State Street Kempen US Small Cap Active Equity UCITS ETF - Website disclosure for an Article 8 fund

A. Résumé

Absence d'objectif d'investissement durable (Article 8 du SFDR)
Le State Street Kempen US Small Cap Active Equity UCITS ETF (le « Compartiment ») entre dans la catégorie des fonds visés à l'Article 8 du SFDR et promeut des caractéristiques environnementales ou sociales. L'objectif du Compartiment ne porte pas sur l'investissement durable, mais il maintiendra une proportion minimum de **30 % d'investissements durables**.
Le Compartiment intègre le processus d'investissement responsable de Van Lanschot Kempen Investment Management (« VLKIM »), le Gestionnaire d'investissement par délégation, qui repose sur des critères ESG ainsi que des principes et des conventions reconnus au niveau international, tels que le Pacte mondial des Nations unies, les principes directeurs des Nations unies relatifs aux entreprises et aux droits de l'Homme, les principes pour l'investissement responsable et les principes directeurs de l'OCDE à l'intention des entreprises multinationales. Ce processus d'investissement comprend **l'exclusion, l'intégration ESG et l'actionnariat actif**.
Le Gestionnaire d'investissement assure le suivi de VLKIM pour veiller à ce que le processus d'investissement responsable soit mis en œuvre conformément à ses critères d'Investissement durable. Les politiques de VLKIM concernées, notamment ses politiques en matière de vote et d'engagement, soutiennent les caractéristiques environnementales et sociales du Compartiment.

Caractéristiques environnementales et sociales du produit financier

Le Compartiment promeut les caractéristiques environnementales suivantes :

- l'atténuation du changement climatique et l'adaptation au changement climatique, conformément à l'Accord de Paris ;
- la protection de la biodiversité et des écosystèmes ; et
- la transition vers une économie circulaire.

Le Compartiment promeut également les caractéristiques sociales suivantes :

- le travail décent ;
- un niveau de vie adéquat et le bien-être des utilisateurs finaux ; et
- l'égalité de genre, la diversité et d'autres questions sociales.

Investment Strategy

Le Compartiment fait l'objet d'une gestion active et cherche à surperformer l'indice sur le moyen à long terme. Les titres sont filtrés conformément au processus d'investissement responsable de VLKIM, dans le respect des critères d'investissement durable du Gestionnaire d'investissement.

VLKIM applique une philosophie d'investissement fondamentale exclusive à travers un processus en quatre étapes :

1. **Filtrage :** l'univers d'investissement est réduit en fonction de critères exclusifs de valeur et de qualité, qui intègrent des considérations en matière d'investissement responsable.
2. **Recherche fondamentale :** les sociétés sont évaluées au regard de leur modèle économique, de leur bilan, de leur valorisation et des risques et opportunités ESG. Cela peut inclure les publications officielles de la société, des réunions avec la direction et l'engagement auprès des sociétés et des acteurs du secteur.
3. **Construction de portefeuille :** un portefeuille diversifié à forte conviction est construit avec des titres des pays et secteurs d'Amérique du Nord.
4. **Suivi et gestion du risque :** les positions du portefeuille font l'objet d'un suivi continu, pour lequel l'engagement joue un rôle important.

Les vérifications préalables des critères ESG sont intégrées tout au long du processus d'investissement. Les sociétés sont évaluées au cas par cas, en tenant compte des risques ESG importants, des pratiques de

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gouvernance, des controverses et des opportunités. Cette analyse contribue au Score de durabilité de VLKIM. VLKIM y formule une opinion sur la qualité du profil ESG d'une société et lui attribue un score (de 1 à 5).

Proportion des investissements

D'autres informations sur la proportion des investissements alignés sur les caractéristiques environnementales ou sociales figurent dans l'Annexe SFDR II. Bien que l'objectif du Compartiment ne porte pas sur l'investissement durable, il vise à maintenir un minimum de **30 % d'investissements durables**.

Les investissements durables sont des investissements dans des activités économiques qui contribuent à un objectif environnemental ou social, ne causent pas de préjudice important à un autre objectif environnemental ou social et appliquent des pratiques de bonne gouvernance, conformément aux critères d'investissement durable du Gestionnaire d'investissement.

Le Gestionnaire d'investissement répertorie les investissements éligibles à l'aide des données de plusieurs fournisseurs de données sur la durabilité et de ses notations de durabilité exclusives. Pour qu'un titre soit qualifié d'investissement durable, il doit être considéré **« *Leader* », ou « *Outperformer* »**, ce qui signifie qu'il se situe dans les 30 % supérieurs de l'univers de couverture en matière de durabilité du Gestionnaire d'investissement.

Suivi et méthodologies

Les positions du Compartiment sont filtrées de façon quotidienne par rapport aux critères ESG de VLKIM. Les caractéristiques ESG du portefeuille sont également examinées lors de sessions semestrielles entre la gestion du risque et les gestionnaires de portefeuille, tandis que les représentants de la gestion de portefeuille se réunissent chaque mois avec l'équipe de conseil ESG pour étudier des améliorations du processus ESG et l'évolution de la réglementation et des marchés.

Les principales méthodologies comprennent :

- **Des indicateurs des principales incidences négatives :** suivis au niveau des positions et du portefeuille. Les principales incidences négatives obligatoires sont étudiées à l'aide de la notation de durabilité et des exclusions applicables du Gestionnaire d'investissement.
- **L'intensité carbone :** l'intensité carbone moyenne pondérée en fonction des revenus est utilisée comme principale mesure des émissions de carbone.
- **Les étapes de l'engagement :** les progrès de l'engagement sont répertoriés depuis le premier contact avec la société jusqu'à la reconnaissance, à l'engagement et aux preuves d'amélioration.

Source, traitement et limitation des données

VLKIM utilise des données ESG internes et externes. Les fournisseurs externes comprennent :

- **ISS :** vote par procuration, recherche sur la gouvernance, données sur les émissions de carbone et les objectifs de développement durable ;
- **MSCI ESG Research :** notations ESG, implication liée aux produits, principales incidences négatives et données sur la taxinomie de l'UE ; et
- **Sustainalytics :** notations du risque ESG et données sur l'implication liée aux produits.

Les données sont traitées à l'aide de différents systèmes d'analyse et de conformité.

VLKIM est conscient des limitations dans les données ESG de fournisseurs externes, notamment des incohérences entre les données communiquées par les sociétés et celles de tiers, des différences entre fournisseurs, des biais liés aux capitalisations de marché et des hypothèses utilisées pour la modélisation. VLKIM procède aux vérifications préalables des données ESG et à l'engagement auprès des sociétés du portefeuille et des fournisseurs tiers pour assurer la qualité des données.

Vérifications préalables

Des vérifications préalables ESG sont intégrées tout au long du processus d'investissement et couvrent les risques et opportunités ESG, les principales incidences négatives et les controverses. L'équipe de gestion du risque de VLKIM supervise la mise en œuvre du processus ESG.

Politiques en matière d'engagement

En tant qu'investisseur à long terme, Van Lanschot Kempen Investment Management s'engage auprès des sociétés du portefeuille dans l'objectif de libérer de la valeur et de réduire le risque. Le processus d'engagement fixe des objectifs clairs au regard desquels les progrès et les résultats sont suivis et bien documentés. Si, à tout moment, la société refuse de coopérer, le désinvestissement est envisagé. Pour soutenir l'objectif de décarbonation du Fonds, Van Lanschot Kempen Investment Management met l'accent sur les sociétés à l'intensité carbone la plus élevée. Van Lanschot Kempen Investment Management vise à favoriser l'amélioration des communications, des actions et des politiques qui devraient contribuer à une réduction de l'intensité carbone et orienter les sociétés vers une économie alignée sur les objectifs de l'Accord de Paris.

Indice de référence désigné

Aucun Indice de référence désigné.

Pour plus d'informations détaillées, veuillez vous référer aux sections pertinentes ci-dessous, au Prospectus et au Supplément correspondant.

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B. No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment. The Fund classifies as Article 8 under the Sustainable Finance Disclosure Regulation.

Guiding investment principles

Van Lanschot Kempen Investment Management bases its criteria for responsible investment on the international conventions such as the United Nations Global Compact (UNGC), the Guiding Principles on Human Rights (UNGP), the OECD Guidelines for Multinational Enterprises (OECD) and the Principles for Responsible Investment (PRI). Van Lanschot Kempen Investment Management further embraces the goals of the Paris Agreement - and Dutch Klimaatakkoord (Climate Accord) - to limit global warming to 1.5°C (well below 2°C).

Van Lanschot Kempen Investment Management have translated the above sets of international guidelines into specific criteria, on the basis of which they periodically screen investments. This screening allows Van Lanschot Kempen Investment Management to identify material ESG risks and opportunities in our portfolio and define their engagement and exclusion criteria. The list of Van Lanschot Kempen Investment Management's exclusion criteria can be found in the *section D: Investment Strategy - 'Exclusion'*.

Adverse impacts on sustainability matters

The Fund considers principal adverse impacts on sustainability factors for all investments as referred to in Annex 1 of the SFDR Delegated Act. Van Lanschot Kempen assess investments through their exclusion, ESG integration, and active ownership approach.
• Exclusion: Van Lanschot Kempen Investment Management do not invest in companies involved in controversial activities or conduct.
• ESG Integration: Van Lanschot Kempen Investment Management ensure that sustainability risks are adequately considered in the investment analysis and processes.
For investments in investee companies, Van Lanschot Kempen Investment Management apply their exclusion, ESG integration and active ownership approach. In doing so, they cover the following principal adverse impacts on sustainability factors:
Table 1: 1. GHG emissions, 2. Carbon footprint, 3. GHG intensity of investee companies, 4. Exposure to companies active in the fossil fuel sector, 5. Share of non-renewable energy consumption and production, 6. Energy consumption intensity per high impact climate sector, 7. Activities negatively affecting bio diversity-sensitive areas, 8. Emissions to water, 9. Hazardous waste and radioactive waste ratio. 10. Violations of UN GC principles and OECD Guidelines for Multinational Enterprises, 11. Lack of processes and compliance mechanisms to monitor compliance with UN GC principles and OECD Guidelines for Multinational Enterprises, 12. Unadjusted gender pay gap, 13. Board gender diversity, 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons).
Table 2: 4. Investments in companies without carbon emission reduction initiatives, 14. Natural species and protected areas, 15. Deforestation. Table 3: 14. Number of identified cases of severe human rights issues and incidents.

The methodologies and metrics used for monitoring these indicators, as well as their integration in the investment process are further described in below sections.

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C. Environmental or social characteristics of the financial product

The **environmental** characteristics promoted by the Fund include:

i. Climate change mitigation and climate change adaptation in line with the Paris Agreement;
ii. The protection of biodiversity and ecosystems; and
iii. The transition to a circular economy.

The **social** characteristics promoted by the Fund include:

i. Decent work: Decent work reflects companies that promote labour rights, human capital management, occupational health and safety practices, and the absence of severe social controversies, consistent with internationally recognised standards including the International Labour Organization (ILO) Fundamental Conventions and the UN Global Compact;
ii. Adequate living standards and wellbeing for end-users: Adequate living standards and wellbeing reflects companies' impact on consumers and society, including access to essential products and services, responsible business conduct, and the avoidance of activities that may adversely affect health, wellbeing, or social outcomes; and
iii. Other social topics such as gender equality and broader diversity matters: Gender equality and broader diversity matters refer to ensuring equal rights, opportunities, treatment, and participation regardless of gender or other protected characteristics, while respecting human rights and promoting diversity, inclusion, and non-discrimination.

Decarbonizing the portfolio to net-zero

Climate change is a material risk making an increasing impact on global markets, with far-reaching consequences for the planet and human wellbeing. Climate change affects public and private sectors alike, at both global and local levels. Meeting the challenge of climate change requires international cooperation and the much-welcomed Paris Agreement, signed in 2015, commits almost all countries to keeping global warming below 2°C this century (compared to pre-industrial levels), and to strive to limit the increase to 1.5°C.

The environmental characteristics promoted by the Fund seek to contribute to the achievement of the climate goals of the Paris Agreement. This decarbonization pathway encompasses short-term (2030) objective and a long-term commitment to be net zero by 2050. Although there has been no index designated as a reference benchmark, by 2030 the Fund aims to have a carbon intensity that is below the EU Climate Transition Benchmark (EU CTB) pathway. This pathway assumes a carbon intensity that is 30% lower than the MSCI USA Small-cap Index in 2025 with a subsequent 7% annual reduction.

D. Investment Strategy

Van Lanschot Kempen Investment Management ESG Approach:

Van Lanschot Kempen Investment Management, the Sub-Investment Manager of the Fund, is an asset manager that engages in stewardship activities and investment focusing on the long-term for the benefit of all stakeholders. Value creation is at the heart of the services they provide to clients. Van Lanschot Kempen Investment Management believe that being an engaged shareholder on environmental, social and governance (ESG) issues and retaining a long-term focus, is critical to helping clients to preserve and create sustainable wealth that has positive real world impact and economic returns.

Van Lanschot Kempen Investment Management is committed to creating sustainable alpha. The three pillars of the ESG policy are:

- **Exclusion:** Not investing in companies involved in controversial activities or conduct.
- **ESG integration:** Ensuring sustainability risks and opportunities are adequately considered in our investment analysis and processes.
- **Active ownership:** Using their influence through engagement and voting to improve corporate behaviour on specific ESG issues and achieve positive change.

Putting this approach to sustainability into practice Van Lanschot Kempen Investment Management engage with their investee companies on a wide array of strategic, financial, and ESG topics. As an active owner Van Lanschot Kempen Investment Management use their influence to improve the investee companies' ESG performance. This helps address some of the most pressing and important sustainability issues facing business and the world. The focus themes for engagement are: human rights, labour rights, climate change and governance. Through collaboration with other investors and industry think tanks Van Lanschot Kempen Investment Management contribute to the development of principles and standards of corporate responsibility both at sector levels, as well as investee company level.

Implementation of Climate Related Objectives

The sustainable investment objective is achieved through the consistent implementation of the Van Lanschot Kempen Investment Management's ESG policy. The ESG policy is fully implemented in the strategy's investment process across the three ESG pillars: Exclusion, ESG integration and Active Ownership.

Firstly, Van Lanschot Kempen Investment Management exclude companies that have the potential to negatively impact the attainment of the above mentioned sustainable investment objective. Due to the negative impact on climate change and/or the environment Van Lanschot Kempen Investment Management exclude companies involved in the extraction of thermal coal, oil sands or derive significant revenues from power generation of coal. Van Lanschot Kempen Investment Management monitor and measure the absolute emission reduction and reduction in carbon intensity of the underlying portfolio companies year on year. Secondly, Van Lanschot Kempen Investment Management prefer to invest in companies which integrate their climate risks and opportunities into their organisation and are able to move towards a low carbon economy (see chapter 'ESG Integration'). Thirdly, Van Lanschot Kempen Investment Management focus engagement efforts on the most carbon intensive companies/sectors in the portfolio in order to improve disclosure and policies that should contribute to a reduction in carbon intensity and steer the companies towards a carbon neutral economy (see chapter 'Active Ownership').

Exclusion

The exclusion policy ensures that no significant harm to the sustainable investment objective is done through our investments.

Van Lanschot Kempen Investment Management wide exclusion criteria

In line with the general Van Lanschot Kempen Investment Management policy, the Fund excludes all companies on the Van Lanschot Kempen Investment Management Exclusion List The exclusion list is reviewed and updated on a quarterly basis. Companies on this list are either involved in the production of controversial

weapons, such as cluster munitions, anti-personnel mines, chemical and biological weapons, derive a significant portion of their revenues from the production or distribution of tobacco, or have been involved in serious controversies (UNGC violations). Furthermore, Van Lanschot Kempen Investment Management excludes companies that derive a significant proportion of their revenues from coal and oil sands. Van Lanschot Kempen Investment Management also avoids investments in companies that structurally violate the ESG criteria and demonstrate no willingness to improve their policies and practices. Van Lanschot Kempen Investment Management's internal systems block potential investment in these companies.

Additional norms-based criteria

The full list of Exclusion Criteria of the Fund are selected and defined according to the principles of the UN Global Compact and a 'norms-based' assessment of conventions and treaties from internationally recognized bodies. Exclusion criteria can be broadly grouped in two categories: Business Conduct and Product Involvement. The range and scope of these criteria is regularly reviewed and companies are evaluated on a case by case basis.

Van Lanschot Kempen Investment Management only invest in companies that pass the UN Global Compact and OECD criteria and therefore exclude companies that receive a Watch List or Fail status. Van Lanschot Kempen Investment Management do not invest in companies that score poorly in their ESG assessment. Before investing in a company, Van Lanschot Kempen Investment Management determine a company's '*Van Lanschot Kempen Investment Management Sustainability score*' (1-5) and exclude companies with a score below 2.5. More information on the ESG assessment can be found in the section D: Investment Strategy & section G: Methodologies.

Clear insight into corporate activity is required for accurate assessment of involvement in the below areas. Companies believed to have involvement with exclusion criteria activities, but who decline to disclose or communicate sufficient detail of these operations will likewise be excluded.

The Exclusion Criteria are not static and subject to change. Investments in companies that are found to newly contravene the Exclusion Criteria will be sold, while engagement concerning the Exclusion Criteria activity will take place.

Exclusion Criteria – Conduct-Based Involvement

Issue	Criteria
Human Rights	Violation of UN Universal Declaration of Human Rights
Labour Conditions	Direct or indirect involvement in forced labour; violation of ILO child labour standards
Anti-Corruption	Active involvement in corruption with failure to remedy and lack of cooperation
Environment	Contravention of international environmental laws or causing material environmental damage
UNGC	Exclude UNGC fail and watchlist companies, MSCI ESG Red controversy flag and MSCI CCC rated companies
ESG score	Exclude companies with Van Lanschot Kempen Investment Management Sustainability Score < 2.5

Exclusion Criteria – Product Involvement

Issue	Criteria
Alcohol	>5% revenue from production; >20% revenue from retail/ distribution, supplier
Adult Entertainment	>5% revenue from pornography or related

	services
Animal Welfare	Non-pharmaceutical animal testing unless 3R principles or alternatives disclosed
Controversial Weaponry	Involvement ties to prohibited weapons
Conventional Weaponry	>5% revenue from weapons production/sale; >15% from support systems/services
Gambling	>5% revenue from gambling products or services
Oil & Gas	>5% upstream/ refining; >10% oil distribution;>50% gas distribution; >25% enabling services
Power Generation	>50% revenue from high-GHG electricity generation (>100g CO_2e/kWh)
Power Generation (Nuclear)	>30% of revenues from nuclear energy generation, with exception for decommissioning activities.
Thermal Coal	>1% revenue from coal extraction; increasing coal capacity; >25% revenue from coal-related services
Tobacco	>0% revenue from production; >5% retail/distribution; >20% supplier

ESG Integration

In the investment process Van Lanschot Kempen Investment Management assess the ESG profile of a company. Van Lanschot Kempen Investment Management look at each company on a case-by-case basis, taking into account material risks in a given industry in combination with the company's respective risk exposure, practices and disclosure. Furthermore, Van Lanschot Kempen Investment Management look into the company's exposure to past controversies and future ESG opportunities.

The Van Lanschot Kempen Investment Management Sustainability Score serves as input throughout the entire investment process. A company's total Score can range between 1 (high risk) and 5 (low risk). The Score is used to exclude high risk companies that manage this risk poorly from the investable universe, it is used to value companies through integration in the Discounted Cash Flow (DCF) models, and it also serves as a starting point for engagements. The methodology of the Sustainability Score can be found in the chapter 'Methodologies'.

Active Ownership

As active long-term investors Van Lanschot Kempen Investment Management perform comprehensive engagements with portfolio companies with the objective to unlock value and reduce risk. Van Lanschot Kempen Investment Management's engagement process defines clear objectives of which the progress and result is tracked and well documented.

Exercising voting rights is an essential part of responsible investment and active ownership. In line with Van Lanschot Kempen Investment Management's fiduciary duty they vote in the best interest of their clients. Van Lanschot Kempen Investment Management's voting policy is based on Van Lanschot Kempen Investment Management's core beliefs around best-in-class corporate governance. Van Lanschot Kempen Investment Management's policies on engagement and voting are further described in the *section K 'Engagement policies'*.

E. Proportion of investments

At least 90% of the investments of the financial product are aligned with the E/S characteristics. The financial product invests a minimum of 30% sustainable investments. The investments in the category 'Other', between 0-10%, include investments not aligned with the E/S characteristics, and cash, cash equivalents and derivatives.

F. Monitoring of environmental or social characteristics

The ESG performance of the portfolio, as well as its underlying constituents, are monitored on an ongoing basis.

Van Lanschot Kempen Investment Management's Internal control mechanisms include:

- Bi-annual challenging sessions by the VLK Risk Management team based on fund ESG performance, company ESG scores, controversies, CO2, engagements and ESG requirements (including UN Global Compact Framework, the OECD Guidelines for Multinational Enterprises, UN Guiding Principles for Business and Human Rights, and our Principles for Responsible Investment commitments)
- Representatives from the portfolio manager teams meet on a monthly basis with the ESG advisory team to discuss ESG process improvement, regulatory and market developments
- Weekly portfolio management meetings to discuss news flow

The holdings are screened daily for compliance with Van Lanschot Kempen Investment Management's ESG criteria.

The environmental and social characteristics are embedded in the investment policy of the Fund and the associated sustainability indicators are monitored by the Investment Manager through its investment oversight program including pre and post-trade compliance monitoring for ESG screens and regular reviews by a sub-committee of the Investment Manager.

The control mechanisms for adding new companies to the portfolio are described in the *section J: 'Due Diligence'.*

G. Methodologies

Principal Adverse Indicators

Sustainable investments that the financial product partially intends to make should not cause significant harm to any environmental or social sustainable investment objective. In this respect, in accordance with the Investment Manager's Sustainable Investment criteria, the Investment Manager considers the mandatory principal adverse indicators ("PAIs") as set out in Table 1, Annex 1 of Level 2 of SFDR on sustainability factors through the incorporation of the SASB materiality framework in the Investment Manager's Sustainability Rating and the application of the exclusions described above. By investing in securities classified as "Leaders or Outperformers" in accordance with the Investment Manager's proprietary Sustainability Rating, the Investment Manager deems the Fund's sustainable investments not to cause significant harm to any environmental or social sustainable investment objective.

Van Lanschot Kempen Investment Management Sustainability Score

Van Lanschot Kempen Investment Management assess each company on a case-by-case basis using the Van Lanschot Kempen Investment Management Sustainability Score to ensure good governance practices and minimum environmental and social safeguards. The Van Lanschot Kempen Investment Management Sustainability score takes into account E, S and G characteristics divided over sustainability indicators for which

a number of underlying ESG metrics are used. Van Lanschot Kempen Investment Management score companies on the sustainability indicators that are material for the sector in which they are operating.

The Van Lanschot Kempen Investment Management Sustainability Score serves as input throughout the entire investment process. A company's total ESG Score can range between 1 (high risk) and 5 (low risk). The Score is used to exclude high risk companies from the investable universe. Companies that score below 2.5 are excluded. The Score is also used to value companies through integration in the Discounted Cash Flow (DCF) models. A higher risk profile requires a higher return. Finally, the Score also serves as a starting point for engagements.

Sustainability Management

The Sustainability Management score of a given company is based on a selection of risk factors that are material to a particular industry and the assessment of how these risk are managed by the company. In total there are 21 risk factors sourced from Sustainalytics (see list below), of which industry scores are derived from. External data provided by Sustainalytics, MSCI ESG and ISS serves as input for the ESG Score. Based on the Portfolio Manager's own analysis, he/she can override the data for each of the risk management factors that make up the final score. Two of the risk factors are carved out in separate evaluation modules: Corporate Governance and Carbon Management.

- Corporate Governance (see Corporate Governance)
- Carbon – Own Operations (see Carbon Management)
- Carbon – Products and Services
- E&S Impact of Products & Services
- Emissions, Effluents & Waste
- Land Use and Biodiversity
- Land Use and Biodiversity – Supply Chain
- Resource Use
- Resource Use – Supply Chain
- Human Rights
- Human Rights – Supply Chain
- Occupational Health & Safety
- Bribery & Corruption
- Human Capital
- Product Governance
- Resilience
- Data Privacy & Security
- Community Relations
- Access to Basic Services
- ESG Integration – Financials

Corporate Governance

Companies' governance structures and mechanisms are evaluated across six relevant categories: Board/Management Quality & Integrity, Board Structure, Ownership & Shareholder Rights, Remuneration, Audit & Financial Reporting, and Stakeholder Governance. External data from Sustainalytics serves as input for the Corporate Governance module. Based on the Portfolio Manager's own assessment, he/she can override the data for each of the categories.

Carbon Management

For industries where carbon emissions are material, a separate module is used to evaluate a company's climate ambition, strategy implementation, and reporting. The following categories make up the carbon score: Reporting, Measuring & Audit; Ambition, Targets & Goals; Actions; and Governance. External data from MSCI, Sustainalytics, and ISS serves as input for the default score. Portfolio Manager's use their own analysis to override the data for each of these four categories.

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GHG emission & Carbon intensity
Carbon emission intensity is used as the key carbon metric. Van Lanschot Kempen Investment Management calculate carbon intensity based on revenues (weighted average carbon intensity), which Van Lanschot Kempen Investment Management use for their commitment, ambition and objectives.

Engagement Methodology
In order to measure engagement success, all engagement contacts are recorded and classified by Van Lanschot Kempen Investment Management. Van Lanschot Kempen Investment Management follow a milestone approach from stage 1 (company is informed), 2 (company acknowledges request), 3 (company commits to improve), up until 4 (proof of improvement). The Fund's engagement policy is further described in the section K 'Engagement policies'.

H. Data sources and processing

In evaluating a security or issuer based on ESG criteria, Van Lanschot Kempen Investment Management may rely on information and data from third party ESG advisers as well as company reported data. External data providers include (but are not limited to) Institutional Shareholder Services (ISS), which Van Lanschot Kempen Investment Management use for proxy voting, governance research, carbon data and Sustainable Development Goals data, MSCI ESG Research, which Van Lanschot Kempen Investment Management use for company ESG Ratings, product involvement data, UN Global Compact Data, EU Taxonomy data, and Sustainalytics, which Van Lanschot Kempen Investment Management use for ESG Risk Ratings and product involvement data.

Internal as well as external data is collected and processed in several data analytics (including FactSet, PowerBI, Tableau) and internal compliance systems (including ThinkFolio).

Van Lanschot Kempen Investment Management see value-add through their own research. Just as with financial data, Van Lanschot Kempen Investment Management take non-financial data as a starting point and form their own opinion on it. To ensure data quality, Van Lanschot Kempen Investment Management regularly engage with portfolio companies and third party vendors.

The MSCI **US** Small Cap Index has a high share of **MSCI-estimated data (~38.4%)**, with ~60.5% of companies directly reporting. This is characteristic of the US small cap universe, where ESG disclosure rates tend to be lower than in European markets — particularly for smaller companies.

I. Limitations to methodologies and data

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Describe all of the following:
a)The data sources used to attain each of the environmental or social characteristics promoted by the financial product;
b)the measures taken to ensure data quality
c)How data are processed
d)The proportion of data that are estimated

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Externally provided ESG data is far from perfect. Therefore, Van Lanschot Kempen Investment Management conduct rigorous due diligence of the data used in our ESG processes. Van Lanschot Kempen Investment Management see value-add through their own research. Just as with financial data, Van Lanschot Kempen Investment Management take non-financial data as a starting point and form their own opinion on it. To ensure data quality, Van Lanschot Kempen Investment Management regularly engage with portfolio companies and third party vendors.

General limitations include, but are not limited to, below overview:

- **Inconsistencies.** A simple test of consistency across data providers is to examine the overall Sustainability score given to companies by each vendor. In an ideal world these would line up fairly consistently, but at present Van Lanschot Kempen Investment Management see a wide discrepancy in the scores from one data provider to the next. Van Lanschot Kempen Investment Management remain hopeful, that as with credit ratings today, these discrepancies will fade as the market standardises its methodology over the coming years.

- **False data.** Van Lanschot Kempen Investment Management often times find discrepancies between the data collected by external providers and the actual company disclosure. This often leads to engagement with the companies to help improve their disclosure, as well as engagement with data providers to correct and improve the data quality.

- **Lack of data coverage.** Not all companies are covered by the main ESG data vendors. Van Lanschot Kempen Investment Management encourage ESG vendors to pick up coverage of companies in the relevant universe. In a few individual cases Van Lanschot Kempen Investment Management pay the data vendors for individual company research. Some vendors have different coverage models for smaller companies. ESG ratings under 2nd tier research coverage are less reliable.

- **Market cap bias.** As a result of transparency bias, Van Lanschot Kempen Investment Management note that larger market cap companies have a tendency to report more comprehensively than smaller, less well-resourced small and mid-sized companies. Van Lanschot Kempen Investment Management's experience has shown that many smaller companies take their ESG credentials very seriously, and sometimes this appears to be missed by the data vendors.

- **Modelling assumptions.** Models and modelling assumptions can lead to some very different outcomes when assessing ESG data points. For example, taking a peer company within a subindustry's carbon intensity and multiplying it with a company's sales. This disregards meaningful differences in business models that may occur for companies that on paper operate in the same subindustry. The modelling assumptions used by different data vendors can lead to starkly different estimates for the overall portfolio. Van Lanschot Kempen Investment Management often check modelled ESG data with the companies.

- **Omission.** Not all companies submit data to ESG data vendors. Van Lanschot Kempen Investment Management encourage companies to submit their ESG data to data vendors. There are instances in which companies do report the relevant data, but this is not picked up by the ESG data vendors. In that case Van Lanschot Kempen Investment Management either point the data vendors to the right reports, or Van Lanschot Kempen Investment Management help the companies make the data available in a format that is picked up by the ESG data vendors.

- **Backward looking.** Most ESG data is backward looking. Therefore Van Lanschot Kempen Investment Management encourage companies to share their ambitions, targets and also links to management incentives, as this provides further insights as to where the company is headed.

Van Lanschot Kempen Investment Management also see limitations to the methodology of the internal Van Lanschot Kempen Investment Management Sustainability Score. Not all ESG factors are easily quantifiable. And much of the input data is focused on policies and processes rather than actual ESG performance. Van Lanschot Kempen Investment Management continuously work on improving their Sustainability Scores to better reflect the company's ESG risks, opportunities and performance. Van Lanschot Kempen Investment Management's Internal Sustainability Score aims to overcome some of the above limitations by having the possibility to correct data based on additional research and company engagement.



J. Due diligence

Before a company is invested in, Van Lanschot Kempen Investment Management's Portfolio Managers perform a due diligence on potential ESG risks, opportunities, as well as potential past controversies. ESG due diligence is integrated in the 3 stages of the investment process:

In Stage 1 companies that do not meet the minimum criteria described in above chapters 'Exclusion' and 'ESG Integration' are excluded from the investable universe.
In Stage 2 an opinion on the companies ESG profile and potential past controversies is formed. When the company enters the portfolio, it's ESG performance is frequently monitored as described in the chapter 'Monitoring of Environmental & Social Factors' and actively engaged with.



K. Engagement policies

Is engagement part of the environmental or social investment strategy?

☒ Yes
☐ No

Engagement
As active long-term investors Van Lanschot Kempen Investment Management perform comprehensive engagements with their portfolio companies with the objective to unlock value and reduce risk. Van Lanschot Kempen Investment Management strongly believe that the level of engagement with our portfolio companies is significantly deeper than that of competitors. Van Lanschot Kempen Investment Management are in frequent dialogue with the management teams of our portfolio companies. Van Lanschot Kempen Investment Management's engagement process defines clear objectives of which the progress and result is tracked and well documented. If at any stage the company refuses to cooperate, divestment has to be considered. Van Lanschot Kempen Investment Management closely monitor the progress that the company is making and continuously use their influence to improve the company's ESG performance.

Van Lanschot Kempen Investment Management's engagement process defines four milestones:
1. Raise concern with the company;
2. Company acknowledges the issue;
3. Company sets out a strategy and/or agrees to improve;
4. Company implements the strategy.

Van Lanschot Kempen Investment Management's engagement could start at any of the first three milestones. When a milestone is reached, a document of proof is attached to the engagement case and the engagement will move on to the following milestone. When the fourth milestone is reached, the engagement is closed, but Van Lanschot Kempen Investment Management continue to monitor the company. If at any stage the company refuses to cooperate, divestment has to be considered.

With regard to climate change Van Lanschot Kempen Investment Management apply a general engagement approach, with focus of engagement efforts on the most carbon intensive companies - and sectors in our portfolio in order to improve disclosure, targets, actions and policies that should contribute to a reduction in carbon intensity and steer the companies towards a carbon neutral economy. Where possible Van Lanschot Kempen Investment Management engage with companies on how their activities relate to the EU Taxonomy and the Sustainable Development Goals.

Proxy Voting

Exercising voting rights is an essential part of responsible investment and active ownership. In line with Van Lanschot Kempen Investment Management's fiduciary duty Van Lanschot Kempen Investment Management vote in the best interest of client. Van Lanschot Kempen Investment Management's voting policy is based on their core beliefs around best-in-class corporate governance.

Van Lanschot Kempen Investment Management apply a custom voting policy which is implemented and operationalized by International Shareholder Services (ISS). Items are further analysed on a case by case basis. Often, Van Lanschot Kempen Investment Management inform the company about their voting intention ahead of the meeting and, where there is a recommendation to vote against management, Van Lanschot Kempen Investment Management ask the company to clarify their viewpoints. After careful analysis, Van Lanschot Kempen Investment Management form their own opinion and vote accordingly. Voting records will be made available upon request.

Van Lanschot Kempen Investment Management's policies in relation to Voting and engagement policies are relevant solely for the purposes of this Fund and are not those of the Investment Manager.

L. Reference benchmark

Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the Fund?

☐ Yes
☒ No

The MSCI US Small Cap Index is a trademark of MSCI Inc.