

Responsible Business Conduct Policy

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Kempfen

Table of Contents

1.	Background	3
2.	Purpose	4
3.	Policy	5
4.	Implementation	6

1. Background

The OECD Guidelines for Multinational Enterprises (hereafter "OECD Guidelines") are one of four parts of the 1976 OECD Declaration on International Investment and Multinational Enterprises). The OECD Guidelines, which aim to ensure an open and transparent international investment environment and to encourage the positive contribution of MNEs to economic and social progress. In 2017, the OECD published responsible business conduct for institutional investors, key considerations for due diligence under the OECD Guidelines for Multinational Enterprises. This document highlights how Kempen adheres to Responsible Business Conduct (RBC) Practices.

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2. Purpose

Kempen believes in achieving value creation for our clients through long-term stewardship. Our mission is to be long-term stewards, enabling our clients to preserve and create sustainable wealth with real economic returns and with positive environmental and social impact. Investing in well governed companies that minimise the negative impacts resulting from their operations, provide remedy in case these occur and where possible create positive contributions to society and environment, will lead to sustainable value creation over the long term.

We are an active owner and capital provider. We value deep engagements with companies about their corporate strategy, capital allocation and ESG policies as an integral part of our investment processes. We invest in companies with a long term horizon so we can actively engage and help companies to become more sustainable. If no positive change is feasible we will exclude the company.

Our sustainability beliefs

We act as long-term stewards

to generate attractive returns while considering the interests of all stakeholders.

We integrate ESG factors throughout our investment process

to achieve better risk adjusted returns.

We prefer inclusion over exclusion

to more efficiently bring about change by working with companies.

We engage as active owners

to drive the sustainability performance of a company.

We allocate capital towards sustainable companies

to achieve positive real world impact.

We are committed to an integrated sustainable investment approach. Our approach is based on four pillars. Kempen has integrated ESG-criteria into its investment process and into the selection and monitoring of external managers. The main pillars of our policy are summarised below.

Our approach

Exclusion & avoidance

Not investing in companies involved in controversial products / services or conduct

ESG integration

Ensuring sustainability risks and opportunities are adequately considered in our investment analysis and research.

Active ownership

Being responsible stewards of our clients' capital and using our influence through engagement and voting to improve corporate behaviour on specific ESG issues and achieve positive change

Positive Impact

Investing with an objective to achieve positive real- world outcomes and impact, such as contributing to the UN Sustainable Development Goals.

The Exclusion & Avoidance pillar relates to Responsible Business Conduct (RBC) and focuses on avoiding reputational, regulatory and other risks.

3. Policy

Kempen is committed to observe the international RBC standards. Our responsible investment policy is based on the OECD Guidelines, United Nations Global Compact (UNGC), UN Guiding Principles on Business and Human Rights (UNGP) and the Principles for Responsible Investment (PRI). These key norms form the foundation of KCM's 'Convention Library'. In addition to these main norms, Kempen has identified over 100 conventions, treaties and initiatives and believes that compliance with these should also serve as a principle for our responsible investment policy.

We expect investees to meet their fundamental obligations in the areas of human and labour rights, protecting the environment, consumer interests and ensuring anti-corruption safeguards and payment of taxes, wherever they operate, in line with the UNGC, UNGP and OECD Guidelines. Kempen will perform RBC Due Diligence on our direct holdings to identify companies that are causing, contributing to or are directly linked to severe potential and actual adverse impacts on people and environment. The most severe cases will be prioritised. We use our leverage and engage with investees where they fall short. Furthermore, we apply a conduct and product based exclusion policy. We are committed to engage or exclude companies that appear during our due diligence as being involved in serious controversies, including those deemed to be in violation of the RBC Principles.

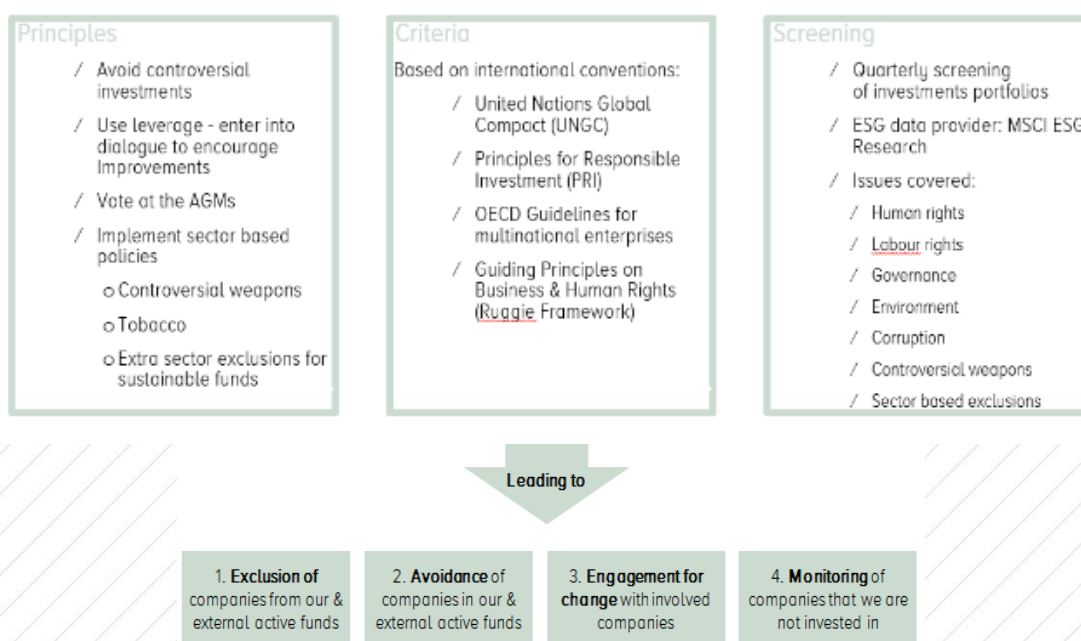
In addition, the Sustainability Centre, in collaboration with portfolio managers, identifies and engages with other companies that, in our view, face serious controversies, violate other international norms or present significant RBC risks. In cases where investee companies have caused or contributed to adverse impact, Kempen will seek to use its leverage to encourage the company to remedy the situation. Additional policies that are part of OECD Guidelines implementation include exclusion & avoidance, stewardship, engagement and proxy voting. These policies are available on our website.

We report annually in our Annual Stewardship & Sustainable Investment report on how identified adverse impacts are mitigated and prevented.

4. Implementation

1. Our investment universe and portfolios are periodically screened to identify issuers in breach of the international norms outlined above (OECD Guidelines, UNGP, UN Global Compact and in the Conventions Library) together with our requirements applicable to controversial sectors or products.
2. The assessment of companies that are flagged for their involvement in controversies by our research data providers MSCI ESG and Sustainalytics is performed on a case by cases basis by Sustainability Centre and is discussed in the VLK Sustainability Investment Council¹ that includes internal and external experts.

ESG Screening in practice



3. Based on the assessment, companies will either be placed on:
 - a. **Exclusion list** - includes issuers that are in breach of our controversial weapons criteria outlined in our weapons policy.
 - b. **Avoidance list** – includes issuers in breach of global norms or our sector level policy requirements.
 - c. **Monitoring list** - includes companies that are potentially breaching global norms or have breached them in the past and Kempen monitors them for changing their conduct. In case we are directly invested in these companies we proactively engage with them for remediating controversies, where applicable.
 - d. **Engagement for change list** – includes companies that Kempen is directly invested in and in our view, face serious controversies. In cases where investee companies have caused or contributed to adverse impact, Kempen will seek to use its leverage to encourage the company to remedy the situation. These engagements are time bound and if insufficient progress is made to resolve the situation or remediate the damage the company will be added to the Avoidance list.
4. The Exclusion and Avoidance lists are communicated to internal and external fund managers. As a result, internal investment teams should not make new investments in the companies on these lists. Internal funds will divest existing exposures.

¹ VLK Sustainability Investment Council was created in 2021 and it replaces the ESG Council that was in place since 2009.

5. External active fund managers will be expected to divest companies on the Exclusion list, and we will encourage them to also divest companies on the Avoidance list. Our Multi-Management team will engage with active managers that have exposure to avoidance list companies.
6. Exclusion and Avoidance lists apply to all actively managed funds. The exceptions are funds that replicate composition of indices (ETS, passive funds). Where possible we have set-up custom alternative indices for our clients that comply with our exclusion policy and other global norms (such as UN Global Compact fails).
7. Checks are performed to ensure that exclusion lists are implemented by all relevant internal portfolios.
8. The engagement list is maintained by the Sustainability Centre and the progress on engagement is reported quarterly to the VLK Sustainability Investment Council.

Policies that are part of OECD Guidelines implementation include the Exclusion & Avoidance policy, Stewardship and Engagement Policy and Voting policy. These policies are available on our website <https://www.kempen.com/en/asset-management/esg>.

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