

Assessing SDG-tailored indices

Working together with our fiduciary clients, we spent the past couple of years creating a range of customised indices to serve as benchmarks for equity investments. Reflecting client sustainability preferences, these indices focus on one or more of the United Nations' Sustainable Development Goals (SDGs). At this point, indices are in place that cover all investment regions, such as global equity portfolios, but also – separately – for underlying regions (Europe, emerging countries).

In 2023, three years after the launch of the first tailored index, our clients and Van Lanschot Kempen embarked on a comprehensive assessment of the characteristics of these indices. This revealed that, in keeping with intentions at their launch, these customised indices contained a significantly higher proportion of ESG leaders (compared to the standard indices) and that their ESG scores were above average. What's more, carbon intensity was significantly lower for these customised indices, particularly in the case of the indices for Europe and the emerging countries. Their contributions to selected SDGs were plainly higher than the standard benchmark's.

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

Please find an example of an index assessment on the next page.



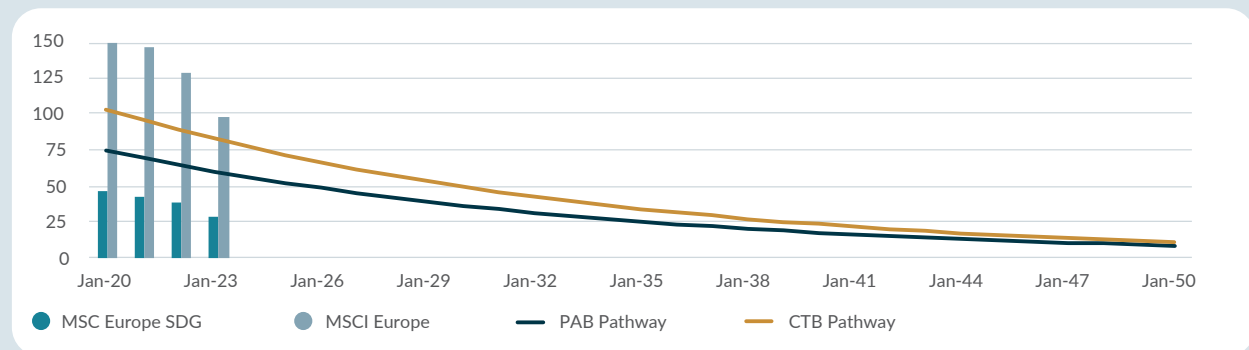
Appendix II: Track Record Evaluation – Sustainability

Sustainability characteristics²⁰

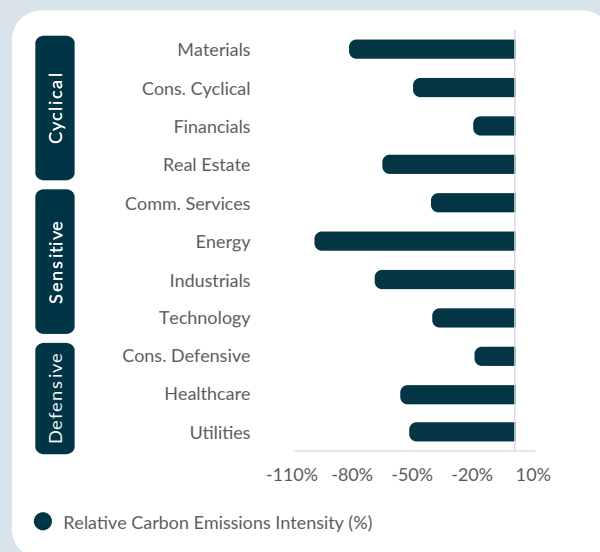
Step	MSCI Europe SDG	MSCI Europe
ESG score	8.5	7.9
ESG Leaders (%)	92.8	71.1
ESG Average (%)	7.2	27.4
ESG Laggards (%)	0.0	0.5
Environmental Pillar Score	6.9	6.7
Social Pillar Score	5.5	5.4
Governance Pillar Score	6.8	6.3
SDG 3 Positive Revenue Exposure (%)	14.4	9.6
SDG 7 Positive Revenue Exposure (%)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

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

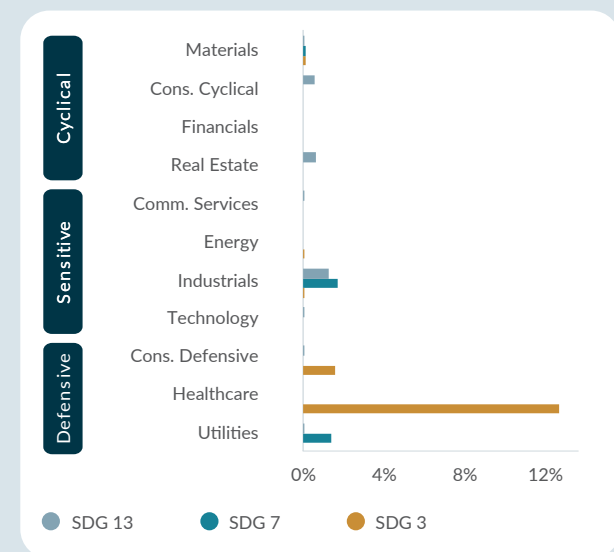
Carbon reduction pathway based on carbon intensity²⁰



Relative carbon intensity



Positive SDG revenue



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

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

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

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