

## Vesteda Green Bond

**Type of Engagement:** Annual Review

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**Engagement Leader:** Evan Bruner, [evan.bruner@sustainalytics.com](mailto:evan.bruner@sustainalytics.com), +31 20 205 0027

### Introduction

In 2019, Vesteda issued its inaugural green bond aimed at financing the acquisition, development, renovation and refurbishment of green buildings in the Netherlands. In November 2019, Vesteda engaged Sustainalytics to review the assets funded through the issued green bond and provide an assessment as to whether the assets met the Use of Proceeds criteria and the Reporting commitments outlined in the Vesteda Green Finance Framework.

### Evaluation Criteria

Sustainalytics evaluated the assets funded as of September 30, 2019 based on whether the assets:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Finance Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Finance Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 list the associated the KPIs.

**Table 1: Use of Proceeds and Eligibility Criteria**

Use of Proceeds	Eligibility Criteria
Green buildings	<ul style="list-style-type: none"> <li>• <b>Energy efficient residential buildings:</b> new and existing buildings with an Energy Performance Certificate (EPC) label <math>\geq</math> "A" issued by the Netherlands Enterprise Agency (Rijksdienst voor Ondernemend Nederland, RVO).</li> <li>• <b>Refurbished residential buildings:</b> existing buildings which have made an improvement of at least two EPC label steps up to a minimum EPC Energy 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%.</li> </ul>

**Table 2: Key Performance Indicators**

Key performance indicators	
Green buildings	<ul style="list-style-type: none"> <li>• 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<sub>2</sub> equivalent).</li> <li>• 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<sub>2</sub> equivalent).</li> <li>• Total energy savings (in MWh/GWh and/or GJ/TJ) and the accompanying greenhouse gas emission avoidance (in tonnes of CO<sub>2</sub> equivalent).</li> <li>• If available, examples or case studies of Eligible Assets.</li> </ul>

### Issuing Entity's Responsibility

Vesteda is responsible for providing accurate information and documentation relating to the details of the assets that have been funded, including description of assets, estimated and realized costs of assets, and environmental impact.

### Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Vesteda's Green Bond Proceeds. The work undertaken as part of this engagement included collection of documentation from Vesteda employees and review of documentation to confirm the conformance with the Green Finance Framework.

Sustainalytics has relied on the information and the facts presented by Vesteda with respect to the Nominated Assets. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Vesteda.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

### Conclusion

Based on the limited assurance procedures conducted,<sup>1</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed assets, funded through proceeds of the Vesteda Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Finance Framework. Vesteda has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of November 2019.

### Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the assets funded by the green bond in 2019 to determine if assets aligned with the Use of Proceeds Criteria outlined in the Green Finance Framework and above in Table 1.	All assets reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the assets funded by the green bond in 2019 to determine if impact of assets was reported in line with the KPIs outlined in the Green Finance Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 1 and 2.	Vesteda reports on the impact of the entire eligible assets in its portfolio, not only the share of the portfolio financed through the green bond issuance. However, Vesteda reported on two KPIs per Use of Proceeds criteria.	None

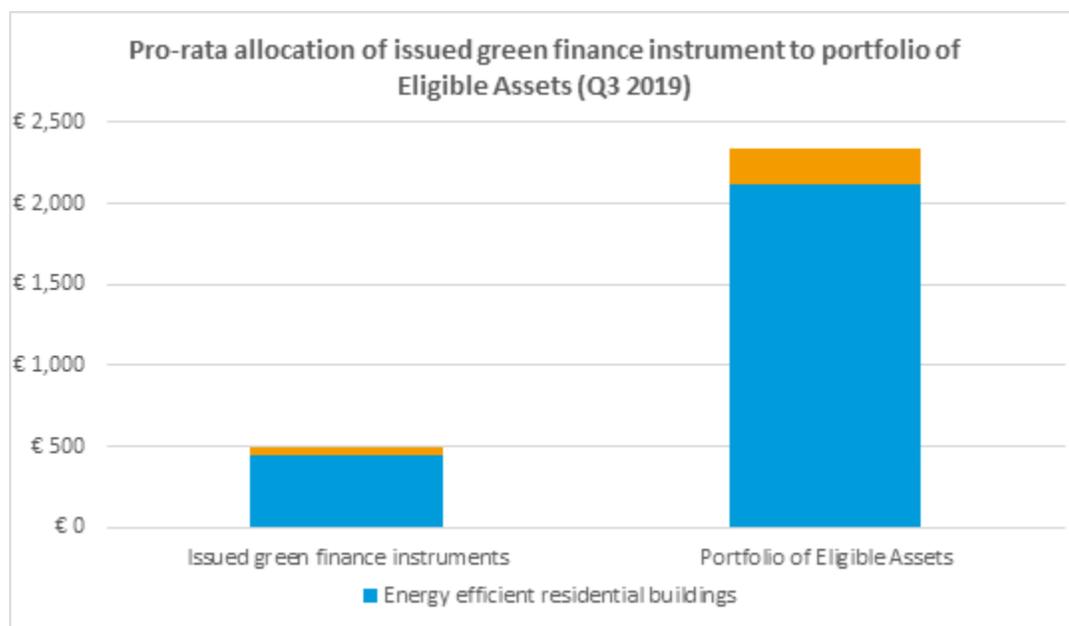
<sup>1</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the assets that have been funded, including description of assets, estimated and realized costs of assets, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to assets.

## Appendix 1: Allocation of Proceeds by Eligibility Criteria

As of date, Vesteda issued one green bond under its Green Finance Framework. The Bond raised EUR 500mil and matures in May 2027.

Overall the company has a portfolio of eligible assets of EUR 2,343mil, comprised of

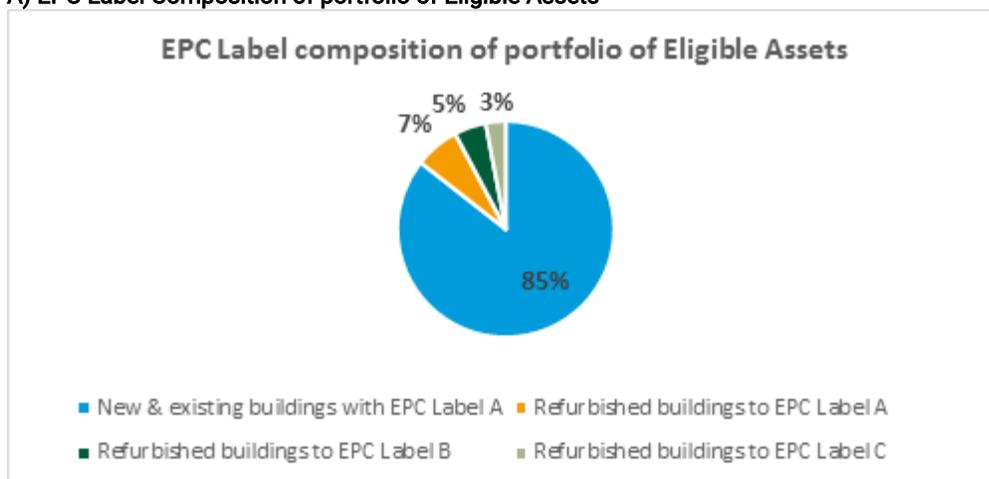
- energy efficient residential buildings: EUR 2,115mil
- refurbished residential buildings: EUR 228mil



Vesteda used 100% of the green bond proceeds for refinancing for the acquisition of newly developed houses with an EPC label  $\geq$  A and for refurbishments which improved the energy performance of at least two-label steps for existing homes in. These investments significantly increased to total size of the portfolio of Eligible Assets.

## Appendix 2: Impact Reporting by Eligibility Criteria

### A) EPC Label Composition of portfolio of Eligible Assets



### B) Estimated energy savings and accompanying greenhouse gas emission avoidance

On the request of Vesteda, Real Estate consultant Nibag has calculated the environmental impact of the portfolio of Eligible Assets in terms of both energy savings and CO<sub>2</sub>emission avoidance. For the portfolio of Energy Efficient Residential homes, Nibag compared the primary energy usage and related CO<sub>2</sub>e missions of portfolio of Eligible Assets with a comparable average portfolio of residential homes in the Netherlands (using EPC Label C and the accompanying average energy usage and related CO<sub>2</sub> emissions as a benchmark). For the portfolio of refurbished residential buildings, the primary energy savings and CO<sub>2</sub> emission avoidance was calculated based on all individual home improvements in terms of final EPC-label. The improvements in primary energy usage and related CO<sub>2</sub> emissions are based on the publicly available report "Relatie tussen energielabel, werkelijk energieverbruik en CO<sub>2</sub>-uitstoot van Amsterdamse corporatiewoningen" (Macjen D., Itard L. (2014)).

All calculations indicate the theoretical primary energy reduction and related CO<sub>2</sub> emission avoidance.

### C) Overview of the impact of Vesteda's 2019 Green finance portfolio:

Overview of the impact of Vesteda's 2019 Green Finance Portfolio*	
Total CO <sub>2</sub> savings A-label buildings (excl. 2-label steps) in comparison with a representative average of the Dutch residential portfolio	6.3 million kg**
Total energy savings A-label buildings (excl. 2-label steps) in comparison with a representative average of the Dutch residential portfolio	35 GWh**
Total CO <sub>2</sub> savings of existing buildings which made and an improvement of at least two EPC label steps	1.6 million kg
Total energy savings of existing buildings which made and an improvement of at least two EPC label steps	9 GWh
* The table provides an overview of the environmental impact of the <i>total</i> /portfolio of Eligible Assets. Please note, the total portfolio of Eligible Assets covers a much larger building stock than that which was refinanced from this bond issuance.	
** These amounts exclude refurbished buildings which improvements led to an EPC label of A. These improved buildings are included in refurbished residential buildings portfolio.	

#### D) Impact reporting as per the ICMA Harmonized Framework for Impact Reporting:

As Vesteda is committed to transparency and the application of industry standards, the table below provides Vesteda's impact reporting in line with the ICMA Harmonized Framework for Green Bond Impact Reporting (June 2019).

Eligible Project Category Green Bond Principles (GBP)	Eligible portfolio (EURm)	Share of Total Financing	Eligibility for Green Bonds	Green Building component	Allocated amount	Number of residential buildings (#)	Total of square meters	Estimated energy savings (MWh per year)	Total of CO2 savings (in tonnes of CO2 equivalent)
a/	b/	c/	d/	e/	f/	e/	e/	e/	e/
Energy efficient residential buildings	2.115	100%	100%	100%	451	6.553	652.117	35.504	6.326
Refurbished residential buildings	228	100%	100%	100%	49	1.103	108.573	8.986	1.624
<b>Total</b>	<b>2.343</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>500</b>	<b>7.656</b>	<b>760.690</b>	<b>44.491</b>	<b>7.950</b>

a/ Eligible category

b/ Signed/budgeted amount committed by the issuer for the portfolio or portfolio components eligible for Green Bond financing

c/ This is the share of the total project cost that is financed by the issuer.

d/ This is the share of the total portfolio value that is Green Bond eligible

e/ The share of assets having a Green Building Component

f/ This represents the amount of green bond proceeds that has been allocated for disbursements to the project/ portfolio

e/ Impact indicators

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Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds SRI Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

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Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)

