

Principal adverse sustainability impacts statement

Summary

Vesteda Investment Management B.V. ("VIM"), LEI number: 724500GA1ZREYP7XO676, considers principal adverse impacts of its investment decisions on sustainability factors.

This principal adverse impacts statement covers the reference period from **1 January 2019 to 31 December 2019**.

It is noted that VIM is the AIFM manager of Vesteda Residential Fund (Vesteda). Vesteda is a residential real estate investment fund that invests solely and directly in residential real estate in the Netherlands. Vesteda is internally managed, which implies that VIM is not only responsible for making investment decisions on behalf of Vesteda, but also for property management of the real estate that a custodian company holds for the account of the participants of Vesteda.

The structure of the draft Regulatory Technical Standards¹ ("RTS"), on which this Principal Adverse Impacts Statement is based, predominantly assumes that investments are made in "investee" companies which is not the case if the investment is in real estate. The real estate industry internationally has a number of widely accepted tools and metrics for measuring ESG performance in this asset class. These are specific to real estate, for which nuances and complexities that come with financial and operational control at asset level, are taken into account. One of these tools is the Global Real Estate Sustainability Benchmark (GRESB). Vesteda has been awarded with five stars in this benchmark and is part of the top 20% best performing participating investors worldwide.

Some key considerations in relation to this document:

Social and employee matters. Financial products with real estate investments typically have direct ownership of the properties and buildings making up the portfolio. Unlike equity and fixed income investment into companies, the real estate assets themselves have no employees. This means that the various social and employee sustainability factors in the draft RTS do not apply to Vesteda.

Human rights. For similar reasons to those outlined above, investments into physical real estate assets do not adversely impact the human rights of natural persons which are outlined in the sustainability factors (such as, for example, human trafficking and child labour). Whilst human rights factors are certainly relevant and often material to real estate investments, this typically relates to asset management supply chains, for which the wording of the draft RTS does not provide appropriate reference.

¹ Final Report on draft regulatory technical standards with regard to the content, methodologies and presentation of disclosures pursuant to Article 2a(3), Article 4(6) and (7), Article 8(3), Article 9(5), Article 10(2) and Article 11(4) of Regulation (EU) 2019/2088, dated 2 February 2021.

Investee companies. The term “investee companies” is used throughout the draft RTS and form the basis on which many of the sustainability factors are to be assessed and reported against. As Vesteda solely invests in real assets, the sustainability factors that are linked to this term are not applicable to Vesteda.

Engagement policies. The draft RTS state that, where applicable, a brief summary of engagement policies should be given. For similar reasons to those outlined above, this is not applicable to Vesteda.

Given the considerations above, and pending a final version of the RTS, which is due to come into effect per 1 January 2022, this statement has been drafted on a “best effort” basis, whereby the aim is to provide full transparency regarding VIM’s considerations regarding principal adverse impacts. Where sustainability factors are linked to investee companies, VIM provides voluntary disclosures where applicable, accompanied by an explanation.

In order to provide transparency, data regarding 2018 and 2019 are included.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact 2019	Impact 2018	Explanation	Actions taken	
CLIMATE AND OTHER ENVIRONMENT RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	In accordance with GRESB metric: location based Scope 1 GHG emissions.	In tonnes: Scope 1: 82 In coverage %: 76.6%	In tonnes: Scope 1: 42 In coverage %: 55.7%	In relation to Vesteda's portfolio: scope 1 direct = gas of communal spaces scope 2 indirect = electricity and heating of communal spaces scope 3 = emissions that are outside the control, e.g. energy consumption of Vesteda's tenants (gas, electricity and heating).	Vesteda has an ongoing programme to improve sustainability of the buildings in its portfolio and to reduce emissions.

		Scope 2 GHG emissions	In tonnes: 3341	In tonnes: 2677		
			In coverage %: 85.1%	In coverage %: 82.1%		
	2. Carbon Footprint	<p>Carbon footprint</p> <p>The carbon footprint of Vesteda is externally audited conform Greenhouse Gas Protocol. This protocol identifies the following scopes:</p> <p>Scope 1: Direct emissions, such as heating from natural gas and emissions from car fleet.</p> <p>Scope 2: indirect emissions, bought energy. Which is the electrical energy that is bought from an energy supplier</p> <p>Scope 3: other indirect emissions. Which are emissions from waste, water, paper use and mobility (not from corporate car fleet).</p>	630 ton total, 3,225 KG per FTE	431 ton total, 2,896 KG per FTE	<p>This regards Vesteda's own management organization as Vesteda does not invest in investee companies.</p> <p>The emissions are reported in tonnes as a total and also per FTE.</p>	<p>Vesteda has a policy on its lease cars as to ensure that the emissions are lowered. Vesteda has a programme to ensure sustainable procurement of its products and services.</p>
	3. GHG intensity of investee companies	GHG intensity of investee companies	N/A	N/A	Vesteda does not invest in investee companies and as such cannot apply this metric.	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0	0	Vesteda does not invest in fossil fuel sector, only directly in real estate assets.	

	5. Share of non-renewable energy	Share of non-renewable energy consumption and non-renewable consumption and production	21,539,652 kWh, 71% share of non-renewable energy (Data coverage = 88%)	17,705,362 kWh, 69% of non-renewable energy (data coverage = 84%)	Vesteda does not invest in investee companies. As such, this metric provided as to reflect the energy consumption of only landlord controlled ² assets. The data coverage represents the m2 of which energy consumption data are available compared to the total m2 of our portfolio.	Vesteda has installed solar panels on various of its buildings in the portfolio and has a concrete plan to further extend the installation of solar panels.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A	N/A	VIM does not invest in investee companies and as such cannot apply this metric	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of all investments in investee companies Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A	N/A	VIM does not invest in investee companies and as such cannot apply this metric. by reference in this Act.	When purchasing real estate assets, contracts are always entered into under the

² "Landlord controlled" means: cases in which Vesteda is the contracting party in relation to the energy and actually pays the invoice.

						<p>condition that the constructor/ developer obtains all required permits prior to construction Part of the permit process is assessing whether the project is in line with the Dutch "Flora en Faunawet", which focuses on the conservation of indigenous plant- and wildlife species. The IUCN Red List is incorporated.</p>
	<p>8. Emissions to water</p>	<p>Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average</p>	<p>N/A</p>	<p>N/A</p>	<p>Vesteda does not invest in investee companies and as such cannot apply this metric.</p>	

	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	Vesteda does not invest in investee companies;	Vesteda itself does not generate hazardous waste.
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	Vesteda does not invest in investee companies and as such cannot apply this metric.	Vesteda itself has not been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	Vesteda does not invest in investee companies and as such cannot apply this metric.	

	Multinational Enterprises					
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	23%	21%	Vesteda does not invest in investee companies and as such cannot apply this metric related thereto. However, Vesteda has related this to its own organisation.	
	13. Board gender diversity	Average ratio of female to male board members in investee companies	40%-60%	40-60%	Vesteda does not invest in investee companies and as such cannot apply this metric related thereto. However, Vesteda has related this to its own organisation.	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	0%	Vesteda does not invest in investee companies and as such cannot apply this metric related thereto. However, Vesteda has related this to its own organisation.	

	biological weapons)					
Indicators applicable to investments in sovereigns and supranationals						
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A	Vesteda does not invest in sovereigns and supranationals and as such cannot apply this metric related thereto.	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	N/A	N/A	Vesteda does not invest in sovereigns and supranationals and as such cannot apply this metric related thereto.	
Indicators applicable to investments in real estate assets						
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0%	0%		

Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	40.4%	Data not available		
Other indicators for principal adverse impact						
	19. Share of securities not certified as green under a future EU act setting up an EU Green Bond Standard	Share of bonds not certified as green	62%	100%		Vesteda will explore possibilities for further green financing.
	20. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers			Vesteda does not invest in investee companies and as such cannot apply this metric related thereto. However, Vesteda itself has a whistleblower policy and facilitates an anonymous Speak-up line.	

Description of policies to assess principal adverse sustainability impacts

We see sustainability as vitally important for the long-term value development of our portfolio, our organisation as a whole and the society in which we operate. We believe that our efforts in the field of sustainability improve and strengthen Vesteda, both directly and indirectly, that they result in future-proof returns on our investments and that they help us to create value for all our stakeholders. Our sustainability targets are an integral part of our business plan, which is approved by our investors on an annual basis, and are therefore firmly embedded in our business operations. From a sustainability risk and impact perspective we look at what risks are most material for Vesteda and which risks and sustainability factors we can have the most impact on. These are for example transition risks (which consist of energy performance, carbon emission and circularity), physical climate risks (which consist among others of flooding due to levee breach, heat stress and flooding due to heavy rainfall) and social risks (which consist of affordability and health and wellbeing). These risks and sustainability factors are incorporated in our ESG framework. Vesteda assesses the impact it can make on sustainability factors and the impact those factors have on Vesteda's portfolio. Given the fact that Vesteda's core investment are real assets, its impact on sustainability factors can be limited at times. It therefore predominantly assesses its asset acquisition process and the operations of its own management company. In addition, it assesses the data availability of sustainability factors within its portfolio. The combination of these results in the prioritization of principal adverse sustainability impacts.

The investment assessment and decision-making process take place in several stages. First, potential sustainability risks are being identified and evaluated. Hence, to assess if the investment meet the risk and return profile of Vesteda and ESG considerations. Vesteda uses an ESG risk framework to identify sustainability risks and to identify if the investment contributes to ESG goals. Subsequently these risks are classified and placed in order of importance/impact. This will result in an overview whether and which sustainability risks could have an impact on the value of the investment. The potential sustainability risks are further analysed and assessed in the following phase. Due diligence is performed during the screening and selection phase. The goal is to assess the various sustainability factors that may lead to sustainability risks. Furthermore, during this phase the investment is further being assessed whether it complies with national law and regulations and Vesteda's program of requirements. This means that Vesteda can be sure that the investment comply with national laws and regulations and the additional (ESG) requirements of Vesteda. Vesteda is constantly looking to improve the ESG impact of investments and therefore will continuously improve the program of requirements and ESG framework. If a potential sustainability risk arise or may arise, Vesteda tries to find mitigating solutions that can address, reduce or eliminate the potential risk. The aforementioned assessment and due diligence of potential sustainability risks is incorporated in the Investment Proposal and presented to the board of directors and Investment Committee. The occurrence of a high degree sustainability risk may lead to the decision not to proceed with the investment. The reporting and monitoring phase takes place after the investment decision and at project completion. At this stage the property is finished, rented out and operated. Vesteda monitors the performance and impact on sustainability factors. This is conducted by gathering data from the properties, taking questionnaires from our tenants and perform property performance tests. These results are reported in the several benchmarks and such as GRESB and UN PRI. Additionally, the results from our tenants and property performance tests are gathered. The results therefrom are an important input for new investments decisions and may cause an adjustment of the ESG framework and program of requirements.

<p>Description of actions to address principal adverse sustainability impacts</p> <p>Vesteda's strategic ESG ambitions are:</p> <ul style="list-style-type: none"> - Continue to implement sustainability improvement strategy so that by 2024 \geq 99% of the portfolio's energy labels are green. Enhance data on climate risks and potential impact on the portfolio and move towards targets on CO2 performance and reduction rather than just energy labels. - Committed to the Paris Agreement, and in 2030 Vesteda's carbon footprint should be reduced by 49%, and in 2050 by 95% in comparison to 1990. - Vesteda is a thought leader in terms of applying ESG criteria in its decision making processes and complies with new ESG legislation. - Vesteda actively participates in discussions with government authorities, regulators and other parties, together with the Dutch Association of Institutional Property Investors (IVBN). - Vesteda uses available subsidies and governmental fundings to invest in innovative initiatives or area improvements. <p>Concretely, this means the following for 2021:</p> <ul style="list-style-type: none"> - Continue installing solar panels on newly build homes and install 5,000 solar panels on our existing family homes. - draw up a roadmap in 2021 on how we plan to improve our portfolio in line with the Paris Agreement and the Dutch government's climate agreement, and to disconnect all homes from the natural gas grid by 2050 - label improvements by towards our target of 99% ABC energy labels in 2024 and a further reduction of the GHG emissions of our homes. - Improve the data to measure the physical climate risks including mitigating measures, such as innovating ways to cool homes and adding green, on complex level. - Every new acquisition will be assessed with the sustainability impact score to provide an overall overview on relevant sustainability risks and factors. This assessment will enhance that sustainability risks and factors are an integrated part of the decision-making process and will, going forward, equally important as the financial risk and return of the investment. 	
<p>Engagement policies</p> <p>As Vesteda does not invest in other companies as a shareholder, this topic is not applicable.</p>	
<p>Adherence to international standards</p> <ul style="list-style-type: none"> - Vesteda participates in the Global Real Estate Sustainability Benchmark (GRESB). Vesteda has been awarded with five stars in this benchmark and is part of the top 20% worldwide. 	



<ul style="list-style-type: none">- Vesteda is committed to the Paris Agreement; in 2030 Vesteda's Carbon footprint should be reduced by 49%, and in 2050 by 95% in comparison to 1990.- Vesteda applies the following goals of the United Nations Sustainable Development Goals (SDGs), defining global sustainable development priorities and aspirations for 2030: (i) affordable and clean energy, (ii) sustainable cities and communities and (iii) responsible consumption and production.- Vesteda uses the GRI Standards to report on its CSSR policy in its annual report.	
Historical comparison N/A	