

SFDR Annex 2 Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: **MerLan Global Equity, the 'Sub-Fund'.**

Legal entity identifier: **549300QL9FWLOGY9IX76**

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> Yes	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ____% <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ____%	<input checked="" type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments <input checked="" type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with a social objective <input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments



What environmental and/or social characteristics are promoted by this financial product?

The Sub-Fund promotes **environmental characteristics** related to:

- climate change mitigation and adaptation (carbon emissions, carbon footprint of products, financing of environmental impacts, vulnerability to climate change, and ecological/transition opportunities such as clean technology, green buildings and renewable energy)
- the sustainable use and protection of water and marine resources (water stress)
- the transition to a circular economy (supply of raw materials)
- the prevention and control of pollution (pollution and waste, toxic emissions and waste, packaging materials and waste, and electronic waste)
- the protection and restoration of biodiversity and ecosystems (biodiversity and land use)

The Sub-Fund promotes the following **social characteristics**:

- decent work, including human capital (labor management, health and safety, human capital development, labor standards in the supply chain);

- adequate standards of living and well-being for end users, including product liability (product safety and quality, chemical safety, consumer financial protection, privacy and data security, responsible investment, health and demographic risks);
- other social issues, including stakeholder resistance (controversial sourcing and community relations) and social opportunities (access to communication, financial and health care, and nutrition and health opportunities)

No specific sustainability index has been designated as a reference benchmark for the purpose of attaining the above social characteristics.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

The following sustainability indicators are used for the purpose of measuring attainment of the respective characteristics promoted by the Sub-Fund:

Environmental sustainability indicators:

- **Carbon intensity** is used as an important benchmark for medium- and long-term climate goals
- **Greenhouse gas emissions** are used in the composition of the portfolio and the commitment to achieve climate objectives
- **The carbon footprint** is used in the composition of the portfolio and the commitment to achieve climate objectives

Social sustainability indicators:

- Excluding companies with a 'fail' status based on the principles of the UNGC Principles
- Excluding companies that violate the OECD Guidelines for Multinational Enterprises Diversity of the board of directors as described in the voting policy (<https://www.vanlanschotkempen.com/en-nl/investment-management/sustainability-approach/active-ownership>)
- **Controversial Weaponry** revenues (PAI) (production, trade, storage and use >0%)
- **Tobacco** revenues (production >0%, distribution >5%, services >20%)

Sub-Fund level exclusions and avoidance (additional):

- Companies with an MSCI red flag for controversies
Turnover from thermal carbon >5%
- Turnover from unconventional oil & gas extraction >5%
- Turnover from nuclear weapons >0%
- Turnover from conventional weapons >5%
- Turnover from civilian weapons >5%
- Turnover from pornography >5%
- Electricity producing utilities without SBTi (Science Based Targets initiative providing thorough analysis of emissions and reduction plans)

In addition, each company is assessed on an individual basis using the Van Lanschot Kempen Sustainability score to on the adherence to good governance practices and minimum environmental and social safeguards. The score takes into account environmental, social and governance characteristics, divided over sustainability indicators for which a number of underlying ESG metrics are used. Companies are scored on the sustainability indicators that are material to the sector in which they are operating. Each risk factor is scored from 1 to 5, resulting in an overall weighted score of 1 (worst score) to 5 (best score).

● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The sustainable investments the Sub-Fund partially intends to make contribute to the following environmental objectives:

- Climate change mitigation and climate change adaptation in line with the Paris Agreement (environmental);
- Use and protection of water and marine resources (environmental);
- Protection of biodiversity and ecosystems (environmental);
- Transition to a circular economy (environmental);
- Prevention and control of pollution (environmental);
- Decent work (social);
- Adequate living standards and wellbeing for end-users (social);
- Other social topics such as stakeholder resistance and social opportunities (social).

Van Lanschot Kempen has developed a sustainable investment approach which distinguishes between sustainable investments with an environmental objective (either aligned with the EU Taxonomy or not) and sustainable investments with a social objective. This definition follows the requirements of the article 2(17) of the SFDR.

Sustainable investments with an environmental objective that are aligned with the EU Taxonomy are defined on the basis of the investee company's aligned turnover, aligned capital expenditures, or aligned operating expenditures.

Sustainable investments with an environmental objective that are not aligned with the EU Taxonomy are defined by three sustainability contribution elements. Firstly, in the case in investments in companies, we calculate the sustainable impact revenue contribution (based on MSCI's Sustainable Impact Solutions Data). We analyse the revenues from products or services targeting one or more environmental impact themes objectives. These include alternative energy, energy efficiency, green building, pollution prevention, sustainable water, or sustainable agriculture. Secondly, also in the case of investments in companies, we analyse the SDG thematic contribution (based on ISS's SDG Solutions Assessment data). Thirdly, in case of investments in sovereigns, we analyse the country's relative environmental performance using the Natural Capital and Resource Intensity & Resource Efficiency pillars of the Global Sustainable Competitiveness Index of SolAbility. The top performing countries within the developed and emerging markets universe that meet our DNSH criteria are regarded as sustainable investments.

Sustainable investments with a social objective are defined by three sustainability contribution elements. Firstly, in the case in investments in companies, we calculate the sustainable impact revenue contribution (based on MSCI's Sustainable Impact Solutions Data). We analyse the revenues from products or services targeting one or more social impact themes objectives. These include nutrition, sanitation, major diseases treatment, SME finance, education, affordable real estate, or connectivity. Secondly, also in the case of investments in companies, we analyse the SDG thematic contribution (based on ISS's SDG Solutions Assessment data). Thirdly, in case of investments in sovereigns, we analyse the country's relative social performance using the Social Progress Index. The top performing countries within the developed and emerging markets universe that meet our DNSH criteria are regarded as sustainable investments.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

The sustainable investments that the financial product partly aims to make must comply with the set "do no significant harm" (DNSH) standards and sustainable investment criteria, in addition to compliance with good governance practices. In the investment process of the financial product, a filter is applied that excludes companies involved in, among other things: all types of weapons (see above for the complete exclusion list). Furthermore, companies with very serious ESG controversies are excluded, as well as companies with a Van Lanschot Kempen Sustainability score <2. The due diligence and monitoring of the financial product includes from appendix 1 table 1, the PAIs (Principal Adverse Impact Indicators) 1-6 on greenhouse gas emissions, PAI 7 on biodiversity, PAI 8 on water, PAI 9 on waste, and the PAIs 10- 14 on social and personnel matters.

How have the indicators for adverse impacts on sustainability factors been taken into account?

The financial product uses in the investment process a combination of the key adverse impact indicators, as mentioned above, and general ESG measurements to determine the current and potential adverse impacts on sustainability factors, with monitoring of the number of serious and very serious controversies for any investment objective. This broader set of indicators is taken into account in: the composition of the portfolio, the exclusion of investments, the ESG integration, the best-in-class strategy and active shareholding (engagement and voting).

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The sustainable investments of the financial product are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This is put in practice through the application of Van Lanschot Kempen's Exclusion Policy as well as through the screening and monitoring of the relevant principal adverse sustainability indicators.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

- ☒ Yes, _____
- ☐ No

The financial product considers principal adverse impacts on sustainability factors for all investments as referred to in Annex 1 of the SFDR Delegated Act. We assess investments through our exclusion, ESG integration, and active ownership approach.

- Exclusion: we do not invest in companies involved in controversial activities or conduct.
- ESG Integration: we ensure that sustainability risks are adequately considered in our investment analysis and processes.
- Active ownership: we use our influence through engagement and voting to improve corporate behaviour and specific ESG issues and to achieve positive change.

For our **investments in investee companies**, we apply our exclusion, ESG integration and active ownership approach. In doing so, we cover the following principal adverse impacts on sustainability factors:

- Climate and other Environment-Related matters: 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 biodiversity-sensitive areas, 8) Emissions to water, and 9) Hazardous waste and radioactive waste ratio.

- Social and employee matters: 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, and 14) Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons).
- For our **investments in sovereigns and supranationals**, we apply our exclusion and ESG integration approach. We cover the following principal adverse impacts on sustainability factors:

- Environmental: 15) GHG intensity, and
- Social: 16) Investee countries subject to social violations.



What investment strategy does this financial product follow?

The financial product offers an actively managed portfolio of listed securities (mainly shares and bonds or other funds investing in shares or bonds) with an aggressive asset allocation. The financial product promotes environmental and/or social attributes by integrating its ESG policy into the investment process through four pillars: 1) negative and standards-based screening, 2) ESG integration, 3) best-in-class and 4) active ownership.

What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

Negative & norms-based screening Negative and standards-based screening prevents investments in companies that are involved in controversial activities or behavior, including certain key adverse indicators, and companies that structurally violate international principles and treaties.

The financial product excludes companies involved in very serious ESG controversies relating to the adverse environmental, social and/or governance impact of business activities, products and services. The evaluation framework used is that of the MSCI ESG Controversies, which is designed to align with the international standards of the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact principles. The MSCI ESG Controversies Score covers a scale of 0-10, with '0' representing the most serious controversy. Companies with a so-called 'red flag' are involved in one or more very serious ongoing controversies and are excluded.

ESG Integration:

ESG integration means that the financial product ensures that the investment analysis and the investment process sufficiently take into account sustainability risks and opportunities. The investment process assesses each company's ESG profile to ensure environmental and social safeguards and compliance with good corporate governance practices. Each company is assessed individually (and compared to peers using a 'best in class' approach), taking into account the material risks in a particular sector together with the company's risk exposure, governance practices and disclosures.

Even after applying all 'ESG filters', ESG factors remain relevant from a risk perspective. For example, when the manager has the choice between two or more investments and based on has no preference from traditional financial analysis, he will use ESG measures to determine his final choice. These can be all kinds of standards; the ESG rating, part of the ESG rating, a certain indicator such as carbon intensity or carbon footprint, etc. Similarly, the objective of the financial product to reduce the carbon intensity of the portfolio to net zero by 2050 is also part of the ESG integration (see section above for details). The manager aims to achieve this objective through the consistent application of the sustainability strategies: excluding business activities with too negative a direct impact on climate change (thermal coal, electricity-producing utilities without SBTi, unconventional oil and gas extraction), the best-in-class approach, giving an important weight to the E-factor in the development of the Van Lanschot Kempen Sustainability score and through the engagement policy.

Best-in-class:

The financial product uses a best-in-class approach that aims to invest at least two-thirds of the direct equity exposure (the best-in-class approach described here therefore only applies to this part of the financial product) in companies that are considered to be in the top 50% of their respective industry in terms of ESG. To determine this best-in-class ranking within each industry, data from independent ESG data supplier Sustainalytics is used.

Active Ownership:

Active ownership is about responsible management of the capital that investors have invested in the financial product and about using influence as a manager through engagement and voting to improve the behavior of companies on specific ESG issues and achieve positive change. The manager believes it can work with the companies it invests in to drive positive change on specific ESG (active ownership) topics. In the case of equity investments, the financial product uses its voting rights at annual general meetings as a tool to encourage companies to improve

their ESG policies and practices. Investment companies that demonstrate insufficient results and insufficient improvement in their performance with regard to ESG criteria may be excluded. Selection of UCITS and AIFs The selection of other UCITS and AIFs (except those investing in government bonds) in which the financial product invests is subject to the requirement that they comply with Article 8 or 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 regarding disclosure of sustainability in the financial services sector. Of course, insofar as they fall under these regulations. This criterion applies to newly recorded positions from January 1, 2024.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Although the financial product applies negative and standards-based screening and a 50% best-in-class approach to its direct equity exposure, there is no minimum percentage commitment for the financial product as a whole.

● **What is the policy to assess good governance practices of the investee companies?**

Assessment policy for good governance practices

The assessment policy of the good governance practices of investee companies focuses on an assessment of: the presence of good management structures, employee relations, the remuneration of the staff involved, and tax compliance. The analysis is divided into six pillars: the quality and integrity of the board of directors and management, the structure of the board of directors, the ownership structure and shareholder rights, the remuneration policy, the reliability of the audit and financial reporting and the stakeholder policy governance.

Implementation via the exclusions policy

The policy of the financial product only allows investments in companies with a Van Lanschot Kempen Sustainability score > 2 (see details above). In addition, companies with a so-called 'MSCI red flag' for controversies are also excluded. In this way, companies with the highest sustainability risks, which include poor good governance practices, are avoided.

Implementation via the best-in-class policy

In addition to avoiding companies that score poorly in terms of good governance through the exclusion policy, the best-in-class approach also means that companies with a relatively better Van Lanschot Kempen Sustainability score compared to their respective industry are also considered in the portfolio.

The other UCITS and AIFs in which the financial product invests may or may not have their own policies for assessing the good governance practices of the companies in which they invest.

What is the asset allocation planned for this financial product?

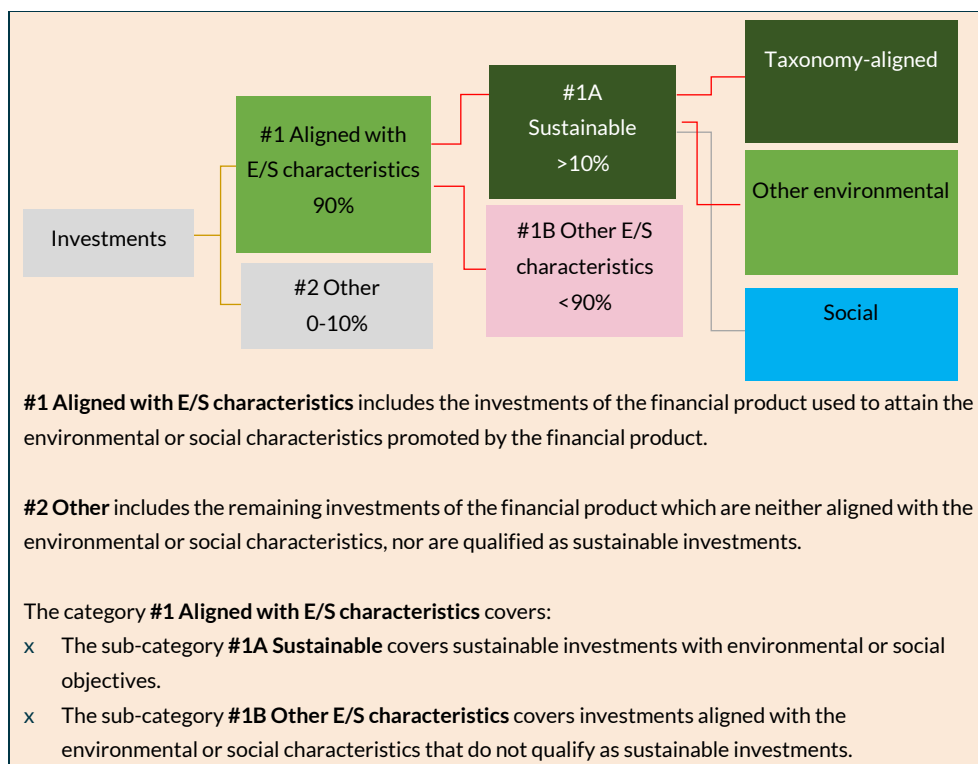
At least 90% of the investments of the financial product are aligned with the E/S characteristics. The financial product invests a minimum of 10% sustainable investments. The investments in the category 'Other', between 0-10%, include investments not aligned with the E/S characteristics, and cash, cash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

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of: **turnover** reflecting the share of revenue from green activities of investee companies. **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy. **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

The financial product can only use derivatives to efficiently take or hedge certain positions (for example positioning on the yield curve with futures on government bonds). These derivatives are out of scope in terms of achieving the environmental or social characteristics promoted by the financial product.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy ¹⁴?

☐

Yes

☐

in fossil gas

☐

in nuclear energy

☒

No

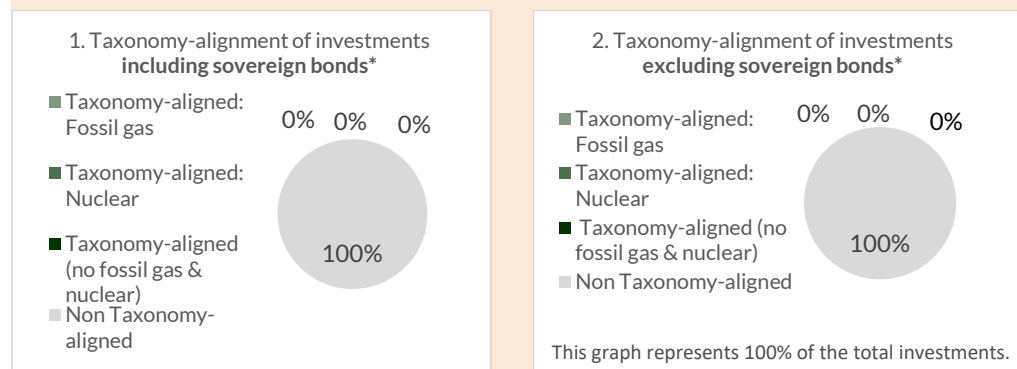
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

¹⁴ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures



What is the minimum share of investments in transitional and enabling activities?

0%

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The financial product is committed to a minimum share of 0% of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy within the total committed minimum proportion of 10% of sustainable investments.

What is the minimum share of socially sustainable investments?

The financial product is committed to a minimum share of 0% of sustainable investments with a social objective within the committed minimum proportion of 10% of sustainable investments overall.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

The type of instruments included under "#2 Other" include investments not aligned with the E/S characteristics, and cash, cash equivalents and derivatives. As indicated above, the financial product does not make use of derivatives to attain the environmental or social characteristics promoted. It may make use of derivatives within the category "#2 Other", for hedging, liquidity management and rebalancing purposes. Where relevant, minimum environmental or social safeguards are taken into account.

Where can I find more product specific information online?

More product specific information can be found in the ESG Policy on the Website of the Investment Manager via the following link <https://www.mercieranlanschot.be/nl-be/aanpak/esg>



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

