

# Highlights & Holdings

## Case Studies in ESG

Highlights & Holdings provides a thoughtful analysis for some of the holdings in Sage's Environmental, Social, and Governance (ESG) portfolios. We provide a Sage ESG Leaf Score for each holding and an analysis from an E, S, and G perspective. Our goal for our ESG portfolios is to choose well-run companies (governance) that care about their employees and customers (social), and have policies in place to create a net positive effect on their environment. Sage's ESG holdings are all best-in-class companies that are leaders within their sectors.



5/5

Sage ESG Leaf Score



Neutral Outlook



NYSE: PEAK

Market Cap: \$15.2 B

Bond Rating: Baa1/BBB+

## Healthpeak Properties, Inc.

Healthpeak Properties, Inc. is a Fortune 500 real estate investment trust (REIT) that owns a geographically diverse portfolio of over 700 properties spread across the health care industry, including senior housing, life science, and medical offices. REITs make it possible for investors to earn dividends from real estate investments without having to buy, manage, or finance any properties themselves.



### Environmental

Energy and water management are financially material for the REIT industry as these efforts can help mitigate environmental impacts, enhance property resiliency, deliver return on investment, and reduce operating costs. Since 2011, Healthpeak has decreased its emissions by 27% — the equivalent of removing 18,675 cars from the road. Healthpeak's portfolio includes 223 Energy Star certifications and 2.6 million square feet of LEED certified properties. This means that about a third of properties are Energy Star certified, and a smaller percentage of properties are LEED certified. We believe Healthpeak could improve its environmental footprint by adopting a comprehensive strategy to integrate resource efficiency into the design and construction of its buildings.

As a REIT, Healthpeak is a long-term owner and manager of physical real estate assets across the U.S. with concentrations in Florida, the Northeast, central Texas and Southern California areas that are exposed to a variety of climate event risks. With the possibility that climate change will engender severe weather in the future, it is especially important that Healthpeak consider how natural disasters can affect its properties. According to the company's sustainability report, Healthpeak regularly reviews these risks and the potential financial impacts they may have on business operations. Moreover, climate related disaster preparedness plans are a core consideration in their ongoing property development projects.

Healthpeak has received multiple sustainability awards and recognitions throughout the years, including the CDP Leadership Band, TheGRESB Green Star Rating, The Dow Jones Sustainability Index, the FTSE4Good Index, and Energy Star Partner of the Year. We hope to see Healthpeak continue to prioritize these environmental certifications that will financially serve the company in the long-term.



### Social

Healthpeak's ownership and operation of senior housing real estate exposes the company to direct risks associated with the COVID-19 pandemic. According to the CDC, eight out of every ten deaths in the U.S. have been in adults over 65. Increased shelter-in-place protocols have heightened senior housing move-outs and delayed or prevented expected move-ins. Healthpeak tenants have faced higher costs as more sanitation and staff are needed. These situations have caused some tenants to be unable to pay their rent; however, Healthpeak properties were still at about 80% occupancy for senior housing

at the end of April. While senior housing is currently facing challenges, the hospitals and medical offices owned by Healthpeak are still considered essential services and therefore help to aid the company financially when senior housing tenants cannot make payments.

Healthpeak's sustainability report and website feature a strong mission statement highlighting the importance of diversity in the company, and those values are reflected in Healthpeak's employee statistics. In 2018, Healthpeak's workforce consisted of 47% female employees, 53% male employees, and 40% ethnically and racially diverse employees. We would like to see Healthpeak continue improving these numbers not only in its workforce, but also in its executive teams and board of directors (females make up 1/8 of the executive team, 4/8 of the board, and 4/17 of the "senior team," according to Healthpeak's website).

Healthpeak offers employees a robust benefits package, including health insurance, a parental paid leave program, 401(k) plan matching, paid vacation and sick leave, student loan repayment, a fitness stipend, and even an employee gift matching of up to \$2,500 to charitable organizations per year. Healthpeak contracts a third-party service to conduct an annual employee satisfaction survey, which helps detect areas for growth and improvement. Satisfaction has improved over the past two years.



### Governance

Healthpeak's strong corporate governance performance aids in reducing its overall risk. The company excels in its sustainability transparency, and Healthpeak's 2018 sustainability report was prepared in accordance with Global Reporting Initiative (GRI) standards and audited by an independent third-party, which we find best practice. Healthpeak shows governance strength in factoring sustainability performance into financial compensation for committee members responsible for sustainability initiatives. Healthpeak's Sustainability Committee is led by the company's executive vice president, chief operation officer, and chief development officer.

Every member of Healthpeak's board, except for the CEO, is independent. This aids in helping directors be objective and evaluate the company's performance without conflicts of interest. REITs generally receive high marks for their ethics and compliance programs, and Healthpeak follows that trend. Sometimes the best testimony for a company's strong governance policies is a lack of incidents, and Healthpeak has experienced no

significant major controversies, has had zero fines and non-monetary sanctions, and zero incidents of non-compliance with its code of conduct. All employees complete code of conduct and harassment prevention training.

verification mitigates severe economic effects caused by the pandemic. Healthpeak earns a Sage Leaf Score of 5/5 with a neutral outlook due to it being in a low-risk industry and its strong management of ESG policies.

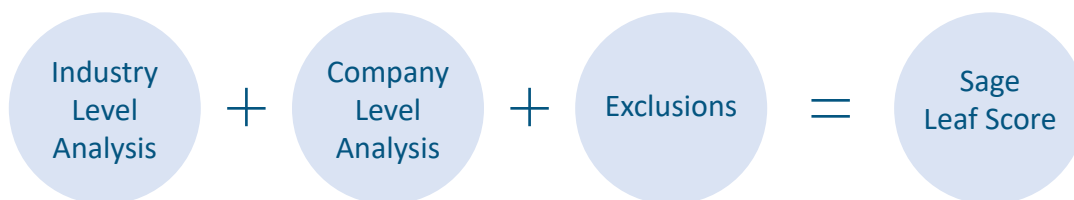


## Risk

From an ESG perspective, REITs generally operate in a low-risk industry, allowing Healthpeak and some of its peers to shine as ESG leaders. Healthpeak performs well in its environmental, social, and governance management policies, and we believe this will financially benefit the company over the long-term. Social distancing measures have cut revenues for many businesses, affecting their ability to pay rent, especially those in the senior housing market; however, Healthpeak's portfolio di-

## Sage ESG Leaf Score Methodology

No two companies are alike. This is exceptionally apparent from an ESG perspective, where the challenge lies not only in assessing the differences between companies, but also in the differences across industries. Although a company may be a leader among its peer group, the industry in which it operates may expose it to risks that cannot be mitigated through company management. By combining an ESG macro industry risk analysis with a company-level sustainability evaluation, the Sage Leaf Score bridges this gap, enabling investors to quickly assess companies across industries. Our Sage Leaf Score, which is based on a 1 to 5 scale (with 5 leaves representing ESG leaders), makes it easy for investors to compare a company in, for example, the energy industry to a company in the technology industry, and to understand that all 5-leaf companies are leaders based on their individual company management and the level of industry risk that they face.



[For more information on Sage's Leaf Score, click here.](#)

### Disclosures

Sage Advisory Services, Ltd. Co. is a registered investment adviser that provides investment management services for a variety of institutions and high net worth individuals. The information included in this report constitute Sage's opinions as of the date of this report and are subject to change without notice due to various factors, such as market conditions. This report is for informational purposes only and is not intended as investment advice or an offer or solicitation with respect to the purchase or sale of any security, strategy or investment product. Investors should make their own decisions on investment strategies based on their specific investment objectives and financial circumstances. All investments contain risk and may lose value. Past performance is not a guarantee of future results. Sustainable investing limits the types and number of investment opportunities available, this may result in the Fund investing in securities or industry sectors that underperform the market as a whole or underperform other strategies screened for sustainable investing standards. No part of this Material may be produced in any form, or referred to in any other publication, without our express written permission. For additional information on Sage and its investment management services, please view our web site at [www.sageadvisory.com](http://www.sageadvisory.com), or refer to our Form ADV, which is available upon request by calling 512.327.5530.