

Principal Adverse Sustainability Impact Statement

Financial market participant:
Bouwinvest Real Estate Investors B.V.

30 June, 2022

Summary

Bouwinvest Real Estate Investors B.V. (hereafter: Bouwinvest) invests directly (Dutch investments) and indirectly (international investments) in real estate. Bouwinvest manages five Dutch Funds and three international mandates, namely:

- Bouwinvest Dutch Institutional Residential Fund N.V.
- Bouwinvest Dutch Institutional Retail Fund N.V.
- Bouwinvest Dutch Institutional Office Fund N.V.
- Bouwinvest Dutch Institutional Healthcare Fund N.V.
- Bouwinvest Dutch Institutional Hotel Fund N.V.
- North-America Mandate
- Europe Mandate
- Asia-Pacific Mandate

In addition to environmental, social and governance (ESG) risks (or sustainability risks), Bouwinvest considers principal adverse impacts of its investment decisions on sustainability factors. The present statement as required by Sustainable Finance Disclosure Regulation (SFDR) is the consolidated principal adverse sustainability impact statement of Bouwinvest Real Estate Investors B.V. for its activities in relation to the Dutch Funds and international mandates. In relation to our activities not all information is available on the principal adverse sustainability impacts. Therefore, with every principal adverse sustainability impact the applicability is mentioned in footnotes.

This principal adverse sustainability impact statement covers the reference period from 1 January 2020 to 31 December 2020. This statement will be updated every year as soon as the figures of the previous year are available.

Description of principal adverse sustainability impacts

Adverse sustainability indicators applicable to investments in real estate assets

		Metric	Impact 2020	Impact 2019	Explanation
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	n/a	n/a	Bouwinvest has very limited to no exposure to fossil fuels through real estate assets
Energy efficiency	18. Exposure to energy-inefficient real estate assets ¹	Share of investments in energy-inefficient real estate assets	23% (label C or lower)	28% (label C or lower)	54% energy label B or better 23% energy efficiency rating unknown

Other indicators for principal adverse impact

Indicators applicable to investments in real estate assets		Metric	Impact 2020	Impact 2019 ² (as reported in previous disclosure)	Explanation
GHG	18. GHG emissions ³	Scope 1 GHG emissions generated by real estate assets	7.073	5.944 (6.757)	As reported in GRESB 2021.
		Scope 2 GHG emissions generated by real estate assets	36.235	41.290 (37.984)	As reported in GRESB 2021.
		Total GHG emissions (scope 1 and 2) generated by real estate assets in tonnes CO ₂ -eq	43.308	47.234 (44.741)	As reported in GRESB 2021.
Energy consumption	19. Energy consumption intensity ⁴	Energy intensity in kWh of owned real estate assets per square metre	131	154	Includes weighted average intensity for direct investments with 100% data coverage and unweighted average intensity (reported in GRESB 2021) for indirect investments.

Section 3 of this statement describes the actions Bouwinvest took to address principal adverse sustainability impacts and addresses the changes in adverse impacts between 2019 and 2020.

¹ With regard to Dutch investments almost all have been provided with an energy label (specific assets i.e. parking garages have not been awarded an energy label - less than 1% of Bouwinvest's Dutch investments). Of these Dutch investments, 72% are energy efficient and 28% are inefficient. In relation to the international investments, the requested information is not available at this moment for investments in North America and the Asia-Pacific region. For Europe, 39% of the investments are awarded with an energy label (EPC) and rating (A to I). Of these, 14% are energy efficient and 25% are energy inefficient.

² Data reported over 2019 in our 2020 disclosure was enriched and reclassified after disclosure in March 2021. For comparability reasons we include the enriched data for 2019 and report the previously disclosed 2019 data between brackets.

³ This information contains all GHG emissions of Dutch investments (Dutch Institutional Hotel Fund has no scope 1 or 2 GHG emissions (only scope 3)) and partial emissions of international investments. In relation to the international investments, 56% of GHG emissions data is available.

⁴ In relation to the international investments 64% of energy consumption intensity data is available.

Description of policies to identify and prioritise principal adverse sustainability impacts

Bouwinvest is convinced that organisations, including Bouwinvest itself, can make a positive contribution to economic, environmental and social developments. Bouwinvest has, therefore, chosen to align its Responsible Investment Policy with the starting points and principles of the UN Global Compact, and has subscribed to international standards in relation to responsible business and investments, such as the OECD Guidelines for multinational enterprises (OECD), the UN Principles for Responsible Investment (UNPRI) and the UN Guiding Principles on Business and Human Rights (UNGPs). This means that any investments Bouwinvest makes must comprehensively consider human rights, labour conditions, the environment, climate change and measures to tackle corruption.

Governance

The CEO is ultimately responsible for sustainable investing. The investment teams are responsible for the integration of ESG into their individual investment capabilities. At Bouwinvest, the department of Sustainability & Innovation oversees, coordinates, and drives sustainability matters from a company-wide perspective and acts as the central point for our sustainable investment strategies and policies and delivers expertise and insights to the investment teams.

Identification & prioritization

The Responsible Investment Policy of Bouwinvest ([link](#)) outlines Bouwinvest's overarching ESG-framework and objectives. As part of our responsible investment policy, we periodically perform a materiality assessment through dialogue with our stakeholders to identify the most material aspects (including ESG). On top of this assessment, we have developed a methodology to identify and prioritize potential substantial adverse sustainability impacts. These prioritized adverse impacts are integrated in our ESG due diligence framework and investment decision-making processes. The 6-step ESG due diligence framework we implement is detailed in our ESG Due Diligence Statement ([link](#)).

Bouwinvest believes that some products and business practices are detrimental to society and in-compatible with our responsible investment strategies. Therefore, certain exclusion criteria are applied for industries, organisations and countries. See our Exclusion Policy on our website for more details: [link](#).

Data sources:

Bouwinvest monitors the performance and impact on selected principal adverse sustainability indicators. For the Dutch Funds this is conducted by gathering data from the properties, taking questionnaires from our tenants and reviewing outcomes from sustainability assessments or certifications. For our international mandates we rely on the data which is reported by the fund managers through GRESB (Global Real Estate Sustainability Benchmark). GRESB will report the data for 2021 in October of this year. In order to be able to report on the entire portfolio, the year 2020 has been used as reference period for this statement.

Description of actions to address principal adverse sustainability impacts

Bouwinvest uses several instruments to identify ESG risks and opportunities and minimise adverse sustainability impacts of investments, including screening assessments, mitigation measures, engagement, voting and ESG integration in the decision-making process. The actions taken during the reference period resulted in an improvement on all adverse impact indicators (energy efficiency, GHG emissions and energy consumption).

Screening assessments

For new investments Bouwinvest assesses to what extent they comply with the Responsible Investment Policy and the sustainability strategic objectives of the Dutch Funds and the international mandates. This is measured through the due diligence procedure for acquisitions in which ESG risk and adverse impacts are integrated. Our approach enabled us to select investments with better ESG scores, which resulted in lower adverse sustainability impacts on the indicators energy efficiency and energy consumption compared to 2019.

Mitigation measures

In 2020, Bouwinvest signed the Paris Proof commitment of the Dutch Green Building Council (DGBC). Bouwinvest has set itself the goal of a climate-neutral portfolio by 2045, which will contribute to compliance with the Paris climate agreement (COP21). In 2020, we recorded a reduction in adverse impact on the following indicators: energy consumption and total GHG emissions. Bouwinvest managed to reduce the impact of its Dutch standing portfolio last year, in particular through the generation of increased on-site sustainable energy, such as solar panel installations and thermal energy storage systems. We also started creating road maps for each fund with the measures we need to take in the coming years to 'Paris Proof' our portfolio. In 2021, we finalised the roadmaps and integrated the measures into the maintenance budgets.

Engagement

For all investments we use ESG assessment tools, such as GRESB, to help us make informed business decisions to mitigate ESG risks, minimise adverse impacts and enhance our long-term returns. We highly encourage fund managers to participate in the annual GRESB assessment. In 2020 we also had conversations on the GRESB results and potential improvements with several fund managers.

The absolute GHG emission decreased during the reference period. This was mainly caused by changes in data coverage and changes within the composition of the international investment portfolio due to capital calls and redemptions.

Voting

Where voting in specific structures is possible, Bouwinvest votes in line with its Stewardship and Engagement Policy, the Responsible Investment Policy, and the mandate-specific strategic plan.

ESG integration

We integrate ESG criteria into the investment decision-making processes (acquisition, management, and disposition). ESG performance is also embedded in our risk-return scoring model which is part of our annual hold-sell investment evaluation. The better the ESG score, the lower the ESG risk and subsequent principal adverse impacts. We have a strong focus on sustainability ratings for fund and buildings, environmental impact, affordability and health, construction site safety & working conditions.

Engagement policies

We believe that being an active investor will help our real estate investments make a positive impact, and that our investments' long-term financial returns reflect their strategic, environmental, social and governance performance. We exercise active ownership through stewardship and engagement with developers and suppliers (Dutch investments), fund managers (unlisted investments), investment managers (listed investments) and regulators and standard setters. And where relevant, we cooperate with other real estate investors or institutional investors. We use the OECD guidelines and UNGPs as guiding framework for our focus on mitigating and preventing (further) adverse impacts on people and the environment of, or through, our investments.

We define stewardship as individual or collaborative activities to protect and enhance the value of our investments and to attain our investment objectives. Engagements always have a change objective, be it improving ESG risk management, influencing positive ESG outcomes, and/or mitigating against adverse impacts.

The way in which we invest impacts the level of influence we have on principal adverse impacts. For the Dutch Funds, Bouwinvest can exert direct influence to stop, prevent or limit adverse impacts, enhance positive ESG outcomes, and manage financially material ESG risks. Engagement therefore typically precedes the actual purchase of a property. Bouwinvest's international investments are primarily in unlisted entities that hold solely hold real estate, and which are managed by a fund manager. All these investment vehicles are similar in that Bouwinvest has less influence through engagement (to different degrees) than for direct real estate. With international investments, Bouwinvest strives to play a role in investee boards and investment (advisory) committees of these entities in order to be able to exert influence. Bouwinvest's engagement activities for unlisted investments will focus on engagement with fund managers through which Bouwinvest invests.

For listed real estate investments, we engage with the companies in our portfolio through our investment managers on specific ESG themes. We monitor and challenge our investment managers to ensure that our ESG policies and the investment managers' policies are aligned and implemented. If ESG intentions between investment managers and Bouwinvest diverge, we will initiate a proactive dialogue.

More information can be found in our Stewardship & Engagement Statement on our website ([link](#)).

Adherence to international standards

- Bouwinvest's responsible investment approach is based on a broad range of international treaties, conventions and best practice guidelines, including the UN Global Compact, UN Guiding Principles on Business & Human Rights and the OECD Guidelines. Bouwinvest considers companies who structurally violate the Global Compact as ineligible for tenancy status.
- Bouwinvest became a signatory of the UN Principles for Responsible Investment (UN PRI) in 2018 and, as a signatory, we abide by all of the requirements and expectations. Bouwinvest retained the highest rating of A+ for our Strategy & Governance approach to Responsible Investment in the latest 2020 assessment. In the Direct Property Segment of Bouwinvest's submission, we have achieved an A+ rating on an annual basis.
- We are in the process of adopting the guidelines set out by the Taskforce on Climate-related Financial Disclosure (TCFD) in developing climate disclosures in line with the recommendations. We have set a target for our portfolios to achieve net-zero carbon by 2045 to meet the aims of the Paris Agreement.
- We participate annually in GRESB, the global ESG benchmark for real estate funds and listed companies. The benchmark awards 1 to 5 stars for performance relative to all participant scores. In 2020, 81% of Bouwinvest's investments were awarded a 4- or 5-star GRESB rating, ranking us in the top 40% worldwide.
- Bouwinvest is either a member, participant, or signatory to a number of reputable industry organisations in which we share know-how and collaborate on various industry initiatives. These include: IVBN, ANREV, INREV, AFIRE, VBA, ULI, DGBC and NEPROM.

Additional information

More information on Bouwinvest's investment framework can be found on www.bouwinvest.com.

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