Vesteda

Green Finance Framework

May 6, 2019

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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 and Governance.

Environmental – Improve 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, with the aim of surpassing the agreements laid down in the Dutch government's Energy Agreement (Rental Sector) for 2020. By the end of 2020, at least 80% of Vesteda's homes will have an Energy Performance Certificate (EPC) label A, B or C; no more than 20% of Vesteda's homes will have EPC label D; and Vesteda will strive to have zero homes with EPC labels E, F, or G (figure 1 depicts the current EPC label composition of the Vesteda portfolio).

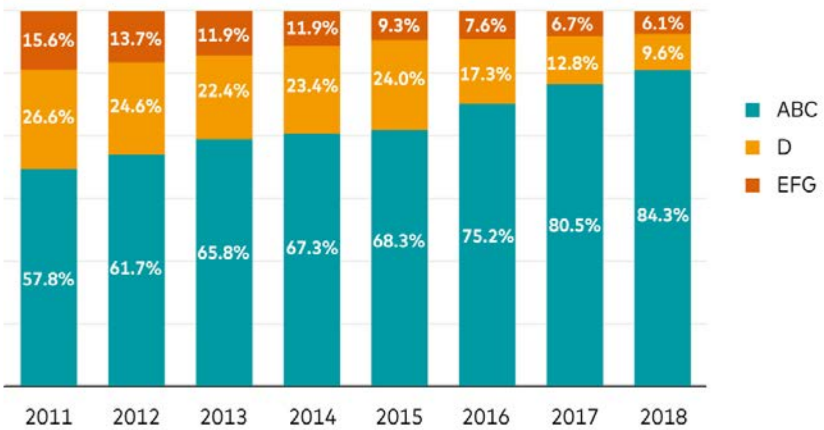

***Figure 1** – EPC label composition Vesteda portfolio (31-12-2018)*

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

- Ensure that the construction of new complexes and the maintenance of existing buildings is sustainable and environment friendly. Vesteda also imposes 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.
- Obtain WELL certification for the first residential building in the Netherlands in 2019.

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, and green (syndicated) loans.

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, 2018) and the Green Loan Principles (LMA/APLMA, 2018). These voluntary process guidelines are developed in multi-stakeholder processes involving issuers, investors, financial institutions and NGOs, with a view to promoting the development and integrity of the green finance market.

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) and Green Loan Principles (GLP) and includes 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.

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). All Eligible Assets are located in the Netherlands.

Asset category & mapping on SDGs	Eligibility criteria
Green buildings 	• **Energy efficient residential buildings:** new and existing buildings with an EPC label ≥ “A” issued by the Netherlands Enterprise Agency (Rijksdienst voor Ondernemend Nederland, RVO). • **Refurbished residential buildings:** existing buildings which have made an improvement of at least two EPC label steps up to a minimum EPC label of “C”. The EPC label improvements are a result of measures such as building insulation, energy-efficient glazing, high-efficiency boilers and the installation of solar panels, and result in an energy efficiency improvement of at least 30%.

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, and are evaluated from a sustainability perspective by the Program Manager Sustainability of Vesteda.

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). Approved assets will be added to the Eligible Assets portfolio. On a quarterly basis the Treasurer will report to Vesteda's Risk Committee[2] 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 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 eligibility criteria 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.

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, 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.
- The value of unallocated proceeds (if any).
- The share of financing vs. refinancing[3] and the average lookback[4] period of the portfolio.

[2] The composition and tasks of Vesteda's Risk Committee are described in the Vesteda Annual Report 2018, page 83.
[3] Financing is defined as the investments in eligible assets in the year of issuance or following years, while refinancing are those investments in eligible assets before the year of issuance.
[4] The average lookback period is the average number of years prior to the year of issuance when buildings became eligible. This is aligned with the moment the EPC label was provided by the Netherlands Enterprise Agency confirming an energy efficient building or energy efficiency improvements as outlined in section 2.1.

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:

- The EPC label composition of the portfolio of eligible Assets.
- 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 'Harmonized framework for impact reporting', developed by an informal working group of eleven international development banks[5].

2.5 External review

2.5.1 Second Party Opinion

Prior to the inaugural issuance under this Framework, Vesteda has commissioned Sustainalytics to provide a Second Party Opinion for its Green Finance Framework. Sustainalytics has reviewed Vesteda's Green Finance Framework and issued a Second Party Opinion confirming the alignment of the Framework with both the Green Bond Principles and the Green Loan Principles.

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

2.5.2 Verification

Vesteda will appoint an independent third party 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.

2.5.3 Certification

Vesteda aims to obtain external certification for the green bonds issued under this Framework in line with the recognized international standards of the Climate Bonds Initiative.

[5] Green Bonds – Working Towards a Harmonized Framework for Impact Reporting (November 2015).

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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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