

# Healthpeak



We challenged Healthpeak, one of the leaders in ESG, to further improve their practices by committing to becoming a Net Zero company as well as increasing the importance of ESG in their incentive plans!

Andreas Welter, Senior Portfolio Manager

## Engagement rationale

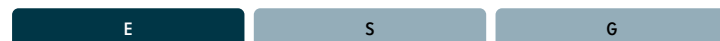
Healthpeak is one of the largest landlords of life science and medical office buildings in the US owning a portfolio of >20bn USD and has a market capitalisation of >11bn USD.

## Background

We reached out to Healthpeak in the context of it being amongst the top 50% of GHG emitters in our portfolio holdings. It is to note that Healthpeak screens amongst the top ranked environmental companies in our universe according to our proprietary environmental pathway framework and the appearance in the top 50% list is predominantly due to it being a large portfolio holding. We however, engaged on specific items like path to net zero and ESG targets in board remuneration.

## Theme for engagement

Environmental



## Engagement objectives

- Healthpeak committing to becoming a Net Zero company
- Increase importance of ESG goals in management/board incentive plans

## Development

Neutral

## Milestone



## Engagement results

- *Become a Net Zero company*

Healthpeak states they are contemplating becoming a net zero company in their most recent 2022 ESG report. We inquired about difficulties and an estimated timeline for a commitment.

- The company responded that they acknowledge the importance of net zero and are in a phase of evaluating their commitments.
- They have further engaged with an ESG consultant to improve their ESG strategy including becoming a net zero company. They however could not confirm a timeline to show an update.
- They stated some of the challenges include limited rooftop space for solar; cost of electrification; and availability and cost of renewable energy.

We stressed that peers in the US Healthcare cluster have committed to net zero while facing similar operational difficulties.

- *ESG goals in incentive plans*

ESG has a weight of 15% (lowest of all items) in the annual cash incentive and it is not included in the long-term incentive plan. We enquired on the rather low weight and that some of the goals were easy to achieve (e.g., publishing an ESG report). We recommended including ESG targets in their long-term incentive structure.

- Healthpeak acknowledged that the weight of the ESG metric is the lowest in their framework. They, however, believe it is the appropriate weight. The weight though gets reviewed annually and they will take out feedback on board.
- On their current 'to-easy-to-achieve ESG goals', Healthpeak acknowledged the issue and confirmed that some of the factors have been updated already.
- On adding ESG goals to their long-term incentive structure, Healthpeak commented that they review their metrics annually and will take out feedback into account.

## Next steps

Follow-up with the company later in 2023 and discuss progress.



## Company

Healthpeak

## Country

USA

## Sector

Listed Real Estate

## Market cap

Mid Cap

## Materiality

Improving ESG efforts can lead a lower risk profile and multiple benefits for all stakeholders.

## ESG Research

MSCI ESG Rating: AA  
Sustainalytics: 9.8 (negligible risk)

## Engagement initiated

Q3 2023

## Latest update

Q3 2023

## Kempen Fund

Kempen (Lux) Global Property Fund

