

Stewardship & Engagement Policy

Bouwinvest

Contents

1

Document control

| | |
|---|----------------------|
| 3 | 1.1 Document history |
|---|----------------------|

2

Introduction

| | |
|---|---------------------------------------|
| 4 | 2.1 Background |
| 4 | 2.2 Objective |
| 4 | 2.3 Audience of the policy |
| 4 | 2.4 Scope of the policy |
| 4 | 2.5 Maintenance |
| 4 | 2.6 Related Policies (amongst others) |

3

Stewardship & Engagement Policy

| | |
|----|--|
| 5 | 3.1 Activities of Bouwinvest |
| 5 | 3.2 Definitions |
| 5 | 3.3 Our relation with entities in which we invest |
| 7 | 3.4 Engagement objectives, themes & processes |
| 8 | 3.5 Stewardship & Engagement for direct real estate investments |
| 9 | 3.6 Stewardship & engagement for indirect unlisted real estate investments |
| 9 | 3.7 Stewardship and engagement for listed real estate investments |
| 10 | 3.8 Conflicts of interest |

4

Reporting

| | |
|----|-----------|
| 11 | Reporting |
|----|-----------|

Document control

1.1 Document history

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Introduction

2.1 Background

We invest in a fair, responsible and sustainable way to secure long-term societal and financial returns for our institutional investor clients. Our mission is to enhance pension benefits in a responsible way by investing in sustainable real estate worldwide. We believe that long-term financial success is intertwined with our social responsibilities. As a company that invests in real estate, it is our duty to play a part in finding solutions for environmental, social and governance (ESG) issues.

2.2 Objective

This Stewardship and Engagement Policy sets out how Bouwinvest Real Estate Investors (“Bouwinvest”) interacts with companies (either listed or unlisted), project developers, investment managers and external fund managers through which Bouwinvest invests on behalf of its clients. Bouwinvest is a global real estate investor and one of the largest Netherlands-based real estate investors.

2.3 Audience of the policy

The audience of this policy are all employees within Bouwinvest.

2.4 Scope of the policy

This policy applies to the management organisation and all its entities and activities, and forms part of a broader set of responsible investment tools like Responsible Investment Policy, ESG integration in investment decision making and the Exclusion Policy.

Exceptions to this policy must be approved by the Director of the fund or mandate, after consultation with the Sustainability Department. In case of a negative response from the Sustainability Department, approval from the Chief Investment Officer is mandatory.

This Stewardship and Engagement Policy falls under our Responsible Investment Policy, is subject to our Exclusion Policy and covers all assets (funds and international mandates) that we manage for our clients.

2.5 Maintenance

It is important that this policy continues to be aligned with developments in this area. The Stewardship & Engagement Policy is subject to a periodic review (based on the Policy Management Framework Bouwinvest) by the Sustainability & Innovation department and approved by the Executive Board of Directors and shall be revised whenever deemed necessary.

2.6 Related Policies (amongst others)

- Responsible investment policy
- Exclusion policy

Stewardship & Engagement Policy

3.1 Activities of Bouwinvest

Bouwinvest invests in real estate both in the Netherlands and internationally on behalf of institutional investors (clients). Bouwinvest invests directly in real estate in the Netherlands and indirectly for its international mandates. International investments include private funds (majority) and listed investments in real estate companies. Bouwinvest does not invest in treasury or government bonds.

3.2 Definitions

We define stewardship as individual or collaborative activities to protect and enhance the value of the companies, entities, assets or projects in, or through, which we invest, and to attain our investment objectives. This involves amongst others: activities focused on strategy, (financial) performance, disclosure of information and/or ESG. Examples of stewardship activities include dialogues with issuers, managers and/or partners, voting at shareholder meetings, filing of shareholder resolutions/proposals, direct roles on investee boards and investment (advisory) committees, and dialogues with policymakers or standard-setters. Our interactions with stakeholders such as our clients, shareholders, employees, suppliers, tenants, visitors and the occupants of the properties in which we invest is part of our Responsible investments policy and is not detailed in this Stewardship and Engagement Policy [[link to RI policy on website](#)].

When we refer to engagement we mean the purposeful, targeted communication with an entity (e.g. company, external fund manager, investment manager or partner, government, industry body, regulator) in, or through which, Bouwinvest invests or which impacts Bouwinvest's ability to invest, in particular ESG matters of concern with the goal of encouraging change at an individual company (i.e. board structure), project (i.e. health and safety practices), manager (i.e. its ESG performance) and/or the goal of addressing a market-wide or system risk (such as climate change). Interactions to gain information as part of ongoing research and/or investment due diligence are part of our ESG incorporation and stewardship activities, and are not part of what we describe as engagement. Engagements always have a change objective, whether that involves improving ESG risk management and/or influencing sustainability outcomes, i.e. the ESG risk of our investment portfolio and/or the impact on people, society and/or the environment directly affected by our investment portfolio.

3.3 Our relation with entities in which we invest

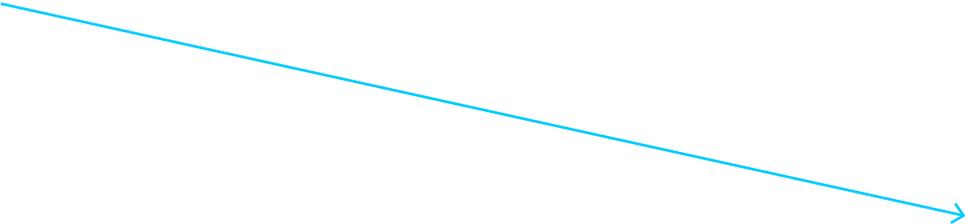
Bouwinvest invests through eight funds and mandates, with a focus on 10 core regions and six sectors. The core regions are the Netherlands, the United States of America, Canada, the United Kingdom, Germany, France, Scandinavia, Ireland, Belgium, Australia, New Zealand, Singapore, China, South Korea, Hong Kong and Japan. The sectors we focus on are residential, retail, office, hotel, healthcare and logistics. Our focus on transparent markets and key sectors enables us to understand ESG issues, risks and outcomes which also form part of our due diligence process (more information: [ESG Due Diligence Statement](#); [Principal Adverse Impact Disclosure Statement](#); [Sustainability Risk Statement](#)). The way we invest affects the level of influence we have, and our stewardship and engagement approach reflects this. This level of influence is reflected in the figure below on investment structures.

Internationally, we manage three separate real estate mandates: Europe, North America and Asia-Pacific – exclusively on behalf of bpfBOUW, the Dutch construction industry's pension fund. These integrated mandates comprise both unlisted and listed real estate investments. In the Netherlands we invest in direct real estate through five sector funds for institutional clients. The residential, retail and office funds are open to institutional investors while the hotel and

healthcare funds are exclusive to bpfBOUW. Direct real estate is concentrated and directly managed by Bouwinvest. All international investments are indirect and managed by partners (unlisted and listed). The level of influence is higher for direct real estate investments than for listed investments as shown in the figure below.

indices: the Corruption Perception Index, the International Trade Union Confederation Global Rights Index, the Freedom in the World Index of Freedom House, the Notre Dame GAIN Country index and the Yale environmental performance index. A country that exceeds the predefined thresholds for at least two of the five criteria outlined above is excluded from investment. Appendix 2 contains the list of countries excluded by Bouwinvest on the basis of these criteria. This list is reviewed annually.

Due to Bouwinvest's indirect investment approach to international investments, some listed companies may have a very limited exposure in excluded countries. This is confined to a maximum of 1% per listed company. Exposure to countries subject to sanctions by the UN or EU is not permitted at the investment-selection stage and Bouwinvest uses its influence to reduce its exposure during the investment phase through engagement. We periodically monitor our exposures to these countries.

| Investment structure | Direct real estate Section 3.5 | Partnerships (Joint ventures / club deals) Section 3.6 | Unlisted closed-end funds Section 3.6 | Unlisted open-end funds Section 3.6 | Listed buckets Section 3.7 |
|--------------------------------|--|---|---|---|-------------------------------|
| Bouwinvest client offering | 5 Dutch institutional funds | | 3 international mandates | (exclusive to bpfBOUW) | |
| Real estate in the Netherlands | X | | | | |
| International real estate | | X | X | X | X |
| Direct | X | | | | |
| Indirect | | X | X | X | X |
| Influence high |  | | | | |
| Influence low | | | | | |

In this Stewardship and Engagement Policy we will distinguish our approach and implementation for:

- Direct real estate (section 3.5)
- Indirect unlisted real estate (section 3.6)
- Indirect listed real estate (section 3.7).

3.4 Engagement objectives, themes & processes

For all our investments we focus our engagement efforts along the following overall objectives:

1. Improve ESG risk management
2. Influence ESG outcomes:
 - a. Enhance positive outcomes
 - b. Mitigate negative outcomes.

3.4.1 Improve ESG risk management

Improving ESG risk management is core to our due diligence and investment process [link Sustainability Risk Statements section on SFDR web-page]. At the selection stage, any ESG issue that poses a substantial material risk to the value of our investments will have led to a decision not to invest or a decision to start an engagement process to mitigate such risks. We typically hold real estate for long periods: during monitoring new or unforeseen ESG risks may develop, which can also be reasons to start an engagement process. How we approach such material ESG risks engagements differs across the various forms of direct and indirect real estate investments and is explained in sections 3.5-3.7.

3.4.2 Influence ESG outcomes

As a company that invests in real estate worldwide, it is our duty to play a part in finding solutions to environmental and societal issues. This is core to our investment process and an important component of this Stewardship and Engagement Policy. Bouwinvest actively supports the following Sustainable Development Goals (SDGs). For our engagement activities this means we aim to further positive outcomes towards these SDGs.

| | | | | |
|--|---|---|--|--|
|  <p>3 GOOD HEALTH AND WELL-BEING</p> |  <p>7 AFFORDABLE AND CLEAN ENERGY</p> |  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> |  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> |  <p>13 CLIMATE ACTION</p> |
| We invest in healthcare real estate, healthy buildings and lifecycle-proof homes. | We reduce energy use of buildings through energy efficiency and renewable energy sources. | We maintain an active dialogue with our partners on the aspects health, safety and working conditions. | We invest in real estate with an above-average sustainability rating and affordable homes. | We invest in sustainable and climate adaptive real estate, which will result in a near energy-neutral portfolio in 2045. |

We also aim to influence ESG outcomes by incorporating (potential) negative outcomes of, or through, our investments on people and/or the environment. We endorse the Organisation for Economic Cooperation and Development guidelines for multinational companies ("OECD guidelines") and the UN Guiding Principles on Business and Human Rights ("UNGPs"). Important themes within these frameworks include: human rights, labour rights and labour conditions, health and safety, corruption, taxation, consumer interests and environmental pollution. We use these OECD guidelines and UNGPs as a guiding framework for our focus on mitigating and preventing (further) negative outcomes on people and the environment of, or through, our investments. The six-step ESG due diligence framework we implement is detailed in our ESG Due Diligence Statement [[weblink](#)] and includes enabling or requesting remedy where relevant. Engagements will be prioritised based on their salient negative outcomes. The severity of these negative outcomes is determined based on scale, scope and level of irreversibility. Bouwinvest annually discloses an overview of its material or potentially material adverse impacts in line with the European sustainable finance disclosure regulation in a [Principle Adverse Sustainability Impact statement](#)

How we approach such 'fewer negative and more positive ESG outcomes' engagements will be different across the various forms of direct and indirect real estate investments and is explained in sections 3.5-3.7.

For all investment vehicles we use ESG assessment tools, like GRESB, to help us make informed business decisions to mitigate ESG risks and enhance our long-term returns. We highly encourage participation in the annual GRESB assessment, and have continuous discussions regarding GRESB results and potential improvements. We have a strong focus on the following themes: ESG strategy; certificates for sustainable buildings such as BREEAM, LEED and GPR-gebouw; ESG accomplishments within the portfolio; health, safety and working conditions on construction sites; and physical and transitional climate risks and measures across the portfolio.

For each engagement that has been prioritised along the three objectives above (improve ESG risk management, enhance positive ESG outcomes, reduce negative ESG outcomes) we:

- set clear, time-bound (in principle for a maximum period of three years) and measurable goals;
- define the most effective engagement strategy depending on the engagement goals and investment structure;
- document all engagement activities and progress to facilitate client reporting.

Divestment is, where possible, a last resort in the case of unsuccessful engagements, especially for those that aim to prevent negative outcomes for people and/or the environment or for substantial financially material ESG risks.

Finally, we also engage with regulators and standard-setters to improve the ESG risks and ESG outcomes of the markets we invest in. Where relevant we cooperate with other real estate investors or institutional investors to further such objectives. We are a member, signatory or affiliated with organisations such as UN PRI, GRESB, DGBC, INREV, ANREV, AFIRE, ULI, IVBN and NEPROM to learn from, share best practices or conduct collaborative engagements.

3.5 Stewardship & Engagement for direct real estate investments

In our Dutch sector funds we directly invest in and manage real estate assets ourselves and are therefore directly in control and in contact with our stakeholders who include developers, property managers, tenants and (sub-) contractors. For these investments we have strong ESG and quality standards in place. Bouwinvest can exert direct influence in its Dutch sector funds to stop, prevent or limit negative ESG outcomes, enhance positive ESG outcomes and manage financially material ESG risks. In the Netherlands, Bouwinvest does not in principle develop new-build property projects itself, but is, as a buyer, involved in the forward-funding of such projects. As such we can demand high ESG standards and practices as part of purchase agreements. Such standards are part of our internal quality framework. Engagement is therefore typically done before the actual acquisition of a property (in the purchase negotiation phase of direct real estate investments).

On rare occasions an incident with a negative ESG outcomes or a high ESG risk may manifest itself during the exploitation of such properties. Engagements with providers of such properties may be needed in specific circumstances and is part of our ongoing ESG due diligence monitoring. Should any of Bouwinvest's direct investments contribute to, or cause, negative ESG outcomes (e.g. through a lack of preventative measures in acquisition agreements), it will offer, or request its suppliers, to remedy those negatively impacted (in line with the OECD guidelines).

3.6 Stewardship and engagement for indirect unlisted real estate investments

Internationally Bouwinvest primarily invests in unlisted entities that hold real estate only and are managed by an external fund manager. Bouwinvest is usually a minority investor in such vehicles (with stakes smaller than 50%). Joint ventures and club deals are typically more concentrated and can take a number of forms, for instance one-off JVs around identified assets/portfolios, or programmatic JVs following a pre-agreed strategy, with or without seed assets. They typically allow for stronger investor involvement at real estate and strategy level, i.e., through approval rights on various important matters, such as acquisitions, divestments and annual budgets. Investments in closed-end funds generally involve non-core strategies where value is created more towards the end of its life - through the execution of an active business plan. This means our influence here is greater than it is through our investments in open-end funds but still less than for our direct real estate investments or JVs/club deals. A reasonable portion of the portfolio is invested in open-end funds that predominantly contain core real estate properties in well-diversified portfolios. These investments provide stable income returns, but investor influence is fairly limited.

All these unlisted real estate vehicles entail less influence through engagement (to different degrees) than for direct real estate investments. As for voting, no public shareholder meetings are held through which we could vote by proxy (as is the case for listed real estate). Where voting in specific structures is possible, Bouwinvest will vote in line with this Stewardship and Engagement Policy, the Responsible Investment Policy of bpfBOUW and the mandate-specific strategic plan.

With its international investments on behalf of bpfBOUW, Bouwinvest strives to play a role in investee boards and investment (advisory) committees of these entities so as to exert some influence. Bouwinvest's direct influence is, however, relatively low and its engagement activities focus on engagement with the investment partners and external fund managers through, or in which, Bouwinvest invests. Where relevant we ask those entities to manage financial material ESG risks, prevent or mitigate negative ESG outcomes and enhance positive ESG outcomes of the underlying real estate properties. In the case of salient negative ESG outcomes (relating to the OECD guidelines and UNGPs), Bouwinvest may request such entities, where needed, to rectify situations where those entities caused, or contributed to, negative ESG outcomes (in line with the OECD guidelines). Bouwinvest may decide to provide its share of any remedy agreed upon in cases where it has a board seat in the formal decision-making governance bodies of such entities, and in the case of salient negative ESG outcomes. In other circumstances Bouwinvest will ask its external fund manager to provide redress.

3.7 Stewardship and engagement for listed real estate investments

For listed real estate investments, we engage with the companies in our portfolio on specific ESG themes through our investment managers who collectively represent an important pool of institutional capital and leverage influence by the combined ownership stakes of like-minded investors. Their portfolio managers and analysts meet frequently with the management of the companies in our portfolio and express their view on an ongoing basis. If changes and/or improvements are required, the engagement strategies they deploy include holding discussions with management, seeking adequate explanation or changes, using voting rights, and ultimately reducing exposure (holdings) or divestment. We monitor and challenge our investment managers on behalf of bpfBOUW, to ensure that our ESG policies and those of the investment managers and actual implementation are all aligned. If the ESG objectives of our investment

managers diverge with Bouwinvest's, we initiate a proactive dialogue. We engage with our investment managers on all three objectives of our engagement: ESG risk mitigation, enhancing positive ESG outcomes and mitigating/preventing negative ESG outcomes. Where relevant we ask our investment managers to request investee companies to provide remedy for those impacted negatively.

Bouwinvest has not developed its own detailed voting policy for listed real estate investments which are part of an exclusive mandate for bpfBOUW. We implement bpfBOUW's voting policy by selecting investment managers with a voting approach and practices that are aligned with its own voting policy ([link](#)).

3.8 Conflicts of interest

If, in our day-to-day business, we run into any conflict of interest, we have a code of conduct policy ([link](#)) in place that covers all of Bouwinvest's activities; a conflict of interest policy is also available for internal use. These policies enable us to identify, monitor and manage conflicts of interest effectively in order to prevent them from adversely affecting our stakeholders.

Reporting

We report annually on the implementation of this Stewardship and Engagement policy. For our listed investments we do so publicly in compliance with the Shareholders Rights Directive II (EU) 2017/828 as implemented in the Netherlands. For all our investments, we report to our clients on our implementation of the IMVB covenant (Dutch Pension Funds Agreement on Responsible Investment). With regard to our public disclosures relating to the EU Sustainable Finance Disclosure Regulation (SFDR), see the relevant statements on our website [weblink]. In our reporting we take account of 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 sustainability reporting guidelines of the Global Reporting Initiative (GRI).

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