Vesteda

Green Finance Framework

October 2021

Index

1. Introduction

1.1 Corporate Sustainability and Social Responsibility (CSSR) at Vesteda

Vesteda's CSSR goals are linked directly with the business targets of the organisation and are fully aligned with its mission. The CSSR plan is an integral part of the fund's business plan and is therefore firmly embedded in day-to-day business operations. Vesteda sees CSSR as vitally important for the long-term value development of its portfolio, the organisation as a whole and the society in which it operates.

Buildings are responsible for 36% of the energy usage and 25% of the total CO_2 emissions of the Netherlands[1]. Hence improving the energy efficiency of buildings will contribute significantly to the greenhouse gas emissions reduction targets of the country as set out in the Dutch Energy Agreement for Sustainable Growth. Vesteda is convinced that all its efforts on the CSSR front contribute, both directly and indirectly, to strengthen, improve and enhance the (social) responsibility of the fund and support the energy efficiency ambitions of the Netherlands.

Vesteda has laid down its CSSR goals in the "CSSR plan 2019 – 2023". This plan is drawn up in line with the three pillars of the ESG model: Environmental, Social, Governance:

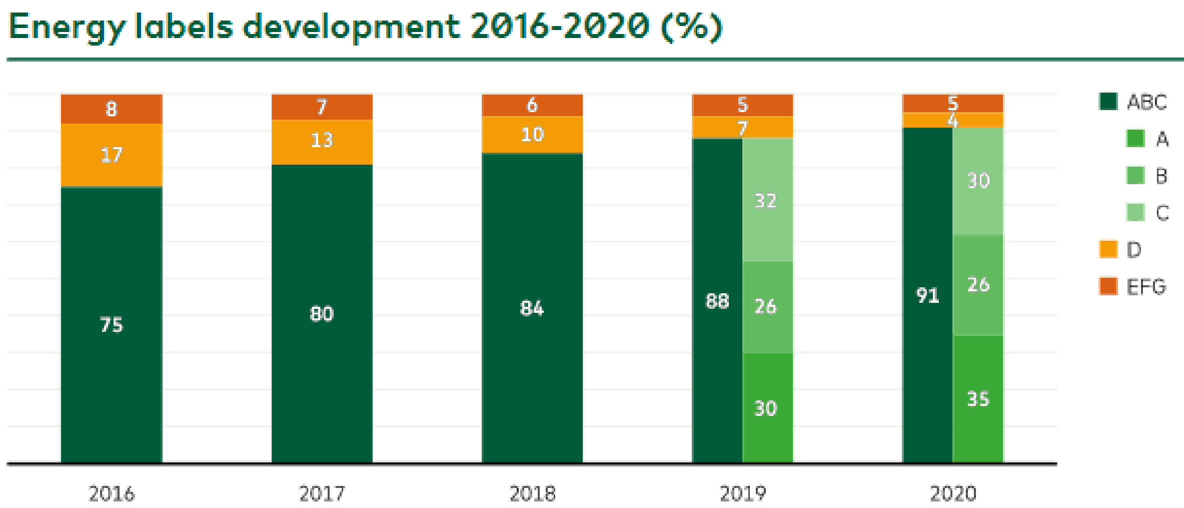

Figure 1 *– EPC Label composition Vesteda portfolio (31-12-2020)*

[1] Monitor Energiebesparing Gebouwde Omgeving 2017, Rijksdienst voor Ondernemend Nederland (RVO).

Environment – Improve our sustainable performance

This goal is an expression of Vesteda's desire to constantly improve its performance on the sustainability front. To further safeguard the attractiveness of the fund and optimise its long-term risk return ratio, Vesteda's strategy is to:

- Improve the energy performance of Vesteda's buildings. Our ambition for the future is to have green energy labels (A, B or C) for 99% of our portfolio by 2024. The technical state of city centre buildings and historical buildings, as well as local government regulations, make it nearly impossible to achieve 100% green labels by 2024.
- Ensure that the construction of new complexes and the maintenance of existing buildings is sustainable and environment friendly. Vesteda also impose these requirements on its business partners and suppliers.
- Reduce the use of resources and minimise the negative impact of the resources that are used. Vesteda measures and manages its consumption of energy and resources and, whenever possible, that of its tenants.

Social – Engaged employees and socially engaged organisation

This goal is an expression of Vesteda's efforts to increase awareness, participation and responsibility in the fields of sustainability and corporate responsibility. The organisation aims to encourage and increase the awareness, engagement and responsibility of its employees in the achievement of its CSSR goals as an integral part of Vesteda's business goals. In addition, the organisation aims to contribute to society in general and to the neighbourhoods where its complexes are located in particular. Vesteda's strategy is to:

- Stimulate and facilitate communities by increasing the social sustainability of complexes and increase sustainable awareness of the organisation's stakeholders.
- Increase well-being by increasing the healthiness of homes and increasing the health and well-being of employees. In its Health & Well-Being Policy, Vesteda outlines its goals and methods to increase the health of both tenants and employees.

Governance – Responsible business and transparent organisation

This goal is an expression of Vesteda's aim to be regarded as a sustainable fund by its stakeholders. The organisation aims to be open and transparent about its progress on the sustainability front and strives to meet the highest possible standards in reporting on CSSR-related activities. Vesteda's strategy is to:

- Apply GRI standards for reporting on CSSR in its annual report.
- Be transparent on its progress on CCSR and report on this in a structured fashion.
- Embrace the Sustainable Development Goals (SDGs). Vesteda has conducted an analysis to determine which SDGs are most relevant for its activities. For the three most material SDGs (SDG 7, 11 and 12, as highlighted in figure 2) specific actions and ambitions are developed. In the coming year, Vesteda has planned to develop SDG-proof indicators to measure and monitor its progress.

***Figure 2** – Vesteda analysis of relevance per SDG*

- Vesteda participates in the Global Real Estate Sustainability Benchmark (GRESB) and has been awarded a "GRESB 5 Stars rating", indicating that the fund is ranked in the global top 20% with regard to its sustainability performance. GRESB 5 Stars is the highest GRESB rating and a recognition for being an industry leader. Vesteda is committed to remaining a top player in the field of sustainability at a national level. The organisation views its GRESB rating as a means to promote continuous improvement, not an end in itself.

1.2 Background of the Vesteda Green Finance Framework

Vesteda has developed its Green Finance Framework ("the Framework") to attract specific funding for sustainable assets which contribute to achieving its sustainability goals. Under this framework, Vesteda can issue a variety of green finance instruments, including green bonds, green private placements, green (syndicated) loans, and green Euro Commercial Paper.

The Framework provides a clear and transparent set of criteria for green finance instruments issued by Vesteda and is consistent with the guidelines of both the Green Bond Principles (ICMA, 2021) and the Green Loan Principles (LMA/APLMA, 2021). As Vesteda recognises the importance of common definitions for sustainable economic activities as well as credible market standards, this 2021 update of the Vesteda Green Finance Framework aims to align the framework as much as possible with the proposed EU Green Bond Standard[2] (July, 2021) and the definitions for sustainable economic activities included in the EU Taxonomy Climate Delegated Act[3] (June, 2021).

[2] https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/european-green-bond-standard_en
[3] https://ec.europa.eu/info/publications/210421-sustainable-finance-communication_en#taxonomy

2. Vesteda Green Finance Framework

The Vesteda Green Finance Framework follows the core components of the voluntary process guidelines of the Green Bond Principles (GPB), Green Loan Principles (GLP), and incorporates the requirements of the proposed EU Green Bond Standard throughout the following sections:

1. Use of proceeds
2. Process for evaluation and selection
3. Management of proceeds
4. Reporting
5. External review

2.1 Use of proceeds

Vesteda intends to use an amount equivalent to the net proceeds of the green finance instruments issued under this Framework to exclusively finance or refinance, in whole or in part, assets which contribute to achieving its sustainability goals and the EU environmental objective of Climate Change Mitigation.

To qualify as assets eligible for green finance ("Eligible Assets"), the assets are required to meet the eligibility criteria included in the table below. The Eligible Assets are also mapped on the UN Sustainable Development Goals (SDGs) and the Economic activities included in the EU Taxonomy Climate Delegated Act. All Eligible Assets are located in the Netherlands.

Asset category & mapping on SDGs	Eligibility criteria	EU Taxonomy Climate Delegated Act mapping
Acquisition and ownership of buildings	**Energy efficient residential buildings:** existing buildings built before 31-12-2020 with at least an EPC Label of "A" or better, or belonging to the top 15% of the Dutch residential building stock in terms of primary energy demand.	• 7.7 Acquisition and ownership of buildings
Renovation of existing buildings	**Refurbished residential buildings:** existing buildings which have realised a reduction in primary energy demand (PED) of at least 30% and achieved an EPC label of "C" or better. The 30% reduction in primary energy demand took place after obtaining ownership by Vesteda and will be verified by an external advisor.	• 7.2 Renovation of existing buildings

Construction of new buildings	**New residential buildings** that meet any of the following criteria: • Permitted before 1-1-2021 and constructed after 1-1-2021: energy performance coefficient of at least 0.4 • New residential buildings permitted and constructed after 1-1-2021 for which the primary energy demand is at least 10% below the Dutch Nearly Zero-Energy Building (NZEB) requirements[4]	• 7.1 Construction of new buildings

2.2 Process for evaluation and selection

The use-of-proceeds of this Framework are aligned with the business model and CSSR strategy of Vesteda. The corresponding Eligible Assets are expected to comply with local laws and regulations, including any applicable regulatory environmental and social requirements. In addition, Eligible Assets comply with Vesteda's internal policies and standards related environmental risks and impacts and are evaluated from a sustainability perspective by the Program Manager Sustainability of Vesteda. Relevant policies and standards are available on Vesteda's corporate website.

Compliance with environmental and social regulations, as well as application of Vesteda's policies and standards are used to evidence, to the extent possible and available, the 'Do No Significant Harm ' (DNSH) criteria of the EU Taxonomy and the related 'Minimum (Social) Safeguards'. A full assessment of alignment of Vesteda's compliance with the EU taxonomy was provided by Second Party Opinion Provider Sustainalytics (see chapter 2.5.1).

On at least an annual basis, the Program Manager Sustainability, the Appraisal Manager, the Manager Financial Control and Reporting and the Treasurer (together the "Green Finance Framework Group") will review the list of existing and potential Eligible Assets on whether they meet the eligibility criteria of this framework (outlined in section 2.1) as well as the additional evaluation and selection criteria outlined above. Approved assets will be added to the Eligible Assets portfolio. On a quarterly basis the Treasurer will report to Vesteda's Risk Committee[5] on the compliance of the issued green finance instruments with Vesteda's Green Finance Framework.

2.3 Management of proceeds

The Treasurer of Vesteda will manage the net proceeds of the green finance instruments issued under this framework on a portfolio basis. As long as the green finance instruments are outstanding, it is intended to exclusively allocate an amount equivalent to net proceeds of these instruments to a

[4] For buildings larger than 5000 m2, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity , and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. Alternatively, where robust and traceable quality control processes are in place during the construction process this will be used as alternative to thermal integrity testing. In addition, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.
[5] The composition and tasks of Vesteda's Risk Committee are described in the Vesteda Annual Report 2020, page 74.

portfolio of Eligible Assets which meet the above-mentioned eligibility criteria and evaluation and selection process.

The Green Finance Framework Group will monitor the portfolio of Eligible Assets on at least an annual basis. If an Eligible Asset is divested or does no longer meet the definition of Eligible Assets as outlined in section 2.1, Vesteda will remove this asset from the portfolio and will strive to replace it with another Eligible Asset as soon as reasonably practicable. Vesteda aims to ensure that the total value of issued green finance instruments does not exceed the value of its portfolio of Eligible Assets.

Vesteda intends to fully allocate the proceeds of issued green finance instruments within a timeframe of maximum 2 years after issuance. Pending the allocation of the net proceeds of issued green finance instruments to the portfolio of Eligible Assets, or in case insufficient Eligible Assets are available, Vesteda commits to manage the unallocated proceeds in line with its treasury criteria.

The allocation of the net proceeds of issued green finance instruments to the portfolio of Eligible Assets will be reviewed and approved by Vesteda's Risk Committee on at least an annual basis, until full allocation of the net proceeds of issued green finance instruments.

2.4 Reporting

2.4.1 Allocation of proceeds reporting

On at least an annual basis and until full allocation, Vesteda will prepare a report to update investors on the allocation of the net proceeds of issued green finance instruments. The allocation report provides information about:

- The total outstanding volume (in EUR) of green finance instruments issued under the Framework.
- The allocation of the net proceeds of issued green finance instruments to a portfolio of Eligible Assets, including a breakdown of allocation to the specific Use of Proceeds on an aggregated basis.
- An overview of Eligible Assets by geographical area (country level).
- The share of Eligible Assets that is aligned with the EU Taxonomy Climate Delegated Act
- The value of unallocated proceeds (if any).
- The share of financing vs. refinancing and the average lookback[6] period of the portfolio.
- An overview of the Eligible Assets by nature of what is being financed (assets, capital expenditures).

2.4.2 Impact reporting

On an annual basis, Vesteda will report to investors on the impact of their investments from a sustainability / non-financial perspective. Where feasible, this report will provide information regarding:

[6] The average lookback period is the average number years prior to the year of issuance when buildings became eligible. This is aligned with the moment the label was provided by the Netherlands Enterprise Agency confirming an energy efficient building or energy efficiency improvements as outlined in chapter 2.1.

- Estimated energy savings (in MWh/GWh and/or GJ/TJ) through the portfolio of energy efficient residential buildings in comparison with a representative average Dutch residential portfolio and the accompanying greenhouse gas emission avoidance (in tonnes of CO_2 equivalent).
- Estimated energy savings (in MWh/GWh and/or GJ/TJ) through the portfolio of refurbished residential buildings and the accompanying greenhouse gas emission avoidance (in tonnes of CO_2 equivalent).
- Total energy savings (in MWh/GWh and/or GJ/TJ) and the accompanying greenhouse gas emission avoidance (in tonnes of CO_2 equivalent).
- Examples or case studies of Eligible Assets.

To promote transparency and contribute to the harmonisation of impact reporting methodologies, Vesteda intends to align its impact reporting with the ICMA Harmonized framework for Impact Reporting (June 2021) [7].

Besides the abovementioned impact indicators, the impact reporting may provide an estimation of adverse environmental and social impacts related to the Eligible Green Project portfolio and how these are managed and mitigated by Vesteda.

2.5 External review

2.5.1 Pre-issuance verification

Vesteda's Green Finance Framework is reviewed by Sustainalytics, who provided a pre-issuance verification in the form of a Second Party Opinion. The Second Party Opinion report concluded that Sustainalytics is confident that Vesteda is well-positioned to issue green bonds and that the Vesteda Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021and Green Loan Principles 2021.

Sustainalytics has assessed Vesteda's Green Finance Framework for alignment with the EU Taxonomy, and is of the opinion that, of the Framework's three eligibility criteria (which map to three EU activities), one aligns, and two partially aligns with the applicable Technical Screening Criteria ("TSC") in the EU Taxonomy and eight align and two partially aligns with the 'Do No Significant Harm '("DNSH") Criteria. No categories were determined to be not aligned. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

The Second Party Opinion is available on the investor relations section of Vesteda's corporate website, under credit investors.

[7] https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf

2.5.2 Post-issuance verification

Vesteda will appoint an independent verifier to provide a post-issuance review addressing the allocation of the net proceeds of issued green finance instruments on an annual basis until full allocation, or in case of significant changes in the allocation of proceeds. The independent verification report will be published on the investor relations section of Vesteda's corporate website, under credit investors.

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No representation is made as to the suitability of any green financing instruments to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of green financing instruments should determine for itself the relevance of the information contained or referred to in this Framework or the relevant green financing instruments documentation for such green financing instruments regarding the use of proceeds and its purchase of green financing instruments should be based upon such investigation as it deems necessary. Vesteda has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with the Vesteda green financing instruments. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such green financing instruments if Vesteda fails to adhere to this Framework, whether by failing to fund or complete Eligible Assets or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise.

In addition, it should be noted that all of the expected benefits of the Eligible Assets as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Assets being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Assets. Each environmentally focused potential investor should be aware that Eligible Assets may not deliver the environmental or sustainability benefits anticipated and may result in adverse impacts.

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