

ESG Due Diligence Report

Bouwinvest Real Estate Investors B.V.

La Guardiaweg 4
1043 DG Amsterdam
Nederland

Postbus 56045
1040 AA Amsterdam

T +31 (0)20 677 16 00
www.bouwinvest.nl

Date 11 February 2022

Introduction

Bouwinvest Real Estate Investors B.V. (hereinafter: Bouwinvest) manages five Dutch sector funds and three international mandates. Bouwinvest invests the capital of institutional investors in real estate products worldwide and does so in a responsible manner, with the aim of creating 'Real Value for Life'. The main pillars of our purpose are social responsibility and sustainability.

Bouwinvest is convinced that organisations, and that includes Bouwinvest itself, can make a positive contribution to progress, both on the economic front and in terms of the environment, society and good corporate governance (hereinafter referred to as ESG). This is why Bouwinvest has chosen to endorse international standards related to responsible business and investments, such as the UN Principles for Responsible Investments¹ (hereinafter: UN PRI), the OECD guidelines for multinational enterprises² (hereinafter: OECD guidelines) and the UN Guiding Principles on Business and Human Rights (hereinafter: UNGPs)³.

Part of these international standards is the execution of a so-called ESG due diligence. The ESG due diligence covers Bouwinvest's own operations, its supply chain and the organisation's other business relations. The due diligence looks at the potential negative outcome of Bouwinvest's operations on the environment, on people and society and the possibility of mitigating these outcomes and taking these into account in decision-making processes. This ESG due diligence is performed alongside other due diligence processes, such as the client due diligence.

Bouwinvest's ESG due diligence process follows six steps, as described in the OECD guidelines (see figure 1).

¹ <https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment>

² <https://www.oecd.org/daf/inv/mne/48004323.pdf>

³ https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr_en.pdf

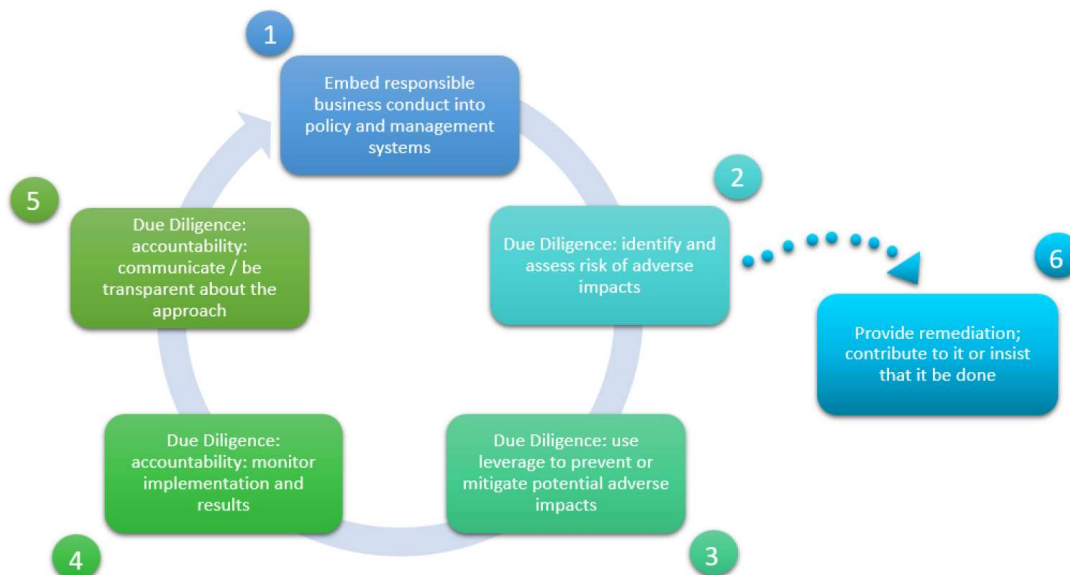


Figure 1 – Due Diligence cycle: The six due diligence steps according to OECD guidelines for multinational enterprises, as explained in the Toolbox drawn up for pension funds in the context of the International Responsible Business Conduct (IRBC) Agreement for Pension Funds: [Toolbox \(https://www.pensioenfederatie.nl/stream/rbc-toolbox.pdf\)](https://www.pensioenfederatie.nl/stream/rbc-toolbox.pdf)

Bouwinvest's due diligence policy is currently under development and will be fleshed out in more detail as we move forward.

Bouwinvest's activities

Bouwinvest is fully focused on investments in real estate and has both Dutch and international activities. Bouwinvest's international investments are indirect investments and are divided into listed and unlisted real estate investments. Bouwinvest's Dutch activities involve direct investments in Dutch real estate. A significant difference between the Dutch and international activities is therefore how influence can be exercised. The international investments are managed by international managers. According to the OECD guidelines, this means the primary instrument for exerting influence on these international investments is the selection and monitoring of these managers. The preparatory analysis should therefore look in more detail at how these managers work, the relevant ESG risks and any potential negative outcomes of the investments on people, society and/or the environment. With respect to the Dutch activities, the due diligence activities touch directly on the supply chain, such as developers, contractors and any advisors.

How Bouwinvest enacts the six steps of the OECD guidelines

1. *Embed responsible business conduct into policies and management systems*

- Bouwinvest's [responsible investment policy](#) lays down the parameters and preconditions related to environmental, social and good governance (ESG) criteria for its real estate investments.
- In the fund and mandate plans, which are drawn up annually, Bouwinvest defines the responsible investment parameters and preconditions in detail in the form of ESG investment criteria and ESG targets per real estate investment product for a period of three years. The fund and mandate plans also identify ESG risks and opportunities and these are incorporated in full.
- ESG criteria are taken into account in investment decisions in the acquisition, management and disposal phases. This applies to all real estate investments, both in the Netherlands and internationally.

2. *Identify and assess negative ESG outcomes of investments in the portfolio*

- Bouwinvest uses a value creation model to gain insight into which financial, social and human capital is used, how value is added and destroyed and what this subsequently means for society as a whole. This insight helps Bouwinvest consider negative outcomes as a whole on people, society and/ or the environment and to take appropriate action.
- To gain insight into the most important material topics, Bouwinvest performs an annual materiality analysis, also taking into account the expectations of our stakeholders.
- In addition, Bouwinvest conducts analyses of the countries in which it invests on the basis of a country risk model, which includes ESG criteria.
- All new real estate investments, both in the Netherlands and abroad, are subjected to an extensive due diligence process, which identifies and prioritises the potential negative outcomes of the real estate investment in question on people, society and/or the environment. The assessment of all new investments is based on information provided by the parties with whom Bouwinvest does business, such as external managers (international) or sellers/project developers (Dutch investments) or obtained via public information sources and information from independent external benchmarks, international standards, market research and our own data.
- Bouwinvest draws up an investment proposal for all new real estate investments. This is discussed in the Investment Advisory Committee, which includes an ESG specialist who is entitled to vote. Any potential ESG risks and (potential) negative ESG outcomes identified in the due diligence process, the defined ESG investment criteria and the contribution to ESG objectives are a standard part of the investment proposal.
- Bouwinvest's risk-return model (part of the investment proposal) includes an assessment of the identified ESG risks and (potential) negative ESG outcomes .

- Building certificates, benchmarks, audits and the actual measurement of the environmental impact of buildings are examples of instruments that Bouwinvest uses to identify and assess ESG risks and (potential) negative ESG outcomes.
- Controversies or significant ESG incidents are reported to our clients in line with our Business Risk Incidents Management policy.

3. Cease, prevent or mitigate (potential) negative ESG outcomes

- The entire real estate portfolio is subject to an [exclusion policy](#). This policy states which countries and which types of building Bouwinvest does not invest in, which types of company Bouwinvest does not rent to and which parties or persons Bouwinvest does not do business with. The basic premise of the policy is that Bouwinvest only invests in countries with transparent real estate markets.
- In the case of the de Dutch real estate sector funds, Bouwinvest is able to exert direct influence to cease, prevent or mitigate negative ESG outcomes. In the case of the unlisted international investments, Bouwinvest strives to play a role in investee boards and investment (advisory) committees of these investments to exert influence. The external managers of the listed real estate investments use discussions with the management of listed companies to make clear which improvements they would like to see and exert influence via their voting rights.
- Bouwinvest's ESG specialists have a vote in the Investment Advisory Committees of the real estate sector funds and the international mandates and in that role can provide advice on ceasing, preventing or mitigating (potential) negative outcomes of new investments on people, society and or the environment.
- All new real estate investments are submitted for approval to the Executive Board of Directors accompanied with advice from the Investment Advisory Committee. Investments that fall outside the mandate or exceed an investment limit are submitted for advice to the Advisory Committee or to Bouwinvest's clients.
- The ESG conditions and criteria are incorporated in contracts with selling parties (Dutch investments) and external managers (international investments). These conditions include but are not limited to: transparency on ESG performance (for instance, GRESB participation), ESG requirements for buildings and/or construction sites, regular ESG reports and reports on controversies or material ESG incidents.
- We use our Responsible Investment policy, targets and guidelines, such as those related to the reduction of energy consumption and CO₂ emissions, building certifications, affordable housing and safety at construction sites, to reveal the (potential) negative outcomes of our real estate portfolio on people, society and/or the environment and we try to prevent or mitigate these impacts.

- In the event of serious ESG incidents, which cannot be sufficiently mitigated, Bouwinvest can decide to exit a specific investment, ask an external manager to exit same, or to refrain from investing via this manager in the future.

4. *Monitor implementation and results*

- Bouwinvest monitors progress in the implementation of its Responsible investment policy, targets and identified negative outcomes on people, society and/or the environment on a quarterly basis.
- To monitor progress (in both the Dutch real estate sector funds and the international real estate investments), Bouwinvest uses internal tools and/or external benchmarks, such as the Global Real Estate Sustainability Benchmark (GRESB) and the United Nations Principles for Responsible Investing (UN PRI). These are used to perform independent and regular measurements of progress.
- Bouwinvest performs annual assessments of all investments and managers with respect to financial and ESG performance, ESG risks and (potential) negative outcomes on people, society and/or the environment. On the basis of these assessments, Bouwinvest determines whether any follow-up actions are required.

5. *Communicate how negative outcomes are addressed*

- Bouwinvest monitors its Responsible investment policy and any ESG-related agreements included in the fund and mandate plans on a quarterly basis. Bouwinvest communicates the progress on these fronts to its clients via quarterly reports.
- Bouwinvest uses its annual reports to provide insight into its approach to the identification, mitigation and tracking of the negative outcomes of the real estate portfolio on people, society and/or the environment, both at the level of investment managers and at fund level. The annual reports for the open Dutch funds are publicly available. This is how we account in a transparent manner for our policy, approach and choices to clients and other stakeholders.
- Our reporting takes into account industry standards and internationally accepted guidelines, including the reporting guidelines of the European Association for Investors in Non-listed Real Estate Vehicles (INREV) and the guidelines for sustainability reporting of the Global Reporting Initiative (GRI).

6. *Provide for or cooperate in remediation*

- Bouwinvest looks at which steps should be taken on a case-by-case basis.