

About the portfolio manager

Assets under management	USD 106 bn
Number of inv. profess.	56
Number of inv. profess. dedicated to ESG	8-member Sustainability Centre, Van Lanschot Kempen (VLK)
Participation in shareholder meetings	Yes
ESG rating	A (PRI rating)
ESG consultant	Institutional Shareholder Services, Inc. (ISS, proxy voting)
External data sources	
<ul style="list-style-type: none"> • MSCI ESG Research • ISS • Sustainalytics 	<ul style="list-style-type: none"> • GRESB • 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) • SHIFT TO.org • Global Reporting Initiative • Task Force on Climate-related Financial Disclosures (TCFD) • UK SIF • UK Stewardship Code 	<ul style="list-style-type: none"> • Dutch Association of Investors for Sustainable Development (VBDO) • Carbon Disclosure Project (CDP) • Paris Pledge • IIGCC Investor Statement of Climate Change • Climate Action 100+ • Eumedion • Platform Living Wage Financials

Voting activity

Exercise of voting rights	Yes; 2020: 419 company 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. Tobacco is included on the sector Avoidance list. Both our Exclusion and Avoidance Policy and our Exclusion and Avoidance lists are available online at <https://www.kempen.com/en/asset-management/responsible-investment/exclusions>

Consultant for investment guidelines and exclusion criteria

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 Van Lanschot Kempen Sustainability Board, which is the most senior advisory body on ESG-related matters within the group.

Decision making process for exercising voting rights

As a long-term responsible investor, we believe that shareholder engagement contributes to positive change. Exercising voting rights is an important instrument of active ownership and is central to a well-functioning governance system. Kempen votes at annual and extraordinary meetings at investee companies for all investment funds and (if requested) discretionary mandates worldwide, unless voting is not feasible or not in the best interest of our clients. Our 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 proxy voting platform of Institutional Shareholder Services, Inc. (ISS), which provides custom research and voting recommendations based on our voting policy. Although we use the services of ISS, we thoroughly review company meetings individually and we remain responsible for our final voting decisions. Our Voting Policy is available online at <https://www.kempen.com/-/media/Asset-Management/ESG/2021-Kempen-Voting-Policy-FINAL.pdf>

Engagement

Engagement	Yes; 2020: 354 engagements
Consultant	Engagement activities are executed in-house by dedicated Sustainable Investment Advisors and Portfolio Managers

Decision making process for engagement activities

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.

Engagements are chosen based on their materiality and assessment of probability of success. We prioritise cases where a company is directly causing or contributing to adverse impacts and is in the position to influence the situation and remedy negative impacts of its activities on stakeholders. 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. Our Stewardship and Engagement Policy is available online at

<https://www.kempen.com/-/media/Asset-Management/ESG/March-2021--Kempen-Stewardship-and-Engagement-Policy-Public-final.pdf>

IST portfolio

Portfolio overview

ESG rating	No
Application of an exclusion list	Yes, Kempen exclusion list and avoidance list (which leads to one benchmark company being excluded as of April 2021).

Incorporation of ESG factors into the investment process

The main ESG factors we focus on are the following:

- Environmental: climate change; energy efficiency; waste and pollution management. The potential for a reduction in energy usage and carbon footprint in real estate is huge, since real estate is responsible for 32% of global energy usage and 33% of global carbon emissions globally according to the IPCC.
- Social: human rights and working conditions; diversity; education; housing; community relations; labour relations; workplace safety.
- Governance: board accountability, compensation; alignment; shareholder rights; ethics and compliance; political lobbying and donations.

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 quality. A lack of ESG management results in higher maintenance capex and potentially lower occupancy rate in the portfolio. We benchmark real estate companies against each other and identify leaders and laggards. We also invest in ESG 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

In line with the general Kempen policy, 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 UN 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). We do not invest in companies which are involved in sensitive activities such as conventional oil & gas, unconventional oil & gas, nuclear energy, biodiversity, water use, taxation, oppressive regimes (country and company level), death penalty, agricultural commodities.

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 2021, the Kempen Property team had 321 companies contacts. We are currently (April 2021) engaging with 8 companies and we exclude 1 company due to their unwillingness to engage.