

Kempen Stewardship & Engagement Policy

KEMPEN GUIDING PRINCIPLES



Kempen

Stewardship Policy

Purpose

Kempen's mission is long-term stewardship, enabling our clients to preserve and create sustainable wealth with real economic returns. As a steward of our clients' assets we integrate stewardship in every aspect of the investment management process to promote long-term value creation. We apply a four-pillar approach to sustainable value creation across our two main business units, Kempen Fund Management and Kempen Fiduciary & Client Solutions. These four pillars which are further explained below and on our [website](#):

- Exclusion & Avoidance
- ESG Integration
- Active Ownership, which consists of Engagements and Voting
- Positive Impact

Kempen Fund Management

Since 1991, we have been committed to assisting our institutional and retail clients and help them invest among others in small-cap and high-dividend equities, real estate, credits and alternatives. We see the informed use of voting and engagement as part of our fiduciary duty. This includes the casting of informed votes at Annual General meetings and special meetings and the monitoring of and the engagement with listed companies on aspects related to the strategy, the performance and risks and opportunities of the company, the capital structure, the social and environmental impact, corporate governance and corporate actions such as mergers and acquisitions.

Kempen Fiduciary & Client Solutions

We also offer tailored solutions to large and smaller clients, pension funds, insurance companies, trustees and family offices. These solutions encompass asset allocation, portfolio construction and analytics, manager selection and monitoring. As a fiduciary manager we believe that our role in the investment value chain is to help our clients to fulfil their stewardship obligations towards their stakeholders. We believe that the consideration of material ESG risks and opportunities is part of the fiduciary duty of institutional investors and help our clients to embed considerations of sustainability into their investment approach.

Stewardship Commitments

Kempen is a signatory to the [Dutch Stewardship Code](#) (2018) and the [UK Stewardship Code](#) (2010) and.

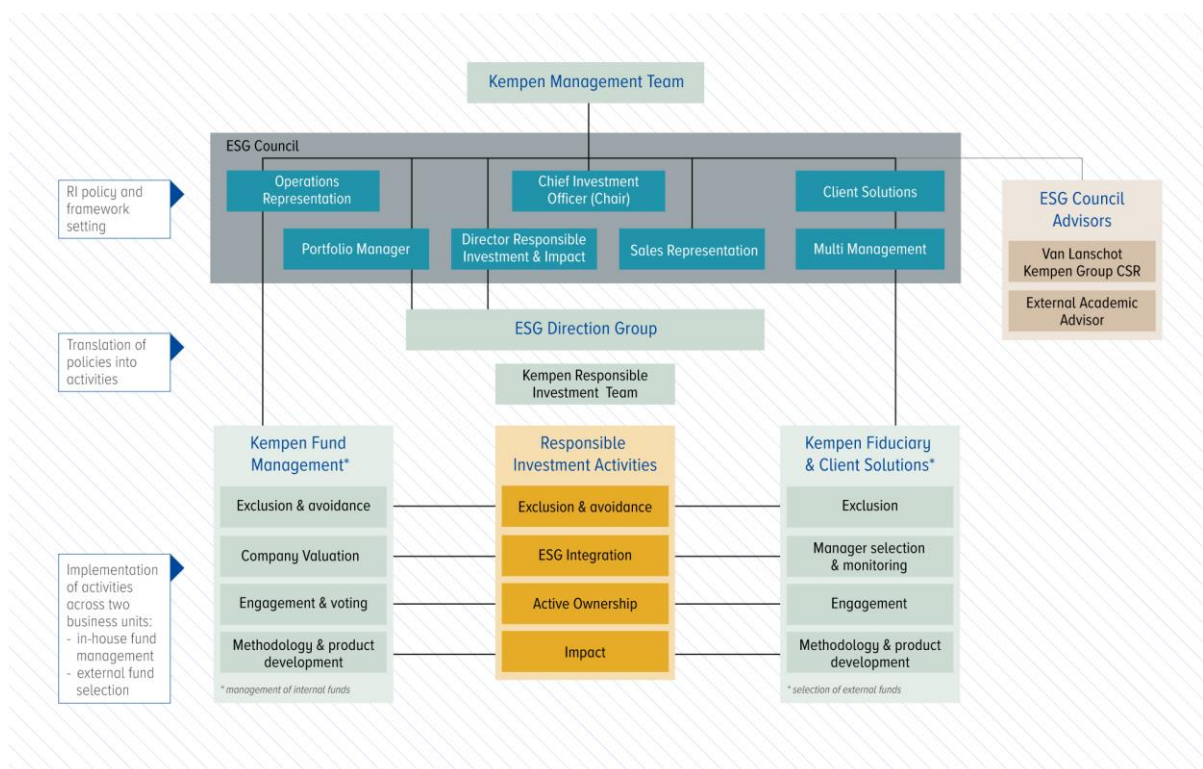
further adheres to the [Dutch Corporate Governance Code](#) (2016), and the [UK Corporate Governance Code](#) (2018). Kempen is a signatory to the [Principles for Responsible Investment \(PRI\)](#) and adheres to all principles, including Principle 2, which states that "we will be active owners and incorporate environmental, social and governance issues in our ownership policies and practices". Kempen also fulfils its fiduciary role under the OECD Corporate Governance Principle II.F. and actively encourages all investee companies to adhere to the principles of [the United Nations Global Compact](#) (UNGC), the [OECD Principles of Corporate Governance](#), the [OECD Guidelines for Multinational Enterprises](#) the [International Corporate Governance Network \(ICGN\) Governance Principles](#), and the [United Nations Guiding Principles on Business and Human Rights](#) (UNGPR). We continue to take steps to strengthen our stewardship capabilities in line with the respective Stewardship Codes and annually review this policy.

Other commitments include the continuous promotion and application of corporate ESG reporting standards, such as the Global Reporting Initiative or the Task Force on Climate-related Financial Disclosures (TCFD).

In addition to these main initiatives, Kempen has identified over 100 conventions, treaties and initiatives with which it also strives to comply as part of our responsible investment approach. These can be found in our [Convention Library](#), which is available online.

Oversight

The ESG Council has ultimate responsibility for the drafting and implementation of the responsible investment policies, including the stewardship and engagement policies, and is Kempen’s most senior advisory body on ESG-related matters. The ESG Council has seven members, all of whom have the right to vote, and aims to represent the interests of internal and external stakeholder groups. The ESG Council is chaired by a member of the Kempen Management Team, and all its voting members are proposed or appointed by the Kempen Management Team. Its current members include the Chief Investment Officer, the Director of Responsible Investment and Impact, a senior representative of the Multi-Management Team, of Client Solutions, of the Sales Team and of the Operations Team, and a Portfolio Manager.



The ESG Council, in conjunction with the ESG Direction Group and the Responsible Investment Team, ensures that responsible investment-related policies are implemented in a consistent manner across all business units, investment strategies and client mandates.

Manging conflicts of interest

Kempen has policies and procedures in place to manage potential conflicts in a way that safeguards the interests of all clients. Where potential conflicts are identified, we are committed to ensuring that they are effectively and fairly managed and remediated.

Our [Conflict of Interest Policy](#) is available online.

Exclusion & avoidance

Not all parties are willing to change, and at Kempen we avoid companies that display insufficient willingness to adapt on ESG issues, as well as structurally excluding from our investment universe companies that are involved in the production, trade and maintenance of controversial weapons and tobacco companies.

Avoidance

Kempen avoids investments in companies that structurally violate our ESG criteria and demonstrate no willingness to improve their policies and practices. Internal systems block potential investment in these companies for Kempen's internally managed investment funds. External active fund managers will be engaged on investments in companies on the avoidance list.

Exclusion

The exclusion list applies to all actively-managed funds, whether managed internally or externally. Internal investments in excluded companies are blocked in the systems and all external actively-managed funds are assessed for compliance on a quarterly basis. Advanced exclusion criteria apply to all sustainable funds.

Our Exclusion List, Avoidance List and Tobacco Lists are available online.

ESG Integration - Identifying & monitoring material issues

At Kempen, we take a progressive and proactive approach towards integrating material ESG factors into investment analysis and decision-making across our investment strategies. We believe that ESG integration can help create more holistic analysis and investment decision processes across asset classes, including equities, credit and alternative investment strategies.

Each quarter, our holdings in internal and external portfolios are screened for compliance with Kempen's ESG criteria. These take into account international standards such as the PRI, UNGC and the UNGP. Kempen's ESG due diligence is built on using ESG due diligence from MSCI's ESG Research and Sustainalytics, which are complemented by other third party and in house assessments.

The screening process allows us to monitor the ESG performance of all the companies in our internal and external funds, and to encourage structural engagement on issues which are identified. The output of the screen feeds into quarterly challenging sessions with fund managers. During the challenging sessions we assess whether the ESG risks and opportunities are sufficiently reflected in the investment decision making process. Furthermore, the output of the screen feeds into Kempen's:

- > Engagement List
- > Exclusion List
- > Avoidance List

Kempen monitors companies on issues such as their business model for creating long-term value, their strategy, performance, risks, opportunities, capital structure, social and environmental impact, corporate governance and corporate actions such as mergers and acquisitions.

Active Ownership - Engaging with companies, fund manager & stakeholders

Being a long term responsible investor, Kempen believes that effective shareholder engagement with investee companies contributes to positive change. Hence, Portfolio Managers and the Sustainability & Impact team collectively engage with companies, fund managers and stakeholders on a wide array of strategic, financial, environmental, social and governance topics to mitigate risks and unlock opportunities. The engagement process is integrated in the work of the investment professionals.

When engaging with investee companies we are prepared to disclose our full equity holding (long and short) at the request of the company. We aim for an integrated approach of working closely across investment teams, strategies and across markets.

To increase focus and efficiency in the engagement process, Kempen joins collaborative engagement initiatives.

Engagement Policy

Within Kempen we have several levels of engagement: we engage with fund managers, with companies we invest in, and with other stakeholders, such as: clients, credit rating agencies, benchmark providers, peers and other stakeholders.

Engagement Methodology

In order to improve the impact and success rate of our engagement efforts we aim to measure and monitor the progress of our engagements by setting clear goals and timeframes, and by monitoring milestones for in-depth engagements.

The engagements are divided into three pillars: engagement for awareness, engagement for change, and public policy and collaboration work.

- **Engagement for awareness:** Aims to improve understanding of a certain issue among companies or gather information on a particular company case.
- **Engagement for change:** Aims to set out a specific goal with a specific timeline, while fostering change within a company.
- **Engagement for public policy and collaboration:** Aims to improve the overall landscape of (financial) markets and general level of ESG performance in particular sectors, markets and geographies.

To track the progress of engagements for change we use milestones. Every milestone represents an accomplishment and a step towards reaching a defined SMART (Specific, Measurable, Attainable, Realistic, Timely) goal. The topics cover among others: long-term strategy & risk management; transparency & communication; Governance; Environmental Management incl. climate change; and Social & Ethical issues, such as labour rights or living wages.

The aim of the engagement is to create value for the company, shareholders and society.

An engagement can start at every milestone, depending on the issue and the goal of the engagement. Kempen aims to move every engagement at least one milestone further every six months. Should a company not be willing to move forwards on the engagement (if, for example, it moves from milestone 1 to 2 for a specific period of time), divestment can be considered.

Milestones

1. **Raise concern with the company:** Kempen identifies the issues and brings it to the attention of the relevant board members or management team of a company;
2. **Company acknowledges the issue:** The relevant board member or executive acknowledges the importance of the issue raised to the company or its stakeholders and commits him or herself to resolving the issue;
3. **Company has a policy to deal with the issue:** The company has developed or improved its policy to deal with the specific issue; and

4. Company implements a programme (closing of the engagement): The company can provide clear evidence that the policy or strategy is fully implemented and that there is clear accountability from the top for ensuring continued implementation.

It will not always be possible to see a direct causality between our engagement and the improved ESG profile of a company; even if change occurs, it might not be directly as a result of our engagement effort. However, our focus is on achieving the change and not on the attribution of the change.

Scope of Engagement Activities

Engagement with companies

Kempen engages both on our listed equity and corporate bond holdings. Therefore, the scope of this policy is applicable to both asset classes and all Kempen funds invested in these asset categories. The screening process described in the ESG integration section applies for engagements as well.

The screening highlights which companies fail to comply with the UN Global Compact as well as with other key treaties, conventions and guidelines such UN Guiding Principles for Human Rights and the OECD Responsible Business Conduct Guidelines. We further look at which companies are lagging behind their peers in managing ESG risks in their sector. Furthermore, the screening highlights companies that are negatively impacting stakeholders or environment through their conduct. The ESG laggards in the portfolio are discussed in challenging sessions between the portfolio managers and the RI department. During these sessions Kempen can select and prioritize companies for engagement. We focus our engagement on the most material or most salient cases with highest impact on society and environment. This means that we will start dialogue if there is a clear and structural violation of the UN Global Compact principles or OECD Responsible Business Conduct Guidelines and if the company has no clear strategy to mitigate a future breach, which indicates there is a substantial business risk for the company. Furthermore, we prioritise cases where a company is directly causing or contributing to adverse impacts (e.g. human rights violations) and is in the position to influence the situation and remedy negative impacts of its activities on stakeholders.

We also ask companies to use their influence (as much as possible) to prevent or mitigate adverse impacts in cases where they are directly linked to other laggard companies' operations, products or services by their business relationships, even if they have not contributed to those impacts.

We assess if there is a realistic chance that the engagement can positively influence the company's operations.

Based on the input from MSCI ESG Research complemented by other assessment, the portfolio managers and the responsible investment department define engagement targets.

In case the engagement with our investees is not successful we will consider escalation actions which may include

- Writing a letter to the executive and/or supervisory directors in which we explain the issues of our concern;
- Holding additional meetings with the executive and/or supervisory directors, specifically to discuss the issues of our concern;
- Holding meetings with other stakeholders of listed companies
- Attending the annual general meeting of the company to express our concerns
- Collaborating with other institutional investors on specific of issues of concern
- Selling the shares

Engagement with Fund Managers

The engagement with external fund managers (including managers of passive fund solutions) is executed by the Multi-Management Team (who selects external managers) in cooperation with the Sustainability and Impact Team.

The focus of this engagement approach is on the fund managers' responsible investment policy, implementation and disclosure. The aim of the engagement is to encourage best practices. Kempen screens the holdings in the external portfolio and discusses possible controversial investments with the fund manager. We encourage the external fund manager (as a direct shareholder) to enter into dialogue with these companies.

Engagement with other stakeholders

Kempen would like to inspire all their stakeholders to apply best practices on responsible investment. We try to encourage our clients and peers to implement a responsible investment policy and to integrate ESG into the investment process. We also have thematic discussions with NGOs and network organisations, such as the PRI, IIGCC, ICGN and others. Furthermore, we approach credit rating agencies and promote the embedment of ESG criteria in their rating process of companies and countries. If and when appropriate, we also communicate with the stakeholders of the companies we invest in.

Collaborative engagement

To increase focus and efficiency in the engagement process, Kempen joins collaborative engagement initiatives. Kempen can join engagement through the PRI, Eumedion, the Dutch Corporate Governance Forum or other networks. Kempen can initiate an engagement, or can join existing engagement initiatives. In addition, we will collaborate with other asset managers and asset owners with similar engagement objectives. The collaborative engagement initiatives need to be aligned with Kempen's engagement approach. Moreover, we need to carefully assess the consequences and accompanying responsibilities of joining an initiative. Kempen formulated guidelines to assess on a case by case basis which collaboration fits best with our company values and the engagement targets. For example, climate change has been selected as a focus theme for engagement and, as a result, we joined the Climate Action 100+.

Clients are informed about the main engagement developments on a quarterly basis. On an annual basis, a more detailed stewardship and engagement report is published.

Active Ownership - Voting and reporting

Exercising voting rights is an important instrument of active ownership and engagement. It is central to a well-functioning governance system. Kempen votes at annual and extraordinary meetings at investee companies for all investment funds and discretionary mandates (if instructed by the client to vote) worldwide, unless voting is not feasible or not in the best interest of our clients. Owing a fiduciary duty to our clients, we ensure that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant investment fund or – where applicable – in accordance with the requirements pursuant to the respective discretionary client mandates. Kempen abstains from voting if the short position in the listed investee company in question is larger than the long position.

We strive to share the rationale for votes against management proposals with the company's board ahead of the meeting. As an escalation of engagement activities, we may choose to exercise our right to submit a request for convening an extraordinary general meeting or for tabling a shareholder resolution at a general meeting. If a resolution is filed or co-filed by Kempen, we ensure that Kempen (or a co-filing shareholder) is present at the meeting to explain this resolution.

We use the electronic voting platform of Institutional Shareholder Services, Inc. (ISS), who provides custom research based on our voting policy. Although we use the services of ISS we thoroughly review company meetings individually.

Securities lending programs can reduce the level of voting activity as the exercise of voting rights may be hampered when securities are on loan at the time of a shareholders meeting. Kempen does not engage in securities lending.

Our Voting Policy is available online. Our full voting records can be reviewed via the [Kempen Voting Dashboard](#) which is updated on an ongoing basis and provides an overview of how Kempen voted at each meeting on each agenda item.

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