

About the portfolio manager

Assets under management	USD 83.2 bn, 82% of client assets managed according to ESG principles
Number of inv. profess.	63
Number of inv. profess. dedicated to ESG	3 (Kempen), 2 (Van Lanschot Kempen)
Participation in shareholder meetings	Ja
ESG rating	A (PRI rating)
ESG consultant	Institutional Shareholder Services, Inc. (ISS)
External data sources	<ul style="list-style-type: none"> • MSCI ESG Research • ISS Ethix South Pole • Sustainalytics • GRESB • ISS Research • Broker Research

Memberships

Signatory to UNPRI	Yes
UNPRI rating	A
Others (selection)	<ul style="list-style-type: none"> • Focusing Capital on the Long-term (FCLT) Global • SHIFT TO.org • High-Level Expert Group on Sustainable Finance (HLEG) • Global Reporting Initiative • Task Force on Climate-related Financial Disclosures (TCFD) • Farm Animal Investment Risk & Return (FAIRR) initiative • UK SIF • UK Stewardship Code • Dutch Association of Investors for Sustainable Development (VBDO) • Ethibel • Carbon Disclosure Project (CDP) • Paris Pledge • IIGCC Investor Statement of Climate Change • Novethic SRI Label • Eumedion • The 300 Club

Voting activity

Exercise of voting rights	Yes; 2018: 461 compny meetings
ESG consultant	Institutional Shareholder Services, Inc. (ISS)
Voting report	Yes

Additional information

We annually report on voting in our Responsible Investment Report. Full voting records are available via the Kempen Voting Dashboard
<https://vds.issgovernance.com/vds/#/NzcyMA==/>

Decision making process for exclusion decisions

We exclude from our investment universe companies that are involved in the production, trade and maintenance of controversial weapons, i.e. antipersonnel mines, cluster munitions, chemical and biological weapons, and nuclear weapons.

We also avoid investments in companies that structurally violate our ESG criteria and demonstrate no willingness to improve their policies and practices. These companies are put on the so-called Avoidance List, which is based on the UN Global Compact Principles and is in line with the guidance of UN Global Compact.

Finally, we have developed an exclusion criteria framework to determine which products and services should be avoided. Based on this framework, in 2018 we decided to put tobacco on the avoidance list. Both exclusion and avoidance lists are reviewed and updated on a quarterly basis and are available online, <https://www.kempen.com/en/asset-management/esg/exclusion-and-avoidance>.

Consultant for investment guidelines and exclusion criteria

We do not outsource these activities to external partners. Kempen bases its criteria for responsible investment on international conventions such as the UN Global Compact and the UN PRI. In combination with the Guiding Principles on Business and Human Rights, these two frameworks build the foundation of our 'Convention Library'. Exclusion decisions are thoroughly discussed and decided upon in the ESG Council, which is the most senior advisory body on ESG-related matters within the firm.

Decision making process for exercising voting rights

As a long-term responsible investor, we believe that shareholder engagement with investee companies contributes to positive change. Exercising voting rights is an important instrument of engagement and is central to a well-functioning governance system. Kempen's voting policy encompasses seven principles that serve as guidelines for informed and consistent voting across all investment strategies: board structure, remuneration, capital structure, restructuring, management of environmental and social risks and shareholder rights. We use the electronic voting platform of Institutional Shareholder Services, Inc. (ISS), which provides custom research and voting recommendations according to our voting policy.

However, we thoroughly review company meetings individually and we remain responsible for determining our final voting decisions. When we vote for a significant holding or a specific corporate transaction, the portfolio manager will engage with the company (or engage with the intermediary the company may have appointed). We carefully consider local regulatory requirements, which may influence our voting approach. It is our policy to ensure that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant investment fund.

Engagement

Engagement	Yes; 2018: 299 engagements
Consultant	Engagement activities are executed in-house by dedicated Resp. Investment team and Portfolio Managers

Decision making process for engagement activities

Kempen conducts engagement at several levels: with fund managers, with companies we invest in on behalf of our investment funds or clients, and with other stakeholders. The engagements can be company-specific, thematic, sector focused, or market-focused, and are either done individually with a company or collaboratively with other stakeholders. The engagements are chosen based on their materiality and salience of specific ESG issues and on an assessment of whether an engagement will be successful.

The engagements are divided into three pillars: (1) engagement for awareness; (2) engagement for change; (3) and public policy and collaboration work.

When engaging with companies, we focus on achieving measurable results and set out a specific goals with a specific timeline. We track progress using the 4 milestones: Raise concern with the company; Company acknowledges the issue and commits to resolving it; Company develops a policy to deal with the issue; Company implements a program to implement the policy or strategy.

IST portfolio

Portfolio overview

ESG rating	No
Application of an exclusion list	Yes, Kempen exclusion list and avoidance list (which do not lead to any benchmark companies being excluded).

Incorporation of ESG factors into the investment process

For Kempen, the application of ESG criteria goes hand-in-hand with a focus on long-term financial return. A lack of attention to ESG factors increases a company's risk profile and negatively impacts long term returns. For Real Estate specifically, higher CO2 building emissions result in higher maintenance capital expenditure, potentially lower portfolio occupancy and ultimately lower long-term value development. In the investment framework of our strategy, there are three key parameters that determine the warranted valuation: management added value, balance sheet strength and ESG. The portfolio managers score each company covered (approximately 95% of the universe) on these three parameters. Companies that excel in ESG will be assigned a higher score and hence the warranted price increases. We benchmark real estate companies against each other and visualise these results to identify leaders and laggards. We do not only invest in the ESG leaders, but also in the laggards as the potential value to be unlocked by engaging and providing capital to those who need it the most is massive. We also actively monitor the carbon footprint of all the companies covered and incorporate these findings into our valuation assumptions.

Identification of companies excluded

The IST Global REIT Fund excludes all companies on the Kempen exclusion or avoidance list. Companies that 'Fail' or are on 'Watchlist' against the criteria of the United Nations Global Compact are excluded.

We screen quarterly on various International Treaties and conventions and we check whether the portfolios meet other guidelines, benchmarks, industry initiatives, frameworks and (certification) programs (mostly intended for companies).

Engagement in the IST portfolio context

The Kempen Real Estate team actively engages with companies on their strategic, financial and social responsibilities. Our engagements focus on those companies where we believe substantial value can be unlocked. Engagement can take place on a wide array of topics including:

- Reducing CO2 intensity levels; energy and water consumption;
- Improving waste recycling; working conditions and human rights; governance structures; shareholder alignment;
- Shifting remuneration policies from being linked to short term goals to long term targets

Over the past 12 months ending March 2019, the Kempen Property team had 288 companies contacts. We are currently (November 2019) engaging with 6 companies and we successfully closed 6 engagement cases during the past two quarters. 1 company was excluded due to their unwillingness to engage.