



ESG Policy

November 2025

Bouwinvest Real Estate Investors

Document history

Version	Date	Responsible	Changes
1.0	June 2025	Corporate ESG	First version
1.1	October 2025	Corporate ESG	Chapter 3.2: changed share of sustainable investments in Article 9 Funds from 100% to 90%
1.2	November 2025	Corporate ESG	<ul style="list-style-type: none">- Added Chapter 3 Engagement- Removed SDG 8 from Chapter 5- Changed 'Management Board' to 'Executive Board' where applicable

Table of contents

1	ESG at Bouwinvest	4
1.1	Introduction	4
1.2	ESG context	4
1.3	ESG Vision and Strategy	4
2	ESG Investment Activities	6
2.1	Responsibilities	6
2.2	ESG Function	6
2.3	Target Setting	6
2.4	Execution ('G')	6
2.4.1	ESG Framework	6
2.4.2	Investment Process	7
2.4.3	Operating Principles	7
2.5	Environmental contribution ('E')	9
2.5.1	ESG Investment Belief	9
2.5.2	Climate change mitigation	9
2.5.3	Climate change adaptation	10
2.6	Social contribution ('S')	10
2.7	Risk Management	10
3	Engagement	12
4	Regulatory Framework	14
4.1	Responsibilities	14
4.2	Sustainable Finance Disclosure Regulation	14
4.3	Product naming	15
4.4	Sustainable Investment	15
4.5	Impact Investing	16
4.6	Minimum safeguards	16
5	Management organization	18
5.1	Materiality	18
5.2	United Nations frameworks	18
5.3	Operating principle	19
6	Reporting	20
6.1	Responsibilities	20
6.2	Reporting Assurance	20
6.2.1	Standards	20
6.2.2	ISAE	20
6.3	Reporting deliverables	20
7	Appendices	21
7.1	Appendix I: Exclusion Policy	21
7.2	Appendix II: Due Diligence	21

1. ESG at Bouwinvest

1.1 Introduction

Investment manager Bouwinvest Real Estate Investors B.V. (hereafter: Bouwinvest), founded by and owned by the bpfbOUW pension fund, has been managing the capital of Dutch and international institutional investors in real estate since 1952. On their behalf, Bouwinvest invests in residential properties, healthcare real estate, retail, offices, and hotels, with the primary responsibility of achieving financial returns. Bouwinvest invests directly in real estate assets in the Netherlands through its funds and indirectly in real estate assets in international markets through its mandates.

The purpose of this policy is to clarify how Bouwinvest views ESG in relation to its core business of being a real estate investor (through direct- and indirect products). This clarification has the explicit goal of ensuring more effective execution of Bouwinvest's operations. This policy as such applies both to the management organization and the Bouwinvest entities and operations. This policy *follows* from the Corporate Strategy, should be viewed in context of other core policies that exist as part of the three lines of defense model, and is supplemented by three other public policies, namely: Exclusion Policy, Due Diligence Statement, and Stewardship & Engagement Policy, which can also be found in the Appendices of this policy. This policy is owned and maintained by the Corporate ESG team and reviewed at least once every 12 months. This policy has been approved first by the Management Board in June 2025 and approved last by the Executive Board in November 2025.

1.2 ESG context

Bouwinvest views everything it does, and therefore also ESG, from two perspectives.

The primary perspective is from its core business: delivering returns from real estate investment activities. For ESG specifically it is important to note that over 98% of assets under management is Dutch pension fund capital. A core challenge for Bouwinvest, therefore, is that any ESG activity Bouwinvest undertakes that does not improve the risk-return profile within our investment horizon are in essence wealth transfers from a pension participant to the beneficiary of those ESG activities.

The secondary perspective recognizes that to conduct its core business Bouwinvest exists as an entity, i.e. the management organization, and that this management organization in and by itself, has impact on the environment (and that includes society), and that the environment (again including society) has impact on Bouwinvest's management organization. Specifically, Bouwinvest recognizes the topics of climate change, resource use, our own workforce, tenants, and handling of data as material. In addition, this secondary perspective includes the marketing and communications positioning the management organization takes ('real value for life').

Everything that follows in this policy is written from this primary and secondary perspective.

1.3 ESG Vision and Strategy

Bouwinvest takes the position that ESG is an opportunity to improve the risk-return profile for its investors.

Therefore, Bouwinvest's ESG Vision is defined as: Bouwinvest only executes on ESG activities when this improves the risk-return profile within the investment horizon.

In Bouwinvest's view, incorporating ESG into (dis)investment decisions, asset management, and manager engagement, adds value by anticipating future market corrections for ESG factors (including license-to-operate), and as such improves the risk-return profile within the investment horizon when the market corrects for those anticipated ESG factors.

Given the ESG Vision, Bouwinvest's position is that ESG should be part of its investment decision making, for both sides of the risk-return profile, as this is where Bouwinvest adds value for its investors. As such, Bouwinvest's ESG Strategy is to do exactly that: make ESG a topic that is not owned by a specific department or a team, but that is incorporated in the work of all its professionals.

2. ESG Investment Activities

2.1 Responsibilities

The Fund- and Mandate Managers are responsible for the performance of their fund or mandate (products), and this responsibility includes ESG target setting and ESG performance.

2.2 ESG Function

Bouwinvest has a Corporate ESG team which is part of the CEO's Strategy Office. The Corporate ESG Function reports to the Director Corporate Strategy, who is responsible for a) Corporate Strategy, b) Transformation, c) Innovation, and d) ESG, and reports directly to the CEO. The Corporate ESG team consists of the Manager ESG and two ESG Specialists. The Corporate ESG team is responsible for establishing the Bouwinvest ESG Vision, ESG Strategy, ESG Investment Beliefs, ESG Policies, ESG ways of working, and building ESG knowledge in-house.

Additionally, there are dedicated ESG Managers for both Direct and Indirect Investments, who organize ESG within their Business Unit. These ESG Managers have a direct reporting line in their respective Business Units and a functional reporting line into the Corporate Manager ESG. The ESG Managers in the Business Units are responsible for implementing the ESG Vision, ESG Strategy, ESG Investment Beliefs, ESG policies, and ESG ways of working into their direct- and indirect investment products, as well as setting Business Unit specific policies and monitoring Business Unit specific progress.

2.3 Target Setting

ESG targets are set by an annual process that involves three key steps:

1. Corporate ESG provides annual guidance on trends from an ESG perspective, both inside and outside of the real estate sector, refines existing policies and establishes new policies.
2. The Fund- and Mandate managers create fund and mandate plans. In those plans the ESG targets are set under coordination by the ESG Manager in the Business Unit.
3. The investor(s) ultimately decide on the fund and mandate plans (incl. ESG targets) given their fiduciary responsibility.

2.4 Execution ('G')

2.4.1 ESG Framework

Bouwinvest organizes its ESG activities within the context of the ESG Framework. The framework outlines priorities from the Environmental (E), Social (S), and Governance (G) perspective on the horizontal axis. The framework further organizes Bouwinvest's activities for its risk (avoid downside) and return (seek upside) profile on the vertical axis.

	E	S	G
Seek Upside (RETURN)	Reduce carbon & adapt to changing climate	Fund the retirement of pension participants	Do no significant harm & do not greenwash
Avoid Downside (RISK)	Anticipate physical climate change	Anticipate sources of controversy	Anticipate sources of controversy

The priorities that are included in the framework are chosen given our ESG Vision, i.e. the position Bouwinvest takes is that these topics add value within the investment horizon by improving the risk and/or return profile of our investments. The framework seeks to standardize the Bouwinvest ESG activities across products to allow for effective tactical- and operational execution in ESG activity implementation. Given the above, our ESG Framework should be seen as a *starting* point and is explicitly designed to facilitate investment product diversity across sector characteristics, SFDR classifications, and investor demands, within Bouwinvest. The responsibility to optimize between standardization and investor-customization lies with the fund- and mandate-manager who are ultimately responsible for overall performance. In cases where the fund- or mandate-managers decide to deviate from the ESG Framework approval should be obtained through the governance

2.4.2 Investment Process

(Dis)investment proposals, a key part of Bouwinvest's core business, are evaluated as follows from the ESG perspective:

The ESG Managers in the Business Units formally evaluate investment proposals against the established ESG criteria at the individual product level. The ESG Manager defines both what the ESG advice is and what, if any, qualitative ESG commentary is added to the Investment Proposal. The ESG Managers are explicitly not mandated to take non-ESG factors into account to conduct their evaluation. The investment proposal owner (the Fund/Mandate Manager) has no say over either the ESG advice or the qualitative ESG commentary. As such, the BU ESG Managers have the mandate to dissent. The Corporate ESG team has no say over either the ESG advice or any qualitative ESG commentary, nor does it have any other role in the investment process.

2.4.3 Operating Principles

In order to execute effectively, Bouwinvest has established the following ESG operating principles:

1. Do no significant harm. The challenges mankind faces are broad, complex, and correlated. As an investment manager it is not possible to contribute to all challenges, therefore Bouwinvest brings focus. But focusing on one challenge cannot exacerbate the problems in another. Building on the Do No Significant Harm (DNSH)

principle by the EU Taxonomy, Bouwinvest applies this principle to its activities in a broader sense, to all E, S, and G areas. As such, Bouwinvest asks its workforce to explicitly consider the (significant) impact of their activities in decision-making. This requires a level of 'expert judgement' and it is explicitly not a target, but a way of working.

2. Do not greenwash. Social acceptance is an inherent human desire. As such, presenting work conducted in a positive way is a natural tendency. At the organization level, this could lead to unintended exaggerations about sustainability work, also known as 'greenwashing'. As such, Bouwinvest asks its workforce to explicitly consider greenwashing exposure when drafting communications, both internally as externally. For the latter, communications should always be approved by the Corporate Marketing and Communications department to minimize the risk of over- (or understating) ESG related accomplishments.

3. Explicit is better than implicit. Bouwinvest's investors ultimately decide on the ESG targets through their approval of the fund- or mandate-plans. It is therefore possible that Bouwinvest engages in ESG activities that do not improve the risk-return profile within the investment horizon. To ensure such a decision is taken deliberately given fiduciary responsibilities, and to ensure these activities can be accounted for in later MSCI-benchmarks, Bouwinvest fund- and mandate-managers make the impact of this type of ESG activity on the risk-return profile explicit to the extent that is possible within the boundaries of reason and sense.

4. Be intentional. The ESG domain is broad and somewhat abstract. Therefore, in the process of seeking impact, it is natural to end up with a large number of ESG related priorities. Bouwinvest takes the position that by reducing the number of objectives and prioritizing activities by measurable (i.e. data driven) impact per euro (including manhours spent), intentionality increases and overall, more ESG impact is created.

5. Contribute to market standards. Bouwinvest's position is that as an institutional investor, using market standards is disproportionately beneficial. As such, the operating principle is to participate in market standards where possible and to actively share knowledge and contribute to the development, rationalization, and simplification of market standards. Furthermore, market standards developed and maintained by not-for-profit entities are preferred.

6. Share best practices. Given that Bouwinvest has both granular ESG experience from direct investment products, and broad ESG experience from indirect investment products, Bouwinvest enriches both its own ESG operations from internationally observed best practices, and its engagements with investment managers from internally developed best practices.

7. Follow decision-making governance structures. Given the ESG Vision, from which the ESG Strategy naturally follows, Bouwinvest's position is that ESG activities follow the regular governance. If the existing governance structure does not facilitate an ESG activity, the Governance should be changed, using the existing Governance structures to do so.

8. Simple is better than complex. The ESG Framework is meant to standardize the way of working to facilitate the effective implementation of ESG activities. On the other hand, Bouwinvest needs to facilitate investor preferences. It is the responsibility of the fund- or mandate manager to find and decide on the right balance between standardization and customization. Product level exceptions and deviations are to be facilitated within the product team and approved through the governance.

2.5 Environmental contribution ('E')

2.5.1 ESG Investment Belief

The contribution of carbon emissions to changing weather patterns is scientifically well understood. What is also well understood is that the real estate sector is a significant negative contributor to carbon emissions and is vulnerable to changing weather patterns as real estate typically can't be moved. Furthermore, carbon emissions have secondary effects in other areas, such as biodiversity loss. Given the above, the Bouwinvest position is that reducing actual carbon emissions (climate change mitigation) and – recognizing that changing weather patterns are already unavoidable on the investment horizon – adapting to changing weather patterns (climate change adaptation) will improve the risk-return profile of our investments within the investment horizon. As such, reducing actual carbon emissions and adapting to inevitable climate change is the focus for Bouwinvest.

To explicitly link the actual carbon reduction side of our focus area to the risk-return profile and thereby increasing execution power, given the Bouwinvest ESG Vision, the Bouwinvest ESG Investment Belief was developed by the Corporate ESG team and approved by the Board in November 2024. This Belief takes the position that a market correction for carbon will occur within the investment horizon and as such presents an opportunity to improve the risk return profile.

2.5.2 Climate change mitigation

Given our ESG Vision and ESG Investment belief, Bouwinvest takes the position the focus should be on reducing *actual* carbon emissions and not on reducing *theoretical* carbon emissions. To reduce actual carbon emissions Bouwinvest recognizes four strategies, of which prioritization across strategies is done based on actual carbon reduced per Invested Euro.

The first strategy is to also include embodied carbon in our carbon reduction scope. Even though Bouwinvest is not a developer, Bouwinvest invests in developments and recognizes the influence it has on carbon emissions related to development (material production, transport, installation). In line with our operating principle to participate in market standard and our ESG Investment Belief, Bouwinvest, has taken the position to commit to the Building Balance initiative, which proposes a long-term reduction pathway for reducing embodied carbon emissions in the Dutch real estate development sector. As such, the initiative applies only to our direct products. The strategy promotes the reduction of embodied carbon through a) smarter construction, b) circular material use, and c) biobased materials. The decision to participate in this initiative lies at the individual product level. The Residential, Hotel, Office, and Retail funds have committed to the initiative.

The other strategies Bouwinvest leverages aim to reduce operational carbon emissions, namely reducing energy intensity, decarbonizing the energy mix, and promoting sustainable tenant behavior.

As such, Bouwinvest engages in four carbon reduction strategies:

- Reduce embodied carbon;
- Improve energy intensity;
- Decarbonize the energy mix;
- Promote sustainable tenant behavior.

For our direct products the optimization across these four strategies differs based on sector and portfolio characteristics. For our indirect products, in line with the operating principle best-practice knowledge sharing (2.4.3.6), carbon reduction strategy activities that are carried out for our direct investments, are mirrored for our indirect investments through engagement. This means that Bouwinvest expects the international managers it engages with to uphold similar standards with regards to carbon reduction (both operational and embodied). Targets for our indirect products are therefore also centered around actual carbon reduction, through promoting managers to adhere to Science Based Targets similar to CRREM. And vice versa, Bouwinvest aims to implement potential new insights from international managers on carbon reduction strategies in its direct products as well.

2.5.3 Climate change adaptation

Recognizing that weather patterns are already changing and inevitably will continue to do so on the investment horizon, Bouwinvest strives to achieve climate adaptive buildings. Bouwinvest monitors climate risks and implements measures on assets that are located in areas that are exposed to climate risks. For our direct investments, Bouwinvest, in line with operating principle 2.4.3.5 uses market standards to do so, specifically with the Framework of Climate Adaptive Buildings (FCAB) from the Dutch Green Building Council (DGBC). For our indirect investments, high level climate risk analyses are conducted, and Bouwinvest engages with managers to promote climate adaptive buildings.

2.6 Social contribution ('S')

The vast majority of our assets under management (AUM) is on behalf of Dutch pension funds. Furthermore, Bouwinvest is 100% owned by bpfBOUW. As such, the returns of investments contribute to the robustness of the Dutch pension sector and thus the financial security for pension participants when they retire. This is a significantly different situation if Bouwinvest would be owned by shareholders who have a profit maximization incentive. Given this, Bouwinvest takes the position that the *primary* focus of all activities on the 'S' should be on its pension participants. In other words, social objectives are explicitly linked to the fund's financial outperformance targets, as measured by MSCI.

The secondary focus of all activities on the 'S' should be on tenants. Tenants are a key stakeholder to Bouwinvest and influencer of its ability to consistently outperform the benchmarks over the investment horizon. Where the interests of tenants do not align with returns, the 'do no significant harm' principle ensures that tenants receive proper treatment within the boundaries of reason and sense. We explicitly state that Bouwinvest aims to avoid misconduct and unethical practices towards its tenants. This applies to both our direct- and our indirect investments, through direct influence and engagement respectively.

If investors wish Bouwinvest to engage in tenant value creating activities that do not improve the risk-return profile, operating principle 2.4.3.3 applies.

2.7 Risk Management

Given the Bouwinvest ESG Vision and ESG Investment belief, Bouwinvest proactively manages exposure to ESG related risk and does so at three distinct granularity levels:

- Asset level (for direct investments), with the goal to identify, prioritize, and implement climate adaptation and mitigation measures;

- Product level (fund/mandate), with the goal to optimize the *product* level risk-return profile;
- Portfolio level, with the goal to strategically manage the overall ESG risk exposure.

At the portfolio and product level, Bouwinvest reports risks using four Key Risk Indicators (KRI):

- KRI #1: physical climate risk, primarily using public weather pattern data and scenario models
- KRI #2: transition risk, primarily using the Carbon Risk Real Estate Monitor (CRREM) method
- KRI #3: social risk, by monitoring social controversies
- KRI #4: governance risk, by monitoring governance-related controversies

ESG risk considerations are embedded both in the fund- and mandate plans as well as each individual investment proposal.

3. Engagement

One of the tools that Bouwinvest uses to achieve its objectives and avoid the risks, as mentioned in the ESG Framework, is through engagement. How we approach engagements will be different across the various types of direct and indirect real estate investments. In general, we engage with 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 organizations such as UN PRI, GRESB, DGB, INREV, ANREV, ULI, IVBN, GREEN and NEPROM to learn from, share best practices or conduct collaborative engagements.

One of our key stakeholders is our investor base. Our primary goal is to generate healthy long-term returns for our investors. We send out annual client satisfaction surveys to evaluate our performance. All our business relationships are tested against our customer due diligence process, to ensure ethical business operations. We require these stakeholders to comply with all legal requirements and expect them to support human rights and adequate labor conditions.

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 stakeholders such as developers, property managers, suppliers, tenants and (sub-) contractors. We engage with these stakeholders on ESG topics where necessary to achieve our ESG objectives and to mitigate ESG risks. A more detailed description of our approach to stakeholder engagement is captured in an internal Stakeholder Engagement Policy.

For our indirect real estate investments, the level of influence varies by strategy, from significant in joint ventures to low in listed buckets.

For non-listed investments we apply continuous engagement with the manager, from due diligence through to exit. This involves evaluating with reference to the approved investment proposal and revised targets. Continuous engagement ensures that ESG objectives, performance, and regulatory compliance are maintained, and that the client's investments align with their ESG objectives. Tools such as GRESB and bespoke rating models support evaluation and benchmarking. Where Bouwinvest plays a role in investee boards and investment (advisory) committees, and/or where voting in specific structures is possible, Bouwinvest will act and vote in line with the Responsible Investment Policy of its client and the mandate-specific strategic plan. 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.

For listed investments, we engage with 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 initiating discussions with management, seeking adequate explanation or changes, using voting rights, and ultimately reducing exposure or divestment. To ensure that our ESG policies and those of the investment managers and actual implementation are all aligned, we monitor and challenge our investment managers. Furthermore, we collaborate with the GREEN initiative, participate in the annual GRESB Outreach, and conduct meetings with companies during conferences, country visits and company roadshows.

Bouwinvest has not developed its own detailed voting policy for listed real estate investments, which are part of an exclusive mandate. We implement the voting policy of the mandate owner by selecting investment managers with a voting approach and practices that are aligned with its own voting policy ([link](#)). Bouwinvest reports voting practices to the client on a yearly basis ([link](#)). A more detailed description of our approach to engagement in indirect real estate is captured in an annually updated Engagement Plan.

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 Bouwinvest's employees and activities. Currently, Bouwinvest manages all indirect real estate for one client. If Bouwinvest were to invest on behalf of more clients in the future, potential conflicts of interest could arise. We are aware of this risk and keep this in mind. A Conflict of Interest policy ([link](#)) is available for internal use. These policies enable us to identify, monitor and manage conflicts of interest effectively to prevent them from adversely affecting our stakeholders.

4. Regulatory Framework

4.1 Responsibilities

The responsibility to monitor the introduction of, and amendments to, regulations, and to assess relevance and interpretation for Bouwinvest, rests with the Compliance department. The Corporate ESG team is responsible for incorporating the interpretations by Compliance into the relevant policies.

4.2 Sustainable Finance Disclosure Regulation

As an alternative investment fund manager (AIFM) and manager of individual investment portfolios of its clients, Bouwinvest is bound to comply with the Sustainable Finance Disclosure Regulation (SFDR). This regulation is part of the European Commission's Action Plan for Financing Sustainable Growth. The SFDR builds on the UN's Sustainable Development Goals (SDGs) and the Paris Agreement designed to substantially reduce the risks and effects of climate change. The aim of the SFDR is to improve the provision of information to investors and/or clients on the sustainability impacts of the investment policy and investment decisions of Bouwinvest. Such transparency is crucial to facilitate the flow of capital towards the sustainable investments that are necessary for the transition to a sustainable economy. SFDR disclosures support investors in making these investment decisions.

Bouwinvest includes environmental, social and governance (ESG) criteria in all its investment decisions. Bouwinvest recognizes the importance of responsible investments and is committed to implementing the principles in its investment process.

The sustainability transparency that the SFDR aims to provide addresses three aspects of sustainability: (i) sustainability risks, (ii) sustainability ambition and (iii) the principle adverse impacts (PAI) of investment decisions on 'sustainability factors'.

Transparency on *sustainability risks* is provided by Bouwinvest in three ways. Besides the information that is published in this investment policy on how sustainability risks are integrated, Bouwinvest indicates which sustainability risks are associated with each product in the pre-contractual product information.

The SFDR categorizes financial products into three main categories based on their *sustainability ambition*:

- Article 6: these financial products do not integrate any kind of sustainability into their investment process and do not promote environmental or social characteristics nor have a sustainable investment objective (i.e. a product without a sustainability ambition);
- Article 8: these financial products promote, among other characteristics, environmental or social characteristics or a combination of those characteristics, however, do not necessarily have sustainable investments as their primary objective; and
- Article 9: these financial products have a sustainable investment objective and aim to achieve positive environmental and/ or social impacts through their investment strategies. An article 9 product must invest at least 90% in sustainable investments.

Bouwinvest funds and mandates are classified under Article 8 or Article 9.

Bouwinvest reports yearly on *principle adverse impacts (PAI) on sustainability factors*. PAI's applicable to Bouwinvest and reported on include exposure to fossil fuels through real estate assets, exposure to energy-inefficient real estate assets, greenhouse gas emissions and energy consumption intensity.

4.3 Product naming

The European Securities and Markets Authority (ESMA) has published guidelines on funds' names using ESG-related terms. Bouwinvest takes these guidelines into account with all Funds and Mandates. Funds using transition-, social-, governance, environmental- and impact-related terms should 1:

- a) Meet an 80% threshold linked to the proportion of investments used to meet environmental or social characteristic or sustainable investment objectives;
- b) Exclude investments in companies that invest in weapons, tobacco, and others. 2

Additionally, funds using "impact"-related terms in their names should ensure that investments used to meet the 80% threshold are made with the objective to generate a positive and measurable social or environmental impact alongside a financial return.

4.4 Sustainable Investment

Per the SFDR, a sustainable investment is defined as an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

The SFDR provides flexibility in defining a sustainable investment. Given Operating Principle 2.4.3.5– 'participate in market standards' Bouwinvest takes the position to define a sustainable investment according to the existing EU Taxonomy definition, and report accordingly. At the individual product level, the definition of a sustainable investment within their product can be adjusted if needed to meet investor wishes, as long as principle 2.4.3.8 is followed. This, for example, could be applicable for products that have a specific social objective, because the EU Taxonomy does not have a definition for social objectives currently.

The Taxonomy Regulation creates a comprehensive framework for the concept of sustainability, exactly defining when a company is operating sustainably or environmentally friendly. This regulation provides six environmental objectives, currently only the first two are applicable to ownership and acquisition of real estate:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

1 For the full legal text, refer to *Guidelines on funds' names using ESG or sustainability-related terms* by the European Securities and Markets Authority.

2 Companies referred to in Article 12(1)(a) to (g) of CDR (EU) 2020/1818.

To be classified as a sustainable economic activity according to the Taxonomy Regulation, the financial product must not only contribute to at least one environmental objective but also must not violate the other (i.e. do no significant harm). Additionally, the economic activity must meet 'minimum safeguards' aligned with the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises (OECD MNE) and the UN Guiding Principles on Business and Human Rights (UNGP) to not have a negative social impact.

For Bouwinvest, the objectives *climate change mitigation* and *climate change adaptation* are applicable. Alignment for each asset is measured through technical screening criteria, which are based on energy efficiency of the building, and climate adaptivity.

4.5 Impact Investing

The term 'impact investing' has gained traction in recent years. There is no single, universally accepted definition, although several organizations offer their interpretation of the term. Looking at definitions given by entities such as the Global Impact Investing Network (GIIN), the International Finance Corporation (IFC) and the Impact Frontiers (IF), the consensus is that impact investing emphasizes intentionality, measurable environmental and/or social impact, and the dual goals of financial returns alongside environmental and/or social impact.

Further, use of the term 'impact investing' currently lacks a regulatory framework. To clarify terminology, the term 'impact investing' is not to be confused with carrying the word 'impact' in a financial product (for which the ESMA has provided specific guidelines (see 4.3)), nor is it to be confused with labeling the product with the SFDR Article 9 classification (for which the European Commission has provided guidelines (see 4.2)), nor is it to be confused with the term 'sustainable investments' for which there is also no regulatory framework (but for which Bouwinvest has set a definition, see 4.4).

The position Bouwinvest takes around the term 'impact investing' is that because it lacks a clear and measurable definition, it is prone to misuse, which sits opposite to our core operating principle to 'do not greenwash' (see 2.4.3.2). In addition, our operating principle is to support clear market standards (2.4.3.5). Therefore, the position Bouwinvest takes is that it would be beneficial to have a clearer, comparable, and measurable definition of the term 'impact investing' than currently exists in the market. For our own internal purposes, we therefore define 'impact investing' as those products that meet the SFDR article 9 criteria (see 4.2) *and* meet the criteria to carry the word 'impact' in the product name (see 4.3).

4.6 Minimum safeguards

Alignment with the minimum safeguards require procedures and actions implemented by Bouwinvest to ensure compliance with the OECD Guidelines and the UN Guiding Principles. These underlying tools provide guidance and context to the interpretation of the minimum safeguards. In general, the topics covered by the minimum safeguards are:

- Human rights, including workers' rights, consumers' rights and rights of communities
- Bribery and corruption
- Taxation
- Fair competition

A two-staged approach is recommended to assess compliance, consisting of a 'Process Test' – a positive assessment that is focused on prevention by implementing and regularly assessing due diligence processes, and an 'Outcome Test' – a negative assessment that focuses on impacts or events (not) to have occurred.

Process Test

- Bouwinvest has implemented a due diligence process that follows the UN Guiding Principles and the OECD Guidelines, which can be found in Appendix [II].
- Bouwinvest has an Exclusion Policy, based on the UN Global Compact, which can be found in Appendix [I].
- Bouwinvest expects its business partners and service providers to follow the same guidelines. This means that it expects all parties to adhere to internationally accepted minimum standards on human rights, labor practices, the environment, governance and anti-corruption.
- Bouwinvest has a Compliance Department that is responsible for policies and processes that ensure fair and responsible business conduct. Policies include a Code of Conduct for employees, as well as a Conflict-of-Interest Policy, Whistleblower Policy, Policy on Private Investments and Secondary Functions.
- Bouwinvest has a Tax Department that operates on a Tax Policy.

Outcome Test

- Besides having processes in place to avoid misconduct, Bouwinvest monitors violations. Violations include convictions of bribery, corruption or tax evasion, and breaches of anti-competition laws.

5. Management organization

In pursuit of the core business – delivering financial returns from real estate investments – Bouwinvest has a set of secondary effects that flow from being such an entity. These secondary effects should be taken into consideration by the management organization.

5.1 Materiality

To identify how Bouwinvest impacts its environment (including society) and vice versa, a materiality analysis was completed in 2024, to determine material topics for reporting purposes of the management organization. From this analysis, the following material topics were identified:

- The developments around global climate change ('Climate change')
- The developments around global resource shortages ('Resource use')
- How Bouwinvest runs and controls its own organization ('Governance')
- Interaction with employees ('Own workforce')
- Interaction with tenants ('Tenant interest')
- How data entrusted to Bouwinvest is handled ('Data security and privacy')

Moving forward an extensive materiality analysis is done once every three years by the Corporate ESG team, the results of which are approved by the Executive Board.

5.2 United Nations frameworks

Bouwinvest recognizes that many of the challenges mankind faces cannot be solved at the nation-state level. Non-profit entities that organize cooperation between nation-states, such as the United Nations, play a key role in solving shared challenges. Bouwinvest specifically wants to position itself relative to two key UN frameworks.

First, in 2015 the United Nations (UN) set the 'Agenda for Sustainable Development'. As part of this, a set of 17 global sustainable development goals (SDGs) were established, aiming to provide a shared blueprint for peace and prosperity for people and the planet. It is Bouwinvest's position that of these 17 SDGs, Bouwinvest as a whole contributes to the following three SDGs:

-SDG 7: Affordable and clean energy

- oTarget 7.2: increase the share of renewable energy in the energy mix (paragraph 2.5.1).
- oTarget 7.3: Double the global rate of improvement in energy efficiency

-SDG 11: Sustainable cities and communities

- oTarget 11.1: ensure access to adequate, safe and affordable housing and basic services (paragraph 1.2)

-SDG 13: Climate action

- oTarget 13.1: strengthen resilience and adaptive capacity to climate-related hazards and natural disasters (paragraph 2.5.2)
- oTarget 13.2: integrate climate change measures in policies, strategies and planning (paragraph 2.5.1)

At the individual product level, fund- and mandate managers can incorporate a different set of SDGs, as long as a documented case for this is included in the Investor Memorandum (IM).

Second, in 2015, the international treaty to address climate change and its impacts through collective global action was signed. This 'Paris Agreement' aims to reduce carbon emissions by 2050. Bouwinvest has committed to be 'Paris proof' by 2045.

5.3 Operating principle

Given the core belief that ESG is an opportunity to add value for Bouwinvest's investors, Bouwinvest's analysis on the secondary-order effects of engaging in real estate investing, and Bouwinvest's corporate marketing communication positioning around 'real value for life', Bouwinvest defines one overarching operating principle to guide all related underlying policies (such as the diversity policy and the travel policy): Bouwinvest takes the position that its own management organization must act in accordance with the principles, values, and beliefs that it applies in its investment practices, i.e., practice what you preach.

6. Reporting

6.1 Responsibilities

The responsibility to coordinate our formal financial reporting rests with the Control department. The responsibility to coordinate all formal non-financial reporting rests with Corporate ESG. At the product level, end responsibility for the formal reports lies with the fund/mandate manager. At the organization level, end responsibility for the formal reports lies with the Managing Board. This policy applies specifically to formal non-financial reporting.

6.2 Reporting Assurance

6.2.1 Standards

Given operating principle 2.4.3.5 – participate in market standards – Bouwinvest reports according to a market standard, specifically the Global Reporting Initiative (GRI). Bouwinvest applies the GRI framework, specifically the framework 'reporting with reference to', for non-financial reporting of the management company.

6.2.2 ISAE

Given operating principle 2.4.3.5 – participate in market standards – Bouwinvest provides information that can be externally assessed for reliability, by adhering to the International Standard on Assurance Engagements (ISAE) set by the International Auditing and Assurance Standards Board (IAASB).

6.3 Reporting deliverables

Bouwinvest provides the following formal reports:

- Quarterly and Annual report on the management company
- Quarterly and Annual report on direct products (the funds)
- SFDR periodic, pre-contractual, website, and PAI disclosures

Along those, Bouwinvest reports ESG performance using various market standards:

- Global Real Estate Sustainability Benchmark (GRESB), a framework for investors and managers to evaluate and improve the sustainability practices of their portfolio
- United Nations Principles for Responsible Investment Score (UN PRI), a rating that reflects how well an organization adheres to the principles of responsible investment as outlined by the UN PRI.
- INREV ESG Standard Delivery Data Sheet (SDDS), a common reporting format for investment managers and investors to exchange information. This creates uniformity, transparency and operational efficiencies between both parties.

7. Appendices

7.1 Appendix I: Exclusion Policy

7.2 Appendix II: Due Diligence

Disclaimer: This document and its contents, including all data contained herein, are provided exclusively for general information purposes and may contain forward-looking statements, including statements regarding intentions, beliefs, or current expectations about market conditions or other matters. Readers are cautioned not to place undue reliance on such forward-looking statements. No rights whatsoever can be derived from the content. Bouwinvest is not liable for any damages which may arise as a result of the use of this content or due to any inaccuracies or omissions. The content is by no means to be interpreted as complete or exhaustive. This document does not constitute a sale, an offer to sell, or a solicitation of an offer to buy any interests in a fund. Bouwinvest has received a license from the Dutch Authority for the Financial Markets (AFM) within the meaning of Article 2:65 FSA and is under the supervision of the AFM. All copyright, patents, intellectual and other property rights related to this content are held by Bouwinvest and remain its exclusive property. These rights are not transferred to persons accessing this document. No part of the content may be reproduced, distributed, stored in a retrieval system and/or published by print, photocopy, microfilm, uploaded to other websites or databases, or by any other means, without the prior written consent of Bouwinvest.