



# Policy on sustainability and remuneration



## Information sheet and version control

### Information sheet

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Department Management Board  
Policy owner CEO

Approved by Supervisory Committee

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To External use



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## Chapter 1

# Introduction

## Scope

Vesteda Investment Management B.V. ("Vesteda") is the Manager of Vesteda Residential Fund (the "Fund") and, as such, must adhere to the Alternative Investment Fund Managers Directive ("AIFMD"). Pursuant to the AIFMD, Vesteda has implemented a balanced remuneration policy for the members of its Management Board (Chief Executive Officer and Chief Financial Officer) and Management Team (jointly "Management"). The Management Team is comprised of: Chief Operations Officer, Chief Investment Officer, Director HR. It is noted that Vesteda's Manager Internal Audit and its Compliance Officer are part of the "identified staff" as defined in the AIFMD. However, as they do not receive performance related variable remuneration, they fall outside the scope of this policy.

Vesteda's remuneration policy is clear and transparent, and is meant to be closely aligned with its strategy, business targets and the overall interests of Vesteda. It is also aligned with and a contributing factor to adequate and effective risk management. It aims at avoiding that Management take risks that are not compatible with Vesteda's risk profile. In addition, the remuneration policy is constructed in such a way that financial incentives that may enhance irresponsible risk taking in Vesteda's operational and financial policies are avoided.

The remuneration policy aims at contributing to the integrity and solidity of the company and at the long-term objectives of the company and the interests of Vesteda's stakeholders. In light hereof, it is deemed essential that Management is focused on achieving concrete and ambitious sustainability targets and take into account sustainability risks in the day-to-day operations.

This policy describes Vesteda's (variable) remuneration policy for Management and how this is consistent with the integration of sustainability risks and factors.



## Chapter 2

# Remuneration Policy and sustainability risks

## Description of remuneration policy

The remuneration for our Management is aimed at preventing that irresponsible risks are taken for personal gain. The total remuneration comprises of a fixed and a variable component.

The remuneration comprises:

- Fixed part
- Variable part
  - Direct component: 60% of overall variable remuneration
  - Indirect component: 40% of overall variable remuneration

The direct component is unconditional, the indirect component is conditional. Both components are rewarded 50% in cash and 50% in phantom shares. The indirect component can be subject to a correction by the Supervisory Committee for three years. After this period, the indirect component is converted into an unconditional grant. The purpose of this retention period is to ensure that the focus of Management is directed towards Vesteda's business continuity and long-term objectives, which include sustainability objectives. In case Supervisory Committee is of the opinion that Vesteda faces undesirable results due to for example irresponsible risk taking on the part of the grantee, it could decide to apply a significant downwards adjustment of the indirect component.

The phantom shares are subject to a retention period of one year after the unconditional grant. Vesteda does not grant guaranteed variable remuneration.

The aforementioned leads to the following:

The variable remuneration entitles:

- the CEO to 26.6% of base salary for 'on target' performances, with a maximum of 40%
- the CFO to 20% of base salary for 'on target' performances, with a maximum of 30%
- the COO and CIO, as part of the Management Team to 20% of base salary for 'on target' performance, with a maximum of 30%
- the HR Director as part of the Management Team to 8% of base salary for 'on target' performance, with a maximum of 12%

This also evidences that the overall remuneration of Management is not disproportionately dependent on achieving certain individual targets, which mitigates the risk that unsound business decisions are taken to the detriment of (sustainability) targets in the interest of personal gain.



## Targets

The variable part of the remuneration depends on whether set targets are met.

The following principles are applied:

- the targets should reflect a fair balance between:
  - o long-term and short-term goals
  - o company goals and individual goals
  - o the interests of the various stakeholders of Vesteda
  - o financial and non-financial criteria
  - o qualitative and quantitative criteria
- individual targets should have limited impact on the total remuneration
- a material qualitative part of the variable component is at the discretion of the Supervisory Committee
- part of the variable remuneration will be invested in Vesteda and has a lock-up period of three years

The targets that are related to the overall performance of the company should represent 70% of the target setting. The targets should be ambitious and promote outperformance. Underperformance on a specific target means no allocation of that variable remuneration component will take place.

The targets are closely linked to the goals that are set in Vesteda's current Business Plan and are reviewed on a quarterly basis by the Nomination- and Remuneration Committee. The Supervisory Committee shall make the final assessment on whether the set targets are achieved or not. Quantitative targets, are calculated and verified by Vesteda's business control department.

## Sustainability risks and factors

### ESG targets

With regards to sustainability of the portfolio, Vesteda focuses on climate change mitigation and adaptation. Our goal is to outperform the Paris Agreement targets and mitigating the climate risks of our portfolio. As such, Vesteda has integrated some key actions in the Business Plan 2023-2027:

#### *Environmental*

- implementing our CO2 roadmap to 2030 resulting in an energy reduction of 55% on kWh/m<sup>2</sup> consumption in comparison to 1990, taking in regard:
  - o finalise the final ambitious and challenging refurbishment projects aimed at achieving the 99% green label goal in 2024
  - o the installation of 9,500 solar panels per year from 2023 up to 2027



- use BREEAM-in use certifications to determine the improvements at asset level to lower the energy consumption and improve the sustainability performance
- we aim to have a portfolio with low climate risks and therefore we aim to have mitigated the buildings with the highest risks (2% of units in portfolio) and have assessments and planned actions for the other elevated risks by 2025.

#### *Social*

- focus on affordability by taking sustainability measures and stimulating our tenants to reduce their energy consumption
- maintain and/or increase Vesteda's exposure to (regulated) mid-market homes in primary regions

#### *Governance*

- create Vesteda governance score (2023) and use annual outcomes to continuously improve our governance framework

The Business Plan has been approved by the participants of the Fund. The Supervisory Committee will monitor the Fund's performance against the Business Plan on a continuous basis throughout the year.

Aforementioned key actions have been converted into concrete and measurable targets for Management for 2023:

- Energy label conversion rate
- GRESB score ("Global Real Estate Sustainability Benchmark"): 5 stars and compete for top 3 position

In realising these targets, Management always focuses on the real impact on sustainability goals versus "quick wins". In theory, Management could influence its GRESB score by implementing "quick win" measures. This risk is significantly mitigated by reducing the weight of this target and to aim for a top 3 position and 5 stars, rather than to "win the contest" at all costs.

The defined targets are further integrated in the targets of the employees at all levels within the organisation.

#### **Other targets**

It is noted that other targets could, in theory, have an indirect (negative) effect on sustainability factors. To avoid this, it is ensured that these targets are balanced and not overweight in the total target setting.



## Review and approval

This policy shall be reviewed and approved on an annual basis.

Any changes to this policy shall be submitted for review to the Nomination- and Remuneration Committee and approved by the Supervisory Committee.