



Second-Party Opinion

Vesteda Green Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Vesteda Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Acquisition and ownership of buildings, Renovation of existing buildings, Construction of new buildings – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible category is expected to reduce the environmental footprint of the Netherland’s residential building stock and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.



PROJECT EVALUATION / SELECTION Vesteda has established a Green Finance Framework Group composed of company managers to carry out the evaluation and selection process. The group will evaluate existing and potential eligible assets annually to determine whether they meet the framework criteria. Eligible assets will be added to the portfolio and on a quarterly basis a compliance report will be developed by the Treasurer and sent to Vesteda’s Risk Committee to verify compliance. Vesteda’s environmental and social policies and risk assessment processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers this to be adequate and to be aligned with market practice.



MANAGEMENT OF PROCEEDS Vesteda’s Treasurer will manage proceeds on a portfolio basis and track allocation using Vesteda’s internal tracking system. Pending full allocation of proceeds, unallocated funds will be managed according to Vesteda’s treasury criteria. Vesteda intends to reach full allocation within two years of issuance. This is in line with market practice.



REPORTING Vesteda intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include breakdown of allocation to specific use of proceeds categories, the total outstanding volume of green finance instruments issued under the framework, the share of financing versus refinancing and average lookback period; and, if necessary, the total unallocated amount. In addition, Vesteda is committed to reporting on relevant impact metrics. Sustainalytics views Vesteda’s allocation and impact reporting as aligned with market practice.

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For inquiries, contact the Sustainable Finance Solutions project team:

Evan Bruner (Amsterdam)
 Project Manager
 evan.bruner@sustainalytics.com
 (+31) 20 205 0027

Flora Mile (Amsterdam)
 Project Support

Lea Muething (London)
 Project Support

Enrico Tessadro (Amsterdam)
 Client Relations
 susfinance.emea@sustainalytics.com
 (+44) 20 3880 0193

Alignment with the EU Taxonomy

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 align 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.

¹ This document is an update of a Second-Party Opinion, originally published in April 2019.

Introduction

Vesteda (“Vesteda”, or the “Company”) is a residential real estate investor and with a focus on the mid-market segment in the Netherlands. Vesteda has a total capital of €8.6 billion invested in real estate, and the company’s rental portfolio includes a total of approximately 27,800 units. Vesteda’s primary investment regions are the Randstad region and the Brabant metropolitan area, with its greatest share of investments located in Amsterdam and Rotterdam.

Vesteda has developed the Vesteda Green Finance Framework (the “Framework”)² under which it intends to issue green bonds and loans and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to reduce the environmental footprint of Vesteda’s building portfolio. The Framework defines eligibility criteria in one green area:

1. Green Buildings
 - a. Acquisition and ownership of buildings
 - b. Renovation of existing buildings
 - c. Construction of new buildings

Vesteda engaged Sustainalytics to review the Vesteda Green Finance Framework, dated September 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)³ and the Green Loan Principles 2021 (GLP),⁴ and the EU Taxonomy Climate Delegated Act (June, 2021). This Framework will be published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA; and the EU Taxonomy Climate Delegated Act (June, 2021)
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.10.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Vesteda’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Vesteda representatives have confirmed (1) they understand it is the sole responsibility of Vesteda to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

² Vesteda updated its Green Finance Framework in 2021 with the aim to align with the activities under the EU Taxonomy Climate Delegated Act (June, 2021) and proposed EU Green Bond Standard (July, 2021)

³ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁴ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁵ The Vesteda Green Finance Framework is available on Vesteda’s website at: <https://www.vesteda.com/en/corporate/investment/debt/green-bond-programme>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Vesteda.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Vesteda has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Vesteda Green Finance Framework

Sustainalytics is of the opinion that the Vesteda Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Vesteda's Green Finance Framework:

- Use of Proceeds:
 - The eligible categories – Acquisition and ownership of buildings, Renovation of existing buildings, Construction of new buildings – are aligned with those recognized by the GBP and GLP as Green Buildings and Energy Efficiency. Sustainalytics notes that investment in the eligible categories is expected to reduce the environmental footprint of Vesteda's building portfolio.
 - Vesteda has not defined a look-back period for its refinancing activities.
 - Under the eligible categories, Vesteda may finance the acquisition and ownership, construction and renovation of residential buildings according to the following eligibility criteria:
 - The acquisition and ownership of buildings that (i) have received at least an Energy Performance Certificate (EPC) A, or (ii) belong to the top 15% of the Dutch residential building stock in terms of primary energy demand. This is in line with market practice.
 - For building renovations, Vesteda may finance refurbished residential buildings which have realized a minimum 30% reduction of primary energy demand based on the buildings' baseline prior to the refurbishments; and achieved at least an EPC label C. Sustainalytics notes the 30% reduction in PED threshold as to be aligned with market best practice.
 - The construction of buildings that (i) have been permitted before 1-1-2021 and constructed after 1-1-2021 that have an energy performance coefficient of at least 0.4, or (ii) have been 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. Sustainalytics notes that any new building constructed after the 2015 update to the Dutch building, which required a minimum of energy performance coefficient 0.4, will be in the top 15% of the local market.
- Project Evaluation and Selection:
 - Vesteda's project evaluation and selection process is facilitated by the Green Finance Framework Group, which is comprised of the Program Manager Sustainability, the Appraisal Manager, the Manager Financial Control and Reporting and the Treasurer. Together, this group is responsible for evaluating, selecting and reviewing eligible assets. On at least an annual basis

- the group will assess asset eligibility and approved assets will be added to the portfolio. Quarterly reports will be made available to Vesteda's Risk Committee to ensure the compliance of eligible assets.
- Based on the establishment of a formal working group, Sustainalytics considers this process to be in line with market practice
 - Vesteda's social and environmental policies as well as risk mitigation processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail see Section 2.
 - Management of Proceeds:
 - Vesteda's Treasurer will manage the green finance proceeds on a portfolio basis and track allocation in Vesteda's internal tracking system. The Company intends to ensure that the total value of the green finance proceeds do not exceed the balance of the eligible asset portfolio. If an asset becomes ineligible over the term of the bond, proceeds will be reallocated to eligible assets as soon as possible. Pending full allocation, unallocated proceeds may be temporarily invested in short term money market instruments in line with Vesteda's treasury department criteria. This process will be reviewed by Vesteda's Risk Committee on at least an annual basis until full allocation of proceeds. Vesteda intends to reach full allocation within two years of issuance.
 - Based on the management of proceeds, disclosure of temporary proceeds and allocation period, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Vesteda intends to report on the allocation of proceeds on an annual basis, until full allocation. The report will be made available to investors in the investor relations section of the Company's website and will include the total allocation of proceeds to the eligible asset portfolio, including a breakdown of allocations for the specific use of proceeds categories; the total outstanding volume of green finance instruments issued; the share of financing vs. refinancing and the average lookback period of the portfolio; and, if necessary, the total amount of unallocated proceeds.
 - In addition, Vesteda is committed to reporting on relevant impact metrics, which will be aligned with the Harmonized Framework for Impact Reporting and will include the estimated energy savings (in MWh/GWh and/or GJ/TJ) and the greenhouse gas emissions avoided (in tonnes of CO₂ equivalent). Vesteda may also provide an estimation of adverse environmental and social impacts related to the Eligible Green Project portfolio and how these are managed and mitigated.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the Vesteda Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework's eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy's three sets of requirements. The results of this assessment are as follows:

1. Technical Screening Criteria ("TSC")
 - Out of the three eligible green criteria outlined in the Framework, which are associated with three activities within the EU Taxonomy, one activity was *aligned* with the TSC and two were found to be *partially aligned*.
1. Do No Significant Harm ("DNSH") Criteria
 - The three activities assessed have a total of 10 individual DNSH criteria (across all environmental objectives) applicable to them and are *aligned* with eight and *partially aligned* with two; no individual DNSH criteria were found to be not aligned.

2. Minimum Safeguards

- Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy’s Minimum Safeguards requirements will be met.
- For Sustainalytics’ assessment of alignment with the Minimum Safeguard see Section 2 below.

Table 1 provides an overview of the alignment of Vesteda’s Framework with the TSC and DNSH criteria for the corresponding NACE activities in the EU Taxonomy

Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy

Framework Criterion	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	TSC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Construction of new buildings	■	■	■	■	■	□	■	■
Renovation of existing buildings ⁷	□	■	■	■	■	□	■	-
Acquisition and ownership of buildings	■	■	■	■	-	-	-	-

Legend	
Aligned	■
Partially aligned	□
Not aligned	⊠
No applicable DNSH criteria for this Objective and/or Activity	-
Grey shading indicates the primary EU Environmental Objective	

* The EU Taxonomy has not yet defined TSC for EU Environmental Objectives other than Climate Mitigation and Climate Adaptation. In cases where an activity of the Framework has the intent of advancing a different Objective, Sustainalytics has assessed alignment against the DNSH criteria for all six Objectives.

Section 2: Sustainability Performance of Vesteda/ Sustainability Strategy of Vesteda

Contribution of framework to Vesteda’s sustainability strategy

Sustainalytics is of the opinion that Vesteda demonstrates a strong commitment to sustainability driven by its ‘vision framework’, which identifies improving the quality and sustainability performance of the Company portfolio as a key priority in the business strategy.⁸

Vesteda has laid out its Corporate Sustainability and Social Responsibility (CSSR) goals in the “CSSR plan 2019 – 2023”⁹ and defined five projects within their CSSR strategy: (1) Reduce resource consumption of tenants and in common areas; (2) Portfolio Sustainability Improvements; (3) Engage Stakeholders; (4) Implement Health & Well-being; and (5) Achieve a GRESB five-star rating.⁸ The Company wants to reduce its carbon emissions by 49% by 2030 and by 95% until 2050 compared to 1990. So far Vesteda has achieved a

⁷ Sustainalytics notes that Vesteda is aligned with the TSC for the renovation of buildings, however, given that that Vesteda will not only finance or refinance economic activities listed under the Renovation of Buildings, Sustainalytics has determined this category to be partially aligned.

⁸ Vesteda, “annual report 2020”, at:

https://vestedareport.com/FbContent.ashx/pub_1000/downloads/v210402103743/Vesteda_Annual_Report_2020.pdf

⁹ Vesteda, “Vesteda Green Finance Framework”

35% reduction. The current portfolio of the Company is comprised of 91.1% of EPC A, B or C buildings, 4.3% of EPC D buildings and 4.6% of EPC E buildings.⁸ The Company's ambition for its portfolio is to have 99% rated either EPC A, B or C by 2024.⁸

Vesteda continues to invest in buildings that do not meet the ambitions of its energy performance targets with measures such as building insulation, the installation with energy-efficient technologies and the generation of renewable energy through onsite solar power generation. Vesteda is also measuring and managing its energy and water consumption and increased the portfolio's green electricity with European wind energy to 88%. In addition, Vesteda is looking to expand generation of onsite solar power, including on single-family homes. In 2020 the Company installed solar panels on 10 complexes (2,531 solar panels).⁸

Sustainalytics views this initiative and the continuous reporting of progress positively. Sustainalytics is of the opinion that the Vesteda Green Finance Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bond(s) and/or loan(s) issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include worker and tenant health and safety as well as those related to stakeholder engagement.

Sustainalytics is of the opinion that Vesteda is able to manage and/or mitigate potential risks through implementation of the following:

- Since the beginning of 2021, Vesteda uses an ESG framework to determine a sustainability impact score in which sustainability risks and factors are incorporated and used to score projects that Vesteda is interested investing in. As a result, each potential acquisition receives a sustainability impact score based on approximately 25 indicators. The process consists of six stages: (i) Identification, (ii) Due diligence, (iii) Sustainable Impact Score, (iv) Potential mitigation or exclusion, (v) Decision making, (vi) Reporting and monitoring.¹⁰
- Regarding worker health and safety, Vesteda is responsible for compliance with all Dutch health & safety regulations. These regulations require employers to develop health and safety policies that meet minimum requirements set by the government and provide a safe working place, identify and mitigate potential safety hazards, and provide proper training and education.¹¹ The most relevant legislation for the assets funded by green finance transactions is the Working conditions law, or Arbeidsomstandighedenwet (Arbowet),¹² which requires that an official inspector supervises and assesses compliance with the legislation. The law holds employers and employees collectively responsible for ensuring safe working conditions. Employers and employees create health and safety procedures that are then submitted to the government.
- Regarding tenant health and safety, Vesteda's Operations department is responsible for monitoring potential safety hazards and implementing precautionary measures. For example, Vesteda uses an internal risk map to identify the potential health and safety risks and determine the actions that need to be taken to ensure safety.⁸ The company also participates in rigorous fire safety training, undergoes routine lift inspection and assessments of heating/cooling systems. Additionally, asbestos was common in construction materials up until 1994, Vesteda has carried out inspections on its full portfolio and will take appropriate actions, including potential clean-ups and providing information for tenants/workers.⁸
- Vesteda organizes a variety of activities to engage stakeholders. For example, the Company started a pilot programme to improve the entrances to its complexes, by improving the overall quality and stimulating communities within complexes. The company also engaged in extensive tenant satisfaction surveys which are carried out once a year. The results are shared with tenants and employees and are also publicly available within the annual report.⁸

¹⁰ Vesteda, „ Policy on the integration of sustainability risks and factors into the investment decision making process”, at: <https://www.vesteda.com/media/3804/20210302-policy-on-the-integration-of-sustainability-risks-and-factors-into-the-investment-decision-making-process.pdf>

¹¹ OSH Wiki, “OSH System at a national level – Netherlands”, at: https://oshwiki.eu/wiki/OSH_system_at_national_level_-_Netherlands

¹² Ministerie van Sociale Zaken en Werkgelegenheid, “Arbowetgeving (Arbowet)”, at: <https://www.arboportaal.nl/onderwerpen/arbowetgeving>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Vesteda has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in compliance with the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work.

Human and Labour Rights

As a residential real estate investor Vesteda's primary exposure to human and labour rights issues is via its suppliers. The has implemented the following policies and procedures aimed at ensuring human rights:

- Vesteda has implemented a policy on sustainable collaborations which includes the following requirements and processes:
 - Vesteda selects suppliers on the basis of different aspects of which one is building safety including construction site safety and health and safety management.
 - Expectation that partners have a sustainability policy in place.
 - Vesteda is obliged to have suppliers certified in accordance with the occupational health and safety management standard VCA and OHSAS
 - Obligation that suppliers apply a safety score and pursue an active policy to improve this score. Vesteda also obliges suppliers to ensure that their construction site safety is mapped and monitored by an external party.
- Vesteda also has a sustainability statement for suppliers in place which ensures among other things that suppliers provide safe working conditions for employees, protect their physical integrity and health and promote their personal development. Further, it ensures that suppliers do not use exploitation, forced labour and child labour.
- Vesteda requires its suppliers to offer employees equal opportunities and rights regardless of race, gender, origin, sexual orientation, political and religious conviction and eliminate any other form of discrimination.
- Since the beginning of 2021, Vesteda uses an ESG framework that uses indicators to determine a sustainability impact score in which sustainability risks and factors are incorporated for projects that Vesteda is interested investing in. The ESG framework covers among other things health and wellbeing of employees.¹⁰
- Sustainalytics also notes that Vesteda is responsible for compliance with all Dutch health and safety regulations. These regulations require employers to develop health and safety policies that meet minimum requirements set by the government and provide a safe working place, identify and mitigate potential safety hazards, and provide proper training and education.¹³

Sustainalytics has not detected involvement in any relevant controversies which would suggest that the above policies are not adequate in addressing key risks. Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on labour rights and human rights in relation to the activities of the framework.

Anti-bribery and anti-corruption

Vesteda has implemented the following policies and procedures aimed at ensuring anti-bribery and anti-corruption:

- Vesteda has a Business Integrity Policy in place which covers customer due diligence and conflicts of interest amongst other things.

¹³ OSH Wiki, "OSH System at a national level – Netherlands", at: https://oshwiki.eu/wiki/OSH_system_at_national_level_-_Netherlands

- Vesteda has an internal reporting procedure that lays out the different steps of reporting serious incidents as well as confidentiality measures related to this.
- Vesteda has a Code of Conduct ('Gedragscode Vesteda') in place. The document lays out guidelines on different issues such as dealing with conflicting interests, dealing with external parties, handling company assets and confidential information as well as handling gifts and invitations.
- A focal point in scope of Vesteda's compliance function is business conduct which covers rules related to anti-bribery.

Sustainalytics has not detected involvement in any relevant controversies which would suggest that the above policies are adequate in addressing key risks. Sustainalytics is of the opinion that these measures appropriately safeguard anti-bribery and anti-corruption in relation to the activities of the framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Vesteda's policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP and GLP. Sustainalytics has focused the below where the impact is specifically relevant in the local context.

Impact of green buildings

The building sector is responsible for approximately 40% of the EU's total energy consumption and 36% of CO₂ emissions.¹⁴ The EU has established climate objectives for 2030, including a 55% reduction in GHG emissions compared to 1990 levels.¹⁵ An estimated 35% of EU buildings are more than 50 years old and 75% of the stock can be classified as inefficient.¹⁶ Given that 85% of the EU's building stock was built before 2001 and 85-95% of those buildings will still be standing in 2050, renovations have a major role in decarbonising the buildings sector as well.¹⁷ Nevertheless, the renovation speed is slow and needs to triple from 1% to 3% annually to achieve a low-carbon building stock.¹⁸ Estimations suggest that the renovation of existing buildings could reduce the total energy consumption by 5-6% and CO₂ emissions by approximately 5%.¹⁶

In the Netherlands, the building sector is responsible for approximately 36% of the total energy consumption and 25% of the total CO₂ emissions.¹⁹ The Dutch government has taken a proactive approach to emission reduction in the sector by establishing a national target of improving the average energy labels for the building stock to A²⁰ by 2030.²¹ The Dutch government has also implemented agreements to make residential real estate housing more energy efficient and has established a national goal that from 2020 onward all new homes are expected to be nearly-energy neutral.²² However, it is worth noting that within the Netherlands there has been a greater focus on the development of new, low-carbon buildings, rather than on renovation and refurbishment, despite the potential cost savings.²³

¹⁴ World Economic Forum, "Buildings consume more than a third of the EU's energy. Here's how to decarbonize them", at:

<https://www.weforum.org/agenda/2021/01/here-s-how-to-decarbonize-the-eu-s-building-stock/>

¹⁵ European Commission, "Stepping up Europe's 2030 climate ambition Investing in a climate-neutral future for the benefit of our people", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0562>

¹⁶ European Commission, "New rules for greener and smarter buildings will increase quality of life for all Europeans", at:

https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en

¹⁷ European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020DC0662&rid=5>

¹⁸ European Commission. "Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU", at: https://ec.europa.eu/energy/sites/ener/files/documents/1.final_report.pdf

¹⁹ Rijksdienst voor Ondernemend Nederland, "Monitor Energiebesparing Gebouwde Omgeving", at:

<https://www.rvo.nl/sites/default/files/2018/12/Monitor%20Energiebesparing%20gebouwde%20omgeving%202017.pdf>

²⁰ A label- most energy-efficient building; G label- least energy-efficient building.

²¹ Government of the Netherlands, "Energy Report Transition to sustainable energy", at:

<https://www.government.nl/documents/reports/2016/04/28/energy-report-transition-tot-sustainable-energy>

²² Government of the Netherlands, "Central government promotes energy savings", at: <https://www.government.nl/topics/renewable-energy/central-government-promotes-energy-savings>

²³ Filippidou, F. et. al (2017), "Are we moving fast enough? The energy renovation rate of the Dutch non-profit housing using the national energy labelling database", at: <https://www.sciencedirect.com/science/article/pii/S0301421517304548>

The above demonstrates the need for constructing buildings that integrate higher climate and energy requirements as well as the renovation of buildings. Sustainalytics is of the opinion that activities funded by Vesteda's green financing will be meaningful, impactful and will help the Netherlands achieve its climate targets.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) and loan(s) issued under the Vesteda Green Finance Framework advances the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Acquisition and ownership of buildings	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Renovation of existing buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Construction of new buildings		

Conclusion

Vesteda has developed the Vesteda Green Finance Framework under which it may issue green bonds and/or loans and use the proceeds to finance and/or refinance the acquisition and ownership of buildings, renovation of existing buildings and construction of new buildings. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The Vesteda Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Vesteda Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceed category will contribute to the advancement of the UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics is of the opinion that Vesteda has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

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..

Based on the above, 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 2021 and Green Loan Principles 2021.

Appendices

Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant NACE²⁴ activity in the EU Taxonomy. This appendix describes Sustainalytics’ process and presents the outcome of its assessment of alignment with the Taxonomy’s applicable Technical Screening Criteria (TSC) and Do No Significant Harm (DNSH) criteria. Sustainalytics’ assessment involves two steps:

1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics’ assessment process involves mapping each criterion in the Framework to a relevant and applicable NACE activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one NACE activity and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a NACE activity. In such cases, Sustainalytics has mapped to the NACE activity that is most relevant with respect to the primary environmental objective and impacts.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the Taxonomy, and some categories which are traditionally included in green bonds may not be associated with a specific economic activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

The outcome of Sustainalytics’ mapping process for Vesteda’s Framework is shown below.

2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics’ process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the TSC and DNSH criteria is usually based on the specific criteria contained in the issuer’s Framework, and may in many cases (especially DNSH criteria) also be based on management systems and processes and/or regulatory compliance. To assess alignment with the EU Taxonomy’s Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds, as well as examining the regulatory context in the geographical location in which the issuer will finance activities and projects. (This assessment is included in Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant TSC. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics’ detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU / NACE Activity	NACE Code	Primary EU Environmental Objective	Refer to Table
Green Buildings	Acquisition and ownership of buildings	Acquisition and ownership of buildings	L68	Mitigation	Table 3
	Renovation of existing buildings	Renovation of existing buildings	F41 and F43	Mitigation	Table 4
	Construction of new buildings	Construction of new buildings	F41.1, F41.2 and activities under F43	Mitigation	Table 5

²⁴ The EU Taxonomy is based on economic activities defined in NACE (Nomenclature des Activités Économiques dans la Communauté Européenne). The Taxonomy currently lists 70 economic activities which have been chosen due to their ability to substantially contribute to climate change mitigation or adaptation.

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of Issuer’s Framework criteria with the EU Taxonomy’s TSC and DNSH criteria for the relevant NACE activity.

Table 3

Framework Activity assessed		Acquisition and ownership of buildings	
EU Activity		Acquisition and ownership of buildings	
NACE Code		L68	
<i>EU Technical Screening Criteria</i>		<i>Alignment with Technical Screening Criteria</i>	
Mitigation	<p>1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</p> <p>2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.</p>	The acquisition and ownership of buildings is limited to 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 PED.	Aligned
<i>DNSH Criteria</i>		<i>Alignment with DNSH Criteria</i>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 6		Aligned

Table 4

Framework Activity assessed		Renovation of existing buildings	
EU Activity		Renovation of existing buildings	
NACE Code		F41 and F43	
<i>EU Technical Screening Criteria</i>		<i>Alignment with Technical Screening Criteria</i>	
Mitigation	The building renovation complies with the applicable requirements for major renovations. Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30 %	<p>Vesteda’s investment for this category relates to the financing of existing buildings that have undergone, or will undergo, a renovation leading to a 30% reduction of primary energy demand towards an EPC label of at least C. The 30% reduction in primary energy demand will or has taken place after Vesteda obtained ownership and will be verified by an external advisor.”</p> <p>Sustainalytics notes that Vesteda is aligned with the TSC for the renovation of buildings, however, given that that Vesteda will not only finance or refinance economic activities listed under the Renovation of Buildings, Sustainalytics has determined this category to be partially aligned.</p>	Partially aligned
<i>DNSH Criteria</i>		<i>Alignment with DNSH Criteria</i>	

Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 6		Aligned
Sustainable use and protection of water and marine resources	<p>Where installed as part of the renovation works, except for renovation works in residential building units, the specified water use for the following water appliances is attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to this Annex:</p> <p>(a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min;</p> <p>(b) showers have a maximum water flow of 8 litres/min;</p> <p>(c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres;</p> <p>(d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre.</p>	N/A for residential buildings	N/A
Transition to a circular economy	<p>At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.</p> <p>Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887301 or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.</p>	<p>Dutch Building Decree requires the proper separation of construction waste.²⁵</p> <p>Looking at the waste management and recycling data of the Netherlands, it can be concluded that Currently, 77% of waste is recycled and the residual waste is mainly used for energy production.</p> <p>The suppliers and contractors of Vesteda are required to sign a sustainability statement. In this statement it is mandatory to map the waste streams and also to reduce these waste streams. Going forward Vesteda endeavours to include a condition on waste recycling as well.</p>	Partially aligned
Pollution prevention and control	<p>Building components and materials used in the construction complies with the criteria set out in Appendix C to this Annex.</p> <p>Building components and materials used in the building renovation that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other</p>	<p>Dutch Building Decree provides limits to the concentration of formaldehyde, expressed in a maximum concentration for areas instead of per M3 of material (as per EU Taxonomy).²⁶</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or</p>	Aligned

²⁵ Decree of 29 August 2011 laying down regulations with regard to the construction, use and demolition of structures (Building Decree 2012), at: https://wetten.overheid.nl/BWBR0030461/2021-01-01#Hoofdstuk8_Afdeling8.2

²⁶ Artikel 7.19 Asbestvezels en formaldehyde, at: https://rijksverheid.bouwbesluit.com/Inhoud/docs/wet/bb2012_nvt/artikelsgewijs/hfd7/afd7-3/art7-19

	<p>categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011 or other equivalent standardised test conditions and determination methods .</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	<p>maintenance works in line with the Dutch Building Decree.²⁷</p>	
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Table 5

Framework Activity assessed	Construction of new buildings		
EU Activity	Construction of new buildings		
NACE Code	F41.1, F41.2 and activities under F43		
<i>EU Technical Screening Criteria</i>		<i>Alignment with Technical Screening Criteria</i>	
Mitigation	<p>1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).</p> <p>2. 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. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal thermal integrity testing.</p> <p>3. For buildings larger than 5000 m² , 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.</p>	<p>Permitted before 1-1-2021 and constructed after 1-1-2021: energy performance coefficient of at least 0.4</p> <p>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) requirements²⁸</p>	Partially aligned
<i>DNSH Criteria</i>		<i>Alignment with DNSH Criteria</i>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 6		Aligned
Sustainable use and protection of water and marine resources	<p>Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to this Annex:</p> <p>(a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min;</p>	<p>Under the Spatial Planning Act (Wet ruimtelijke ordening, Wro), sites are designated for specific activities. To this end, all interests are carefully considered, this Act requires an assessment on the impact on water safety and water management.</p> <p>Vesteda has analysed its existing portfolio with regard to specific location risks and will add specific</p>	Aligned

²⁷ Bouwbesluit 2012, at: https://wetten.overheid.nl/BWBR0030461/2021-04-01#Hoofdstuk8_Afdeling8.1

²⁸ 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.

	<p>(b) showers have a maximum water flow of 8 litres/min; (c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; (d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre.</p> <p>To avoid impact from the construction site, the activity complies with the criteria set out in Appendix B to this Annex.</p>	<p>building risks to these findings to determine feasible measures Vesteda can apply to reduce heat stress and water stress at an asset level.</p> <p>(Vesteda Annual report 2020, p. 58)²⁹</p>	
Transition to a circular economy	<p>At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.</p> <p>Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887 or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.</p>	<p>Dutch Building Decree requires the proper separation of construction waste.³⁰</p> <p>Looking at the waste management and recycling data of the Netherlands, it can be concluded that Currently, 77% of waste is recycled and the residual waste is mainly used for energy production.</p> <p>The suppliers and contractors of Vesteda are required to sign a sustainability statement. In this statement it is mandatory to map the waste streams and also to reduce these waste streams. Going forward Vesteda endeavours to include a condition on waste recycling as well.</p>	Partially aligned
Pollution prevention and control	<p>Building components and materials used in the construction complies with the criteria set out in Appendix C to this Annex.</p> <p>Building components and materials used in the building renovation that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011 or other equivalent standardised test conditions and determination methods.</p>	<p>Dutch Building Decree provides limits to the concentration of formaldehyde, expressed in a maximum concentration for areas instead of per M3 of material (as per EU Taxonomy).³¹</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works in line with the Dutch Building Decree.³²</p> <p>In the Netherlands, under the Spatial Planning Act (Wet ruimtelijke ordening, Wro), sites are designated for specific activities. To this end, all interests are carefully considered, e.g. the importance of nature, the living enjoyment by residents in the vicinity, etc.</p>	Aligned

²⁹ Vesteda, "Annual Report", at: <https://vestedareport.com/>

³⁰ Decree of 29 August 2011 laying down regulations with regard to the construction, use and demolition of structures (Building Decree 2012), at: https://wetten.overheid.nl/BWBR0030461/2021-01-01#Hoofdstuk8_Afdeling8.2

³¹ Artikel 7.19 Asbestvezels en formaldehyde, at: https://rijksoverheid.bouwbesluit.com/Inhoud/docs/wet/bb2012_nvt/artikelsgewijs/hfd7/afd7-3/art7-19

³² Bouwbesluit 2012, at: https://wetten.overheid.nl/BWBR0030461/2021-04-01#Hoofdstuk8_Afdeling8.1

	<p>Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject to an investigation for potential contaminants, for example using standard ISO 18400</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	<p>Furthermore, an environmental permit (Omgevingsvergunning) requires that testing on soil contamination in line with NEN 5740 is performed before commencing any new construction activities.</p>	
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 6		Aligned

Appendix 3: Criteria for Do No Significant Harm (“DNSH”) to Climate Change Adaptation and Protection and Restoration of Biodiversity and Ecosystems

Table 6

Criteria for DNSH to Climate Change Adaptation		
<i>DNSH Criteria</i>	<i>Alignment with DNSH Criteria</i>	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.³³ The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections; for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments. <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under this framework.</p> <ul style="list-style-type: none"> For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. 	<p>Due to the changing climate, Vesteda is faced with physical climate risks such as heat stress, frequent droughts, extreme rainfall and rising water levels. The Company has analysed its existing portfolio with regard to specific location risks and will add specific building risks to these findings, to determine feasible measures can be applied to reduce heat stress and water stress at an asset level. On the acquisition front, Vesteda is already using its findings on location risks as part of the decision-making process. See policy on the ‘Integration of sustainability risks and factors into the investment decision making process’.³⁴ (Annual report 2020, p. 58)</p> <p>Every acquisition investment proposal has to include a climate risk scan. Specific attention for the risks of heat stress and flooding in Vesteda’s long-term maintenance programme per building complex. (Annual report 2020, p. 58, 76)</p> <p>The implementation of adaptation solutions to reduce identified material physical climate risks is incorporated in the environmental law (‘wet</p>	Aligned

³³ The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU’s draft delegated regulation (Annex 1), at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW

³⁴ <https://www.vesteda.com/media/3804/20210302-policy-on-the-integration-of-sustainability-risks-and-factors-into-the-investment-decision-making-process.pdf>

<ul style="list-style-type: none"> For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. 	<p>natuurbescherming' or 'Flora en Fauna wet'), that is mandatory when obtaining permits or licences for such projects. If there is an impact at all, Vesteda endeavors to mitigate this for instance by incorporating bird houses in walls of complexes.</p> <p>The compliance function fits into Vesteda's 'three lines model'. This model helps to identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management within Vesteda. The first line is formed by the business; the compliance function is part of the second line and operates independently from the business. The third line is formed by the Internal Audit function, which periodically assesses the effectiveness of Vesteda's internal control framework, including compliance. (Annual report 2020, p. 71)</p> <p>For construction of new buildings and large renovations implementing identified adaptation solutions is mandatory. Several provisions related to adaptation are included for instance in the Spatial Planning Act (Wet ruimtelijke ordening, Wro), where sites are designated for specific activities. The Dutch building decree also includes climate adaptation measures, amongst others minimum standards for the capacity of the building to deal with rain water.³⁵</p> <p>A distinction is made in high-risk, medium-risk, and low-risk. For high-risk immediate adaptation solutions are implemented.</p>	
Criteria for the Protection and Restoration of Biodiversity and Ecosystems		
<i>DNSh Criteria</i>	<i>Alignment with DNSh Criteria</i>	
<ul style="list-style-type: none"> An Environmental Impact Assessment (EIA) or screening has been completed, for activities within the Union, in accordance with Directive 2011/92/EU. For activities in third countries, an EIA has been completed in accordance with equivalent national provisions or international standards. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented. 	<p>The thresholds for a mandatory environmental impact assessment in the Netherlands are not applicable to the size of the residential housing units and complexes in Vesteda's portfolio.³⁶</p> <p>In the Netherlands, under the Spatial Planning Act (Wet ruimtelijke ordening, Wro), sites are designated for specific activities. To this end, all interests are carefully considered, e.g. the importance of nature, the living enjoyment by residents in the vicinity, etc.</p> <p>Certain habitat types and species are protected within specific areas called 'Flora-Fauna-Habitat areas' or 'Natura 2000 sites' (based on the EU Conservation of Natural Habitats and Wild Fauna and Flora Directive, current consolidated version of 1 July 2013, and the EU Conservation of Wild</p>	<p>Aligned</p>

³⁵ Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, "Bouwbesluit 2012", at: <https://rijksoverheid.bouwbesluit.com/Inhoud/docs/wet/bb2012/hfd6/afd6-4/art6-17>

³⁶ Kenniscentrum InfoMil, "Milieueffectrapportage en woningbouw", at: <https://www.infomil.nl/onderwerpen/ruimte/functionies/wonen/onderbouwing/mer-wonen/>

	Birds Directive, current consolidated version of 26 June 2019)
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Appendix 4 Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Vesteda
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Vesteda Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 1, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Acquisition and ownership of buildings, Renovation of existing buildings, Construction of new buildings –e, are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible category is expected to reduce the environmental footprint of the Netherland’s residential building stock and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Vesteda has established a Green Finance Framework Group composed of company managers to carry out the evaluation and selection process. The group will evaluate existing and potential eligible assets annually to determine whether they meet the framework criteria. Eligible assets will be added to the portfolio and on a quarterly basis a compliance report will be developed by the Treasurer and sent to Vesteda’s Risk Committee to verify compliance. Vesteda’s environmental and social policies and risk assessment processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers this to be adequate and to be aligned with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Vesteda's Treasurer will manage proceeds on a portfolio basis and track allocation using Vesteda's internal tracking system. Pending full allocation of proceeds, unallocated funds will be managed according to Vesteda's treasury criteria. Vesteda intends to reach full allocation within two years of issuance. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

Vesteda intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include breakdown of allocation to specific use of proceeds categories, the total outstanding volume of green finance instruments issued under the framework, the share of financing versus refinancing and average lookback period; and, if necessary, the total unallocated amount. In addition, Vesteda is committed to reporting on relevant impact metrics. Sustainalytics views Vesteda's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|---|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): the total outstanding volume of green finance instruments issued under the framework, the share of financing versus refinancing and average lookback period |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): Examples or case studies of Eligible Assets. |

Frequency

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
|--|---|

- Information published in ad hoc documents Other (please specify): Vesteda's website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
- Verification / Audit Rating
- Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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