution to the UN Sustainable Development Goals.

Van Lanschot Kempen offers two internally managed impact strategies:

Global Impact Pool (GIP)[11] invests in funds or companies that seek to contribute to at least one of the four selected focus themes: basic needs and well-being; climate and energy; circular economy; and small and medium-sized enterprise development and decent work. Investments vary from companies working on accessible health care and clean energy generation to a company developing aircraft engines powered by hydrogen.

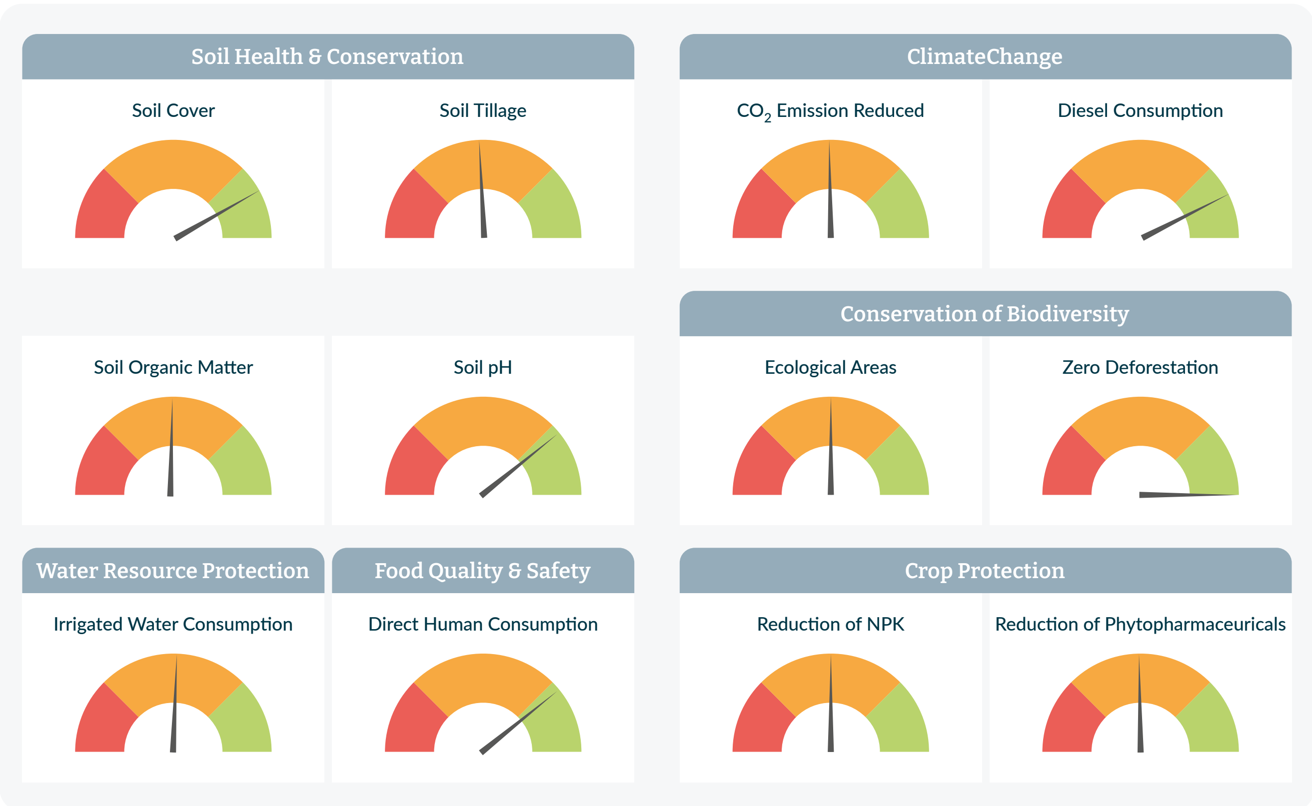
In 2024, we again saw increased interest in impact investing, with GIP receiving a total of €50 million in new commitments, from both institutional and private clients. The strategy reached its seven-year anniversary at the end of 2024, and we are excited about the successful conclusion of two new investments last year, bringing the total number of investments to 16 (15 funds and one co-investment).

SDG Farmland strategy[12] is a natural capital solution that offers investors access to sustainable real assets and measurable impact. Agriculture can play a central role in addressing key societal issues such as food production, the need for healthy produce, deteriorating soil quality, biodiversity loss and global warming.

In 2024, we diversified our global farmland portfolio with acquisitions in Uruguay, New Zealand and other regions. To provide our clients with greater insight into the sustainable performance of our strategy, we introduced a data-driven KPI dashboard, showcasing our strategy's sustainable performance. An example of the farmland dashboard is shown below, indicating ESG performance of holdings in the fund relative to the most important KPI benchmarks.

We have also embarked on an exciting collaboration with ClimateAI, an artificial intelligence company that employs machine learning-based weightings of over 100 global climate models to determine the 'best fit' of type of crops for each region, forecasting critical farming parameters.

Farmland dashboard



11 GIP AuM €265 million in committed capital, €235 million capital called, as at December 31, 2024.
12 SDG Farmland Strategy AuM €457.4 million in comitted capital, €414.4 million capital called, as at September 30, 2024.

Investment strategies

Working on our climate goals

Van Lanschot Kempen wants to help limit climate change in accordance with the Paris Agreement. We aim to be a net-zero investor by 2050, by aligning our discretionary AuM with a long-term carbon intensity pathway of minus 7% a year on average.[13] To this aim, we can use the full spectrum of available sustainability tools (see page 9).

In 2024, we again directed a substantial part of our voting and engagement efforts towards climate-related issues, please see page 19 for numbers and examples. Since the theme of biodiversity is closely related to practically all the transitions, it was also at the centre of our engagements in 2024.

To enhance transparency and accountability, we have established a KPI for our biodiversity engagements for 2025. This KPI, in line with our Finance for Biodiversity Pledge, specifies our commitment to initiate and maintain engagements in 2025 with all companies in our Van Lanschot Kempen funds with sustainable investment objectives that have received an MSCI orange flag on ‘biodiversity & land use’ and have a scoring of ‘low management & medium/high exposure’ on biodiversity with a data provider.

Some examples of our engagements on this theme are presented below.

Mines and plastics

Van Lanschot Kempen believes the preservation of biodiversity is not just an environmental concern but is also of great economic importance. This is evidenced by the fact that nearly half of global GDP is linked to nature.[14] Our engagement approach aims to raise awareness among companies, encourage clear policies and transparent goals, and ensure comprehensive reporting. We believe that companies that manage biodiversity and other sustainability issues well will be more resilient in the long term.

Can a mining plant take care of its surroundings?

In 2024, we engaged with multiple companies on their biodiversity goals and efforts. One of our most extensive engagements was with Anglo American, a mining giant operating mainly in Latin America and South Africa. We aimed to understand how the company aims to achieve their goal of a net positive impact on biodiversity for 2030 and how they measure progress in this area. For a detailed overview of this engagement, see page 15.

Against plastic waste

Last summer we also initiated engagements with some of the biggest consumer staples companies, with the aim of raising awareness about plastic pollution. Our engagement focused on Coca Cola, Nestlé and PepsiCo, major players which are all flagged for enabling plastic pollution.

13 In terms of weighted average carbon intensity (WACI). 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.

14 According to a calculation by the World Economic Forum (‘Nature Risk Rising’, 2020)

Nestlé pointed to their ambitious goals set for reduction of new plastic production, as well as targets to increase recyclable packaging. The company is also initiating waste management projects in over a dozen countries. We have closed our engagement on awareness as we believe the company is well aware of the issue.

PepsiCo answered our queries via email, detailing their commitment to reducing plastic waste through less packaging, recycling and developing low- or no-packaging business models. They support consumer education and industry partnerships such as the Fair Circularity Initiative. We will compare PepsiCo's efforts with those of its peers before following up.

Coca Cola informed us that they recognise their responsibility to reduce plastic waste and highlighted their achievement of several milestones last year, such as making 90% of packaging available for recycling and recovering 62% for recycling. We are considering how to proceed with this engagement.

First steps in biodiversity awareness

We also engaged with Deere & Co, a leading agricultural machinery producer, aiming to assess their awareness of the impact of agricultural machinery on biodiversity, and their plans for a biodiversity policy. Deere & Co acknowledged the absence of such a policy, but they are now conducting a double materiality assessment to understand the impact of their activities on biodiversity, and vice versa. This assessment will guide their future actions, and we continue to monitor their progress.

S is for social

Climate and biodiversity often take centre stage in Van Lanschot Kempen's engagement activities, but they are certainly not the only topics in our discussions with companies. We believe that the 'S' in ESG – the social component – also holds long-term societal as well as financial importance and should not be overlooked. This is particularly true for infrastructure companies, which typically own significant tangible assets and often serve the communities they connect, whether for power, transport or communication needs.

In 2024, to enable companies and their stakeholders to address social issues, the Van Lanschot Kempen Infrastructure team designed a Social Engagement Framework that provides clear and structured guidance for a successful and meaningful dialogue. It promotes a collaborative approach to address social issues and can be applied across different parts of the infrastructure asset class. This framework aligns with our broader commitment to respect human rights and labour rights, which is integrated into our governance frameworks, management systems, investment beliefs, policies, and strategy.

We shared our framework with Rumo, a Brazilian rail company that was experiencing theft of cargos as trains traversed economically disadvantaged communities, resulting in substantial negative financial impact. We encouraged the company to engage with local communities and invest in them. Rumo has acknowledged the usefulness of the engagement framework and said that it will use it when working with communities in the Baixada Santista area.

This engagement is part of our broader strategy to proactively assess and engage with companies on human and labour rights issues, ensuring they have the necessary tools and systems to mitigate risks. Our policies, including a human rights, labour rights and OECD policy, guide our efforts to prevent harm and foster positive social outcomes. We expect investee companies to adhere to these standards, preventing child labour, forced labour, and discrimination.

Increased minimum proportion of sustainable investments

In the last quarter of 2024, the Kempen sustainable funds have increased the minimum proportion of sustainable investments in their portfolios. This change comes from enhancing our definition of sustainable investments and their underlying components, and shows our dedication to keeping up with market best practices while continuing to hold ourselves to high standards.

The definition is informed by the way we measure the proportion of sustainable investments in our portfolios. These investments now include those with a combination of SDG thematic contributions, sustainable impact revenue contributions, and alignment with the EU taxonomy that classifies sustainable business practices.

Consequently, all Kempen funds that previously committed to partially investing in sustainable investments have now increased their commitments. See the table below for an overview of the previous and new commitments of the funds in scope. The rise in the minimum proportion of sustainable investments did not result in any change to the investment process, nor did it impact the investment universe or investments held.

How equities and bonds qualify

Our new definition incorporates three critical filters to determine whether equities and corporate bonds qualify as sustainable investments:

Good governance

We assess whether the investee company adheres to good governance practices, particularly in terms of sound management structures, employee relations, staff remuneration, and tax compliance. This is evaluated through our proprietary Van Lanschot Kempen Sustainability Risk Score, which filters out the highest risk categories. Governance performance is assessed across various categories, including board/management quality and integrity, board structure, ownership and shareholder rights, remuneration, audit and financial reporting, stakeholder governance, and human capital.

Do no significant harm (DNSH)

This filter ensures that the investment does not significantly harm any environmental or social objectives of the EU taxonomy. We exclude companies involved in controversial weapons, nuclear weapons, thermal coal, tobacco, and unconventional oil and gas. Additionally, companies with severe ESG controversies (MSCI red flags) and those failing to meet specific indicators on principal adverse impacts on sustainability (PAI) factors are excluded.

Sustainability contribution

We evaluate whether the economic activity in which we are invested contributes to an environmental or social objective. This assessment is based on three factors:

1. **EU taxonomy alignment:** The reported or estimated percentage of total revenue from a company's aligned activities under the EU Taxonomy Regulation. Our source is MSCI.
2. **Sustainable impact revenue contribution:** At least 20% of revenues from products or services targeting environmental or social impact themes. Environmental impact themes include alternative energy, energy efficiency, green building, pollution prevention, sustainable water and sustainable agriculture. Social impact themes include nutrition, sanitation, major diseases treatment, SME finance, education, affordable real estate and connectivity.
3. **SDG thematic contribution:** The share of net sales generated by a company with products/services contributing to the achievement of an SDG thematic objective, with a 5% threshold for the SDG thematic contribution.

Sustainable investment commitment per fund

Fund	Previous Commitment	New Commitment
Kempen (Lux) Global Property Fund	>25%	>50%
Kempen (Lux) European Property Fund	>50%	>75%
Kempen (Lux) Global Small Cap Fund	>15%	>30%
Kempen (Lux) Sustainable European Small Cap Fund	>15%	>30%
Kempen (Lux) Euro Sustainable Credit Fund	>20%	>45%
Kempen (Lux) Euro High Yield Fund	>20%	>30%
Kempen (Lux) Global Sustainable Equity Fund	>20%	>40%
Kempen (Lux) European Sustainable Equity Fund	>25%	>45%
Kempen Sustainable Global High Dividend Fund	>15%	>40%

* As of 31/8/2024. Sources: MSCI, ISS, VLK IM

Our updated Sustainable Investment definition is designed to be more aligned with market best practices, ensuring that our funds remain competitive and comparable with those of our peers. This approach allows us to maintain a high standard of sustainability, while broadening the scope of eligible investments. We recognise that our current definition does not yet measure positive real-world outcomes, and see potential for greater ambition here in the future.

Carbon intensity of our funds

With the aim of a 7% annual carbon emission reduction in our portfolios in terms of weighted average carbon intensity (WACI), we use a full set of responsible investing tools: tightening exclusion rules and reflecting carbon metrics in the Sustainability Risk Score, as well as voting and engagement.

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

Carbon footprint breakdown for all listed Kempen funds

	Weighted average carbon intensity (tCO_2e) EURm Revenues 2024	Carbon intensity compared to similar benchmark	Weighted average carbon intensity (tCO_2e) EURm Revenues 2023
Kempen (Lux) Euro Credit Fund	83	Lower	87
Kempen (Lux) Euro Sustainable Credit Fund	63	Lower	64
Kempen (Lux) Euro High Yield Fund	91	Lower	100
Kempen European High Dividend Fund	69	Lower	69
Kempen (Lux) European High Dividend Fund	68	Lower	68
Kempen Global High Dividend Fund	133	Higher	123
Kempen (Lux) Global High Dividend Fund	133	Higher	123
Kempen Sustainable Global High Dividend Fund	51	Lower	48
Kempen (Lux) Global Value Fund	91	Lower	82
Kempen (Lux) Global Small-cap Fund	79	Lower	92
Kempen (Lux) Sustainable European Small-cap Fund	35	Lower	59
Kempen Orange Fund	47	Lower	41
Kempen (Lux) European Sustainable Equity Fund	14	Lower	15
Kempen (Lux) Global Sustainable Equity Fund	15	Lower	14
Kempen (Lux) Global Property Fund	43	Lower	62
Kempen Global Property Fund	43	Lower	62
Kempen (Lux) European Property Fund	29	Lower	32
Kempen (Lux) Global Listed Infrastructure Fund	1074	Higher	963

› **The table contains preliminary portfolio data from end of 2024 based upon ISS ESG data that can be compared with carbon data for benchmarks that are relatively similar to the funds. The numbers may differ from the data disclosed under SFRDR Annex IV covering 2024, which originates from MSCI datapoints. We refer to Annex IV as published on the documents section of the fund information on our website for the 2024 figures, which are based on MSCI datapoints.**

Fiduciary management

Impact gaining momentum

As advisers on our clients' assets we see that impact investing is increasingly becoming a focus area among our major fiduciary clients. To advise and guide them in this area, we use the transition and impact framework (see page 20) and draw on our in-depth expertise in alternative investments. We also adhere to strict standards on impact measurement and reporting. Over the past year, we have refined our approach, policies, and practical experiences, and documented these (among other ways) in a series of articles.

To further enhance our institutional advisory services around impact investing, we have also entered into a partnership with Collective Action, the profit with purpose organisation for institutional investors. This will further broaden our expertise in impact investing, while we also gain better access to the impact solutions market – enabling us to provide clients with additional opportunities to invest in high-quality impact investments.

For clients who seek to include biodiversity in their sustainability or impact strategies, we have developed a step-by-step plan for the integration of measurable key performance indicators (KPIs) and key risk indicators (KRIs). This enables our clients to set measurable and relevant goals, to better track negative impact, and improve transparency on biodiversity.

A fundamental impact investing approach for institutional investors

Institutional investors are able to put their assets towards making a meaningful investment in solutions for social issues. The appetite for this type of impact investing is growing. The challenge is to pull this off without losing focus on key factors such as risk and return, and to make agreed sustainability targets measurable. In 2024, our fiduciary experts designed a clear process to firmly embed impact investing in our investment process.

Principles and impact objectives: measuring what matters

Impact investing starts by identifying investment principles and the sustainability themes a client is looking to make an impact on, e.g. climate, biodiversity, health & wellbeing, objectives that we subsequently translate into real-world investment themes and sub-themes.

As part of this, a broad theme such as 'climate' may be split into sub-themes such as 'energy transition' and 'adjusting to climate change', while a theme identified as 'basic needs' could break down into 'affordable housing' and 'access to clean water'.

All themes and sub-themes are then further developed by establishing appropriate and solidly measurable impact indicators (KPIs) to measure and test the targeted impact of the invested assets. One example of such a KPI could be 'the percentage of land cultivated without pesticides' or 'the number of patients treated'.

We test potential impact indicators/KPIs on a range of criteria:

- **How relevant?** Does the indicator adequately capture progress on the theme or sub-theme?
- **How investable?** Are there enough investment opportunities at the right risk/return and impact profiles?
- **How measurable and reliable?** Is the methodology standardised and science-based?
- **How well-covered?** Is there enough reporting available about the indicator?

We have defined multiple indicators for a large variety of impact themes, allowing individual clients to make their own selections at their own discretion and reflecting their own priorities.

Steps towards measurable impact investing

1. Advice on investment classes and guidelines

Working closely with our clients, we decide together which investment classes best match their impact objectives. Not all classes are suited for all objectives identified, and some fail to make the grade for other investment reasons, such as risk, return, cost or governance burden. We draw up an impact investment plan by asset class, factoring in such (financial) elements as regional and sector allocations and further diversification for the overall portfolio. Next, we construct a target portfolio and draw up guidelines that clients can use for managing and monitoring.

2. Manager selection

Drawing on our clients' implementation criteria, we set out to find suitable impact managers, a selection that we take beyond a simple desk search. Our experience has given us a great deal of insight into the strengths of many managers and we've developed partnerships with specialist impact players, giving us access to solutions not open to others. As a result, we're in a great position to provide solid advice towards our clients' selections. What's more, where necessary we join forces with managers to design new solutions that better fit our clients' criteria.

3. Structuring and implementation

After manager selection, we advise on the optimum investment structure and proceed to implementing the impact solution. Many of these solutions feature in the illiquid/alternatives arena, requiring strict governance and disciplined execution of contracts and cash flow management, along with other operational challenges that are not typically associated with standard liquid investment classes. Combining our experience with. and knowledge. of alternative investments, we can make these things a lot easier for our clients.

4. Monitoring and reporting on impact objectives

From implementation, we then move to investment management, which involves reporting on managers' impact performances on a quarterly basis, and continuous independent measurements designed to ensure quality. Professional investors need to keep a close eye on their general impact objective in addition to the impact results by manager. This is why we also report every quarter on the impact achieved on selected impact themes at aggregate portfolio level, enabling our clients to keep full control of their portfolios. In addition, we're happy to contribute to communications to fund members and other stakeholders.

Evaluating our KRI selection list

We guide all our fiduciary clients through the ESG risk management process as recommended by De Nederlandsche Bank (DNB), or the relevant regulator in their jurisdiction. The purpose of this process is to identify the main risks to a client portfolio, starting with drawing up a longlist followed by a shortlist of material risks – risks which are measured by key risk indicators (KRIs). Picking the right, relevant KRIs is fundamental to measuring and managing the impact of financial and non-financial ESG-related risks on client portfolios.

In 2024, we evaluated the list of KRIs that we recommend to our institutional clients, investigating added value and limitations for every single one of these indicators. Our aim was to be able to substantiate the choice of a specific KRI, shed light on the measuring methodology and pinpoint its efficacy in measuring the exposure to the relevant sustainability risk. Identifying any limitations and restrictions for an indicator was also important.

We assessed indicator efficacy on the following characteristics:

- **Objectivity:** The extent to which an indicator is free of bias and subjective interpretations, and reflects facts and measurable criteria.
- **Scope:** The extent to which an indicator can capture the relevant aspects of a particular sustainability risk across the entire investment portfolio. A good indicator demonstrates broad coverage.
- **Forward-looking:** The extent to which an indicator can measure future sustainability risks. A good indicator identifies potential risks before they arise so that appropriate mitigating measures can be taken.
- **Relevance:** The indicator's accuracy and reliability. A valid indicator actually measures what it purports to measure and produces reliable outcomes.
- **Transparency:** A transparent indicator is based on a clear and understandable methodology.

We distinguish between financial and non-financial sustainability risks and ask clients to choose one or more KRIs per risk to quantify the level of risk. To ensure that KRIs measure the intended risks, KRIs must be carefully weighed up, so as to limit the total number of sustainability risks and KRIs that clients manage – which also benefits transparency.

The Appendix showcases an example of how the efficacy of a possible key risk indicator is evaluated.

Key risk indicator for physical climate risk

In 2024, as part of the ESG risk management process for institutional clients, we conducted more detailed research into the KRIs for the sustainability risk we identify as 'physical climate risk'. We were looking to find which KRI by which provider would show what the actual portfolio impact of physical climate risk might be. If the indicator's coverage or scope is too narrow, losses incurred by the portfolio might exceed forecasts. This would also happen if the data provider underestimates climate-related hazards, e.g. the number of forest fires, hurricanes or floods.

Our investigation looked into eight data providers: three providers of ESG data, two larger providers of general data and three specialist providers of physical climate data. We applied the five criteria we also use for assessing other KRIs, complemented with a few additional risk-specific criteria:

- **Indicators:** Does the provider use specific indicators for physical climate risk? We prefer indicators that can also be linked to the portfolio's financial/non-financial risks.
- **Stakeholder expectations:** Does the indicator for physical climate risk meet the expectations of external stakeholders (such as DNB) and is it translated into financial/non-financial risk for the portfolio?
- **Reporting:** Is the indicator directly applicable for reporting purposes?
- **Costs:** Does the indicator involve any additional costs?

Outcomes

Thus far, we do not rate any of the providers we investigated as adequate/good. The best performance was shown by the three providers of ESG data but even their scores didn't go beyond 'poor to neutral' or 'nearly neutral'. That said, the providers are making additional customisation to make climate data fit investment practice.

Having run this comparative exercise, our preference lies with ESG data provider MSCI, not least because the provider has concrete plans to further develop data and methodology. In addition, a key consideration is that MSCI's 'Climate Value at Risk' indicator reveals a steeper impact on portfolios from physical climate risks than the climate risk indicators of any of the other ESG data providers. We consider this to be more in line with the composition of portfolios, climate change models and potential market developments.

We expect it to take at least a year or longer before any indicators become available that we could assess as good. We continue to keep a close eye on evolving trends in this area, in keeping with DNB's recommendation to regularly evaluate the management cycles for climate and environmental risks (as well as other regulators such as the Financial Reporting Council in the UK).

How to measure biodiversity risks

Many of our clients choose to include biodiversity as one of the sustainability themes in their responsible investment policies. This theme requires appropriate key risk indicators to measure the risks involved when investing in particular companies or sectors. This encompasses both types of risk: the risk of biodiversity loss itself and the risk to clients, which can manifest as reputational risk or operational risk.

Our aim is to measure the impact of companies on biodiversity, for instance in terms of pollution and degradation of ecosystems. At the same time, we want to determine the risk that loss of biodiversity poses for companies which rely on the availability of healthy agricultural land, for instance, fish stocks or clean water.

To identify appropriate KRIs for biodiversity, we spent 2024 enhancing and refining our methodology. Our approach breaks down into the following steps, which can be paired with appropriate KRIs:

	Focus	Policy	Controversies	Location	Theme (e.g. deforestation)
Steps	Does the company have any impact on biodiversity (and vice versa)?	Does the company have policies in place to address biodiversity risks?	Has the company been implicated in any biodiversity controversies?	Do the company's operations have a negative impact on high-level conservation areas, flora and fauna?	Does the company contribute to deforestation?
Methodology	Our focus is on three sectors with the highest impact and/or dependence on biodiversity: food production, mining and metals, building materials;	Pay particular attention to riskier, higher-impact sectors where policies are lacking;	Pay particular attention to companies at locations with high biodiversity risks;	Pay particular attention to companies with operations in or near high-level conservation areas, flora and fauna;	Pay particular attention to companies with high impact and activities that potentially contribute to deforestation (e.g. soy, palm oil);
KRIs	Stricter rules for 'relevant' companies	Number of companies without biodiversity policies despite relevance	Number of 'red flag' companies in portfolio	Company locations in conservation areas	Number of portfolio companies that directly or indirectly contribute to deforestation

Meanwhile, we're also on the lookout for companies that help preserve or restore biodiversity. Unlike physical climate risk, we anticipate that biodiversity will require the selection and monitoring of multiple KRIs. This will encourage identification of more aspects of the impact on, and the consequences of, loss of biodiversity, and provide a clearer idea of and broader insight into the issues.

Private Banking

Choices in sustainability

As a firm that strongly believes in dialogue, we work closely with our clients to advise them on the most suitable ways to meet their goals, with a range of sustainable investment solutions that support the important transitions of our time. And while we make these options available, our clients always make the final decision on the direction of their investments.

To meet their sustainability wishes as best we can, we ask clients about their views on responsible investing. Depending on their preferences, we establish a sustainability profile accordingly: 'Neutral', 'Committed' or 'Strongly committed', with this last profile being a good match for our sustainable investment solution. This solution imposes additional sustainability criteria, e.g. on portfolios' total carbon emissions. For more information on this profile, read on.

The sustainability levels of the investments that feature in our wealth management solutions are partly determined by Van Lanschot Kempen's Sustainability Spectrum (see page 11). Our sustainable investment solution only includes investments that agree with the Spectrum's 'sustainable' rating, i.e. score 4.

In addition, we offer clients who want to take their sustainability commitment a step further, the opportunity to invest in one of our specific instruments alongside their diversified wealth management core portfolio. Based on their personal preferences and interests, they can put their personal stamp on their portfolio by investing in impact or long-term megatrends, for instance.

En route to a fossil-free future

In the course of 2024, driven by requests from clients and others, we investigated whether it is possible to construct a fossil fuel-free sustainability profile and investment solution. Specifically, this would mean that investments in our 'Strongly committed' profile and our 'Sustainable' investment solution would no longer include companies that are associated in any way with the fossil fuels industry.

We started by carrying out analysis of the size of the fossil fuels industry in the various investment classes and then moved to find out the weighting of 'fossil fuels' in our current sustainable investment solution. As expected, this was very minor indeed.

At the same time, we engaged with the managers of a range of external investment funds that fit our 'Strongly committed' investment profile and 'Sustainable' investment solution. These conversations revealed that the large majority of these funds are open to removing from their own portfolios the remaining investee companies operating in the fossil fuels industry.

The outcome is that our 'Strongly committed' investment profile and 'Sustainable' investment solution will be free of fossil- fuels from mid-2025.

We continue to make it possible for our clients not to take this step just yet, as our 'Committed' sustainability profile will keep a foothold in the relative 'leaders' in the fossil fuels industry – albeit a minor one. This profile's focus is on the energy transition and we aim to help accelerate this transition by engaging in an open dialogue with investee companies.

Sustainable discretionary management proposition in 2024

A significant number of the investments within our Sustainable proposition are focused on contributing positively towards the environment, people, society and responsible governance. Investments of this kind aim to accelerate the transition towards a sustainable and habitable world for current and future generations.

The proposition in 2024:
- Equities included in our Sustainable discretionary management proposition were leading in the reduction of carbon emissions, compared to the broader market, as the chart below shows.
- 98% of the 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 in the equity portfolio have a 120% higher positive impact on the UN's Sustainable Development Goals (SDGs). Negative-impact companies are underrepresented in the portfolio.

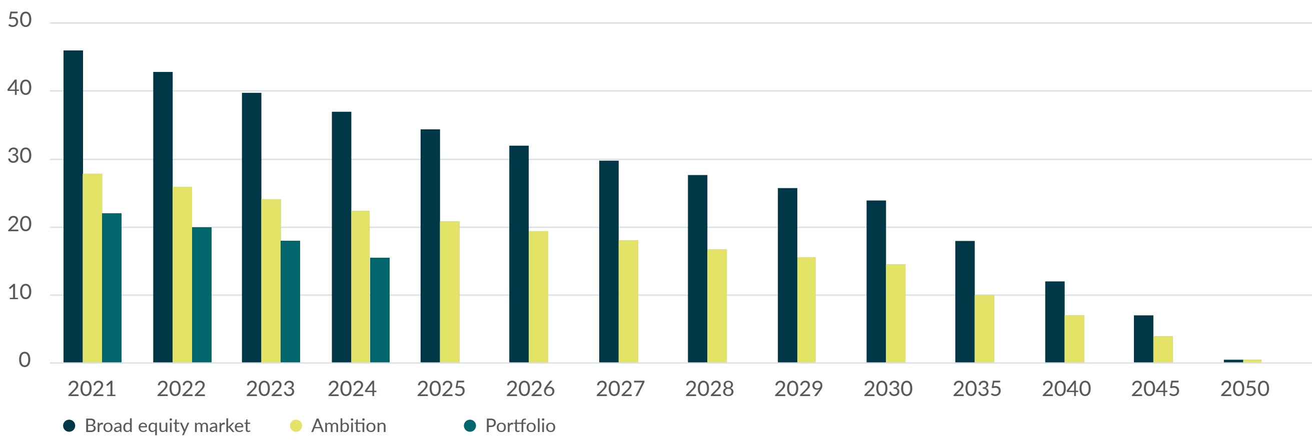
An example of a company included in the Sustainable proposition features on the right. Please find two additional examples of our engagement efforts on page 32.

Investing in an energy efficiency leader

French multinational Schneider Electric specialises in the digital transformation of energy management and automation, with a strong focus on sustainability and energy-efficient solutions. By offering solutions including smart networks, battery storage systems and other energy-efficient solutions, Schneider is looking to optimise energy consumption and reduce environmental impact and carbon footprint. In addition, Schneider Electric neatly fits in with the trend toward decarbonisation and electrification, and its carbon emission figures are 75% below the market average.

Schneider Electric's sustainable ambitions are likewise a good fit with Van Lanschot Kempen's, including on biodiversity, as the company aims to realise biodiversity preservation and restoration on all its sites and is one of the few companies that has actually developed policies and reporting to this effect.

Comparison of direct CO2 emissions included companies (equities) with broad market



Source: Van Lanschot, ISS ESG South Pole. Portfolio composition of Sustainable neutral Q4 2024 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 carbon emissions of the EU Climate Transition Benchmark.

Engagement examples with individual companies in the Sustainable discretionary management proposition

Supply chain sustainability

TOMRA is a Norwegian company that is the market leader for collecting plastic and/or metal beverage containers, with a 70% global market share. The company's reverse vending machines are vital in enabling recycling efforts. Our engagement with TOMRA aimed to find out why their supply chain sustainability targets and metrics were not published within the timeframe they had committed to in their 2022 annual report. After face-to-face discussions with their Head of Sustainability, we were informed about the rationale for the delay and given an updated timeline. We now expect the company to publish their metrics and targets in their 2024 annual report. The latest Science Based Targets initiative (SBTi) validation of TOMRA was a strong proof point for the company's commitment to sustainability. Going forward, we will track its achievements and share knowledge about best practices in supply chain sustainability targets and metrics.

Prioritisation of Scope 3 emissions

As one of the biggest consumer staples companies in the world, Unilever has a big responsibility to reach their climate goals. In our engagement with the company, we sought to advocate a prioritisation of climate efforts directed at Scope 3 emissions. These are indirect emissions arising from the company's value chain, and constitute most of Unilever's emissions. Through Eumedion[15], we participated in a collective engagement with the company to ensure it stays on track to meeting its own goals and to request more ambitious Scope 3 targets. In Unilever's 2024 climate transition plan, Scope 3 targets were enhanced, and additional actions are being taken to reduce emissions. Going forward, we will be monitoring progress on the company's climate transition plan in our engagement.

15 Eumedion represents the interests of investors in the field of corporate governance and sustainability, and promotes good corporate governance and sustainability policies at listed companies.

Appendix & Glossary

Appendix to page 28 of this report

The table below gives an example of our evaluation of the efficacy of one of the possible key risk indicators appropriate to sustainability risk: **(Reputation) ‘Human rights violation’**

Choice of risk indicator	Methodology	Assessment of indicator	Efficacy rating
Number of countries classified as authoritarian in the Democracy Index of the Economist Intelligence Unit (EIU)	Countries classified by the EIU as having an ‘authoritarian regime’ based on five categories: election process and pluralism, functioning of government, political participation, political culture and civil liberties.	– **Objectivity**: Scores are based on an extensive methodology. However, this may include analysts’ subjective considerations. – **Scope**: The index covers all countries in our investment universe (165 states plus 2 territories). – **Forward-looking?**: Backward-looking, as the index covers the current state of democracy based on recent events. At the same time, it gives an indication of the country’s future democracy levels. – **Relevance**: Indicator measures what it aims to measure. – **Transparency**: Clear, understandable methodology, publicly available report.	**Medium**, as the indicator also comprises other governance aspects.

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 (CO2e)
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, CO_2 emissions are still generated but an equal amount of CO_2 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.

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