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

Product name: MercLan Patrimonium, the 'Sub-Fund'.
Legal entity identifier: 549300SCZ7DXJU5RSY43

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.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ Yes	☒ No
☐ It will make a minimum of **sustainable investments with an environmental objective:** __% ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☐ It will make a minimum of **sustainable investments with a social objective:** __%	☒ 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 ☒ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☒ with a social objective ☐ 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 achieving the above-mentioned ecological and social characteristics. The actual content of the financial product may deviate from the standard portfolio for this risk profile.

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

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

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

Environmental principal adverse indicators:

x Carbon intensity is used as an important benchmark for medium- and long-term climate goals

x Greenhouse gas emissions are used in the composition of the portfolio and the commitment to achieve climate objectives

x The carbon footprint is used in the composition of the portfolio and the commitment to achieve climate objectives

Social, governance and do no significant harm principal adverse indicators:

x Excluding companies with a 'fail' status based on the principles of the UNGC Global Compact

x Excluding companies that violate the OECD Guidelines for Multinational Enterprises

x Diversity of the board of directors as described in the voting policy

Sub-Fund level exclusions and avoidance (additional):

X Companies with an MSCI red flag for controversies

x Turnover from tobacco production >0%, distribution >5%, services >20%

x Turnover from thermal carbon >5%

x Turnover from unconventional oil & gas extraction >5%

x Turnover from controversial weapons >0%

x Turnover from nuclear weapons >0%

x Turnover from conventional weapons >5%

x Turnover from civilian weapons >5%

x Turnover from pornography >5%

x Electricity producing utilities without SBTi (Science Based Targets initiative provide thorough analysis of emissions and reduction plans)

In addition, each company is assessed on an individual basis using the Van Lanschot Kempen ESG score to ensure good governance practices and minimum environmental and social safeguards. This score takes into account E, S and G characteristics, divided over sustainability indicators for which a number of underlying ESG factors are used. Companies receive a score on the sustainability indicators that are relevant to the sector in which they operate. Each risk factor is scored from 1 to 5, resulting in an overall weighted score of 1 (worst score) to 5 (best score). Companies with a Van Lanschot Kempen ESG score <2 are not included in the financial product because the sustainability risks here are considered too great. Companies for which no score is available are investable but must of course pass all the other checks mentioned above.

All parameters mentioned here, previously mentioned and those that follow are based on the “comply or explain” principle.

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 that the financial product partly aims to make contribute, on the one hand, to the mitigation of and adaptation to climate change. On the other hand, the financial product also aims for socially sustainable investments. These mainly contribute to good health and well-being for all ages.

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 ESG 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).

Investments in investee companies	Screening	Monitoring	Reporting	Sustainable Investment Definition	Aplying PAB criteria
Adverse sustainability indicator: Climate and other Environment-Related matters					
T1: 1. GHG emissions	Yes	Yes	Yes	Yes	No
T1: 2. Carbon footprint	Yes	Yes	Yes	Yes	No
T1: 3. GHG intensity of investee companies	Yes	Yes	Yes	Yes	No
T1: 4. Exposure to companies active in the fossil fuel sector	Yes	Yes	Yes	Yes	Yes
T1: 5. Share of non-renewable energy consumption and production	Yes	Yes	Yes	Yes	Yes
T1: 6. Energy consumption intensity per high impact climate sector	Yes	Yes	Yes	No	No
T1: 7. Activities negatively affecting bio diversity-sensitive areas	Yes	Yes	Yes	Yes	No
T1: 8. Emissions to water	Yes	Yes	Yes	No	No
T1: 9. Hazardous waste and radioactive waste ratio	Yes	Yes	Yes	No	No
T2: 4. Investments in companies without carbon emission reduction initiatives	Yes	Yes	Yes	No	No
Adverse Sustainability Indicator: Social and Employee, Respect For Human Rights, Anti-Corruption And Anti-Bribery matters					
T1: 10. Violations of UN GC principles and OECD Guidelines for Multinational Enterprises	Yes	Yes	Yes	Yes	Yes
T1: 11. Lack of processes and compliance mechanisms to monitor compli ance with UN GC principles and OECD Guidelines for Multinational Enterprises	Yes	Yes	Yes	Yes	No
T1: 12. Unadjusted gender pay gap	Yes	Yes	Yes	No	No
T1: 13. Board gender diversity	Yes	Yes	Yes	Yes	No
T1: 14. Exposure to controversial weap ons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Yes	Yes	Yes	Yes	Yes
T3: 14. Number of identified cases of severe human rights issues and incidents	Yes	Yes	Yes	No	No

Investments in sovereigns and supranationals	Screening	Monitoring	Reporting	Sustainable Investment Definition	Aplying PAB criteria
Adverse sustainability indicator: Climate and other Environment-Related matters					
T1: 15. GHG intensity	Yes	Yes	Yes	Yes	No
T2: 17. Share of bonds not issued under Union legislation on environmentally sustainable bonds	Yes	Yes	Yes	No	No
Adverse Sustainability Indicator: Social and Employee, Respect For Human Rights, Anti-Corruption And Anti-Bribery matters					
T1: 16. Investee countries subject to social violations	Yes	Yes	Yes	Yes	No

Investments in real estate assets	Screening	Monitoring	Reporting	Sustainable Investment Definition	Aplying PAB criteria
Adverse sustainability indicator: Climate and other Environment-Related matters					
T1: 17. Exposure to fossil fuels through real estate assets	Yes	Yes	Yes	No	No
T1: 18. Exposure to energy-inefficient real estate assets	Yes	Yes	Yes	No	No
Adverse Sustainability Indicator: Social and Employee, Respect For Human Rights, Anti-Corruption And Anti-Bribery matters					
T2: 18. GHG emissions	Yes	Yes	Yes	No	No

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 takes into account the main adverse impacts on sustainability factors through the specific sustainability indicators it uses to assess the extent to which its (proposed) investments contribute to the environmental and social characteristics it promotes, which include indicators of the main adverse impacts. These indicators are embedded in the ESG investment process of the financial product, which is based on the following 'pillars': negative and standards-based screening, ESG integration via the Van Lanschot Kempen ESG score, best-in-class and although this concerns an ex-post strategy, it is still important to mention; active shareholding through engagement and voting. That process and these 'pillars' are explained later in this document.
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.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

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 shareholding.

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?

<u>Negative & standards-based screening</u>
Negative and standards-based screening prevents investments in companies that are involved in controversial activities or behavior, 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. 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.

<u>ESG Integration:</u>
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, in the development of the Van Lanschot Kempen Sustainability score gives an important weight to the E-factor 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.

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

- **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

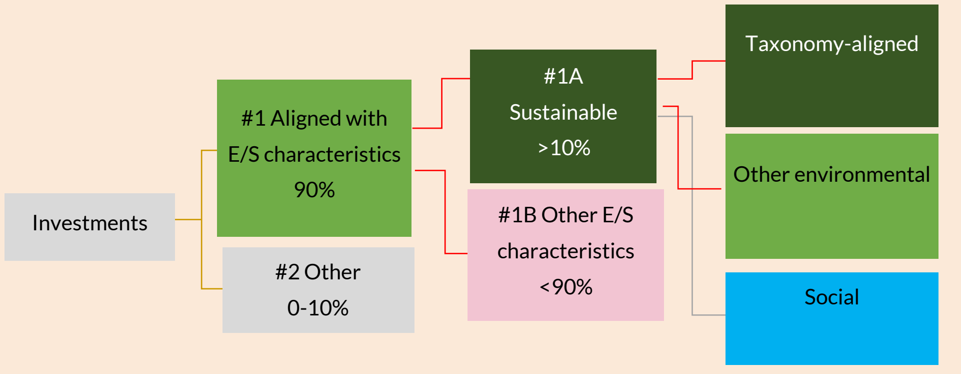
Van Lanschot Kempen Sustainability score compared to their respective industry are also considered in the portfolio.
The other UCITS and AIFs in which the financial product invests may or may not have their own policies for assessing the good governance practices of the companies in which they invest.

What is the asset allocation planned for this financial product?

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.

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.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

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 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.

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

0%

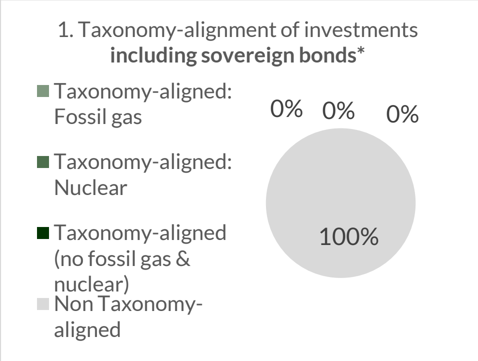
Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy [15]?

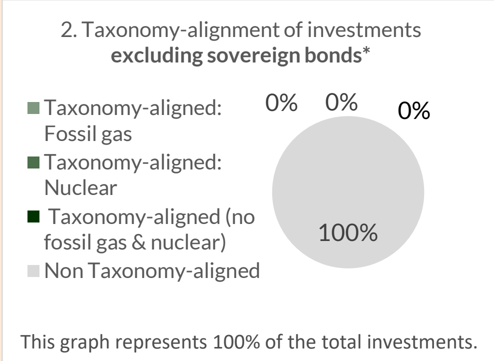
☐ *Yes*

☐ *in fossil gas* ☐ *in nuclear energy*

☒ *No*

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%

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

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 financial product expects that the asset allocation for '#2 Other' will consist of the liquid assets held for liquidity and/or rebalancing purposes. There are no ecological or social minimum guarantees applicable to this cash position.

[15] 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.

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.merciervanlanschot.be/nl-be/aanpak/esg